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INDEPENDENT NEWS FROM RUSSIA

Minister Says Tender Bill to Eliminate Kickbacks

By Alexander Bratersky

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New legislation on procurement will allow the government to eliminate kickbacks, Economic Development Minister Andrei Belousov said.

Belousov was speaking during Goszakaz, an exhibition dedicated to state procurement — a field known for a high level of corruption and a lack of government oversight. The expo opened Wednesday in the Crocus City Mall.

He was referring to recent legislation on the federal contract system passed by the Federation Council, the upper house of parliament, last week. It has yet to be signed by the president.

"If everything is carried out, kickbacks can be almost ruled out," Belousov said, Prime reported. Belousov, who called the new legislation "revolutionary," said it would allow government agencies to have more control over procurement.

With kickbacks being a daily routine in Russia, in almost 40 percent of government tenders there is only one participant. Tenders with one bidder are worth a total of 2.9 trillion rubles ($93.5 billion) annually, he said.

The amendments, under which contract prices will be fixed at the beginning and cannot be subsequently changed, will replace the existing legislation, which has long been criticized for creating loopholes for corruption.

Moscow Deputy Mayor Andrei Sharonov told reporters during the expo, which was attended by Russian and foreign companies, that he expected President Vladimir Putin to sign the legislation "within days."

The new legislation empowers bidders and government agencies to have more control of each others' steps. The bill also introduces tighter regulation of foreign companies that participate in state tenders.

Government officials told the Moscow Times privately that the new rules are aimed at protecting Russian producers, who often find it difficult to compete with foreign producers, which offer higher-quality goods.

Russian officials also acknowledge that foreign producers who are highly interested in the Russian market are facing bureaucratic obstacles.

Sharonov said last year that a group of Western medical equipment producers had complained to city officials that they couldn't offer their goods in a government tender because of bureaucratic barriers.

He said they had offered a more competitive price than other companies. Sharonov added that the Moscow city government intended to hold more roadshows to present tender opportunities to foreign companies.

But some foreign producers who have found their own niche on the Russian market are saying that the high quality of their goods has opened many government doors, including those of the Kremlin and security agencies.

"We are used by police and the Federal Security Service to destroy their documents," said Kira Kolchina, acting head of Ruskom, the distributor of South Korean paper shredders.

She said the company, which came to the local market in the 1990s, had won the hearts and minds of the country's law enforcement bodies.

"The standards for destroying documents in Russia are stricter than in some NATO countries," she said.

But some Russian and foreign businessmen working with state contracts say many tricks are used by government agencies to award contracts to specific bidders.

"Government tenders are a thing within itself," one producer told The Moscow Times during the expo, referring to a lack of transparency.

The head of the Federal Anti-Monopoly Service, Igor Artemyev, said state corporations often violated tender rules and got away with it.

Artemyev said his office would also prepare amendments regulating tender rules for state monopolies.

"None of them is working with small businesses," he said.

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