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Can South Africa use the hosting of the 2010 FIFA World Cup to address issues of unemployment and poverty?

Kunene, Merryman

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Chapter 1 - Introduction

1.1 An overview of South Africa's developmental challenges

South Africa's winning the rights to host the 2010 Fifa World Cup represents one of the greatest triumphs for the nation. It also highlights some the massive challenges faced by this country. This country has made tremendous strides over the past decade – transforming a struggling economy growing at a negative rate in the early 1990s into positive growth of an annualised rate of 4.4%. However, unemployment and poverty have become permanent features of the society, according to the Human Sciences Research Council (*State of the Nation, 2005/2006*). It seems existing policy approaches have enabled the economy to achieve impressive growth rates without necessarily addressing socio-economic problems like poverty and unemployment.

For instance, Statistics South Africa (*StatsSA, 2008*) has shown unemployment, using the strict definition, still hovers around 25.6%. While there is no consensus on the definition of poverty, it is estimated that more than a third of the South African population lives below the poverty line as defined by the UNDP's Human Development Index (HDI). Initial assessment of the 2010 Fifa World Cup indicates the event could help the country achieve its economic growth target (6% annually), enabling the country to reduce poverty and unemployment and also address infrastructure backlogs (*Grant Thornton, 2004*).

The hosting of the 2010 World Cup, the Grant Thornton report argues, holds a lot of promise for South Africa. However, it all depends upon the manner in which national development policies are formulated to approach this event – and it could determine whether the country is able to extract maximum benefits. While the general impression is that hosting an event like the 2010 World Cup represents an economic windfall, it could also be that such an exercise poses huge challenges and represents an opportunity 'stalked by hazards.'

A key question for policy makers and development practitioners is: what kind of policies and approaches are suitable for the country to reach its developmental goals, using the World Cup as one of the vehicles? The major thrust of the thesis would be to try to identify pitfalls associated with hosting such a mega event as the 2010 Fifa World Cup. Locating and using information

gleaned from the past experiences of previous World Cup hosts such as South Korea in 2002 and France in 1998, will be prudent.

While there may be other ways of understanding the role of the 2010 World Cup enabling South Africa to reach its economic growth targets, addressing issues of poverty and unemployment, infrastructure development are repeatedly raised as the most important elements for consolidating and spreading economic gains equitably. This is according to the government policy document, Accelerated and Shared Growth Initiative – South Africa (Asgi-SA, 2006). It is a point which has been reiterated by the Development Bank of Southern Africa (DBSA, 2006) in its recent publication of the *Infrastructure Barometer 2006*. It particularly cites water and sanitation, energy, transport, information and computer technology (ICT) as key sectors.

This enquiry also seeks to question whether investments in infrastructure will not only enable South Africa to deliver a ‘world class event,’ but could also help the country address infrastructure backlogs as well as deal with the country’s developmental challenges such as poverty and unemployment. The government has set aside approximately R372 billion for infrastructure development – at first arguing it is not just for the 2010 World Cup – presenting it as an investment into the future. Although the government has taken a lead in the form of infrastructure investment, an ideal situation would be one where both the state and the private sector play a role in infrastructure investment in what is commonly known as public-private partnerships (PPP).

The ruling ANC initially approached the problem of unemployment in its policy document – the Reconstruction and Development Programme (RDP). They treated joblessness as a phenomenon that could be dealt with through expanded public works programmes using labour-intensive methods (*RDP, The Policy Framework*, 1994:15). Essentially, it was an approach advocating growth through development.

Several factors including economic volatility in the post-1994 environment necessitated a change of approach – hence the evolution to the Growth, Employment and Redistribution (Gear) policy that pushed for development through growth. However, unemployment continued to rise. It was just above 23% in 1999 (Roux, 2002:53), and the ruling party started to look at options such as a

change in labour regimes. They called for more labour market flexibility to address unemployment. This proposed change in policy was opposed by the party's alliance partners – the Congress of South African Trade Unions (COSATU) and the South Africa Communists Party (SACP) at the congress in 2005. It must be said that this debate is yet to be settled. It must be said that the ANC did only look at income redistribution as a way of addressing poverty, social transfers to vulnerable groups. Similar debates pertaining to policies of income redistribution and social transfers to vulnerable groups are yet to be settled.

1.2 Thesis statement and the intended contribution of this enquiry

The hosting of the 2010 Fifa World Cup was touted by both government and the local organising committee (LOC) as 'a missing between link' in the country's effort to reach its economic growth targets. Substantial growth of 6% annually is required to deal with the developmental challenges faced by South Africa. However, looking at the experiences of previous World Cup hosts like South Korea, France and Germany, it could be argued that the perceived benefits with regard to jobs and rapid economic growth are overstated.

Evidence from mainly two case studies indicates the economic impact of hosting the World Cup is minimal and at worst, could be damaging to the host cities. For example, in South Korea, cities expected to use the World Cup to promote sports, culture, infrastructure development and improve sports stadiums. Yet afterwards, these cities were faced with financial difficulties, (Horne & Manzenreiter, 2002:181). This evidence was corroborated by findings in studies from France, indicating "economic effects of the 1998 Fifa World Cup had been small and difficult to quantify," (Dauncy & Hare, 1999:211). The 1999 7th All Africa Games in Johannesburg showed another facet of the debate on whether mega-events could make a positive impact in reducing poverty and unemployment.

Economic development theories, particularly those drawing from Keynesian approaches, suggest a mega-event like the 2010 Fifa World Cup would be an ideal project for the state and the private sector to coordinate investments in such a way that the event delivers positive externalities across a variety of industries. The central point of all these investments is in infrastructure. Yet, for all the good infrastructure built for the event – such as the athletics stadium in central Johannesburg and

the low cost housing in Alexandra – the 7th All Africa Games made very little impact in terms of providing jobs and reducing poverty. Interviews with people in Alexandra and Johannesburg Stadium revealed that issues of poverty and unemployment are still rife in these areas; good infrastructure notwithstanding.

All the cases reviewed show the limitations of some of the existing development theories and approaches. It is the contention of this paper that a mega-event like the 2010 Fifa World Cup can be used to address issues of poverty and unemployment, provided investments on infrastructure have a long-term outlook and public-private partnerships (PPP) become the central feature in all activities. For instance, investments in stadiums have shown they could provide jobs in the short-term but may later become a burden for the cities.

1.3 The Promise of the 2010 Fifa World Cup

According to the project assessors, Grant Thornton (2004) in their initial report, they argued that hosting the 2010 World Cup could provide an estimated 160,000 jobs. These would come through various activities in sectors such as transport, construction, SMME's and tourism. Thus, it would help stimulate economic growth via an influx of foreign capital (Bid Book, 2004). This was also cited as an incentive for infrastructure development required for growth by addressing backlogs in areas such road construction, airports upgrades and service provision. The report also argued the World Cup could launch South Africa as an ideal investment destination for global capital. Very little was said in the Grant Thornton report about what the 2010 Fifa World Cup could do with regard to poverty alleviation.

It could also be argued that South Africans have great expectations on what the 2010 Fifa World Cup can do for the country – individuals, companies, municipalities and other spheres of life in South Africa. For instance, a recent study by the Human Sciences Research Council (HSRC) revealed the majority of South Africans is very upbeat about the prospects of the country hosting the 2010 Fifa World Cup. They are optimistic in terms of delivering jobs, setting-up short-term projects in areas such as tourism, construction and ICT services, amongst other things (HSRC, 2006).

While the economic benefits of hosting the 2010 Fifa World Cup are well articulated in the Grant Thornton Report, the matter of how they could be achieved lies with both implementation by the Local Organising Committee as well as aligning the event with the overall economic policy of the country. For Tito Mboweni (2007), the Governor of the Reserve Bank of South Africa, the 2010 Fifa World Cup has to take place within the context of employment creation and economic growth. One of the most critical aspects of hosting this mega-event, according to Mboweni, is to make sure costs do not escalate to a point where it defeats the main objectives of accelerating economic growth. Another aspect of hosting the event could be unintended consequences such as rising prices due to inflation. The Governor identified the tourism and construction sectors, through infrastructure investment as the central features of the 2010 Fifa World Cup, for creating employment and economic growth. A study by Bohlamann and Van Heerden (2005) concluded that the 2010 Fifa World Cup can make a positive impact upon the South African economy.

Job creation

As highlighted earlier, unemployment is one of the major challenges facing South Africa presently. Government, through its GEAR policy document (1996), argued the job creation process in the country entails aspects such as: “(i) economic growth that could account for one-third of the increased job creation, government can add another quarter of new jobs through labour-based infrastructural development and a further 30% could come from the private sector,” (GEAR, pg6). For the purposes of this enquiry, a combination of public expenditure on infrastructure and private sector activities related to the 2010 Fifa World Cup should, in theory, help create jobs.

