

On mass scale: How top Belarusian officials taking hand in schemes of budget funds withdrawal

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Final snatch - this is how a well-known analyst Sergei Chalyi described the latest actions of the authorities on sharing a piece between businessmen being in tight connection with them. How true are these facts and how does it happen in reality? On what scale do the laundry schemes operate? Where does the money go and what was the authorities’ reaction to our investigation? In this article we summarise another year of our investigative journalism, bringing separate episodes together into a full story.

CORRUPTION METS IN MEDICINE

The year before last healthcare was called one of the most corrupt industries in Belarus by then-Attorney General Alexandr Koniuk. This was said not due to the common tradition of giving gifts to surgeons. The main wheeling and dealing has been happening around governmental purchases of drugs and equipment, says former Chairman of the KGB Valery Vakulchik:

«In fact, the existing procurement system initially appeared as fertile ground for corruption».



VALERY VAKULCHIK
FORMER CHAIRMAN OF
THE KGB

«In fact, the existing procurement system initially appeared as fertile ground for corruption».

Mechanisms of the system operate in the following way. One official makes a deal with a contractor that creates an artificial monopoly on supply to the government and on behalf of it pays for the goods and services three times as much as it could have been if competition existed. The businessman meanwhile pays the official off his share of extra profit.



From 2017 to 2019 security forces exposed a number of such dealings which made an affair called “the doctors’ plot”. The then Deputy Prime Minister Vasily Zharko said that he had no clue about these schemes:

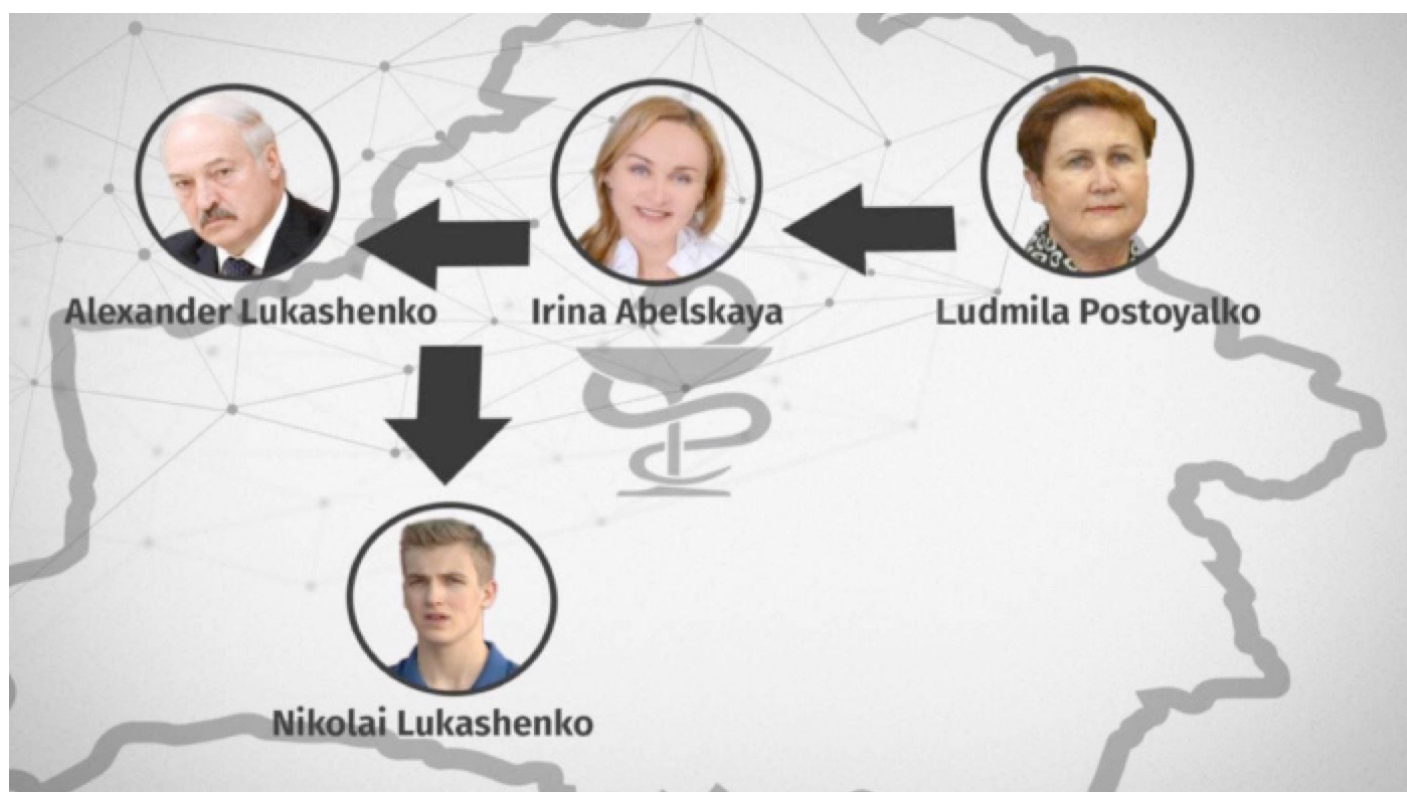
«If only I had known, then appropriate measures would have been taken. The Ministry of Health is a huge system: it consists of 270.000 people, 1.000 organisations. An indecent person must have been hired».



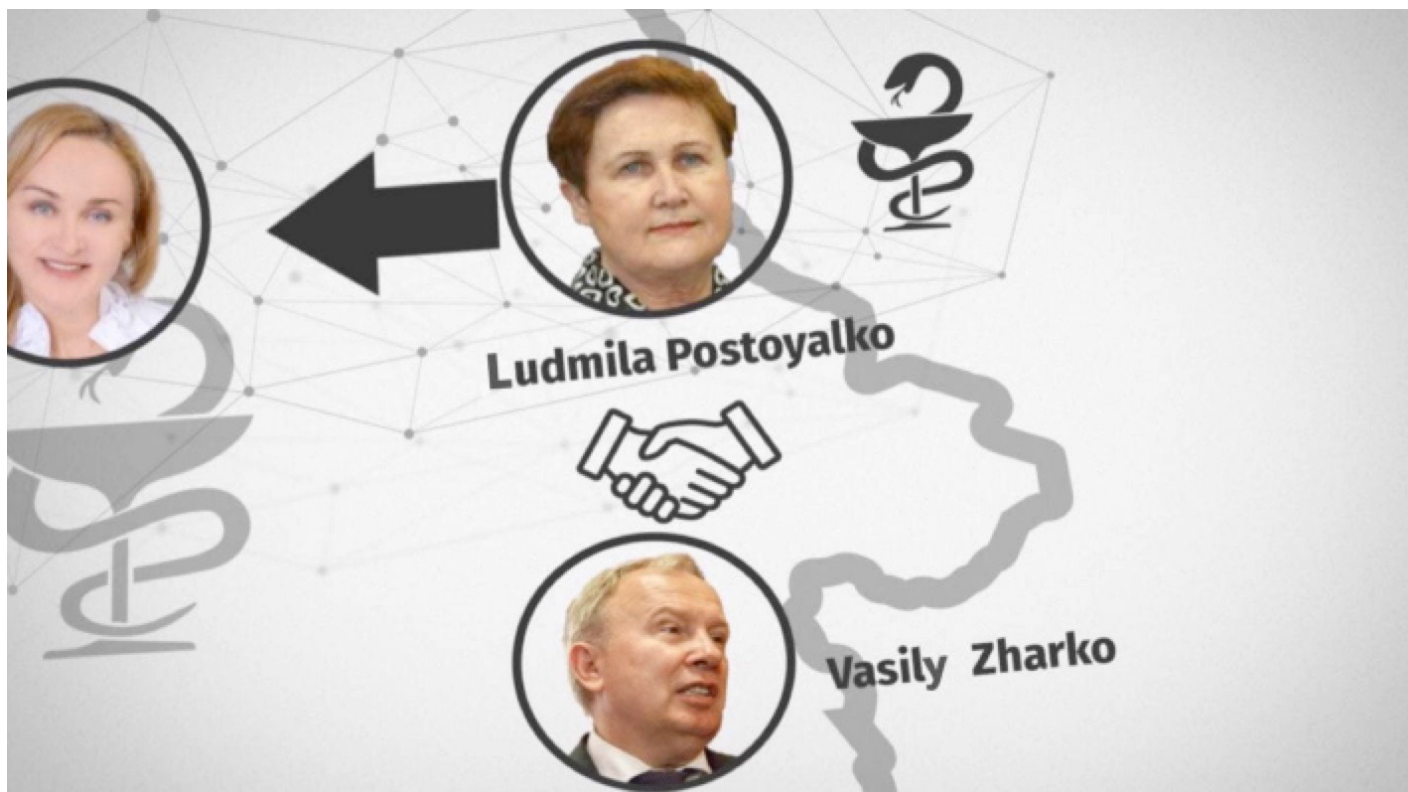
VASILY ZHARKO
PRIME MINISTER

«If only I had known, then appropriate measures would have been taken. The Ministry of Health is a huge system: it consists of 270.000 people, 1.000 organisations. An indecent person must have been hired».

For the last 20 years the system has been governed by one and only clan of bureaucrats. Its pioneer was Ludmila Postoyalko, who is, according to mass media, Lukashenko’s mother-in-law.



