

How a R3bn budget overrun got the boot

I AM a big fan of the 2010 World Cup. I think the event has a lot to offer SA, even though assertions that its legacy will benefit the entire continent seem nebulous.

In fact, the legacy dimensions of the event have hardly been mentioned (let alone factored into planning) by those driving the 2010 process — notably the local organising committee (LOC) — and have only recently become part of the public debate.

Back to my excitement and enthusiasm for the event. Like most South Africans, I am confident that the Fifa World Cup will make a positive contribution to the country's domestic economy, fast-track infrastructure and service delivery, and position SA more formidably in the global economy. The usual disclaimers, however, apply, although I do think we will get it right.

But there are certain things I simply do not get.

The issue of cost overruns for some of the host stadiums comes to mind. A little more than a month ago, the public were informed that tenders for all five new 2010 stadiums, and for the upgrade for the FNB stadium, had come back at around R3bn over budget. The main culprits were Cape Town's Green Point stadium and Durban's King Senzangakhona stadium.

And so started a vigorous round of public debate and engagement, visits by an executive delegation of the LOC to the host cities, an unequivocal stand by the treasury that no additional funds would be forthcoming, and much grandstanding by civil society groups about a (further) potential abuse of public funds. The debate got more and more furious, and with Fifa stepping into the fray, things seemed to be reaching crisis proportions.

And then, completely out of the blue, we were told two or three weeks ago — following an intense two-day meeting between the board of the LOC and Fifa's top brass — that cost overruns were "reduced to zero". A two-day brainstorm reduced a



potential overrun from R3bn to zero. Awesome stuff!

LOC chairman Irvin Khoza cited "high risk" elements like insurance, high construction costs, complicated tender specifications, and fluctuating currency rates as some of the factors that contributed to the increases. Astonishingly, at the meeting, Cape Town reduced its overrun of 54% (from R3,7bn to R2,68bn), seemingly without much effort. Durban did similarly, reducing its

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budget by 18% (from R2,5bn to R1,8bn), and the other host cities followed suit.

So, in two days, and fewer than three weeks after the outcry over escalating costs, all was well again. The treasury's initial allocation of R8,4bn for stadium construction seemed adequate.

Cape Town was going to effect "minor" design and structural adjustments like reduction in roof size, floor area and height of the stadium without, according to executive mayor Helen Zille,



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"materially affecting the design, appearance, light and sound reduction of the structure". Durban was going to follow suit. Khoza and LOC CEO Danny Jordaan were delighted. So was Fifa's general secretary, Urs Linsi.

What a masterstroke of negotiation and compromise, that an amount equivalent to the construction of 50 000 low-cost houses, at today's rates, could be reined in with such purpose.

Now I do not for a moment discount Khoza's reasons for cost overruns, but I would venture to add that it was primarily over-elaborate construction design and extravagant tender specifications (most cities insisted on importing raw materials), driven by competition and fuelled by some very big-city egos, that must account for a large share of the increasing costs.

How else do you scale back, with apparent ease, a budget overrun of R3bn in four working sessions over a two-day period? It simply does not stack up.

Which brings me back to my earlier point about being a big fan of 2010. There is much to look forward to, and to be excited about. But let's not lose sight of the fact that every rand we save as a result of responsible financial management in the run-up to 2010 is another rand to the treasury coffers to drive our development.

Because, let's face it, 2010 is hardly likely to bring significant, long-term, benefits to the country's rank and file.

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