What will be the legacy of the Olympic Games?



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"THE MOTTO IS 'TAKE ADVANTAGE OF the games' to do what this city needs," says Maria Silvia Bastos Marques, highlighting the importance of the Olympics in attracting investment from the private sector and eliminating infrastructure deficits ranging from urban sanitation to vocational training. Deadlines are precise; the Municipal Olympic Company itself will expire in December 2016, hoping to leave a legacy for the public administration about how to coordinate projects. "The first lesson we learned is to have an extensive system of governance," says economist Marques, who has been coordinator for external economic policy of the Ministry of Finance, Secretary of Finance for Rio de Janeiro city, and CEO of both the National Steel Company (CSN) and the Icatu Insurance Group. She says, "The Olympics require not only a very intensive planning system but also a sense of relationship and urgency—and leverage of key works for the city."

The Brazilian Economy — In the application packet in 2009, the budget for the 2016 Olympic Games was US$23 billion for all three levels of government. How much will the actual cost of the Games exceed the original budget?

Maria Sílvia Bastos Marques—This estimate was the basis for specifying an array of responsibilities, which have since evolved. There were changes in the list and the scope of projects to meet International Olympic Committee (IOC) requirements and needs that arose subsequently. The final amount will only be known later, when all the projects are further along, with at least the basic design or the work already started, because then you have more consistent numbers. London made three revisions [to its Olympic Game budget] that ultimately more than tripled the initial budget. This is not to say that we will do the same—quite the contrary. But it is a good indicator of the degree of difficulty and the care needed in the release of these numbers. In Brazil, we are dealing with a very long list of projects; we have three levels of government working, plus the organizing committee of the games. Unlike London, where the federal level did most of the work, here the city has to do most of it. We are working to have disclosure that is easy to understand, grouping projects of similar maturity with similar criteria. The important message is that we have now updated this list of projects with the IOC, which follows up monthly, and the projects are all underway and within their deadlines and costs.

Currently, the Municipal Olympic Company (MOC) website states that the investment value of 11 of the 21 projects listed for the Olympics totals US$6 billion, of which 70% is from the private sector. Is the private funding contribution in line with MOC expectations?

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In 2009, we had little idea how much the private sector could contribute, but the search for private resources has been continuous. Much of the Olympic Park will be built with private investment. It is the first time this has happened in the Olympics, and this way we can anticipate the results. As an example. the IBC [International Broadcasting Center], which hosts the television media, is a huge building of about 80,000 square meters within the park. The IBC creates a problem for all Olympics. It's too expensive, too large, it's hard to find a purpose for it after the games . . . In Rio, we solved this problem before the games. How? The public-private partnership (PPP) for the construction of the Olympic Park will have a plan for this property, possibly a mix of residential and commercial real estate development. So this issue is solved without any public money.

The winning consortium will also have the right to convert part of the Olympic Park into a residential district. What were the foundations for this decision?

The Olympics will occupy all the terrain, 1.18 million square meters. Afterwards, the Olympic Training Center (OTC) for high-performance athletes will be a permanent facility, and part of the rest of the land will be transformed into a residential neighborhood. The PPP contract involves construction and maintenance for 15 years of the entire infrastructure of the Olympic Park and the Athletes' Village, and construction of a 400-room hotel, the Main Media Centre of IBC, and the three pavilions that form the future OTC . . . .

We drew up a plan for the games and another for their legacy . . . . We are also concerned to define today what rules will govern the new neighborhood tomorrow . . . . There are requirements for [ecological] sustainability, energy efficiency, and public access . . . The new neighborhood is expected to house 190,000 inhabitants. We thoroughly investigated the PPPs and in each case we sought to improve the use of resources, already thinking about the legacy.

Today, a common problem in Brazil is how hard it is for municipalities to execute projects because of too few staff, rigid procurement rules, lack of funding, and other regulatory issues. What is the main challenge for the EOM to meet its schedule?

