



Country Advice

Russian Federation

Russian Federation – RUS39538 – Igor
Shuvalov – corruption
22 November 2011

- 1. Please provide biographical information on Russian Deputy Prime Minister Igor Shuvalov, including whether there is any information concerning his business dealings, property holdings of himself or family and personal wealth.**

Igor Shuvalov was born in Bilibino on 4th January 1967 and finished school in Moscow in 1984. He subsequently served in the army and graduated in law from the Lomonosov Moscow State University.¹ He joined the Ministry of External Affairs of the Russian Federation in 1993 and following a number of other appointments became Deputy Minister of State Property of the Russian Federation (1998), Chief of Staff of the Government of the Russian Federation (2000), Assistant to the President (2003), Russian Sherpa in the G8 (2005) and in May 2008, First Deputy Prime Minister.² Since 2010 he is also Government Supervisor of the Moscow International Financial Centre.³

From 1995 onwards he has founded a number of companies in wholesale trade, real estate and banking.⁴

In 2008 Igor Shuvalov's declared income was 4.76m roubles and his family owned 7 cars including a Jaguar, three Mercedes-Benz automobiles and a ZIL limousine. In 2009 his income was 6.5m roubles (approximately A\$209,300).⁵

According to an April 2011 article relying on information published on the Russian government website, the Deputy Prime Minister earned 14.65 million roubles (approximately A\$466,000) in 2010. His wife (Olga Victorovna Shuvalova) received over 372m roubles (approximately A\$11.9m). In addition Mr Shuvalov owned a share in a 175.7 square metre apartment, jointly owned a 108 square metre apartment with his wife, free use of land sites with an area of 2,038 square metres and 1,985 metres, a residential

¹ „Igor Shuvalov First Deputy Prime Minister’ (undated), Russian Mafia website, <http://rumafia.com/person.php?id=190> – Accessed 8 November 2011

² „Igor Shuvalov First Deputy Prime Minister of the Russian Federation (Russia)’ (undated), St Petersburg International Economic Forum website, http://www.forumspb.com/en/.../SPIEF.../reporters_3/people/294?type=reporter – Accessed 18 November 2011

³ „Moscow International Financial Centre – Key Facts’ (undated), MIFC website, <http://mfc-moscow.com/index.php?id=63> – Accessed 18 November 2011

⁴ „Igor Shuvalov First Deputy Prime Minister’ (undated), Russian Mafia website, <http://rumafia.com/person.php?id=190> – Accessed 8 November 2011

⁵ „Russia’s Power Families – 2011: Shuvalov Igor Ivanovich, Government’s First Deputy Chairman’ (undated), Monitoring Expert Group website, <http://eng.election2012.ru/reports/1/16.html> - Accessed 7 November 2011

house in Austria which is rented out and an apartment in the UK.⁶ His wife reportedly earned \$22.15 million in 2009.⁷

Mr Shuvalov and his family have extensive business interests.

In 2003 an audit by the Prosecutor's Office of the State Investment Corporation found that there had been a transfer of a country residence „Zarechie-4' on Skolkovskoye Highway to companies controlled by Shuvalov, however it appears that the cost „really been paid to the management of the State Investment Corporation'.⁸ It appears that the Shuvalov country home is located in Zarechye and according to information sourced from SPARK (professional market and company analysis) Olga Shuvalov is a 50% owner of the Zarechye Development LLC, the location of the Skolkovo Business School and Russia's "Silicon Valley" construction is reportedly planned there as well.⁹ Some land of about 15 hectares next to the Skolkovo development project is owned by Zarachenskie Dachi, part owned by Olga Shuvalov, and in 2010 was said to be needed in order for the project to be completed.¹⁰ Detailed information on transactions relating to land with which Olga Shuvalov is or may have been connected is provided in information on the Monitoring Expert Group website. Some questions remain as to whether conflict of interests occurred in relation to these events between 2008 and 2010.¹¹ Some warnings have also been expressed concerning the Skolkovo development, essentially a \$6 billion state technology park, although mechanisms including independent panels have been appointed to determine participants, and special teams of government agents will oversee progress in order to minimise the chances of corruption.¹²

