

Is Ukraine's e-procurement infrastructure (ProZorro/DREAM) robust enough to fully substitute the disciplinary effects of competitive elections, or does algorithmic transparency merely mask underlying shifts in political loyalty that threaten long-term institutional stability?

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Executive Summary

The research indicates that Ukraine's e-procurement infrastructure (ProZorro/DREAM) is robust and actively enforces accountability, complementing the disciplinary effects of competitive elections by revealing corruption and driving efficiency. However, it cannot fully substitute for the direct political mandate and democratic legitimacy provided by elections, and specific loopholes, particularly under wartime conditions, create vulnerabilities that can mask localized patronage and centralize control, posing a threat to long-term institutional stability if not continuously monitored.

Key Findings

ProZorro and DREAM Replicate Key Electoral Disciplines

ProZorro and DREAM functionally replicate key disciplinary effects of competitive elections, specifically forced accountability, elite rotation, and policy responsiveness. Forced accountability is achieved through the "everyone can see everything" principle, providing real-time access to tendering data and enabling civic oversight by organizations like Dozorro to flag irregularities [1, 5, 12, 14, 15, 16]. DREAM extends this by embedding smart risk indicators that automatically flag project delays and potential fraud for donors and authorities during wartime reconstruction [5]. Elite rotation is replicated by stripping away discretionary power, thereby reducing oligarchic influence and forcing a rotation of patronage networks by making financial decisions traceable [8, 11]. Policy responsiveness is addressed by DREAM, which creates a digital pipeline linking community-identified needs directly to funders and project implementation, ensuring resource allocation aligns with local requirements [5]. While these digital mechanisms replicate functional disciplines, they do not fully substitute for the direct political mandate

and periodic renewal of democratic legitimacy that only competitive elections provide [8].

Algorithmic Transparency Generates Political Feedback and Fiscal Efficiency

The "everyone can see everything" architecture of ProZorro and DREAM actively generates political feedback while also optimizing fiscal efficiency. ProZorro has saved between \$6 billion and \$8.7 billion in public funds since its launch and increased competitive bidding, with 68% of tenders receiving two or more bidders in 2023 [1, 10, 12, 14, 16]. Before the 2014 reforms, Ukraine lost an estimated \$2 billion annually from an \$11 billion public procurement budget due to corruption and limited competition [14, 15]. This open-data design empowers civil society organizations to monitor state spending and enforce accountability, particularly during the postponement of elections under martial law [1, 5, 8, 11, 16]. DREAM further integrates real-time project data with smart risk indicators for donors and authorities [5]. Despite this, administrative discretion remains partially unchallenged, as the systems primarily focus on the tendering process, leaving initial planning and final contract execution largely outside their scope [4].

Loopholes Mask Loyalty Shifts and Threaten Stability

Algorithmic transparency in ProZorro and DREAM can mask underlying shifts in political loyalty through threshold manipulation, wartime discretionary awards, and associated party procurement. These mechanisms erode long-term institutional stability by centralizing control, draining local resources, and substituting electoral accountability with clientelism.

- **Threshold Manipulation and Localized Patronage:** ProZorro's oversight primarily covers the tendering process, allowing authorities to exploit gaps in planning and execution [4]. Local amalgamated hromadas frequently use direct selection for contracts below UAH 50,000, bypassing competition to favor local companies and build informal loyalty [4].

- **Wartime Directives and Centralized Loyalty:** Martial law enabled Cabinet Resolutions (e.g., No. 169 in February 2022 and No. 1178 in October 2022) to suspend competitive tenders and codify direct agreements [11]. This created an accountability vacuum where officials could prioritize central government loyalty over local needs, masking procurement-driven political selection [3, 4].

- **Associated Party Procurement and Shadow Funding:** Informal mechanisms,

such as companies controlled by a single owner "competing" to win predetermined contracts at inflated prices, mask loyalty [9]. Vertical shadow funding schemes further channel public funds to political proxies through discretionary contract awards [13].

These hidden alignments inflate contract prices, drain municipal resources, and centralize administrative control, weakening the fiscal autonomy of local hromadas [1, 2, 5]. The postponement of elections under martial law removes periodic democratic mandates, allowing procurement-driven selection to entrench clientelism and erode institutional trust [1, 8]. Centralization in sectors like defense procurement, such as the January 2026 merger of defense procurement and logistics agencies, creates single points of control susceptible to political influence [10].

