

Corruption in the Russian Defense Sector

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Introduction

Today, Russia is the world's fourth largest military spender and second largest arms exporter. Their arms industry is probably the third largest in the world, after the USA and China. The Russian arms industry, despite its current strength, must be viewed within the legacy of the USSR. The current Russian state inherited a significantly wounded, but still powerful system of arms production and export. However, along with an aging industrial infrastructure and global relations with importing countries, Russian leaders were endowed with an arms industry rife with corruption that predated the fall of the USSR and metastasized in the chaotic years that followed. Today, corruption still constitutes a significant problem facing the Russian arms industry. This report discusses publicly available information on corruption in the Russian defense sector, especially the arms industry, identifying key cases of corruption that have become visible in recent years, in particular since 2008, when Russia's current set of military reforms, and major rearmament drive, began.

Any discussion of corruption in Russia, including in the defense sector, must take into account the central role of corruption in the Russian state. Section 1 discusses the role of corruption in the development of the post-Soviet Russian economy and state, and the centralization and politicization of corruption under President Vladimir Putin. It also briefly discusses the development of the post-Soviet Russian arms industry within this context. Section 2 presents a general discussion of corruption problems in the Russian defense sector, in the light of the previous discussion, including such information is available on the extent of the problem, as it is measured and investigated by Russian authorities. This focuses in particular on corruption in military procurement through the State Defense Order (SDO, *gosoboronzakaz*, *GBZ*, in Russian). Section 3 then presents a number of key cases of corruption in the SDO that have reached the public domain. Section 4 considers corruption in international arms trade performed by "Rosoboronexport" – the Russian defense export monopoly, which is itself part of the giant defense industry conglomerate, "Rostec". Section 5 discusses anti-corruption efforts in the defense sector in Russia, and Section 6 concludes. Appendix I presents the legal and administrative framework governing corruption and anti-corruption efforts in the military sector in the Russian Federation.

1. The Russian arms industry and corruption in the post-Soviet context

1.1 Corruption and post-Soviet Russia

Russia is sometimes described by western and Russian commentators as a 'kleptocracy', where the personal enrichment of the ruling elite is the primary, or a primary, goal of regime policy, and the resources of the state are systematically plundered for the benefit of this ruling elite. In such a system, corruption is not a 'problem' within the system, it *is* the system.¹ For instance, Transparency International's Corruption Perception Index (CPI) that scores countries on how corrupt their public sectors are seen to be, consistently places Russia among the most corrupt countries in the world. In 2017, Russia's rating was joint 135th out of 180, level with the Dominican Republic, Honduras, Kyrgyzstan, Laos, Mexico, Papua New Guinea, and Paraguay, just below Ukraine, Iran, Myanmar and Sierra Leone, and just above Bangladesh, Guatemala, Kenya, Lebanon, and Mauritania. This situation is neither new nor surprising – since first being included in the CPI in 1996, Russia has occupied a position towards the bottom of the list among the world's most corrupt countries.²

The 1990s in Russia, following the collapse of the USSR, saw the emergence of the so-called 'oligarchs', a few dozen men who were able to concentrate enormous wealth, combined with significant political influence. Some of these started out as Soviet company managers in the early years of economic reform, or *Perestroika* in the late 1980s, where their position at the head of state-controlled businesses enabled them to gain a head-start as private entrepreneurs. In the early 1990s, so-called economic 'shock therapy' saw severe economic collapse, while state assets were

privatized en-masse. While initially all citizens were given 'vouchers' for shares in formerly public enterprises, the desperate economic situation combined with a lack of experience with share trading meant that most of these shares were sold off cheaply to the wealthy, who thus acquired dominant economic positions. The re-election of President Yeltsin in 1996 accelerated the rise of the oligarchs; fearing the challenge of Yeltsin's Communist opponent, oligarchs such as Boris Berezovsky agreed to throw their weight (including media ownership) behind Yeltsin, in return for his subsequent economic favors. Following the election, more state assets were privatized, this time directly to the oligarchs, at bargain basement prices.³

After Vladimir Putin became President as Yeltsin's chosen successor in 2000, he acted to centralize political and economic power, breaking the political influence of the oligarchs, while making their continued economic position dependent on their loyalty to the regime.⁴ Thus, those who stayed out of politics, such as Roman Abramovich, continued to thrive, while those such as Michael Khordokovsky who displayed political ambition in opposition to Putin, became the target of 'anti-corruption' campaigns.⁵ Khordokovsky was arrested in October 2003, charged with fraud, and jailed in 2005 before eventually being pardoned by Putin in 2013, whereupon he went into exile.⁶ Since few of the oligarchs had acquired their extreme wealth by purely legal means, with corruption built into the system from the beginning, any of them could potentially become a target for anti-corruption crackdowns. The message was clear, and most thereafter toed the line.

1.2 Official data on corruption

In modern Russia, corruption pervades all spheres of government which arguably gives the Kremlin leverage

¹ For a discussion of the nature of this arguably kleptocratic rule in Russia, see for example Miriam Lansky and Dylan Miles-Primakoff, "Power and plunder in Putin's Russia", *Journal of Democracy*, vol. 28 no. 1, January 2018.

² Corruption Perception Index. *Transparency International*. Retrieved February 21, 2018 from <https://www.transparency.org/research/cpi>

³ Yavlinsky, Grigory. "Russia's phony capitalism." *Foreign Affairs* (1998): 67-79.; Kryshantovskaya, Olga, and Stephen

White. "The rise of the Russian business elite." *Communist and Post-Communist Studies* 38, no. 3 (2005): 293-307.

⁴ Rutland, Peter. "Putin's path to power." *Post-Soviet Affairs* 16, no. 4 (2000): 313-354; Monaghan, Andrew. "The vertikal: power and authority in Russia." *International affairs* 88, no. 1 (2012): 1-16.

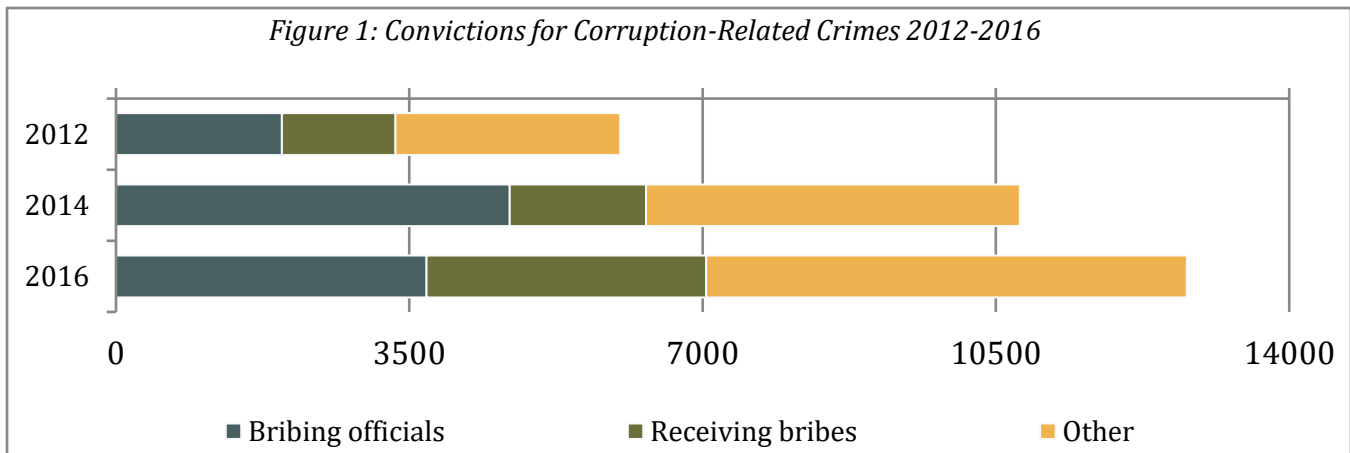
⁵ Goldman, Marshall I. "Putin and the Oligarchs." *Foreign affairs* (2004): 33-44.

⁶ Sakwa, Richard. *Putin and the oligarch: The Khodorkovsky-Yukos affair*. IB Tauris, 2014.

over the ministries. For instance, in 2011 Novaya Gazeta published a report with a rating of the most corrupt ministries of the Russian Federation in 2010. Unsurprisingly, experts rated the Ministry of Defense as the most corrupt. They particularly underscored the ministry's high "corruption potential" due to the secretive nature of procurement. The Ministry of Transportation was ranked the second with most government funds being stolen in the road construction projects. The report states that to explain

Department at the Supreme Court of the Russian Federation, 12,779 people were sentenced for corruption-related crimes in 2016. To compare, in 2014 and 2012 respectively 10,784 and 6,014 people were sentenced for corruption-related crimes. (See figure 1).

The most common corruption crime in 2016 was bribing a domestic or foreign officials with 3,707 (29% out of a total 12,779) convictions. The comparable figures for 2014 and



the increase in spending and decrease in productivity of road construction, about 80% of funds must be assumed to have been stolen. The Ministry of Economic Development, and subordinate to it "Rosimushestvo" ("Russian property") was in third place, mostly based on renting out property at a 90-99% discount. The fourth most corrupt ministry in 2010 was the Ministry of Health, and the Ministry of Finance was fifth.⁷ All Russian ministries operate through the state procurement system – arguably, the central mechanism for stealing budgetary funds. For instance, in 2010 then-president Medvedev estimated that the amount of funds misappropriated through the state procurement system was more than one trillion rubles (\$33 billion), which constituted one-fifth of the average annual total sum allocated for state procurement.⁸ Medvedev also underscored that a significant part of the value of state procurement contracts represents kickbacks.

The Russian government often names fighting corruption as one of its top priorities. According to data from the Judicial

2012 were 4,700 (43% of the total) and 1,980 (32%) respectively.

The second most common category of corruption crimes is receiving bribes, with 3,337 (26% of the total convictions in 2016, compared to 1625 (15%) in 2014, and 1354 (22%) in 2012. Thus, while the absolute number of corruption-related convictions has increased, there is no clear trend in the total percentage of bribery-related crimes (giving and receiving) (See figure 2).

