Who's Funding East Ukraine Militancy?

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Experts and intelligence service track complex arrangements that keep funds flowing to pro-Russian movement.

As violence increases in Ukraine, analysts say separatist groups in the east are able to draw on a range of funding sources.

Ukrainians officials have repeatedly alleged that not only did deposed president Viktor Yanukovich use his amassed fortunes to fund agents provocateurs during the Maidan protests that led to his regime's downfall, he continues to channel money to secessionist activists from his current location, Russia.

Ukrainian deputy prime minister Vitaly Yarema told reporters on April 4 that the former president was funding disturbances in eastern Ukraine.

“According to our information, Viktor Yanukovych and his supporters removed very large sums of money from Ukrainian territory. We don’t know the precise sums, but it appears they’re in the billions of dollars,” Yarema said. “According to our own information and information from our intelligence services, these funds are being used right now to incite separatist sentiment.”

Ukraine’s prosecutor general, Oleh Mahnitsky, told last month’s Ukraine Forum on Asset Recovery in London that Yanukovych stole “tens of billions of dollars” from the country and stashed the assets abroad. At least 32 billion US dollars was driven out of Ukraine in trucks early this year, he said.

Presidential candidate Valery Konovalyuk reiterated this message at a May 8 press conference in Washington.

“Every week, Yanukovich passes 15 to 20 million dollars to support disturbances in eastern Ukraine,” he claimed.

Not all analysts agree with the government’s assertion that it is mainly Yanukovich who is funding the insurgents.

“There is no any single centre of funding for separatist activity,” Dmytro Tymchuk, head of the Military and Political Studies Centre said, adding that while he doubted Yanukovich was financing the conflict, he was sure the Russian secret service was providing funds for it.

“Ukrainian counter-intelligence has detected channels of funding in banks and blocked them,” he said. “Since then, the FSB [Russian Federal Security Service] decided to convey money in cash from occupied Crimea.”

In April 2014, Ukrainian border guards arrested several couriers carrying suitcases stuffed with several million dollars from Crimea.

“As their tactics failed, the FSB changed the size of the dispatches,” Tymchuk said. “Now it is only tens of thousands dollars in each parcel, and arresting a courier with such a sum is well-nigh impossible.”

Tymchuk said small sums were issued by pro-Russia NGOs in Ukraine “directly to the bank accounts of volunteers”.

“A mastermind [from an NGO] offers you 100 dollars to occupy a local government building. If you agree, a pre-payment arrives in your bank account, and after the assault you get the second part of the honorarium,” he explained.

The Ukrainian Security Service (SBU) recently reported that intercepting a massive money transfer from what it called “a commercial structure of the Russian ministry of defence” to a company in Donetsk.

According to the SBU, the Moscow-based Central Directorate for Troop Equipment tried to arrange a bank transfer of 100 million roubles (2.8 million dollars) from its branch in Sebastopol, Crimea, to the Donetsk company’s account. The payment was supposedly for construction work, although this had not taken place, and the SBU smelled a rat.

An statement from the agency alleged that the assets “were to be used for funding illegal activity of terrorist groups on Ukrainian territory and subversive acts during the [May 9] Victory Day celebrations”.

Under laws against money-laundering, the transfer was stopped and the bank accounts of the Donetsk
Another funding source, Tymchuk believes, is various Ukraine officials who lost their jobs after Yanukovich fled and an interim government came to power.

“They use criminal schemes worked out during the Yanukovych regime,” Tymchuk said. “These include ‘conversion centres’ [front companies], kickbacks and extortion which generate tens, even hundreds of thousands of dollars a day.”

The SBU says its investigators recently cracked a criminal enterprise siphoning off funds from Ukrainian businesses, including state-owned ones. Nearly 300 million hryvnia, about 25 million dollars, had been funnelled into a shadow account for each of the the last three years.

“Investigative leads regarding the possible use of illegally obtained to finance radical groups and destabilise the situation in the region are currently being checked,” the SBU said in a statement.

Some commentators say that Ukrainian oligarchs who think they would benefit from the federalisation that Moscow is pressing for are prepared to support anti-Kiev movements.

Ivan Katchanovski, a professor at the School of Political Studies at the University of Ottawa, says there are numerous local tycoons ready to assist in the disintegration of Ukraine.

“Analyses of different sources indicates that local businessmen and politicians are major sources of separatist funding in eastern Ukraine,” Katchanovski said. “In Donbas, various businessmen and politicians support not only outright separatism but regional autonomy and federalism, both for ideological reasons and because of self-interest.”

Andreas Umland, associate professor of European studies at the Kiev-Mohyla academy in the Ukrainian capital, believes that Moscow’s state sponsorship of Ukrainian unrest reflects a desire to distract attention from problems in Russia itself.

“The motivation for the Kremlin’s activities in Crimea and in eastern Ukraine is the stabilisation of the current [Russian] political system,” Andreas Umland, associate professor of European studies at the Kyiv-Mohyla academy, told IWPR. “As economic stagnation and large-scale corruption are discrediting the Russian regime, it is looking for other sources of legitimacy [such as] territorial expansion. The Russian public likes this. That is why investing in Ukrainian separatism makes sense.”

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