

WAR AND CORRUPTION

Corruption-related causes and consequences of Russia's invasion of Ukraine

Team of authors Transparency International Russia

EXECUTIVE SUMMARY

There is very little research on the relationship between war and corruption. Most academic papers on the topic are on civil wars, not on wars between countries. However, there is a consensus that corruption is exacerbated by wartime.

Experts agree that corruption in and of itself was not the chief reason why Russia attacked Ukraine on 24 February 2022. However, the highly corrupt kleptocratic system of governance that exists in Russia was, in many ways, the cause of this war. Abuse of power by top officials led to the concentration of resources in the hands of a small circle of beneficiaries. This, in turn, created the situation when the «party of war» was not controlled by any checks and balances. At the same time, some experts refuse to use the term «corruption» to refer to the Russian system of governance, as corruption inflicts no significant damage on the Russian government system, instead being the main component of its functioning. Therefore corruption, being a necessary part of the Russian political regime, could hardly have been the driver of the war, but functioned as its enabler.

The war showcased the extreme weakness of the Russian armed forces. The issue of whether or not corruption has caused this state of events is controversial. Some experts say that theft has been the chief cause of the army's degradation; others claim that the incompetence of the commanding officers or the categorical impossibility of preparation for such large-scale war have been more important factors. However, it's safe to say that the scope of corruption was immense, and at least several percent of the country's military budget has been embezzled; that makes dozens of billions of rubles (hundreds of millions of dollars). Also, corruption might have overlapped with the Russian military's fundamental lack of preparation for large-scale warfare. Since 2008, the army has preparing for short-term special operations instead of creating a substantial mobilization reserve. The Armed Forces of Ukraine were also tainted by corruption according to various sources; however, the results they showed on the battlefield until November 2023 have demonstrated the high degree of resilience that they possessed. This testifies to the fact that corruption in and of itself might not be the decisive factor that determines military efficiency. It is also exemplified by the recent Gaza–Israel conflict, as reports have been made about insufficient supplies received by people mobilized into the Israel Defense Forces despite much smaller corruption potential in Israel's defense sector.

Statistics show rapid growth of registered criminal corruption directly before and after the beginning of the war. 293 contract servicemen were convicted for corruption as their main offense in 2019. In 2022, this number was 434 people (48% more than in 2019). All in all, the number of employees of armed forces and paramilitary organizations (including conscripts and civilians) who were convicted of corruption was 351 people in 2019 and 678 people in 2022 (+93%). As of November 2022, 80% of government contracts for military objects were not completed on time. Thus, the number of uncovered corruption-related violations grew considerably.

Corruption during the war was analyzed on 3 levels: petty corruption, grand corruption, and political corruption¹.

Petty (low-tier) corruption includes bribes given by recruits to military commissariats and small-scale embezzlement by the army's lower ranks. Previously, corruption in military commissariats was endemic, i.e. characteristic of the system as a whole. The same can be said about small-scale embezzlement. There are numerous examples of stolen military equipment, nutrition, clothing, precious metals, and even weapons and military hardware. Having said that, the scope of the system and its highly inefficient management would significantly impede adequate supplies even if there was no corruption. On top of that, the scale of bribery in the context of mobilization and conscription after the start of the draft is unclear. According to various sources, a draft/service dodging bribe in Moscow varies from 1 to 1.5 million rubles (~\$11,000 to ~\$16,000), but it's nearly impossible to find any information on either arrests for taking bribes or on bribers (conscripts, draftees), even though in the previous years it was acceptable in Russia to almost openly talk about «taking care of» the

¹ These levels are not strictly defined, as anti-corruption investigations still don't have an accepted classification of corruption levels. Transparency International uses the following classification: petty corruption, grand corruption, and political corruption.

draft issue for money. It can be inferred that law enforcement agencies were instructed to show zero tolerance towards bribery in military commissariats, which led to a significant reduction of grafting in this area, at least before the time of this report's finalization. The Kremlin has showcased its ability to discipline the bureaucracy for the sake of achieving a particular set of tasks in a short time. However, it is also possible that the existing corruption has become much more clandestine. Likewise, petty corruption was widespread beyond military commissariats: for example, when someone attempted to leave Russia. Some practices related to higher education might also be seen as corrupt: for example, enrolling in paid postgraduate courses without any actual intent to study. Still, most petty corruption takes place inside the military system.

Grand corruption takes place within the context of relations between government bodies and business. It consists of breaking the law during state procurement, regulation of foreign trade operations, property relations, implementation of business support measures, and mobilization. After the war began, corruption risks grew significantly due to the cessation or restriction of public access to budget expenditures, customs statistics, corporate reporting, and the real estate register. Besides, there has been a major increase in the number of non-competitive state procurements and closed bidding (partly due to the expansion of state defense orders), while the amount of published information on procedures for the selection of suppliers has shrunk. Corruption is also prompted by the growth of non-transparent military expenditures, mandatory appointment of contractors for state procurements, and obligation of businesses to co-finance the war directly, e.g. by paying for their employees that are going to war. In 2023, the overall growth of the Russian state budget's expenses on national security and law enforcement agencies was 60% compared to 2021; for the military, this number is 30%. «Grey» and parallel import, as well as expropriation of property for military needs, are also vulnerable to corruption. General government transparency has become lower. Apparently, there is now a widespread practice of ghost employment for the sake of draft dodging.

Finally, political corruption involves oligarchs and top officials of state-owned enterprises, as well as global kleptocratic networks. This level includes beneficiaries of the war. First of all, that is Rostec, a state-owned conglomerate. Profitable state contracts apparently function as a reward for staying loyal to the system in these tumultuous times. Many businessmen close to the government received substantial benefits; they bought foreign companies for very little money. Selective nationalization of foreign assets leads to their redistribution between businessmen close to the authorities. The creeping nationalization of Russian businessmen's assets was stopped in August 2023, but it might be resumed. In exchange for assets, oligarchs and state-owned companies conduct clandestine financing of warfare through government contracts. Here's the most obvious example: 2 trillion rubles (~21,7 billion US dollars) was spent on the late Yevgeny Prigozhin and his now-dissolved Wagner Group. As long as supporting war is profitable and provides a significant number of people close to the government with opportunities to earn money, sanctions will only have a limited effect. The current approach to sanctions does not in any way encourage kleptocrats to change their ways. Instead, it strengthens their support for Vladimir Putin. This carrot-and-stick policy is all sticks and lacks the carrots that would be necessary if the authors of the sanctions expect to achieve any kind of result. It also has to be said that the influence of many so-called «oligarchs» on the Kremlin's policies is highly limited, while indiscriminate sanctions can (and do) cause effects that are opposite of the split among the elite.

Preventing corruption, combating it, and eliminating its consequences—all that should be one of the top priorities during the post-war reconstruction of the Russian society and state.

Judicial practice and statistics were analyzed using the open segment of the Justice state information system, as well as data from the Judicial Department at the Supreme Court of the Russian Federation. If you have inquiries about the research methodology, please send them to info@ti-russia.org.