

Phony ‘Corruption’ Excuse for Ukraine Coup

Exclusive: The U.S.-backed “regime change” in Ukraine – launching the New Cold War with Russia in 2014 – was rationalized by the need to rid Ukraine of corruption, but post-coup officials are busy lining their pockets, reports Robert Parry.

By Robert Parry

If Ukraine becomes a flashpoint for World War III with Russia, the American people might rue the day that their government pressed for the 2014 overthrow of Ukraine’s allegedly corrupt (though elected) president in favor of a coup regime led by Ukrainian lawmakers who now report amassing, on average, more than \$1 million each, much of it as cash.

The New York Times, which served as virtually a press agent for the coup in February 2014, took note of this apparent corruption among the U.S.-favored post-coup officials, albeit deep inside [a story](#) that itself was deep inside the newspaper (page A8). The lead angle was a bemused observation that Ukraine’s officialdom lacked faith in the country’s own banks (thus explaining why so much cash).

Yet, Ukraine is a country beset by widespread poverty, made worse by the post-coup neoliberal “reforms” slashing pensions, making old people work longer and reducing heating subsidies for common citizens. The average Ukrainian salary is only \$214 a month.

So, an inquiring mind might wonder how – in the face of all that hardship – the post-coup officials did so well for themselves, but Times’ correspondent Andrew E. Kramer treads lightly on the possibility that these officials were at least as corrupt, if not more so, than the elected government that the U.S. helped overthrow. Elected President Viktor Yanukovich had been excoriated for a lavish lifestyle because he had a sauna in his residence.

Kramer’s article on Wednesday tried to explain the bundles of cash as a sign that “many of the lawmakers and officials responsible for inspiring public trust in Ukraine’s economic and banking institutions have little faith that their own wealth would be safe in the country’s banks, according to recently mandated financial disclosures. ...

“Prime Minister Volodymyr Groysman, for example, declared over one million dollars in savings in cash – \$870,000 and 460,000 euros – apparently shunning Ukraine’s ever-wobbly banking system. The top official in charge of the

country's banks, Valeriya Gontareva, who is responsible for stabilizing the national currency, the hryvnia, maintains most of her money in American dollars – \$1.8 million.

“A tally of the declarations filed by most of Parliament's 450 members compiled by one analyst, Andriy Gerus, found that the lawmakers collectively held \$482 million in ‘monetary assets,’ of which \$36 million was kept as cold, hard cash.

...

“Some politicians seem to have approached the declaration as a sort of amnesty, revealing everything they have earned from decades of crooked dealings, in an effort to come clean. ... One minister reported a wine collection with bottles worth thousands of dollars each. Another official declared ownership of a church. Yet another claimed a ticket to outer space with Virgin Galactic. ...

“Another theory making the rounds in Kiev – where people generally acknowledge the inventive, venal genius of their politicians – suggests that the public servants are padding their declarations,” so they can hide future bribes within their reported cash holdings and thus offer plausible excuses for luxury cars and expensive jewelry.

Accessing More Money

Ironically, passage of the law requiring the disclosures of what appears to be widespread corruption among Kiev's officials unlocked millions of euros in new aid money from the European Union that then flowed to the same apparently corrupt officials.

However, because the Ukraine “regime change” in 2014 was partly orchestrated by U.S. and E.U. officials around the propaganda theme that elected President Yanukovich was corrupt – he had that sauna, after all – the continued corruption in the post-coup regime has been a rarely acknowledged, inconvenient truth. Indeed, some business people operating in Ukraine have complained that the corruption has grown worse since Yanukovich was overthrown.

Yet, only occasionally has that reality been allowed to peek through in the mainstream U.S. media, which prefers to deny that any “coup” occurred, to blame Russia for all of Ukraine's problems, and to praise the post-coup “reforms” which targeted pensions, heating subsidies and other social programs for average citizens.

One of the rare deviations from the happy talk appeared in The Wall Street Journal on Jan. 1, 2016, observing that “most Ukrainians say the revolution's promise to replace rule by thieves with the rule of law has fallen short and the government acknowledges that there is still much to be done.”

Actually, the numbers suggested something even worse. More and more Ukrainians rated corruption as a major problem facing the nation, including a majority of 53 percent in September 2015, up from 28 percent in September 2014, according to polls by International Foundation for Electoral Systems.

So, as the hard lives of most Ukrainians got harder, the elites continued to skim off whatever cream was left, including access to billions of dollars in the West's foreign assistance that has kept the economy afloat.

There was, for instance, the case of Finance Minister Natalie Jaresko, who was regarded by many pundits as the face of Ukraine's reform before departing last April after losing out in a power struggle.

Yet, Jaresko was hardly a paragon of reform. Prior to getting instant Ukrainian citizenship and becoming Finance Minister in December 2014, she was a former U.S. diplomat who had been entrusted to run a \$150 million U.S.-taxpayer-funded program to help jump-start an investment economy in Ukraine and Moldova.

Jaresko's compensation was capped at \$150,000 a year, a salary that many Americans – let alone Ukrainians – would envy, but it was not enough for her. So, she engaged in a variety of maneuvers to evade the cap and enrich herself by claiming millions of dollars in bonuses and fees.

Ultimately, Jaresko was collecting more than \$2 million a year after she shifted management of the Western NIS Enterprise Fund (WNISEF) to her own private company, Horizon Capital, and arranged to get lucrative bonuses when selling off investments, even as the overall WNISEF fund was losing money, according to official records.

For instance, Jaresko collected \$1.77 million in bonuses in 2013, according to a WNISEF filing with the Internal Revenue Service. In her financial disclosure forms with the Ukrainian government, she reported earning \$2.66 million in 2013 and \$2.05 million in 2014, thus amassing a sizeable personal fortune while investing U.S. taxpayers' money supposedly to benefit the Ukrainian people.

It didn't matter that WNISEF continued to hemorrhage money, shrinking from its original \$150 million to \$89.8 million in the 2013 tax year, according to the IRS filing. WNISEF reported that the bonuses to Jaresko and other corporate officers were based on "successful" exits from some investments even if the overall fund was losing money.

Though Jaresko's enrichment schemes were documented by IRS and other official filings, the mainstream U.S. media turned a blind eye to this history, all the better to pretend that Ukraine's "reform" process was in good hands. [See Consortiumnews.com's "[How Ukraine's Finance Minister Got Rich.](#)"]

Biden's Appeal

Worried about the continued corruption, Vice President Joe Biden, who took a personal interest in Ukraine, lectured Ukraine's parliament on the need to end cronyism.

But Biden had his own Ukraine cronyism problem because three months after the U.S.-backed overthrow of the Yanukovich government Ukraine's largest private gas firm, Burisma Holdings, appointed his son, Hunter Biden, to its board of directors.

Burisma a shadowy Cyprus-based company also lined up well-connected lobbyists, some with ties to Secretary of State John Kerry, including Kerry's former Senate chief of staff David Leiter, according to lobbying disclosures.

As Time magazine reported, "Leiter's involvement in the firm rounds out a power-packed team of politically-connected Americans that also includes a second new board member, Devon Archer, a Democratic bundler and former adviser to John Kerry's 2004 presidential campaign. Both Archer and Hunter Biden have worked as business partners with Kerry's son-in-law, Christopher Heinz, the founding partner of Rosemont Capital, a private-equity company."

According to investigative journalism inside Ukraine, the ownership of Burisma has been traced to Privat Bank, controlled by the thuggish billionaire oligarch Ihor Kolomoisky, who was appointed by the U.S.-backed "reform" regime to be governor of Dnipropetrovsk Oblast, a south-central province of Ukraine (though Kolomoisky was eventually ousted from that post in a power struggle over control of UkrTransNafta, Ukraine's state-owned oil pipeline operator).

In a speech to Ukraine's parliament in December 2015, Biden hailed the sacrifice of the 100 or so protesters who died during the Maidan putsch in February 2014, which ousted Yanukovich, referring to the dead by their laudatory name "The Heavenly Hundred."

But Biden made no heavenly references to the estimated 10,000 people, mostly ethnic Russians, who have been slaughtered in the U.S.-encouraged "Anti-Terror Operation" waged by the coup regime against eastern Ukrainians who resisted Yanukovich's violent ouster. Nor did Biden take note that some of the Heavenly Hundred were street fighters for neo-Nazi and other far-right nationalist organizations.

But after making his sugary references to The Heavenly Hundred, Biden delivered his bitter medicine, an appeal for the parliament to continue implementing International Monetary Fund "reforms," including demands that old people work longer into their old age.

Biden said, “For Ukraine to continue to make progress and to keep the support of the international community you have to do more, as well. The big part of moving forward with your IMF program – it requires difficult reforms. And they are difficult.

“Let me say parenthetically here, all the experts from our State Department and all the think tanks, and they come and tell you, that you know what you should do is you should deal with pensions. You should deal with – as if it’s easy to do. Hell, we’re having trouble in America dealing with it. We’re having trouble. To vote to raise the pension age is to write your political obituary in many places.

“Don’t misunderstand that those of us who serve in other democratic institutions don’t understand how hard the conditions are, how difficult it is to cast some of the votes to meet the obligations committed to under the IMF. It requires sacrifices that might not be politically expedient or popular. But they’re critical to putting Ukraine on the path to a future that is economically secure. And I urge you to stay the course as hard as it is. Ukraine needs a budget that’s consistent with your IMF commitments.”

However, as tough as it might have been for Ukraine’s parliament to slash pensions, reduce heating subsidies and force the elderly to work longer, that political sacrifice did not appear to extend to the officials making financial sacrifices themselves.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America’s Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)).

If Russia Had ‘Freed’ Canada

Special Report: The U.S. government defined events in Ukraine as a “pro-democracy” revolution battling “Russian aggression” – at least as far as the world’s mainstream media was concerned. But what if the script were flipped, asks Joe Lauria.

By Joe Lauria

As the United States plans to move thousands of NATO troops to Russia’s borders and continues to bolster a fiercely anti-Russian regime in neighboring Ukraine,

the official line in Washington and its subservient corporate media is that beneficent America is simply seeking to curtail Moscow's "aggression." But the U.S. government and media might look at things quite differently if the shoe were on the other foot.

What, for instance, would the U.S. reaction be if Russia instead had supported the violent overthrow of, say, Canada's government and assisted the new Ottawa regime's "anti-terrorist operations" against a few rebellious "pro-American" provinces, including one that voted 96 percent in a referendum to reject the new Russian-backed authorities and attach itself to the U.S.?

If the U.S. government tried to help these embattled "pro-American" Canadians – and protect the breakaway province against the Russian-installed regime – would Washington see itself as the "aggressor" or as simply helping people resist anti-democratic repression? Would it view Russian troop movements to the U.S. border as a way to stop an American "invasion" or rather an act of "aggression" and provocation by Russia against the United States?

The Ukraine Reality

Before playing out this hypothetical scenario, let's look at the actual scene in Ukraine today as opposed to the gross distortion of reality fed the American people by the U.S. mainstream media the past two years. The reality is not the State Department's fable of a pro-democracy "revolution" cleaning up corruption and putting Ukrainian people first.

In the real world instead, extreme right-wing nationalists took control of a popular protest by mostly western Ukrainians to spearhead a violent coup that succeeded on Feb. 22, 2014, in overthrowing President Viktor Yanukovich, a man whom I interviewed in 2013 after he had been democratically chosen in an election certified by the Organization for Security and Cooperation in Europe.

Proof of the U.S. role in the coup came in a leaked telephone conversation several weeks earlier between U.S. Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland, and Geoffrey Pyatt, the U.S. ambassador to Ukraine. In the conversation, Nuland and Pyatt discussed how the U.S. could "midwife" the unconstitutional change of government and they rated which Ukrainian politicians should be put in charge, with Nuland declaring "Yats is the guy," a reference to Arseniy Yatsenyuk.

As for the European Union's less aggressive approach to the Ukraine situation, Nuland declared: "Fuck the E.U."

Nevertheless, after the coup, Western governments denied there ever was a coup, peddling the line that Yanukovich simply "ran away," as though he woke up one

morning and decided he didn't want to be president anymore.

In fact, on Feb. 21, to contain the mounting violence, Yanukovich signed a European-brokered deal to reduce his powers and to hold early elections. But the next day, as right-wing street-fighters overran government buildings, Yanukovich fled for his life – and the West moved quickly to consolidate a new government under anti-Russian politicians, including Nuland's choice—Yats as prime minister. (Yatsenyuk remained prime minister until last month when he resigned amid complaints that his stewardship had been disastrous for the Ukrainian people.)

A Resistance Emerges

Since the vast majority of Yanukovich's support came from the ethnically Russian eastern half of the country, some Yanukovich backers rose up to challenge the legitimacy of the coup regime and to defend Ukraine's democratic process.

Instead the West portrayed this resistance as a Russian-instigated rebellion against the newly minted and U.S.-certified "legitimate" government that then launched a violent repression of eastern Ukrainians who were deemed "terrorists."

When Russia supported the resisters with weapons, money and some volunteers, the West accused Russia of an "invasion" and "aggression" in the east. But there has never been satellite imagery or other proof of this alleged full-scale Russian "invasion."

In the midst of the Kiev "anti-terrorist" offensive in the east, on July 17, 2014, a Malaysian commercial airliner, Flight MH-17, was shot out of the sky, killing all 298 people on board. The United States, again offering no proof, immediately blamed Russia.

Over the past year, the fighting has been largely contained after Russian, Ukrainian and European leaders negotiated the Minsk Accords, though they are far from being implemented and widespread violence could break out again at any time.

Throughout the entire crisis the United States has insisted its motives are pure, including its new plans for deploying some 4,000 NATO troops, including about half American, on Russia's Eastern European borders north of Ukraine.

