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State-Funded Projects to Face Scrutiny by Independent Experts

By Guennadi Moukine

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Prime Minister Dmitry Medvedev has signed a decree requiring all major state-funded investment projects to undergo a compulsory technological and financial audit by a panel of independent experts and community representatives.

The document, developed by the Economic Development Ministry, is one of the country's development priorities listed in President Vladimir Putin's decree "On Long-Term State Economic Policy" from last May.

The new audit mechanism will be introduced in two stages. Projects with a budget of over 8 billion rubles ($255 million) will be audited from 2014, and then projects with a budget of 1.5 billion rubles ($48 million) will be subject to audit from 2015.

The measure is necessary to prevent project overspending, said Elvira Nabiullina, Putin's economic adviser, Vedomosti reported Monday.

"In my view, any new procedures that allow the public to control costs of state-funded projects are a positive thing," Alexei Filimonov, head of the Astera real estate investment consulting firm, told The Moscow Times on Monday.

Elvira
Nabiullina, a
Putin aide, said
the measure
would prevent
overspending.

Existing projects will not be affected unless the scope changes after the decree goes into effect in 2014. Current and future state projects of any size that are classified as secret will never be subject to audit.

However, the government decided to put some projects, including the state road-building company Avtodor, through the system in order to identify possible pitfalls, Zakon.ru reported Monday.

First, a panel of independent experts will review the project to make sure it is technologically and financially sound. Then another panel of community and government experts will decide whether the project is necessary in the first place.

According to Open Government Minister Mikhail Abyzov, the government will always have the final word. It will not be possible to trick the system by underpricing the project. Any price increase will have to be reviewed by experts, Vedomosti reported Monday.

The document also set strict guidelines for selecting an expert. An organization must have at least seven years of experience in auditing investment projects worth over 1.5 billion rubles and a sound knowledge of construction laws, as well as a solid understanding of the construction market.

On the individual level, experts must have a clear criminal record and a university degree related to the project.

"It is important to note that the effectiveness [of the audit] procedures depends on the professional level of the experts. Since large projects would normally be part of a long-term development strategy, [lack of] knowledge of that particular strategy by panel experts, and [not] agreeing with that strategy on a personal level, in my view, is one of the key problems our country faces today," Filimonov said.

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