

THE WORLD CUP, THE OLYMPICS— AND BEYOND

A year from the World Cup and three from the Olympic games, Brazil is working hard to meet deadlines. Will the mega sporting events leave behind a lasting gain for the national economy?

Solange Monteiro, *São Paulo*

ON JUNE 12, 2014, WHEN BRAZIL officially welcomes the teams competing in the World Cup, the country will be through the first half of a tough game to coordinate public and private investments to ensure the success of the mega event in all its dimensions. On lodging, security, power for stadiums, transport infrastructure, and telecommunications, Brazil's performance off the field will be exposed to the scrutiny of billions of viewers.

The result of all this work, however, will only show up after the final whistle at Maracanã stadium when the lights go off at Olympic Park in Rio in 2016. Only then will Brazilians know the legacy of the investments in these mega events for the Brazilian economy. Will Brazil be able to deliver the necessary infrastructure on time and of good quality? Or will Brazil end up like Barcelona or Atlanta?

GREAT EXPECTATIONS

A study by FGV Projects and Ernst & Young in 2010 estimated at US$71 billion the World Cup impact on the Brazilian economy. "Many investments are still going on, many are still to happen, but

it is impossible to ignore their weight," said Antonio Almeida, a partner at Ernst & Young. As for the Olympics, the Research Institute of Administration (FIA / USP) in 2008 estimated turnover of US$51 billion.

To assess the impact of the sporting events, the Brazilian Institute of Economics (IBRE) held a seminar on "The Effects of the World Cup and Olympics on the National Economy" on June 5 in São Paulo city. Samuel Pessôa, IBRE consultant and facilitator, said that from the past it can be seen that "the impacts go beyond the [infrastructure] works. The simple fact of signaling to the world the characteristics of the host country, for example, can be reflected positively even in its exports."

A consensus among the participants was that the success and the legacy of the sporting events will depend much more on advances in transport infrastructure and services, particularly hospitality, than was the case for the World Cups in Germany and South Africa and the London Olympics. "The British capital has had an underground for 150 years; in Germany, European tourists did not need to stay in the host cities to see a game, thanks to the railway infrastructure," Almeida pointed out. "And in the case of South Africa, the distance between the two main headquarters, Johannesburg and Cape Town, was about 500 km, which was possible to travel by bus or car. In Brazil, sport fans will depend much more on air transportation."

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Joel Benin, special adviser to the Ministry of Sports, pointed out that the current bottlenecks in transport are the result of two decades of low levels of investment in infrastructure in the country, adding, "Now we have the opportunity to change this situation, with the renovation of the airport system, reforms in seven major airports, and the possibility of promoting quality public transportation."

URBAN CHALLENGE

Just as in London, where the organizers decided to install the Olympic Park in

2014 World Cup's impact on the Brazilian economy.

Total US$71 billion (2.9% of GDP)	
on the economy's demand investiments operational expenditures tourist expenditures	US$15 billion US$11 billion US$1 billion US$3 billion
on the economy's income	US$ 32 billion
tax revenues	US$9 billion

Sources: Ernst & Young and FGV Projects, 2010.

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Stratford and direct investments to a less favored region, or Barcelona, which improved its public transportation to the current enjoyment of its citizens, Brazil is also looking to use the sporting events to promote urban redevelopment. In Rio de Janeiro city (Rio), for example, the changes go beyond public transportation.

The Maravilha Port (Marvel Port) project, for example, is revitalizing streets and installing water and sewage systems and telephones in very poor and neglected neighborhoods, such as Saúde and Gamboa. "Because it was the federal capital, and then a city-state, and then the capital of Rio de Janeiro state, Rio has huge administrative confusion. In most cases we have been able to deal with the historical problems," said Maria Silvia Bastos Marques, president of the Municipal Olympic Company (EOM).

In São Paulo, the plan is that Itaquerão stadium—which will host the opening of the World Cup and five other games—will not only promote expansion of public transportation in the area but also rejuvenate the economy of the entire East zone. "Thirty-seven percent of the population, about four million people, live in this region, which is a major supplier of labor," said Rodrigo Gouvêa, leader of Priority Project Delivery Unit of the Government of São Paulo state. Attracting businesses to the area may raise property values and gains in quality of life for residents. Nadia Campeão, deputy mayor of São Paulo city and coordinator of the Committee of Government Management for the 2014 World Cup (SPCOPA), indicates that organizations moving to the East zone include the Military Police and Firemen, Brazilian Social Services for Industry (Sesi), the National Service for Industrial Training (Senai), a technology park, and a cultural center.

PUBLIC AND PRIVATE

Mônica Monteiro,manager of Institutional Relations and Partnerships of the Municipal Sports and Leisure in Rio de Janeiro, pointed out that some of the urban transformation is only possible because governments have pragmatically entered into public-private partnerships (PPPs), so "We recorded more private investment opportunities," she said,

Olympic Games' impact on the Brazilian economy.

In Brazilian economy	US$51 billion (2% of GDP
Additional tax collections until 2027	
Municipal taxes	US$270 million
State taxes	US$583 million
Federal taxes	US$4.8 billion

Source: Fundação Instituto de Administração (FIA/USP), 2009.

noting that the Marvel Port is the largest PPP in the country, involving US$4 billion in investment.

João Viol, president of Sinaenco, acknowledged the importance of accelerating investments in infrastructure but noted that the pace is still slow. "Of 109 projects under the Responsibility Matrix for the 2014 World Cup, only 15 have been delivered: six stadiums and nine projects in airports and urban transportation in Natal city," he says. The number of projects not yet begun is larger—19, including monorails of São Paulo and Manaus cities, the Light Rail Transit (LRT) in Brasilia city, plus three public transportation projects in Curitiba, Manaus and Natal cities, and the expansion of Airport runway of Salgado Filho in Porto Alegre city. The other 74 projects are underway: 45 urban public transportation, 6 stadiums, 17 airports, and 6 ports.

