Putin’s palace? A mystery Black Sea mansion fit for a tsar.

By Tim Whewell
BBC News

On a thickly wooded mountainside overlooking Russia’s Black Sea coast, an extraordinary building has gradually taken shape. It is alleged to be a palace built for the personal use of Vladimir Putin, with massive and illegal use of state funds.

Originally conceived, it is said, as a modest holiday house with a swimming pool, it now boasts a magnificent columned facade reminiscent of the country palaces Russian tsars built in the 18th Century.

The massive wrought-iron gates into the courtyard are topped with a golden imperial eagle. Outside are formal gardens, a private theatre, a landing pad with bays for three helicopters, and accommodation for security guards.

All this and more is revealed by satellite images of the area and photographs on the internet, some of which you see here, which campaigners say were leaked by workers at the site.

The mystery of why the palace was built and who provided the enormous sums of money required to pay for it is much harder to uncover.

But now, with Vladimir Putin about to be sworn in for a third term as Russia’s president, one of his former business associates has spoken to BBC Newsnight, giving more detail than ever before about how he says the mansion was built to the leader’s specifications for his personal use.
Sergei Kolesnikov, who now works in the Estonian capital Tallinn having fled Russia, was for several years one of those responsible for building the palace.

He is the first insider from Mr Putin’s business circle to blow the whistle on what he says is the high-level corruption threatening to destroy the country’s economy.

Kolesnikov says he was involved with two of Mr Putin’s friends – Nikolai Shamalov and Dmitri Gorelov – in a venture, proposed by Mr Putin himself, to provide Russian hospitals with new equipment.

Several Russian oligarchs, including Chelsea Football Club owner Roman Abramovich, donated millions of dollars to help upgrade Russia’s hospitals.

Kolesnikov imported the medical equipment, and he says his company was able to get big discounts on the supplies.

Some of the donors deny that was possible. But Kolesnikov says millions of dollars were saved in this way, and at Mr Putin’s suggestion much of that money was put into offshore companies – without the donors’ knowledge – for use in other investment projects.
These included ailing industries such as shipbuilding – projects Kolesnikov says he discussed directly with Putin – but an ever-greater proportion of the extra funds, he says, went into “Project South” – the Black Sea palace near the village of Praskoveevka.

Kolesnikov told Newsnight that he was at a meeting with Putin at his country house outside Moscow when the issue of the Black Sea palace was raised directly.

He says the Russian leader ordered his powerful deputy prime minister, Igor Sechin, to deal with it. Shortly afterwards, Kolesnikov says, Sechin summoned him to discuss details.

He also says he had many other meetings at the palace itself where Mr Putin’s instructions for fittings and furnishings were discussed with a senior officer in the Federal Security Service, which guards the president and prime minister.

More usually, he says, Putin passed on his instructions for the building through his friend, and Mr Kolesnikov’s partner, Nikolai Shamalov.

“He didn’t seek to justify it,” Kolesnikov says. “He considered that whatever the tsar decided, it wasn’t our business to discuss.

“There was a tsar – and there were slaves, who didn’t have their own opinion,” Kolesnikov says.

But the whistleblower says he eventually became disgusted by the sums being spent on the palace, and fell out with his partner Shamalov.

“I hadn’t worked 15 hours a day for 10 years to build a palace,” he says. “That didn’t interest me.”

In December 2010, Kolesnikov wrote an open letter to President Dmitry Medvedev detailing the involvement of himself and others in the project and outlining his allegations against Putin, then prime minister.

Newsnight attempted to contact Shamalov and Kolesnikov’s other former partner Dmitri Gorelov, but their companies said they were unavailable for comment on this story.

Putin’s spokesman has denied Mr Kolesnikov’s allegations, along with other claims about the Russian leader’s personal assets.

Officially the palace belonged, until recently, to a company partly owned by Shamalov.

Now it is owned by another businessman who is not directly connected to Putin.
But documents obtained by one of Russia's few opposition newspapers, Novaya Gazeta, and seen by Newsnight suggest that the Kremlin lied when it said it had no involvement in the building of the palace.

An agreement to build the mansion on state-owned land was signed by the head of the Department for Presidential Affairs, Vladimir Kozhin, who subsequently denied knowing anything about the site.

The documents do not prove that the palace was meant for Putin himself, or that he was personally involved in its construction.

But mystery still surrounds it.

When anti-corruption campaigners managed to get through to the front of the palace last year, they were met not only by private security guards, but also by uniformed members of the official Kremlin guard service.

Later the private security company claimed its employees had simply bought the uniforms – and Kremlin identity cards – in a shop.

But for the campaigners, and for Kolesnikov, the Kremlin guards' presence and the elaborate infrastructure indicate the true purpose of the building, and what they say is the massive illegal use of state funds.

"It's the building of a road direct to the palace on government money," Kolesnikov says. "A high-power electric line, direct to the palace. The government spent tens of millions of dollars on these.

"If it was just for Putin's friend Shamalov, why would the Federal Guard Service commission and monitor the building of the palace? Why would he need three helipads?

"A private person doesn't need these. But for a president they're essential."

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