President Barack Obama told the U.N. General Assembly last year that the U.S. had no economic interests in Ukraine. But former State Department official Natalie Jaresko served as Ukraine's finance minister until recently and Vice President Joe Biden's son sits on the board of a major Ukrainian company. U.S.

investment also has increased since the coup.

Yanukovich's overthrow occurred after he chose a Russian economic plan rather than sign an association agreement with the European Union, which Ukrainian economic analysts warned would cost the country \$160 billion in lost trade with Russia.

The E.U. plan would also have opened Ukraine to Western neoliberal economic strategies designed to exploit the country for the benefit of Western capital and local oligarchs (one of whom, Petro Poroshenko, emerged as the new president).

Turning the Tables

To help American readers better understand what has transpired in Ukraine, it may be useful to see what it would be like if the tables were turned. What would the story be like if Russia played the role of the U.S. and Canada the role of Ukraine? Most Americans would not be pleased.

In this reverse scenario, the world's mainstream media would follow Moscow's line and present the story as a U.S. "invasion" of Canada. The media would explain the movement of Russian troops to the U.S. border as nothing more than a peaceful step to deter U.S. "aggression."

But Americans might see matters differently, siding with the breakaway Maritime provinces resisting the Moscow-engineered violent coup d'état in Ottawa. In this scenario, Prince Edwards Islanders would have voted by over 90 percent to secede from the pro-Russian regime in Ottawa and join the United States, as Crimea did in the case of Ukraine. People in Nova Scotia and New Brunswick – stressing their close historic ties to America – also would make clear their desire not to be violently absorbed by the Ottawa coup regime.

In this alternative scenario, Moscow would condemn Prince Edwards Island's referendum as a "sham" and vow never to accept its "illegal" secession. The popular resistance in Nova Scotia and New Brunswick would be denounced as "terrorism" justifying a brutal military crackdown by Russian-backed Canadian federal troops dispatched to crush the dissent. In this "anti-terrorist operation" against the breakaway region, residential areas would be shelled killing thousands of civilians and devastating towns and cities.

In this endeavor, the Canadian army would be joined by Russian-supported neo-fascist battalions that had played a crucial role in the overthrow of the Canadian government. In the Maritime city of Halifax, these extremists would burn alive at least 40 pro-U.S. civilians who took refuge in a trade union building. The new government in Ottawa would make no effort to protect the

victims, nor conduct a serious investigation to punish the perpetrators.

Ignoring a Leak

Meanwhile, proof that Russia was behind the overthrow of the elected Canadian prime minister would be revealed in a leaked conversation between Moscow's foreign ministry chief of the North America department and the Russian ambassador to Canada.

According to a transcript of the leaked conversation, the Moscow-based official would discuss who the new Canadian leaders should be several weeks before the coup took place. Russia would launch the coup when Canada decided to take a loan package from the U.S.-based International Monetary Fund that had fewer strings attached than a loan from Russia.

Russia's ally in Beijing would be reluctant to back the coup. But this would seem to be of little concern to Moscow's man who is heard on the tape saying, "Fuck China." Although this conversation would be posted on YouTube, its contents and import would be largely ignored by the global mainstream media, which would insist there was no coup in Ottawa.

Yet, weeks before the coup, the Russian foreign ministry official would be filmed visiting protesters camped out in Parliament Square in Ottawa demanding the ouster of the prime minister. The Russian official would give out cakes to the demonstrators.

The foreign ministers of Russian-allied Belarus and Cuba would also march with the protesters through the streets of Ottawa against the government. The world's mainstream media would portray these demands for an unconstitutional change of government as an act of "democracy" and a desire to end "corruption."

In a speech, the Russian foreign ministry official would remind Canadian businessmen that Russia had spent \$5 billion over the past decade to "bring democracy" to Canada, much of that money spent training "civil society" activists and funding anti-government "journalists." The use of these non-governmental organizations to overthrow foreign governments that stand in the way of Russia's economic and geo-strategic interests would have been well documented but largely ignored by the global mainstream media.

But recognizing the danger from these "color revolution" strategies, the United States would move to ban Russian NGOs from operating in the U.S., a tactic that would be denounced by Russia as America's rejection of "democracy."

The Coup Succeeds

The Canadian coup would take place as protesters violently clashed with police, breaking through barricades and killing a number of police officers. Snipers would fire on the police and the crowd from a nearby Parliament Square building under the control of hardline pro-Russian extremists. But the Russian government and the mainstream media would blame the killings on the embattled Canadian prime minister.

To stem the violence, the prime minister would offer to call early elections but instead would be driven from office violently by the pro-Russian street gangs. Russia and the global mainstream news media would praise the overthrow as a great step for democracy and would hail the pro-Russian street fighters who had died in the coup as the "Heavenly Hundred."

Following the coup, Russian lawmakers would compare President Barack Obama to Adolf Hitler for allegedly sending U.S. troops into the breakaway provinces to protect the populations from violent repression, and for accepting the pleas of the people of Prince Edward Island to secede from this new Canada.

Obama would be widely accused of ordering an "American invasion" and committing an act of "American aggression" in violation of international law. But the Maritimes would note that they had long ties to the U.S. dating back to the American Revolution and didn't want to live under a new regime imposed by a faraway foreign power.

Russia would claim intelligence proving that U.S. tanks crossed the Maine border into New Brunswick, but would fail to make the evidence public. Russia would also refuse to reveal satellite imagery supporting the charge. But the claims would still be widely accepted by the world's mainstream news media.

For its part, Washington would deny it invaded but say some American volunteers had entered the Canadian province to join the fight, a claim met with widespread media derision. Russia's puppet prime minister in Ottawa would offer as proof of an American invasion just six passports of U.S. soldiers found in New Brunswick.

Taking Aim at Washington

When – during one of the new regime's "anti-terrorist" offensives – a passenger jet would be shot down over Nova Scotia killing all onboard, Russia would accuse President Obama of being behind the outrage, charging that the U.S. had provided the powerful anti-aircraft missile needed to reach a plane flying at 33,000 feet.

But Moscow would refuse to release any intelligence to support its claim, which would nevertheless be accepted by world's mainstream media.

The plane's shoot-down would enable Russia to rally China and other international allies into imposing a harsh economic boycott of America to punish it for its "aggression."

To bring "good government" to Canada and to deal with its collapsing economy, a former Russian foreign ministry official would be installed as Canada's finance minister, receiving Canadian citizenship on her first day on the job.

Of course, Russia would deny that it had economic interests in Canada, simply wanting to help the country free itself from oppressive American domination. But Russian agribusiness companies would take stakes in Albertan wheat fields and the son of Russia's prime minister as well as other well-connected Russians would join the board of Canada's largest oil company just weeks after the coup.

Russia's ultimate aim, beginning with the imposition of the sanctions on the U.S. economy, would appear to be a "color revolution" in Washington, to overthrow the U.S. government and install a Russia-friendly American president.

This goal would become clear from numerous statements by Russian officials and academics. A former Russian national security adviser would say that the United States should be broken up into three countries and write that Canada would be the stepping stone to this U.S. regime change. If the U.S. loses Canada, he would declare, it would fail to control North America.

But the world's mainstream media would continue to frame the Canadian crisis as a simple case of "American aggression."

This fictional scenario perhaps lays bare the absurdity of the U.S. version of events in Ukraine.

Joe Lauria is a veteran foreign-affairs journalist based at the U.N. since 1990. He has written for the Boston Globe, the London Daily Telegraph, the Johannesburg Star, the Montreal Gazette, the Wall Street Journal and other newspapers. He can be reached at joelauria@gmail.com and followed on Twitter at [@unjoe](https://twitter.com/unjoe).

Reality Peeks Through in Ukraine

Exclusive: With corruption rampant and living standards falling, Ukraine may become the next failed state that "benefited" from a neoconservative-driven "regime change," though the blame will always be placed elsewhere in this case, on the demonized Russian President Putin, writes Robert Parry.

By Robert Parry

Nearly two years since U.S. officials helped foment a coup in Ukraine partly justified by corruption allegations the country continues to wallow in graft and cronyism as the living standards for average Ukrainians plummet, according to economic data and polls of public attitudes.

Even the neocon-oriented Wall Street Journal took note of the worsening corruption in a Jan. 1, 2016 [article](#) observing that “most Ukrainians say the revolution’s promise to replace rule by thieves with the rule of law has fallen short and the government acknowledges that there is still much to be done.”

Actually, the numbers suggest something even worse. More and more Ukrainians rate corruption as a major problem facing the nation, including a majority of 53 percent last September, up from 48 percent last June and 28 percent in September 2014, according to polls by International Foundation for Electoral Systems.

Meanwhile, Ukraine’s GDP has fallen in every quarter since the Feb. 22, 2014 putsch that overthrew elected President Viktor Yanukovich. Since then, the average Ukrainian also has faced economic “reforms” to slash pensions, energy subsidies and other social programs, as demanded by the International Monetary Fund.

In other words, the hard lives of most Ukrainians have gotten significantly harder while the elites continue to skim off whatever cream is left, including access to billions of dollars in the West’s foreign assistance that is keeping the economy afloat.

Part of the problem appears to be that people supposedly responsible for the corruption fight are themselves dogged by allegations of corruption. The Journal cited Ukrainian lawmaker Volodymyr Parasyuk who claimed to be so outraged by graft that he expressed his fury “by kicking in the face an official he says owns luxury properties worth much more than a state salary could provide.”

However, the Journal also noted that “parliament is the site of frequent mass brawls [and] it is hard to untangle all the overlapping corruption allegations and squabbling over who is to blame. Mr. Parasyuk himself was named this week as receiving money from an organized crime suspect, a claim he denies.”

Then, there is the case of Finance Minister Natalie Jaresko, who is regarded by top American columnists as the face of Ukraine’s reform. Indeed, a Wall Street Journal [op-ed](#) last month by Stephen Sestanovich, a senior fellow at the Council on Foreign Relations, hailed Jaresko as “a tough reformer” whose painful plans include imposing a 20 percent “flat tax” on Ukrainians (a favorite nostrum of the American Right which despises a progressive tax structure that charges the

rich at a higher rate).

Sestanovich noted that hedge-fund billionaire George Soros, who has made a fortune by speculating in foreign currencies, has endorsed Jaresko's plan but that it is opposed by some key parliamentarians who favor a "populist" alternative that Sestanovich says "will cut rates, explode the deficit, and kiss IMF money good-bye."

Yet, Jaresko is hardly a paragon of reform. Prior to getting instant Ukrainian citizenship and becoming Finance Minister in December 2014, she was a former U.S. diplomat who had been entrusted to run a \$150 million U.S.-taxpayer-funded program to help jump-start an investment economy in Ukraine and Moldova.

Jaresko's compensation was capped at \$150,000 a year, a salary that many Americans would envy, but it was not enough for her. So, she engaged in a variety of maneuvers to evade the cap and enrich herself by claiming millions of dollars in bonuses and fees.

Ultimately, Jaresko was collecting more than \$2 million a year after she shifted management of the Western NIS Enterprise Fund (WNISEF) to her own private company, Horizon Capital, and arranged to get lucrative bonuses when selling off investments, even as the overall WNISEF fund was losing money, according to official records.

For instance, Jaresko collected \$1.77 million in bonuses in 2013, according to WNISEF's latest available filing with the Internal Revenue Service. In her financial disclosure forms with the Ukrainian government, she reported earning \$2.66 million in 2013 and \$2.05 million in 2014, thus amassing a sizeable personal fortune while investing U.S. taxpayers' money supposedly to benefit the Ukrainian people.

It didn't matter that WNISEF continued to hemorrhage money, shrinking from its original \$150 million to \$89.8 million in the 2013 tax year, according to the IRS filing. WNISEF reported that the bonuses to Jaresko and other corporate officers were based on "successful" exits from some investments even if the overall fund was losing money. [See Consortiumnews.com's "How Ukraine's Finance Minister Got Rich."]

Though Jaresko's enrichment schemes are documented by IRS and other official filings, the mainstream U.S. media has turned a blind eye to this history, all the better to pretend that Ukraine's "reform" process is in good hands. (It also turns out that Jaresko did not comply with Ukrainian law that permits only single citizenship; she has kept her U.S. passport exploiting a loophole that gives her two years to show that she has renounced her U.S. citizenship.)

Propaganda over Reality

Yet, as good as propaganda can be especially when the U.S. government and mainstream media are moving in lockstep reality is not always easily managed. Ukraine's continuing and some say worsening corruption prompted last month's trip to Ukraine by Vice President Joe Biden who gave a combination lecture and pep talk to Ukraine's parliament.

Of course, Biden has his own Ukraine cronyism problem because three months after the U.S.-backed overthrow of the Yanukovich government Ukraine's largest private gas firm, Burisma Holdings, appointed his son, Hunter Biden, to its board of directors.

Burisma a shadowy Cyprus-based company also lined up well-connected lobbyists, some with ties to Secretary of State John Kerry, including Kerry's former Senate chief of staff David Leiter, according to lobbying disclosures.

As Time magazine reported, "Leiter's involvement in the firm rounds out a power-packed team of politically-connected Americans that also includes a second new board member, Devon Archer, a Democratic bundler and former adviser to John Kerry's 2004 presidential campaign. Both Archer and Hunter Biden have worked as business partners with Kerry's son-in-law, Christopher Heinz, the founding partner of Rosemont Capital, a private-equity company."

According to investigative journalism inside Ukraine, the ownership of Burisma has been traced to Privat Bank, which is controlled by the thuggish billionaire oligarch Ihor Kolomoisky, who was appointed by the U.S.-backed "reform" regime to be governor of Dnipropetrovsk Oblast, a south-central province of Ukraine (though Kolomoisky was eventually ousted from that post in a power struggle over control of UkrTransNafta, Ukraine's state-owned oil pipeline operator).

