

S P O T L I G H T

Brazil

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What Will be the Legacy of the 2014 World Cup for Brazil?

From June 12 to July 13, Brazil will host the 2014 FIFA World Cup across twelve cities. During the tournament an estimated 600,000 foreign visitors and 3 million Brazilians are expected to travel across the country of more than 200 million people. Over 3 billion worldwide will be paying attention to all that happens in Brazil.

Even in the wake of difficulty meeting FIFA deadlines to complete airport and stadium renovations, cost overruns on improvements to stadiums (projected at \$1 billion and now over \$3.5 billion), and the largest protests in Brazil's recent history, the government remains optimistic that serving as a host will catalyze lasting change. Still, doubt pervades among the Brazilian people. The answer will become clearer in the next few months.





What will be the legacy of the 2014 World Cup for Brazil?

Three factors to consider:

- 1 The economic impact of the World Cup hinges on the degree to which the games spill over into long-term job creation and a continued surge in travel and tourism.**

So far, \$11 billion has been invested in preparation for the mega-event; the costs continue to rise. Money spent on long-term investments is one thing, but the debate in Brazil is the extent to which the World Cup will concretely benefit the lives of everyday citizens after the games. With tax revenue accounting for 36 percent of GDP, critics question the large allocation of public funds being spent to meet FIFA's stringent specifications in lieu of improvements to education or providing adequate healthcare.

Yet, a 2012 study by Ernst & Young projects the 2014 World Cup will produce a "surprising cascading effect on investments" in the country. The findings predict that preparations for the event will produce a "snowball, increasing by five times the total amount invested directly in event-related activities" with the impact to be felt across various industries. The event will bring an additional R\$112.8 billion (\$55.3 billion) to the country's economy, with "indirect and induced effects being produced thereafter." Still, two years later, while the optimistic predictions of the study may still hold, market conditions have changed. GDP growth, originally predicted to reach 4.5 percent in 2012, grew just 0.9 percent that year; in 2014, analysts predict 1.9 percent growth.

Job creation estimates vary widely. The federal government is offering free English- and Spanish-language classes and hospitality training for 240,000 people throughout the twelve host cities—an important domestic selling point for the games. At the same time, the Ministry of Sports predicts that anywhere from 3.7 million to slightly more than 100,000 jobs (both temporary and permanent) will be created across industries, with the majority in tourism. Despite the country's image of pulsating Rio, pristine beaches, cowboy pampas, Amazon forests, and colonial beauties such as Salvador de Bahia and Ouro Preto, Brazil only attracts 6 million tourists annually—a small percentage, for example,

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Factor 1 (continued)

of the 53 million who visit Spain. The government's goal is to attract 10 million visitors by 2020, with the hope that the 600,000 international visitors expected for the World Cup will serve as ambassadors back home for Brazil. A positive travel and tourism experience during the World Cup would go a long way toward accomplishing that goal, and to building tourism interest ahead of the 2016 Summer Olympics.

Despite economic projections that lag behind those seen in the early days of investors' Brazil euphoria, the World Cup offers an opportunity to recapture that enthusiasm. Programs like *Bolsa Familia* have lifted an estimated 40 million people out of poverty, and higher education enrollment is at an all-time high. The challenge is how to convert jobs into permanent opportunities and to find ways to apply the travel and tourism skills gained during the World Cup into industries that are also in need of workers with diverse language skills and management experience. That would create a real legacy beyond the final match.

2 Completion of the long list of infrastructure improvements in the less than five months that remain could serve as a catalyst for future investment.

Airports, ports, roads, public transportation, and stadiums are at the top of the long list of infrastructure projects being undertaken in advance of the World Cup. Long plagued by the so-called Brazil Cost (the heightened costs of doing business in Brazil), road and port upgrades will increase transportation efficiencies and hopefully act as a catalyst for greater investment. Still, many question whether the right improvements are being prioritized, especially because each city will



“Those who do not perceive the importance of the World Cup to the Brazilian people have a small view of the country, very small.”

-President Dilma Rousseff, *January 28, 2014*



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The mega-events are a selling point to accelerate progress on long desired public-private partnerships.

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not benefit equally.

For example, in Manaus, preparations have been costly and delayed. Located in the rainforest and isolated from large urban centers, the challenges range from overheated workers to the logistical burden of materials having to reach the city by ship. In addition, questions swirl around the utility of a mega-stadium in a non-soccer city. Cuiabá, capital of the State of Mato Grosso, is a similar case.

Cities like Rio de Janeiro are using the World Cup and the 2016 Rio Olympics as an opportunity to revitalize dilapidated urban areas. The once-decaying Maravilha port is being redeveloped with cultural attractions and new residential developments, using the mega events as a selling point to accelerate progress on long desired public-private partnerships. By creating a new urban center and investing in new metro and express bus lines, residents in a city with an average commute of over one hour are expected to see diminished travel times for the foreseeable future.

With less than five months before the first game, six of twelve venues are still unfinished and dozens of development projects have been put on hold or cancelled. Yet if Brazil is able to finish the infrastructure improvements and show the world it pulled it off, there will be much celebration. It would also put Brazil in a position to continue to attract public-private partnerships for large-scale development projects long after the event.

3

The World Cup has forced Brazilian authorities to double-down on security improvements—an investment that is likely to continue to be ramped up with the Rio Olympics two years away.

Security remains a constant challenge to Brazilian society. But safety has been a top priority for Brazil's World Cup organizers since preparations were initially conceptualized, and the results may be poised to provide long-term solutions.

World Cup preparations have equipped Brazil with an integrated state-of-the-art security management system built through public-private partnerships. The around-the-clock central command center in Rio de Janeiro includes a heliport and is staffed by more than 600 police personnel. Satellite centers are in the other host cities, giving Brazil an edge in preparing for security threats around the games. The new system is intended to create a gold standard in event management. In Rio, the six law enforcement agencies now have new

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**Overall,
preparations
have
improved
security for
Rio's most
vulnerable
populations**

Factor 3 (continued)

technology to improve security that will far outlast the World Cup.

But the real legacy of the World Cup will be felt most by the residents of Rio's 233 *favelas* that have been priority number one since the World Cup and Olympics were announced. Over 500,000 people live in these areas once controlled by drug traffickers. Now, five years after the installation of police pacification units (UPPs) in *favelas*, crime is down and a new trust has developed between the community and the police. Isolated incidents of police brutality exist such as the case of Amarildo de Souza who was kidnapped in July 2013 and tortured by police in the Rocinha *favela*. Yet, overall, the UPPs have improved security for some of Rio's most vulnerable populations.

The classic public safety issues in Brazil have given way to a new, more nuanced security question. Protests against the World Cup last year, along with demonstrations in São Paulo on January 25, exhibit the need for a delicate balance between traditional security concerns and allowing for the growing middle class to express its voice. This is a growing challenge for the country.

Looking ahead, Brazil will continue to be in the global sporting spotlight for the next couple of years as attention shifts from it being host of the World Cup to the 2016 Rio Olympics. Security will continue to be at the top of Brazilian authorities' list for the next couple of years, and the hope is that the economic legacy and critical infrastructure improvements will not be left by the wayside.

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