

Conflict of Interest Cases Found at State Companies

By [The Moscow Times](#)

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Putin meeting with Sechin at Novo-Ogaryovo outside Moscow on Monday. **Alexei Druzhinin**

President-elect Vladimir Putin said criminal liability should be established for managers at state companies who conceal possible conflicts of interest.

"This will create a situation in which there is no desire to engage in illegal activity and somehow circumvent the proposed elements of state control," Putin said.

Putin received a report by Deputy Prime Minister Igor Sechin on Monday about 200 cases in which state employees have managerial or financial involvement in commercial companies that supply their organizations.

Sechin told Putin about an investigation that he personally oversaw, in which 21 government-owned companies supplied details about beneficiaries of suppliers. He combined this information with income statements of top managers of the state firms and details gathered

with the help of the Federal Security Service. He also told Putin that such liability is found in U.S. law.

Sechin cited specific examples, such as chief engineer of the Votkinsk branch of RusHydro Alexander Deyev, who is affiliated with a company called Vega Service that has contracts with the energy company.

Andrei Drachuk, director of strategic planning at state firm System Operator, is also the co-founder of nine subsidiaries of AFK Sistema that have contracts with System Operator.

The Communications and Press Ministry has uncovered a few minor cases of conflict of interest in Rostelecom, a person close to the board of directors of the company told Vedomosti. Spokesmen for the Energy, Finance and Transportation ministries declined to disclose details of their reports to Sechin.

The information gathered for the report was known only to a narrow circle of people, one government official said. "Sechin himself was the collection point for the information — it all flowed to him," the source said. The deputy prime minister also asked that no electronic copies of documents on the subject be made, to avoid leaks.

Such a process of disclosure will be a new way to eliminate competitors because "everybody knows everything about everyone," said a member of one of the state-owned companies. "Say about someone who is in your way — that they have a stake in an offshore company — and that's that." The government just gets another way to pressure people, said a source in the electric power industry, which was one of the first sectors to be investigated for such conflicts at the end of last year.

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