In his December speech, Biden lauded the sacrifice of the 100 or so protesters who died during the Maidan clashes in February 2014, referring to them by their laudatory name "The Heavenly Hundred." But Biden made no heavenly references to the estimated 10,000 people, mostly ethnic Russians, who have been slaughtered in the U.S.-encouraged "Anti-Terror Operation" waged by the coup regime against eastern Ukrainians who objected to the violent ouster of President Yanukovich, who had won large majorities in those areas.

Apparently, heaven is not as eager to welcome ethnic Russian victims of U.S.-inspired political violence. Nor did Biden take note that some of the Heavenly Hundred were street fighters for neo-Nazi and other far-right nationalist organizations.

But after making his sugary references to The Heavenly Hundred Biden delivered

his bitter medicine, an appeal for the parliament to continue implementing IMF “reforms,” including demands that old people work longer into their old age.

Biden said, “For Ukraine to continue to make progress and to keep the support of the international community you have to do more, as well. The big part of moving forward with your IMF program – it requires difficult reforms. And they are difficult.

“Let me say parenthetically here, all the experts from our State Department and all the think tanks, and they come and tell you, that you know what you should do is you should deal with pensions. You should deal with – as if it’s easy to do. Hell, we’re having trouble in America dealing with it. We’re having trouble. To vote to raise the pension age is to write your political obituary in many places.

“Don’t misunderstand that those of us who serve in other democratic institutions don’t understand how hard the conditions are, how difficult it is to cast some of the votes to meet the obligations committed to under the IMF. It requires sacrifices that might not be politically expedient or popular. But they’re critical to putting Ukraine on the path to a future that is economically secure. And I urge you to stay the course as hard as it is. Ukraine needs a budget that’s consistent with your IMF commitments.”

Eroding Support

But more and more Ukrainians appear to see through the charade in Kiev, as the poll numbers on the corruption crisis soar. Meanwhile, European officials seem to be growing impatient with the Ukraine crisis which has added to the drag on the Continent’s economies because the Obama administration strong-armed the E.U. into painful economic sanctions against Russia, which had come to the defense of the embattled ethnic Russians in the east.

“Many E.U. officials are fed up with Ukraine,” said one Western official quoted by the Journal, which added that “accusations of graft by anticorruption activists, journalists and diplomats have followed to the new government.”

The Journal said those implicated include some early U.S. favorites, such as Prime Minister Arseniy Yatsenyuk, “whose ratings have plummeted to single digits amid allegations in the media and among anticorruption activists of his associates’ corrupt dealings. Mr. Yatsenyuk has denied any involvement in corruption and his associates, one of whom resigned from parliament over the controversy this month, deny wrongdoing.”

The controversy over Yatsenyuk’s alleged cronyism led to an embarrassing moment in December 2015 when an anti-Yatsenyuk lawmaker approached the podium with a

bouquet of roses, which the slightly built Yatsenyuk accepted only to have the lawmaker lift him up and try to carry him from the podium.

In many ways, the Ukraine crisis represents just another failure of neocon-driven “regime change,” which has also spread chaos across the Middle East and northern Africa. But the neocons appear to have even a bigger target in their sights, another “regime change” in Moscow, with Ukraine just a preliminary move. Of course, that scheme could put in play nuclear war.

Taking Aim

The Ukraine “regime change” took shape in 2013 after Russian President Putin and President Barack Obama collaborated to tamp down crises in Syria and Iran, two other prime targets for neocon “regime changes.” American neocons were furious that those hopes were dashed. Ukraine became Putin’s payback.

In fall 2013, the neocons took aim at Ukraine, recognizing its extreme sensitivity to Russia which had seen previous invasions, including by the Nazis in World War II, pass through the plains of Ukraine and into Russia. Carl Gershman, neocon president of the U.S.-funded National Endowment for Democracy, cited Ukraine as the “biggest prize” and a key step toward unseating Putin in Moscow. [See Consortiumnews.com’s [“What the Neocons Want from Ukraine Crisis.”](#)]

Initially, the hope was that Yanukovich would lead Ukraine into an economic collaboration with Europe while cutting ties to Russia. But Yanukovich received a warning from top Ukrainian economists that a hasty split with neighboring Russia would cost the country a staggering \$160 billion in lost income.

So, Yanukovich sought to slow down the process, prompting angry protests especially from western Ukrainians who descended on Maidan square. Though initially peaceful, neo-Nazi and other nationalist militias soon infiltrated the protests and began ratcheting up the violence, including burning police with Molotov cocktails.

Meanwhile, U.S.-funded non-governmental organizations, such as the Organized Crime and Corruption Reporting Project (which receives money from USAID and hedge-fund billionaire George Soros’s Open Society), hammered away at alleged corruption in the Yanukovich government.

In December 2013, Nuland reminded Ukrainian business leaders that the United States had invested \$5 billion in their “European aspirations,” and in an intercepted phone call in early February 2014 she discussed with U.S. Ambassador Geoffrey Pyatt who Ukraine’s new leaders would be.

“Yats is the guy,” Nuland said of Arseniy Yatsenyuk, as she also disparaged a

less aggressive approach by the European Union with the pithy phrase: “Fuck the E.U.” (Nuland, a former aide to ex-Vice President Dick Cheney, is the wife of arch-neoconservative ideologue Robert Kagan.)

Sen. John McCain also urged on the protests, telling one group of right-wing Ukrainian nationalists that they had America’s backing. And, the West’s mainstream media fell in love with the Maidan protesters as innocent white hats and thus blamed the worsening violence on Yanukovych. [See Consortiumnews.com’s [“NYT Still Pretends No Coup in Ukraine.”](#)]

Urging Restraint

In Biden’s December 2015 speech to the parliament, he confirmed that he personally pressed on President Yanukovych the need to avoid violence. “I was literally on the phone with your former President urging restraint,” Biden said.

However, on Feb. 20, 2014, mysterious snipers apparently from buildings controlled by the far right fired on and killed policemen as well as some protesters. The bloodshed sparked other violent clashes as armed rioters battled with retreating police.

Although the dead included some dozen police officers, the violence was blamed on Yanukovych, who insisted that he had ordered the police not to use lethal force in line with Biden’s appeal. But the State Department and the West’s mainstream media made Yanukovych the black-hatted villain.

The next day, Feb. 21, Yanukovych signed an accord negotiated and guaranteed by three European nations to accept reduced powers and early elections so he could be voted out of office if that was the public’s will. However, as police withdrew from the Maidan, the rioters, led by neo-Nazi militias called sotins, stormed government buildings on Feb. 22, forcing Yanukovych and other officials to flee for their lives.

In the West’s mainstream media, these developments were widely hailed as a noble “revolution” and with lumps in their throats many journalists averted their misty eyes from the key role played by unsavory neo-Nazis, so as not to dampen the happy narrative (although [BBC was among the few MSM outlets that touched on this inconvenient reality](#)).

Ever since, the major U.S. news media has stayed fully on board, ignoring evidence that what happened was a U.S.-sponsored coup. The MSM simply explains all the trouble as a case of naked “Russian aggression.

There were kudos, too, when “reformer” Natalie Jaresko was made Finance Minister along with other foreign “technocrats.” There was no attention paid to evidence

about the dark underside of the Ukrainian “revolution of dignity,” as Biden called it.

Though the neo-Nazis sometimes even teamed up with Islamic jihadists were the tip of the spear slashing through eastern Ukraine, their existence was either buried deep inside stories or dismissed as “Russian propaganda.”

That was, in effect, American propaganda and, as clever as it was, it could only control reality for so long.

Even though the fuller truth about Ukraine has never reached the American people, there comes a point when even the best propagandists have to start modifying their rosy depictions. Ukraine appears to have reached that moment.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America’s Stolen Narrative*, either in print here or as an e-book (from Amazon and barnesandnoble.com).

Carpetbagging ‘Crony Capitalism’ in Ukraine

Exclusive: Ukraine’s Finance Minister Natalie Jaresko and other key officials were given overnight Ukrainian citizenship – with the law requiring them to renounce their old allegiances – but the American-born Jaresko has balked at that mandate, raising questions about her true motives, reports Robert Parry.

By Robert Parry

Last December, before being named Ukraine’s Finance Minister, American-born Natalie Jaresko accepted Ukrainian citizenship as a prerequisite for getting the job, but in almost one year since she has not renounced her U.S. citizenship, according to U.S. records and a Ukrainian official.

The Ukrainian Constitution allows for only “single citizenship,” meaning that a foreigner who is granted Ukrainian citizenship must terminate his or her previous citizenship and must submit a document attesting to that renunciation “within two years from the date of granting of Ukrainian citizenship,” said Mariia Budiakova, press secretary of the Ukraine Embassy in Washington.

The U.S. government publishes quarterly the names of Americans who have renounced their U.S. citizenship and those names – printed in the Federal

Register since last December – do not include Jaresko, who has chosen to remain a U.S. citizen, a fact confirmed by Budiakova.

Jaresko appears to be exploiting the two-year period for submitting proof of renouncing her prior citizenship so she can hold her powerful Ukrainian position for two years with the option of then dropping her Ukrainian citizenship and keeping her U.S. citizenship.

But that manipulation of the process creates the appearance of a carpetbagger with dual loyalties and reinforces the image, highlighted by Russian media, of a Ukrainian government being run behind the scenes by the United States and other outsiders.

There's also the possibility that Jaresko is exploiting this opportunity to learn all she can about the inner workings of the Ukrainian government to position herself to quit her post after two years, drop her temporary Ukrainian citizenship, and become a well-paid consultant with valuable contacts inside Ukraine's Finance Ministry.

Such opportunism would fit with Jaresko's history. Though hailed as the face of Ukrainian "reform," Jaresko has long used her official connections to enrich herself, an inconvenient truth that undercuts the U.S. government's desired image for the regime in Kiev as committed to the fight against corruption.

Prior to her appointment as Finance Minister, Jaresko, a former U.S. diplomat, headed the U.S.-taxpayer-financed Western NIS Enterprise Fund (WNISEF), created in the 1990s to help jump-start an investment economy for Ukraine and Moldova. WNISEF was overseen by the U.S. Agency for International Development (USAID).

WNISEF officials were limited to \$150,000 in compensation a year, but Jaresko maneuvered to exceed that total, ultimately collecting more than \$2 million a year by shifting management of WNISEF to her own private company, Horizon Capital, and arranging to get lucrative bonuses when selling off investments, even as the overall WNISEF fund was losing money, according to official records.

For instance, Jaresko collected \$1.77 million in bonuses in 2013, according to WNISEF's latest available filing with the Internal Revenue Service. In her financial disclosure forms with the Ukrainian government, she reported earning \$2.66 million in 2013 and \$2.05 million in 2014, thus amassing a sizeable personal fortune while investing U.S. taxpayers' money supposedly to benefit the Ukrainian people.

Meanwhile, WNISEF continued to hemorrhage money, shrinking from its original \$150 million to \$89.8 million in the 2013 tax year, according to the IRS filing. WNISEF reported that the bonuses to Jaresko and other corporate officers were

based on profitable exits from some investments even if the overall fund was losing money. [See Consortiumnews.com's "[How Ukraine's Finance Minister Got Rich.](#)"]

Hailed as 'Reformer'

Still, Jaresko and other foreigners who were brought in to fill key positions in the current Ukrainian regime were described as "technocrats" whose only interest was to bring good government to Ukraine, a country long saddled with institutionalized corruption. Jaresko was hailed as a Ukrainian "reformer" who in [the words](#) of New York Times' columnist Thomas L. Friedman "shares our values."

But Jaresko's business history offers little reason for optimism about Ukraine rooting out official self-interest. Indeed, Jaresko would seem to fit the bill as a classic "crony capitalist," someone who takes advantage of government connections to line his or her own pockets. Her failure to expeditiously comply with the Ukrainian Constitution and renounce her U.S. citizenship reinforces the view that she is more opportunist than reformer.

According to [recent accounts](#) from Ukraine, official corruption remains a deep-seated problem more than a year-and-a-half after the February 2014 overthrow of President Viktor Yanukovich, who was lambasted by the Western media for having a sauna in his official residence, the sauna becoming emblematic of his alleged abuse of power.

Prior to his ouster, Yanukovich and his government were targeted by the Organized Crime and Corruption Reporting Project (OCCRP), which is funded by USAID, the same organization that hired Jaresko to run WNISEF, and Open Society, a foundation headed by George Soros, a hedge-fund billionaire who has profited off the financial destabilization of fragile governments.

OCCRP's selective outrage over "corruption" raises questions as to whether it is a genuinely journalistic operation or a propaganda front for the U.S. government and Western business interests targeting regimes that don't play ball. After all, Jaresko's multi-million-dollar profiting off her relationship with the U.S.-taxpayer-funded WNISEF would seem to be a starker example of corruption than Yanukovich's sauna.

The new U.S.-backed regime in Kiev also has enacted "reforms" that slash pensions, energy subsidies and other social programs (reducing the living standards of average Ukrainians) while moving to privatize Ukraine's economy and encouraging large Western corporations to exploit the country's resources including "fracking" for shale gas in eastern Ukraine.

According to the U.S. Energy Information Administration, Ukraine has Europe's third-largest shale gas reserves at 42 trillion cubic feet, an inviting target especially since other European nations, such as Great Britain, Poland, France and Bulgaria, have resisted fracking technology because of environmental concerns. An economically supine Ukraine is presumably less able to say no. [See Consortiumnews.com's "Beneath the Ukraine Crisis: Shale Gas."]

