



Mega-Events and Megaprojects

By Aurélie Varrel and Loraine Kennedy

Mega-events are events with a global audience. They vary in type and organization, but the focus here is on those that have an itinerant character, occurring regularly in different places, and are awarded through a bidding process. These include the World's Fair, the World Cups of various sports, regional athletic contests (e.g., Asian Games) and the Olympic Games. Since the second half of the 20th century, mega sporting events have surpassed other types of mega-events in terms of frequency and financial investment, a development linked to increasing media coverage and global reach. Drawing on evaluations of past experiences of megaprojects and mega-events, this paper highlights important issues related to financial sustainability, governance and impacts. The core question is how to maximize the positive effects of mega-events and avoid losses and increased social tension?

There is vigorous competition for hosting a mega-event, which is widely perceived as an opportunity to market the city and the country at the international scale. Mega-events started taking place in the South only recently, with two exceptions: the Olympics were held in Mexico City in 1968 and in Seoul in 1988. This new trend raises issues in the specific context of fast-growing cities in developing countries, namely the relevance of allocating funds to build sport facilities and world-class infrastructures whereas the basic needs of the urban population are not met, at least for a sizeable proportion of residents (Pillay & Bass, 2009).

Five cities in the Chance2Sustain project are directly concerned by mega-events: in 2010 India hosted the Commonwealth Games in **Delhi** and South Africa hosted the Football World Cup, with events in both **Durban** and **Cape Town**. Brazil will host two major sport mega-events in the near future: the Olympic Games in **Rio de Janeiro** in 2016 and the Football World Cup in 2014 (with trials to take place in **Rio** and **Salvador**).

1 Mega-events as catalysts of change

Two major factors motivate cities to host mega-events. Firstly, they are platforms for the promotion of national unity and the coherent articulation of national identity, as was recently displayed in South Africa during the Football World Cup. A successful hosting offers global exposure, prestige and legitimacy to the host city and the entire country, which is especially desired by emerging economies eager to prove that they have become major players on the global stage (Black & van der Westhuizen, 2004). Secondly, hosting a mega-event rests on the promise of an economic windfall coupled with a substantial urban makeover (Essex & Chalkley, 1998). The idea is that the international exposure generated by mega-events attracts new sources of funding to host cities. The specialized infrastructure (e.g. stadia) required by mega sporting events can become architectural landmarks in the urban landscape of a city. Beyond these, hosting mega-events provides the impetus for the implementation of ambitious urban planning projects, such as upgrading transport infrastructure (e.g., roads, airport, mass transport systems) and



undertaking regeneration initiatives in many parts of the city. The 1992 Olympics in Barcelona is considered the most compelling example of how to combine a mega-event with urban megaprojects: the redevelopment of a derelict port-cum-industrial area to host sports infrastructure and boost hospitality capacity allowed the city to reconnect with its waterfront and develop a tourist and recreational zone in the inner city. Thus, both bidding for a mega-event and organizing it usually stimulate a major urban makeover, which may have been in the plans but delayed for various reasons.

2 Financial sustainability and weighing costs and benefits

How are mega-events and their related projects funded? Do sporting mega-events bring net gains to host cities? In general, megaprojects are funded by both public and private investments, in a combination that is supposed to guarantee financial sustainability. Beyond the creation of infrastructure, the sale of retransmission rights for television and advertising space for sponsors has gained in importance since the financial disaster of the Toronto Olympics in 1976. The Los Angeles Olympics in 1984 marked the massive entrance of private sector actors whose role went beyond that of mere fund providers. Although it is now accepted that public-private partnerships in megaproject provision are a crucial component of mega-events, they have not proved sufficient for ensuring financial sustainability in the long term.

Generally, public funds are used to create at least a portion of the large-scale projects required to host athletes and sports fans, for instance transport infrastructure (whether upgraded or new). The rationale is that mega-events are expected to generate future revenue through a 'multiplier effect', i.e. the stimulation of local economic activity resulting in significant medium- to long-term local economic growth. It is important to note however that megaprojects (e.g., giant stadia, increased hospitality capacity, etc.) systematically incur cost overruns (Flyvbjerg et al. 2003; Altshuler, Luberoff 2003) and are often under-utilized once the event is over. For instance an upgraded road network may be over-calibrated for normal traffic flows. Furthermore, infrastructure requires maintenance that may turn out to be a burden on the municipal budget.