Business opportunities

The private sector is often better placed to extract benefits from mega events such as the 2010 World Cup. This is because they are in a better position to take advantage of opportunities arising from situations requiring licensing and intellectual property rights. In particular, the South African government has encouraged local firms to take advantage of an arrangement made with the Federation of International Football Associations (Fifa) allowing for a different form of licensing. In such a scenario, there are first, second and third-tier agreements which allow local firms to participate in procurement processes without incurring high transaction costs associated with first-tier sponsors and Fifa partners such as Master Card, Adidas and MacDonalds.

Fast tracking urban development & economic infrastructure

Ten stadiums have been earmarked for the 2010 Fifa World Cup across the country. Urban renewal programmes have started in places like Gauteng. Three stadiums – Soccer City in Nasrec, Ellis Park in Johannesburg CBD and Loftus Versveld, in Pretoria – are currently under renovation. These programmes, in some respects, illustrate the need for complimentary and simultaneous efforts allowing these municipalities to address their dire need for new and efficient transport systems. This is demonstrated by projects such the Gautrain – a rail link between Johannesburg, Sandton and Pretoria – airports infrastructure and hotel accommodation amongst other initiatives. While the exact approach in urban development and infrastructure investments will be dealt in more detail in the next chapter, which focuses on theoretical framework, it is important to state complimentary and simultaneous efforts should produce positive externalities and ideally be a process combining public and private partnerships (PPP).

A catalyst for social change

In other countries, issues of social cohesion and national unity may seem trivial. However, South Africa is still very much a country in transition. Therefore, any activity engendering national unity could play a vital role in reducing social tensions which could possibly leading to turmoil and retard economic growth. Research by the HSRC (2006) on the public attitude towards the 2010 Fifa World Cup proved there is overwhelming optimism towards a successful hosting of the event (HSRC, 2006). And, having shown that the majority of South Africans are upbeat about the 2010 Fifa World Cup, the event could enhance issues such race relations. According to a survey by the Washington Post/Kaiser Family Foundation/Harvard University (2004:10), results showed 32% of the local citizens are yet to overcome the effects of apartheid rule.

1.4 The Scope of the Study

The enquiry began by identifying the developmental challenges faced by South Africa. While there are other challenges the country must deal with, the enquiry has narrowed its scope to poverty reduction and unemployment. A central part of this research is intended to examine the promise of the 2010 Fifa World Cup and ascertain the extent in which the event can play a positive role in addressing issues of poverty and unemployment. A combination of literature reviews and a

selection of case studies will show that hosting mega events on their own does not make meaningful contributions to a country's development. However, a deliberate effort to link activities and co-ordinate infrastructure investments across sectors could yield positive externalities in the long term, thus creating jobs and reducing poverty.

The second part of the paper focuses upon theoretical assumptions about economic development, poverty reduction and unemployment. Existing economic theory, in particular the Keynesian approaches, suggests unemployment can be dealt with through expanded public works. An event like the 2010 Fifa World Cup is ideally suited for such a programme. Following through the Keynesian approaches, other economic development theories like Rosenstein-Rodan are discussed in relation to economic growth and the problem of unemployment. In particular, the paper puts into test, the big push theory which advocates simultaneous investments in various sectors in order to achieve economic growth as an important part of reducing poverty and unemployment.

The third portion focuses on methodology and case study methods used to collect data. The data collection process was two-pronged: (i) It takes a look at the impact of hosting the World Cup based on the experience of South Korea who hosted the event in 2002; and (ii) South Africa's own experience from hosting 7th All Africa Games in 1999.

The section on findings follows the data collection. Findings from the two cases were inconclusive in showing whether or not hosting a mega event like the 2010 Fifa World Cup can make a meaningful contribution to the growth of the economy. This is the essential element in dealing with issues of unemployment and poverty. The paper had sought to show short-term gains in reducing unemployment and poverty may be unattainable. Yet, at the very least, the enquiry would prove investment in infrastructure, as part of the 2010 Fifa World Cup, could improve the lives of the poor.

In South Korea, the unemployment rate declined from 4.2% in 2000 to 3.4% in 2003, according to the IMF (*Economic Outlook*, 2004). – However, it is difficult to attribute these changes to the impact of the 2002 Fifa World Cup. The South African case, though, (7th All Africa Games) produced unusual evidence. It revealed, amongst other things, that building stadiums makes little

contribution to the economy. Contrary to the Keynesian theory and other later development theorists, investment in infrastructure by the state proved to be insufficient to encourage the private sector to create the necessary jobs to reduce unemployment and poverty.

The summary and conclusion deals with some of the limitations of this enquiry and makes policy recommendations. It has been very difficult to get precise figures on the expenditure for the 2010 Fifa World Cup. Thus, a cost-benefit analysis is impossible to ascertain whether or not the event could deliver on of its promise of job opportunities. Some of the inherent issues with the case method are that it is often difficult to generalise findings. For instance, the expected ‘crowding in’ of private investment in Alexandra did not occur even after the state had ensured that, as part of the 7th All Africa Games, sufficient infrastructure was in place. This does not necessarily prove the failure of conventional development economic theories. It may merely suggest a case of chronic poverty in the area, which makes it less attractive to the private sector.

Chapter 2 – Literature Review

2.1 Review of “Sports Mega-Event” economic impact studies

Impact studies on the hosting of sports mega-events like the Olympics Games and Fifa World Cup tournaments are often generated by the advocates of the event. Typically, these are people and organisations are the business and political elites of the host country and/or city. All such “rosy pictures” are therefore presented with the hope of securing public approval for the event. Assessments of the perceived benefits tend to take various forms, incorporating cost-benefit analyses, input-output models and computable general equilibrium (GCE) models as an ex-ante analysis of the event’s potential. For instance, in the case of South Africa, the organisers initially used the cost-benefit analysis compiled by Grant Thornton in 2003. This report concluded that the 2010 Fifa World Cup will require direct expenditure of R12.7 billion but would yield benefits to the tune R21.3 billion to the GDP, as well as create 159 000 jobs. A summary of the Grant Thornton report (2003) is included in the appendix.

Harry Hiller (1998), argued that a political economy model to mega-events is more appropriate as it suitable for a longitudinal study of the event to assess the impact “between pre-event, during the event and post-event” (pg. 47). The political economy approach, according to Hiller, “generates analysis of consequences in terms of cause-effect relationships such as increases in tourism, urban infrastructural improvements, or the more intangible benefits of civic pride, and international image building,” (Hiller, 1998:47). While there are various approaches of assessing the impact of sport mega-events upon the local economy, the general impression is that benefits are often too complex to quantify accurately and/or are often overstated. Another factor making the assessment of impact analysis difficult is that outcomes differ according to the circumstances of time and location. A good example can be found when examining the cost and benefits of hosting the 2002 Fifa World Cup in South Korea.

South Korea is regarded as a developing nation and differs when compared to other recent hosts, such as Germany in 2006. Matheson & Baade (2004) contends South Korea needed about \$2-

billion to revamp its infrastructure and build ten new stadiums. Conversely, four years later, Germany required only about \$704-million to finance the entire tournament. This, of course, was due to the state of infrastructure in Germany, which was much more advanced (Maenning & du Plessis, 2007:579).

The requirements of hosting a sport mega-event for developing nations differ from those of industrialised countries, (Matheson & Baade, 2004). Often, it is not just a question of infrastructure. Funding requirements also differ in the sense that developing nations may require more public funding to get project off the ground. In industrialised countries, the private sector is better suited to play a role as it (the private sector), expects to reap the benefits in the long term. For example, Maenning & du Plessis argue that in Germany 2006, the building of Bayer Arena – the home of Bayern Munich and 1860 Munich, the local teams – the World Cup organisers had the enthusiastic financial support of both clubs. Both organisations were already feeling the pinch of using the old Olympic Stadium and favoured moving into a new stadium, thus making it easy for the local municipality to drive the process of building a stadium for the 2006 Fifa World Cup as a complimentary arena for the local teams.

There are various elements in the review of the impact of sport mega-events of host countries. However, for the purposes of this study, these will be limited to four ‘benefits’:

- flowing from tourism and hospitality industries
- from the building of stadiums and other sports arenas
- flowing from construction and transport sectors particularly in the pre-event stages
- flowing from the building of additional social and economic infrastructure which could aid economic growth and development for the host country or city.

The other aspect of this review is a discussion on the theoretical issues arising with regard to the afore-mentioned sectors. These include issues such as whether attracting event-related tourists displaces “regular” tourists. Will stadiums and arenas be regarded as public goods? If not, why would they need state subsidies? Still on the issue of funding, questions must be asked about the opportunity cost of spending R2.3 billion on stadiums, in the case of South Africa, as opposed to spending the money on basic service delivery. The literature review concludes by introducing the

notion of social exchange with regard to analysing the benefits of sports mega-events. "...The theory suggests that local residents are likely to form their perceptions based on the expected value of exchange before the actual exchange occurs," (Kim, Gursoy, Lee, 2004:87).