According to the same data, 1,620 individuals received prison terms from one to fifteen years for corruption-related crimes in 2016, 1,361 in 2014, and 405 in 2012. Unfortunately, these statistics do not shed light on the rank of those convicted of bribery. The great majority (85.2%) of bribery convictions in 2016 involved bribes of less than 50,000 rubles (\$745), and only 1.8% involved bribes over 1

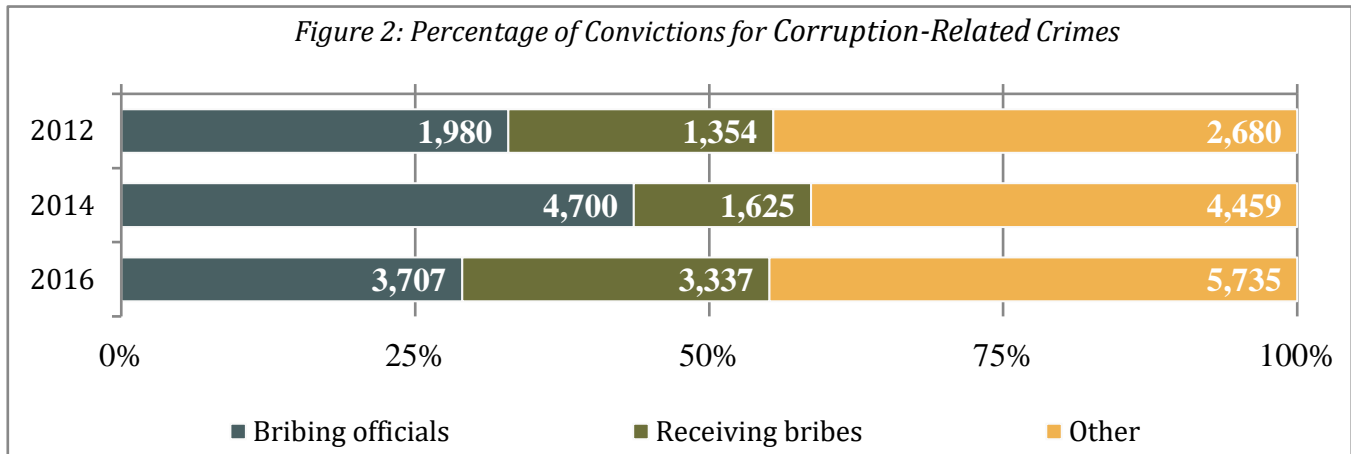
⁷ "The Ranking of Corruption in the Ministries and Departments of Russia by Novaya Gazeta." *Svobodnaya Pressa*. June 28, 2011. Retrieved February 19, from <http://svpressa-nn.ru/2011/191/reiting-korruptirovannosti-ministerstv-i-vedomstv-rossii-ot-novoi-gazety.html> (Russian)

⁸ "Medvedev Estimated Theft in the State Procurement System in One Trillion Rubles." *Lenta.ru*. October 29, 2010. Retrieved on February 19, 2018 from <https://lenta.ru/news/2010/10/29/punish/> (Russian) (footnote continued)

million rubles (\$14,900) in 2016. Similar tendencies are observed in 2014 and 2012.⁹

Comparing the data from 2012 and 2016, the number of corruption-related convictions doubled in these four years. How much of this increase is due to a rise in corruption, and how much to an intensification of anti-corruption measures, is not possible to determine, although there is evidence of increased anti-corruption efforts in recent

end of the Cold War, there was a massive fall in Russian military spending comparative to the USSR: Russia's military spending in 1992 was only 21%, in real terms, of the level of Soviet spending in 1990 (no figures are available for 1991), and by its low point in 1991, the figure had fallen to barely over 7%.¹⁰ This produced a collapse of the arms industry. Many factories shut down. Efforts at conversion to civilian production were attempted, but with very little success. What was left received virtually no investment for



years (see section 5).

To conclude, the resulting system of Russian state corruption, as described by Lansky and Miles-Primakoff, is one where corruption is centralized in the hands of the regime around Putin. High-level state officials are allowed considerable scope to plunder state resources, while private business leaders are required to give their cut to the regime in return for continuing their activities unmolested. Those who fall out of favor will find their corrupt activities shockingly 'discovered'.

1.3 The post-Soviet defense industry

Upon the collapse of the Soviet Union, the Russian Federation inherited most of the gigantic superpower military industrial complex. In the immediate wake of the

many years. By the mid 2000s, the industry's technology and equipment were severely outdated, and its workforce rapidly aging.¹¹

Nonetheless, Russia's state-owned arms companies continued to enjoy considerable export success with mostly Cold-War era equipment, especially with traditional clients such as India and China, and others who either the US would not sell to or who could not afford US equipment. Russia remained the 2nd largest arms exporter worldwide, according to SIPRI data, in all but two years (1994 and 1998).¹²

The Russian arms industry is almost entirely state-owned, although one major aircraft manufacturer, Irkut, was the subject of an Initial Public Offering of 23% of its shares in 2004,¹³ before being merged into United Aircraft

⁹ Judicial Statistics Data on Corruption Cases in 2016. *Judicial Department at the Supreme Court of the Russian Federation*. Retrieved on February 20, 2018 from <http://www.cdep.ru/index.php?id=216> (Russian)

¹⁰ SIPRI Military Expenditure Database, <http://www.sipri.org/databases/milex>

¹¹ See e.g. Kogan, E. "The Russian defense industry 1991-2008: from the collapse of the former Soviet Union to the

global financial crisis", chapter 8 in Bitzinger, . (ed.) *The Modern Defense Industry: political, economic, and technological issues*, Praeger Security International, 2009.

¹² SIPRI Arms Transfers Database, <http://www.sipri.org/databases/armstransfers>

¹³ Irkut website, <http://eng.irkut.com/about/history/> (footnote continued)

Corporation in 2006. However, in the 1990s and early 2000s, it was composed of a plethora of separate manufacturing units and research bureaus, inherited from the Soviet era. Efforts to consolidate the bulk of the industry into a smaller number of large state-owned joint-stock companies began in 2002 with the formation of Almaz-Antey, which unified the production of anti-aircraft systems.¹⁴ This was followed in the mid-2000s¹⁵ by United Aircraft Corporation, which consolidated fixed-wing production, United Shipbuilding Corporation, and Oboronprom, which consolidated helicopter production, aero engines, and a variety of other enterprises.¹⁶ Oboronprom was itself merged into the giant Rostekhnologi (Rostec) holding company in 2007, which also included the production of missiles, electronic and communications systems, small arms, and a variety of other equipment, components and subsystems, as well as the state arms export agency, Rosoboronexport, which now controls essentially all Russian arms exports.¹⁷

This consolidation was intended to rationalize the industry and increase efficiency, but also meshed well with the centralization of the Russian state under the tight control of Putin and his inner circles. For example, the head of Rostec since its foundation, Sergey Chemezov, is a close Putin ally, who served with him in the KGB in East Germany in the 1980s, and is a leading figure within Putin's United Russia Party.¹⁸

Russian military spending began to increase from 1999, but initially did not reach levels sufficient to translate into major new equipment procurement orders and capital investment. A major watershed was the 2008 war with Georgia, which, while Russia won it, revealed severe deficiencies in Russia's military organization and

technology. This hastened both efforts at military reform and further increases in military spending, including a major new State Armaments Program, which aimed to replace 70% of the Russian military's equipment with 'modern' weapons (new or overhauled). While this has not met all of its targets, the State Armaments Program has led to a major upturn for the arms industry in domestic procurement revenue, complementing exports, and allowed for new investment in plant and equipment.¹⁹

2. Corruption in the Russian military procurement system: the official view

Nonetheless, many of the underlying structural problems of the industry remain, chief among them corruption, which pervades all levels of the system: from the on-the-ground implementation of repairs to the higher echelons in the Ministry of Defense. Transparency International underscores three primary conditions that foster corruption in the Ministry of Defense and affiliated institutions: secrecy, limited competition, and unreported conflict of interest.²⁰

Measuring corruption in any country or sector is inherently difficult. Transparency International uses a measure based on *perceptions* of corruption, primarily by business. Some aspects of low-level corruption may also be measurable for example by conducting polls of whether people have been asked to pay a bribe by officials in the past year. But for higher levels of corruption, for example the payment of bribes to win major contracts, it is almost always a matter of measuring *who gets caught*, or at least who gets investigated or exposed. The difficulties are greater the

¹⁴ Almaz-Antey website, <http://www.almaz-antey.ru/en/istoriya/>

¹⁵ Oboronprom was formally founded in 2002, United Aircraft Corporation in 2006, and United Shipbuilding Corporation in 2007, but full practical consolidation did not occur immediately and in some cases took several years.

¹⁶ Perlo-Freeman, A. & Sköns, E., "Arms production", chapter 6 in *SIPRI Yearbook 2008*, OUP.

¹⁷ <http://rostec.ru/en/about/history/>

¹⁸ <https://www.globalsecurity.org/military/world/russia/chemezov.htm>

¹⁹ Cooper, J., "Russia's state armament programme to 2020: a quantitative assessment of implementation 2011–2015", Swedish Defense Research Institute (FOI), March 2016, <https://www.foi.se/reports/summary?reportNo=FOI-R--4239--SE>

²⁰ "Corruption Risks in the Ministry of Defense of Russia." *Transparency International Russia*. 2017. Retrieved December 30, 2017, from https://transparency.org.ru/projects/TI_Defence_Press_Eng.pdf

(footnote continued)

more civil society and media are subject to constraints on their activities and access, which in Russia is quite significant.

More fundamentally, any discussion of corruption in the Russian arms business must be considered in the light of the (at least partially) kleptocratic nature of the Russian state, as discussed above. The political nature of corruption and of reporting on corruption must always be borne in mind. Therefore, we cannot expect publicly available information on corruption in the arms business—an area subject to particularly high levels of secrecy and politicization—to capture what goes on in the circles closest to President Vladimir Putin. What gets reported, for the most part, and excepting occasional brave civil society or media exposé, is the corruption that is not authorized by and that does not benefit the ruling elite.

