

# Cost of Hermitage Museum Annex Swells to \$450M

By [The Moscow Times](#)

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Renovations of the east wing at the Hermitage, which is undergoing extensive refurbishment, has swelled by almost 50 percent. **Paula Funnell**

The cost of renovating a building whose east wing will go to the Hermitage Museum in St. Petersburg has grown to 15 billion rubles (\$450 million) from an initial 10.6 billion rubles (\$318 million), but project participants insisted that all expenses were aboveboard.

The first phase of the restoration totaled about 7 billion rubles, and the second will cost 8 billion rubles, said Andrei Vasilyev, head of St. Petersburg City Hall's investment fund.

Vasilyev, speaking in an [interview published Monday](#) in Vedomosti, played down the fact that the revised amount was about 50 percent more than originally planned, saying that the construction agreement included a clause that allowed for increases based on inflation and other unforeseen new costs.

A 2008 contract for the first phase allocated 4.4 billion rubles and was awarded to the construction firm Intarsia. The second phase, worth 6.2 billion rubles, was awarded to Intarsia in 2010.

Funding for the first phase came from the Russian government (80 percent) and the World Bank (20 percent). The second phase is being covered from money left over from the reconstruction of the Mariinsky Theater, said Hermitage director Mikhail Piotrovsky.

But the Audit Chamber, a federal agency that makes sure that government money is properly spent, raised concerns in late July about possible corruption in the relationship between Intarsia, Vasilyev's department and the Culture Ministry. The chamber noted that the reconstruction contracts had been awarded without tenders and said the costs were higher than expected.

Culture Minister Vladimir Medinsky, while noting that the contracts were arranged under the previous culture minister, defended the decision to award them both to Intarsia.

"We should not change horses in midstream because the project is very complex," he said in comments to Vedomosti.

He said that no money had been paid up front and that Intarsia only charged the real costs of its work. He conceded that the project was expensive and could probably have been carried out more cheaply, but he said such big projects are always expensive.

A construction industry insider told Vedomosti that inflation could easily reach 15 percent annually in the building sector, and he said it was customary to re-evaluate and re-adjust costs on long-term projects.

According to the Spark database, 80 percent of Intarsia belongs to its president, Viktor Smirnov, and the other 20 percent is owned by businessman Gennady Yavnik. The company's revenue in 2012 amounted to 6.8 billion rubles.

The building under reconstruction covers 60,473 square meters. Only the east wing of the building will be used by the Hermitage, which needs additional space to display its large collection.

The east wing will contain artwork from tsarist Russia and contemporary times, as well as galleries dedicated to the artists Shchukin and Morozov, a Russian Guard Museum and a Faberge exhibition, said Piotrovsky, the museum director.

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