(i) Benefits flowing from tourism and hospitality industries

The tourism and hospitality industries are often cited as major beneficiaries of sport mega-events – with 2010 Fifa World Cup estimated to attract about 230 000 tourists. These will contribute about R21.4 million to the GDP, according to the Grant Thornton report (2003). Impact studies on recent mega-events like the 2003 Cricket World Cup have shown tourism generated about R1.2 billion for the South African economy. Recent studies on the impact of the 2002 Fifa World Cup in South Korea revealed the hotel sector recorded the highest activity of employment during the World Cup – and created as many as ‘31 349 full time equivalent jobs,’ according to Lee & Taylor, (2004). Other highlights of the Lee & Taylor study ‘*Critical reflections on the economic impact assessment of a mega-event: the case of 2002 Fifa World Cup*’ are that the World Cup generated as much as \$1.5-million in output sales and World Cup tourists spent as much as 1.8 times more than “regular” tourists.

While these were cited as positive aspects of the 2002 Fifa World Cup in the tourism and hospitality industries, there are suggestions that the reported tourism boom of the World Cup displaced regular tourists. Thus, the benefits related to the mega-event may be overstated. The next section on theoretical issues considers the displacement on tourism, the crowding-out effect and the general reliability of the estimation of the multiplier effect of a mega-event are also taken into account.

Apart from generating income and employment as a sector, another feature of the tourism and hospitality industries is that it generates considerable tax revenue for the state. The Grant Thornton report estimated that the 2010 Fifa World Cup would generate about R7.2 billion in taxes. While those figures may seem overstated, tourism in the 2002 Fifa World Cup generated about \$713 million when indirect taxes were included, according to Lee & Taylor, 2004.

(ii) Benefits from building stadiums and sport arenas

The perceived benefits flowing from the construction of stadiums and arenas for a sport mega-event range from the facility's ability to create jobs especially in the pre-event stage; during and after post-event. The facility should continue to generate taxes for the municipality whenever an event – like a concert or a soccer match – takes place. Therefore, stadium activities should act as a catalyst for urban renewal and development. Prior to the 2002 Fifa World Cup in South Korea, the country built ten new stadiums for the event. Unfortunately, some of them had to be demolished after the World Cup because there was no use for them (Horne & Manzenreiter, 2002).

The major objection to the construction of mega-event stadiums and arenas is that most of the funding is borne by the state. This is especially true in developing countries. It is apparent that the lack of state funding as it relates to the tendency for such construction to have localised rather than national benefits. Siegfried & Zimbalist (2000: 13) further argue there is “no statistically positive correlation between sports facility construction and economic development.” Another argument against state funding of sports facilities is that the few benefits derived accrue to a small band of private operators, who in turn, get to operate the stadium without the subsequent involvement of the state. For an example, the Johannesburg Metro Council built the Johannesburg Stadium in 1992. After many years of failing to operate the facility, the council decided to hand over the stadium to a private company – the Ellis Park Consortium. Thus for Dennis Coates, (2007) “stadiums are an ineffective means of creating local development measured as income or job growth,” Coates, (2007:565).

As illustrated above, issues needing to be addressed in assessing the economic impact of stadiums and arenas are the extent to which the facility is subsidised by the state. All phases must be taken into account; the pre-event stage (construction), the ownership of the facility post-event and the benefits thereof derived as a means of costs recovery. This includes getting a sensible return on investment via taxation for every game/event taking place at the stadium. It is problematic, though, to achieve this ideal while the facility most often lies idle in the aftermath of the mega-event.

For the 2010 Fifa World Cup, South Africa is in the process of building no fewer than five new stadiums in Cape Town, Durban, Nelspruit, Polokwane and Port Elizabeth. As well, the country

has embarked upon extensive upgrades of existing facilities in Bloemfontein, Ellis Park, Soccer City, Pretoria and Rustenburg. The total cost of these projects amounts to approximately \$10 billion – almost exclusively funded by the state. By comparison, Germany in 2006, built 12 stadiums for the World Cup. “...More than 60% of the expenditure of the 12 World Cup 2006 stadiums were financed by the clubs and private investors,” argued Maenning and Du Plessis, (2007: 580). The issue of cost-recovery from sports facilities before and after a mega-event could be easily addressed by the BOO (build-own-operate-transfer) approach advanced by the World Bank in its Development Report (1999) – *Infrastructure for Development*.

There will be more on development-related infrastructure and sports facilities in the next section on theoretical issues where subsidies are discussed. The theory of public good in sports industry is interrogated and also, a brief overview of the multiplier effect of sports facilities is introduced.

(iii) Benefits flowing from construction and transport sectors

Construction and transport sectors are perceived to be the main beneficiaries of sport mega-events during the first phase of the event; the pre-event stage. This is due to the fact that most the fundamental activity in hosting a mega-event starts with the construction of the stadiums, airport upgrades and public transport networks such as the Gautrain are intensified. As yet, there are no specific figures on the number of jobs such activity creates in construction. Yet, it remains a pivotal area of job creation in the pre-event stages of a mega-event project.

Transport infrastructure has multiple impacts upon mega-events, according to Bohlmann & Van Heerden (2005). A simulation by Bohlmann & Van Heerden developed using a UPGEM model showed “improvements to infrastructure, especially the transport sector, will translate into greater productivity and technological progress in the local economy.”

One of the most visible transport projects closely associated with the 2010 Fifa World Cup, but not exclusively designed for the World Cup, is the Gautrain. The Gautrain is an ambitious project of the Gauteng province. It seeks to restructure the public transport system within the province. According to Jack van der Merwe (2006), the project leader of Gautrain, the projected economic impact of this rail system is to create about 53 000 jobs during the construction phase. Increased

business sales of R6 billion is expected to boost the Gauteng GDP by 0.7 to 1%. Bohlmann & Van Heerden (2005) cautioned that a positive impact of transport and construction activities in mega-events lie with the financing of these projects. The ideal financing arrangement is one which allows for the participation of both private and public institutions as opposed to the state shouldering the burden of risk. In the case of the Gautrain project, most of the funding comes from the state, according to Van der Merwe (2006).

(iv) Benefits of mega-events from revamping social and economic infrastructure

It is often said mega-events cannot take place without substantial improvements and upgrades of the areas –country and/or city – hosting the event. Mega-events, it is argued, represent a catalyst for urban renewal. That translates into wholesome upgrades in housing, roads and all nodes of network communications, including transport, information and communications technology (ICT). The benefits of improved infrastructure stocks as a consequence of hosting mega-events are numerous including its (infrastructure) ability to raise productivity, to improve living standards and lowering of transaction costs.

For instance, the World Bank Development Report (1994) *Infrastructure for Development* contended that improved infrastructure stocks can deliver a high rate of return on the economy. For Example, an investment in infrastructure has a positive correlation to GDP growth, (pg15). The report contends a “total infrastructure stocks increase of 1 percent with each 1 percent increment in per capita GPD, house access to safe water increases by 0.3 percent, paved roads increase by 0.8 percent, power by 1.5 percent and telecommunications by 1.7 percent,” (*Infrastructure for Development, 1994:15*).

There is evidence from previous mega-events hosts that in preparation for the event, the host can reap major benefits by linking the infrastructure requirements for the event as well as its development programs of host city or country. As an example, the Summer Olympics in Barcelona 1992 – now touted as the best model of running successful mega-events – is said to have transformed the city from a decaying manufacturing centre into a services hub of modern commerce (Brown & Massey, 2001: 24).

2.2 Theoretical issues

Theoretical issues often raised with regard to the benefits of hosting sport mega-events suggest the benefits are overstated and that the costs of hosting the event are often understated by event mega-event advocates. A variety of issues emerge in the literature review on what is known about the benefits of hosting a mega-event and the most prominent features with regard to the theory are:

- the crowding out effect;
- the multiplier effect;
- opportunity cost of using public funds;
- public good approach to stadiums;
- and the social exchange theory

Again, it must emphasised that the evidence, so far, from literature reviews seem to suggest the economic impact of mega-events is often overstated by advocates who are pro-hosting.

While tourism is widely acknowledged as the main area in which the benefits of mega-events are realised, there is growing literature showing that sports tourists differ from regular tourists. Thus, mega-events could lead to “the crowding out effect of ‘sports tourists’ supplant other travellers,” according to Matheson & Baade (2004:1089). Matheson & Baade argued that measuring the economic impact of sports tourists “fails to identify those regular tourists who are displaced” as a result of the mega-event. Also, that there are doubts about the methods of measuring expenditure patterns which justify the tourists' contribution to the economy.

The displacement of regular tourists is an issue taken up by Lee & Taylor (2003), in the case of South Korea, in the aftermath of 2002 Fifa World Cup. Lee & Taylor (2003) were able to reach the conclusion that 34.6% of the tourists in South Korea were football tourists. Yet, there is evidence from the country’s statistics office that a large chunk of regular tourists, largely from Japan did not visit South Korea that year. This could be explained by the fact that Japan had been the co-host of the 2002 Fifa World Cup, and thus, there was little reason to go to South Korea to “see more of the same.”