She became the Deputy Minister of the Ministry of Health in 2001, one year after which - the Minister of Health. Her successor and countryman Vasily Zharko was her colleague in a children’s hospital in Brest.



When Postoyalko started as the Deputy Minister, Zharko became her Secretary General in Belarusian Red Cross. Having started as the Minister in 2011, Zharko assigned Dmitry Pinevich as his Deputy, who had taken this post until eventually became the Minister himself. Sergey Satsuk, Ej.by editor, says that these illustrative scheme cases with Zharko appearing haven't been closed:

«Schemes are operating and I know it. The whole system is running the way it was initially supposed to. What concerns Zharko, I guess that in one way or another he takes his part in it. Since he's been so deeply involved with the wheeling and dealing, he couldn't have just retired».

In 2010 a gold mine was found - the programme of import substitution was announced that allowed national production to start off. It provides the officials with more opportunities to get some illegal profit.



One year after that Vasily Zharko sold one of his apartments to Sychev's wife.

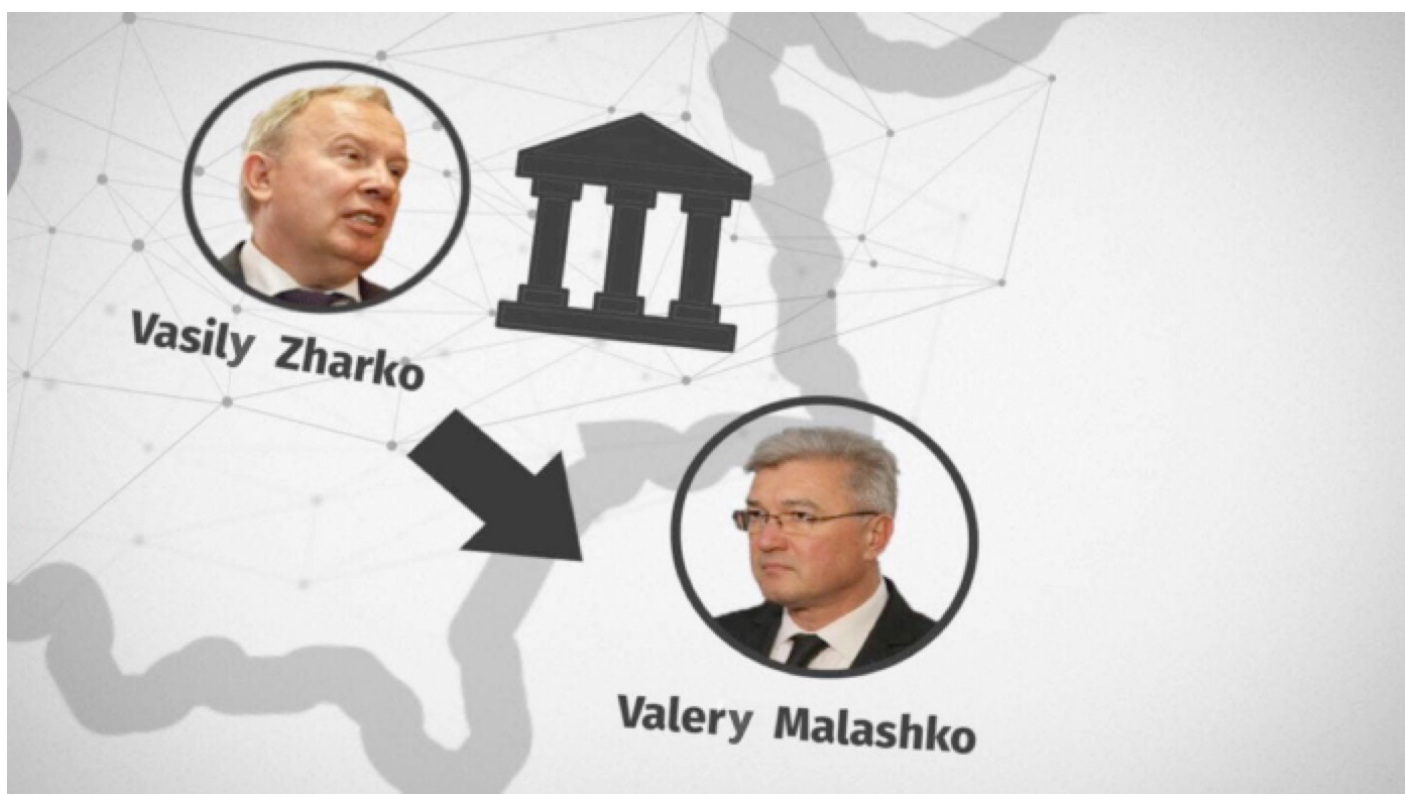
Soon after this deal he registered "Nativita" and started to, allegedly, produce the anti-cancer drugs. In fact, the company was just an importer and sold the drugs times more expensive than the market price.

With the limited information at our disposal we revealed 40 mln rubles of budgetary loss.

Sergey Satsuk, editor of Ej.by says:

«Those who overstate the price two times must have been paying someone from the tender commission or bribed someone else. And those overstating it 5 to 10 times must have got a protection racket - they pay big people on a regular basis»

In 2017 the high-profile "doctors' plot" affair started off with mass arrests of the Ministry of Health officials and their allied businessmen. But just a few months before the arrests Lukashenko reassigned Zharko as a Deputy Prime Minister. Valery Malashko, an official outside the Ministry who worked as a deputy chairman of Mogilev regional executive committee, became a whipping boy during the case from 2017 to 2019.



Lukashenko held him to account:

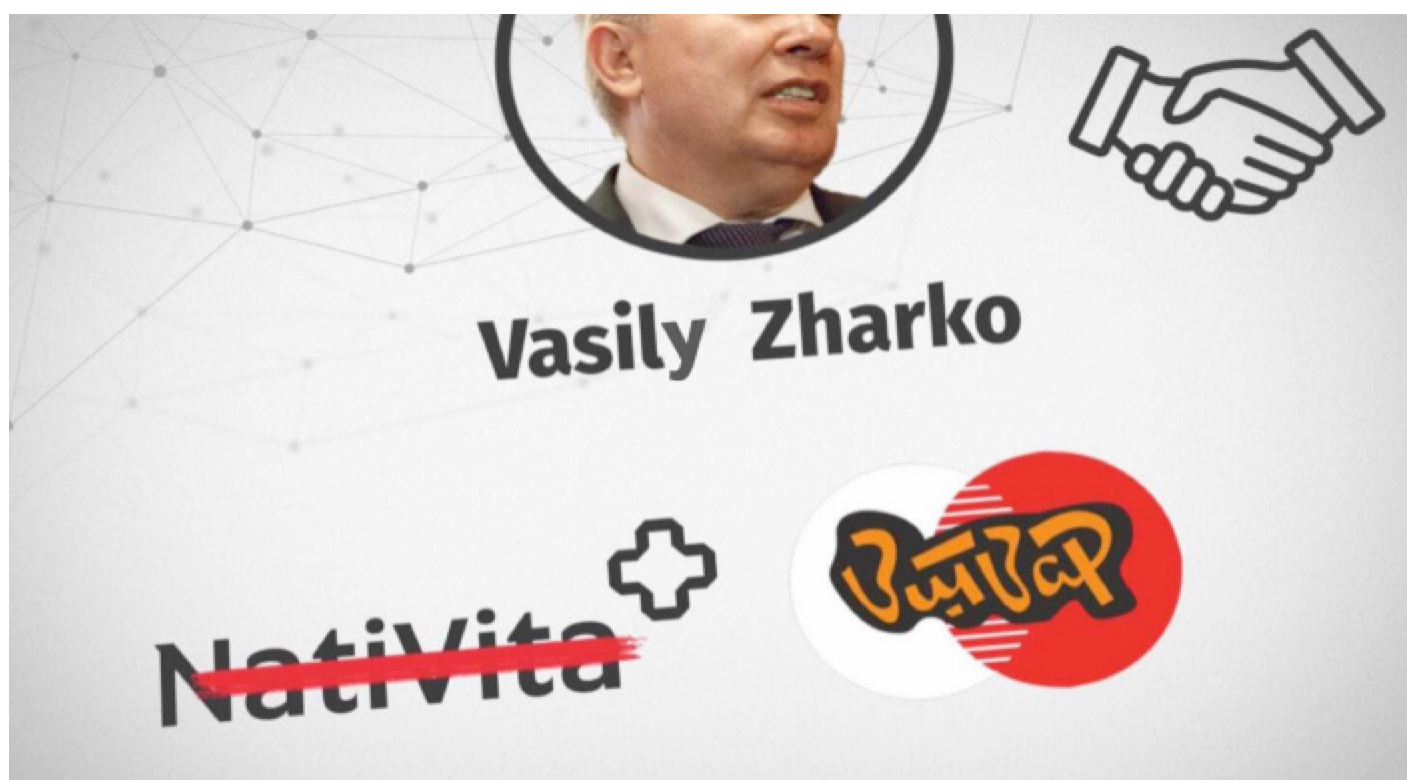
**«How did you let that happen?
The arrested are all your employees.
Tell me honestly whether you are
able to rule the Ministry. Otherwise,
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ALEXANDER LUKASHENKO

«How did you let that happen? The arrested are all your employees. Tell me honestly whether you are able to rule the Ministry. Otherwise, you are all headed for trouble».

