



2010 – Infrastructure Legacy

February 2010

Dialogue Summary

The purpose of Infrastructure Dialogue 6 was to explore the anticipated legacy impacts of the infrastructure provided, directly and indirectly, to support the hosting of the FIFA 2010 World Cup tournament in South Africa.

Inputs were provided as part of the dialogue, in the form of resource documents circulated to stakeholders prior to the event, as well as perspectives shared at the dialogue on 25 February 2010, attended by 40-50 stakeholders from the public, private and civil society sectors.

Resource documents:

Development and Dreams, The Urban legacy of the 2010 Football World Cup, Chapter 1, by R Tomlinson, O Bass and U Pillay, 2009

World Cup 2010: South African economic perspectives and policy challenges informed by the experience of Germany 2006 by W Maennig and S du Plessis, Contemporary Economic Policy, Oct 2007

Dialogue programme:

Expert: **Dr Udesch Pillay, HSRC**
National: **Malcolm Simpson, National Treasury**

Notwithstanding the absence of representation from the Johannesburg metro, the impact on municipalities was discussed in more general terms among stakeholders during the dialogue component.

Copies of the resource documents, presentations and agenda can be found on the Infrastructure Dialogues website www.infrastructuredialogues.co.za

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The Infrastructure Dialogues are hosted by the Business Trust Support Programme for Accelerated Development the Development Bank of Southern Africa and the South African Cities Network will be covered by Engineering News.

GENERAL POINTS

Expectations in South Africa are high ahead of the 2010 FIFA World Cup regarding the legacy impacts of the infrastructure provided for the event, and the opportunities for the country across a range of areas, both short and long-term.

The current hype provides much-needed hope for a fractured society and reinforces positive notions of nationhood, but it also masks the gap between expectation and reality in terms of what 2010 can deliver, and the failure at the outset to fully identify and articulate the legacy.

Just over 100 days before the start of the 2010 FIFA World Cup in South Africa, researchers and stakeholders from business, civil society and government met to assess the legacy that this event is likely to have on the country in the longer term.

Discussions during the 6th Infrastructure Dialogue centred on the 2010 Infrastructure legacy of hosting a mega-event of this magnitude and the **possible positive and negative outcomes** thereof for South Africa. In particular, four dimensions of legacy were reviewed, including the degree to which provision of infrastructure can create and sustain economic and employment opportunities; the skewing of investments and thus benefits towards host cities; sustaining and maintenance of services like public transport and stadiums; and the importance of roles and responsibilities of other stakeholders apart from government, and opportunities for co-operation.

The 2010 FIFA World Cup has **provided the impetus to accelerate the development of projects** and has **helped to unlock public funds and expedite delivery** in the country, particularly in terms of ICT, infrastructure, ports-of-entry infrastructure, and transport. It has served to give impetus to **government's upcoming three-year R 846bn infrastructure spending programme**, which has the potential to build on some of the 2010 projects (e.g. roads) and will continue to create a number of employment opportunities.

The **emergence of an improved public transport system** is likely to be the **biggest material benefit**, although it remains to be seen whether this will be a truly integrated system, as the full extent and many components will not be completed by the start of the event. Some of the other positives identified are not insignificant, in particular the 0.5% contribution to GDP which is to be welcomed, particularly as the economy is projected to grow at only 2.3% in 2010/11.

Other concrete benefits are harder to perceive at this point, and there are concerns that, contrary to widespread public opinion, the 2010 FIFA World Cup **will not adequately address South Africa's developmental imperatives to provide sustained improvements in poverty reduction and economic growth**. It is doubtful whether it can realistically tackle basic economic and service delivery needs for the majority of South Africans, while at the same time meeting FIFA's business requirements of increasing profitability for itself, its shareholders and sponsors.

Experience has shown that, in terms of development implications, **no sporting mega-event** requiring significant infrastructure investment **has successfully generated a profit for the host country**. Most studies have found that sporting events have little or no significant impact on regional income and employment, although **there are other less tangible benefits likely to be felt**.

In Germany, for example, host of the 2006 FIFA World Cup, the positive legacy was in the marked change in international perceptions of Germany as a welcoming country, excelling at sport, and possessing a rich cultural heritage. Neither merchant sales nor employment showed significant positive effects, and hotel occupancy rates did not increase. (It is worth mentioning that Germany did, in fact, generate a profit of \$88 million).

For South Africa in 2010, there has been much focus on the promise this event holds for the country, as anticipation of **its potential to deliver on an extensive "wish-list" remains strong**. The list is long, ranging from delivery on development issues, poverty reduction, job creation, contribution to GDP, accelerated service delivery, trade and investment, tourism boost, sports development, investment in infrastructure, transport system development and enhanced international standing.