Another common measure of economic benefits of a mega-event is the multiplier model. This is

defined “as the impact of a change in investment spending”, (Mohr & Fourie, 2004: 477). In the case of mega-events, the focus is usually placed on tourism multipliers. A more simplified version of the multiplier effect with regard to mega-events is: “direct spending increases induce additional rounds of spending,” (Matheson & Baade, 2004: 1090). Unfortunately, there is no statistical proof that spending on mega-events does actually induce a wave of general expenditure to the benefit of the economy. In fact, Matheson & Baade have argued economic multipliers are used inappropriately and they (the economic multipliers) are not able to account for most of the variables at play when analysing the benefits of mega-event.

In South Korea, for example, Lee & Taylor (2003) found that tourist expenditure was estimated at 1.8 times more than regular expenditure. However, there was no way of knowing whether the net benefit of that extra expenditure contributed to the economy. Other aspects casting doubt on the reliability of economic multiplier estimates as evident in the case of South Korea, where rates of accommodation were rising in hotels and indeed, there was a general rise in prices. However, almost all the benefits seemed to accrue to a few private corporations like hotel owners, who according to Kim, Gursoy and Lee (2004), were not too keen to pass over the benefits to their employees. – Some of these employees were required to work longer hours as a result of the 2002 FIFA World Cup in South Korea.

Thus, the general impression is that multipliers, when not used properly are not a reliable measure of economic benefits accruing as a direct result of hosting a mega-event like the 2010 FIFA World Cup. If anything, economic multipliers are prone to overstating the benefits much to the advantage of mega-event advocates. Matheson (2004:8) concluded: “since the benefits accrue to non-local capital owners, leading to higher than normal leakages of income, the money generated from these events is unlikely to re-circulate through the economy, and any multipliers applied are, therefore, probably inflated,” pg8.

Most of the literature reviewed in the last section showed the expenditure for country or city aspiring to host a mega-event like the World Cup would come from the building of stadiums and arenas. Most analysis of the costs and benefits of hosting mega-events – especially from mega-event advocates – often show sports facilities represent a major benefit, regardless of the initial

costs of building. However, they never talk about the possibility of disuse after the mega-event. Theoretical issues on facilities centre upon whether or not the facility could be considered as a public good. Whether it is likely to recover costs (return on investment) and thus, the opportunity cost of spending on such facilities as opposed to simply funding service delivery in that particular city where the facility would be built.

The notion that the state must fund the building of sports facilities as a public good – working in the public interest – does not fit well with conventional theories of non-exclusivity and hence, the use of the facility for communal purposes. Ownership of sports facilities usually reside with local clubs who charge user fees to anyone wishing to utilise the stadium. However, in the case of municipally-owned stadium, the state can recoup costs through a variety of taxes. For Seigfried and Zimbalist (2000), the idea that sports facilities represent a public good and thus, are a benefit for the host city and its residents is not convincing.

They argue that public good characteristics are absent in this case as it is only club owners who appropriate economic benefits, with state reduced to the role of taxing revenues from stadium usage, (pg103). It must be added though, that these models of ownership, control and use of sports facilities are more common in developed countries. For instance, none of the soccer clubs in South Africa has stadium ownership and probably the notions regarding the facility as a public good could be applicable if access was to be free for one and all.

A less commonly applied theory used in impact analysis is the ‘social exchange theory.’ – This is largely regarded as taking more cognisance of social impact as opposed to economic impact upon the benefits of sport mega-events. This is mostly used in ascertaining perceptions and attitudes of people in the host city or country. The social exchange theory, according to Kim, Gursoy & Lee (2004) suggests residents are able to articulate what they want from the hosting a mega-event. Over an extended period of time – from the pre-event post-event surveys, perceptions and attitudes – they are a more reliable barometer of the effects of mega-events.

The ‘social exchange theory’ and the subsequent social impact analysis could also provide a different perspective about winners and losers – beneficiaries and victims – in hosting mega-

events. It also helps to add legitimacy to cases where public funds are used to facilitate the hosting of the event. Residents' perceptions provide a bottom-up approach to the gains and losses of hosting a mega-event. Residents' perceptions are also an invaluable indication as to levels of the local population's participation in what is, essentially, an exercise to promote development goals.

For instance, Kim, Gursoy & Lee (2004:) were able to demonstrate that in the 2000 Sydney Olympics, local residents were very enthusiastic about the Games. This was particularly true in the early stages (pre-event stage) and it was easier for organisers to secure the participation of residents in a variety of event related projects. It must be said these kind of social impact studies are often done in a longitudinal survey and results tend to vary.

The Human Sciences Research Council (HSRC) is conducting similar studies on perceptions and attitudes towards the 2010 Fifa World Cup. In its most recent survey concluded that "South Africans continue to have positive expectations and attitudes towards the World Cup," HSRC (2007). This longitudinal survey started in 2005 and the most significant trend to read from the study is that people's attitudes and perceptions regarding the 2010 Fifa World Cup change over time. For the most part though, respondents still believe that the event "will bring lasting and widespread economic benefits to the country and their area of residence".

According to the HSRC (2005), "in 2005 respondents were almost equally divided on whether these expected benefits would be of 'lasting' or 'short term' in nature". Respondents think the 2010 Fifa World Cup will have a positive impact in their lives in terms of creating jobs and business opportunities. Respondents also voiced concerns that the event could have negative effects like increased crime, consumer price increases and that it could also result in poor service delivery in municipalities.

From the HSRC 2007 survey, positive expectations about event from respondents 'continued unabated', the survey showed. However, there are changes in attitudes and perceptions about the 2010 Fifa World Cup. The most noticeable change was regarding benefits – the percentage of respondents who expect economic and employment benefits dropped from 62% in 2005 to 51% in 2007. According to the HSRC (2007), "South Africans were beginning to be more realistic and

discerning about their expectations”.

2.3 Brief discussion on literature review and methodology

At this stage, it is increasingly clear the literature review available on the hosting of mega events seems to point towards a situation in which South Africa would be hard pressed to conclusively show that hosting the 2010 Fifa World Cup would yield tangible benefits in employment and economic growth. This is not to pre-empt the findings that are set to follow. However, the literature reviewed above suggests the benefits of hosting a mega event are difficult to quantify. The cases of South Korea in 2002 and the 7th All Africa Games in 1999 in the next section (Chapter 3), will demonstrate that mega-events can make a positive contribution to a country seeking to deal with development challenges such as unemployment and poverty. However to achieve this, deliberate efforts must be made to link the event to specific development goals.

CHAPTER 3 - Methodology & Comparative Cases

SECTION A - METHODOLOGY

3.1 Introduction: Social and economic impact assessment of a mega-event

The exercise of undertaking a social and economic assessment for a mega-event like the 2010 Fifa World Cup, for the most part, is two-pronged: *ax ante* and *ex post*. In some instances, such an exercise is undertaken in three stages – pre-event, during and post-event. As indicated in Chapter 2, the methodologies towards measuring the impact of such an event often depends upon at what stage the event is progressing through. Thus, this particular study would be a ***pre-event assessment*** for the 2010 Fifa World Cup, because at the time of writing, the event has not occurred.

However, this enquiry will draw from the experiences of previous hosts, using more recent and relevant case studies, particularly the 2002 Fifa World Cup and the 1999 All Africa Games. South Korea will provide direct experience for hosting such a mega-event by a developing country such as South Africa. As well, the 7th 1999 All Africa Games held in South Africa will give a view of experiences of hosting a mega-event and making a deliberate effort to link activities to a country's developmental goals, such as addressing poverty and unemployment.

There are several advantages to using case study methods, such as the fact that these provide insights from experience. They are not merely an investigation of general tendencies. While the data analysis aspects will be discussed in the latter section of the chapter, it is worth mentioning case studies allow for a more comprehensive comparative analysis. As well, they provide specific benefit-cost analysis, output-input models and comparative analysis of the situation prior to the hosting of the event and post-event changes, if there are any.

Most of these techniques are useful. For instance, in understanding the experience of a country such as South Korea in hosting the 2002 Fifa World Cup event, or drawing from historical accounts on what tended to happen to previous hosts of such events. Of course, this methodology has some disadvantages, such as the fact that an enquiry using a case study approach is unlikely to

deliver conclusive causal links between variables as well as possibly being subjected to interpretative or perceptive biases.

There has been a lot of debate about the efficacy of social and economic impact assessment of mega-events. Thus, the measuring of actual change as a result of the event is next to impossible as often there is not enough information to make a definitive judgement. This tends to happen regardless of whether one uses a cost-benefit analysis, input-output models, computable general equilibrium (CGE), multiplier effect or the political economy approach.

Matheson and Baade (2004:1090) lamented about the improper use of economic multipliers possibly leading to claims exaggerated benefits, particularly in the pre-event stages. It must be added though, that at this stage, this enquiry does not seek to develop a new approach or method to measure benefits of a mega-event. The position of this paper is to use available methods, depending on the specific project such as measuring the impact of a housing project in Alexandria or the benefits for the tourism sector inside South Korea as a result of the 2002 FIFA World Cup.

