

## Euro 2012 – Ukraine’s wasted opportunity?

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Ukraine saw hosting the European Football Championship as an important project in terms of image-building and modernisation from the very beginning. The country’s government assumed, during the presidency of Viktor Yushchenko and Viktor Yanukovych alike, that Euro 2012 would provide a major impulse for economic development and show that the young Ukrainian state was capable of successfully preparing one of the most important sport tournaments in the world. Although UEFA’s decision raised eyebrows both in the West and in Ukraine, after initial delays the work gained momentum and, shortly before the championship, Ukraine’s progress could be evaluated as being satisfactory at the least. As part of the preparations, four stadiums were built or modernised, four airports in the host cities were developed and 1,600 km of roads were repaired or built from the ground up. The investments have doubtlessly contributed to an improvement of the infrastructure in Ukraine, but it would be rather inaccurate to say that Euro 2012 has brought about a real modernisation of the country. The funds allocated for the preparations were relatively modest, and part of them was spent in a non-transparent way, which gives rise to suspicions of corruption.

The chance to improve Ukraine’s perception in the West has been to a great extent lost due to the trial of the former prime minister, Yulia Tymoshenko, who was sentenced to seven years in prison in October 2011. Over the past few weeks, Euro 2012 as a sports event has been overshadowed by discussions among Western politicians and in the Western media about rising authoritarian tendencies in Ukraine. In turn, football is currently treated as a minor issue in Ukraine’s internal politics. The government has so far not used Euro 2012 to improve its popularity although hosting it is supported by a clear majority of the Ukrainian public. It is still an open question as to whether the Ukrainian government will try to capitalise politically on this sports event; this is especially significant as parliamentary elections are approaching.

## The political dimension

All the major political forces in Ukraine have supported the hosting of the European football championship from the very beginning. This sports event has not been used by the government as an opportunity for propaganda action or to help its current political goals to be achieved. Politicians from the Party of Regions have only on a handful of occasions mentioned that preparations for Euro 2012 had been made in an ineffective way before Viktor Yanukovich's team took power and that the breakthrough in the preparations for this event happened only after the presidential election in February 2010. The key opposition

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parties have not yet used Euro 2012 to criticise the government. The main reason for this is that such criticism would have run up against the positive attitude to Euro 2012, which is predominant among the Ukrainian public. Another reason is that the opposition has been focused almost exclusively on the struggle to have

Yulia Tymoshenko and Yuriy Lutsenko released from prison. Nevertheless, representatives of the opposition have pointed to cases of misuse of funds allocated for the organisation of the championship by members of the government.

However, the present situation is likely to change once the games are over. If Euro 2012 ensures Ukraine success (mainly in terms of organisation), the Party of Regions will certainly be capitalising on this fact in the election campaign. It can also be expected that the opposition will note any kind of errors and drawbacks revealed in the preparations and the fact that hosting this sports event has consumed huge amounts of money and use them to criticise the governing party. Any possible major organisational failures may also give an edge to internal disputes within the Party of Regions and thus undermine the positions of Deputy Prime Minister Borys Kolesnikov an influential member of the Party of Regions and a close associate of Ukraine's richest businessman, Rinat Akhmetov

## The social dimension

The vast majority of the Ukrainian public supports the hosting of Euro 2012. According to public opinion polls, almost 90% of Ukrainians have a positive attitude to the fact that their country is a host of Euro 2012, almost 60% are happy with this fact and a similar number of respondents believe that the tournament will be held in an appropriate way<sup>1</sup>. A slightly smaller number of respondents believe that Ukraine is properly prepared to host

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the tournament, and approximately one third of them hope that this event will provide their country with a stimulus for development. Among the expected benefits for the country, respondents mentioned in first place the improvement of Ukraine's global standing, temporary opportunities to earn money, and an improvement in the roads infrastructure. The positive attitude to the tournament is stronger in the west

and the east (where the host cities are located) than in the centre and the south of the country. The belief that the tournament will be held appropriately is strongest in the east and weakest in the west of the country.

<sup>1</sup> On the basis of public opinion surveys published on: <http://socioplus.com.ua/dw-ukrajintsi-sumnivayutsya-ukorysti-vid-evro-2012/>, <http://fakty.ictv.ua/ua/index/read-news/id/1433036/marker/important> <http://miete.com.ua/ua/news/173> and <http://tyzhden.ua/News/50642>

The topic of hosting Euro 2012 has not been used by the Ukrainian government for holding social campaigns aimed at emphasising national pride, the unity of the nation, or state and national consciousness. It appears that the main reason for that has been the public dislike of propaganda campaigns of this sort, which would certainly remind them of the inept campaigns held during the presidency of Viktor Yushchenko. It is also notable that no patriotic slogans have been used in the commercial advertisement campaigns of the sponsors of the tournament in Ukraine (unlike in Poland).