It is perhaps the **softer, less tangible legacies that are likely to make a bigger contribution**, including notions of nation building, promotion of the country, social cohesion and patriotism, debunking Afro-pessimism, and proof of the continent's capacity and competence.

On the flip side, **concerns regarding its ability to deliver successfully have also persisted**, and continue to receive media attention. These range from readiness, the ability to cope in terms of skills and capacity, electricity needs, hotel rooms, service, public transport, cost escalation, displacement of expenditure, safety and security, the sustainability of stadiums, institutional arrangements, political will, and the possibility of strikes or protest action.

An important component of 2010 legacy is examining how the project has been implemented overall, and how this will inform future planning processes. The strategic objectives identified at the outset, to support the mission of delivering a world class event, encompassed a broad array of needs and desires, perhaps best summarised by the aim to accelerate the development of projects in South Africa, as well as to promote Africa as a good place to do business.

“I find it difficult to perceive the benefits of 2010, as it has certainly not been a pro-poor strategy...”

“2010 was able to create no more than 150 000 work opportunities over an 18-month period, and most of these jobs were low-skilled or semi-skilled, without a skills transfer component embedded in that. “

Udesh Pillay, HSRC

The complexity of managing a project of this size required a very uncomplicated project-based model, creating a myriad of sub-projects in order to tie down every element into a single project.

The **delivery model** adopted was designed to **cut through a lot of the organisational clutter, one of the biggest hurdles to moving funding out of the door to actually fund projects, and to reduce or eliminate political “gymnastics.”** The emphasis has been on tight project management and on streamlining reporting, decision-making, funding, and communication. In reviewing the delivery against plan, it can be said that the strategic objectives have been met, and that people in both big and smaller municipalities have been mobilised to pull off complex and highly pressurised projects and pieces of work, and have done so well.

Several of the projects earmarked for implementation under the 2010 FIFA World Cup banner were already government priorities for implementation, including the investment into public transport systems, and projects around safety and security. That the 2010 timeframes and requirements accelerated public spending in these areas, and that projects were fast-tracked is clear, although it is now evident that aspects of these programmes will not be completed in time –the BRT is one such example.

Lessons have already emerged that point to the need to work faster, smarter, and more swiftly once key decisions have been made. The absence of conceptual thinking in many of South Africa's institutions has also been identified as a weakness, as well as a missed opportunity to take a more developmental approach, and to opt for upgrading existing stadiums.

An interesting result that emerged from one of the largest attitudinal studies monitoring attitudes to 2010, and the benefits for South Africa of hosting the 2010 FIFA Soccer World Cup, was that less than one percent of South Africans expected to benefit from improved service delivery or upgrading of rundown areas, and only one in five expected to benefit from job opportunities.

KEY CONCERNS & CHALLENGES

Several important questions were highlighted in discussion, beginning with budget allocation, expenditure and the expected deficit likely to result from investment in the 2010 FIFA World Cup.

The subject of budget allocation was raised in relation to government's assertion that it would have embarked on several projects anyway, with or without the 2010 FIFA World Cup. The question is the extent to which the budget was a real provision from National Treasury, as opposed to reorganising of budgets from other sources. The experience of some at provincial level is that there has not been a great

deal more made available for, say, building roads, although improving roads is one of the more tangible, visible legacies.

This links to an earlier observation that the upgrading of roads, building of stadiums and other related 2010 projects does not equate to integrated development. In fact projects were embarked on without informing IDPs, and host-city allocations were also not made through MIGs. This suggests a disjointed approach, and a lack of calibration, which misses the opportunity to address things in terms of alignment. It also points to whether there was, in fact, real provision from the fiscus for expenditure on infrastructure, creating a situation of projects coming through the back door, with no dedicated budget or resources.

Related to the above is the matter of host cities receiving the lion's share of budget allocations, versus non-host cities lagging behind and experiencing neglect and possible infrastructure collapse. It was confirmed that no budgets have been chopped, in terms of allocations to host and non-host cities alike, but there can be no question that, with regard to legacy, host cities will be at a distinct advantage as a result of infrastructure assets, an example being the introduction of sophisticated telecommunications systems and broadband that didn't exist before.

“The way that the 2010 FIFA World Cup has mobilised people in smaller municipalities to do a job of work has been fantastic”
Malcolm Simpson, National Treasury

Significantly, there were **no figures presented on private expenditure on 2010 projects**, which when considered in relation to projected deficits, and best and worst case scenarios, would drastically alter these projections. The issue seems to be that there is not sufficient knowledge of public private partnerships at municipal level, where the contribution of the private sector could be quantifiably measured and which would surely mitigate deficits, particularly in terms of maintenance and running of stadiums, for example.

However, the lack of awareness does not mean that substantial contributions from private sector investment into 2010 projects have not been made, much of which is likely to be peripheral investment. Suggestions were made to investigate in more depth significant private sector investments, which will alter the scenario considerably.

