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Report on Defense Sector Corruption Labeled "Too Harsh"

By Alexander Bratersky

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A Public Chamber report targeting corruption in Russia's defense industry was labeled "too harsh" by defense executives, but they admitted that the sector lacked transparency.

The report painted a grim picture inside the industry, saying that defense companies are "obliged" to pay kickbacks in order to get government contracts.

A lack of transparency makes it hard for state officials to control it, the report read.

The report, presented Tuesday by the Public Chamber, also said violations connected with excessive contractual prices were widespread, while oversight agencies cannot estimate the efficiency of government spending because of its non-transparent nature.

The number of criminal cases connected with defense companies increased 25 percent in 2012, according to the Prosecutor General's Office.

The number of criminal cases in the defense industry rose 25 percent last year.

The report's authors, many of them former industry insiders, were backed by Public Chamber inspector Viktor Storonin. He said several leading defense businesses that took part in government tenders did not publish any required information on their Web sites.

Though the report was presented as a draft, the discussion panel was attended by influential government figures. Some of them expressed their objections regarding the essence and tone of the report.

"It kills the whole sector. There should be criticism, but it should be sound," said Sergei Dovguchits, an assistant of the Industry and Trade Minister Denis Manturov.

He was referring to the report's wording on kickbacks.

Dovguchits was supported by Sergei Ponomaryov, a deputy head of the Russian Space Agency. He called the findings "too harsh," saying that they were mostly based on "media reports." But he also said "one can agree with many of those facts, since they have been proven."

But the findings were defended by one of its authors, Valery Yeloshkin, who has worked for many years in the industry. He said the report was based on his interviews with many defense executives.

"At least we all can agree that corruption in the defense industry exists," said Yelushkin.

The fact that prices are growing rapidly in the sector, while wages remain among the lowest ones, is evidence for corruption, he said.

He said the situation could be improved by inviting independent directors to join the boards of defense companies.

"Because the rules are not transparent, there are risks of new cases like Oboronservis," he said.

He was referring to a high-profile corruption case that led to the dismissal of Defense Minister Anatoly Serdukov from his post last year.

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