At the same time, where corruption is very prevalent, it may also be used as a political tool by the leadership, so that those who fall out of favor may find themselves on the wrong end of a corruption charge. Thus, Defense Minister Anatoliy Serdyukov was sacked by Putin in November 2012 in connection with the *Oboronservis* scandal (discussed below), although some observers considered this to be a pretext for political motivations.²¹ (However, he appears to have been rehabilitated, being granted amnesty in 2014, and appointed as Industrial Director of Rostec in 2015.)

For all this, the Russian government does place a high priority on the military, and on developing Russia's military capacity that was so heavily depleted after the collapse of the Soviet Union. Russia has, since 2008, been engaged in armed conflict in Georgia, Ukraine, and Syria, and continues to regard the vastly militarily superior NATO alliance as a serious threat to Russian security.²² Hence, the \$60 billion military budget cannot be allowed to be used simply as a source of plunder for top regime officials, and there is a genuine motive for preventing or limiting corruption. This is not to say that 'grand corruption' at the top level does not occur in the military sector; but the energy sector, in

particular, is a far more lucrative target of plunder in this regard.²³ At lower levels, corruption inhibits a core state goal of strengthening Russia's military, and is something the Putin government would genuinely wish to discourage. However, this goal will always be in tension with the underlying corrupt nature of the system, and the expectation of bureaucrats of private rewards from their position.

With these considerations in mind, we turn to the publicly-available information that exists on corruption in the Russian defense sector.

Some limited reporting on corruption in the defense sector in general, and in the industry in particular, is published by civil-society organizations such as Fund for Countering Corruption (FBK), Transparency International Russia, Organized Crime and Corruption Reporting Project (OCCRP), and others. In addition, the Main Military Investigations Office under the Investigative Committee (SK) and the Military Prosecutor's Office publish updates on their activities. Nevertheless, it is difficult to evaluate how systematic is the reporting. Therefore, the main insights on corruption in the defense industry in Russia have to be derived from the NGOs investigations, media reports, expert commentaries, and interviews and public statements of the relevant officials. This inevitably biases the perspective on the phenomenon as a whole since it makes certain forms of corruption more visible than other. Moreover, the occasional nature of reporting prevents a systematic analysis of corruption in the defense industry and impedes the identification of corruption-related trends.

This paper considers two aspects of corruption in the Russian defense industry. This section and the next consider corruption in so-called State Defense Order (*gosoboronzakaz*) – procurement for the needs of the Armed Forces of the Russian Federation, where the client is the Russian Ministry of Defense.

²¹ Will Englund. "Putin fires Russian defense chief tied to corruption scandal." *The Washington Post*. November 6, 2012. Retrieved on February 22, 2018 from https://www.washingtonpost.com/world/europe/russian-defense-chief-fired/2012/11/06/f9e5e89c-2816-11e2-bab2-eda299503684_story.html?utm_term=.b1a9cd9fb27c

²² Strategy of the National Security of the Russian Federation. *Kremlin*. 2015.

²³ Lanskoj & Miles-Primakoff, *ibid*.

(footnote continued)

For instance, in 2010 in his interview with German *Deutsche Welle*, the editor-in-chief of the Russian journal, *National Defense*, Igor Korotchenko stated that corruption is the main problem for Russia's defense industry. In particular, he posited that approximately 5 billion rubles allocated to the development of Russia's own UAVs likely "were spent on 'kickbacks,' partially stolen, because, unfortunately, the system of the State Defense Order is corrupt."²⁴ As a result, he continued, Russia now has to buy Israeli UAVs. He also noted that Russian-made military designs are usually more expensive than similar technology developed abroad because the starting prices of samples offered by Russian companies already includes "kickbacks."²⁵

As a gauge of the overall scope of the problem, in 2014 Deputy Chairman of the Investigative Committee of the Russian Federation, Head of the Main Military Investigation Department Colonel-General of Justice Alexander Sorochkin, asserted in his interview to *Rossiyskaia Gazeta* that, out of around 10 thousand crimes committed by the uniformed service members in 2015, one fifth were corruption-related crimes.²⁶ Moreover, the amount of material damage to the state grew by 42% between 2014 and 2015, and reached a sum of approximately \$260 million. According to Sorochkin, the main portion of these losses was suffered due to corruption-related crimes.²⁷ A subsequent detailed analysis showed that from 2014 to 2015 the number of registered cases of bribery increased by 60%, misappropriation and embezzlement by 16.5%, and abuse of official powers by 18.7%..²⁸ Unfortunately, due

to the absence of open data, it is not possible to assess what portion of these corruption crimes in the defense industry is related to the arms trade, procurement, research and development, and what proportion to other activities such as real estate transactions, personnel funds, or supply contracts not related to military equipment.

The Russian SDO involves not only weaponry and munition but also the purchase of food, uniforms, management of the estate, and fulfillment of other "non-military" tasks. In 2011 chief military prosecutor Sergei Fridinskiy underscored the enormous (literally "cosmic") extent of corruption in the fulfillment of the SDO. He explained that the theft of budgetary funds occurs through misappropriation of funds, fraudulent auctions and competitions, paying for works that were not carried out, and through an unreasonable overstatement of prices for military products.²⁹ In most cases, corruption in SDO involves fraud and misuse of assets relating to the estate, construction contracts, and maintenance of facilities that belong to the Ministry of Defense.³⁰

In 2011, according to Fridinskiy, more than 30 officials were convicted for fraud in the appropriation of funds allocated for the state defense order. "Over the past year and a half, more than 30 officials have been convicted for fraudulent use of funds for the purchase, repair and modernization of military equipment and weapons under the state defense order."³¹

²⁴ "Military expert: The main problem of the Russian defense industry is the highest degree of corruption." *Deutsche Welle*. April 28, 2010. Retrieved December 30, 2017, from http://www.dw.com/ru/военный-эксперт-главная-проблема-российской-оборонки-высочайшая-степень-коррупции/a-5513953?maca=russ_rus_yandex_new_comments_2-4163-xml (Russian)

²⁵ Ibid.

²⁶ Natalia Kozlova. "Generals of criminal cases." *Rossiyskaia Gazeta*. February 27, 2014. Retrieved December 30, 2017 <https://rg.ru/2014/02/27/generali.html>

²⁷ Ibid.

²⁸ "Alexander Bastrykin took part in the board of the Main Military Investigation Department of the Investigative Committee of the Russian Federation." *Chief Military Investigation Department of the Investigative Committee of the Russian Federation*. February 25, 2016. Retrieved February 4, 2018, from <http://gvsu.gov.ru/news/25-02->

2016-aleksandr-bastrykin-prinyal-uchastie-v-kollegii-glavnogo-voennogo-sledstvennogo-upravleni/.

²⁹ "Military prosecutor called theft in the Defense Ministry 'cosmic'." *Lenta.Ru*. January 11, 2012. Retrieved December 30, 2017, from

<https://lenta.ru/news/2012/01/11/corruptmil/> (Russian)

³⁰ Aleksei Navalnyy. "FBK discovered and proved the largest cartel: Putin's Chef and 23 billion." *Fund for Countering Corruption*. May 19, 2017. Retrieved December 30, 2017, from <https://fbk.info/blog/post/328/> (Russian).

³¹ Vladimir Shislin. "Sukhorukov will answer for the state defense order." *Interfax*. September 1, 2011. Retrieved December 30, 2017, from

<http://www.interfax.ru/russia/206033> (Russian)

(footnote continued)

The organization of military procurement under the SDO has contributed to corruption. The 2008 reform of the armed forces included substantial changes to the procurement system, creating an elaborate network of state companies and sub-companies to fulfill the needs of the military, from managing the residential facilities of the Ministry of Defense to supplying the armed forces with military equipment.³² This was supposed to reduce corruption by centralizing procurement, while freeing the military to carry out core military functions by outsourcing procurement to civilian entities. However, it proved to be counterproductive, instead creating numerous new opportunities for corruption, partly due to the very specific roles fulfilled by individual state-owned companies, limiting competition. Chief Military Prosecutor Sergei Fridinskiy specifically pointed at the corruption-enabling effect of the "Oboronservis" system: "Now the "cartels" of the command and the service organizations are already being formed – one side asks to sign false documents for allegedly performed work, while the other signs them. Money is divided among them. It becomes beneficial to both sides. Identifying and destroying such schemes becomes even more difficult."³³ This dynamic reached its zenith with the "Oboronservis" scandal which involved not less than 20 criminal cases of thefts and property fraud, with damages reaching 5 billion rubles.³⁴

Corruption related to the SDO is not limited to bribery as a means of manipulating tenders and winning contracts, although it certainly includes that. However, it also includes numerous other forms of corruption, many of which are indicative of a severe lack of robust oversight and controls of spending, contracts, handling of assets and conduct of operations. These include:

- Improper disposal of assets, especially property fraud;

- Fake contracts, awarded to shell companies or companies with no experience of the type of work required, and for work which is either not carried out at all or fulfilled only very poorly;
- Nepotism and undeclared conflicts of interest.

Many cases combine more than one of these elements. For example, bribery of officials may be used to cover for fake contracts, which may in turn be used as a means of embezzling assets. Examples of such cases, some of the most prominent that have reached the public domain in the past several years, are discussed in the next section.

3. Examples of corruption in the SDO

3.1 Misuse of assets and embezzlement

Several recent cases have involved the misuse of state assets by officials to embezzle funds, or to sell off assets cheaply to the mutual benefit of the buyer and the seller.

The Oboronservis scandal

The biggest and most well-publicized corruption scandal in the Ministry of Defense in recent years was the one that involved JSC "Oboronservis"³⁵ (after 2014 – JSC "Garnizon"), the state-owned entity responsible for the maintenance of aviation equipment; research and development of information and telecommunication technologies, information security systems and systems of automated management; repair of weapons and military equipment (also for international customers); and management of residential facilities of the Ministry of Defense of the Russian Federation.³⁶ The scandal, which

³² "Reform of Serdyukov-Makarov." *Natsionalnaya Oborona*. Retrieved December 30, 2017, from <http://www.oborona.ru/includes/periodics/maintheme/2011/1205/13177807/print.shtml> (Russian)

³³ "Fake weapon does not shoot. Sergei Fridinskiy: Oboronservis supplied the army with fakes." *Rossiyskaia Gazeta*. May 15, 2013. Retrieved December 30, 2017, from <https://rg.ru/2013/05/14/fridinskiy-site.html> (Russian)

³⁴ "Ex-head of "Oboronservis" was released under an amnesty." *Interfax*. December 13, 2013. Retrieved

December 30, 2017, from

<http://www.interfax.ru/russia/346770> (Russian)

³⁵ A commercial organization established in 2008 by a presidential decree and resolutions of the Government of the Russian Federation to release the military from the economic functions that are not inherent to the armed forces.

