

UDC 33

The Financial Matter of Sochi XXII Winter Olympic Games

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Abstract. Sochi Winter Olympic Games 2014, as well as considerable financial resources, allocated for the Games preparation have encouraged the city development. This paper attempts to find out whether the amount of allocated funds corresponds to the real "price" of the Olympic Games.

Keywords: corruption in Sochi; shadow economy; Olympic Games 2014; bribes.

Introduction. The June of 2007 altered the fate of one of the Russian resorts. Namely, 05.07.2007 Sochi was chosen as the capital of XXII Olympic Games. Indeed, such an event is successful not only for this southern city, but for the whole country. The prestige of Russia on international scene grew due to the decision of IOC, which was made in 119th session in Guatemala. Looking ahead of XXII Olympic Games allows develop and popularize Russian sport already now. Besides, Olympic Games ought to increase accessions of investments in Russia and Sochi. [10].

Great funds were devoted to the Olympic Games. Positively, it's easy to notice the effect of this means, but it isn't more difficult to notice the subsidence of this means into the pockets of the official and CIA of great governmental corporation.

The first numbers of expenses incurred due to Sochi development were published in 2006 by the Government of Russian Federation: "...common volume of Program financing is 316,314 billion rubles, including: 185,8 billion rubles from federal budget; 9,2 billion rubles from budget of Krasnodar region and Sochi, 118,9 billion rubles from off-budget sources [5]. It was planned to spend 78 billion rubles on building the Olympic venues, 38,3 billions rubles on providing the Games, other spending were directed to infrastructure development.[5]. The social and economic effects from this program implementation were assessed as more than 341 billion rubles (in price of 2005) [5].

Though in 2008 this program lost its power and was replaced by the other one. In this program the channels and the aims of financing were described. The new program became less clear. "The look-ahead cost of Olympic venues will be 206,9 billion rubles instead of 78 billion rubles...", - said the head of The Ministry of Regional Development Valery Basargin at the session of Presidium of council on development of physical culture and sports at February of 2009. Moreover, expected expenses on building combined automobile and railway roads from Adler to mountain and climatic resort "Alpica-service" will be 266,4 billion rubles instead of 91 billion rubles. In September, 2009 The Ministry of Regional development estimated the expenses from 2009 till 2012 on the implementation of the state program of the Olympic venues building and Sochi development as a mountain and climatic resort. There were 1,054 trillion rubles, which included 699,3 billion rubles received from federal budget. It turned out, that the growth of the financing was triple. In June, 2010 the deputy minister of regional development Y.Reljan confirmed that all Olympic projects implementation will cost 950 billion rubles. This sum is equal to 20-years budget of Sochi. By the end of January, 2013, it had reached 1,526 trillion rubles, which include 200 billion rubles to construct the Olympic venues. That means the growth has already been fivefold, and it is not the end.[6]. Certainly, we can blame devaluation of ruble and inflation to justify a great increase of the costs. But absurdity of this approval is demonstrated by information of The Russian Statistic Department. According to this information, the inflation from

2006 to 2009 reached 38%. And the growth of Olympic costs was 236% (from 313,9 billion rubles to 1054 billion rubles in 2009). Particularly the growth of the Olympic objects was 165% (from 78 to 206,9 billion rubles in 2009). [2].

As I mentioned above, the Olympic Games must attract investors to Sochi. But as we can see from official government reports this heavy burden of financing the Games laid down on budgets of all levels.

After examining the sources of OG financing we can start to consider the aims of this financing and its main intermediary is government corporation "Olympstroy". This company was founded in 2007. The main activity of this company is managing works connected with building, reconstruction and exploitation of the Olympic objects in Sochi.[8]. The property of "Olympstroy" is formed by payment from federal centre, Krasnodar region, Sochi and voluntary donations. It was planned to allocate 186 billion rubles to the "Olympstroy" [8].

The "Olympstroy" is responsible for some Olympic projects implementation despite of such huge financial influences. "Olympstroy" is responsible for 34 objects (13%) out of 265 the other 132 objects are under control of other investors. And the government corporation coordinates the construction of more than 230 objects. The corporation monitors the construction of the Olympic objects by reports collecting and analyzing about the buildings [6].