According to information published on his website by independent Russian-based Australian-born foreign correspondent John Helmer in May 2011, Mr Shuvalov did not act consistently with his avowal of compliance with the April presidential decree which required ministers to vacate seats they occupied on state company boards. Having denied he would be appointed to the chairmanship of the multi-billion project for redeveloping the Exhibition of the Achievements of the National Economy, he became chairman on 16th May. In a public statement the next day Mr Shuvalov appeared to imply that only those state officials who were not irreplaceable were to be replaced, with, by implication, the possibility that political allegiances may influence the outcome of those appointments;

This suggests that Medvedev and Shuvalov have agreed that in order to supervise an amusement park and real estate development in Moscow, no one in all of Russia save Shuvalov is fit for the job. This also suggests that Medvedev's replacement targets are only those ministers whom Medvedev judges to be politically opposed to his re-election, such as Igor Sechin. To substitute for those who appear to be endorsing Medvedev's political future –

⁶ „Shuvalov made over 14.6 million in 2010 (Part 2)' 2011, *Interfax Information Services*, 11 April

⁷ „Russian officials disclose wealth, questions remain' 2010, *Reuters*, 13 April

⁸ „Russia's Power Families – 2011: Shuvalov Igor Ivanovich, Government's First Deputy Chairman' (undated), Monitoring Expert Group website, <http://eng.election2012.ru/reports/1/16.html> - Accessed 7 November 2011

⁹ Russia's Power Families – 2011: Shuvalov Igor Ivanovich, Government's First Deputy Chairman' (undated), Monitoring Expert Group website, <http://eng.election2012.ru/reports/1/16.html> - Accessed 7 November 2011

¹⁰ „Skolkovo: Land of milk and honey' 2010, Centre for Strategic and International Studies website, 26 July, <http://csis.org/blog/skolkovo-land-milk-and-honey-part-3> - Accessed 8 November 2011

¹¹ Russia's Power Families – 2011: Shuvalov Igor Ivanovich, Government's First Deputy Chairman' (undated), Monitoring Expert Group website, <http://eng.election2012.ru/reports/1/16.html> - Accessed 7 November 2011

¹² Schuman, M. 2011, „State-run shakedown', 26 September, *Time*, <http://www.time.com/time/magazine/article/0,9171,2093344,00.html> – Accessed 18 November 2011

Shuvalov, for example, or the presidential chief of staff, Sergei Naryshkin, chairman of the board at state shipping company Sovcomflot – turns out to be impossible.

Then again, perhaps Shuvalov's change of heart is also a change of mind about who in Russian politics today is replaceable by whom. Shuvalov's chairmanship may represent the calculation that it will be Medvedev who now faces replacement.¹³

One source states that petitioners can expect to pay \$150,000 for a meeting with Mr Shuvalov.¹⁴

Mr Shuvalov has made comments on the need to reduce corruption. In June 2010, for example, he referred to a new program to deal with corruption involving new legislation and „mechanisms to get “real and quick” responses from authorities if people are subjected to bribe attempts from local officials’ he was reported as saying. However he admitted that the system was not perfect.¹⁵ However at the World Economic Forum in Davos in January 2011, Mr Bill Browder, previously the largest foreign investor in Russia, demanded that Mr Shuvalov provide an explanation as to the circumstances surrounding the death of his investigative lawyer Sergei Magnitsky in November 2009. Mr Magnitsky died in custody having been denied medical treatment following his discovery of a \$230m fraud against subsidiary companies of Browder's Hermitage Capital Management. Documents and stamps seized in raids on Hermitage offices and Mr Magnitsky's law firm were subsequently used in the fraud.¹⁶

"The President of the country called for an investigation into the people who killed my lawyer," Mr Browder told a panel chaired by Mr Shuvalov and a hall packed with Western executives.

