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Delayed Regulation Leaves Door Open to Corrupt Officials

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Government delays have pushed back the full institution of controls on state purchases until 2016, leaving officials wishing to extract profit from their positions an extra year to take advantage of lax oversight.

State purchases are now essentially unregulated, and procurement by government bodies at inflated prices cost the state 265 billion rubles ($8 billion) in 2013, according to the National Association of Electronic Commerce Participants.

Although certain elements of the new Federal Contract System have already passed into law, about 50 key measures, including a bill placing price and quantity limitations on government purchases and another requiring all state procurement to be conducted electronically, are still under consideration.

The Cabinet was expected to adopt a resolution by Jan. 1 ordering regulation of purchasing but

failed to do so, while the State Duma in December pushed back the deadline for regulation to July.

Since most ministries finalize their budgets in mid-summer, the delay means that the new controls will fully impact the state budget only in 2016, Kommersant reported.

In the meantime, the holdup could inspire an elevated level of corruption in government purchasing as bureaucrats race to make money while there is still time.

This trend was observed in a study last year. In a survey of 100 Russian banks published in December by the National Payment Council, 65 percent of bankers reported knowledge of money laundering schemes related to government procurement orders, almost double the 36 percent who gave this answer in 2012.

Andrei Yakovlev, head of the Higher School of Economics' Enterprise and Markets Analysis Institute, told Vedomosti that the trend may have been the result of corrupt officials hurrying to amass and launder bribes before the new regulations took hold.

The postponement by the Duma was predictable and can be attributed to inefficient bureaucracy, said Yelena Panfilova, head of anti-corruption watchdog Transparency International Russia.

It does not imply a full stop to regulation, however, as distinct measures are likely be adopted piecemeal over the coming months, Panfilova said.

The regulations were underdeveloped, said Kirill Kabanov, head of the nongovernment National Anti-Corruption Committee, and postponing the bill was "the most acceptable solution."

Even once they are passed, the ultimate impact of increased oversight on corruption is difficult to predict.

Kabanov said that some positive outcomes were "possible," while Panfilova said the greatest threat to the bill's success would be posed by "the human factor."

"Quite a lot is left to the discretion of officials. We will see how efficient the government will be in regulating this most difficult factor," she said.

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