This process in Ukraine also appears to have benefited from some greasing of the skids by hiring well-connected Americans besides Jaresko. Just three months after Yanukovich's ouster, Ukraine's largest private gas firm, Burisma Holdings, appointed Vice President Joe Biden's son, Hunter Biden, to its board of directors. Burisma a shadowy Cyprus-based company also lined up well-connected lobbyists, some with ties to Secretary of State John Kerry, including Kerry's former Senate chief of staff David Leiter, according to lobbying disclosures.

As Time magazine reported, "Leiter's involvement in the firm rounds out a power-packed team of politically-connected Americans that also includes a second new board member, Devon Archer, a Democratic bundler and former adviser to John Kerry's 2004 presidential campaign. Both Archer and Hunter Biden have worked as business partners with Kerry's son-in-law, Christopher Heinz, the founding partner of Rosemont Capital, a private-equity company."

According to investigative journalism inside Ukraine, the ownership of Burisma has been traced to Privat Bank, which is controlled by the thuggish billionaire oligarch Ihor Kolomoisky, who was appointed by the U.S.-backed "reform" regime to be governor of Dnipropetrovsk Oblast, a south-central province of Ukraine (though Kolomoisky was eventually ousted from that post in a power struggle over control of UkrTransNafta, Ukraine's state-owned oil pipeline operator).

Also, regarding Western energy interests, on Dec. 13, 2013, when neocon Assistant Secretary of State for European Affairs Victoria Nuland was pushing for Yanukovich's ouster, she reminded Ukrainian business leaders that the United States had invested \$5 billion in their "European aspirations" at a conference sponsored by Chevron. She even stood next to the company's logo.

The Carpetbaggers

Jaresko was only one of several foreigners recruited by President Petro Poroshenko to fill key positions in the Ukrainian government, with these officials also granted instant Ukrainian citizenship. Along with Jaresko's appointment last December, Poroshenko brought onboard Lithuanian Aivaras Abromavicius, a partner in investment firm East Capital, as Economy Minister and Georgian Aleksander Kvitashvili, who had served as Georgia's health minister and labor minister, as Health Minister.

Last May, Poroshenko appointed ex-Georgian President Mikheil Saakashvili to be governor of Ukraine's restive Odessa region. Saakashvili, who faces charges in Georgia for alleged abuse of power during his presidency, also received overnight Ukrainian citizenship but – unlike Jaresko – he announced that he had dropped his Georgian citizenship, a move that short-circuited his possible extradition back to Georgia.

Another foreigner whose appointment raised eyebrows was the choice of Estonian Jaanika Merilo to be put in charge of attracting foreign investments. Merilo was a Jaresko associate known more for her personal ties to wealthy business tycoons, such as English businessman and investor Richard Branson, and kinky online photos than her skills as a technocrat.

The message from the new regime in Kiev may be that Ukraine is open for Western investment, but a less charitable interpretation is that Ukraine is open for unbridled exploitation led by foreign operatives with a history of self-dealing who are overseeing another – and possibly far grander – era of official corruption.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America's Stolen Narrative*, either in print here or as an e-book (from Amazon and barnesandnoble.com). You also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, click here.

How Ukraine's Finance Chief Got Rich

Exclusive: Ukraine's Finance Minister Natalie Jaresko collected at least \$1.77 million in bonuses from a U.S.-taxpayer-funded investment project that she ran even as it was losing money, a sign that her image as a paragon of public-interest "reform" may not be all that it's cracked up to be, reports Robert Parry.

By Robert Parry

Before becoming Ukraine's Finance Minister last December, Natalie Jaresko collected \$1.77 million in bonuses from a U.S.-taxpayer-financed investment fund where her annual compensation was supposed to be limited to \$150,000, according to financial documents filed with the U.S. Internal Revenue Service this year.

The near 12-fold discrepancy between the compensation ceiling and Jaresko's bonuses, paid in 2013, was justified in the IRS filing from the Jaresko-led Western NIS Enterprise Fund (WNISEF) by drawing a distinction between getting paid directly from the \$150 million U.S. government grant that created the fund and the money from the fund's "investment sales proceeds," which were treated as fair game for extracting bonuses far beyond the prescribed compensation level.

Using this supposed loophole, Jaresko and some of her associates enriched themselves by claiming money generated from U.S. taxpayers' dollars while avoiding any personal financial risks. She and other WNISEF officers collected the bonuses from what they deemed "profitable" exits from some investments even if the overall fund was losing money and shrinking, as it apparently was in recent years.

According to WNISEF's filing for the 2013 tax year, submitted to the IRS on Aug. 11, 2015, the value of the investment fund had shrunk from \$150 million at its start to \$93.9 million in the fund's 2012 tax year and to \$89.8 million in the 2013 tax year. (WNISEF's tax years end on Sept. 30.)

So, Jaresko's arrangement was something like taking someone else's money to a roulette table, placing it on black, and claiming a share of the winnings if the ball stopped on black. However, if the ball landed on red, then the someone else absorbed the loss, except in this case the winners were Jaresko and her associates and the losers were the American taxpayers.

The purpose cited by the U.S. Congress in starting the non-profit WNISEF with \$150 million in the 1990s was to help jumpstart an investment economy in Ukraine and Moldova for the benefit of the people of those countries. The project was administered by the U.S. Agency for International Development (USAID), which selected Jaresko, a former U.S. diplomat of Ukrainian heritage, to run the project.

Last December, Ukrainian President Petro Poroshenko named Jaresko Finance Minister after awarding her instant Ukrainian citizenship. At that point, she quit WNISEF and has since become the face of Ukrainian "reform," representing the U.S.-backed government at international banking events at Davos, Switzerland, and elsewhere while appealing for billions of dollars in Western financial aid which she oversees.

Thus, Jaresko's standards for handling public moneys are relevant to judging whether the new regime is just a reshuffling of who gets to plunder Ukraine or a serious effort at reform. The overthrow of the previous Ukrainian government of President Viktor Yanukovich was largely justified in February 2014 because of allegations about corruption. The new regime has presented itself as committed

to reform, even though some outside observers contend that corruption is as bad or worse than under the old government.

Self-Interest v. Public Interest

There is also the question of whether Jaresko is more interested in getting rich than in serving the people of Ukraine. As WNISEF's chief executive officer, Jaresko seemed to grow dissatisfied with her \$150,000 salary. For instance, in 2004, she earned more than double the prescribed amount, paid \$383,259 along with \$67,415 in expenses, according to WNISEF's IRS filing for that year.

According to audit documents that I obtained from USAID, an "Expense Analysis" for 2004 showed \$1,282,782 being paid out as "Exit-based incentive expense-equity incentive plan" and another \$478,195 being paid for "Exit-based incentive expense-financial participation rights." That suggested that Jaresko was already claiming bonuses from WNISEF's investments (bought with U.S. taxpayers' money) and sold during 2004.

In 2006, Jaresko's compensation for her work with WNISEF was removed from public disclosure altogether after she co-founded two related entities Horizon Capital Associates (HCA) to manage WNISEF's investments (and collect around \$1 million a year in fees) and Emerging Europe Growth Fund (EEGF), a private entity to collaborate with WNISEF on investment deals.

Jaresko formed HCA and EEGF with two other WNISEF officers, Mark Iwashko and Lenna Koszarny. They also started a third firm, Horizon Capital Advisors, which "serves as a sub-advisor to the Investment Manager, HCA," according to WNISEF's IRS filing for 2006.

According to the USAID's expense analyses for 2004-06, the taxpayer-financed WNISEF spent \$1,049,987 to establish EEGF as a privately owned investment fund for Jaresko and her colleagues. USAID apparently found nothing suspicious about these tangled business relationships despite the potential conflicts of interest involving Jaresko, the other WNISEF officers and their affiliated companies.

For instance, WNISEF's 2012 annual report devoted two pages to "related party transactions," including the management fees to Jaresko's Horizon Capital (\$1,037,603 in 2011 and \$1,023,689 in 2012) and WNISEF's co-investments in projects with the EEGF. Though the IRS forms have a line for earnings from "related organizations," WNISEF listed nothing, apparently treating compensation from Horizon Capital and EEGF as "unrelated" for the purposes of reporting compensation for Jaresko and other officers.

So, the scale of how much Jaresko was making from her association with WNISEF was unclear until last week when the IRS released WNISEF's 2013 tax filing of

Aug. 11, 2015, in response to a request from Consortiumnews.com. Though the filing still did not disclose all of Jaresko's WNISEF-related compensation, it did list her \$1.77 million share of the \$4.5 million in bonuses awarded to her and two other WNISEF officers, Iwashko and Koszarny.

WNISEF filings also said the bonuses were paid regardless of whether the overall fund was making money, noting that this "compensation was not contingent on revenues or net earnings, but rather on a profitable exit of a portfolio company that exceeds the baseline value set by the board of directors and approved by USAID" with Jaresko also serving as a director on the board responsible for setting those baseline values.

Though compensation for Jaresko and other officers was shifted outside public view after 2006 as their pay was moved to the affiliated entities the 2006 IRS filing said: "It should be noted that as long as HCA earns a management fee from WNISEF, HCA and HCAD [the two Horizon Capital entities] must ensure that a salary cap of \$150,000 is adhered to for the proportion of salary attributable to WNISEF funds managed relative to aggregate funds under management."

Audit Gaps

KPMG auditors, who reviewed WNISEF finances, also took a narrow view of how to define income for Jaresko and other officers, only confirming that no "salary" exceeded \$150,000, apparently not looking at bonuses and other forms of compensation. Neither USAID officials nor Jaresko responded to specific questions about WNISEF's possible conflicts of interest, how much money Jaresko made from her involvement with WNISEF and its connected companies, and whether she had fully complied with IRS reporting requirements.

After Jaresko's appointment as Finance Minister, and her resignation from WNISEF, I reviewed WNISEF's available public records and detected a pattern of insider dealings and enrichment benefiting Jaresko and her colleagues. That prompted me in February to file a Freedom of Information Act request for USAID's audits of the investment fund.

Though the relevant records were identified by June, USAID dragged its feet on releasing the 34 pages to me until Aug. 28 when the agency claimed nothing was being withheld, saying "all 34 pages are releasable in their entirety." However, when I examined the documents, it became clear that a number of pages were missing from the financial records, including a total of three years of "expense analysis" in three-, six- and nine-month gaps since 2007.

Part of KPMG's "Independent Auditors' Report" for 2013 and 2014 was also missing. The report stated that "except as discussed in the third paragraph

below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America,” accountant-speak that suggests that “the third paragraph below” would reveal some factor that did not comply with generally accepted accounting principles (or GAAP).

But three paragraphs below was only white space and there was no next page in what USAID released. After I pointed out the discrepancies to USAID on Aug. 31, I was told on Sept. 15 that “we are in the process of locating documents to address your concern. We expect a response from the bureau and/or mission by Monday, September 28, 2015.”

After the Sept. 28 deadline passed, I contacted USAID again and was told on Oct. 2 that officials were “still working with the respective mission to obtain the missing documents.” On Oct. 22, USAID sent me one additional page from KPMG’s audit report stating that its review of WNISEF’s books lacked “an external quality control review by an unaffiliated audit organization” as required by the U.S. government’s auditing standards because no such program is offered in Ukraine. Other pages are still missing.

An earlier effort by Jaresko’s ex-husband Ihor Figlus to blow the whistle on what he considered improper business practices related to WNISEF was met by disinterest inside USAID, according to Figlus, and then led to Jaresko suing him in a Delaware court in 2012, using a confidentiality clause to silence Figlus and getting a court order to redact references to the abuses he was trying to expose.

Figlus’s complaints related to what he saw as improper loans that Jaresko had taken from Horizon Capital Associates to buy and expand her stake in EEGF, the privately held follow-on fund to WNISEF. After Figlus discussed this issue with a Ukrainian journalist, Jaresko sent her lawyers to court to silence him and, according to his lawyer, bankrupt him.

The filings in Delaware’s Chancery Court are remarkable not only because Jaresko succeeded in getting the Court to gag her ex-husband through enforcement of a non-disclosure agreement but the Court agreed to redact nearly all the business details, even the confidentiality language at the center of the case. [See Consortiumnews.com’s [“Ukraine’s Finance Minister’s ‘American Values.’”](#)]

Shared Values

Earlier this year, I sent detailed questions to USAID and to Jaresko via several of her associates. Those questions included how much of the \$150 million in U.S. taxpayers’ money remained in WNISEF, why Jaresko reported no compensation from “related organizations,” whether she received bonus money, how much money she

made in total from her association with WNISEF, what AID officials did in response to Figlus's whistle-blower complaint, and whether Jaresko's legal campaign to silence her ex-husband was appropriate given her current position and Ukraine's history of secretive financial dealings.

USAID press officer Annette Y. Aulton got back to me with a response that was unresponsive to my specific questions. Rather than answering about the performance of WNISEF and Jaresko's compensation, Aulton commented on the relative success of 10 "Enterprise Funds" that USAID has sponsored in Eastern Europe, adding:

"There is a twenty year history of oversight of WNISEF operations. Enterprise funds must undergo an annual independent financial audit, submit annual reports to USAID and the IRS, and USAID staff conduct field visits and semi-annual reviews. At the time Horizon Capital assumed management of WNISEF, USAID received disclosures from Natalie Jaresko regarding the change in management structure and at the time USAID found no impropriety during its review."

One Jaresko associate, Tanya Bega, Horizon Capital's investor relations manager, said she forwarded my questions to Jaresko, but Jaresko did not respond.

Despite concerns that Jaresko may have enriched herself at the expense of U.S. taxpayers and then used a Delaware court to prevent disclosure of possible abuses, Jaresko has been hailed by the U.S. mainstream media as a paragon of reform in the U.S.-backed Ukrainian regime.

