

Russia Attempts to Institutionalize Government Transparency

By [The Moscow Times](#)

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Russia's anti-corruption drive may not be going very fast, nor is it producing much in the way of results, but the Kremlin's efforts are slowly being institutionalized.

The headline news is the new law on party liberalization passed last week that drops the bar for small parties to register in Russia. At the same time, free elections for Russia's regional governors have been reintroduced. Both these things will free up civil society and allow for a bit more debate and accountability. But the biggest fight remains against corruption.

Up until now the campaign (such as it is) has been a series of ad hoc arrests and investigations into state officials in nearly every branch of government. Generals have been fired, tax inspectors arrested, and judges de-barred. The strategy seems to have been to fire a series of warning shots to everyone in government that they can no longer steal with impunity.

The results have not been dramatic. Russia moved up slightly on Transparency International's 2011 Corruption Perceptions Index to tie for 143rd out of 182 countries, up from 154rd a year

earlier. However, Russia remains the world's most corrupt major economy, with a score of 2.4 on a scale from 0 (highly corrupt) to 10 (highly clean), on a par with Uganda and Nigeria. Half of Moscow residents and nearly 40% of all Russians have been in a situation in which they felt a bribe was necessary to solve problems, according to research conducted last year by the Public Opinion Foundation and the Indem Foundation, which studies corruption.

Ironically, the major change has not been a reduction in the number of bribes (the official estimate has actually gone up, partly due to the fact that the government is paying more attention to the issue) but to send the size of bribes soaring.

"The fire inspectors always ask for bribes," a Moscow-based real estate agent said on condition of anonymity, "but since the government reduced the number of inspections [as part of the anti-corruption effort] from once a year to once every five years all that happened is that the fire inspectors now ask for five times as much."

Eradicating corruption is going to be a very long and hard fight, but it has been moving into a new phase as Medvedev begins to institutionalize some of his anti-graft measures. In the middle of March the president ordered the government to prepare a draft bill to control excessive and superfluous expenses of domestic civil servants on personal purchases of real estate, securities, and transport vehicles. The law will oblige civil servants to disclose the origin of the money spent on anything they buy if the value of the purchase is more than the combined value of their household income over a three-year period. If the bureaucrats refuse they could be sacked or have their property confiscated. Likewise, top managers at state-owned banks were ordered to declare their income at the start of this year.

State Duma deputies and their families are already obliged to disclose their net worth and income, and in March governor of the central Tula region Vladimir Gruzdyev emerged as most likely the richest deputy this year with a combined family income of over RUB3.8bn (\$130.1m) in 2011. However, as he made most of his money from selling his stake in supermarket chain Sedmoi Continent in 2010 for an estimated \$400m, even Yelena Panfilova, head of Transparency International Russia, says there is no question that his money is clean. But she said the same is not true for the sharp increase in the earnings of many officials who have been in government a long time once they reach senior positions.

Perhaps more important is that since the start of the year the government has been trying to force more transparency on state procurement by barring companies with undisclosed beneficial owners from being awarded government contracts.

Federal grid company FSK was one of the first state-owned companies to disclose the results of an anti-corruption probe into procurement in March. The company said it may break RUB20bn (\$660m) worth of contracts, "about 10% of its total capital expenditure last year," because the counterparties won't disclose the identity of their ultimate beneficiaries.

President-elect Vladimir Putin introduced this rule in December 2011, uncharacteristically launching a specific and blistering attack on the utilities sector, calling it "highly corrupt." According to Kommersant, state-owned nuclear power holding Rosatom has also reneged on around 20 contracts for the same reason. MRSK said it will breach all contracts with companies not disclosing beneficiaries. Hydroelectric power company RusHydro said it knows who the beneficiaries are for only 60% of its counterparties. And power generator Inter RAO

EES has established who the owners are in 95% of its deals, Kommersant reported.

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