Meanwhile, Zharko's ally on property deals Alexey Sychev was fined about \$20.000 not on "Nativita" case but for his other company's "Vitvar" activities, which was repeatedly caught for overstating the prices on budgetary supply.



Dmitry Pinevich played fool even though he signed the GMP certificate for "Nativita" in 2019.

As a result, "Nativita" was made to supply the government with the medications in the amount of 38 mln rubles.



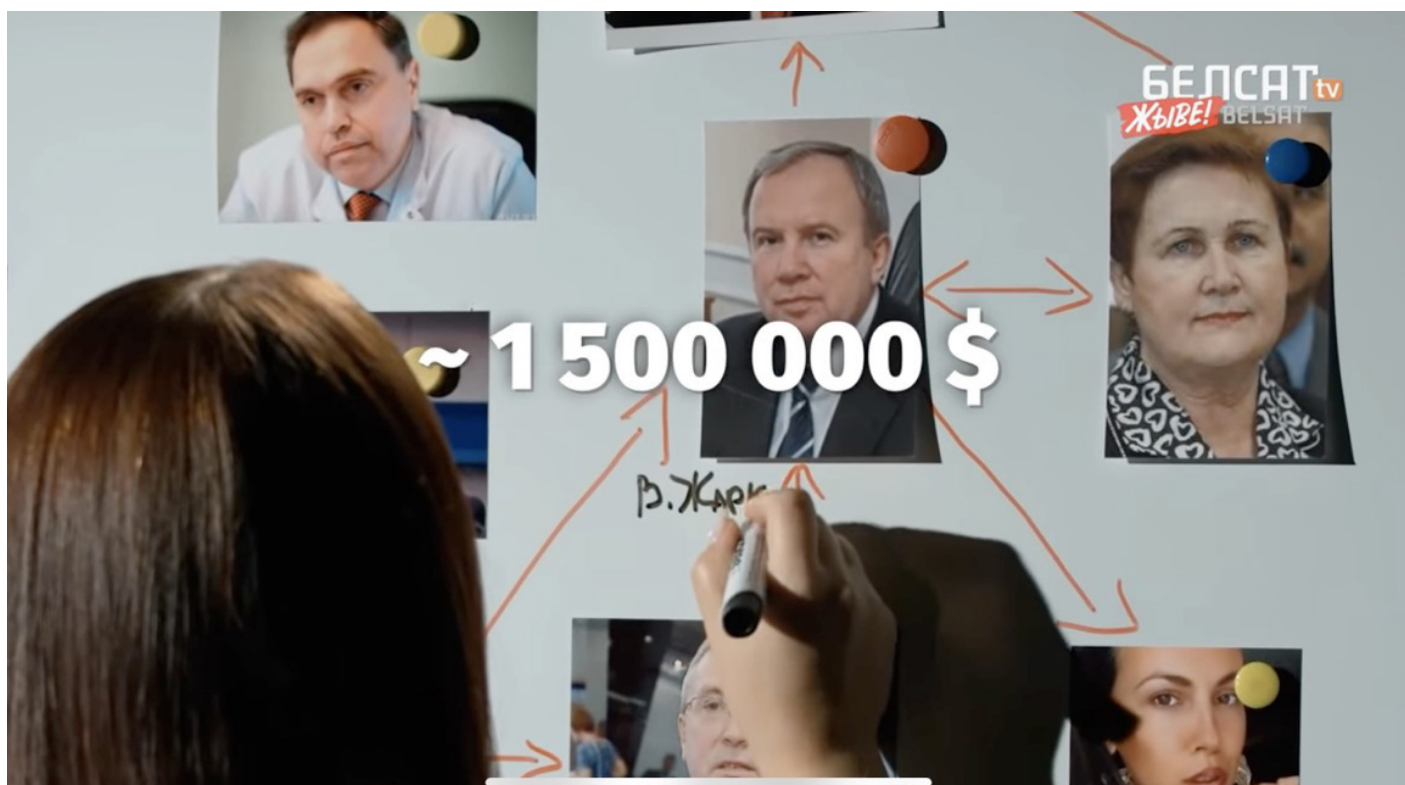
Anyway, the scheme went on but only the other drugs are being overpaid.

We tried to question Dmitry Pinevich but both times we failed to - this time in April the Minister escaped to his cabinet. When we entered the room, he was no longer there. We could only wonder where he was hiding as the Minister is rather tall.

While Pinevich was Zharko's deputy, he built a cottage worth more than \$250.000;



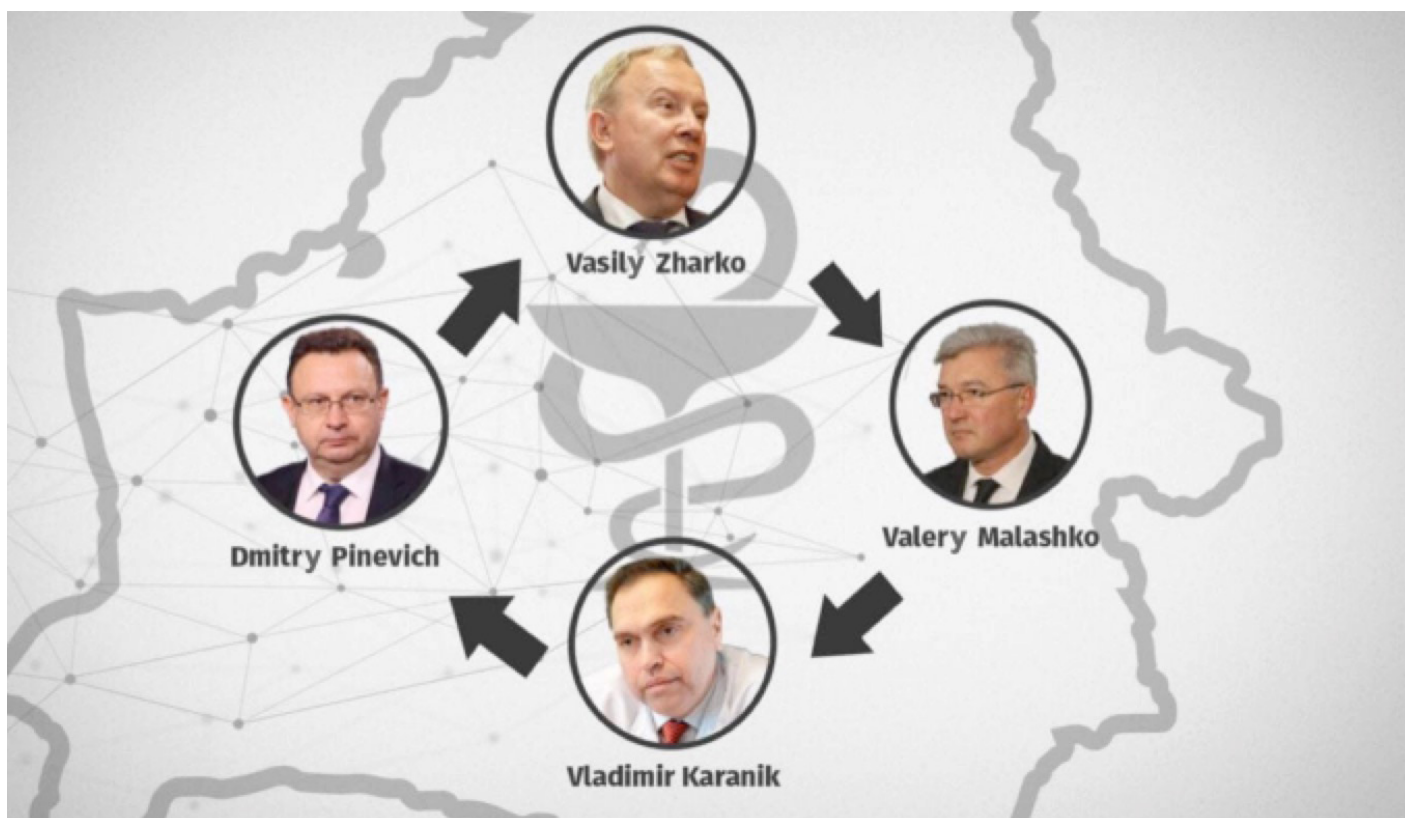
whereas Zharko received assets worth in total about \$1.5 mln: a 3-room apartment in Nemiga, another apartment next to Drozdy and a cottage behind the National Library.



When the last trial on the “doctors’ plot” was over in 2019, Vladimir Karanik became the Minister.

DOWN THE TUBES

While Zharko along with Pinevich were very busy coordinating medication procurement, Karanik was responsible for “Minsk Oncology Centre” reconstruction.