Last January, New York Times columnist Thomas L. Friedman cited Jaresko as an exemplar of the new Ukrainian leaders who "share our values" and deserve unqualified American support. Friedman uncritically quoted Jaresko's speech to international financial leaders at Davos, in which she castigated Russian President Vladimir Putin:

"Putin fears a Ukraine that demands to live and wants to live and insists on living on European values, with a robust civil society and freedom of speech and religion [and] with a system of values the Ukrainian people have chosen and laid down their lives for."

Exactly which Western "values" Jaresko actually shares remains unclear because of the fog surrounding her actions at WNISEF and her unwillingness to reveal how much she made from her association with a U.S. taxpayer funded project. However, if those Western "values" include putting citizens' interests before self-interest and believing that transparency is critical for a democracy, Jaresko may need some remedial training.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for

The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). You also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, [click here](#).

US Tax Dollars and Ukraine's Finance Minister

Special Report: Though touted as the face of reform inside Ukraine's post-coup regime, Finance Minister Natalie Jaresko enriched herself at the expense of a U.S.-taxpayer-financed investment fund and USAID now says it's missing some of the audit records detailing Jaresko's dealings, reports Robert Parry.

By Robert Parry

The U.S. government is missing or withholding audit documents about the finances and possible accounting irregularities at a \$150 million U.S.-taxpayer-financed investment fund when it was run by Ukraine's Finance Minister Natalie Jaresko, who has become the face of "reform" for the U.S.-backed regime in Kiev and who now oversees billions of dollars in Western financial aid.

Before taking Ukrainian citizenship and becoming Finance Minister in December 2014, Jaresko was a former U.S. diplomat who served as chief executive officer of the Western NIS Enterprise Fund (WNISEF), which was created by Congress in the 1990s with \$150 million and placed under the U.S. Agency for International Development (USAID) to help jumpstart an investment economy in Ukraine.

After Jaresko's appointment as Finance Minister – and her resignation from WNISEF – I reviewed WNISEF's available public records and detected a pattern of insider dealings and enrichment benefiting Jaresko and various colleagues. That prompted me in February to file a Freedom of Information Act request for USAID's audits of the investment fund.

Though the relevant records were identified by June, USAID dragged its feet on releasing the 34 pages to me until Aug. 28 when the agency claimed nothing was being withheld, saying "all 34 pages are releasable in their entirety."

However, when I examined the documents, it became clear that a number of pages were missing from the financial records, including a total of three years of

“expense analysis” in three-, six- and nine-month gaps since 2007. Perhaps even more significant was a missing paragraph that apparently would have addressed an accounting irregularity found by KPMG auditors.

KPMG’s “Independent Auditors’ Report” for 2013 and 2014 states that “except as discussed in the third paragraph below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America,” accountant-speak that suggests that “the third paragraph below” would reveal some WNISEF activity that did not comply with generally accepted accounting principles (or GAAP).

But three paragraphs below was only white space and there was no next page in what USAID released.

Based on the one page that was released for 2013-14, this most recent audit also lacked the approval language used in previous audits, in which KPMG wrote: “In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Western NIS Enterprise Fund and subsidiaries.” That language was not in the 2013-14 analysis, as released by USAID.

The KPMG report for 2013-14 does note that “The [audit] procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.”

That page then ends, “We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.” But the opinion is not there.

After I brought these discrepancies to the attention of USAID on Aug. 31, I was told on Sept. 15 that “we are in the process of locating documents to address your concern. We expect a response from the bureau and/or mission by Monday, September 28, 2015.”

After the Sept. 28 deadline passed, I contacted USAID again and was told on Oct. 2 that officials were “still working with the respective mission to obtain the missing documents.”

Yet, whether USAID’s failure to include the missing documents was just a bureaucratic foul-up or a willful attempt to shield Jaresko from criticism, the curious gaps add to the impression that the management of WNISEF fell short of

the highest standards for efficiency and ethics.

A previous effort by Jaresko's ex-husband Ihor Figlus to blow the whistle on what he considered improper business practices related to WNISEF was met by disinterest inside USAID, according to Figlus, and then led to Jaresko suing him in a Delaware court in 2012, using a confidentiality clause to silence Figlus and getting a court order to redact references to the abuses he was trying to expose.

Feeding at the Taxpayer Trough

Other public documents indicate that Jaresko and fellow WNISEF insiders enriched themselves through their association with the U.S.-taxpayer-financed investment fund. For instance, though Jaresko was limited to making \$150,000 a year at WNISEF under the USAID grant agreement, she managed to earn more than that amount, reporting in 2004 that she was paid \$383,259 along with \$67,415 in expenses, according to WNISEF's filing with the Internal Revenue Service.

Among the audit documents that I received under FOIA, the "Expense Analysis" for 2004 shows \$1,282,782 being paid out as "Exit-based incentive expense-equity incentive plan" and another \$478,195 being paid for "Exit-based incentive expense-financial participation rights." That would suggest that Jaresko more than doubled her \$150,000 salary by claiming bonuses from WNISEF's investments (bought with U.S. taxpayers' money) and sold during 2004.

Jaresko's compensation for her work with WNISEF was removed from public disclosure altogether after she co-founded two related entities in 2006: Horizon Capital Associates (HCA) to manage WNISEF's investments (and collect around \$1 million a year in fees) and Emerging Europe Growth Fund (EEGF), a private entity to collaborate with WNISEF on investment deals.

Jaresko formed HCA and EEGF with two other WNISEF officers, Mark Iwashko and Lenna Koszarny. They also started a third firm, Horizon Capital Advisors, which "serves as a sub-advisor to the Investment Manager, HCA," according to WNISEF's IRS filing for 2006.

According to the FOIA-released expense analyses for 2004-06, the taxpayer-financed WNISEF spent \$1,049,987 to establish EEGF as a privately owned investment fund for Jaresko and her colleagues. USAID apparently found nothing suspicious about these tangled business relationships despite the potential conflicts of interest involving Jaresko, the other WNISEF officers and their affiliated companies.

For instance, WNISEF's 2012 annual report devoted two pages to "related party transactions," including the management fees to Jaresko's Horizon Capital

(\$1,037,603 in 2011 and \$1,023,689 in 2012) and WNISEF's co-investments in projects with the EEGF, where Jaresko was founding partner and chief executive officer. Jaresko's Horizon Capital managed the investments of both WNISEF and EEGF.

From 2007 to 2011, WNISEF co-invested \$4.25 million with EEGF in Kerameya LLC, a Ukrainian brick manufacturer, and WNISEF sold EEGF 15.63 percent of Moldova's Fincombank for \$5 million, the report said. It also listed extensive exchanges of personnel and equipment between WNISEF and Horizon Capital. But it's difficult for an outsider to ascertain the relative merits of these insider deals – and the transactions apparently raised no red flags for USAID officials, nor during that time for KPMG auditors.

Bonuses, Bonuses

Regarding compensation, WNISEF's 2013 filing with the IRS noted that the fund's officers collected millions of dollars in more bonuses for closing out some investments at a profit even as the overall fund was losing money. According to the filing, WNISEF's \$150 million nest egg had shrunk by more than one-third to \$94.5 million and likely has declined much more during the economic chaos that followed the U.S.-backed coup in February 2014.

But prior to the coup and the resulting civil war, Jaresko's WNISEF was generously spreading money around to various insiders. For instance, the 2013 IRS filing reported that the taxpayer-financed fund paid out as "expenses" \$7.7 million under a bonus program, including \$4.6 million to "current officers," without identifying who received the money although Jaresko was one of the "current officers."

WNISEF's filing made the point that the "long-term equity incentive plan" was "not compensation from Government Grant funds but a separately USAID-approved incentive plan funded from investment sales proceeds" although those proceeds presumably would have gone into the depleted WNISEF pool if they had not been paid out as bonuses.

The filing also said the bonuses were paid regardless of whether the overall fund was making money, noting that this "compensation was not contingent on revenues or net earnings, but rather on a profitable exit of a portfolio company that exceeds the baseline value set by the board of directors and approved by USAID" with Jaresko also serving as a director on the board responsible for setting those baseline values.

Another WNISEF director was Jeffrey C. Neal, former chairman of Merrill Lynch's global investment banking and a co-founder of Horizon Capital, further

suggesting how potentially incestuous these relationships may have become.

Though compensation for Jaresko and other officers was shifted outside public view after 2006 as their pay was moved to the affiliated entities the 2006 IRS filing says: "It should be noted that as long as HCA earns a management fee from WNISEF, HCA and HCAD [the two Horizon Capital entities] must ensure that a salary cap of \$150,000 is adhered to for the proportion of salary attributable to WNISEF funds managed relative to aggregate funds under management."

But that language would seem to permit compensation well above \$150,000 if it could be tied to other managed funds, including EEGF, or come from the bonus incentive program. Such compensation for Jaresko and the other top officers was not reported on later IRS forms despite a line for earnings from "related organizations." Apparently, Horizon Capital and EEGF were regarded as "unrelated organizations" for the purposes of reporting compensation.

The KPMG auditors also took a narrow view of compensation only confirming that no "salary" exceeded \$150,000, apparently not looking at bonuses and other forms of compensation.

Neither AID officials nor Jaresko responded to specific questions about WNISEF's possible conflicts of interest, how much money Jaresko made from her involvement with WNISEF and its connected companies, and whether she had fully complied with IRS reporting requirements.

Gagging an Ex-Husband

In 2012, when Jaresko's ex-husband Figlus began talking about what he saw as improper loans that Jaresko had taken from Horizon Capital Associates to buy and expand her stake in EEGF, the privately held follow-on fund to WNISEF, Jaresko sent her lawyers to court to silence him and, according to his lawyer, bankrupt him.

The filings in Delaware's Chancery Court are remarkable not only because Jaresko succeeded in getting the Court to gag her ex-husband through enforcement of a non-disclosure agreement but the Court agreed to redact nearly all the business details, even the confidentiality language at the center of the case.

Since Figlus had given some of his information to a Ukrainian journalist, Jaresko's complaint also had the look of a leak investigation, tracking down Figlus's contacts with the journalist and then using that evidence to secure the restraining order, which Figlus said not only prevented him from discussing business secrets but even talking about his more general concerns about Jaresko's insider dealings.

The heavy redactions make it hard to fully understand Figlus's concerns or to assess the size of Jaresko's borrowing as she expanded her holdings in EEGF, but Figlus did assert that he saw his role as whistle-blowing about improper actions by Jaresko.

In a Oct. 31, 2012, filing, Figlus's attorney wrote that "At all relevant times, Defendant [Figlus] acted in good faith and with justification, on matters of public interest, and particularly the inequitable conduct set forth herein where such inequitable conduct adversely affects at least one other limited partner which is REDACTED, and specifically the inequitable conduct included, in addition to the other conduct cited herein, REDACTED."

The defendant's filing argued: "The Plaintiffs' [Jaresko's and her EEGF partners'] claims are barred, in whole or in part, by public policy, and particularly that a court in equity should not enjoin 'whistle-blowing' activities on matters of public interest, and particularly the inequitable conduct set forth herein." But the details of that conduct were all redacted.

In a defense brief dated Dec. 17, 2012 [see Part One and Part Two], Figlus expanded on his argument that Jaresko's attempts to have the court gag him amounted to a violation of his constitutional right of free speech:

"The obvious problem with the scope of their Motion is that Plaintiffs are asking the Court to enter an Order that prohibits Defendant Figlus from exercising his freedom of speech without even attempting to provide the Court with any Constitutional support or underpinning for such impairment of Figlus' rights.

"Plaintiffs cannot do so, because such silencing of speech is Constitutionally impermissible, and would constitute a denial of basic principles of the Bill of Rights in both the United States and Delaware Constitutions. There can be no question that Plaintiffs are seeking a temporary injunction, which constitutes a prior restraint on speech.

"The Court cannot, consistent with the Federal and State Constitutional guarantees of free speech, enjoin speech except in the most exceptional circumstances, and certainly not when Plaintiffs are seeking to prevent speech that is not even covered by the very contractual provision upon which they are relying. Moreover, the Court cannot prevent speech where the matter has at least some public interest REDACTED, except as limited to the very specific and exact language of the speaker's contractual obligation."

A Redacted Narrative

Figlus also provided a narrative of events as he saw them as a limited partner

in EEGF, saying he initially “believed everything she [Jaresko] was doing, you know, was proper.” Later, however, Figlus “learned that Jaresko began borrowing money from HCA REDACTED, but again relied on his spouse, and did not pay attention to the actual financial transactions

“In early 2010, after Jaresko separated from Figlus, she presented Figlus with, and requested that he execute, a ‘Security Agreement,’ pledging the couple’s partnership interest to the repayment of the loans from HCA. This was Figlus first realization of the amount of loans that Jaresko had taken, and that the partnership interest was being funded through this means. By late 2011, Jaresko had borrowed approximately REDACTED from HCA to both fund the partnership interest REDACTED. The loans were collateralized only by the EEGF partnership interest.

“Figlus became increasingly concerned about the partnership and the loans that had been and continued to be given to the insiders to pay for their partnership interests, while excluding other limited partners. Although Figlus was not sophisticated in these matters, he considered that it was inappropriate that HCA was giving loans to insiders to fund their partnership interests, but to no other partners.

“He talked to an individual at U.S. Agency for International Development (USAID) in Washington D.C., because the agency was effectively involved as a limited partner because of the agency’s funding and supervision over WNISEF, but the agency employee did not appear interested in pursuing the question.”

In the court proceedings, Jaresko’s lawyers mocked Figlus’s claims that he was acting as a whistle-blower, claiming that he was actually motivated by a desire “to harm his ex-wife” and had violated the terms of his non-disclosure agreement, which the lawyers convinced the court to exclude from the public record.

