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## [Champions of inefficiency](#)



“The vertical of power” built in Russia by Vladimir Putin does not work independently: it is reliant on external incentives. The 2014 Winter Olympics in Sochi created an opportunity not only for investment in new sports facilities but also modern infrastructure in Krasnodar Krai. The result was achieved at the cost of a [heavy environmental burden](#), the [eviction of citizens](#) and gargantuan expenses (1.5 trillion rubles or 51 billion dollars as estimated by the Olympstroy state corporation). In the end, the quality of sports facilities built in the boggy Imereti Lowlands along with the vast tunnels that pierce the mountain between Adler and Krasnaya Polyana were substandard.

It could have been expected that the 2018 FIFA World Cup would become an equally potent stimulus for bureaucracy and state-owned businesses. The competition will take place in 11 host cities including Yekaterinburg, Sochi, and Kaliningrad. The cost of the preparations for the World Cup is estimated at almost \$17 billion (664 billion rubles) and the regime is by no means as efficient as it was in the noughties.

The construction of a stadium on Krestovsky Island in St. Petersburg is the most telling example of such and has even been [labeled](#) “a very sad story” by Vladimir Putin himself. St. Petersburg Stadium, also known as the Zenit Arena, has been under construction for over a decade now and it constitutes Russia’s greatest ever investment and one of the world’s most expensive construction projects. The stadium will host three World

Cup matches in 2018. However, currently, it remains unfit to host soccer matches due to problems with its construction and the fact that it continues to remain unfinished. How did this happen?

Zenit Arena was designed to host FC Zenit St. Petersburg home games in 2004. The Japanese office of Kisho Kurokawa was awarded the contract following an architectural competition. According to winning design blueprints, the finished stadium was to resemble a spaceship. Construction works were scheduled to be completed by 2007 at an estimated cost of 6.6 billion rubles (250 million dollars). The deadline and the costs were in line with international standards back then. In 2008, the project was supplemented by a retractable pitch and retractable roof. Thus, the estimated cost soared to 23 billion rubles. Two years later, Russia was awarded the right to host the 2018 FIFA World Cup. Hence, the stadium's capacity had to be increased to 68,000 in order to satisfy FIFA requirements. Next, a new governor was appointed in St. Petersburg whose team failed to strike up a good working relationship with construction workers. St. Petersburg administration [replaced the general contractor](#) in summer 2016 after a series of bilateral accusations regarding missed deadlines.

As regards the hierarchy in the "vertical of power", St. Petersburg's administration is in charge of the construction of the stadium which is to be completed prior to the FIFA World Cup. Construction works are financed using funds from the city budget. A multifold increase in the overall project cost has already led to funds earmarked for the construction of schools, kindergartens, and other public facilities being redistributed towards the construction of the stadium. Moreover, the route of planned subway lines have been altered because of St. Petersburg's role as a host city for the 2018 FIFA World Cup; a new subway station for use only on match days will be opened near the stadium. At the same time, densely populated city districts will be left without a subway line. Hence, the FIFA World Cup compounds, rather than eases, the city's problems.

The situation could have led to political defeat for the governor, but Georgy Poltavchenko and his United Russia party triumphed in the recent St. Petersburg elections. The governor bears no political responsibility before the citizens for the FIFA World Cup preparations and feels no compulsion to answer questions regarding the overall cost of the stadium. In late April 2017, Poltavchenko [responded](#) to the question from the parliamentary opposition by refusing to disclose the exact figure until the "competent authorities" had sorted it out. Deputy Governor Igor Albin had earlier [announced publicly](#) that the stadium was to cost 43 billion rubles, whereas the Anti-Corruption Foundation of Alexey Navalny [estimated](#) that the overall cost has reached 48.2 billion rubles. The St. Petersburg branch of Transparency International has cited the figure of [50 billion rubles](#). In other words, the sum of 7 billion rubles, an amount in the region of the initial projected cost of the stadium, is being omitted from estimates. For 7 billion rubles, a large multi-specialty hospital (6.9 billion rubles) or 5-7 new schools (1-1.4 billion at 2015 prices) could have been built instead.

Taking into account the cost of constructing a subway line and other infrastructure around the site of the new stadium, the total cost will exceed the average European 7000-8000 dollars per seat 2-2.5-fold. Even after the completion of works detailed in government contracts, the stadium will require further investment from FC Zenit. The changes to the initial design are justified by the necessity to adapt the stadium to FIFA requirements. The football club has already spent 1 billion rubles to this end and plans to invest a further 5 billion. Thus, the cost of the St. Petersburg stadium may eventually exceed that of London's Wembley stadium (90,000 seats) i.e. 1.25 billion dollars.

In the case of Russia, though, the gargantuan investment may not guarantee acceptable results. A FIFA commission previously discovered that the retractable pitch was unfit to stage soccer matches due to vibration levels several times higher than the acceptable level. Finding a solution to this problem took several months and absorbed a further 400 million rubles. It transpired before a single ball had been kicked at the first trial match that it was impossible to play football on the pitch due to the [poor condition of the grass](#). Besides, the retractable roof had a leak; snow had to be manually removed from it and it had to be covered with a layer of polyethylene. All this serves to demonstrate that the efficiency of the "vertical of power" is somewhat limited as it is unable to ensure the smooth operation of modern systems even with a multibillion-ruble budget at its disposal.

The construction of facilities for the FIFA World Cup 2018 has been accompanied by violations of workers' rights and accidents. The number of recorded injuries and casualties on construction sites has climbed since the change of general contractor in 2016. The municipality informally [asked](#) major construction companies to

deploy employees to the construction site or help out financially in order to reduce the extent to which the stadium works were behind schedule. The Norwegian football magazine *Josimar* has reported on the use of [slave labor](#) involving citizens of North Korea during the construction of the stadium. Violations of workers' rights during the construction of FIFA World Cup facilities failed to prompt a raised eyebrow at FIFA HQ despite calls for football's international governing body to pay attention to the observance of human rights. Such problems have been reported not only in Russia but also [in Qatar](#) which is constructing stadiums for the 2022 FIFA World Cup.

As was the case with Sochi, Russian officials treat the FIFA World Cup as a political task that they cannot afford to fail. However, excessive centralization, characteristic of the regime, puts paid to its efficiency. Construction works for the Sochi Olympics were carried out by several state corporations in one region and supervised by the President, whereas 11 separate regions are to play host during the 2018 World Cup. This time around, the federal authorities cannot control everything. Moreover, there is no single scheme of funding. For example, the St. Petersburg stadium is being wholly financed using funds from the municipal budget. General contractors selected by Moscow carry out construction works in other cities. On the other hand, roads and other infrastructure are financed using funds from regional and federal budgets. Faced with spiraling costs and huge financial burdens, some regions have shied away from [their financial responsibilities](#).

The lack of civilized control mechanisms has led to a vicious circle: poor management followed by missed deadlines, confusion, and errors. Additional funds have been earmarked to alleviate these problems, while informal mechanisms lead to further limitations in the quality of works completed. Consequently, even showcase projects initially intended to demonstrate the efficiency of the authorities, become burdens on the taxpayer.

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