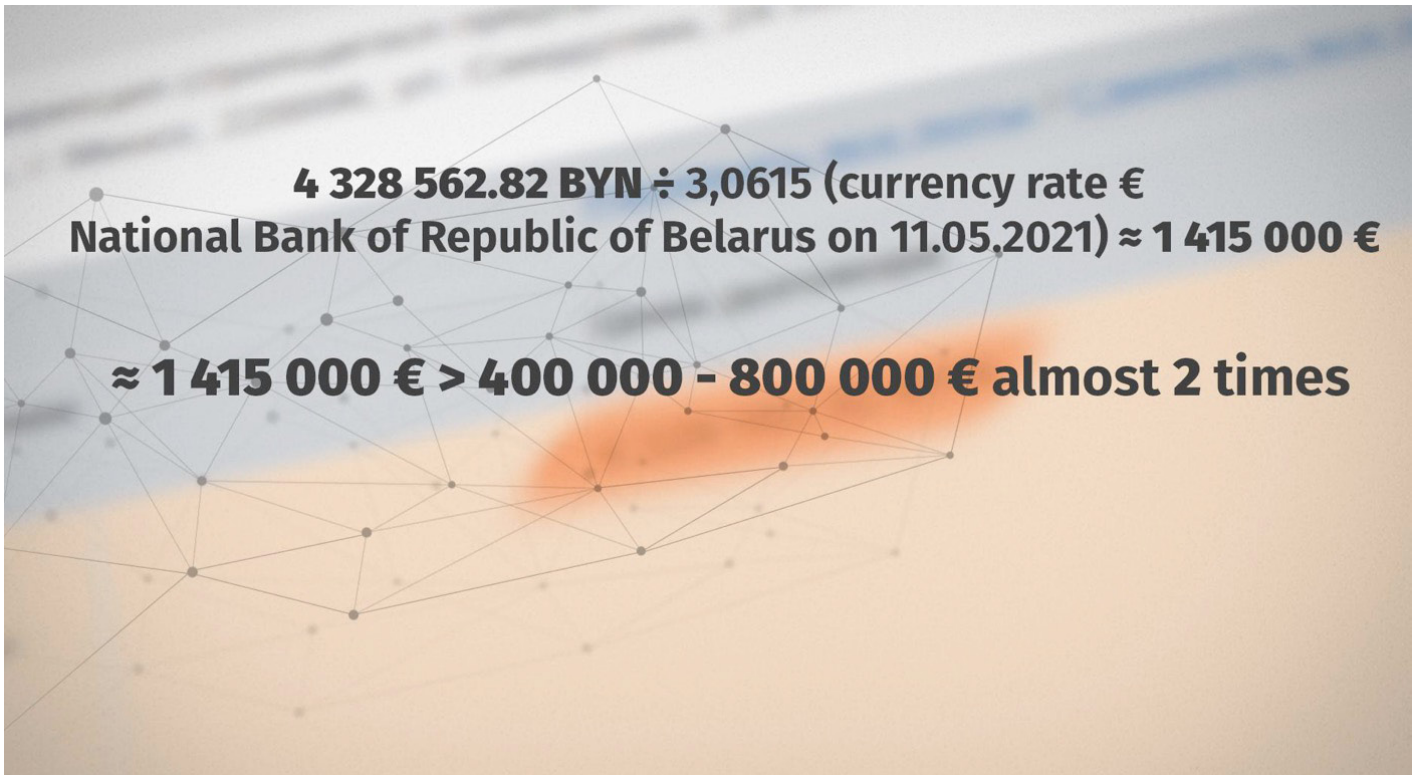
He used to work there as a head doctor (appointed by the Minsk committee with Pinevich in charge). Last year Karanik cut the red ribbon when the oncology centre increased its ability to perform serious operations. Sounds good but the reconstruction turned out to be pricey - \$153 mln,



which is \$23 mln more than to build the presidential clinics from scratch.



Why is that? We studied the data from one of the tenders with regard to this reconstruction - sewage system procurement for radioactive waste disposal. Thus, we found an alternative commercial offer from a well-known European company, whose services cost twice less than Zharko's committee paid.



The Heads of the Ministry of Health construction department Vasily Shubich told us that Karanik made a deal with a contractor way before the tender started. "Inkamed", belarusian company, was assigned for this job.

- He built upon the project of a radioisotope machine, the one that they did.
- Yes, this one.
- For the tender?
- Yes. But we were obliged to run the tender as it was supposed to be.

The scheme was surprisingly simple. All the participants had to obtain a certificate for equipment adjustment and installation issued in Belarus. Not only none of the participants had it, but even "Iskamed", the tender winner, received it one year after the procurement contract was signed. Vasily Shubich confirmed this fact:

- They got the license post factum.
- It's quite common, that's all I can say.
- Did they let all of them in without the license?
- No, not all.

Once Vladimir Karanik became the Minister of Health, a scheme around equipment to cure Covid-19 purchases appeared.,which we will cover in our next investigation.

Now Vladimir Karanik is in charge of the Grodno region. Lukashenko called him a possible candidate for the presidential election.

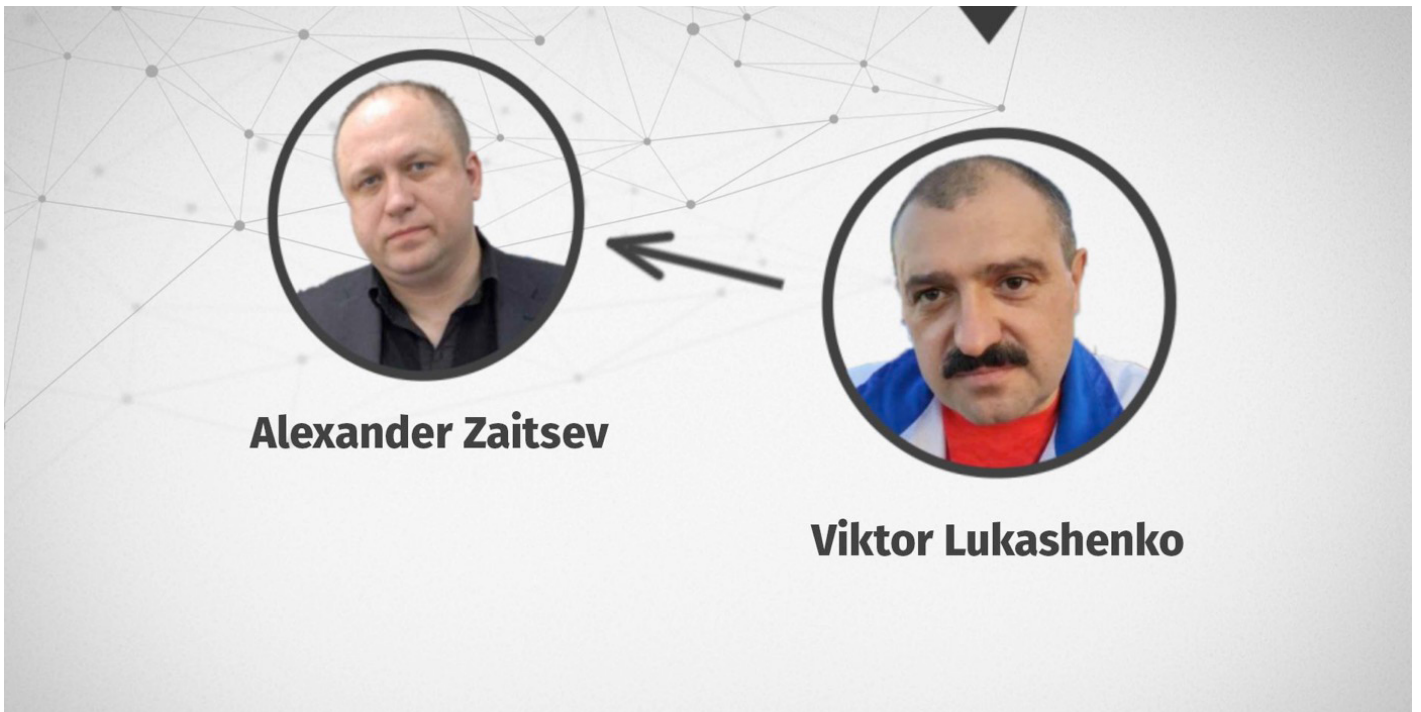
So the corruption schemes go on despite the fact that the official in charge is aware of it. It means that money laundry is agreed with the authorities. If we catch them on overpayments, they charge the companies for the budget loss (this is what happened when "Nativita" had to supply the government with medications worth 40 mln. rubles.). Anyway, new schemes with the same people in charge substitute the old ones.

SCHEMES OF AN EMINENCE GRISE AND LUKASHENKO'S BUSINESS EMPIRE

Belarus' natural resources on a geographical scale are being shared differently. While in state procurement deals the officials get their payoff from businessmen, logistic and smuggling schemes they run independently. Two biggest logistics companies in Belarus belong to the counsellors of those two close to Lukashenko - "Bremino Group" and "Globalcustom".