Viol believes the current situation reflects Brazil's lack of long-term planning for major infrastructure projects. "At the institutional level, we have given priority to a culture of haste; we do the work but do not worry about planning and design," he said.

Brazil is looking to use the sporting events to promote urban redevelopment.



Photo: Marcelo Camargo/Agencia Brasil.

Now under construction, Itaquerão stadium in São Paulo city will host the opening of the 2014 World Cup.



Publicity photo.

Demolition of the fly-over road in Rio's port area is part of the Marvel Port project.

Ernst & Young's Almeida stated that reversing this situation will depend on establishing an institutional framework that does not depend on who is running the government. Both he and Viol noted that the political continuity of governments had allowed Rio to get further along in the planning for the Olympics—organization of the event is the responsibility of the city; public transportation and airports are state and federal responsibilities, respectively.

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To ensure a fruitful relationship in PPPs and concessions, Almeida urged governments to persevere to ensure planning and predictability. "The private sector will always need time, legal certainty, a good business environment, and some freedom to estimate how much profit it will achieve given the risks," he said.

Fernando Naves Blumenschein, coordinator of FGV Projects, emphasized that public policy is the key to PPPs to enhance the substantial long-tern advantages of the sporting events. Flávio Borges Carvalho, who heads up institutional relations for the CCR Group, cited the creation of the Enterprise Planning and Logistics (EPL) in 2012 as a breakthrough for long-term planning, reinforcing the importance of the country prioritizing quality in large infrastructure projects.

INCLUSIVE OPPORTUNITY

Even with the continuing institutional challenges, Almeida identified significant progress in some areas, such as private management of stadiums that will host World Cup matches: "The participation of sport in Brazilian GDP, which is currently 1.6%, could grow to 2% in 2016; in the United States, it is 3%." Carlos Eduardo Paes Barreto, director, OAS Investmentos, which is managing Gremio stadium in Porto Alegre and Itaipava Fonte Nova in Salvador, explained that "in stadiums with a soccer tradition, one can emphasize hospitality for an audience with more purchasing power . . . . In Salvador, for example, the city has a strong tradition of shows and entertainment. It will also be possible to develop areas around the stadium for shopping centers, universities, and other commercial uses." He believes that, after the World Cup, Brazil will see a second wave of privatization of stadiums.

The greatest expectations of return from the sport

Photo: Jobson Galdino/Portal da Copa.



Construction of the Arena Dunas stadium in Natal city, Rio Grande do Norte state, is to be completed in December.

events, however, are in tourism. It is expected that Brazil's higher visibility and better infrastructure quality will result in a considerable increase in the number of tourist and business travelers, especially from other countries. "Currently, we receive only 0.5% of foreign tourists who travel the world, well below our potential," said Neusvaldo Ferreira Lima, director, Department of Tourism Infrastructure, Ministry of Tourism. The ministry expects that because of the sporting events international tourist arrivals will go up from 5.8 million in 2012 to 7.9 million in 2016—8% a year growth—and tourist spending will go up 12% a year, from US$6.7 billion in 2012 to US$10.3 billion in 2016.

Getting small businesses, which represent nearly 90% of Brazil's businesses, involved in the sporting events is a priority for the Brazilian Service of Support to Small and Medium Enterprises (Sebrae). An FGV survey showed that the World Cup will generate almost 1,000 opportunities for small businesses in cities hosting the event. Schmidt Dival, program coordinator for Sebrae 2014, pointed out that, in South Africa, the multiplier effect of investments related to 2010 World Cup offset some of the impact of the 2008 global crisis there. He estimated that the economic boost from the 2014 World Cup could offset part of the sluggishness of the U.S and European economies. "Today, small businesses generate 22% of total value added," he said. "Our goal is to improve management and adoption of technology to raise that share. Taking advantage of these sporting events to spur small businesses to improve their productivity is one of the most important programs for Brazil's economy."

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João Viol



Photo: Jose Zamith de Oliveira Filho/Portal da Copa.

The expansion and reform of Eduardo Gomes International Airport in Manaus are advanced.



One of the tunnels completed in Saúde neighborhood (Photo: Cidadeolimpica.com)

Total of works and projects: 21
11 projects totalling US$5.8 billion

MUNICIPAL OLYMPIC COMPANY, RIO DE JANEIRO CITY
Ongoing projects estimated at US$6.2 billion.

MAJOR WORKS

- **Olympic Park:** 1.2 million-square-meter real estate development in the Barra da Tijuca region. It will be the central point of the event, hosting 14 Olympic competitions. Investment is estimated at US$600 million.
- **Marvel Port:** Urban revitalization of Rio's port, including the impoverished Saúde and Gamboa neighborhoods. It will replace the existing overpass with a 5km tunnel, redevelop 70km of streets and install 700 km of water, sewer, telephone, drainage, and gas lines. This is the largest Brazilian public-private partnership (PPP), involving investments totaling US$4.2 billion.
- **BRT Network:** Mass public transportation system consisting of four corridors with exclusive express bus lanes linking various neighborhoods with Rio's international airport. Investments total US$1.3 billion.
- **VLT Carioca:** 30 km light rail that will link Rio's central bus station, the Santos Dumont airport, and Rio's port. Investment is estimated at US$600 million.
- **Waste Treatment Center of Seropédica:** New landfill, equipped with modern environmental technologies, which will replace the Gramacho landfill. Investment estimated at US$112 million.