Another pressing issue relates to the matter of maintenance, and the current extremely poor maintenance of existing infrastructure in the country, never mind new assets associated with 2010. The legacy of the stadiums, one of the biggest infrastructure costs of this event, and the need to allocate resources for maintenance moving forward, is important here. For its part, Treasury considers maintenance a serious issue and is encouraging cities to secure management contracts to address this matter. It is alarming to note that, to date, only Cape Town Stadium has entered into a franchise agreement with a French company to generate income from the stadium over time.

Another critical discussion point was the expectation that the 2010 FIFA World Cup will be able to deliver on multiple development needs in the country, while also meeting the requirements of FIFA. There has been much publicity about the **opportunity to add on cross-cutting outcomes**, for example job creation, poverty reduction, and public works projects, but the issue is **to what extent these were built in to the original plans**, or have **complicated delivery of outcomes**.

The reality is that, in order to hold projects together, and to meet very strict timeframes, **some of these add-ons have to fall by the wayside**, in order to fulfil project requirements. The result is that some people's needs and expectations will not be met. In this context, it is not possible to serve everyone, but this is probably also the reason that projects are not getting out the door, as it dilutes the effort. This could be considered a legacy issue, a lesson to be learned and shared.

A concern here is that, in the process of cutting through the political morass, development processes already agreed upon are not tampered with, or “walked over” in the interests of the project. Creating a legacy means ensuring long-term sustainability, which must be weighed up carefully within the framework of existing policies and procedures. The particular lesson learned from the experience of the 2010 FIFA World Cup is that for two years, from 2004 to 2006, the process lacked momentum, which required that Treasury step in to impose order and structure in order to get the job done. That lapse in activity will create legacy problems of its own, as processes for implementation needed to be fast-tracked.

The attendant hype associated with South Africa hosting the 2010 FIFA World Cup has highlighted a tendency to look at the outcomes and legacy of 2010 almost up to the event itself and no further, as opposed to looking beyond in terms of increased economic efficiency. One participant phrased this as a need to look at the life cycle of the legacy, and not simply to the end of the last whistle blowing. The key point here is that cost modelling and analysis, in relation to the larger life cycle benefit from the event, can take in the region of 5 years to complete. It is absolutely critical, all participants agreed, to measure the impact of job creation, contribution to GDP, and other benefits through the use of very accessible models to provide quantifiable outcomes when the time is right.

In evaluating the benefit of 2010, it is also important that investments in, for example, ports of entry and roads should be linked to a cost analysis and spend, and their economic proposition to the country. Otherwise, all assessments will be based on the psychological proposition, and the jury will remain out on the economic proposition.

On the subject of regional integration and provision of industrial capacity to neighbouring countries embarking on similar large projects, South Africa has a reasonably experienced workforce, a result of large public works programmes since 1994 that have served the construction industry well during 2010, that could play a positive role in providing assistance to regional neighbours.

Whether the country, or even some municipalities, can look to the implementation of mega events of this nature as potentially yielding some opportunities, or as a potential growth model, is doubtful, based on data and research presented during the Dialogue. However, perhaps more relevant is the ability of a mega project, and maybe not a mega sport event, to pull the country together.

In conclusion, it seemed that the only legacy that is assured is the boost to the country's sense of national pride, and the hope that it provides to a society embattled by income inequality, unemployment, poverty, lack of service delivery and other national woes.

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The **Development Bank of Southern Africa** (DBSA) is one of several development finance institutions in South and Southern Africa. Its purpose is to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. DBSA's goal is to improve the quality of life of the people of the region. For more details see www.dbsa.org.



The Business Trust **Support Programme for Accelerated Infrastructure Development** (SPAID) combines the resources of business and government to accelerate the achievement of the government's infrastructure development targets. In addition SPAID provides a platform to improve understanding and dialogue between senior public and private sector stakeholders in the infrastructure sector. SPAID is an initiative of the Business Trust in partnership with the Presidency of the South African government. For more details see www.spaid.co.za.



The **Business Trust** combines the resources of business and government in areas of common interest to accelerate the achievement of national objectives. It focuses on creating jobs, building capacity and combating poverty. For more details see www.btrust.org.za



In conducting its work, the **South African Cities Network** secretariat is guided by a programme framework that encourages cities to define city development strategies that adopt a long term view on urban challenges. SACN promotes an inter-governmental approach to planning; and a strategic focus on mobilizing city partners. The objective of any city development strategy is to ensure an integrated approach to development and economic growth in SA cities. For more details see www.sacities.net

Each Infrastructure Dialogue will produce a topic based report of the seminar, available electronically to all participants and any other interested stakeholders. An online forum is available whereby individuals can make comment and input into the discussions.



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