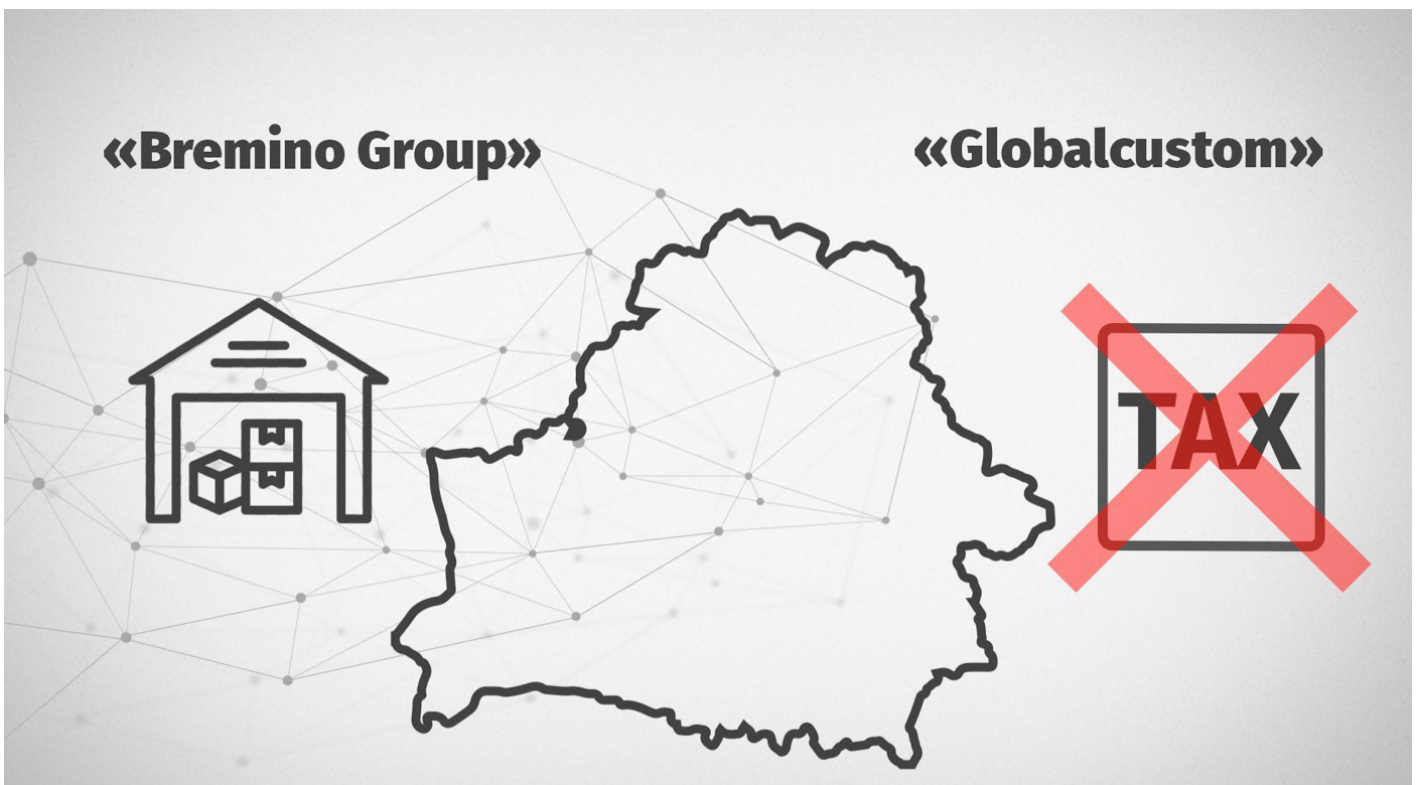
The former is led by Alexander Zaitsev, who sneaked into the business with the helping hand of Viktor Lukashenko.



The beneficiary of "Globalcustom" is someone called Evgeny Zhovner, who used to be Sheiman's assistant (Viktor Sheiman - the Head of Administration of the President).



Thus, those companies' keys to success are rather simple. Firstly, the authorities let them build their bonded warehouses at border crossings. Second, they are exempted from disbursements.



“Bremino Group” was fully freed from paying taxes in exchange for building a logistics centre “Bremino-Orsha”. “Globalcustom” also imports clothes under the guise of rags that allows it to avoid import duty.

If a truck with smuggled goods is caught by the Russians, the Belarus court declares a contractor not guilty on the grounds of his unawareness of the scheme. But the fact is that the contractor purchases the goods, performs customs clearance and re-sells some goods to its own affiliates.

Alexey Korenev, “Finam” analyst, says:

“In fact, bulk shipments are being executed straightforwardly. They ship goods by trucks or replace

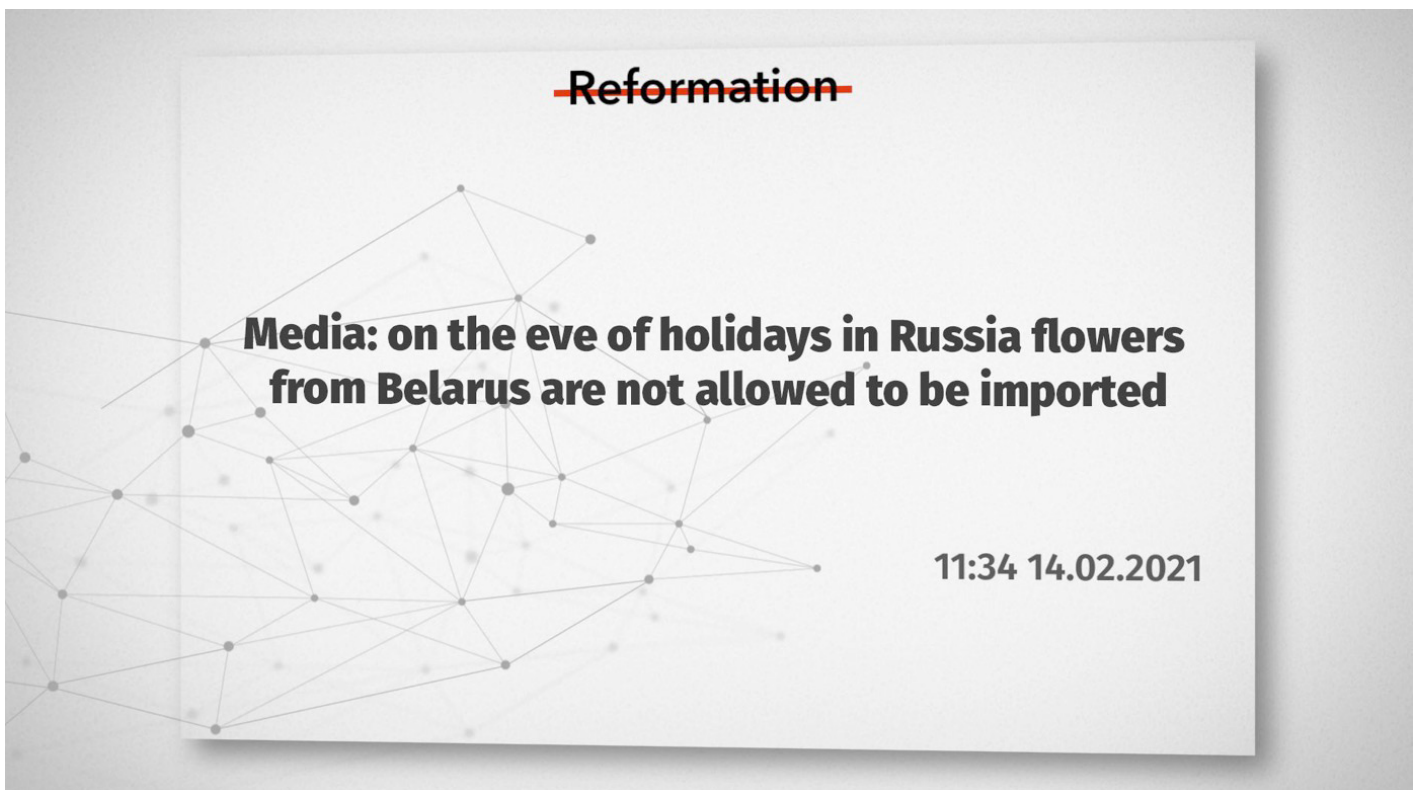
consignment notes. For instance, instead of clothes they register fabric in a consignment note as it is subject to lower customs fee. Since, there were quite a number of such shipments, this scheme became widely-used.”

Among other excessively profitable shipments there could be mentioned goods that were sanctioned by Russia, also some chinese tat and flowers. Belarus authorities have organised offshore accounts for a very select group of flower companies. Thanks to it, Belarus managed to “hijack” the market even though it didn’t export flowers at all. Such shipments reach a profit of about hundreds of millions dollars every year.

Alexey Antipov, the chairman of National flower sellers Association in Russia:

“Particular individuals have been cashing in, while the state keeps losing its money. We estimate that the country’s loss is about 17 billion rubles each year on special VAT collection, 6 or 7 of which belong to Belarus”.