"One year after the investigation, people who killed the lawyer have been promoted higher by state orders... My question to you, Igor, is what will prevent other investors to have the same experience after my experience in Russia," he said at the discussion.

Mr Shuvalov responded: "We know this case very well... Twenty people were fired immediately... It was not a case which was forgotten the next day. Unfortunately, I don't know the results of the investigation and the end of the case... The past is always very important, although not always positive, but we need to concentrate on the future.

"You have to acknowledge the country is changing for the better. If every year we can say that the rule of law is becoming better, not perfect but better, then I think I'm doing my job... We need to work together."¹⁷

¹³ Helmer J. 2011, „We stood corrected last time, now it's the turn of the first deputy prime minister – Igor Shuvalov places himself back on the pedestal at the amusement park’, 20 May, Dances with Bears website, <http://johnhelmer.net/?p=5314> – Accessed 8 November 2011

¹⁴ Information provided from the New Times magazine, according to „Russia's Power Families – 2011: Shuvalov Igor Ivanovich, Government's First Deputy Chairman’ (undated), Monitoring Expert Group website, <http://eng.election2012.ru/reports/1/16.html> - Accessed 7 November 2011

¹⁵ „Bribery is “awful problem” for Russia, Shuvalov says’ 2010, *BBC News*, 2 June <http://www.bbc.co.uk/news/10214826> - Accessed 17 November 2011

¹⁶ „Sergei Magnitsky one year on’ 2010, *The Economist*, 16 November, <http://www.economist.com/node/21013016> - Accessed 18 November 2011

¹⁷ „Davos WEF 2011: Russia attacked over state corruption, death of Sergei Magnitsky’ 2011, *The Telegraph*, 27 January, <http://www.telegraph.co.uk/finance/financetopics/davos/8286664/Davos-WEF-2011-Russia-attacked-over-state-corruption-death-of-Sergei-Magnitsky.html> - Accessed 18 November 2011

2. Deleted.

3. Please provide basic information on corruption of state officials in the Russian Federation.

Corruption in the Russian Federation is widespread and long-standing. In the initial years of Vladimir Putin's presidency it was thought to decline, but subsequently increased according to the main organisations that regularly monitor corruption.¹⁸

Boris Nemtsov summarised the pervasiveness of corruption under Vladimir Putin in a 2008 report:

Putin has proved even more cunning than the oligarchs and other disciples of corruption who parasited off the reforms of the 1990s. There was plenty of corruption in the 1990s, too, but it was open to view – the free press could report on incidents of corruption with hindrance. In 1997, some members of the government were fired for receiving an advance of \$90K each for a book about privatisation. Today's practitioners of corruption laugh at this pathetic sum.

Today theft by civil servants is measured in billions and is hidden from the eyes of the people: large share-owners cover for dozens of secret beneficiaries, "friends of president Putin", hiding behind their backs. Information on who the real owners are is carefully protected by the secret services and the subject of corruption in the higher echelons of power is taboo for the Kremlin-controlled media.

Meanwhile, bribery and the convergence of the civil service with business has become the norm at all levels of the government – federal, regional, and local. Spouting phrases about the "revenge of the oligarchs", Russia is witnessing the rapid enrichment of a new and more powerful Putin oligarch – at your expense and mine. Assets are being removed from state ownership and handed over to the control of private people, property is being purchased with state money back from the oligarchs at stunning prices, a friends-of-Putin oil export monopoly is being created, and a Kremlin "black safe" is being funded. This is a brief outline of the criminal system of government that has taken shape under Putin.