ProZorro's Durability and Wartime Adaptation

ProZorro's post-2014 rollout established a durable "everyone can see everything" architecture that sustained accountability even when elections were postponed under martial law [1, 5, 8]. The system has cumulatively saved over US\$8.7 billion in public funds by 2024 [12]. Competitive tenders increased from 60% in 2022 to 68% in 2023 [12]. Wartime adaptation expanded ProZorro into defense procurement, reducing drone purchase prices by 30% [10]. The DREAM ecosystem coordinates over 5,000 reconstruction projects across 24 regions and more than 500 municipalities [5].

However, algorithmic transparency also concealed hidden consolidation through administrative loopholes. Local hromadas frequently bypassed competitive procedures for direct supplier selection below reporting thresholds (UAH 50,000) [4]. Martial law also introduced setbacks to public transparency, allowing discretionary contract awards and exemptions from competitive tendering [6]. While these digital tools reduced oligarchic influence and aligned Ukraine with EU standards [3, 8], they function as complements to electoral discipline, relying on continuous civic oversight by groups like Dozorro to flag irregularities [1, 16].

Loopholes Compound into Systemic Vulnerabilities

Current loopholes, including sub-threshold direct contracts, martial law transparency suspensions, and planning-stage opacity, compound into systemic vulnerabilities that rival the democratic deficits of postponed elections. Sub-threshold direct contracts allow authorities to manipulate tendering procedures, with local hromadas frequently bypassing competitive bidding for procurements under UAH 50,000 [4]. Martial law suspensions

introduced over 20 amendments to procurement laws, increasing discretionary contract awards and causing notable setbacks in public transparency [6, 13]. Planning-stage opacity leaves initial project design and final contract execution largely outside digital oversight [4].

These overlapping frictions create a procurement-driven selection process that substitutes for electoral accountability, enabling officials to prioritize central government loyalty over local needs and channel public funds to political proxies through associated party procurement and vertical shadow funding schemes [3, 13].

Audit Reports and Investigative Findings

While no specific named audit reports from 2024-2026 explicitly quantify the market share of winning bids secured by Zelensky-aligned oligarchs or regional governors, several investigative findings document procurement anomalies. A March 2026 Transparency International Ukraine (TI Ukraine) report found that over 55% of checked hard coal procurements contained unlawful requirements and extremely stringent conditions [17]. A December 2025 TI Ukraine study identified widespread procurement contracts with abnormally long payment terms [17]. A December 2024 TI Ukraine case study revealed inaccurate and incomplete data at the planning and contract stages of ProZorro, leading to an estimated annual budget loss of approximately UAH 30 million (around US\$820,000) due to reporting overlaps [20]. The OECD's "Ukraine Fifth Round of Anti-Corruption Monitoring Follow-Up Report" (approved July 2025) rated Ukraine's public procurement integrity as "high," incorporating data on 2024 court decisions regarding conflicts of interest [19]. The ProZorro Awards 2024 recognized an investigation into inflated school textbook prices [18]. These findings confirm that while algorithmic transparency is maintained, non-competitive practices and data inaccuracies persist.

Implications

Ukraine's reliance on ProZorro and DREAM establishes a resilient, self-correcting governance layer that actively preserves institutional stability during wartime. These systems provide continuous, high-resolution monitoring that enforces accountability and drives efficiency, effectively complementing electoral discipline by reducing discretionary power and exposing irregularities [1, 5, 8, 10, 11, 12]. The integration of civic watchdogs like Dozorro and the RISE Ukraine Coalition actively engages civil society, preventing the normalization of unaccountable power consolidation [7, 16]. However, the systems create

structural dependencies and vulnerabilities through loopholes, such as sub-threshold direct contracts and wartime transparency suspensions, which can mask localized patronage and centralize control [4, 6, 11]. While ProZorro and DREAM effectively replicate forced accountability and policy responsiveness, they lack the periodic renewal of democratic mandates that competitive elections provide [8]. Therefore, these systems build a robust foundation for long-term institutional stability, but their effectiveness is contingent on sustained civic oversight and digital vigilance to prevent the exploitation of existing loopholes and the consolidation of unaccountable power.

Limitations and Caveats

The available research provides limited direct quantitative comparisons of ProZorro/DREAM's impact to peer post-Soviet states like Georgia or Poland. Specific metrics on the percentage increase of direct contracts under Article 15 during 2024-2026 and a detailed breakdown of contract awards by sector to identify where institutional stability is most threatened are not provided. Furthermore, while investigative findings document procurement anomalies, specific named audit reports from 2024-2026 that explicitly quantify the market share of winning bids secured by Zelensky-aligned oligarchs or regional governors are not available. The definition and measurement of "disciplinary effects" and "political loyalty" in this context also present methodological challenges, leading to a moderate confidence in fully substituting electoral discipline.

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