The shadow side of "Olympstroy" is a very impressive despite of such small fraction of all objects (13 %).

In August, 2012 in the pressroom of MIA it was said that they raised 2 criminal cases for unreasonable excess of 2 Olympic venues: the bobsleigh track and the central stadium "Fisht". The first case was initiated against the executives of NGO "Mostovik", who were suspected in 2,5 million rubles excess of the estimate's costs of Olympic objects building. The second case is focused on the 5,6 billion rubles excess of project and central stadium contractual work costs by "Ingeocom Union".[6].

Many auditors believe that former and valid top-managers of "Olympstroy" are responsible for these actions. They are T. Bolloev, S. Gaplicov, Y. Tyrtyshev, L. Monosov, K. Mdivanjan and A. Gornostaev. Especially they increased the projection time and coordination of project documents time to reproject the object and it was impossible to review budget. After the estimate was approved by government inspection, the additional agreements were made. According to them the "Olympstroy" contract costs with the builders was raised.[6].

At 11.05.2012 in Sochi Vladimir Putin held the session on the Olympic building and said that the prices will not be reviewed. Meanwhile almost every Olympic object has already been risen in price.[1].

Besides making additional agreements "Olympstroy" also uses sham transactions to receive income. The company uses firms-by-night and offshore to decrease the risk of revelations. Such scheme was used by the contractor of "Olympstroy". It was the "Mostotryad №4" company which had settled huge funds, whereas all menial work was done by "slaves of subcontractor". It was the "New advanced Technologies" company. They repeatedly changed the name and reregistered. [4].

And now we consider the classics of government larceny. Bribes and kickbacks take part in lots of transactions. It doesn't surprise the public anymore. However, there are some facts, which can shock. We can recall the amount of money spent on this project financing.

In 2008 in Moscow there was huge corruption scandal. One of the participants of the capital construction market, businessman Valery Morozov confirmed that one of the Kremlin officials extorted 4 million pounds sterling bribe to receive the project. According to V. Morozov he received the government contract to build the 700 rooms housing estate at the Black sea coast. It was planned that strangers will live there. But when V. Leschevskiy (he managed this tender) returned after his holiday, he talked to Morozov and noted that the businessman must pay for the contract 12% of its value. Moreover according to entrepreneur, the official "helped" Morozov, he agreed to get the kickback on credit. V. Morozov said: "Generally I donated him about 180 million rubles (it's 4 million pound sterling)". [3].

Moreover one of the ways to receive the profit for executive of "Olympstroy" is artificial overestimate of price for their suppliers. For example, in 2011 the chief of the President administration (he is Konstantin Chuichenko) mentioned in his report to Dmitry Medvedev that prices of bulks rose considerably. Also Chuichenko noticed, that rubble, sand and gravel jumped in price from 360 to 800 rubles in Sochi. That is more than double. Though, value of these materials

in other parts of Russia was less than double [6].

Total costs to the games in Sochi were 1,054 trillion rubles from 2009 to 2012. And from 2007 to 2014 it will be more than 1,526 trillion rubles. The XXII Winter Olympic Games in Sochi sat absolute record in costs. It is 50,9 billion dollars [6].

Conclusion. So, we reviewed amount of huge Olympic cots. It suggests that the Olympic objects must be "gold". Such sum of money can be useful only for public or only for administration of companies, which "built" the Games. We know that this money is in the hands of Russian officials. Also we know that preparedness of Sochi to the Olympic Games has been only 70% by the end of April, 2013 [9]. That is why the answer to the question "Who lives in Russia well?" is obvious.

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УДК 33

Финансовая сторона XXII зимних Олимпийских игр в Сочи

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Аннотация. Проведение Зимних Олимпийских Игр в 2014 году в Сочи дало городу достаточно мощный толчок для развития. Этому же способствовали немалые финансовые ресурсы, выделенные для подготовки к Играм. В данной статье делается попытка выяснить, соответствует ли объем выделенных средств реальной "цене" Олимпиады.

Ключевые слова: коррупция в Сочи; теневая экономика; Олимпиада 2014; взятки.