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Russia's World Cup Organizers Face Budget Headaches

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SARANSK, Russia — Saransk's stadium for the 2018 World Cup is supposed to raise the profile of this little-known Russian city, but for now Alexei Merkushkin is just trying to keep costs down.

As minister of special programs for the region that includes this city of 300,000 people southeast of Moscow, Merkushkin's job is to make sure the smallest of Russia's 11 host cities is ready to welcome fans not just to its new 45,000-seat stadium, but also the hotels and transport links that are supposed to transform Saransk in time for 2018.

Constructing the arena is set to cost 15.66 billion rubles ($300 million), fully funded by the federal budget, with a further $10.5 million earlier spent on design costs.

Turning a provincial city into an international destination is not easy. Saransk normally sees only one flight from Moscow per day and the airport needs expansion to cope with World Cup crowds.

The city was a surprise choice as a World Cup host. Many Russians would have trouble finding it on a map and it's hardly an eye-catching location, 460 kilometers away from Moscow.

Following a year of international sanctions against Russia, the ruble is worth more than a third less against the dollar than it was in January 2014, while the low oil price is squeezing the federal and regional budgets that fund the World Cup.

The federal government has slashed spending by 10 percent across the board. While most World Cup-related expenditure is protected, government belt-tightening means a renewed crackdown on any cost increases.

"There's a tough position that more cost increases won't be allowed. So the cost that's been laid out, that's final," Merkushkin told The Associated Press.

Russian President Vladimir Putin has promised the economic turbulence will not affect the World Cup, FIFA head Sepp Blatter said in January.

Blatter said he had spoken with Putin during a visit to Russia and was assured "there is no intention to ask FIFA to change anything in the pattern and the program of the World Cup and we trust Russia will find a solution."

In the meantime, Russian organizers are busy cutting costs. January saw Russian Sports Minister Vitaly Mutko promising 10 percent cuts to expenses such as administration and preparations for the draw ceremonies. On Wednesday, he said 25 luxury hotels had been cut over worries they could stand empty after the tournament, which helped to bring the total budget down to 637.6 billion rubles ($12.2 billion), 4 percent lower than the figure used last year.

Further complicating the issue is the fact that the main contractor for two stadiums in the cities of Nizhny Novgorod and Volgograd, the Stroitransgaz company, is under U.S. sanctions over the Ukraine crisis because its owner, billionaire Gennady Timchenko, is considered to be a member of Putin's "inner circle." As such, U.S. companies are banned from dealings with Stroitransgaz. It is not clear how great an effect that could have on World Cup preparations. Neither the organizing committee nor Stroitransgaz responded to requests for comment.

Until now, Saransk has been almost unknown outside Russia, and best known inside the country as home to a scandal-hit training center for Olympic race-walkers and for prisons that are major employers in the surrounding region.

In Saransk, finance is not the only concern. With legacy a key issue for the tournament, Merkushkin is keen to build his city's brand to ensure that the expensive facilities are used after 2018.

After the World Cup, the stadium will lose almost half its capacity, shrinking to 25,000 seats to save on maintenance costs and to avoid the problems of many Brazilian host cities, where some vast stadiums are barely used less than a year after they hosted games at the tournament.

Saransk hopes to turn other facilities into a winter training hub for Russian sports teams that typically head to Turkey or Cyprus to avoid the cold, Merkushkin said.

A Russian Premier League team, Mordovia Saransk, will use it after the World Cup, though at present the team rarely fills an 11,500-capacity Soviet-era ground.

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