



FIFA and Development

The South African Football World Cup, 2010



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The township of Hout Bay, one of Cape Town's posh suburbs, is called Imizamu Yethu where an estimated 30,000 people live. They share one soccer field, a converted former agricultural field. On weekends an enthusiastic crowd watches the local matches. At the same time in Green Point, another part of Cape Town, a 4.4 billion Rand³ soccer stadium has just been finished for the upcoming World Cup. While 11.7 billion Rand (€1.17 billion)⁴ has been spent by the South African government on soccer stadiums to fulfil the requirements of FIFA, its communities lack decent football facilities for one of the most popular recreational sports. If one assumes that it costs roughly 1 million Rand to build a basic soccer field, then for that amount 11,700 fields could have been built for communities all over South Africa.

A group of women from Imizamu Yethu now sit every day around a table in one of the community centres threading beads to be glued around vuvuzelas. These particular South African horns made of plastic are used by soccer fans to make a deafening noise during soccer matches. One of the leading retail chains ordered this beaded version for the football fans. Is this additional employment for the women from Imizamu Yethu just an isolated incident⁵ or does the World Cup contribute on a larger scale to the development of South Africa?

Research on major sporting events like the Olympics and the Football World Cups reveals that such mega events are always structured in such a way that the organiser, in this case FIFA, cannot lose money and that the costs and risks are absorbed by the host country.⁵ The 2006 World Cup in Germany had a total cumulative worldwide audience of 26.29 billion TV viewers. FIFA made an income of US\$ 2.77 billion through television and marketing rights alone. The "Neue Züricher Zeitung" reported on 15 September 2006 that FIFA earned a profit of some US\$ 2.19 billion from the 2006 World Cup.⁶ The 2010 World Cup promises to be 25% more profitable than the 2006 World Cup in Germany.⁷ With that much profit, what a great opportunity for South Africa!

Undoubtedly, FIFA means big business. How would this influential organisation handle the new situation with the host nation being a developing country, with one of the most unequal income distributions in the world and an unemployment rate close to 30%? Would FIFA emphasize the developmental options connected with the World Cup or continue with its business as usual? The attitude during the bidding process already indicated a lack of feeling for the South African situation. They made Nelson Mandela, at that time 85 years old and exhausted from his term as president, come to Trinidad to lobby for South Africa. This was a completely unnecessary trip. Back home, Mandela appealed: Don't call me, I will call you."⁸

³ http://en.wikipedia.org/wiki/Cape_Town_Stadium

⁴ Business Report, South Africa, 18.02.2010, Page 8

⁵ Cape Times, South Africa, 24.02.2010, refers to a report "A lasting legacy: how major sporting events can drive positive change for host communities and economies" by Deloitte

⁶ Development and Dreams edited by Udesh Pillay, Richard Tomlinson and Orli Bass, Human Science Research Council, Cape Town, South Africa, 2009, Page 56

⁷ Development and Dreams, Page 3

⁸ Andrew Jennings: "Foul! The secret world of FIFA", London, 2007, Page 285

Experiences from other mega events show that the bidding country usually understates the costs and overstates the benefits. From an estimated 818 million Rand⁹ presented during the bidding process for the refurbishing of existing stadiums, the bill tacked escalated to 11.7 billion Rand for 6 completely new stadiums and for the improvement of 4 existing ones. The case of the new Green Point Stadium in Cape Town illustrates how FIFA imposed its will and how the South African Government got caught up in the euphoria of the World Cup.

Cape Town has 2 stadiums which could have served as World Cup venues: Newlands with a capacity of 55,000 after improvements and Athlone with a capacity of 30,000 after improvements. Newlands was presented in the Bid Book. Athlone is close to the townships where the black football enthusiasts live. The Athlone option was summarily dismissed by FIFA and Cape Town was offered a quarter-final at Newlands or a semi-final at Green Point. One can only hope that the option of hosting one of the semi-finals was not a serious consideration when deciding to build a completely new stadium at Green Point for 4.4 billion Rand. The stadium has a capacity of 68,000 and a retractable roof. After the World Cup the capacity will be reduced to 55,000. The stadium is located in a prime area between the mountain and the sea and it is already a new attractive landmark for Cape Town. But do people in the townships who live without running water and sewerage care?

Development experts call this a White Elephant: oversized, unnecessary, in the wrong place and with high follow up costs for the receiving country, in this case the Municipality of Cape Town. The bulk of the World Cup income derives from TV and marketing rights. It does not matter where the stadium is located and whether 30,000 or 60,000 fans watch the game as long as the TV cameras are in place and the satellite communication is uninterrupted. But such thinking demanded flexibility from FIFA which it obviously did not have.

