

## **2.11 The need for transparency and monitoring ahead of the 2018 World Cup in Russia**

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In 2010 Russia was awarded the right to host the next FIFA World Cup. After the Sochi 2014 Winter Olympics, the 2018 World Cup will become the second major international sports event held in the country in its recent history.

In contrast to the Sochi Olympics, the geography of the World Cup is much broader. The matches will be held in 12 stadiums in 11 Russian cities. The Russian government approved a total budget of 660 billion roubles (US\$16 billion) for the event.<sup>2</sup> 335 billion roubles (US\$8 billion) will be allocated from the federal budget, 223 billion roubles (US\$5.5 billion) will come from private investment and 102 billion roubles (US\$2.5 billion) will be provided from the budgets of the 11 constituent regions that host the World Cup matches.<sup>3</sup> 174 billion roubles have been allocated for the construction of sport facilities in particular, with 120 billion from the federal budget, 44 from the respective regional budgets and 9 billion from private investors.<sup>4</sup>

	Federal	Regional	Local	Total
Ekaterinburg	4,232	21,790	739	26,761
Kaliningrad	6,722	1,403	17	8,142
Kazan	2,907	1,686	-	4,593
Moscow	94	64,280	-	64,374
Nizhniy Novgorod	12,583	6,755	8,742	28,080
Rostov-on-Don	26,969	10,895	11,474	49,338
St Petersburg	22,168	51,223	-	73,391
Samara	17,595	26,823	1,699	46,117
Saransk	6,724	9,452	-	16,176
Sochi	1,461	997	27	2,485
Volgograd	8,174	3,595	929	12,698
<b>Total</b>	<b>109,629</b>	<b>198,899</b>	<b>23,627</b>	<b>332,155</b>

Table 3.3 Public funds budgeted for the 2018 World Cup preparations (millions of roubles)

Source: Governmental decrees from each of the respective regions.

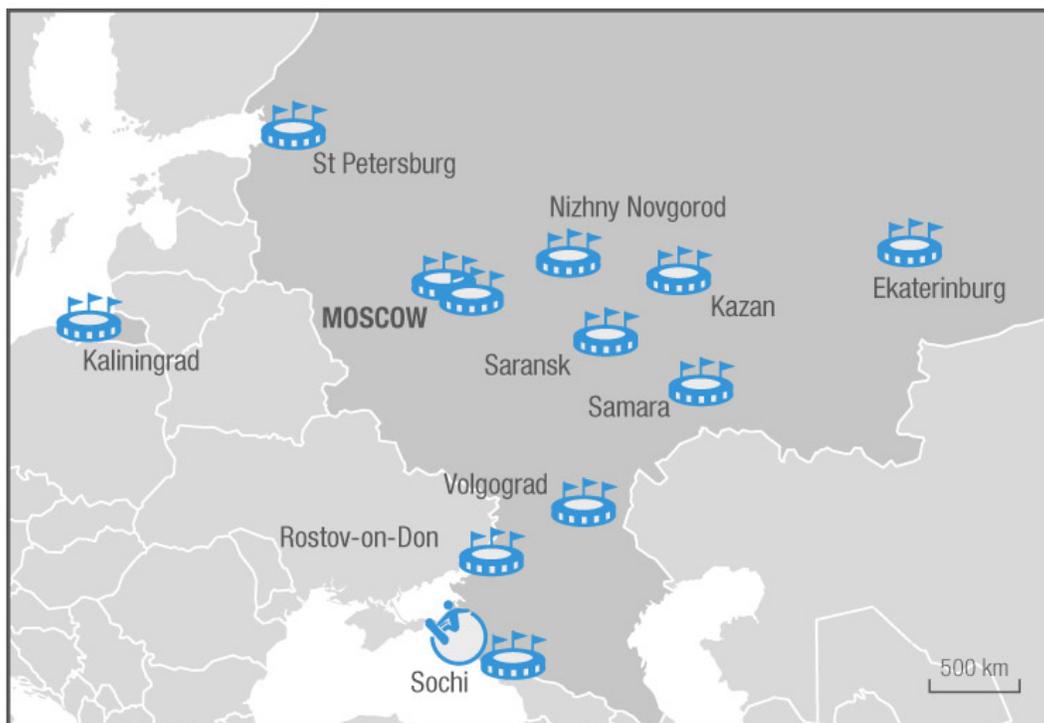
Such a high amount of public spending requires increased transparency and accountability in order to prevent corruption and any abuse of public funds. Already, however, Transparency International Russia has concerns regarding the transparency of the organisations responsible for the World Cup and their activities.