The first lesson we learned with this project is to have an extensive system of governance— something completely new. The IOC is very organized, with consultants in different areas, and systems for planning and monitoring, in which we participate. This is extremely efficient because we have regular meetings on safety, transportation, sports facilities, environment, and communication. The three levels of government and the organizing committee sit at the table and so there is coordination among teams, which for Rio de Janeiro is absolutely fantastic . . . [because normally] Rio has huge administrative confusion. In most cases we have been able to deal with the historical problems of the city. For example, the Port project is only viable today because of the coordination. The project

has existed for decades, but 60% to 70% of the land area of the port does not belong to the municipality, it belongs to state-owned companies, the Union, the Dock Company. . . . The Olympics not only brings a planning system, which is very important, with schedules, because we have a deadline that does not change; it also brings coordination and a sense of urgency and leverage to key works for the city.

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Based on the EOM's experience, what processes could be corrected to make implementation of municipal projects more efficient?

This is part of a larger discussion that is not related with the Olympics. It's a long discussion: we have to discuss the federal pact, redistribution of resources, greater autonomy, the number of municipalities . . . . What distinguishes Rio today is the mayor's pragmatism. The mayor exercises very strong leadership, he conveys a great sense of urgency. He knows that this is a historic opportunity for Rio, and if we lose it there is no other [opportunity] on the horizon. So the motto is "take advantage of the games" to do what this city needs. And how is this done? Rio has considerable administrative capacity to carry out projects. Recently the federal government made available considerable large funding for retention and stabilization of hillsides. Because Rio has design expertise in this area, it won 80% of the total.. . . Rio also has a well structured Court of Auditors . . . From the standpoint of municipal government, I believe things are going very well in Rio.

What has EOM learned about negotiating PPPs?

It is a novelty to have the private sector working very closely with government. The government is not the only one leading a process of change . . . . Compared with the previous three decades, the government now offers a very favorable business environment, very positive, to attract the private sector to work, because the government alone cannot cope with this big a challenge. We need the private sector, and the private sector has come through. We see activity in all areas, including oil, gas, steel, as well as in others led by the municipality, such as architecture, creativity and innovation . . . We must seize this moment.

Did London leave any lessons for Rio?

Every Olympics is unique, and each city has its own distinction. Barcelona had one kind of governance, Athens another. From the London Olympics, we gathered important lessons we used in developing projects like the Olympic Park . . . Municipal technicians here observed London's transportation management and the flow of crowds. London, which has one of the most complete transportation services in the world, was successful in preventing transport disruptions; encouraging residents to work alternative hours or at home or to take vacations during the games. But Rio and London have different realities . . . What London did was to create a new pole of development for the city, in the Stratford neighborhood. This area has been entirely revitalized. In Rio, the whole city is being renovated. Dredging of rivers and ponds, a complete reshaping of the city, investment in education, English in public

schools, experimental Olympic gymnasiums—there's a lot going on. It will take time for the city to assimilate and understand the transformation we're currently experiencing.

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The EOM will end in December 2016. What legacy will it leave?

That is something we still have to think about. I have a great commitment to working effectively with all the municipal secretaries. Our role is as a coordinator, resolving issues and being the liaison with the IOC and other governments. We are involved not only in sports projects but with the city itself, establishing a management culture that is already being adopted by the mayor, who has his own project management office.

As construction continues, what will be the EOM's next task?

Services will now have more prominence, and the environment. In July Rio will begin a new approach to waste; we have a intensive campaign and penalties will be imposed, something we have never had. We are seeking a change of culture, because the city needs that. There is a big telecommunications project that is the responsibility of Rio Committee 2016. As for hotels, by 2016 we must increase the supply by as many as 11,000 to 16,000 new rooms. In 2010, the city launched tax incentives for the hotel chains, [such as] write-offs of property taxes and property tax exemptions during construction for buildings acquired before December 31, 2012, and real estate that earns an occupancy permit by December 31, 2015; there were tax exemptions for the purchase and sale of properties to be used as hotels until December 31, 2012, and a lower rate on services for construction or conversion into hotel projects through December 31, 2015. The hotel industry's response has been extremely positive. About 90 hotels are being built throughout the city. When they are completed, the city will have more than 44,700 hotel rooms available . . . We estimate that each new room in a 3 to 5 star hotel generates 0.6 new jobs, so we're talking about 10,000 new jobs. This is also a point that we will address, which is planning training. . . This is important, and under the umbrella of the Olympics Games it gets a sense of urgency, because though it is intangible it is a permanent legacy.



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