³⁶ "In Moscow, former employees of JSC "Slavyanka" are accused of commercial bribery." *Chief Military* (footnote continued)

broke in late 2012, led to the resignation of then Minister of Defense Anatoliy Serdyukov. At the center of the scandal was Yevgenia Vasilyeva, head of the property management division of the Ministry of Defense, a Director of Oboronservis, in charge of the organization's real estate activities, and allegedly Serdyukov's mistress.³⁷ She sold lands and real estate belonging to the Ministry of Defense at knock-down prices to well-connected individuals, receiving kickbacks for herself and other ministry officials. Moreover, many of the properties purchased by Oboronservis, to be sold at rock-bottom price, were bought with money stolen from the company. The affair was said by prosecutors to have cost the Russian state not less than 2 billion rubles (\$64 million).³⁸ Millions of dollars worth of cash and jewels were found in her home in police raids.

Vasilyeva was convicted in May 2015 of fraud, embezzlement and money laundering, and sentenced to five years in a general regime colony. However, the judge counted two and a half years spent under house arrest in Vasilyeva's 192 sq. m. (approx. 2067 sq. ft.) luxury

apartment³⁹ in Moscow as a part of this term.⁴⁰ Nevertheless, after being in the detention facility and then in the colony from May 8th until August 25th, 2015 she was released on parole after serving two years, two months, and 28 days less than she was supposed to.⁴¹ As for Serdyukov, he was only charged with one minor crime of negligence in 2014, carrying a potential sentence of up to 3 months imprisonment, but was granted an amnesty shortly afterwards. The verdict in the Vasilyeva trial stated that she had abused his trust and misled him into committing illegal acts.⁴²

The armored vehicles customs duty scam

In another case involving Oboronservis in 2011, the company purchased 57 Italian armored vehicles IVECO.⁴³ To avoid the customs duties the "Oboronservis" officials ordered the vehicles to be masked as ambulances applying the Red Cross symbols and even putting some medical equipment inside the cars.⁴⁴ After the armored vehicles passed the customs they were reassembled as regular military armored vehicles in Voronezh, Russia.⁴⁵ Since the

Investigation Department of the Investigative Committee of the Russian Federation. July 9, 2013. Retrieved December 30, 2017, from <http://gvsu.gov.ru/news/09-07-2013-v-moskve-byvshie-sotrudniki-oao-slavyanka-obvinyayutsya-v-kommercheskom-podkupe/> (Russian); "Military Prosecutor's Office found violations in the sale of 51 hectares of land Defense Ministry in the Moscow Oblast." *RIA Novosti.* July 8, 2013. Retrieved December 30, 2017, from <https://ria.ru/incidents/20130708/948323385.html> (Russian)

³⁷ Michael Weiss, "Corruption and cover-up in the Kremlin: the Anatoly Serdyukov case", *The Atlantic*, 29 Jan. 2013, <https://www.theatlantic.com/international/archive/2013/01/corruption-and-cover-up-in-the-kremlin-the-anatoly-serdyukov-case/272622/>.

³⁸ "The services of "Oboronservis" are getting more expensive." *Kommersant.* November 29, 2012. Retrieved December 30, 2017, from <https://www.kommersant.ru/doc/2078248> (Russian); "V.Putin revealed the reason for the dismissal of the head of the Defense Ministry A.Serdyukov." *RBC.* November 6, 2012. Retrieved December 30, 2017, from <https://www.rbc.ru/politics/06/11/2012/5703ff1e9a7947fcbd442308> (Russian)

³⁹ "Who lives in the condominium of Serdyukov and Vasilyeva: the investigation of Lenta.ru." *Lenta.Ru.* July 28,

2016. Retrieved December 30, 2017, from <https://lenta.ru/articles/2016/07/28/milkhouse/> (Russian)

⁴⁰ "Evgenia Vasilyeva is sentenced to five years in prison." *Interfax.* May 8, 2015. Retrieved December 30, 2017, from <http://www.interfax.ru/russia/440754> (Russian)

⁴¹ "Eugene Vasilieva was released." *Interfax.* August 25, 2015. Retrieved December 30, 2017, from <http://www.interfax.ru/russia/462486> (Russian)

⁴² "Russian Ex-Defense Official Found Guilty In Property Fraud Case", *Radio Free Europe/Radio Liberty*, 6 May 2015, <https://www.rferl.org/a/russia-ex-defense-official-vasilyeva-guilty-fraud/26998138.html>.

⁴³ Alexandra Samarina. "IVECO reached Bastrykin." *Nezavisimaya Gazeta.* May 15, 2013. Retrieved December 30, 2017, from http://www.ng.ru/politics/2013-05-15/1_iveco.html (Russian)

⁴⁴ "Fake weapon does not shoot. Sergei Fridinskiy: Oboronservis supplied the army with fakes." *Rossiyskaia Gazeta.* May 15, 2013. Retrieved December 30, 2017, from <https://rg.ru/2013/05/14/fridinskiy-site.html> (Russian)

⁴⁵ Alexandra Samarina. "IVECO reached Bastrykin." *Nezavisimaya Gazeta.* May 15, 2013. Retrieved December 30, 2017, from http://www.ng.ru/politics/2013-05-15/1_iveco.html (Russian)

(footnote continued)

cost of the customs duties was included in the initial procurement budget, the "Oboronservis" officials managed to appropriate not less than 145 million rubles (\$4.9 million).⁴⁶ In 2013, the Military Investigation Department of the Investigative Committee of Russia opened a criminal prosecution of this and indicted the former chief executive of "Oboronservis" Sergei Khursevich and the director general of "Oboronlogistika" (Rus. defense logistics) Eugene Bondar. Nevertheless, they were released from criminal liability on the basis of the so-called economic amnesty announced in summer 2013.⁴⁷

3.2 Shell companies and fake contracts

Shell companies, set up with little more than a postal address and some names (who may or may not be the actual beneficiaries of the company), are routinely used globally as conduits of illegal financial flows and means of tax evasion and avoidance, including in the international arms trades, as intermediaries for bribe payments. In the context of Russian domestic military procurement, they are a frequently-used device for embezzling funds from the SDO, either by creating fake contracts for non-existent services, or for winning real contracts for which the shell companies have no capability. In some cases, the bribery of defense officials that is surely a requirement for achieving such scams has also been uncovered, in other cases not.

Imaginary R&D activities

According to a report in *Gazeta.ru*, in 2012 JSC "Zaslon" received about 800 million rubles (\$26 million) to develop an aircraft system for the interception of non-strategic missiles called "Drotik D-E."⁴⁸ However, in 2013 the development works were frozen, and all the equipment, software, and other materials were supposed to be stored and kept safe in "Zaslon." However, when in November 2016 Ministry of Defense decided to renew the development of "Drotik" and wanted to transfer all the equipment to the Central Scientific Research Institute of the Ministry of Defense they found only two old laptops, a damaged telescope, radio-telephone Panasonic, and a damaged model of a missile.⁴⁹ An investigation by the military prosecutor's office revealed that to create an illusion of research activities "Zaslon" signed fraudulent contracts with shell companies some of which were registered on the addresses of public toilets in the Samara region.⁵⁰

In another case in 2015 a former director general of the OJSC "Moscow Design Bureau 'Compass'" Murad Safin and a former chief of the defense company OJSC "Prompostavka" Ruslan Suleimanov were detained by the FSB and MVD forces. They are suspected of moving funds from the accounts of the companies Compass and Prompostavka, under fictitious contracts for no less than 800 million rubles during a period from 2011 to 2016.⁵¹ Later estimates reached an amount of 1.8 billion rubles.⁵² Both companies

⁴⁶ "The Chief Military Prosecutor proposed to fire the director general of 'Oboronservis'." *RIA*. May 13, 2013. Retrieved December 30, 2017, from <https://realty.ria.ru/realtynews/20130513/400380028.html> (Russian)

⁴⁷ "Ex-head of "Oboronservis" was released under an amnesty." *Interfax*. December 13, 2013. Retrieved December 30, 2017, from <http://www.interfax.ru/russia/346770> (Russian)

⁴⁸ German Petelin, Dmitry Evstifeev. "'Drotik' breaks 'Zaslon'." *Gazeta.Ru*. February 10, 2017. Retrieved December 30, 2017, from <https://www.gazeta.ru/social/2017/02/10/10518611.shtml#page4> (Russian)

⁴⁹ Ibid.