3.2 Measuring the impact of mega-events

Issues of measuring the impact and benefits of sports mega-events as stated above are a source of debate in social and economic impact assessment. However, in the absence of better tools to help measure the impact on economy as induced by these, it is reasonable to use the existing tools such as cost-benefit analysis. In this enquiry, measuring benefits from the two case studies (2002 FIFA World Cup and 1999 All Africa Games), will be limited to specific projects and sectors within the mega-event itself.

For example, for the 1999 All Africa Games, the enquiry will evaluate the benefits of the housing project in Alexandria. – This was built as an athletics village during the Games and later converted into residential flats after the event. Other sectors to be evaluated as *post-event* analysis for the two cases are tourism and the building of sports facilities (stadiums) for the event. The important element in this enquiry is to determine whether or not activities linked to the event are able to make a positive contribution to the metropolitan economies – particularly addressing themselves to reducing unemployment and poverty. These include the influx of sports/soccer tourists, building

and usage of stadiums and complimentary infrastructure such as games-related housing built in Alexandra.

3.3 Issues of data collection

The process of qualitative data collection is normally a double-edged sword and takes the form of primary and secondary research. Secondary data collection starts by looking at published sources about countries having already hosted Fifa World Cup events. Basically, this is every host since the inception of the event and specifically, the case of South Korea, which hosted the 2002 event. South Korea is the first case study in this enquiry.

Primary data collection consists of open-ended questionnaires and interviews, primarily administered in Alexandra Township, north of Johannesburg CBD where the 7th All Africa Games in 1999 were expected to leave a ‘lasting legacy’ for the community. Participants in the interviews are trade unions, community-based organisations and municipality officials. Alexandra Township is the second case study and the primary research area for this enquiry. Attached as an appendix is the questionnaire. However, it must be added that in an open-ended interviewing process, it is often difficult to adhere to single line of enquiry as interviewees want to tell their stories.

3.4 A brief outline of relevant cases and selection criteria

Case-study methods, as argued earlier in the paper, are better suited when drawn from a recent host in similar circumstances. The two used in this study are the 2002 Fifa World Cup in South Korea and the 7th All Africa Games in 1999 (Johannesburg). The South Korean case provides specific insight into the impact of hosting the Fifa World Cup tournament. An examination of the 7th All Africa Games provides a local aspect with an event which deliberately sought to address issues of development – housing, poverty and infrastructure. As De Vaus argued, “the point of the case study would be to see if the theory actually worked in a real life situation,” (De Vaus 2001:202).

South Korea 2002

South Korea (2002) is numbered among recent hosts and it shares several characteristics with South Africa. This part of the review will essentially show how this country approached the

hosting of the Fifa World Cup and shows results emerging from the case study. The South Korean experience is somewhat different from that of France in 1998 in the sense that the 2002 World Cup was jointly hosted by South Korea and Japan. However, South Korea is an ideal comparative case for South Africa due to the fact that the country sought to make a deliberate effort to use the 2002 Fifa World Cup to promote economic development.

For example, Korea had two stated targets through the hosting of the World Cup:

- (a) to transform Korea into a logistics hub of Northeast Asia (Kim Jae-chul, 2002: 66), and
- (b) to move South Korea into the Big 4 status in the world economy (Cho Kun-ho, 2002: 70). The common feature within these twin targets was to upgrade the infrastructure of the country. The ports of Busan and Gwangyang were scheduled to become the ‘gateway to East Asia.’ and the South Koreans also used the event to upgrade the country’s high-tech industry. Another strategy for Korean cities wanting to host World Cup games was to link social infrastructure, sport facilities, tourist attractions and hospitality in a manner which would maximise longer-term benefits to the country’s economy.

7th All Africa Games in 1999

The 7th All Africa Games in 1999 were chosen to provide local experience and impact of the hosting mega events. However, there have been several other mega events such as the 1995 Rugby World Cup and the 2003 Cricket World Cup held in South Africa. But, it must be noted, none of these events made a deliberate effort to engage with the developmental challenges facing South Africa such as unemployment, housing shortages and poverty. Moreover, none of the other mega events previously held in South Africa required a high level of state and municipal assistance. The 7th All Africa Games saw the Johannesburg Metro Council building a new facility – the Johannesburg Stadium – and an athletics village in Alexandra, north of Johannesburg. These massive constructions were a deliberate effort to link the hosting of the event to the broader development goals of the city. Thus, the 7th All Africa Games and Alexandra provide a useful guide to study the impact of mega events in a local setting.

3.5 Concluding remarks on methodology and analysis techniques

While conventional methods, particularly with case studies, tend to break the data collection

process into three distinct categories; secondary data, institutional data and primary data, this enquiry will draw data from academic papers written about the impact of the 2002 World Cup in South Korea. This is most ideal in the case of South Korea, where face-to-face interviews would be impossible due to time and financial constraints. In cases involving South Africa – the country has hosted no fewer than four mega events since 1994 – data will be collected through interviews, newspaper clippings and other institutional sources such as Stats SA and the Development Bank of Southern Africa.

SECTION B – SELECTED CASES

CASE 1: 2002 Fifa World Cup South Korea

South Korea emerged as a separate entity in the aftermath of the World War II when the victorious allies led by the United States and the Soviet Union divided the defeated axis and their colonies. The Korean peninsula, for long spells, had endured an internal war, colonialism and then the ultimate division that created North and South Korea. The North found itself under guardianship of the Soviet Union while the South was heavily influenced by the US. According to the documents from the Library Congress of the Federal Research Division of South Korea (2005), the country endured 36 years of colonisation and occupation by the Japanese, among others. The document also contended that before its division, the Korean peninsula had always been seen as a strategic location for foreign interests looking for influence in the region.

For the purposes of this enquiry, relevant information is used to assess the impact of hosting the 2002 Fifa World Cup in South Korea used as a means in propelling economic growth. The Korean experience could provide insights into how a relatively poor country, with little natural resources, transformed itself from economic dependence into the top ten of the world's largest economies within a very short space of time.

Reflections on the economic impact assessment of a mega-event: the case of 2002 Fifa World Cup in South Korea

The economic impact of the 2002 Fifa World Cup in South Korea will focus upon two areas. These are tourism and residents' perceptions before and after the World Cup in 2002. Literature review in Chapter 2 clearly suggested much of the economic activity within mega-events involves the tourism and hospitality industries. The building of sports arenas drew a lot attention in South Korea. Yet ultimately, it proved to be a less than ideal model in addressing developmental objectives like economic growth and job creation. However, residents' perceptions of the 2002 Fifa World Cup in South Korea provide a measure of public participation in the event and their understanding of the

benefits thereof.

Tourism

Tourism and hospitality have become a major focus in assessing the impact of sports mega-events, primarily because it is quite simple to document the number of tourists. But, with that said, difficulties do arise in terms of showing which tourists specifically came for the event. Thus, using a tourist multiplier to illustrate its impact on the economy is questionable. In the case of 2002 Fifa World Cup in South Korea, a study by Choong-Ki Lee and Tracy Taylor (2004: 599) showed that in total, there were 403 466 foreign “arrivals for the period from June 1 to 30, 2002.” Out of these, Lee and Taylor deduced through the use of input and output tables from the Bank of Korea (BOK) that about 232 800 (57.7%) of these tourists came directly as a result of the World Cup.

The thrust of Lee and Taylor’s argument lies in demonstrating that these tourists actually contributed to the economy of South Korea. Areas in which these could be illustrated are in economic growth, job creation and value of taxable revenues derived as a consequence of hosting the 2002 Fifa World Cup. According to Lee and Taylor (2004: 600), the overall economic impact of the event was estimated to be about US\$1.35 billion as output sales, creating about 31 349 jobs and contributing about \$71 million in indirect tax.

According to the study, culture and recreation services were the biggest beneficiaries – with event tourists spending about \$890 per capita and was followed by shopping a(\$457 per capita) and then accommodation (\$433 per capita), (Lee and Taylor 2004: 599). Other sectors benefiting from tourists' expenditure were tour operators and transportation (\$233 per capita) and food & beverages (\$299 per capita). The following represents a summary of the economic impact of the 2002 Fifa World Cup, particularly in the tourism and hospitality sector.

Total economic impact of World Cup Tourists' expenditures (in US\$ millions)

Type of impacts	Hotel	Restaurant	Tour and Transport	Shopping	Culture and recreation	Total
Output	264	152	114	256	566	1351
Income	62	36	22	55	132	307
Employment	10 217	6746	1417	4241	8728	31 349
Value added	142	77	50	146	297	713
Indirect tax	17	10	4	10	31	71
Import	21	12	26	16	42	117

Source: Lee and Taylor (2004: 600)

South Koreans' perceptions before and after the games

The issue of residents' perceptions tell us more than just the official story about the benefits of hosting a sports mega-event. This approach also allows for a wider spectrum of views. Particularly, it avails a bottom-up approach to impact assessment while capturing the social element as opposed to a strictly economic benefit assessment. The comparison of residents' pre-and post-event perceptions of the 2002 Fifa World Cup in South Korea allows for the illustration of the social exchange theory – 'namely the expectation that the benefits rendered will produce a return.'