The Oscar-winner in the transfer of important assets into the hands of secret third parties is Gazprom. In just three years, without any kind of tender and by means of an opaque procedure, three important assets servicing the company's cash flow have been transferred to third-party ownership. The first of these was the Gazprom insurance subsidiary Sogaz: in 2005 its ownership was transferred to divisions of Rossiya Bank in Petersburg. At the time of the transfer, Rossiya Bank's assets were valued at approximately the same as Sogaz' worth – \$1 billion. However, Sogaz was not sold at open auction but simply transferred into the Petersburg bank's ownership.¹⁹

¹⁸ Orttung, R. 2006, „Causes and consequences of corruption in Putin's Russia', December, Ponars Policy Memo No. 430, p. 1, George Washington University website, http://www.gwu.edu/~ieresgwu/assets/docs/ponars/pm_0430.pdf - Accessed 18 November 2011

¹⁹ Nemtsov, B. 2008, „Putin. The bottom line', 31 March, translated by Dave Essel, La Russophobe website, <http://larussophobe.wordpress.com/2008/03/31/boris-nemtsovs-white-paper-in-full/> - Accessed 21 November 2011

The US Department of State stated in a March 2011 report that corruption had increased, rather than declined;

According to Transparency International (TI), Russia scored 2.1 out of 10 this year, down from 2.2 in 2009. This year's Corruption Perceptions Index, released on October 26, ranked Russia 154th out of 178 nations surveyed, far below its 2004 ranking (90th place). In PricewaterhouseCoopers' 2009 Global Economic Crime Survey, Russia came in last place among the 54 countries surveyed, with 71% of respondents having reported experiencing incidences of fraud in the 12 months previous to the survey.

The NGO Information Science for Democracy (INDEM) continues to assert, as estimated in a 2009 report by that organization, that bribes and corruption annually cost Russia the equivalent of one-third of its GDP. In November, President Medvedev announced that Russia is losing up to a trillion rubles (approximately \$33 billion) annually due to corruption in its state purchases system. Nevertheless, there have been few prosecutions and/or dismissals of high-level corrupt officials that would send a clear deterrent message.²⁰

President Dmitri Medvedev conceded in a speech in March 2011 that corruption had a „stranglehold' on the economy and that this created a poor investment climate.²¹ One article states that \$38 billion of private capital was withdrawn from Russia during 2010, and that corruption is not a problem in Russia but a system.²² It may cost as much as 25% of the country's GNP.²³ Measures that have been taken since 2008 under President Medvedev include the 2008 anti-corruption legislation which included simplification of the criminal code to improve accountability of corrupt judges; the Anti-corruption Strategy 2010-2011 that criminalised foreign bribery and a mandatory anti-corruption training program for public officials.²⁴

²⁰ US Department of State 2011, *2011 Investment climate statement – Russia*, March, <http://www.state.gov/e/eeb/rls/othr/ics/2011/157348.htm> - Accessed 18 November 2011

²¹ Schuman, M. 2011, „State-run shakedown', 26 September, *Time*, <http://www.time.com/time/magazine/article/0,9171,2093344,00.html> – Accessed 18 November 2011

²² Nemtsov, B. 2011, „Putin. Corruption. An independent white paper', 3 April, translated by Dave Essel, La Russaphobe website, <http://larussophobe.wordpress.com/2011/04/03/special-extra-the-nemtsov-white-paper-part-v-putin-the-thief/> - Accessed 21 November 2011

²³ Using calculations made by the Information Science for Democracy as referred to in Nemtsov, B. 2011, „Putin. Corruption. An independent white paper', 3 April, translated by Dave Essel, La Russaphobe website, <http://larussophobe.wordpress.com/2011/04/03/special-extra-the-nemtsov-white-paper-part-v-putin-the-thief/> - Accessed 21 November 2011

²⁴ „Snapshot of the Russia Country Profile' 2011, Business Anti-corruption website, June, <http://www.business-anti-corruption.com/country-profiles/europe-central-asia/russia/?pageid=277> – Accessed 21 November 2011

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