⁵⁰ Nina Petlianova. "The place of registration of the companies are public toilets in Samara region." *Novaya Gazeta*. September 24, 2015. Retrieved December 30,

2017, from

<https://www.novayagazeta.ru/articles/2015/09/24/65736-171-mestom-registratsii-firm-yavlyayutsya-obschestvennye-tualety-v-naselennyh-punktah-samarskoy-oblasti-187> (Russian)

⁵¹ US dollar amounts uncertain due to the variation in the exchange rate between 2011 and 2016. See "Ex-heads of Rostec-affiliated companies detained on suspicion of major theft." *Vedomosti*, June 1, 2016. Retrieved December 30, 2017, from

<https://www.vedomosti.ru/politics/news/2016/06/01/643200-rosteha-hisichenii> (Russian)

⁵² "Rostec and siloviki prevented embezzlement of 1.8 billion rubles." *Forbes*. December 9, 2016. Retrieved December 30, 2017, from <http://www.forbes.ru/news/334811-rosteh-i-siloviki-predotvratili-hishchenie-18-mlrd-rubley> (Russian)

(footnote continued)

are managed by Rostec. Kompas is responsible for the supply of radio navigation equipment and control systems for high-precision ammunition of the Ministry of Defense. Prompostavka was a part of the Rosoboronexport company and among other things provided service and supply of spare parts for the Russian arms sold abroad.⁵³ According to the official representative of the MVD, an organized group of individuals from these companies while participating in the fulfillment of the SDO and international trade contracts for the supply of civilian and military products used shell companies to simulate the performance of research and development tasks, purchase of the military products, and conduct their diagnostics.⁵⁴ In this case, the state company "Rostec" is considered a party that suffered damages.⁵⁵

Who needs experience? Winning contracts with newly-established shell companies

A more recent large-scale episode (May 2017) involves a cartel of shell companies that "won" orders for the management of the cantonments (military cities; Rus.: военные городки) on more than 23 billion rubles (\$394 million) in violation of the anti-monopoly regulations.⁵⁶ According to the initial journalist investigation, five companies that won the tenders were established in August-September 2015 in Saint Petersburg a month before

the state order for their services was officially placed. Five former police officers were listed as CEOs of these companies having no previous experience in the types of tasks they were supposed to fulfill for the needs of the military: food supply, cleaning, maintenance of barracks, heating, and water supply.⁵⁷ Further investigation by the Fund for Countering Corruption (FBK) revealed that the scope of violations is much wider and involves an elaborate network of at least 28 shell companies that can be traced back to Eugene Prigozhin.⁵⁸ Prigozhin is a Russian billionaire (rubles) restaurateur, widely known as "Putin's Chef," who among other things allegedly sponsored the activities of the internet troll factory in Olgino near Saint Petersburg.⁵⁹ Based on the abundant evidence the Fund for Countering Corruption filed a complaint to the Federal Antimonopoly Service (FAS). Among the pieces of evidence, for instance, was the fact that eleven companies registered in the same short period of time accessed the electronic bidding system using the same IP address that belongs to the "Concord Management and Consulting" company registered on the name of Prigozhin's mother.⁶⁰ In May 2017 FAS admitted that the discussed companies violated the anti-monopoly law of the Russian Federation by limiting the competition.⁶¹ Despite this fact, in November 2017, FAS officially refused to initiate the proceedings of administrative violations discussed above.⁶²

⁵³ Vladislav Trifonov, Ivan Sinergieiev. "Theft by the 'Compass'." *Kommersant.ru*. June 1, 2016. Retrieved December 30, 2017, from

<https://www.kommersant.ru/doc/3001590> (Russian)

⁵⁴ "Deputy director general of 'Prompostavka' arrested in the case of the theft of 800 million rubles from 'Rostec'." *Interfax*. June 1, 2016. Retrieved December 30, 2017, from <http://www.interfax.ru/russia/511266> (Russian)

⁵⁵ Ibid.

⁵⁶ Aleksei Navalniy. "FBK discovered and proved the largest cartel: Putin's Chef and 23 billion." *Fund for Countering Corruption*. May 19, 2017. Retrieved December 30, 2017, from <https://fbk.info/blog/post/328/> (Russian)

⁵⁷ Denis Korotkov. "Prigozhin's empire took the cantonments." *Fontanka*. January 12, 2016. Retrieved December 30, 2017, from <http://www.fontanka.ru/2016/01/11/120/> (Russian)

⁵⁸ A graphic depiction of this network by FBK <https://drive.google.com/file/d/0B24DjQ62ulmsdU5nNngxVW9ZbEk/view> (Russian)

⁵⁹ Tim Lister, Jim Sciutto and Mary Ilyushina. "Exclusive: Putin's 'chef,' the man behind the troll factory." *CNN*. October 17, 2017. Retrieved December 30, 2017, from <http://www.cnn.com/2017/10/17/politics/russian-oligarch-putin-chef-troll-factory/index.html>

⁶⁰ Aleksei Navalniy. "FBK discovered and proved the largest cartel: Putin's Chef and 23 billion." *Fund for Countering Corruption*. May 19, 2017. Retrieved December 30, 2017, from <https://fbk.info/blog/post/328/> (Russian).

⁶¹ Legal acts of the Federal Antimonopoly Service. Judgment in case No. 1-00-110 / 00-22-16. *Federal Antimonopoly Service*. May 30, 2017. Retrieved December 30, 2017, from <http://solutions.fas.gov.ru/ca/upravlenie-po-borbe-s-kartelyami/ad-36169-17> (Russian)

⁶² Legal acts of the Federal Antimonopoly Service. Definition of refusal to initiate an administrative offense case. *Federal Antimonopoly Service*. November 8, 2017. Retrieved December 30, 2017, from
(footnote continued)

The Peter the Great battle cruiser scam: overcharging for work that wasn't needed and wasn't carried out by a company with a fake ID

In 2010, the Ministry of Defense ordered the repair of the nuclear battlecruiser "Peter the Great" to the contractor CJSC "Special Production and Technical Base 'Zvezdochka'." The newspaper *Independent Military Review (Nezavisimoe Voennoe Obozreniie)* reported that the director of the company stated the cost of repair to be 356.1 million rubles (\$11.7 million).⁶³ The investigation of the military prosecutors revealed that the actual cost of this work should be 265.4 million rubles (\$8.6 million) and the remaining 90.7 million (\$2.9 million) rubles were stolen.⁶⁴ As was discovered later, these works were not performed at all. As a matter of fact, the cruiser did not require these repair works. Finally, "Zvezdochka" was just a "double" of a well-known ship repair plant with the same name, specializing in the modernization and repair of nuclear and diesel submarines. However, the company that received the funds from the Ministry of Defense did not even have permission from the "Rosatom" necessary to repair the nuclear reactor on the cruiser.⁶⁵ Furthermore, this fictional company "repaired" the reactors of strategic submarines for years, winning multiple contracts from Ministry of

Defense through the SDO. In addition, it did not have any suitable facilities to perform the services it was supposed to provide. The significant portion of the employees were the relatives of the director of the company that received high salaries and impressive bonuses which allowed them to cash out the state defense order money.⁶⁶ In his commentary, Chief Military Prosecutor Fridinskiy hinted that it is likely that the Ministry of Defense officials that covered this scheme by signing the contracts and approving fraudulent reports about the fulfilled works also benefited from this scheme.⁶⁷ Indeed, later at least two military officers from the Ministry of Defense were accused of negligence and abuse of authority.⁶⁸ The criminal proceedings against the director of "Zvezdochka" Fedor Barashko concluded with him being convicted of embezzlement and tax evasion in an especially large amount.⁶⁹ He has to serve eight years and six months in prison and pay a fine of 900 thousand rubles (\$29,636). Nevertheless, according to the state procurement system website even after the scandal with Barashko "Zvezdochka" was chosen as a supplier for multiple state order needs. According to the Investigative Committee of the Russian Federation website in 2016 the new director of "Zvezdochka," Konstantin Khriukin was put in custody for embezzlement.⁷⁰

<http://solutions.fas.gov.ru/ca/upravlenie-po-borbe-s-kartelyami/22-77547-17> (Russian)

⁶³ Viktor Miasnikov. "State-order-failure: price war, corruption and hand-wringing." *Nezavisimoe Voennoe Obozrenie*. July 22, 2011. Retrieved December 30, 2017, from http://nvo.ng.ru/armament/2011-07-22/8_gosoboronproval.html (Russian)

⁶⁴ "Based on the materials of the military prosecutor's office, in the Northern Fleet the director general of the defense company is brought to criminal responsibility for stealing more than 265 million rubles." *Military Prosecutor's Office*. July 15, 2011. Retrieved December 30, 2017, from <http://gvp.gov.ru/news/view/227/> (Russian)

⁶⁵ "Two officers became suspects in the new case of 'Peter the Great'." *Lenta.Ru*. July 25, 2011. Retrieved December 30, 2017, from <https://lenta.ru/articles/2011/07/25/cruiser/> (Russian)

⁶⁶ Viktor Miasnikov. "State-order-failure: price war, corruption and hand-wringing." *Nezavisimoe Voennoe Obozrenie*. July 22, 2011. Retrieved December 30, 2017, from http://nvo.ng.ru/armament/2011-07-22/8_gosoboronproval.html (Russian)

⁶⁷ Vladimir Shislin. "Sukhorukov will answer for the state defense order." *Interfax*. September 1, 2011. Retrieved December 30, 2017, from

<http://www.interfax.ru/russia/206033> (Russian)

⁶⁸ Two officers became suspects in the new case of 'Peter the Great'." *Lenta.Ru*. July 25, 2011. Retrieved December 30, 2017, from

<https://lenta.ru/articles/2011/07/25/cruiser/> (Russian)

⁶⁹ "Ex-director of Murmansk 'daughter' of 'Zvezdochka' convicted for non-payment of more than 31 million rubles in taxes." *Interfax Russia*. March 29, 2016. Retrieved December 30, 2017, from <http://www.interfax-russia.ru/NorthWest/print.asp?id=712062&type=main> (Russian)

⁷⁰ "In the Murmansk region, the general director of CJSC 'Zvezdochka' Special Production and Technical Base, accused of embezzlement is remanded in custody." *Investigative Committee of the Russian Federation*. November 28, 2016. Retrieved December 30, 2017, from <http://sledcom.ru/news/item/1083805/> (Russian)
(footnote continued)

3.3. Manipulating selection criteria: *Eurocopter vs. Vertolety Rossii*

In February 2012 the Ministry of Defense of the Russian Federation opened a tender for the procurement of helicopters for courier and postal communications, ensuring the control of troops, transportation of goods, and transportation of personnel of the Ministry of Defense.⁷¹ The sum of the order was 6.5 billion rubles (\$210 million)⁷² The technical requirements were stated in a way that no Russian helicopter would fit the demand while many of them had only marginal deviations from what was described in the tender.⁷³ In contrast, French helicopters "Eurocopter" neatly matched the requirements and won the tender.⁷⁴ According to some sources, the helicopters were supposed to be assembled in Saint-Petersburg by a private company "Kheli-Prom SPB" which would allow avoiding the "Rosoboronexport" involvement in this deal.⁷⁵ This tender invited the unwanted media scrutiny and sparked the attention of the state company "Oboronprom" that manages the holding "Vertolety Rossii" (Rus.: *helicopters of Russia*) The tender was canceled when then minister of defense Serdyukov was fired due to a more significant corruption scandal in the Ministry of Defense. Nevertheless, five of the

50 helicopters were delivered to Russia and are currently used for the transportation needs of the high officials of the Ministry of Defense and top military ranks.⁷⁶ According to the Chief Military Prosecutor Sergei Fridinskiy, the Eurocopters do not match the standards of the military equipment and cannot be adapted to the military aviation requirements of the Russian Federation.⁷⁷

Manipulation of selection criteria to favor a particular bidder is one of the most common factors associated with bribery in the international arms trade, and it is hard to imagine why else Russian officials would have acted in this way. However, no publicly available sources shed light on such potential bribery, or on whether any investigation was initiated.