A study by Hyun Jeong Kim, Gogan Gursoy and Soo-Bum Lee (2004:94) revealed "residents were more concerned about their personal economic impacts, i.e., how much extra income and how many jobs they will receive from the money spent by visitors." However, the study concluded that residents felt the economic benefits of the mega-event were rather disappointing. This was determined after considering a batch of seven key categories. These were: benefits of cultural exchange, social problems, economic benefits, natural resources and cultural development, traffic congestion and pollution, price increase, and finally, construction costs.

A further difference was determined as to what entailed positive impacts and negative impacts. Again, this was done by drawing from the perceptions of residents prior to the event and after the event. Kim, Gursoy & Lee (2004) found that prior to the event, residents had perceived economic benefits, cultural exchange and natural resources as being the areas likely to benefit the most by hosting the 2002 Fifa World Cup in South Korea. On the negative side, residents reported a major difference of opinion after the event. They complained about the scale of general price increases and construction costs incurred as a result of hosting the World Cup. The study concluded that:

“Overall, the 2002 World Cup appeared to generate more societal and cultural benefits (i.e. cultural exchange between tourists and residents, finding the cultural identity of local communities, understanding of other societies, preservation and development of local cultural and natural resources, and restoration of historical buildings) than economic gains for South Koreans.”

Reflections on the socio-economic impact assessment of a mega-event: the case of 7th All Africa Games (1999)

Alexandra Township and the Athletics Village (also called Tsutsumani on the Far East Bank)

Alexandra Township is a ‘shantytown’ about 3 kilometres away from Sandton (Johannesburg), one of the most affluent suburbs in South Africa. In the last census count, it was estimated Alexandra had a population of about 395 000 people living in approximately 34 000 shacks. This makes it one of the most densely populated areas in the country with an average of about 8 people per household (unofficial figures). In total, it is estimated there are 50 000 residential units in Alexandra. The “village” consists of a combination of informal settlements (shacks), hostels, new and old formal settlements – now including the Tsutsumani Housing project. Unofficially, it is estimated approximately 60 percent of Alexandra residents live below poverty line and

unemployment in the area is rife.

Alexandra Renewal Project and the 7th 1999 All Africa Games

According to the executive report of the 7th All Africa Games, the Gauteng Provincial Government, working with Eastern Metropolitan Council, which is part of the Greater Johannesburg Metro Council (GJMC), sought to use the 1999 All Africa Games to “advance the government’s development agenda in terms of infrastructure and human resources.” As part of a broader Alexandra Renewal Project (ARP), the Gauteng department of Housing provided R22.5 million as a subsidy to build 1 700 units on the East Bank of Alexandra. Initially, the units provided accommodation for athletes participating in the 7th All Africa Games. However, this housing project required more funding and Tsepo Development Corporation, the private company awarded the tender to build the units, secured a further R40 million from the private sector to complete the project.

Pre-event plans for Tsutsumani Athletics Village

Initially, the 1 700 units were built to house the 6 000 athletes specifically for the 1999 All Africa Games. Following the games, all units would be sold to ‘qualifying residents’ – presumably allowing those who have been on the waiting list in Alexandra to get RDP houses. This housing was designed to relieve ‘the housing backlog in the township and thus allow the All Africa Games to leave a positive legacy in the township,’ according to the executive report. The other aspect of the Tsutsumani Athletics Village was that it would be transformed into low cost residential housing and also had to incorporate a plan whereby other social and economic infrastructure such as business sites, schools, roads and water systems could be built. This was according to the developers, Tsepo Development Corporation.

Post-event perceptions about Tsutsumani Athletics Village

The position of the official event organisers as gleaned from the executive report is: the 1999 All Africa Games left a lasting legacy in the form of the Tsutsumani Athletics Village. According to the executive report, Tsutsumani Athletics Village project was a

huge success and benefited ‘thousands of Alexandra residents’ (pg51). Indeed, the Tsutsumani Athletics Village changed the residential landscape of Alexandra with newly tarred roads as observed by the researcher at the site. It was also the catalyst for a few burgeoning small-scale enterprises and social infrastructure such as schools, bridges and water systems.

Residents’ perceptions of the impact of Tsutsumani Athletics Village

Case 1 - Phindile Ndlovu, from the old formal settlements in Alexandra

Phindile Ndlovu, a resident of Alexandra since birth, says: “In our household, there are about ten people who live here. I live here with my four sisters. We inherited the house from my parents and there are people who rent the other rooms of the main house. I have since moved to what was originally a “servant quarters,” which my father used as a shebeen before he passed on.”

Ndlovu refers to a “servant quarters” which is a mere two metres from what was supposed to be the “main house” – which is coincidentally, falling apart. As the interview continues, one of her sisters joins in to provide more insights into their state of affairs. Another of the “squatters” also joins the discussion because they – the residents – think I am from the Johannesburg Metro Council. Somehow, there is a belief that government is doing something to get them out of this miserable situation. Then Phindile’s sister adds: “Tell them that we are willing to pay the rates if they can fix leaky roofs and better still, move us to better houses.” Phindile is the only one with a job in this compound.

Case 2 - Constance Klofo, ‘a beneficiary of Tsutsumani Athletics Village’ (Flat No. 1513)

Constance Klofo is pensioner who moved from the old informal settlement (shacks) in Alexandra to Tsutsumani. She had been relocated because she was on the waiting list to get an RDP house, as the government housing scheme is referred to in the township. According to Klofo, she paid a R750 deposit in order to gain access to an RDP house. She was very surprised when she was told she could move into one of the flats in Tsutsumani Athletics Village.

As yet, she said she does not know whether she owns the flat or not. Initially, she had been told to move in with her family on a rental basis and she produced supporting documents to show she was still required to pay 'rent' for the unit. "I cannot tell exact status of my occupation," she said. "Initially, I was told to move in temporary as I would be allocated an RDP house – which never materialised." The receipt (copy in the appendix) she produced for the bond repayment-cum-rental does not illustrate the exact nature of the transaction. Now, being a pensioner, she has resorted to abandon the payment of rent-cum-bond and rates. She argued that she was better off living in the shacks. "I was not required to do any payments and I could make a living through gardening and other activities in a bigger yard," she said. "I am better off living in the shacks than in these flats."

Klofo lives in a one bedroom flat with four people, including her husband and their kids. She said she was happy with the size of the flat except that the flat has cracks and now the walls are 'developing damp,' which affects her breathing at night. Due to lack of maintenance, most of the buildings have developed cracks and have the makings a slum waiting to happen.

Case 3 – Thembi Gabuza, 'a beneficiary of Tsutsumani Athletics Village'

Thembi Gabuza lives in Tsutsumani in a household of six people. According to Gabuza, moving from the informal settlement into these flats does not solve her problems. This is because at first, the provincial housing department did not explain to the residents whether or not these flats represent another form of RDP housing or are just temporary shelter while they remain on the waiting list to get 'proper houses.' "We do not want these flats and we would prefer to get proper RDP houses," she said.

Gabuza said the payment arrangement with Semag Housing Corporation, who run the Tsutsumani Village, was a pay/rent-to buy for a duration of four years, at a rate of R140 per month. Like the Klofo, she said she has abandoned payments because she does not know whether she owns the flat or not. Worse yet, she is unemployed and has no money to pay for accommodation. No title deeds have been issued to her as yet and now, the

condition of the flat does not represent good value. Payment seems to be a huge problem for the family because no one in this household has a job, she said.

Comments from Semag Housing Corporation

David Mulaudzi (Official responsible for Tsutsumani Village)

The position of Semag Housing Corporation differs markedly from those of the residents and the organisers of the 7th All Africa Games. Residents believed access to flats and houses in Tsutsumani Athletics Village was purely on the basis that individuals would have been drawn from the waiting list as part of the RDP housing program. Yet the organisers of the All Africa Games had envisaged flats and houses in this village would be sold to residents at low cost at the end of the event.

However, David Mulaudzi, an official from Semag Housing Corporation, a private firm which collects rent from tenants said they were instructed by the Gauteng Housing Department to do collections on their behalf. “It was agreed that all flats in Tsutsumani Athletics Village are for rental, not a rent-to-buy scheme,” said Mulaudzi. He added that all tenants who stay in Tsutsumani Athletics Village are supposed to be for people who are employed and can afford to pay a basic minimum rental of R220 per month.