The plaintiffs’ brief [see Part One and Part Two] traced Figlus’s contacts with the Ukrainian reporter whose name is also redacted: “Figlus, having previously received an audit from the General Partner, provided it to REDACTED [the Ukrainian reporter] with full knowledge that the audit was non-public. Also on or about October 2, 2012, REDACTED [the reporter] contacted multiple Limited Partners, informed them that he possessed ‘documented proof’ of alleged impropriety by the General Partner and requested interviews concerning that alleged impropriety.”

The filing noted that on Oct. 3, 2012, the reporter told Figlus that Jaresko “called two REDACTED [his newspaper’s] editors last night crying, not me, for some reason.” (The Ukrainian story was never published.)

After the competing filings, Jaresko's lawyers successfully secured a restraining order against Figlus from the Delaware Chancery Court and continued to pursue the case against him though his lawyer has asserted that his client would make no further effort to expose these financial dealings and was essentially broke.

On May 14, 2014, Figlus filed a complaint with the court claiming that he was being denied distributions from his joint interest in EEGF and saying he was told that it was because the holding was pledged as security against the loans taken out by Jaresko. But, on the same day, Jaresko's lawyer, Richard P. Rollo, contradicted that assertion, saying information about Figlus's distributions was being withheld because EEGF and Horizon Capital "faced significant business interruptions and difficulties given the political crisis in Ukraine."

The filing suggested that the interlocking investments between EEGF and the U.S.-taxpayer-funded WNISEF were experiencing further trouble from the political instability and civil war sweeping across Ukraine.

A Face of Reform

By December 2014, Jaresko had resigned from her WNISEF-related positions, taken Ukrainian citizenship and started her new job as Ukraine's Finance Minister. In an article about Jaresko's appointment, John Helmer, a longtime foreign correspondent in Russia, disclosed the outlines of the court dispute with Figlus and identified the Ukrainian reporter as Mark Rachkevych of the Kyiv Post.

"It hasn't been rare for American spouses to go into the asset management business in the former Soviet Union, and make profits underwritten by the US Government with information supplied from their US Government positions or contacts," Helmer wrote. "It is exceptional for them to fall out over the loot."

When I contacted George Pazuniak, Figlus's lawyer, about Jaresko's aggressive enforcement of the non-disclosure agreement, he told me that "at this point, it's very difficult for me to say very much without having a detrimental effect on my client." Pazuniak did say, however, that all the redactions were demanded by Jaresko's lawyers.

I also sent detailed questions to USAID and to Jaresko via several of her associates. Those questions included how much of the \$150 million in U.S. taxpayers' money remained, why Jaresko reported no compensation from "related organizations," whether she received any of the \$4.6 million to WNISEF's officers in bonuses in 2013, how much money she made in total from her association with WNISEF, what AID officials did in response to Figlus's whistle-

blower complaint, and whether Jaresko's legal campaign to silence her ex-husband was appropriate given her current position and Ukraine's history of secretive financial dealings.

USAID press officer Annette Y. Aulton got back to me with a response that was unresponsive to my specific questions. Rather than answering about the performance of WNISEF and Jaresko's compensation, the response commented on the relative success of 10 "Enterprise Funds" that AID has sponsored in Eastern Europe and added:

"There is a twenty year history of oversight of WNISEF operations. Enterprise funds must undergo an annual independent financial audit, submit annual reports to USAID and the IRS, and USAID staff conduct field visits and semi-annual reviews. At the time Horizon Capital assumed management of WNISEF, USAID received disclosures from Natalie Jaresko regarding the change in management structure and at the time USAID found no impropriety during its review."

One Jaresko associate, Tanya Bega, Horizon Capital's investor relations manager, said she forwarded my questions to Jaresko, but Jaresko did not respond.

Despite questions about whether Jaresko improperly enriched herself at the expense of U.S. taxpayers and then used a Delaware court to prevent disclosure of possible abuses, Jaresko has been hailed by the U.S. mainstream media as the face of reform in the U.S.-backed Ukrainian regime that seized power in February 2014 after a violent coup overthrew democratically elected President Viktor Yanukovich.

For instance, last January, New York Times columnist Thomas L. Friedman cited Jaresko as an exemplar of the new Ukrainian leaders who "share our values" and deserve unqualified American support. Friedman uncritically quoted Jaresko's speech to international financial leaders at Davos, Switzerland, in which she castigated Russian President Vladimir Putin:

"Putin fears a Ukraine that demands to live and wants to live and insists on living on European values, with a robust civil society and freedom of speech and religion [and] with a system of values the Ukrainian people have chosen and laid down their lives for."

However, from the opaqueness of the WNISEF records and the gagging of her ex-husband, Jaresko has shown little regard for transparency or other democratic values. Similarly, USAID seems more intent on protecting Jaresko and the image of the Kiev regime than in protecting America tax dollars and ensuring that WNISEF's investments were dedicated to improving the lot of Ukrainian citizens.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for

The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). You also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, [click here](#).

WPost Plays Ukraine's Lapdog

Exclusive: Ukraine's Prime Minister Yatsenyuk and Finance Minister Jaresko are on a U.S. trip to drum up weapons and money to crush the ethnic Russian resistance in the east and they are finding a lapdog U.S. press that won't ask them tough questions, reports Robert Parry.

By Robert Parry

There once was a time when the U.S. news media investigated U.S. imperial adventures overseas, such as Washington-sponsored coups. Journalists also asked tough questions to officials implicated in corruption even if those queries were inconvenient to the desired propaganda themes. But those days are long gone, as the Washington Post demonstrated again this week.

On Wednesday, the Post's editorial board had a chance to press Ukraine's Prime Minister Arseniy Yatsenyuk about the U.S. government's role in the Feb. 22, 2014 coup that elevated him to his current post after he was handpicked by U.S. Assistant Secretary of State for European Affairs Victoria Nuland, who declared "Yats is the guy" in a pre-coup intercepted phone call.

Wouldn't it have been interesting to ask Yatsenyuk about his pre-coup contacts with Nuland and U.S. Ambassador Geoffrey Pyatt and what their role was in fomenting the "regime change" that ousted elected President Viktor Yanukovich and hurtled Ukraine into a civil war? Sure, Yatsenyuk might have ducked the questions, but isn't that the role that journalists are supposed to play, at least ask? [See Consortiumnews.com's "[What Neocons Want from Ukraine Crisis.](#)"]

Or why not question Yatsenyuk about the presence of neo-Nazis and other right-wing extremists who spearheaded the violent coup and then were deployed as the shock troops in Ukraine's "anti-terrorism operation" that has slaughtered thousands of ethnic Russians in eastern Ukraine? Wouldn't that question have spiced up the interview? [See Consortiumnews.com's "[Wretched US Journalism on Ukraine.](#)"]

And, since Ukraine's Finance Minister Natalie Jaresko was at the editorial board meeting as well, wouldn't it have made sense to ask her about the propriety of her enriching herself while managing a \$150 million U.S.-taxpayer-financed investment fund for Ukraine over the past decade? What kind of message does her prior work send to the people of Ukraine as they're asked to tighten their belts even more, with cuts to pensions, reduction of worker protections, and elimination of heating subsidies?

How would Jaresko justify her various schemes to increase her compensation beyond the \$150,000 limit set by the U.S. Agency for International Development and her decision to take court action to gag her ex-husband when he tried to blow the whistle on some improprieties? Wouldn't such an exchange enlighten the Post's readers about the complexities of the crisis? [See Consortiumnews.com's "[Ukraine Finance Minister's American 'Values.'](#)"]

Yet, based on what the Post decided to report to its readers, the editorial board simply performed the stenographic task of taking down whatever Yatsenyuk and Jaresko wanted to say. There was no indication of any probing question or even the slightest skepticism toward their assertions.

On Thursday, the Post combined [a news article](#) on the visit with [an editorial](#) that repeated pretty much as flat fact what Yatsenyuk and Jaresko had said. So, after Yatsenyuk alleged that Russia had 10,000 troops on the ground inside Ukraine, the Post's editorial writers simply asserted the same number as a fact in its lead editorial, which stated: "Russia has deployed an estimated 10,000 troops to eastern Ukraine and, with its local proxies, attacks Ukrainian forces on a near-daily basis."

Though both assertions are in dispute with many of the cease-fire violations resulting from Ukrainian government assaults around the rebel-controlled Donetsk Airport the Post had no interest in showing any skepticism, arguably one of the consequences from the failure to impose any accountability for the Post's similarly biased writing prior to the Iraq War.

In 2002-03, editorial-page editor Fred Hiatt repeatedly declared as flat fact that Saddam Hussein possessed stockpiles of WMDs, thus supposedly justifying the U.S.-led invasion. After the invasion failed to locate these WMD stockpiles, Hiatt was asked about his editorials and responded:

"If you look at the editorials we write running up [to the war], we state as flat fact that he [Saddam Hussein] has weapons of mass destruction," Hiatt said. "If that's not true, it would have been better not to say it." [CJR, March/April 2004]

Yes, journalists generally aren't supposed to say something is a fact when it isn't and when a news executive oversees such a catastrophic error, which contributed to the deaths of nearly 4,500 U.S. soldiers and hundreds of thousands of Iraqis, you might expect him to be fired.

Yet, Hiatt remains the Post's editorial-page editor today, continuing to push neoconservative propaganda themes, now including equally one-sided accounts of dangerous crises in Ukraine, Syria and elsewhere. [See Consortiumnews.com's "[Why WPost's Hiatt Should Be Fired.](#)"]

On Ukraine although the risks of neocon "tough-guy-ism" against nuclear-armed Russia could mean extermination of life on the planet the Post refuses to present any kind of balanced reporting. Nor apparently will the Post even direct newsworthy questions to Ukrainian officials.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). You also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, [click here](#).

Ukraine's Oligarchs Turn on Each Other

Exclusive: Ukraine's post-coup regime is facing what looks like a falling-out among thieves as oligarch-warlord Igor Kolomoisky, who was given his own province to rule, brought his armed men to Kiev to fight for control of the state-owned energy company, further complicating the State Department's propaganda efforts, reports Robert Parry.

By Robert Parry (Updated on March 25, 2015, to include Kolomoisky's firing)

In the never-never land of how the mainstream U.S. press covers the Ukraine crisis, the appointment last year of thuggish oligarch Igor Kolomoisky to govern one of the country's eastern provinces was pitched as a democratic "reform" because he was supposedly too rich to bribe, without noting that his wealth had come from plundering the country's economy.

In other words, the new U.S.-backed "democratic" regime, after overthrowing democratically elected President Viktor Yanukovich because he was "corrupt," was rewarding one of Ukraine's top thieves by letting him lord over his own

province, Dnipropetrovsk Oblast, with the help of his personal army.

Last year, Kolomoisky's brutal militias, which include neo-Nazi brigades, were praised for their fierce fighting against ethnic Russians from the east who were resisting the removal of their president. But now Kolomoisky, whose financial empire is crumbling as Ukraine's economy founders, has turned his hired guns against the Ukrainian government led by another oligarch, President Petro Poroshenko.

Last Thursday night, Kolomoisky and his armed men went to Kiev after the government tried to wrest control of the state-owned energy company UkrTransNafta from one of his associates. Kolomoisky and his men raided the company offices to seize and apparently destroy records. As he left the building, he cursed out journalists who had arrived to ask what was going on. He ranted about "Russian saboteurs."

It was a revealing display of how the corrupt Ukrainian political-economic system works and the nature of the "reformers" whom the U.S. State Department has pushed into positions of power. According to BusinessInsider, the Kiev government tried to smooth Kolomoisky's ruffled feathers by announcing "that the new company chairman [at UkrTransNafta] would not be carrying out any investigations of its finances."

Yet, it remained unclear whether Kolomoisky would be satisfied with what amounts to an offer to let any past thievery go unpunished. But if this promised amnesty wasn't enough, Kolomoisky appeared ready to use his private army to discourage any accountability.

On Monday, Valentyn Nalyvaychenko, chief of the State Security Service, accused Dnipropetrovsk officials of financing armed gangs and threatening investigators, Bloomberg News reported, while noting that Ukraine has sunk to 142nd place out of 175 countries in Transparency International's Corruptions Perception Index, the worst in Europe.

The see-no-evil approach to how the current Ukrainian authorities do business relates as well to Ukraine's new Finance Minister Natalie Jaresko, who appears to have enriched herself at the expense of a \$150 million U.S.-taxpayer-financed investment fund for Ukraine.

Jaresko, a former U.S. diplomat who received overnight Ukrainian citizenship in December to become Finance Minister, had been in charge of the Western NIS Enterprise Fund (WNISEF), which became the center of insider-dealing and conflicts of interest, although the U.S. Agency for International Development showed little desire to examine the ethical problems even after Jaresko's ex-

husband tried to blow the whistle. [See Consortiumnews.com's "[Ukraine Finance Minister's American 'Values.'](#)"]

Passing Out the Billions

Jaresko will be in charge of dispensing the \$17.5 billion that the International Monetary Fund is allocating to Ukraine, along with billions of dollars more expected from U.S. and European governments.

Regarding Kolomoisky's claim about "Russian saboteurs," the government said that was not the case, explaining that the clash resulted from the parliament's vote last week to reduce Kolomoisky's authority to run the company from his position as a minority owner. As part of the shakeup, Kolomoisky's protégé Oleksandr Lazorko was fired as chairman, but he refused to leave and barricaded himself in his office, setting the stage for Kolomoisky's arrival with armed men.

On Tuesday, the New York Times [reported](#) on the dispute but also flashed back to its earlier propagandistic praise of the 52-year-old oligarch, recalling that "Mr. Kolomoisky was one of several oligarchs, considered too rich to bribe, who were appointed to leadership positions in a bid to stabilize Ukraine."

