

Kremlin Anti-Corruption Drive Gathering Pace

By [The Moscow Times](#)

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A major anti-corruption campaign is under way in Russia, yet despite making corruption the defining issue of the Russian story, it has been left to investment banks to report on its progress.

Nearly all the international press picked up on the dismissal of Defense Minister Anatoly Serdyukov after an investigation uncovered 3 billion rubles' (\$97m) worth of stealing from state-owned military contractor Oboronservis.

The scandal rapidly expanded, with a deputy minister placed under house arrest and the sums involved rising to at least 10 billion rubles. However, all the international reports picked up on Serdyukov's extramarital affair and saw the real cause of his sacking in the fact that his father-in-law is very senior in Gazprom.

The growing tide of investigations has led some leading investment banks — rather than

the press — to say that a major anti-corruption drive has begun.

Among the more prominent corruption cases in the past month is the public exposure on state-run TV of former Agricultural Minister Yelena Skrynnik, who is the subject of an investigation involving \$16 million of missing money. The home of Alexander Provotorov, CEO of state-owned telecoms company Rostelecom, was also raided.

There has been a string of notes from leading analysts picking up on the gathering anti-corruption momentum.

"I want to highlight a strong flow of anti-corruption news flow this month, which I sense might have not been properly highlighted — at least in the Western press — while it's important in terms of trying to get a sense of what is happening on the ground," Anton Korytsko, an analyst with Verno Capital, said in a note to clients last week. He went on to copy another note issued by Morgan Stanley that was released a day earlier informing clients of the growing momentum of the anti-corruption drive.

The same day, Renaissance Capital also released a note entitled "Russian Utilities: Out With Corruption," which reported on the results of an audit carried out at power distribution company MRSK that was undertaken on the orders of Deputy Prime Minister Arkady Dvorkovich.

"According to Vedomosti, the audit committee revealed several large purchasing and servicing orders that were allocated to companies affiliated with MRSK management and suspected kickback schemes in the company. Dvorkovich ordered that the facts be checked and — if they were confirmed — asked the company to 'make staffing decisions at the corporate level.'"

These notes in themselves should have triggered someone to write the story "Investment Bankers See Anti-Corruption Drive Building in Russia," simply because the press has made corruption the core investment issue. Instead silence.

Korytsko reminds his readers of the dismissal of the defense minister on the back of the Oboronservis scandal and the raid on the home of Provotorov, which caused the company's stock to tank the day the news broke. He then goes on to list several other events that were also picked up by Morgan Stanley in a note the same day including:

- The State Duma passed new regulation that will more strictly monitor the incomes and expenses of all government officials — this initiative was pushed by Medvedev back in March.
- The CEO of MRSK center was dismissed on the back of the noise related to possible wrongdoings in the procurement function of the company. There are noises around the potential fraud case related to former Agriculture Minister Yelena Skrynnik.
- The general director of Roskosmos has stepped down on the back of the Glonass fraud scandal.
- The head of Rosavtodor was dismissed with investigations related to the potential misuse of the federal road construction budget ongoing.

- Investigations related to budget misallocation at this summer's APEC summit are ongoing, with the first arrest happening recently.
- The head of the contractual department of the Moscow property management department was caught taking a bribe.

"This makes for a total of almost 10 corruption-related events, many involving senior government officials as well as one important Duma anti-corruption initiative," Korytsko wrote.

"I have been captivated by all the investigations and seriously wonder whether these could be a reflection of a government initiative to clean things up a bit in order to make Russia more attractive for investment, which is a prerequisite for sustainable growth," he said.

"I know that all of this could mainly be noise from the local press, but firings and arrests have taken place, so it's not purely noise for sure. Perhaps the perception of Russia is indeed worse than the reality."

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