Municipal response about Alexandra Renewal Project and Tsutsumani Athletics Village

The Gauteng Housing Department argued the housing problem in Alexandra is being addressed, not in isolation but as part of the Alexandra Renewal Project (ARP). For Sam Ramashala, the project manager of the ARP, assertions by residents that the Tsutsumani Athletics has done little to address the lack of housing and wider problems of unemployment and poverty in the area are ‘baseless.’ “The ARP is not only about housing. It also seeks to build infrastructure such as roads, bridges and schools,” said Ramashala. That the Athletics Village is “largely seen to accommodate foreigners” and others who jumped “the RDP housing queue” is due to the fact that when there are construction projects in the area, the law requires those who are displaced by such projects are to be given priority, according to Ramashala.

Issues of poverty, unemployment and lack of housing in Alexandra

For Phindile and the vast number of people in Alexandra, hosting the 7th All Africa Games brought no relief, even with the building of Tsutsumani Athletics Village. “I cannot say there were no jobs created by the project. Unfortunately, many people in Alexandra were not able to benefit as the wages were too low and contractors were more interested in hiring foreigners who were too eager to take any kind of work,” said Phindile. Once the issue of foreigners was mentioned, a few others who had joined in or were from the shacks in which Phindile had arranged for us to visit, got very agitated. “Even those new units in Tsutsumani are full of foreigners,” said one resident. While it is not clear whether the building of 1700 units has solved the housing problem, at least it could be argued that the hosting of the 7th All Africa Games left a lasting legacy in Alexandra – albeit with mixed reactions from the residents.

Brief discussion of evidence and concluding remarks on South Korea (2002) and 7th All Africa Games (1999)

The two cases have illustrated that it is difficult to articulate and measure the micro impact of mega events upon economic development, reduction of poverty and unemployment. The next section, Chapter 4, will demonstrate, for the most part, mega events do make a positive impact in the long run. However, this is only if, during the formative period, there is proper emphasis placed upon social and economic infrastructure such as roads and telecommunications. Yet, as the 7th All Africa Games case has illustrated in Alexandra, positive change may be meagre and inconsequential in providing jobs and reducing poverty.

CHAPTER 4: Discussion, Analysis and Conclusion

4.1 Discussions and Analysis

The process of research analysis and discussion is informed by the methods applied to gathering data. In this particular enquiry, case study methods were used to provide comparative analysis. It is a process which shows the interaction between theory and data evidence. Various analytical techniques can be used, yet a comparative analysis is more appropriate in this enquiry because it captures the actual experiences of countries or cities having hosted mega events.

A common factor in the analysis and discussion is to locate patterns of change where these have occurred in the host country or city as a result of hosting of the Fifa World Cup and/or other mega events. In areas where there was noticeable change, the process of analysis should provide causality, a rationale and interpretation of these changes, according to GM Du Plooy (2001: 349). More importantly though, the process of analysis should provide a basis to explicitly address the research question. – In this case, it is: Can South Africa use the hosting of the 2010 Fifa World Cup to address issues of unemployment and poverty?

Apart from summarising the key issues related to the theme or research question, to what is already known about the phenomenon, this concluding chapter also allows for critical reflections on the overall study, and hence, its findings. In this particular case, it reflects upon the significance of the findings. For instance, it is the contention of this enquiry that the 2010 Fifa World Cup, in itself is unlikely to provide long-term jobs or reduce unemployment.

However, drawing from the reviews, theory and studied cases, the paper does provide some alternative ways in which the hosting of the 2010 Fifa World Cup can help South Africa deal with its developmental challenges – mainly reducing poverty and

unemployment. The last part of the conclusion briefly deals with policy alternatives and areas of future research in relation to the hosting of mega events, especially in developing countries. The conclusion also has to tie-up the entire thesis argument as presented in Chapter 1. It presents evidence for or against the position as consistently advanced throughout the paper.

While there is no clear-cut sign that the 2002 Fifa World Cup fundamentally altered the unemployment situation in South Korea, Choong-Ki Lee and Tracy Taylor (2004:7) demonstrated that the event created approximately 31 349 full-time equivalent jobs in the tourism sector alone. Writing on the *Critical Reflections on the economic impact assessment of a mega-event: the case of 2002 Fifa World Cup*, Lee and Taylor argued that “sports tourists” usually spend as much as 1.8 times more than “leisure tourists.” Their argument is corroborated by Mboweni’s statement on the perceived benefits for South Africa hosting the 2010 Fifa World Cup. – The central feature of employment opportunities in a mega-event lie with the tourism and construction industries, (Lee & Taylor 2004:7).

Summary and findings

The paper sought to establish whether or not the hosting of the 2010 Fifa World Cup by South Africa could help the country address its developmental challenges, particularly with regard to unemployment and poverty. While the country already has a variety of initiatives designed to address unemployment and poverty, the hosting of the World Cup has been touted as a catalyst to achieve these goals. In Chapter 1, it was established that the hosting of the World Cup could create about a 159 000 jobs. The promise of the 2010 Fifa World Cup, according to event assessors, claimed the event would create jobs, fast track economic development and foster social cohesion.

Literature review in Chapter 2 sought to draw historical evidence on whether the 2010 Fifa World Cup could live up to its promise and also allowed the enquiry to draw from a theoretical base which informs the practical evidence. Evidence in Chapter 3, derived through case study methodology showed the 2002 Fifa World Cup did not to live up to its

promise of delivering a glut of jobs. It also revealed that generally, in mega-events such as the 2010 Fifa World Cup, the economic benefits may be small to quantify.

Evidence from the 2002 Fifa World Cup in South Korea also suggested that most of the jobs that were created were concentrated in the tourism and hospitality industries. According to Lee and Taylor (2004:7), tourism and associated industries created about 31 349 full-time equivalent jobs. Most of these jobs were calculated, based upon tourism multipliers in which Lee and Taylor estimated to be 1.8 times, i.e. the expenditure by event-related tourists in South Korea during the 2002 World Cup. Unfortunately, these figures fall way too short of the 2010 Fifa World Cup promise.

Public expenditure on 2002 Fifa World Cup in South Korea seemed to focus on sports facilities and there is little evidence of on-going economic benefits from such an exercise. The theory on public expenditure suggests such an exercise would be based upon the assumption that the facility being built later becomes a public good. Preferably the building of stadiums would be funded by a combination of public and private partnerships in order to spread the risk.

In South Korea, the state (government) funded most of the stadiums. The risk associated with funding and usage of stadiums is not measured merely during the event. The role of the sports facility post-event is also equally important. Nogawa Haruo and Mamiya Toshio (2002: 188) in *Japan, Korea and 2002 World Cup* (ed) John Horne and Wolfram Manzenreiter, states: "...municipalities who helped fund stadiums in both Japan and South Korea were traumatised by the financial burden of funding stadiums that became redundant post-event."

Evidence of legacy projects, specifically addressing themselves to unemployment and poverty alleviation was drawn from the Alexandra case. The housing project in Alexandra came as a consequence Johannesburg hosting the 7th All Africa Games in 1999. It illustrated that in a case where a deliberate effort is made to link the activities of a sports mega-event and developmental projects, it is possible to achieve positive results.

The 7th All Africa Games left a lasting legacy in the form of 1 700 units made available to alleviate a housing backlog in the area. While the planning of the project was good, the implementation and allocation of the housing units in Alexandra reveal doubts about its overall impact in alleviating housing shortages in the area.

Drawing from the two case studies, the 2002 Fifa World Cup in South Korea and 7th All Africa Games in 1999, evidence suggests the 2010 Fifa World Cup is unlikely to live up to its promise. – That is in terms of providing the jobs or acting as a catalyst for economic growth and development. While South Korea experienced an upward surge in economic growth in 2002 – jumping from 3.8 % GDP growth in 2001 to 7% in 2002 before settling back to 3.1% in 2003 – there is no clear-cut evidence these were a result of the country's hosting of the 2002 Fifa World Cup.

4.2 Conclusion

Can South Africa use the hosting of the 2010 Fifa World Cup to address issues of unemployment and poverty alleviation?

After going through both cases – the 2002 Fifa World in South Korea and 7th All Africa Games – it is fair to conclude that the 2010 Fifa World Cup is unlikely to generate nearly as many jobs as promised by the initial assessment of the event by Grant Thornton. Nor is there any certainty that it could be used as an economic growth machine aiding South Africa to reach its growth targets of 6 percent annually or that it can have significant impact in reducing poverty. However, there are a variety of measures which could be put in place to make sure the country utilises the event as a catalyst for rapid economic growth and progressive social change to address unemployment and poverty in the long-term.

There are some trends which become more noticeable in the research such as the fact the building of stadiums is not exactly an investment in useful infrastructure. For example, in South Korea, it became clear during the post-World Cup period, most of the stadiums became redundant. This is another illustration of a redundant sport facility as was

witnessed at the Johannesburg Stadium, after the 7th All Africa Games. Infrastructure investment should target roads, rail networks, communications technology, water and electricity. All of these are social overhead capital required by households and firms.