More importantly, mega-events generally fail to deliver the massive economic windfalls predicted by pre-event assessments. The projected costs and benefits, often crafted by lobbyists, generally turn out to be off the mark, as most independent research shows. Although the immediate impact of mega-events can be spectacular, involving huge audiences, the net impact on real economic variables, e.g., taxable sales, employment, personal income, has been systematically overestimated (Matheson, 2006). Certain economic sectors, especially tourism, do benefit but the "multiplier" effects intended to boost the entire economy have rarely materialized.

3 Governance issues

The decision whether to bid for a mega-event raises important issues for a city or country, because although they are usually presented as serving the general public, they tend to cater to special interest groups. It appears particularly important to weigh the trade-offs in developing countries where scarce resources might be better spent on providing basic goods and services.

Once the decision is taken, organizing a mega-event also raises critical governance issues. Does the city have the required capacity to get the mega-event off the ground? Who will take charge? How will coordination between various agencies be ensured? It has been observed that there is a specialized market, made up of firms and professionals operating at the transnational scale, which offer their skills and experience. This niche, specialized in organizing international sport mega-events (public and media relations,

sporting events management, real estate and construction companies), often has close ties to international committees and federations responsible for the bidding process and monitoring of the events (Surborg *et al.* 2008). Besides these strategic actors, firms specialized in tourism and media have an interest in investing in mega-events and they can play an influential role in guiding the choice of related projects to be built and also the manner in which they are funded and implemented.

Recent experience shows that private corporate interests are likely to drive event management, a situation that poses serious challenges for governments. In-deed effect, the delegation of authority and decision-making power from public institutions (national, regional or local) to private actors can adversely affect both transparency and accountability. Moreover, because the planning of large scale projects for sport mega-events are subject to strict deadlines, they usually entail “fast-track” decision-making and implementation processes, in order to ensure the completion of projects in time. The process can infringe on civil rights (evictions, lack of legal recourse), existing legislation (planning regulations, financial propriety), environmental sustainability (construction in ecologically fragile sites) and democracy (lack of public consultation).

Press coverage and follow up studies of mega-events show that some groups are excluded both from the event and from its economic repercussions in a drastic manner: for instance, the Commonwealth Games in Delhi led to massive displacement of vulnerable sections of the urban population, notably those living in informal settlements. Apart from causing great upheaval and hardship, it prevented these groups from getting access to economic opportunities offered by the Games since they were relocated far from the city centre (Dupont, 2011). As this example shows, mega-events do not necessarily serve as a catalyst for social unity and overall development, contrary to common belief and widespread expectations.

4 Recommendations for enhancing the positive effects of mega-events

- **Strengthening impact assessment.** Comprehensive environmental and social impact assessments, including detailed cost-benefit analyses, should be conducted prior to the decision to host any mega-event, and rigorous assessments should be carried out after the event is over. Independent experts, knowledgeable about the local context, preferably in close collaboration with experienced scholars, should conduct these studies.
- **Conducting public consultation throughout the process.** In order to maximize social and economic inclusion, foster win-win solutions and check unlawful practices on the ground, ongoing public consultation is a crucial instrument to ensure that large-scale projects are not implemented against the will and interests of local populations.
- **Oversight.** Greater public sector involvement is required to define and enforce regulatory regimes and oversight mechanisms, as implementation increasingly relies on a large number of private actors.
- **Post-event management.** A legacy plan, detailing the long term maintenance needs of planned megaprojects, should be submitted by the organizing committee at an early stage, in order to ensure compliance with national legislation, including urban and regional plans, and to avoid putting future strain on municipal budgets.
- **Financial sustainability:** Although most megaprojects require private capital, the public sector should remain in the driver’s seat to ensure accountability. However, public sector involvement should not extend to offering sovereign guarantees to lenders. To strengthen private sector responsibility, partners should be involved in designing performance-based projects (Flyvbjerg *et al.* 2003: 109-10).

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Chance2Sustain examines how governments and citizens in cities with differing patterns of economic growth and socio-spatial inequality make use of participatory (or integrated) spatial knowledge management to direct urban governance towards more sustainable development.

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