3.4. Nepotism and conflict of interest

Transparency International Russia cites unreported conflict of interest as one of the main preconditions for corruption in the defense industry.⁷⁸ To illustrate the corruption potential of the conflict of interest they use the case discussed below.

⁷¹ "The new defense minister will give up the Eurocopter helicopters?" *Voennyiy Informant*. November 8, 2012. Retrieved December 30, 2017, from <http://military-informant.com/airforca/tex2012-sp-152043129.html> (Russian)

⁷² Order №0173100004512000066. *Unified Procurement Information System*. Retrieved December 30, 2017, from http://zakupki.gov.ru/pgz/public/action/orders/info/order_document_list_info/show?notificationId=2771040 (Russian)

⁷³ Ivan Matsarski, Denis Telmanov. "The Ministry of Defense announced a tender for 'Eurocopters'." *Izvestiya*. February 21, 2012. Retrieved December 30, 2017, from <https://iz.ru/news/516177> (Russian)

⁷⁴ Emmanuel Grynszpan. "Will Moscow give up Eurocopter helicopters?" *Inosmi*. November 8, 2012. Retrieved December 30, 2017, from <http://inosmi.ru/russia/20121108/201929897.html> (Russian, original appears in French: <https://www.latribune.fr/entreprises-finance/industrie/aeronautique-defense/20121107trib000729524/et-si-moscou-renoncait-a-sa-commande-de-45-helicopteres-ecureuil-d-eurocopter-.html>)

⁷⁵ Aleksei Nikolskiy, Anton Trifonov. "Russia will buy foreign helicopters." *Vedomosti*. February 22, 2012. Retrieved December 30, 2017, from https://www.vedomosti.ru/business/articles/2012/02/22/6_mlrd_konkurentu (Russian)

⁷⁶ "French love of the MoD." *Moskovskiy Komsomolets*. September 19, 2012. Retrieved December 30, 2017, from <http://www.mk.ru/politics/2012/09/19/750751-frantsuzskaya-lyubov-minoboronyi.html> (Russian); "Five Eurocopter helicopters supplied to Russia for tests." *Russia Beyond*. July 4, 2012. Retrieved December 30, 2017, from https://www.rbth.com/articles/2012/07/04/five_eurocopter_helicopters_supplied_to_russia_for_tests_part_2_16088.html.

⁷⁷ "Fake weapon does not shoot. Sergei Fridinskiy: Oboronservis supplied the army with fakes." *Rossiyskaia Gazeta*. May 15, 2013. Retrieved December 30, 2017, from <https://rg.ru/2013/05/14/fridinskiy-site.html> (Russian)

⁷⁸ "Corruption Risks in the Ministry of Defense of Russia." *Transparency International Russia*. 2017. Retrieved December 30, 2017, from https://transparency.org.ru/projects/TI_Defence_Press_Eng.pdf

In January 2017 Minister of Defense Shoighu ordered to consider an option for the replacement of the aircrafts currently used by the military with new planes made in Russia. One of the top candidates is the Sukhoi Super Jet (SSJ) manufactured by the company in which Head of the Sales Support Department is the son of the First Deputy Minister of Defense Ruslan Tzalikov. Moreover, the contract director of this company is the daughter of the Deputy Chief of the Aviation Safety Service of the Armed Forces of the Russian Federation – Sergei Bainetov. Due to his security-related position Bainetov has an authority sufficient for ordering the replacement of all the aircrafts of the Armed forces claiming that they do not match the safety requirements. While this deal is still in development it already has a strong corruption potential.

4. The International arms trade: Rosoboronexport

Bribery is a common practice in the international arms trade as a means of winning contracts, and is widely used by many major European arms companies and others, as detailed in World Peace Foundation's Compendium of Arms Trade Corruption. Russia is no exception.

While corruption in domestic procurement, as with the Russian State Defense Order, is something that national authorities are often keen to prevent, as it means the loss of significant quantities of scarce state resources, and leads to the acquisition of sub-standard equipment and services, bribery to win overseas contracts is often treated more leniently (also as detailed in the Compendium), as it helps sustain the profitability and viability of a country's arms industry. While the independence of judicial authorities in the west means that such cases are at least frequently the subject of investigation, in all of the cases detailed below, there is no indication that Russian authorities have opened any corruption investigations into the activities of Russian companies; all information has come from sources within

the buyer countries, or from third-country media investigations.

Russian arms exports have been centralized under the state-owned company *Rosoboronexport*, which is now solely responsible for exporting the entire range of Russian products, services and technologies for military and dual use. It is a subsidiary of the Rostec state corporation, which also owns numerous arms producing companies, including *Vertolety Rossii* (Helicopters of Russia). The full range of Rosoboronexport's activities include "the supply of military products and provision of related services, or making arrangements for setting up licensed production in the customer's country, building facilities of the military and engineering infrastructure, setting up joint ventures for the production and maintenance of machinery, collaborative scientific or R&D work."⁷⁹ As such, Rosoboronexport is involved in all the corruption cases discussed below, including the scandals with Azerbaijan money laundering scheme (reported in 2017), bribing officials of the Greek Ministry of Defense (2014), alleged corruption in arms trade contracts with Iraq (2012), and suspect payments to an Indian arms broker (2008).

4.1 Bribery of foreign officials to win contracts: Iraq, Greece, and India

Iraq

In 2012, the Iraqi government signed a contract with Russia to purchase MiG-29M/M2 fighters, armored vehicles, air defense systems, in particular, 42 "Pantsir-C1" complex, as well as 30 Mi-28NE combat helicopters.⁸⁰ However, later that year the Iraqi side said it would like to cancel the deal due to the suspected corruption that involved officials on both sides.⁸¹ No information on whether the investigation of corruption in this case has taken place on the Russian side is publicly available at the time.

⁷⁹ Corporate strategy. *Rosoboronexport*. Retrieved December 30, 2017, from <http://roe.ru/eng/rosoboronexport/strategy/>

⁸⁰ "Iraq will buy Russian weapons for billions of dollars." *BBC*. October 9, 2012. Retrieved December 30, 2017, from http://www.bbc.com/russian/russia/2012/10/121009_iraq_russia_weapons.shtml (Russian)

⁸¹ Eugene Zhukov. "Due to corruption, Iraq canceled the purchase of Russian weapons." *Deutsche Welle*. November 10, 2012. Retrieved December 30, 2017, from <http://www.dw.com/ru/из-за-коррупции-ирак-отменил-покупку-российского-вооружения/a-16370188> (Russian)

(footnote continued)

Greece

In 2014, officials from the Greek Ministry of Defense were accused of corruption-related violations. When testifying in court, former Deputy Chief of the Department of Armament of the Greek Ministry of Defense named a number of foreign companies which allegedly paid kickbacks to the Greek officials. One of the trade deals involved Russian anti-aircraft missile systems "Osa" and anti-tank missiles "Kornet." The sum of the alleged kickback was \$3 million. In its official statement, "Rosoboronexport" claimed that it has nothing to do with these deals and that "Osa" were sold to Greeks by Germans, while the contract on "Kornets" was fulfilled by one of the subjects of the military-technical cooperation in the early 2000s which excludes it from the sphere of responsibility of "Rosoboronexport."⁸² The named "subject" is now subordinated to the company Rostec which also manages "Rosoboronexport."⁸³ The sources report, however, that regardless of whether this bribery took place or not there will be no criminal investigation on the Russian side since the statute of limitations under the article "giving bribes" have passed.⁸⁴

India

A BBC *Panorama* investigation broadcast in November 2016 revealed that Russian arms companies, including MiG and Rosoboronexport, had paid €100 million (about \$146 million) over the course of a year (from October 2007 to October 2008) to Swiss bank accounts belonging to the Indian arms broker Sudhir Choudhrie, and members of his family. Choudhrie, now a resident in the UK, had been previously connected with a number of corruption investigations into Indian arms deals, but has never been charged. The program also revealed £10 million (about \$12.5 million) of payments to Choudhrie by UK arms company Rolls Royce, allegedly in connection with bribes paid to secure the purchase of BAE Systems Hawk trainer/light combat aircraft in 2006, which contained Rolls

Royce agents. This was one of a number of deals that was the subject of a massive bribery settlement by Rolls Royce on both sides of the Atlantic.⁸⁵

The Russian payments were described in some documents as being linked to "offset" requirements associated with arms deals. Offsets involve reinvestment of part of the purchase price in the buyer country, such as through sourcing of components or acquisition of stakes in local companies, and are often a vehicle for corruption. Choudhrie was not a registered offset agent, and the payment of offset-related funds to an agent's Swiss bank account would be a curious way of conducting business, to say the least.

A correspondent for Indian newspaper *The Hindu* suggested in December 2016 that the revelations about the Russian payments were unlikely to lead anywhere, given the lack of any cooperation from Russian authorities.⁸⁶ While it cannot, therefore, be categorically stated that the payments by Russian companies to the Choudhrie family represented bribes connected to arms deals—Russia is by far India's largest arms supplier—this must be considered a strong suspicion.

4.2 International money laundering: the Azerbaijani laundromat

In September 2017, the Organized Crime and Corruption Reporting Project (OCCRP) published a report on a money laundering scheme through which Azerbaijani officials bribed the European politicians that lobbied the Azerbaijani interests in the EU. In 2012 "Rosoboronexport" transferred \$29 million to one of the British shell companies involved in this scheme. Later, this company paid a "reward" to Italian politician Luca Volonte. He allegedly received money from the Azerbaijani authorities to prevent the adoption of the PACE resolution on political prisoners in Azerbaijan.