Pretoria wanted to build a new stadium in the north of the city at "Rainbow Junction". That is the area where "Blacks" were forced to live under apartheid, an area today with few jobs and poor transport to Pretoria. The City of Pretoria wanted to use this opportunity to improve the badly needed infrastructure. FIFA emphatically rejected a stadium at "Rainbow Junction" without any concern for the development needs of the community.¹⁰

Altogether 33 billion Rand (€3.3 billion) has been allocated by the National Treasury for the tournament, out of which 16 billion Rand has been earmarked for transport and infrastructure.¹¹ It is always difficult to distinguish between infrastructural investments that are beneficial to the community at large such as improved highways or new airport terminals and those that have become necessary because of new or larger stadiums, such as larger parking lots and new access roads. While

⁹ Development and Dreams, Page 96

¹⁰ Development and Dreams, Page 102

¹¹ Business Report, South Africa, 18.02.2010, Page 8

South Africa could have saved some expenditure if smaller and existing stadiums were used, the preparations for the World Cup have given the country a push towards a better and more modern infrastructure. These investments benefit primarily those urban areas where the matches will take place, and therefore contribute to the already existing huge imbalances between urban and rural areas. While in 2004 it was predicted that the World Cup would contribute about 1.4 percent to South Africa's GDP¹² a more recent announcement from the National Treasury has scaled this down to 0.5 %.¹³ This is not large but certainly not insignificant against the background of recent negative growth rates due to the international financial crisis.

National Treasury states that 130,200 direct and indirect jobs have been created through the construction of stadiums alone. The demand for highly skilled labour has pushed wages up. The situation is different for the manufacturing and informal sectors. In February 2010 COSATU, the national trade union organisation, led protesting workers to the FIFA office. Workers claim that clothing, scarves, fleece blankets, flags and caps for the World Cup were being imported from sweat shops in China. Even "Zukami", the World Cup mascot, is manufactured in China. "Global Brands Group", based in Singapore, won FIFA's exclusive worldwide license for marketing Football World Cups. South African manufacturers who are not commissioned through this group are threatened with court action if they try to produce South African memorabilia with the World Cup logo. Global Brands Group claims that they had licensed 38 South African companies employing more than 13,000 locals.¹⁴ The procedure may be in line with international business standards but for South African workers who expect employment from the World Cup, this is difficult to understand.

While local manufacturers may excuse themselves that they have not been good or fast enough to be considered by Global Brand Groups, the informal sector is even worse off. Within one kilometre of the stadiums only sponsors of the World Cup and licensed traders are allowed to operate. Townships would not function without the pavement hawkers and illegal shebeens (pubs). At a football match in Africa one would expect a colourful and lively picture of an African market place around the stadiums which one has seen in so many films. This is not going to happen. We will see the usual advertising of multinational brands like Adidas, Sony, Coca-Cola etc., which are common in Europe, USA and elsewhere in the world. By the way, one has to drink the imported Budweiser beer and not one of the several local brands. Protesters at the COSATU rally expressed their unhappiness that billions of Rand in taxpayers' money is being spent in preparing for the tournament, yet the local population will benefit little from this.

South Africa is a prime tourist destination. 8.2% of its GDP (€7.9 billion) derives from tourism. This was advantageous during the bidding process because the expected huge number of foreign tourists (450,000) could easily be accommodated. Prices shot up in view of the anticipated tourist boom.

¹² Cape Times, 03.12.2009, Page 4

¹³ Business Report, South Africa, 18.02.2010, Page 8

¹⁴ Cape Times, 12.02.2010

Football fans were supposed to travel around the country in between matches. Organizers expected that through the World Cup tourism would increase its share of GDP to 12%.¹⁵ As soon as the decision for South Africa was made, FIFA's accommodation arm, "Match", blocked about one third of all accommodation. For private tour operators it was difficult to get additional lodgings. In March 2010 "Match" returned 441,695 beds due to lack of demand.

A look at previous mega events could have given a warning. In fact, during mega events tourism has gone down. Business people and normal international and local tourists avoid mega event countries before, during and after the event because of expected higher prices. South Africa has extended its winter school holidays for the entire tournament period to ease traffic. Local families however, are not booking holiday accommodation. The hotel industry got the message: some hotel chains are now offering cheaper specials during the tournament time than for during the April 2010 holidays. However, while no particular larger economic benefits in the tourism industry can be expected it is hoped that a successful World Cup would stimulate more tourism in years to come.

Although FIFA wants the event to be an "African World Cup", less than 2 %¹⁶ of tickets have gone to African football fans outside South Africa. Some blame the purchasing process through the internet which is too complicated.¹⁷ One needs internet access and a credit card to buy a ticket. 330,000 of the 570,161 tickets allocated for distribution through the 32 participating teams were returned by the end of March.¹⁸ Therefore, one cannot expect that this figure of 2% will increase significantly through the sale of tickets of the 6 participating African teams. 11% of the tickets were bought by South Africans, 9% lower than FIFA's target of 20%.¹⁹ FIFA has reserved one ticket category for the exclusive sale to South African locals at lower prices. The price category with 350 Rand (€35) for the opening match is within the reach of a middle rank employee's salary. After April 15, the walk-in phase begins when fans can buy the returned tickets directly as opposed to the previous phases when one could only apply for tickets. This will help to increase sales in South Africa. But even a low sale of tickets will not be a disaster because of the huge income coming from television and marketing rights.