Kolomoisky also is believed to have purchased influence inside the U.S. government through his behind-the-scenes manipulation of Ukraine's largest private gas firm, Burisma Holdings. Last year, the shadowy Cyprus-based company [appointed](#) Vice President Joe Biden's son, Hunter Biden, to its board of directors. Burisma also lined up well-connected lobbyists, some with ties to Secretary of State John Kerry, including Kerry's former Senate chief of staff David Leiter, according to lobbying disclosures.

As Time magazine [reported](#), "Leiter's involvement in the firm rounds out a power-packed team of politically-connected Americans that also includes a second new board member, Devon Archer, a Democratic bundler and former adviser to John Kerry's 2004 presidential campaign. Both Archer and Hunter Biden have worked as business partners with Kerry's son-in-law, Christopher Heinz, the founding partner of Rosemont Capital, a private-equity company."

According to [investigative journalism](#) in Ukraine, the ownership of Burisma has been traced to Privat Bank, which is controlled by Kolomoisky.

So, it appears that Ukraine's oligarchs who continue to wield enormous power inside the corrupt country are now circling each other over what's left of the economic spoils and positioning themselves for a share of the international bailouts to come.

As for "democratic reform," only in the upside-down world of the State

Department's Orwellian "information war" against Russia over Ukraine would imposing a corrupt and brutal oligarch like Kolomoisky as the unelected governor of a defenseless population be considered a positive.

(Early Wednesday morning, President Poroshenko dismissed Kolomoisky from his post as Dnipropetrovsk regional governor.)

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). You also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, [click here](#).

How 'Free Markets' Defame 'Democracy'

Exclusive: Venezuela seems to be following Ukraine on the neocon hit list for "regime change" as Washington punishes Caracas for acting against a perceived coup threat. But a broader problem is how the U.S. conflates "free markets" with "democracy," giving "democracy" a bad name, writes Robert Parry.

By Robert Parry

The one common thread in modern U.S. foreign policy is an insistence on "free market" solutions to the world's problems. That is, unless you're lucky enough to live in a First World ally of the United States or your country is too big to bully.

So, if you're in France or Canada or for that matter China, you can have generous health and educational services and build a modern infrastructure. But if you're a Third World country or otherwise vulnerable like, say, Ukraine or Venezuela Official Washington insists that you shred your social safety net and give free reign to private investors.

If you're good and accept this "free market" domination, you become, by the U.S. definition, a "democracy" even if doing so goes against the wishes of most of your citizens. In other words, it doesn't matter what most voters want; they must accept the "magic of the market" to be deemed a "democracy."

Thus, in today's U.S. parlance, "democracy" has come to mean almost the opposite of what it classically meant. Rather than rule by a majority of the people, you

have rule by “the market,” which usually translates into rule by local oligarchs, rich foreigners and global banks.

Governments that don't follow these rules by instead shaping their societies to address the needs of average citizens are deemed “not free,” thus making them targets of U.S.-funded “non-governmental organizations,” which train activists, pay journalists and coordinate business groups to organize an opposition to get rid of these “un-democratic” governments.

If a leader seeks to defend his or her nation's sovereignty by such means as requiring these NGOs to register as “foreign agents,” the offending government is accused of violating “human rights” and becomes a candidate for more aggressive “regime change.”

Currently, one of the big U.S. complaints against Russia is that it requires foreign-funded NGOs that seek to influence policy decisions to register as “foreign agents.” The New York Times and other Western publications have cited this 2012 law as proof that Russia has become a dictatorship, while ignoring the fact that the Russians modeled their legislation after a U.S. law known as the “Foreign Agent Registration Act.”

So, it's okay for the U.S. to label people who are paid by foreign entities to influence U.S. policies as “foreign agents” and to imprison people who fail to register but not for Russia to do the same. A number of these NGOs in Russia and elsewhere also are not “independent” entities but instead are financed by the U.S.-funded National Endowment for Democracy (NED) and the U.S. Agency for International Development.

There is even a circular element to this U.S. complaint. Leading the denunciation of Russia and other governments that restrain these U.S.-financed NGOs is Freedom House, which marks down countries on its “freedom index” when they balk at letting in this back-door U.S. influence. However, over the past three decades, Freedom House has become essentially a subsidiary of NED, a bought-and-paid-for NGO itself.

The Hidden CIA Hand

That takeover began in earnest in 1983 when CIA Director William Casey was focused on creating a funding mechanism to support Freedom House and other outside groups that would engage in propaganda and political action that the CIA had historically organized and financed covertly. Casey helped shape the plan for a congressionally funded entity that would serve as a conduit for this U.S. government money.

But Casey recognized the need to hide the CIA's strings. “Obviously we here [at

CIA] should not get out front in the development of such an organization, nor should we appear to be a sponsor or advocate,” Casey said in one undated letter to then-White House counselor Edwin Meese III as Casey urged creation of a “National Endowment.” [See Consortiumnews.com’s “CIA’s Hidden Hand in ‘Democracy’ Groups.”]

Casey’s planning led to the 1983 creation of NED, which was put under the control of neoconservative Carl Gershman, who remains in charge to this day. Gershman’s NED now distributes more than \$100 million a year, which included financing scores of activists, journalists and other groups inside Ukraine before last year’s coup and now pays for dozens of projects in Venezuela, the new emerging target for “regime change.”

But NED’s cash is only a part of how the U.S. government manipulates events in vulnerable countries. In Ukraine, prior to the February 2014 coup, neocon Assistant Secretary of State Victoria Nuland reminded Ukrainian business leaders that the United States had invested \$5 billion in their “European aspirations.”

Nuland then handpicked who would be the new leadership, telling U.S. Ambassador Geoffrey Pyatt that “Yats is the guy,” referring to “free market” politician Arseniy Yatsenyuk, who not surprisingly emerged as the new prime minister after a violent coup ousted elected President Viktor Yanukovich on Feb. 22, 2014.

The coup also started a civil war that has claimed more than 6,000 lives, mostly ethnic Russians in eastern Ukraine who had supported Yanukovich and were targeted for a ruthless “anti-terrorist operation” spearheaded by neo-Nazi and other far-right militias dispatched by the U.S.-backed regime in Kiev. But Nuland blames everything on Russia’s President Vladimir Putin. [See Consortiumnews.com’s “Nuland’s Mastery of Ukraine Propaganda.”]

On top of Ukraine’s horrific death toll, the country’s economy has largely collapsed, but Nuland, Yatsenyuk and other free-marketeers have devised a solution, in line with the wishes of the Washington-based International Monetary Fund: Austerity for the average Ukrainian.

Before the Senate Foreign Relations Committee on Tuesday, Nuland hailed “reforms” to turn Ukraine into a “free-market state,” including decisions “to reduce and cap pension benefits, increase work requirements and phase in a higher retirement age; [and] cutting wasteful gas subsidies.”

In other words, these “reforms” are designed to make the hard lives of average Ukrainians even harder by slashing pensions, removing work protections, forcing people to work into their old age and making them pay more for heat during the winter.

'Sharing' the Wealth

In exchange for those "reforms," the IMF approved \$17.5 billion in aid that will be handled by Ukraine's Finance Minister Natalie Jaresko, who until last December was a former U.S. diplomat responsible for a U.S. taxpayer-financed \$150 million investment fund for Ukraine that was drained of money as she engaged in lucrative insider deals that she has fought to keep secret. Now, Ms. Jaresko and her cronies will get a chance to be the caretakers of more than 100 times more money. [See Consortiumnews.com's "[Ukraine's Finance Minister's American 'Values.'](#)"]

Other prominent Americans have been circling around Ukraine's "democratic" opportunities. For instance, Vice President Joe Biden's son Hunter was named to the board of directors of Burisma Holdings, Ukraine's largest private gas firm, a shadowy Cyprus-based company linked to Privat Bank.

Privat Bank is controlled by the thuggish billionaire oligarch Ihor Kolomoysky, who was appointed by the Kiev regime to be governor of Dnipropetrovsk Oblast, a south-central province of Ukraine. In this tribute to "democracy," the U.S.-backed Ukrainian authorities gave an oligarch his own province to rule. Kolomoysky also has helped finance paramilitary forces killing ethnic Russians in eastern Ukraine.

Burisma has been lining up well-connected American lobbyists, too, some with ties to Secretary of State John Kerry, including Kerry's former Senate chief of staff David Leiter, according to lobbying disclosures.

As Time magazine [reported](#), "Leiter's involvement in the firm rounds out a power-packed team of politically-connected Americans that also includes a second new board member, Devon Archer, a Democratic bundler and former adviser to John Kerry's 2004 presidential campaign. Both Archer and Hunter Biden have worked as business partners with Kerry's son-in-law, Christopher Heinz, the founding partner of Rosemont Capital, a private-equity company." [See Consortiumnews.com's "[The Whys Behind the Ukraine Crisis.](#)"]

So, it seems even this modern form of "democracy" has some "sharing the wealth" aspects.

Which brings us to the worsening crisis in Venezuela, a South American country which has been ruled over the past decade or so by leftist leaders who with broad public support have sought to spread the nation's oil wealth around more broadly than ever before, including paying for ambitious social programs to address problems of illiteracy, disease and poverty.

While there were surely missteps and mistakes by the late President Hugo Chavez

and his successor Nicolas Maduro, the Chavista government has made progress in addressing some of Venezuela's enduring social ills, which had been coolly ignored by previous U.S.-backed rulers, such as President Carlos Andres Perez, who collaborated with the CIA and hobnobbed with the great and powerful.

I was once told by an Andres Perez assistant that the Venezuelan president shared his villa outside Caracas with the likes of David Rockefeller and Henry Kissinger, bringing in beauty pageant contestants for their entertainment.

Chavez and Maduro at least have tried to improve the lot of the average Venezuelan. However, facing a deepening economic crisis made worse by the drop in world oil prices, Maduro has found himself under increasing political pressure, some of it financed or inspired by Washington and supported by the rightist government in neighboring Colombia.

Allegations of a Coup

Maduro has reacted to these moves against his government by accusing some opponents of plotting a coup, a claim that is mocked by the U.S. State Department and by the U.S. mainstream media, which apparently doesn't believe that the United States would ever think of staging a coup in Latin America.

This week, the White House declared that the evidence of any coup-plotting is either fabricated or implausible, as the New York Times reported. President Barack Obama then cited what he called "an extraordinary threat to the national security of the United States" from Venezuela and froze the American assets of seven Venezuelan police and military officials.

The fact that Obama can deliver that line with a straight face should make any future words out of his mouth not credible. Venezuela has done nothing to threaten the "national security of the United States" extraordinarily or otherwise. Whatever the truth about the coup-plotting, Venezuela has a much greater reason to fear for its national security at the hands of the United States.

But in this up-is-down world of Official Washington, bureaucrats and journalists nod in agreement at such absurdities.

A few weeks ago, I was having brunch with a longtime State Department official who was chortling about the pain that the drop in oil prices was inflicting on Venezuela and some other adversarial states, including Iran and Russia.

I asked why the U.S. government took such pleasure at watching people in these countries suffer. I suggested that it was perhaps more in U.S. interests for these countries and their people to be doing well with money in their pockets so

they could shop and do business.

His response was that these countries had caused trouble for U.S. foreign policy in the past and now it was their turn to pay the price. He also called me a “Putin apologist” when I wouldn’t agree with the State Department’s line blaming Russia for all of Ukraine’s ills.

But the broader question is: Why does the United States insist on imposing “free market” rules on these struggling countries when Democrats and even some Republicans agree that an unrestrained “free market” has not worked well for the American people? It was “free market” extremism that led to the Great Depression of the 1930s and to the Great Recession of 2008, the effects of which are only now slowly receding.

Further, real democracy i.e., the will of the majority to shape societies to serve the many rather than the few has turned out also to be good economics. American society and economy were arguably strongest when government policy encouraged a growing middle class from the New Deal through the 1970s.

To be sure, there were faults and false starts during those decades, but experiments with an uncontrolled “free market” have proven catastrophic. Yet, that is what the U.S. government seems determined to foist on vulnerable countries whose majorities would prefer to make their societies more equitable, more fair.

And beyond the negative social impact of the “free market,” there is the danger that conflating policies that cause economic inequality with democracy will give democracy a very bad name.

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America’s Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). You also can order Robert Parry’s trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America’s Stolen Narrative*. For details on this offer, [click here](#).

Ukraine Finance Minister’s American ‘Values’

Special Report: Among the arguments for why Americans should risk nuclear war

with Russia over Ukraine is that the regime that took power in a coup last year “shares our values.” But one of those “values” personified by Finance Minister Natalie Jaresko may be the skill of using insider connections, reports Robert Parry.

By Robert Parry

Ukraine’s new Finance Minister Natalie Jaresko, who has become the face of reform for the U.S.-backed regime in Kiev and will be a key figure handling billions of dollars in Western financial aid, was at the center of insider deals and other questionable activities when she ran a \$150 million U.S.-taxpayer-financed investment fund.

Prior to taking Ukrainian citizenship and becoming Finance Minister last December, Jaresko was a former U.S. diplomat who served as chief executive officer of the Western NIS Enterprise Fund (WNISEF), which was created by Congress in the 1990s and overseen by the U.S. Agency for International Development (U.S. AID) to help jumpstart an investment economy in Ukraine.

But Jaresko, who was limited to making \$150,000 a year at WNISEF under the U.S. AID grant agreement, managed to earn more than that amount, reporting in 2004 that she was paid \$383,259 along with \$67,415 in expenses, according to WNISEF’s public filing with the Internal Revenue Service.