<http://www.thehindu.com/news/national/'Foreign-defence-companies-paid-huge-bribes-to-alleged-Indian-arms-dealer'/article16086789.ece>.

⁸⁶ "Is the arms deal trail destined to go cold?" *The Hindu*. 2 Dec. 2016. <http://www.thehindu.com/news/national/Is-the-arms-deal-trail-destined-to-go-cold/article16086899.ece>.

(footnote continued)

⁸² "A Russian arms manufacturer embroiled in corruption scandal in the Greek Defense Ministry has been identified." *Voennoe Obozrenie*. January 14, 2014. Retrieved December 30, 2017, from <https://topwar.ru/38364-stal-izvesten-proizvoditel-oruzhiya-iz-rf-vtyanutyy-v-skandal-s-korruptsiev-v-grechskom-minoborony.html> (Russian)

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Joseph, J. "Foreign defense companies paid huge bribes to alleged Indian arms dealer." *The Hindu*. 31 Oct. 2016.

Indeed, thanks to Volonte's efforts, the document did not win a majority support.⁸⁷

According to the report, significant sums of money transferred by "Rosoboronexport" through the British shell company ended up on the accounts of close relatives of the Azerbaijani elites.⁸⁸

In an interview to the radio "Svoboda," one of the authors of the OCCRP report assumed that the funds transferred by the "Rosoboronexport" to the "Azerbaijani laundromat" were kickbacks for the arms trade deals between Azerbaijan and Russia.⁸⁹ Unfortunately, it is difficult to trace the alleged kickbacks to any particular arms deals. "Rosoboronexport" officials refused to comment on this case. Transparency International - Russia sent a request to the Federal Financial Monitoring Service of the Russian Federation to check the participation of "Rosoboronexport's" role in the "Azerbaijan laundromat." Unfortunately, the results of the inquiry are classified due to the secretive nature of the "Rosoboronexport" activities.⁹⁰

5. A discussion of anti-corruption efforts by the Russian government

As in many countries, major "anti-corruption" campaigns in Russia must often be viewed through the lens of politics, where the targets of such campaigns are frequently those

who have fallen foul of the Putin regime. However, as discussed in the introduction, the government has a genuine motivation to reduce corruption—at least where it does not directly benefit Putin's inner circle—in the military sector, as such corruption severely impairs Russia's military capability. Indeed, one recent anti-corruption initiative by president Putin specifically targets corruption in the SDO specifically. In particular, Putin introduced for consideration by the State Duma a draft of the law that stipulates prison sentences of 4 to 8 years for the heads of companies that abuse their authority in the performance of the SDO.⁹¹

In addition, one of the major transparency efforts of the Russian government is a unified and publicly available database of all procurement for state needs, including those in the defense industry.⁹² It provides information on clients and contractors as well as on the total value of the state order. Unfortunately, it does not specify the identity of subcontractors, which are often part of corruption schemes.

The Ministry of Defense is responsible for formulating and supervising the fulfillment of a bi-annual anti-corruption plan. According to the latest report, in 2017 special committees supervising the anti-corruption activities detected 235 corruption-related offenses.⁹³ It is not clear, however, how many of these relate to military equipment procurement, and how many to other activities such as real estate fraud. Moreover, the effectiveness of some of the anti-corruption methods is rather questionable. For instance,

⁸⁷ "OCCRP published an investigation of Azerbaijan Laundromat." *OCCRP*. September 4, 2017. Retrieved December 30, 2017, from

<https://www.occrp.org/ru/investigations/6931-2017-09-04-09-05-03> (Russian); More on the topic in English can be found here

<https://www.occrp.org/en/azerbajjanilaundromat/>

⁸⁸ Ibid

⁸⁹ "Secret 'laundry' of the president." *Radio Svoboda*. September 5, 2017. Retrieved December 30, 2017, from <https://www.svoboda.org/a/28718314.html> (Russian)

⁹⁰ "'Transparency International - R' requests 'Rosfinmonitoring' to check the participation of 'Rosoboronexport' in the Azerbaijan Laundromat." *Transparency International Russia*. September 18, 2017.

"Retrieved December 30, 2017, from <https://transparency.org.ru/projects/antikorrupsionnye-rassledovaniya/transperensi-interneshnl-r-prosit->

<rosfinmonitoring-proverit-uchastie-rosoboroneksporta-v-azerbaydzhanskoy-landromate.html> (Russian)

⁹¹ "Putin submitted to the Duma a draft of the legislation on punishing the heads of companies for violations related to the defense order." *BFM*. September 19, 2017. Retrieved December 30, 2017, from

<https://www.bfm.ru/news/365324> (Russian)

⁹² Official Website of the Unified Procurement Information System.

<http://zakupki.gov.ru/epz/main/public/home.html> (Russian)

⁹³ Anti-corruption Committee Meetings Reports. *Ministry of Defense of the Russian Federation*. Retrieved December 30, 2017, from <http://mil.ru/anti-corruption/reports/more.htm?id=12145894@cmsArticle> (Russian)

(footnote continued)

the Ministry of Defense report on anti-corruption measures performed in 2017 gives an example of "an active use of modern technologies and innovative approaches to the prevention of corruption and other offenses" ⁹⁴ by describing a creative art contest "Army against corruption," in which army and navy teams presented posters and slogans with anti-corruption appeals.⁹⁵

Among other anti-corruption efforts of the Ministry of Defense are: the monitoring of media reports on corruption-related incidents,⁹⁶ educational programs for employees, revisions of the anti-corruption activities of the Ministry of Defense and Armed forces, improvement of the mechanisms for prompt submission by citizens, organizations and public associations of information on cases of corruption in the Ministry of Defense.⁹⁷ In addition, at least in the years 2013 and 2014, the Ministry of Defense performed a number of unannounced anti-corruption checks in organizations affiliated with the ministry, and published reports on key violations.⁹⁸

The companies involved in the defense industry and arms trade perform a standard package of anti-corruption activities. For instance, among other things, Rostec has published data on the income and assets of its key employees every year since 2012.⁹⁹ In addition, it has an anti-corruption hotline, and provides all the documents necessary to report corruption.

JSC "Garnizon" (former "Oboronservis") also has a section on anti-corruption policies on its website. However, similarly to "Rostec," it does not publish any reports on corruption-related incidents. Without transparent and systematic oversight, it is difficult to reach any conclusions about the effectiveness of these measures.

Among the leading law enforcement institutions that deal with corruption in the defense sector is the Chief Military Investigations Office under the Investigative Committee (SK). It investigates corruption-related incidents in the defense sector. It is difficult to evaluate the effectiveness of these efforts since this Office does not provide comprehensive and systematic data on the type of offenses it investigates. Therefore, it is hard to tell whether an increased number of corruption-related cases is related to the increased effectiveness of this organization, or to an increase in corruption in the defense sector. Moreover, it is impossible to distinguish which of these cases relate to the defense industry and arms trade, and which to other categories of corruption crimes in the broader defense sphere.

From the available reports it is apparent that the Office of the Chief Military Prosecutor plays a vital role in bringing cases of corruption to the attention of the Ministry of Defense and the Government of the Russian Federation. Since July 2006 until April 2017, this office was headed by the same person – Sergei Fridinskiy. Future developments will show whether the activities of the Office were personality-dependent.

So far the highest defense company officials convicted for defense-related corruption crimes are those involved in the "Oboronservis" scandal. For instance, on December 25th, 2017 the head of one of the offices of "Oboronservis" was convicted for fraud and sentenced to 6 years in a general regime colony and a fine of 900 thousand rubles(\$15,431).¹⁰⁰ Earlier this year, Alexander Yelkin, the head of the Slavianka company, which was part of Oboronservis, was sentenced to 11 years in the strict regime colony, and a fine of 500 million rubles(\$8.5

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Anti-corruption Committee Meetings Reports. *Ministry of Defense of the Russian Federation*. Retrieved December 30, 2017, from <http://mil.ru/anti-corruption/reports/more.htm?id=12142505@cmsArticle> (Russian)

⁹⁷ Ibid.

⁹⁸ Anti-corruption Committee Meetings Reports. *Ministry of Defense of the Russian Federation*. Retrieved December 30, 2017, from <http://mil.ru/anti-corruption/reports/more.htm?id=12008280@cmsArticle> (Russian)

⁹⁹ "Information on incomes, expenses, property and liabilities of property nature." *Rostec*. Retrieved December 30, 2017, from <http://rostec.ru/anticorruption/incomes> (Russian)

¹⁰⁰ "The head of one of the offices of JSC 'Garnizon' (formerly JSC 'Oboronservis') was convicted of fraud in a particularly large amount." *Military Prosecutor's Office*. December 25, 2017. Retrieved December 30, 2017, from <http://gvp.gov.ru/news/view/2183/> (Russian) (footnote continued)

million)¹⁰¹ The highest-level government official to be convicted was Yevgenia Vasilyeva, the head of the MOD's department of Property Management (see section 3), although her treatment was ultimately rather lenient.

6. Conclusions

Corruption in the Russian military sector and defense industry is widespread, and imposes major costs on the operation of the Russian Ministry of Defense and the military. While corruption can be considered a core element of the Russian political system, which is in many ways designed to put the State's resources and major sectors of the Russian economy (especially energy and banking) at the disposal of President Putin and his inner circle, the types of corruption discussed in this report take a form that Putin would be unlikely to smile upon: they are "unauthorized" acts of corruption, typically by intermediate-level officials, officers and businessmen, that impair the development of Russian military capabilities, a core goal of the government.

What this picture does not make clear, therefore, is the extent and nature of the corruption that is "authorized", or considered a regrettable but necessary part of keeping enough people at different levels happy; alternatively, those cases that are investigated and punished, but are for whatever reason kept out of the public domain. In particular, only one of the cases concerns (probable) kickbacks on procurement of military equipment, without some additional aggravating factor; and that is notable for being a purchase of foreign equipment (helicopters from Eurocopter) over a Russian competitor. Yet, according to former Chief Military Prosecutor Fridinsky, such kickbacks systematically increase the cost of domestically procured equipment. Thus, either they are tolerated as part of the reward structure to senior bureaucrats and/or military officers, or they are considered too sensitive to be publicized.

