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Russia's 'Silicon Valley' hit by graft claims

By Charles Clover in Moscow

Russia's plans to create a new "Silicon Valley" as a hub for high-tech investment have received a setback after police said they had uncovered embezzlement of funds worth about \$800,000 from the project's budget.

The revelations suggest that the project – known as **Skolkovo**, after the region on the outskirts of Moscow where the business park is located – may have become caught up in the Byzantine intrigues of Kremlin politics, which are frequently settled by criminal investigations aimed at discrediting opponents.



The project was announced in 2009 by Dmitry Medvedev, then president and now prime minister, as a flagship for his strategy of modernising Russia by promoting high-tech entrepreneurship and weaning the economy off dependence on raw materials exports. The government earmarked \$4.2bn for investment and pledged millions more in grants and tax privileges.

Skolkovo will consist of a **university** and "technopark", aimed at joining tech start-ups with government grants and foreign investors that are partners in the project, such as US companies **Cisco** and **Microsoft**.

However, after Mr Medvedev handed over the presidency to Vladimir Putin in May 2012, many of his initiatives have been overturned or face new political hurdles as his opponents line up against him. Hardliners within the Russian elite consider Mr Medvedev too pro-American and liberal for their

taste.

Skolkovo is vulnerable because its fate is too closely tied to Mr Medvedev, said Alexei Makarkin, an expert on domestic politics at the Centre for Political Technologies, a Moscow think-tank.

"The decision to launch a criminal investigation does not happen without the go-

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ahead from the president, and while Medvedev was president, Skolkovo had a sort of immunity," Mr Makarkin said. "Now it has lost its immunity ... it is in an increasingly difficult political situation."

The first sign that Skolkovo was in trouble was a secret report by the state accounting chamber, published by Moscow newspaper Vedomosti on Wednesday, revealing alleged "violations" of Rbs1.4bn of funds in the Skolkovo budget. The accounting chamber declined to confirm or deny the story.

The report was followed by a probe by the Investigative Committee, equivalent to the US FBI, which found that Rbs24m, roughly \$800,000, in state funds had been stolen from the budget.

It has opened a criminal investigation into Kirill Lugovtsev, the Skolkovo Foundation's finance director, and Vladimir Khokhlov, the head of the Skolkovo Customs Finance Company, among others.

Viktor Vekselberg, the Russian billionaire who is the chairman of the Skolkovo Foundation, told reporters the foundation had discovered the missing money last year and that it had been returned.

"As a result of an audit, appropriate measures were taken, and in June last year the contract with that specific organisation was severed and the executive who had been involved in that deal was dismissed," he said, adding that he hoped a court ruling would "draw a line under" the story.

However, Vladimir Markin, Investigative Committee spokesman, told Interfax news agency that the statement was "untrue" and that the foundation had kept the theft secret, but "was forced to publicise it after the Accounts Chamber started an audit".

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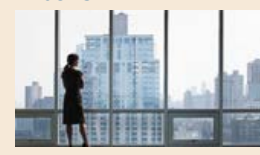
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