### Transparency in the preparations for the 2018 World Cup

A number of organisations have been created and entrusted with providing support to and monitoring the preparation process: the Bid Committee, named Russia 2018; the Local Organising Committee (LOC); Arena-2018, the organisation tasked with monitoring the stadiums' compliance with FIFA recommendations; and the Centre for Planning and Monitoring of the official 2018 World Cup preparation programme. According to the website of the Ministry of Justice, the Bid Committee and the Centre for Planning and Monitoring have not submitted any annual reports despite the legal

requirement to do so before April 15 each year.<sup>5</sup> The LOC submitted its 2013 annual financial reports to the ministry on time, but its 2012 reports appeared online with a remarkable delay of about one year – in July 2014.<sup>6</sup> Only Arena-2018 has met all its legally required reporting obligations, with not just its 2013 report but also its 2014 report already available online.<sup>7</sup>

Another key organisation involved in the preparations for the 2018 World Cup is the state-owned Federal State Unitary Enterprise named Sport-Engineering (Sport-In), which answers to the Ministry of Sport. The company, first registered in 2006, was appointed in 2013 to manage the construction and subcontracting for the seven stadiums to be built for the FIFA World Cup.<sup>8</sup> The company also won the contracts to design five of the stadiums. Sport-In does not do the design work alone, but actively engages subcontractors, some of which are designing more than one stadium.<sup>9</sup> According to the official bidding information, in certain cases a contract was awarded to the only bidder.<sup>10</sup> This arrangement, as well as a number of other aspects concerning the selection of companies responsible for the stadiums, calls for the careful monitoring and evaluation of transparency and compliance with the requirements of Russian anti-corruption legislation.



**Sochi Olympics: US\$12 billion budgeted, US\$51 billion spent**  
**2018 World Cup: US\$16 billion budgeted, amount spent TBD**

**Figure 3.8** The geography and funding of mega events in Russia

Source: The Guardian (UK), 'Sochi 2014: the costliest Olympics yet but where has all the money gone?', 9 October 2013 and Ведомости (Russia), 'Оргкомитет ЧМ-2018: Объем финансирования ЧМ по футболу в России - 664,1 млрд рублей' 15 October 2015.

The high level of expenditures allocated for the football World Cup preparations, together with the shortcomings in the transparency of the actors and activities involved, led Transparency International Russia to call on the Ministry of Sport to establish a comprehensive monitoring system for public spending on World Cup preparation activities. The system should make the details of public spending openly available and easy to access, so that any interested person or group can track how the funds are allocated and used. The portal should contain information on the awarding of contracts and other selection procedures and outcomes; a list of all the companies, contractors and consultants involved, including any beneficial owners; and updates on the progress and implementation of stadium and

facility construction. Finally, the portal should be updated on a regular basis, accumulating and featuring any relevant information made available elsewhere on public resources dedicated to the World Cup.

### **Looking back: the need for transparency in the preparations for the Sochi Olympics**

Turning to the Sochi experience, no such comprehensive system was ever established for that event. Those wanting to track the flows of money had to consult a range of different sources and double-check any information they found. The most successful attempt to bring together and analyse the details behind the preparation for the Sochi games has come from civil society. The Anti-Corruption Foundation (ACF)<sup>11</sup>, a Russian non-profit organisation, has issued a comprehensive report covering the main actors, sports venues and money flows, purely on the basis of open sources (federal laws, governmental decrees, public procurement contracts, annual reports of involved entities, among others). The ACF also launched an interactive website presenting the report's findings.<sup>12</sup>

The main problems with the preparations for the Sochi Olympic identified in the ACF report were overpricing (with Sochi venues costing much more than comparable venues elsewhere), offshore ownership stakeholders, the starting of construction without permission, environmental violations and, most frequently, personal ties between contractors and government officials.<sup>13</sup> According to the report, 'A significant part of the money was received by companies explicitly or implicitly related to several Russian officials.'<sup>14</sup> The result was delays in the completion of stadiums, as well as poor quality and/or inflated prices. Had civil society been better informed as to which actors were involved, how they were selected and how the contracts were awarded and implemented, some of these 'red flag' points could have been identified on time and avoided.

## The current state of transparency and disclosure for the World Cup

At present only limited information is available on public spending for the 2018 World Cup preparations. It is possible to find data on how the public contracts have been awarded, as this information has to be made available by law on the official government portal on public procurement<sup>15</sup>. Little to nothing is known about what happens with the contracts then, however. We know only there are more private subcontractors who take over the contracts, and there is no open official information on how the process actually carries on from there.