But a mega event is more than a sporting competition and is not about economics alone. The host country wants to present itself to the world in a positive light. That is what the politicians have in mind when they bid for the event and what makes them understate the costs involved. Former President Thabo Mbeki, under whose presidency the bidding succeeded, linked the World Cup to his notion of the "African Renaissance", and the agendas of the African Union and the New Partnership for Africa's Development.²⁰ The intention is to overcome Afro-pessimism and the perception of the

¹⁵ <http://www.sa2010.gov.za/node/889>

¹⁶ Cape Times, 11.02.2010

¹⁷ Tembi Tichaawa in Cape Times, 01.02.2010

¹⁸ Report in the British Daily Mirror, quoted in Cape Times, 06.04.2010

¹⁹ Cape Times, 02.03.2010

²⁰ Development and Dreams, Page 293

continent characterised by starvation, disease, war and dictators. They refer to the Olympics of 2008 when China portrayed itself as a modern and successful country or to the World Cup of 2006 in Germany when Germans experienced a new patriotic spirit untainted by its Nazi past.

It is very doubtful that the viewers worldwide will associate the World Cup in South Africa with the entire continent. The continent is too diverse to be associated with one single picture, even if one looked at Sub-Saharan Africa alone. Neither the World Cup in Korea and Japan was conceived as an Asian event, nor the World Cup in Germany as a European one. Each country stood for itself. The media reporting before the World Cup is more on South Africa than Africa with particular attention to crime. The South African Local Organizing Committee claims that the negative reports are exaggerated and have contributed to the slow demand for tickets and package tours.

The visiting football fan with little knowledge of South Africa will be surprised to see a country with a functioning infrastructure, modern stadiums and an organisation that meets the demands of such a mega event. Fans are going to experience the friendliness and hospitality of the African people and one can expect them to enjoy the stay and the matches. They may see parts of the townships if they book a township tour but will be kept away from the most appalling living conditions there and the poverty in the rural areas. Crime is a risk factor for the organizers; despite extensive security measures incidents will happen and the media will report on this in prominent places.

Domestically the World Cup will help to heal the wounds of apartheid and to create a reconciled nation. The recent film "Invictus" demonstrated how Nelson Mandela used the Rugby World Cup in 1995 in South Africa to win the "Whites" over to his cause by supporting the National Springbok team; for the Africans then a symbol of apartheid suppression. Football is the sport of the "Blacks", rugby and cricket the sports of the "Whites". This dividing line still exists in South Africa today. A successful organisation of the tournament and even more a successful performance of the South African football team "Bafana, Bafana" would raise national pride and contribute to the togetherness of the "Rainbow Nation".

Hosting a World Cup is an inefficient way to develop a country, especially one like South Africa where one third of the population lives on less than \$2 a day.²¹ The capital investments related to the World Cup have contributed to increasing the inequality between and within cities and regions. The investments in stadiums at the level done was a waste of money in a country that lacks resources and needs to overcome the huge inequalities created through the policies of apartheid. Politicians have overstated the benefits derived from the World Cup and now have to face the economic realities.

²¹ Soccernomics by Stefan Szymanski and Simon Kuper, in Cape Times 03.12.2009

Despite this, it was right to decide to have the 2010 World Cup in Africa because football is the most popular sport on this continent. It was also right to choose South Africa as the host country because it has the tourist infrastructure and organisational ability to carry out such a mega event. But FIFA lacked insight into the problems of a developing country and by insisting on its standards prevented South Africa from developing an appropriate economic strategy for the World Cup capital investments. FIFA compliance requirements are the same for all countries – developed or developing.²² This concerns not only the stadiums but also FIFA's business rights and interests which South Africa had to protect by promulgating new laws and by amending existing ones. It is obvious that a developed country like Germany in 2006 had a higher potential to meet such standards. Most of the stadiums for the World Cup 2006 were in place and many are owned by football clubs so that less state funds were required.

Instead of building 6 new stadiums the existing ones could have been refurbished even if the capacity would be small but sufficient for the use of South African clubs after the World Cup. The Green Point Stadium has a capacity of 68,000; the stadium of Bayern Munich can hold 66,000 (for a club which hosts many international matches). Capital investments for the associated infrastructure for the stadiums could then have been smaller. FIFA's marketing company Global Brands Group could have been told to make exclusive use of South African or African companies, contributing to the creation of badly needed jobs.

Even the most enthusiastic politician knows that one does not get a World Cup for free. The National Treasury allocated 1.5 billion Rand for safety and security, and the 5 billion Rand investment in ports-of-entry infrastructure and telecoms and broadcasting are certainly not lost. Also, skills and technological transfer acquired during the process of managing such an event will be an asset for the future.

During the bidding process presidents Nelson Mandela and Thabo Mbeki wanted to present a new South Africa to the world, a South Africa that is modern and able to successfully manage such a mega event, a South Africa that despite its apartheid past is a reconciled and safe country welcoming investments and tourists. They also expected that a successful World Cup would contribute to overcoming Afro-pessimism. Economic considerations were of minor importance. One can only wish that such hopes become reality. The economic legacy might then become acceptable in the long run.

²² Development and Dreams, Page 49