## The economic dimension

Although the decision on who would host Euro 2012 was taken in 2007, no major preparation work was done in the first three years due to the deep political and economic crisis and the campaign preceding the presidential election in 2010. There were significant delays in the implementation of a number of key investments (including the stadium in Kyiv and the stadium and the airport in Lviv) and this gave rise to doubts as to whether Ukraine would be able to host the tournament. There was a real threat that the number of the host cities could be limited to two or even that the privilege of hosting the event would be taken away from Ukraine. When the Party of Regions took power in March 2010, the implementation of the investments gained momentum. A special position of Deputy Prime Minister for Euro 2012 was created and was assumed by Borys Kolesnikov. Kolesnikov managed to make up for the delays at a fast rate. However, he had to bypass public procurement procedures, and the quality of the work done in many cases was doubtful.

It is difficult to clearly estimate the cost of Ukraine's preparations for the tournament. According to the deputy prime minister for Euro 2012, Borys Kolesnikov, US\$5 billion has been spent from the state budget on this purpose<sup>2</sup>. However, the estimated total cost Ukraine has incurred in connection with hosting the championship may reach as much as US\$13.4 billion<sup>3</sup>. A greater part (40%) of the US\$5 billion spent from the state budget was allocated for **the modernisation of roads**<sup>4</sup>. 1,600 km of the roads were built or rebuilt with this money. The focus was made primarily on the routes leading to the cities where the games would be played and on the road from Kyiv to the Polish border. The repairs and the construction of new sections of the roads cost many times less than in Poland because no motorways or express roads were built. The standard of these routes is comparable to that of Polish

national roads, although in most cases the Ukrainian roads are dual carriageways. Some sections of the railroads have also been modernised, and ten passenger trains (locomotives and carriages) have been purchased from Hyundai. The new trains can travel at speeds of 160 km/h, which will significantly shorten the travel between the main Ukrainian cities. The improvement in the traffic on the roads connecting the key cities of Ukraine is undoubtedly

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a great achievement. However, considering the long distances (over 1,300 km from Lviv to Donetsk and 1,000 km to Kharkiv), road transport will be of minor significance for football fans, especially those from abroad.

**Four stadiums were built or thoroughly modernised** as part of preparations for the tournament. The work in Donetsk and Kharkiv, where representatives of big business are engaged in football, was finished in a relatively short time. The first stadium, which was made available already in 2009, was Donbass Arena in Donetsk, which was financed by Rinat Akhmetov (approximately US\$400 million); Akhmetov is also the president of Shakhtar

<sup>2</sup> For comparison, Poland spent US\$24 billion on investments. 'Ile wydaliśmy, a ile zyskamy na Euro2012', *Ekonomia24*, <http://www.ekonomia24.pl/artykul/880266.html>

<sup>3</sup> 'Аналитики: расходы на Евро-2012 в Украине значительно превысят доходы', 24 May 2012, *Vlasti.net*, <http://vlasti.net/news/142378> At the same time, the government estimates that Ukraine will earn between US\$1.2 billion and US\$1.5 billion on Euro 2012.

<sup>4</sup> For comparison, Poland spent approximately US\$18 billion on this purpose. *Biznes Gazeta Prawna*, 21 May 2012.

Donetsk football club. The stadium of FC Metalist Kharkiv was opened at the end of 2009. Around one third of the total costs, almost US\$100 million, was paid by the oligarch from Kharkiv, Oleksandr Yaroslavsky, who is also a member of the Party of Regions. The reconstruction of the Olimpiyskiy National Sports Complex in Kyiv – Ukraine’s largest (70,000 seats) and most expensive (US\$560 million) stadium – and the construction of the stadium in Lviv from scratch, were definitely more problematic<sup>5</sup>. The lack of a big businessman, who would ‘take care of’ the investment, was a significant factor in Lviv. These two stadiums were opened at the end of October 2011 (the finishing work lasted much longer).

Furthermore, **four airports were developed and modernised**. New terminals were built and the runways were developed in Lviv, Kharkiv and Donetsk. Two new terminals were built and the existing ones were overhauled at Boryspil Airport in Kyiv. The terminal at Kyiv’s second airport in Zhuliany was also modernised; it will be used by members of the national teams and UEFA officials during Euro 2012.

The investments made in connection with the preparations for the tournament provided a major stimulus for development to the Ukrainian economy. However, there is a serious risk that the construction sector, which has been driven so far by orders linked to Euro 2012, will plunge into a deep crisis following the tournament. This will make the growing problems in the Ukrainian economy even worse. In the first quarter of this year, Ukraine’s GDP grew by only 1.8%, while the government had expected growth of 3.9%.