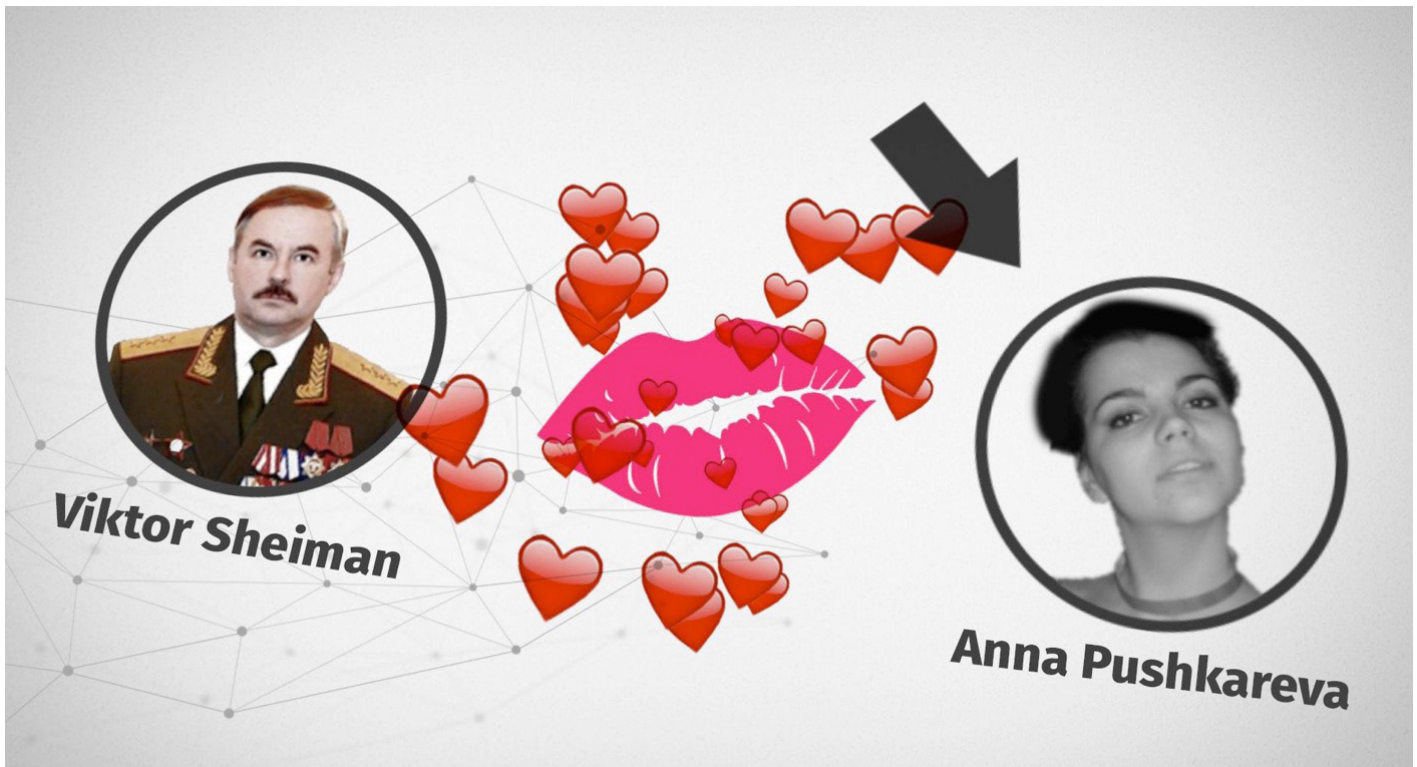
Once we published our investigation, Russian custom officers started to examine trucks with flowers.



However, according to our informants, these goods get to Russia anyway through EU territory. What concerns “Globalcustom”, its first co-owner was Belarus citizen Anna Pushkareva.



During our investigation we found out that in 2012 she became the owner of a premium property in the centre of Minsk and also set up a children's clothes store. In a while she became a "Globalcustom" co-owner. Independent media repeatedly hinted at some sort of affair between Anna Pushkareva and Viktor Sheiman.

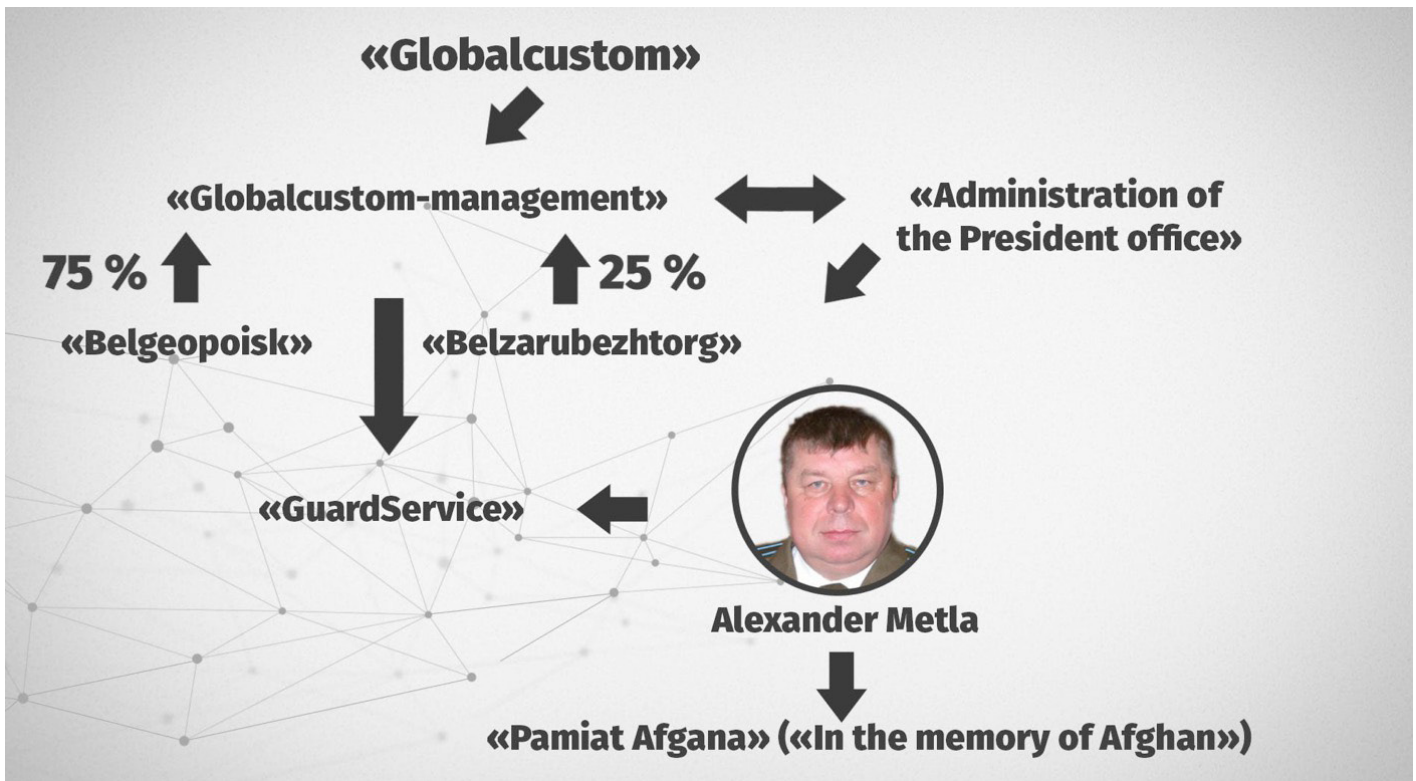


Unfortunately, we didn't manage to talk to Anna, but met with her sister Julia who kindly agreed to pass on some information to Sheiman.

We figured out that last year "Globalcustom" was restructured, as a result of which "Globalcustom-management" entered the market. This company is somehow connected to the Administration of the President. The company holds 75% of "Belgeopoisk" shares. The rest belongs to state enterprise "Belzarubezhtorg" that complies with the Administration of the President office. Viktor Seiman himself took part in the opening of a customs clearance point in the industrial park "Veliky Kamen". Previously, "Globalcustom-management" owned "GuardService", which is one and only enterprise that is allowed to use weapons.



Now it's owned by Alexandr Metla, the head of charity organisation "Fond Afgana". This foundation was supported by Viktor Sheiman.



We called the President's office to ask for Evgeniy Zhovner contact details (Evgeniy acts as a beneficial owner of "Globalcustom"). The secretary easily recalled his name and even promised to get us his phone number. But suddenly she changed her mind. Evgeniy Zhovner himself wasn't willing to talk to us either.

Another smuggling business is tobacco trafficking. Brands produced at Grodno tobacco factory "Neman" make a bulk in Russia as well as in the EU. Its deals are controlled by a co-owner of "Bremino Group", another guy from the Administration of the President Alexey Oleksin.

Official comment by Belarus authorities is that common people get profit from this smuggling business. However, according to our informants at Poland and Lithuania border points, the main part of the load is being trafficked in sealed containers by exporters who ship potassium and nitrogen fertilisers. Šarūnas Černiauskas, the lead of investigative project Siena.lt, says:

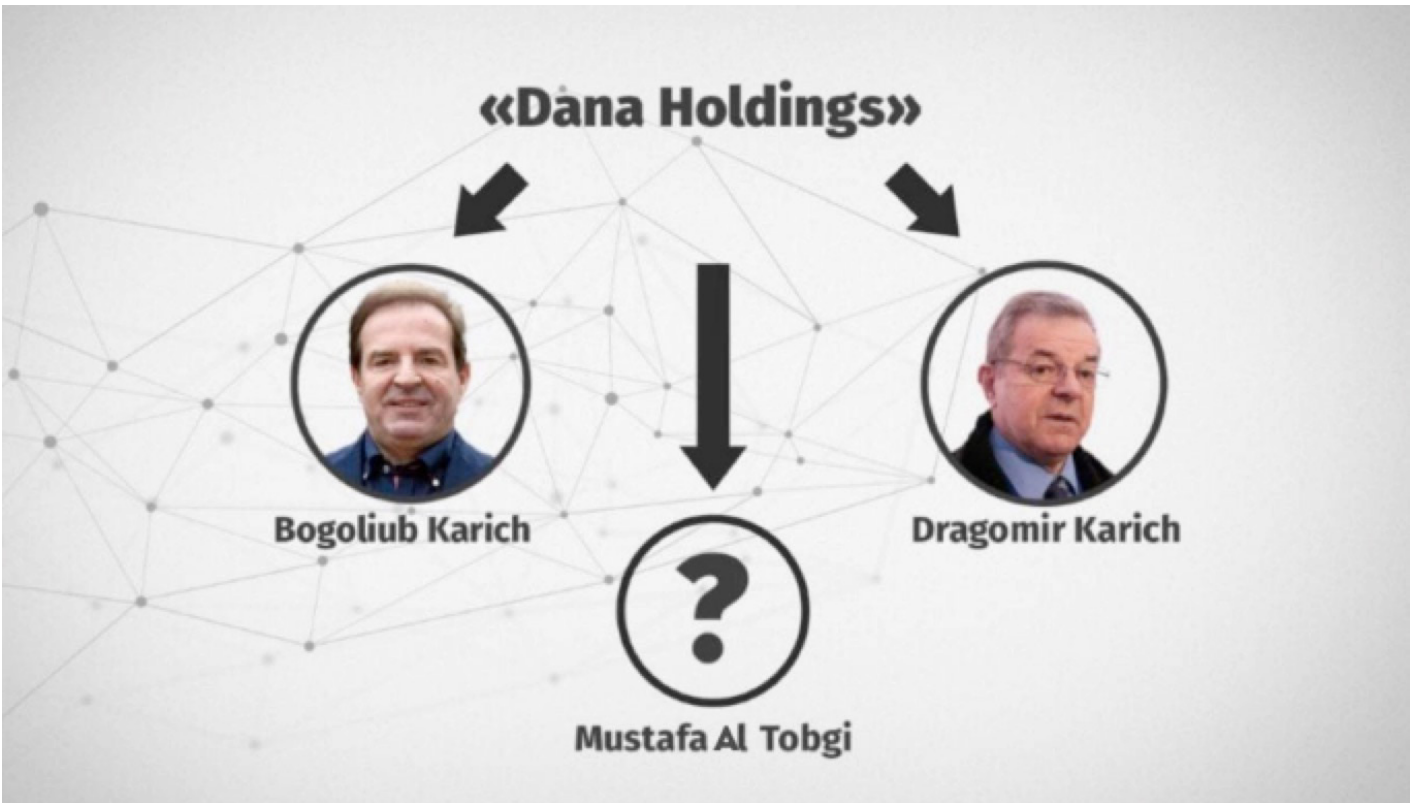
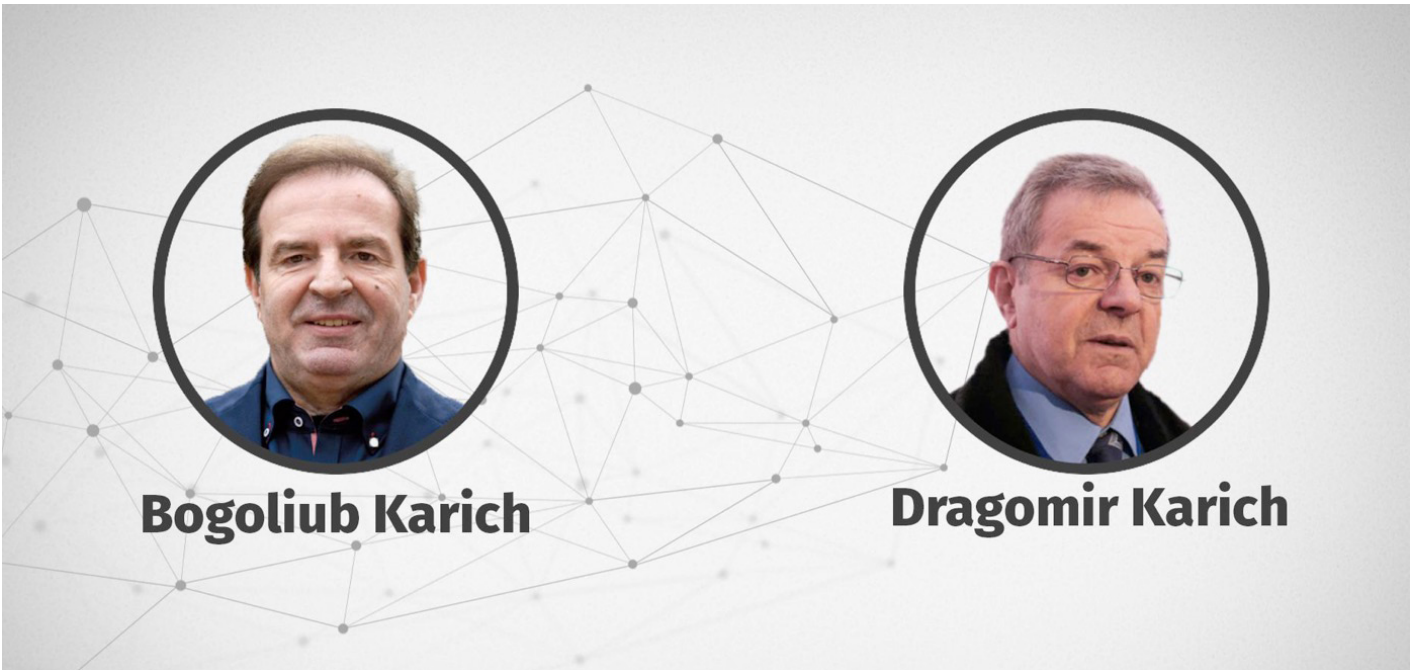
"They transfer a huge amount of fertilisers manufactured in Belarus through Lithuania. Mostly, those are "Belaruskali" and "Grodno-azot". This export flow is used for trafficking. Lithuanian customs officers confirmed this fact and also managed to catch the truck's smuggling".

Ex-worker of "Grodno-azot" Yury Ravovoy told that once they found a load of smuggled tobacco in a sealed cargo wagon. Unfortunately, they didn't manage to take any action.