While statistics on the breakdown of corruption cases between different subsectors and types of activity is not available, most of the cases of corruption in the Russian State Defense Order discussed here, that have reached the public domain, concern the provision of services, such as maintenance and repair, facility management, or real estate

management, rather than equipment procurement. This may be because such cases are more visible or easily detectable, or because the types of corruption they involve are so egregious.

These cases frequently go well beyond bribery, where established firms pay bribes to win contracts over their competitors, damaging as this type of corruption can be. They involve the outright theft of funds and assets, and the spending of large amounts of money on fake contracts for non-existent work by companies with only a paper existence. Such cases are reminiscent of some of those exposed in the Nigerian Armgate scandal, albeit on a lesser scale, especially in relation to the Russian military budget. They suggest fundamental weaknesses in the Russian military procurement system, and a severe lack of effective monitoring, accountability and control. While this is not a desired outcome for the ruling elite, it is a natural consequence of a desire to maintain high levels of secrecy and a lack of transparency and accountability of government activity to the general public.

Regarding Russian arms exports, information on corruption is limited by the apparent absence of any investigation of such deals by the Russian authorities. However, evidence from those cases that have been the subject of investigation on the buyer side or by third parties suggests that Russian arms companies are no less inclined to use bribery as a means of winning contracts than their counterparts in Western Europe and elsewhere.

While some anti-corruption efforts are undertaken by the Russian government, they are typically piecemeal and at best only partially effective. The inability or unwillingness to apply such measures systematically fosters the reoccurrence of corruption in the defense sector in general, and in procurement in particular.

¹⁰¹ "The court sentenced the ex-head of the 'Slavyanka' Yelkin to 11 years in colony." *RIA*. August 5, 2016. Retrieved December 30, 2017, from

<https://ria.ru/incidents/20160805/1473720414.html>
(Russian)

Appendix I. Legal framework and institutional set-up for countering corruption

I.1. Legal framework

The primary document that provides the legal basis for dealing with corruption is *The Federal Law on Countering Corruption #273-F3*, adopted in December 2008. A number of supplemental documents such as normative legal acts of the President of the Russian Federation, as well as regulatory legal acts of the Government of the Russian Federation, regulate the work of government employees and appointees to prevent and tackle corruption. In addition, international treaties ratified by the Russian Federation constitute a part of Russia's anti-corruption legal framework.

The Federal Law on Countering Corruption defines corruption as:

- a) Abuse of power, bribery [*both giving and receiving*], abuse of authority, commercial bribery or other unlawful use by an individual of his or her official position, contrary to the legitimate interests of society and the state, in order to obtain benefits in the form of money, valuables, other property or services of a property nature, other property rights for themselves or for third parties, or unlawful provision of such benefit to the said person by other individuals;
- b) Committing the acts specified in subparagraph a) of this paragraph, on behalf of or in the interests of the legal entity.¹⁰²

This Federal law also specifies the legal basis for anti-corruption activities, which includes legal instruments ranging from the *Constitution of the Russian Federation* (where the word "corruption" is not mentioned) to the normative acts of the individual republics that comprise the Russian Federation, and municipal normative acts. In

addition, it indicates international cooperation as one of the components of countering corruption.

This law also has special provisions for individuals occupying positions in the state corporations created by the Russian Federation to fulfill tasks relating to the sovereignty and national security of the Russian Federation, as well as their spouses and minor children.¹⁰³ For instance, they cannot have deposits in foreign banks located outside of the RF territory; they are required to submit information on income, property, and liabilities of property nature; and they must report conflicts of interest. Failure to fulfill any of these requirements can result in termination of their appointments.

Russia's legal system provides for disciplinary, administrative, civil-law, and criminal responsibility for corruption-related violations depending on the scope of the violations.

Disciplinary responsibility occurs if a civil servant violates their official duties. For instance, failure to submit a report about income and property can lead to disciplinary action and termination of appointment, as specified in the *Law on Countering Corruption*.

Administrative responsibility for actions that involve corruption is discussed in the *Code of Russian Federation on Administrative Offenses*. Among actions relevant to this report are defense specific violations:

- Violation of the procedure for determining the initial (maximum) price of a state contract for a state defense order or the price of a state contract when a state defense order is placed;¹⁰⁴
- Refusal or evasion of the supplier (executor, contractor) from signing a state contract necessary for the execution of the state defense order;¹⁰⁵
- Violation of the period and procedure for payment for goods (works, services) for state needs under the state defense order;¹⁰⁶

¹⁰² Russian Federal Law on Countering Corruption #273-F3, Art. 1, para 1

¹⁰³ Ibid, Art. 7-1

¹⁰⁴ Code of Russian Federation on Administrative Offenses, Art. 7.29.1

¹⁰⁵ Ibid, Art. 7.29.2

¹⁰⁶ Ibid, Art. 7.32.1
(footnote continued)

- Violation of mandatory requirements for defense products (work performed, services provided);¹⁰⁷
- Violation of the terms of a state contract under the state defense order or the terms of a contract concluded for the purpose of fulfilling the state defense order;¹⁰⁸
- Actions or omissions by the chief executor, which lead or may lead to an unreasonable overstatement of the price of products under the state defense order, or non-fulfillment or improper execution of a state contract under the state defense order;¹⁰⁹
- Violations related to opening bank accounts by state corporations and companies, especially in matters related to the defense and security industry.
- The execution of transactions by an authorized bank, which are prohibited by the legislation of the Russian Federation in the field of the state defense order;¹¹⁰
- Failure to provide information and documents or submission of knowingly unreliable information and documents to the body authorized to exercise control over the procurement of goods, works, services to ensure state and municipal needs, to the federal executive body that exercises control and oversight functions in the field of state defense contracts, the body of internal state (municipal) financial control;¹¹¹

Civil-law responsibility in corruption-related cases is regulated by the *Civil Code of the Russian Federation* Chapters 32 on Giving/Donation and 39 on the Order of Provision of Payed Services. In particular, the Civil Code regulates the value of gifts that state employees can receive in relation to their official position or the performance of their official duties – not more than 3000 Rubles (approx. \$50).¹¹²

Criminal Responsibility for corruption-related crimes is discussed in the *Criminal Code of Russian Federation*. Criminal offenses include but are not limited to:

- Embezzlement;¹¹³
- Money laundering;¹¹⁴
- Restriction of competition;¹¹⁵
- Coercion to commit a transaction or to refuse to do so;¹¹⁶
- Illegal export from the Russian Federation or the transfer of raw materials, equipment, technology, scientific and technical information, the illegal performance of works (rendering services) that can be used to create weapons of mass destruction, weapons and military equipment;¹¹⁷
- Abuse of authority;¹¹⁸
- Commercial bribery;¹¹⁹
- Misappropriation of state budget funds;¹²⁰
- Receiving and giving bribes; mediation in bribery; incitement of bribery;¹²¹
- Forgery in pursuit of profit;¹²²

The state defense order is regulated by the Law on State Defense order (2012). It does not mention corruption-related issues specifically.

International Treaties

Russia is a party to the following international treaties that pertain to corruption:

- United Nations Convention against Corruption
- United Nations Convention against Transnational Organized Crime
- Council of Europe Criminal Law Convention on Corruption

¹⁰⁷ Ibid, Art. 14.49

¹⁰⁸ Ibid, Art. 14.55

¹⁰⁹ Ibid, Art. 14.55.2

¹¹⁰ Ibid, 15.40

¹¹¹ Ibid, 19.7.2

¹¹² Civil Code of Russian Federation, Art. 575.

¹¹³ Criminal Code of the Russian Federation, Art. 160.

¹¹⁴ Ibid, Art. 174 and 174.1.

¹¹⁵ Ibid, Art. 178.

¹¹⁶ Ibid, Art. 179.

¹¹⁷ Ibid, Art. 189; On smuggling see Art. 226.1

¹¹⁸ Ibid, Art. 201 and 285.

¹¹⁹ Ibid, Art. 204.

¹²⁰ Ibid, Art. 285.2.

¹²¹ Ibid, Art. 290, 291, 291.1, and 304.

¹²² Ibid, Art. 292.

(footnote continued)

- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

According to the *Constitution of the Russian Federation*, international treaties have primacy over Russia's state law.¹²³

I.2. Institutional set-up

The anti-corruption policy is developed by the Presidential Council of the Russian Federation for Combating Corruption. This body also controls and coordinates the implementation of the National Plan for Combatting Corruption.¹²⁴

Investigation of corruption-related crimes is the responsibility of the Investigative Committee of the Russian Federation (SK), Ministry of Internal Affairs (MVD), and Federal Security Service (FSB).

Coordination of the law enforcement agencies' efforts related to the criminal prosecution for corruption crimes is performed by the Public Prosecution Service of the Russian Federation.

Information and educational support, and monitoring of law enforcement anti-corruption practices are fulfilled by the Ministry of Labor.

Defense-specific institutions:

The Chief Military Prosecutor's Office under the Prosecutor General's Office and the Chief Military Investigations Office under the Investigative Committee (SK) are responsible for monitoring and investigating corruption in the defense sector. In addition, the Commission of the Ministry of Defense of the Russian Federation on Compliance of Federal Civil Servants with the Official Position Requirements and the Settlement of a Conflict of Interests was established in 2010.¹²⁵ The independence and effectiveness of the latter body are questionable mainly because it sits within the Ministry of Defense. The commission's annual reports published on the Ministry of Defense website are on average one-page long and contain very limited information on the activities of this body.¹²⁶

¹²³ Constitution of the Russian Federation, Chapter 1, Art. 15.4

¹²⁴ Councils under the President of Russian federation. *Kremlin*. Retrieved December 30, 2017, from <http://kremlin.ru/structure/councils#institution-12>

¹²⁵ Information about the meetings of the anti-corruption commission. *Ministry of Defense of the Russian Federation*. Retrieved December 30, 2017, from http://mil.ru/anti-corruption/comission/activity_committees.htm

¹²⁶ Ibid.