The main official source on the preparation process at present is the information published by the LOC. As stated in its *2012 Annual Report* on the FIFA website,<sup>16</sup> the LOC does not run a separate official website, but uses the FIFA website to cover relevant news and its own activities, both in Russian and in English. The LOC also has an official Russian-language Twitter account. Both sources focus on the news and very basic information on the stadiums and host cities.<sup>17</sup> They do not provide documents or procedural or financial information on how the main actors are selected, nor do they provide information on how funds are allocated or spent, or even links to other sources containing this type of data. The sole annual report on the LOC's activities that is available on the FIFA website covers 2012 only, and it is not available on the Russian-language version of the website.<sup>18</sup>

The other official source of information is the website of the Accounts Chamber of the Russian Federation, which audits the effectiveness of the use of public funds for the World Cup preparations. Only one report with information on public spending on the design and construction of new stadiums has been published, in May 2014.<sup>19</sup> The report highlights overpricing, delays in construction and payments, conflicts over land rights, and non-delivery by subcontractors, and addresses governance-related problems, such as timely issuance of governmental decrees and the development of project

evaluation methodologies.<sup>20</sup> The auditors concluded that diligent monitoring of the spending process is required, due to the high amount of public expenditures.<sup>21</sup> A new audit was planned for December 2014,<sup>22</sup> but there is no information on its progress yet. Such reports are a valuable resource, but they are sporadic and disclose only the audit results, thereby falling well short of the standard that Transparency International Russia recommends be provided: the regular disclosure of comprehensive information.

There is also an unofficial website that, according to its description, was launched in 2011 by a group of football fans to ‘cover the preparation process in a transparent way’.<sup>23</sup> The website features an array of news sources on the 2018 World Cup preparations. In a manner similar to the LOC page on the FIFA website, however, the information is news-oriented and misses the depth and the detail that would allow tracking and control of the money flows around the preparation activities. On the positive side, the website is updated regularly and covers a broad range of relevant news, so it can at least be used as a starting point for an activist’s own investigation. The content sometimes lack links to original sources, however, so the reliability of the information needs to be double-checked.

### **Applying the lessons learnt from Sochi**

If information about activities and public expenditures for the World Cup preparations is not disclosed on time, the same issues faced in Sochi could resurface. Creating a portal to disclose information about the spending and the actors involved in the preparation process would be a crucial step to mitigate the various corruption risks – such as over-invoicing, bribery and conflicts of interest – that come from the high costs of the event and a lack of transparency and competitiveness. Making information publicly available and easy to access may help prevent many of the corruption-related problems that

accompanied the Sochi Olympics. The Ministry of Sport should take responsibility for creating such a portal for the 2018 World Cup.

The government has shown that it has the capacity to create such systems, namely in the portals for the Federal Target Programs and the Federal Investment Programs.<sup>24</sup> Both are large-scale, costly programmes, that are funded in part by the federal budget and cover structural reforms and capital investment, respectively. Both have portals hosted on the official website of the Ministry for Economic Development that provide information on the volume of funding for the programmes, progress in their implementation and the results achieved by the programmes. The disclosure of this information is required by federal law.<sup>25</sup> These portals could serve as a general model for creating a comprehensive resource on the 2018 event, but the World Cup portal should present the information in a more accessible and interactive way.

Public officials also appear to recognise the need for a comprehensive resource to track public spending on the 2018 World Cup. One Accounts Chamber auditor has admitted that the general public receives little information on the preparation process, from a variety of scattered sources, after which he suggested a comprehensive resource be created to address the problem.<sup>26</sup> At the moment, however, it is not clear if his recommendation will be acted upon.

Finally, it needs to be stated that it is not only the in-country actors that are responsible for transparency and disclosure regarding the 2018 World Cup. FIFA itself should also make greater efforts to promote transparency. FIFA should require all bidding and winning countries to publish their bid books, and should also require the host country's local organising committee, or the relevant government actors, to maintain a comprehensive resource about the preparation process, focusing on

the use of public money. It should also insist that the organising committee publish annual reports in the official language(s) of the host country.

## Notes

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<sup>1</sup> Project Manager and Deputy Director for Transparency International Russia, respectively.

<sup>2</sup> The Programme of Preparation of 2018 World Cup in Russia, approved by Governmental Decree №518 of 20 June 2013, last updated 22 May 2015.