Preparations for Euro 2012 **have not been used to increase the number of the border crossing points between Ukraine and Poland**. At present, six road and six railway border crossing points operate. This means that on the average there is one checkpoint per 50 km of the border<sup>6</sup>; this is significantly below EU standards, which recommend that checkpoints should be located every 20–30 km. Eight new border crossing points were planned to open when Poland and Ukraine were entrusted with hosting the championship, but due to bureaucratic difficulties the work is advanced on only two of them. One of the border crossing points (Dolhobyczow-Ugriniv) is to be opened temporarily for the duration of the tournament. Given this situation, to facilitate the border crossing, 28 ‘Euro lanes’ have been created for fans, who will undergo a common border check according to a simplified procedure.

## The corruption scandals

The huge public funds allocated for organising the tournament and the haste in which they were spent created numerous opportunities for misuse during preparations, at both the central and the local levels. The Ukrainian media periodically revealed information on the ab-

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surdly high costs of certain investments<sup>7</sup>.

The greatest controversies arose from the fact that the key investments, usually with no tender held, were implemented by Altkom. Little is known about this company, which is a group of firms operating in the construction sector. Formally, it is owned by Eurobalt Limited, which was founded by a yoga teacher from Cyprus<sup>8</sup>. Altkom is based in Donetsk, but it is unknown who really derives the profits from its activity. The Ukrainian media most often mention Kolesnikov. However, given the scale of

the orders carried out by Altkom, it seems more likely that it is connected to a larger group of Ukraine’s most senior state officials and businessmen linked to the Party of Regions.

<sup>5</sup> Стоимость реконструкции стадионов к Евро-2012, *Обозреватель*, 7 July 2011, <http://sport.oboz.ua/press-release/skolko-stoit-stadion-postroit.htm>

<sup>6</sup> In fact even less, since part of the road and railway border crossing points are located in the same place.

<sup>7</sup> One of the most widely publicised cases was the purchase of ten wooden benches for an underground station in Kharkiv for US\$80,000.

<sup>8</sup> ‘Собственником “Альткома” управляет учительница йоги с Кипра’, *Дело*, 24 November 2011, <http://delo.ua/ukraine/sobstvennikom-alkoma-upravljaet-uchitelnica-jogi-s-kipra-168449/>

It is however worth noting that granting large orders to friends from the business circles was also practised by the preceding governments<sup>9</sup>.

Altcom was granted the orders for the implementation of the largest investments linked to Euro 2012, including the construction of the runway in Donetsk (which cost US\$225 million), the construction of the stadium in Lviv (US\$175 million) and a number of road sections. In total, this company gained contracts worth over US\$800 million in 2011 alone<sup>10</sup>. The reconstruction of the Olimpiyskiy was ordered in a similarly non-transparent way; it was entrusted to other firms, most likely also linked to the present government<sup>11</sup>. The great haste in which the investments were carried out also affected their quality.

## Conclusions

- Although Euro 2012 has not caused a dispute between the government and the opposition, the success or failure of Ukraine hosting the tournament may become an element of the election campaign. Should the tournament run smoothly, this may make the present government more popular, since the Ukrainian public has had a very positive attitude to Euro 2012. This is especially important for President Viktor Yanukovich and for Borys Kolesnikov. It is in large part due to Kolesnikov's effectiveness that the preparations were finished on time.
- Ukraine, after five years of work and despite initial very serious delays, is now sufficiently prepared to host Euro 2012. New stadiums have been built, airports have been developed and the road network has been modernised. However, Euro 2012 has provided too weak a stimulus for the economic modernisation of the country, since the funds allocated for the investments were relatively modest. The money spent was insufficient to bring about an infrastructural breakthrough in Ukraine.
- The multi-billion dollar funds allocated to the investments from the state budget were spent predominantly in a non-transparent manner, and in some cases the costs were significantly overestimated. The main beneficiaries have been the firms which are in all likelihood linked to the ruling class. This proves that for some of them the Euro 2012 project has also served as an opportunity to derive personal financial benefits.

<sup>9</sup> Мустафа Найєм, 'Як Тарута отримав від Тимошенко підряд на 900 мільйонів', *Українська Правда*, 14 May 2009, <http://www.pravda.com.ua/articles/2009/05/14/3941079/>

<sup>10</sup> 'Фирма тренера йоги с Кипра дополнительно получит 620 млн. гривен на дороги', *Дело*, 30 November 2011, <http://delo.ua/ukraine/firma-trenera-jogi-s-kipra-dopolnitelno-poluchit-620-mln-griv-en-168861/>

<sup>11</sup> Сергій Щербина, Сергій Лещенко, 'Хто заробляє на Євро-2012? Перша частина розслідування', *Українська Правда*, 17 January 2011, <http://www.pravda.com.ua/articles/2011/01/17/5796400/>



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