Later, Jaresko’s compensation was removed from public disclosure altogether after she co-founded two entities in 2006: Horizon Capital Associates (HCA) to manage WNISEF’s investments (and collect around \$1 million a year in fees) and Emerging Europe Growth Fund (EEGF) to collaborate with WNISEF on investment deals.

Jaresko formed HCA and EEGF with two other WNISEF officers, Mark Iwashko and Lenna Koszarny. They also started a third firm, Horizon Capital Advisors, which “serves as a sub-advisor to the Investment Manager, HCA,” according to WNISEF’s IRS filing for 2006.

U.S. AID apparently found nothing suspicious about these tangled business relationships and even allowed WNISEF to spend millions of dollars helping EEGF become a follow-on private investment firm despite the potential conflicts of interest involving Jaresko, the other WNISEF officers and their affiliated companies.

For instance, WNISEF’s 2012 annual report devoted two pages to “related party transactions,” including the management fees to Jaresko’s Horizon Capital (\$1,037,603 in 2011 and \$1,023,689 in 2012) and WNISEF’s co-investments in projects with the EEGF, where Jaresko was founding partner and chief executive

officer. Jaresko's Horizon Capital managed the investments of both WNISEF and EEGF.

From 2007 to 2011, WNISEF co-invested \$4.25 million with EEGF in Kerameya LLC, a Ukrainian brick manufacturer, and WNISEF sold EEGF 15.63 percent of Moldova's Fincombank for \$5 million, the report said. It also listed extensive exchanges of personnel and equipment between WNISEF and Horizon Capital. But it's difficult for an outsider to ascertain the relative merits of these insider deals and the transactions apparently raised no red flags for U.S. AID officials.

Bonuses for Officers

Regarding compensation, WNISEF's 2013 filing with the IRS noted that the fund's officers collected millions of dollars in bonuses for closing out some investments at a profit even as the overall fund was losing money. According to the filing, WNISEF's \$150 million nest egg had shrunk by more than one-third to \$94.5 million and likely has declined much more during the economic chaos that followed the U.S.-backed coup in February 2014.

But prior to the coup and the resulting civil war, Jaresko's WNISEF was generously spreading money around. For instance, the 2013 IRS filing reported that the taxpayer-financed fund paid out as "expenses" \$7.7 million under a bonus program, including \$4.6 million to "current officers," without identifying who received the money.

The filing made the point that the "long-term equity incentive plan" was "not compensation from Government Grant funds but a separately USAID-approved incentive plan funded from investment sales proceeds" although those proceeds presumably would have gone into the depleted WNISEF pool if they had not been paid out as bonuses.

The filing also said the bonuses were paid regardless of whether the overall fund was making money, noting that this "compensation was not contingent on revenues or net earnings, but rather on a profitable exit of a portfolio company that exceeds the baseline value set by the board of directors and approved by USAID" with Jaresko also serving as a director on the board responsible for setting those baseline values.

Another WNISEF director was Jeffrey C. Neal, former chairman of Merrill Lynch's global investment banking and a co-founder of Horizon Capital, further suggesting how potentially incestuous these relationships may have become.

Though compensation for Jaresko and other officers was shifted outside public view after 2006 as their pay was moved to the affiliated entities the 2006 IRS

filing says: "It should be noted that as long as HCA earns a management fee from WNISEF, HCA and HCAD [the two Horizon Capital entities] must ensure that a salary cap of \$150,000 is adhered to for the proportion of salary attributable to WNISEF funds managed relative to aggregate funds under management."

But that language would seem to permit compensation well above \$150,000 if it could be tied to other managed funds, including EEGF, or come from the incentive program. Such compensation for Jaresko and the other top officers was not reported on later IRS forms despite a line for earnings from "related organizations." Apparently, Horizon Capital and EEGF were regarded as "unrelated organizations" for the purposes of reporting compensation.

Neither AID officials nor Jaresko responded to specific questions about WNISEF's possible conflicts of interest, how much money Jaresko made from her involvement with WNISEF and its connected companies, and whether she had fully complied with IRS reporting requirements.

Shared Values?

Despite such ethical questions, Jaresko was cited by New York Times columnist Thomas L. Friedman as an exemplar of the new Ukrainian leaders who "share our values" and deserve unqualified American support. Friedman uncritically quoted Jaresko's speech to international financial leaders at Davos, Switzerland, in which she castigated Russian President Vladimir Putin:

"Putin fears a Ukraine that demands to live and wants to live and insists on living on European values, with a robust civil society and freedom of speech and religion [and] with a system of values the Ukrainian people have chosen and laid down their lives for."

However, Jaresko has shown little regard for transparency or other democratic values, such as the right of free speech when it comes to someone questioning her financial dealings. For instance, she has gone to great lengths to block her ex-husband Ihor Figlus from exposing what he regards as her questionable business ethics.

In 2012, when Figlus tried to blow the whistle on what he saw as improper loans that Jaresko had taken from Horizon Capital Associates to buy and expand her stake in EEGF, the privately held follow-on fund to WNISEF, Jaresko sent her lawyers to court to silence him and, according to his lawyer, bankrupt him.

The filings in Delaware's Chancery Court are remarkable not only because Jaresko succeeded in getting the Court to gag her ex-husband through enforcement of a non-disclosure agreement but the Court agreed to redact nearly all the business details, even the confidentiality language at the center of the case.

Since Figlus had given some of his information to a Ukrainian journalist, the court complaint also had the look of a leak investigation, tracking down Figlus's contacts with the journalist and then using that evidence to secure the restraining order, which Figlus said not only prevented him from discussing business secrets but even talking about his more general concerns about Jaresko's insider dealings.

The heavy redactions make it hard to fully understand Figlus's concerns or to assess the size of Jaresko's borrowing as she expanded her holdings in EEGF, but Figlus did assert that he saw his role as whistle-blowing about improper actions by Jaresko.

In a Oct. 31, 2012, filing, Figlus's attorney wrote that "At all relevant times, Defendant [Figlus] acted in good faith and with justification, on matters of public interest, and particularly the inequitable conduct set forth herein where such inequitable conduct adversely affects at least one other limited partner which is REDACTED, and specifically the inequitable conduct included, in addition to the other conduct cited herein, REDACTED."

The filing added: "The Plaintiffs' [Jaresko's and her EEGF partners'] claims are barred, in whole or in part, by public policy, and particularly that a court in equity should not enjoin 'whistle-blowing' activities on matters of public interest, and particularly the inequitable conduct set forth herein." But the details of that conduct were all redacted.

Free Speech

In a defense brief dated Dec. 17, 2012 [see Part One and Part Two], Figlus expanded on his argument that Jaresko's attempts to have the court gag him amounted to a violation of his constitutional right of free speech:

"The obvious problem with the scope of their Motion is that Plaintiffs are asking the Court to enter an Order that prohibits Defendant Figlus from exercising his freedom of speech without even attempting to provide the Court with any Constitutional support or underpinning for such impairment of Figlus' rights.

"Plaintiffs cannot do so, because such silencing of speech is Constitutionally impermissible, and would constitute a denial of basic principles of the Bill of Rights in both the United States and Delaware Constitutions. There can be no question that Plaintiffs are seeking a temporary injunction, which constitutes a prior restraint on speech.

"The Court cannot, consistent with the Federal and State Constitutional guarantees of free speech, enjoin speech except in the most exceptional

circumstances, and certainly not when Plaintiffs are seeking to prevent speech that is not even covered by the very contractual provision upon which they are relying.

“Moreover, the Court cannot prevent speech where the matter has at least some public interest REDACTED, except as limited to the very specific and exact language of the speaker’s contractual obligation.”

Figlus also provided a narrative of events as he saw them as a limited partner in EEGF, saying he initially “believed everything she [Jaresko] was doing, you know, was proper.” Later, however, Figlus “learned that Jaresko began borrowing money from HCA REDACTED, but again relied on his spouse, and did not pay attention to the actual financial transactions

“In early 2010, after Jaresko separated from Figlus, she presented Figlus with, and requested that he execute, a ‘Security Agreement,’ pledging the couple’s partnership interest to the repayment of the loans from HCA. This was Figlus first realization of the amount of loans that Jaresko had taken, and that the partnership interest was being funded through this means. By late 2011, Jaresko had borrowed approximately REDACTED from HCA to both fund the partnership interest REDACTED. The loans were collateralized only by the EEGF partnership interest.

“Figlus became increasingly concerned about the partnership and the loans that had been and continued to be given to the insiders to pay for their partnership interests, while excluding other limited partners. Although Figlus was not sophisticated in these matters, he considered that it was inappropriate that HCA was giving loans to insiders to fund their partnership interests, but to no other partners.

“He talked to an individual at U.S. Agency for International Development (USAID) in Washington D.C., because the agency was effectively involved as a limited partner because of the agency’s funding and supervision over WNISEF, but the agency employee did not appear interested in pursuing the question.”

A Spousal Dispute

Meanwhile, Jaresko’s lawyers mocked Figlus’s claims that he was acting as a whistle-blower, claiming that he was actually motivated by a desire “to harm his ex-wife” and had violated the terms of his non-disclosure agreement, which the lawyers convinced the court to exclude from the public record.

The plaintiffs’ brief [see [Part One](#) and [Part Two](#)] traces Figlus’s contacts with the Ukrainian reporter whose name is also redacted:

"Figlus, having previously received an audit from the General Partner, provided it to REDACTED [the Ukrainian reporter] with full knowledge that the audit was non-public. Also on or about October 2, 2012, REDACTED [the reporter] contacted multiple Limited Partners, informed them that he possessed 'documented proof' of alleged impropriety by the General Partner and requested interviews concerning that alleged impropriety."

The filing noted that on Oct. 3, 2012, the reporter told Figlus that Jaresko "called two REDACTED [his newspaper's] editors last night crying, not me, for some reason." (The Ukrainian story was never published.)

After the competing filings, Jaresko's lawyers successfully secured a restraining order against Figlus from the Delaware Chancery Court and are continuing to pursue the case against him though his lawyer has asserted that his client will make no further effort to expose these financial dealings and is essentially broke.

On May 14, 2014, Figlus filed a complaint with the court claiming that he was being denied distributions from his joint interest in EEGF and saying he was told that it was because the holding was pledged as security against the loans taken out by Jaresko.

But, on the same day, Jaresko's lawyer, Richard P. Rollo, contradicted that assertion, saying information about Figlus's distributions was being withheld because EEGF and Horizon Capital "faced significant business interruptions and difficulties given the political crisis in Ukraine."

The filing suggested that the interlocking investments between EEGF and the U.S.-taxpayer-funded WNISEF were experiencing further trouble from the political instability and civil war sweeping across Ukraine. By last December, Jaresko had resigned from her WNISEF-related positions, taken Ukrainian citizenship and started her new job as Ukraine's Finance Minister.

In an article about Jaresko's appointment, John Helmer, a longtime foreign correspondent in Russia, disclosed the outlines of the court dispute with Figlus and identified the Ukrainian reporter as Mark Rachkevych of the Kyiv Post.

"It hasn't been rare for American spouses to go into the asset management business in the former Soviet Union, and make profits underwritten by the US Government with information supplied from their US Government positions or contacts," Helmer wrote. "It is exceptional for them to fall out over the loot."

Earlier this month, when I contacted George Pazuniak, Figlus's lawyer, about Jaresko's aggressive enforcement of the non-disclosure agreement, he told me that "at this point, it's very difficult for me to say very much without having

a detrimental effect on my client.” Pazuniak did say, however, that all the redactions were demanded by Jaresko’s lawyers.

Unresponsive Response

I also sent detailed questions to U.S. AID and to Jaresko via several of her associates. Those questions included how much of the \$150 million in U.S. taxpayers’ money remained, why Jaresko reported no compensation from “related organizations,” whether she received any of the \$4.6 million to WNISEF’s officers in bonuses in 2013, how much money she made in total from her association with WNISEF, what AID officials did in response Figlus’s complaint about possible wrongdoing, and whether Jaresko’s legal campaign to silence her ex-husband was appropriate given her current position and Ukraine’s history of secretive financial dealings.

U.S. AID press officer Annette Y. Aulton got back to me with a response that was unresponsive to my specific questions. Rather than answering about the performance of WNISEF and Jaresko’s compensation, the response commented on the relative success of 10 “Enterprise Funds” that AID has sponsored in Eastern Europe and added:

“There is a twenty year history of oversight of WNISEF operations. Enterprise funds must undergo an annual independent financial audit, submit annual reports to USAID and the IRS, and USAID staff conduct field visits and semi-annual reviews. At the time Horizon Capital assumed management of WNISEF, USAID received disclosures from Natalie Jaresko regarding the change in management structure and at the time USAID found no impropriety during its review.”

One Jaresko associate, Tanya Bega, Horizon Capital’s investor relations manager, said she forwarded my questions to Jaresko last week, but Jaresko did not respond.

Further showing how much Jaresko’s network is penetrating the new Ukrainian government, another associate, Estonian Jaanika Merilo, has been brought on to handle Ukraine’s foreign investments. Merilo’s Ukrainian Venture Capital and Private Equity Association (UVCA), which is committed to “representing interests of private equity investors to policymakers and improving the investment and business climate in Ukraine,” included Jaresko’s Horizon Capital as a founder.

In a way, given Jaresko’s background of parlaying U.S. taxpayer’s money into various insider investment deals, perhaps she does have the experience to handle the incoming \$17.5 billion in aid from the International Monetary Fund.

But the question remains whether Jaresko’s is the right kind of experience and whether the money will go to help the impoverished people of Ukraine or simply

wind up lining the pockets of the well-heeled and the well-connected.

—With research by Chelsea Gilmour

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his latest book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). You also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, [click here](#).