<sup>3</sup> *Ibid.*; FIFA, 'Destination: Host Cities', [www.fifa.com/worldcup/destination/index.html](http://www.fifa.com/worldcup/destination/index.html).

<sup>4</sup> *Ibid.*

<sup>5</sup> Article 32 of the federal law on non-profit organisations (these organisations are considered non-profit entities under Russian law). Any reports submitted are available here: <http://unro.minjust.ru/NKOReports.aspx>. A specific report may be found by the NGO's unique registration number.

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

<sup>8</sup> Ministry of Sport, *Правительство Российской Федерации: Постановление от 20 июня 2013 г. no. 518*, (Moscow: Ministry of Sport, 2013), [www.minsport.gov.ru/documents/518.pdf](http://www.minsport.gov.ru/documents/518.pdf).

<sup>9</sup> The data have been collected from the official portal for public procurement:

<http://zakupki.gov.ru/epz/main/public/home.html>. Part of it can also be found at the website of Sport-In, under the sections of the corresponding stadiums: <http://sportin.su/activity/championship-2018>.

<sup>10</sup> The data have been collected from the official portal for public procurement:

<http://zakupki.gov.ru/epz/main/public/home.html>. The site does not allow for direct link to the search results.

<sup>11</sup> The Anti-Corruption Foundation is a Russian non-governmental organisation based in Moscow, Russia. It was founded in 2011, is involved with the "Progress Party" and is highly critical of the current administration.

<sup>12</sup> The Anti-Corruption Foundation, *Sochi 2014: Encyclopedia of Spending. The Cost of Olympics Report* (Moscow: Anti-Corruption Foundation, 2014), [http://sochi.fbk.info/md/file/sochi\\_fbk\\_report\\_en\\_1.pdf](http://sochi.fbk.info/md/file/sochi_fbk_report_en_1.pdf) (accessed 1 April 2015). The interactive website is available at - <http://sochi.fbk.info/en/>.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

<sup>15</sup> Официальный сайт Российской Федерации в сети Интернет, для размещения информации о размещении заказов на поставки товаров, выполнение работ, оказание услуг

<http://zakupki.gov.ru/epz/main/public/home.html>, accessed 4 June 2015.

<sup>16</sup> Local Organising Committee for the FIFA 2018 World Cup in Russia, *2012 Annual Report* (Moscow: Local Organising Committee, 2012), [http://resources.fifa.com/mm/document/tournament/loc/02/07/81/59/2012-annual-report\\_eng.pdf](http://resources.fifa.com/mm/document/tournament/loc/02/07/81/59/2012-annual-report_eng.pdf).

<sup>17</sup> *Ibid.*; Twitter, 8 April 2015, 'Футболисты и тренеры "Крылья Советов" посетили место строительства стадиона', [https://twitter.com/fifaworldcup\\_ru](https://twitter.com/fifaworldcup_ru).

<sup>18</sup> *Ibid.*

<sup>19</sup> Accounts Chamber of the Russian Federation, 'A summary report on the results of "Testing the effectiveness of budget spending for the design and construction of sports facilities being built for the World Cup 2018" (with Control Directorate of the President of the Russian Federation)', *Бюллетень Счетной палаты no. 5 (май) 2014* [*Bulletin of the Accounts Chamber no. 5 (May) 2014*], [www.ach.gov.ru/activities/bulleten/783/17773/?sphrase\\_id=645495](http://www.ach.gov.ru/activities/bulleten/783/17773/?sphrase_id=645495) (available in Russian only).

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

<sup>22</sup> Accounts Chamber of the Russian Federation Press Center, 'Счетная палата начнет проверку расходования государственных средств на ЧМ-2018 в конце года – аудитор Владимир Катренко', 27 October 2014, [www.ach.gov.ru/press\\_center/news/19423](http://www.ach.gov.ru/press_center/news/19423).

<sup>23</sup> See *Россия 2018*, <http://россия2018.рф> (available in Russian only).

<sup>24</sup> Available at <http://fcp.economy.gov.ru/cgi-bin/cis/fcp.cgi/Fcp/Title/1/2015> and <http://faip.economy.gov.ru/cgi/uis/faip.cgi/G1>, respectively.

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<sup>25</sup> See Ministry of Economic Development of the Russian Federation website, available at <http://economy.gov.ru/wps/wcm/connect/economylib4/en/home/activity/sections/ftp/>, accessed 30 April 2015.

<sup>26</sup> Accounts Chamber of the Russian Federation Press Center (27 October 2014).