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Transparency Sees Progress and Issues With Rosatom's Purchasing

By Justin Varilek

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The purchasing practices of state nuclear corporation Rosatom leave something to be desired, according to the local chapter of Transparency International, following its analysis of tenders by the company in the first quarter of 2011, including one to purchase a Lexus automobile with a starting price of 9.3 million rubles ($290,000).

An average Lexus at Lexus Kolomenskoye in Moscow is 2 million rubles, while the most expensive vehicle costs 14.5 million rubles, said Roman, the company's sales manager who asked that his last name not be used.

State corporations are a special category of companies that lack governmental oversight and instead rely only on internal structures [for supervision], Transparency deputy director Ivan Ninenko said Friday.

According to a number of laws and regulations, civil service workers must declare their

personal relations and connections with companies that may lead to a conflict of interest, but state corporations lack this requirement, Transparency said.

"In state corporations, this procedure does not exist," said Yelena Panfilova, head of Transparency International in Russia and a newly appointed member of Transparency's global board of directors. Conflicts of interest "should be documented and regulated. It is an absolute necessity."

Rosatom has taken steps toward improving oversight of its procedures, Transparency said. In 2009, the state corporation adopted industry standard procedures to enhance transparency, including principles governing the process of ordering and purchasing goods and services. To enhance transparency, the company began publishing purchase orders on its official web site.

Three experts from Transparency International Russia analyzed every fifth purchase made by Rosatom, as well as other purchases at random, to gauge how well the standard is being implemented.

They discovered that Rosatom employees failed to follow all the reporting rules outlined in the industry standard for purchase orders. In their report, Transparency outlined corruption risks and additional oversight measures. Previously in the week, they presented the findings to Rosatom officials, recommending the creation of databanks to reveal potential conflicts of interest, publication of all planned purchases on open sources, explanation of factors in all starting prices, and revision of electronic listings to provide further description of purchases.

Panfilova said Rosatom had taken many positive steps toward transparency, but there was still much to be done.

"I want to emphasize that when you hear something about a state corporation, that is a good sign," Panfilova said. "When there is silence, then you should be concerned. Then it is unknown whether a purchase occurred or not, if there was competition in the bidding or not."

Panfilova said she would like to continue investigating state corporations and identified state Olympic construction company Olimpstroi as her next target.

Blogger and anti-corruption activist Alexei Navalny has a similar project monitoring dubious government expenditures on his site, rospil.ru, which aims to expose bureaucrats who get rich off of government purchases.

In July, the State Duma passed a law that will go into effect on Jan. 1, 2012, requiring all state corporations to standardize their internal purchase systems. Rosatom has already met these standards, Transparency International said.

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