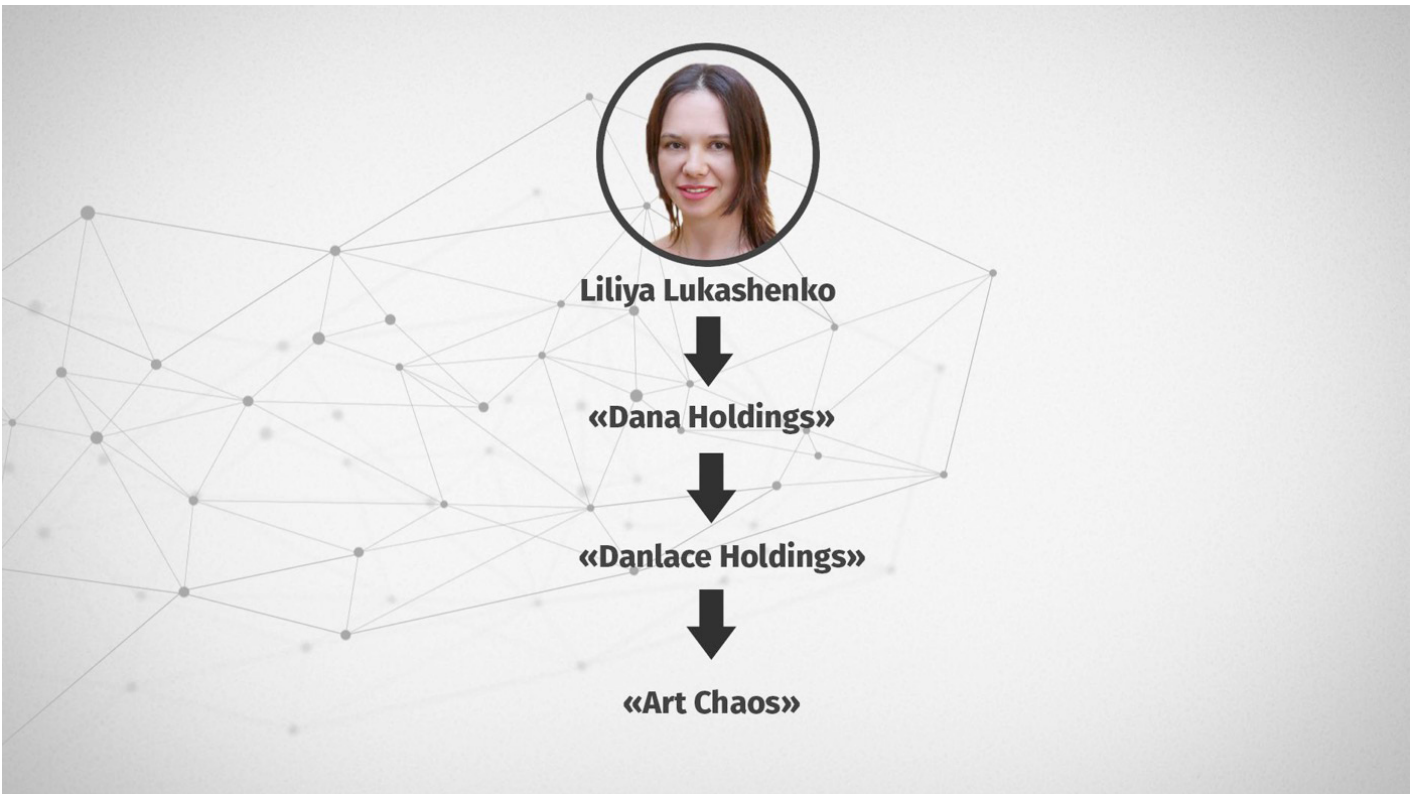
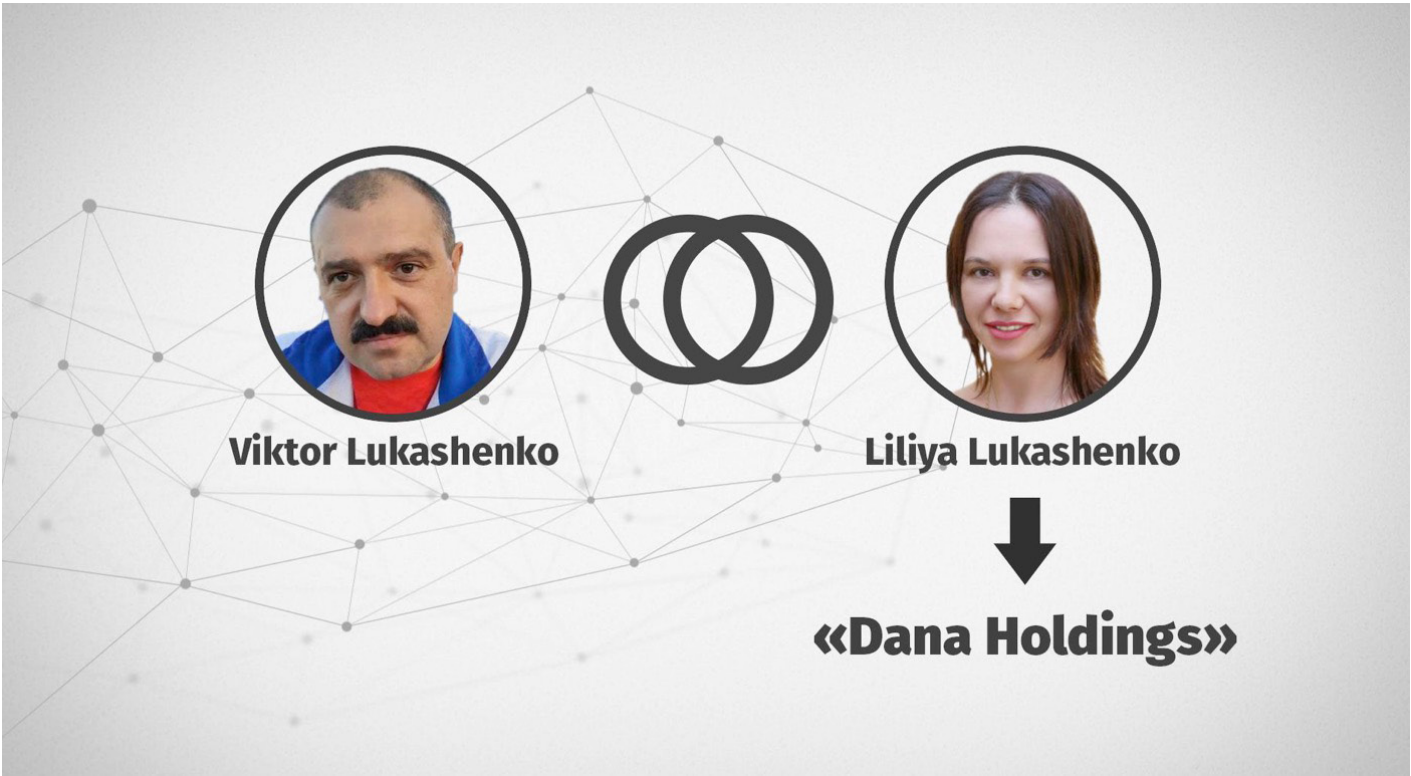
"We reported that we were there and with the help of administration we found that load, that the investigation was initiated. But what is important is that there is still no one to be in charge of this crime".

Although Oleksin and Zaitsev haven't been sanctioned by the EU yet, their assets changed hands to their children and employees. "Dana Holdings" owners had done so when Lukashenko for some reason was kind enough to present them some free land worth hundreds of million dollars, made them build a number of infrastructure facilities and their extra profit was exempted from tax.

As we managed to figure out, Karichi brothers separated from "Dana Holdings" and their companies' beneficial owner became Mustafa Al Tobgi, the director of one of their enterprises.



Moreover, Viktor’s Lukashenko wife Liliya, who used to work as a Deputy Director in one of the holdings, runs an art gallery “Art Chaos” that belongs to a Cypre company.



Only within this year “Dana Holdings” gave its residents a thousand of painting by Belarusian artists. A huge number of them was obviously bought in Liliya’s gallery.

«Dana Holdings»

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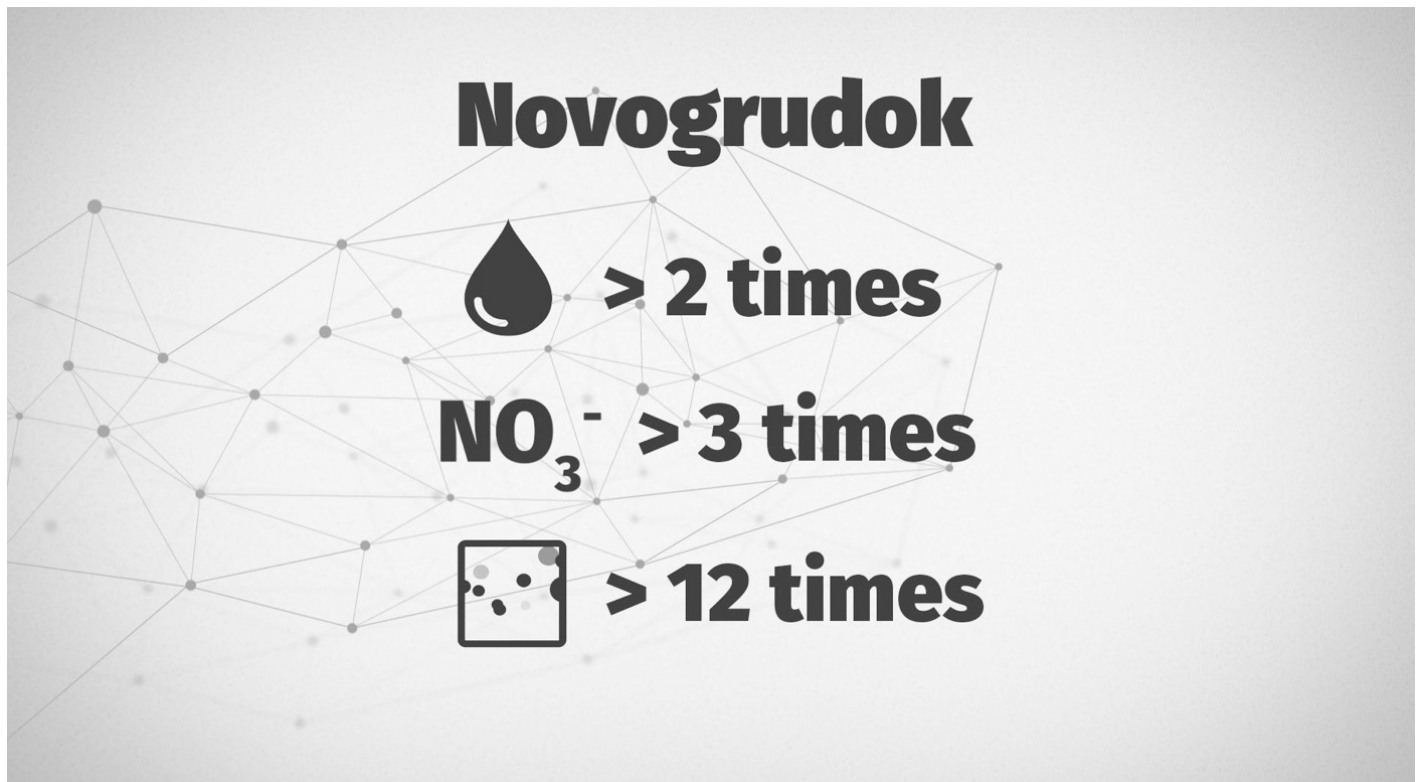
«Art Chaos»



Why and on what conditions do they need to make such deals? We turned to Liliya Lukashenko with these questions, but she declined our offer to meet in person.

AUTHORITIES' DIRTY BUSINESS

Another question which takes a separate role in a range of our anti-corrupt investigations is the one that makes all of us wonder why Belarusians keep having troubles with water in their homes. It is said that the water becomes polluted when it is being dumped into water bodies. We checked whether it's true and collected some samples from rivers near Novogrudok and Lida because locals complained about water smell and that fish and beavers were noticed dying. Authorities called it natural disturbances and threw their hands up. But this is what water samples told: petroleum level is twice higher; nitrites, which cause heart and intestinal distress, are three times higher; and finally the amount of solid foreign particles is 12 times higher than the norm.



We questioned the chairman of Novogrudok municipal services office and this is what he said:

“What am I supposed to say? Sewage treatment works as usual, all equipment available is being used”

Even half a year after we published this investigation visual signs of water pollution remained.

Thus, to conclude our regular season of investigative journalism, we would like to mention that in recent years with everything that is going on with our common citizens and their wealth, the authorities have vastly improved their financial state by implementing new corrupt schemes into main economic sectors. In budget sectors they are cutting off the money, while the most profitable sectors are controlled by officials who were given these posts by the most powerful authorities in the state.