Another trend emerged from the evidence – both in historical reviews and the Alexandra case. When a country hosts a mega event like the 2010 Fifa World Cup, it needs to put in place measures allowing the poor to benefit from the event in terms of compelling other stakeholders like employers to embrace aspects such as the minimum wage policy. Such stakeholders must provide earnings that are in line with other social security systems and workfare programmes which can actually play a positive role in poverty alleviation. For instance, in Alexandra, some of the respondents said very few employment opportunities came as a result of the 7th All Africa Games. And, the games did little to lift them above poverty levels.

Government is a major player in the hosting of the 2010 Fifa World Cup, as it should be. However, there seems to be another noticeable trend about the government's role in South Africa. It appears both business and the community expects the state to play a leading role without either transferring ownership to the community or facilitating 'a take-off for private firms.' There could be various reasons for this seeming failure of the state to effectively engage the private sector. However, to address unemployment and poverty, the state must do more than just create an enabling environment through appropriate policies. The most feasible way to engage the private sector is through public-private partnerships (PPPs). This process allows the state to share the risk and avoid redundancies as seen in South Korea and the Johannesburg Stadium in the aftermath of the 2002 Fifa World Cup and the 7th All Africa Games, respectively.

The hosting of the 2002 Fifa World Cup firmly illustrated how a country like South Korea can achieve economic development and growth, thus maintaining relatively low unemployment rates through further investments in infrastructure. Although most of the infrastructure put in place for the 2002 Fifa World Cup tended to concentrate on stadiums and sports facilities, the state played a prominent role in its financing. The *World Bank*

Development Report (1994) had already illustrated that investments in infrastructure is an important element in addressing economic growth and poverty-alleviation. However, the report also argued it should not be left to the state to provide all infrastructure. While private-public partnership (PPP) have not explicitly come through in the Korean experience, it is fair to conclude “complementarities” were established as the economy expanded and, consequently, kept unemployment low.

A word for caution for a country and/or city engaged in the hosting of mega events such as the 2010 Fifa World Cup. It must be better-informed about inherent risks of hosting such projects. For instance, it may be a stated target of the Reserve Bank of South Africa to achieve a 6 percent annual GDP growth while keeping inflation low (between 3 – 6%). However, it is possible hosting the 2010 Fifa World Cup could contradict the country’s inflation targets as prices spiral out of control. Such an occurrence would undermine economic growth prospects of the country as well as having adverse effects upon unemployment and poverty reduction schemes.

Policy recommendations

The process of identifying an appropriate policy approach with regard to the 2010 Fifa World Cup in order to address issues of unemployment and poverty started with the evaluation of the three major policy documents (RDP, GEAR and Asgi-SA) was briefly discussed in Chapter 1.

It is unlikely the government would alter its fundamental economic policy to accommodate the 2010 Fifa World Cup. However, modifications allowing for more participation from the private sector in the infrastructure investment for the event could alter the long-term outlook on unemployment and poverty. Other areas of intervention by the state relates to plans and activities in preparation for the 2010 Fifa World Cup. The areas immediately attracting attention are legacy projects, infrastructure expenditure and workfare programmes.

Legacy projects

Projects indirectly linked to 2010 Fifa World Cup, such as the Gautrain rail line between Johannesburg, Kempton Park (E. R. Tambo Airport) and Pretoria are likely to leave a lasting legacy and in particular, could greatly contribute to development and economic growth. But, as illustrated by the Alexandra housing scheme, the state needs to intervene to make sure its implementation does not just benefit the elite who already have access to better means of transport. It has been stated earlier in Chapter 3 that the government is the main contributor in the funding of the rail network. Nevertheless, it is still possible to invite the private sector to play a greater role in the Gautrain as the main legacy project of 2010 Fifa World Cup.

Infrastructure expenditure

The government of South Africa is spending approximately R15 billion “on finance World Cup-related projects,” according to Maenning and Du Plessis (2007: 581). A large chunk of that money is financing the building of stadiums. Of course, some of it also goes toward updating airports transport and telecommunications.

In Chapter 2, we learned stadiums represent a poor return on investment for the state, particularly with the risk redundancy post the event. The best way to deal with the burden of risk and redundancy is to invite the private sector to share the risk in a similar manner as Germany did in 2006. – At that time, the German government allowed the football clubs to take full responsibility and ownership of the new stadium. In fact, at the time of this writing, no football team in South Africa owns a stadium, whereas it is a truly vital part of club’s survival, in terms expanding a club’s revenue streams. In the ten cities where stadiums are built and/or renovated, a more beneficial approach for the cities and resident clubs is to allow full ownership of the stadiums by sporting clubs.

Workfare programmes

Workfare programmes could be better co-ordinated as part of pre-event preparations for the 2010 Fifa World Cup. These programmes, particularly in the construction stages, can help the poor by providing jobs as well as teaching new skills. Unfortunately, the efficacy

of workfare programmes is suspect in the sense that they – the programmes – are short-term and less sustainable. However, they can be very useful for skills-transfer and in securing community-wide participation for a project like the 2010 Fifa World Cup.

All the same, evidence from Alexandra shows the poor were less interested in participating in workfare programmes. – Some interviewees described work from such schemes as “work for *amakwerewkere*,” meaning “for foreigners.” It could be argued that such perceptions by the poor are either linked to a lack of community participation in mega projects and/or they perceive the programmes to being offered poverty wages which are unlikely to change their lives.

Compliance with labour laws and minimum wage provisions

Trade unions have been up in arms with project managers in the construction of stadiums, most notably in Moses Mabhida Stadium (Durban) and Mbombela (Nelspruit), over poor wages. In the pre-event stage, construction is the major contributor to job creation. However, in cases where construction workers are paid below the minimum wage, such practises could undermine the fight against unemployment and poverty. The onus rests upon the Department of Labour to enforce labour laws and make sure construction companies comply with minimum wage provision. Failure to do so poses questions of the whether or not money used for sports facilities would have been better spent improving social welfare and to fund service delivery.

Areas of future research

Harry H. Hiller (1998:47) suggested research and the assessment of the impact of mega-events is better suited for a longitudinal study which distinguishes “between pre-event, event and post-event impacts.” This paper has dealt with pre-event issues and thus, areas of future research on the impact of 2010 Fifa World Cup would have to look at the post-event consequences.

However, having argued that existing policies are insufficient to assist South Africa to utilise the hosting of 2010 Fifa World Cup in dealing with unemployment and poverty,

the paper is proposing some alternatives approaches and other areas of future research.

Changes in procurement policies and putting SMMEs at the centre, as opposed to the current BEE schemes, could do more for ordinary people battling with unemployment and poverty. The BEE approach seems to be more focussed upon maintaining the status quo in business with little emphasis on new investments. SMMEs are widely diffused and empower a larger number of people as opposed to BEE schemes.

Most of recent hosts of the World Cup tournaments like France in 1998, South Korea in 2002 and Germany in 2006 have shown it is in the tourism and hospitality industries where mega events make the most substantial economic gains and SMMEs are major beneficiaries. It is the contention of this enquiry that research focussing upon the role of SMMEs in tourism and hospitality could play a significant role in creating needed jobs while empowering the poor in the process.

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List of people interviewed

1. Bheki Ntshalintshali (Deputy Secretary, COSATU) – 07.01.07
2. George Stanton (Ellis Park, Manager) – 09.01.07
3. Johanne Singwane (Lions assistant manager) – 09.01.07
4. Phindile Ndlovu (Alexandra resident) – 11.01.07
5. Sam Ramashala, (Project Manager, Alexandra Renewal Project) – 17.01.07
6. Constance Klofo (Tsutsumani resident) – 09.02.08
7. Thembi Gabuza (Tsutsumani resident) – 09.02.08
8. David Mulaudzi (Semag official, responsible for Tsutsumani village) – 11.02.08

Appendix

Research questions (open-ended)

Questionnaire for Johannesburg Stadium and Ellis Park Precinct (Jhb)

- (i) What's the present status of Johannesburg Stadium which was built to host athletics events like the 7th All Africa Games?

- (ii) What has happened to the athletics teams who formed part of the sport development project when facility was built?
- (iii) Has the Johannesburg Stadium fallen in disuse?
- (iv) Is there a specific reason why the privately owned firm, Ellis Park Consortium has taken over the administration of a municipal-owned facility (JHB Stadium)?
- (v) How can these changes in administration have a positive impact in the area with regard to urban regeneration and development in the Ellis Park Precinct and surrounding areas?
- (vi) How can the hosting of the 2010 Fifa World Cup address issues of urban poverty and unemployment in the area?

Questionnaire for Alexandra Township (Tsutsumani Village)

- (vii) Briefly describe the present situation for an average household in Alexandra?
- (viii) How has the situation been altered or not by the hosting of the 7th All Africa Games?
- (ix) Has the hosting of the 7th All Africa Games and consequently its housing project in Tsutsumani helped to create jobs, address housing backlog and reduce poverty in the area?
- (x) What has been the role of government in the Tsutsuamni housing project during and after the 7th All Africa Games?
- (xi) What has been the response and role of the private sector in Tsutsumani?
- (xii) How can the hosting of the 2010 Fifa World Cup address issues of urban poverty and unemployment in the area?