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Private Games?

The public costs obscured by the Olympic budget

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A Publication of Heinrich Böll Foundation, June 2016



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The public costs obscured by the Olympic budget

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Content

How much will the Olympic Games cost?	4
Initial Budget	6
What does the official discourse hide?	7
Who is winning gold?	10
Conclusion	13
Imprint	14

The 2016 Olympic Games close a decade of mega-events in the city of Rio de Janeiro. After the 2007 Pan American Games, the FIFA Confederations Cup and the World Cup[1], it was promised that 2016 would be the time to celebrate sport, the union of nations and to crown a transformed city. The beauty of the city, the love for sports, the joy and the receptivity of the Brazilian people are elements that populate the international imagination of the games in Rio. However, the reality is often harder than the television and marketing images want us to believe. The transformation of the games in business and how the government directs resources has been transforming Rio de Janeiro into a place of constant human rights violations, and deepening an unequal and exclusive city project. By frustrating the hopes of a city that would be transformed for the benefit of all, however, the Olympic project was spoiled for millions of natives.

The city project in course and the serious human rights violations have, even with little space, been reported and analyzed.[2] This article is part of this effort and it aims to present in the clearest possible way how the budget of the Olympic Games unlock the data and the official discourse and to explain some of the main beneficiaries of their implementation and the stakes of these actors. However, exploring the details of the game budget requires an Olympic effort, and as the preparation of the Olympics has already been called the "Obscure Games"[3], it can be said that Brazilian rulers are in a marathon of a merely acceptable level of transparency and participation.

In the Olympic Games Opening Ceremony the leading authorities being targeted by the cameras will be Dilma Rousseff and Thomas Bach, respectively presidents of Brazil, the host country, and of the International Olympic Committee (IOC). In addition to these two there will be Eduardo Paes, Mayor of Rio de Janeiro. As Mayor of the host city Paes is the largest supporter of the mega event. In this position the Mayor and his administration have repeatedly disseminated information that most of the Olympic funds come from the private sector. This is a fallacy.

Against this discourse we try to contribute to the public debate on the financing of the Games even more important in this tax adjustment context implemented in three instances, which has deepened the budget cuts in social areas. The official data on the Olympic budget will be presented in the first section. Then we try to present arguments that question the official data, and highlight that there are public resources omitted from public funds or disguised as if they came from the private sector. Next, we will present the greatest beneficiaries of the execution of mega-events and of the implementation of the city in the project in course.

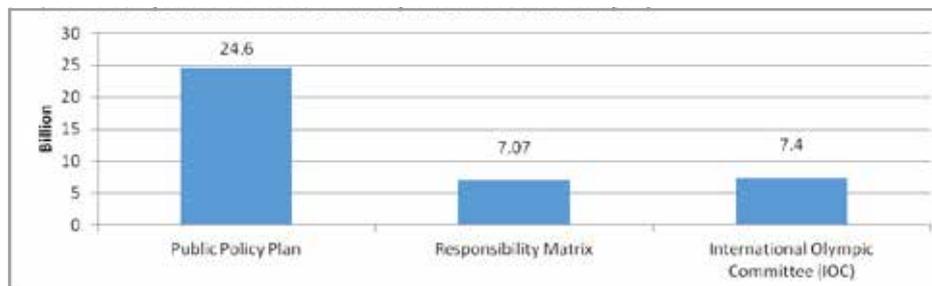
- 1** In addition to the sports mega-events, Rio de Janeiro also received the Military World Games in 2011, the United Nations Conference on Sustainable Development (Rio+ 20) in 2012 and the World Youth Day in 2013.
- 2** For example, the [Popular Committee of Rio de Janeiro](#) annually produces the "Mega-Events and Human Rights Violations in Rio de Janeiro Dossier". Their last publication is the dossier "[Rio 2016 Olympics: The Exclusion Games](#)", November 2015.
- 3** This nickname was used by one of the [largest Brazilian journalism portals](#) due to the lack of transparency of the data from the Olympics and breaches in the Access to Information Act.

How much will the Olympic Games cost?

Unveiling the budget of the Rio 2016 Olympic Games is a task that requires effort. Despite the short time for the opening ceremony we still have a long way to go in terms of transparency of expenses and the overall conduct of the Olympics. The official budget of the Olympics totaled R\$ 39.07 billion, divided into three components: the allocation of R\$ 7.4 billion for the Organizing Committee; R\$ 24.6 billion for the public policies plan and Legacy (which includes works of the three government branches), and the Responsibility Matrix, which lists investments of R\$ 7.07 billion with equipment considered exclusively related to the event.

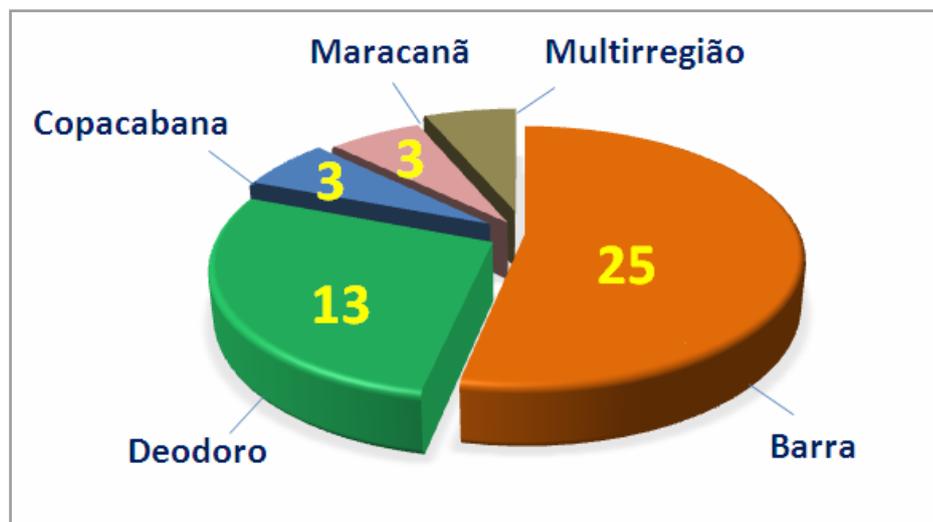
While the [World Cup Responsibility Matrix](#) comprehended spending in both arenas, security, telecommunications and mobility the Olympics strategy was different. It was decided to split the budget into three parts called Legacy Plan, in order to avoid similar criticisms such as those made during the World Cup.

Chart 1: Olympics budget per component (in billion reais)
(Source: own presentation based on data by Autoridade Pública Olímpica)



Source: Own presentation based on data by Autoridade Pública Olímpica

**Chart 2: Number of projects linked to the Olympics by city region
Rio de Janeiro**



Geographical distribution of projects: investments are higher in wealthier parts of the city like Barra da Tijuca

Source: own presentation based on data by Autoridade Pública Olímpica

According to [Rio's City Hall](#), "the 2016 Olympic Games are the Legacy Games. For every R\$ 1 invested in Olympic equipment R\$ 5 are used in legacy works, i.e., improvement for the daily lives of those who live in the city". Therefore, a great deal of the Olympic budget is connected to the city restructuring project, which is not necessarily tied to the Olympics, but is legitimated and intensified by it. By naming the Legacy Plan as the Plan for Public Policy the City tries to improve public opinion about the Games, and it includes works that are part of municipal policies – such as Porto Maravilha and Sanitation works – as part of an Olympic legacy.

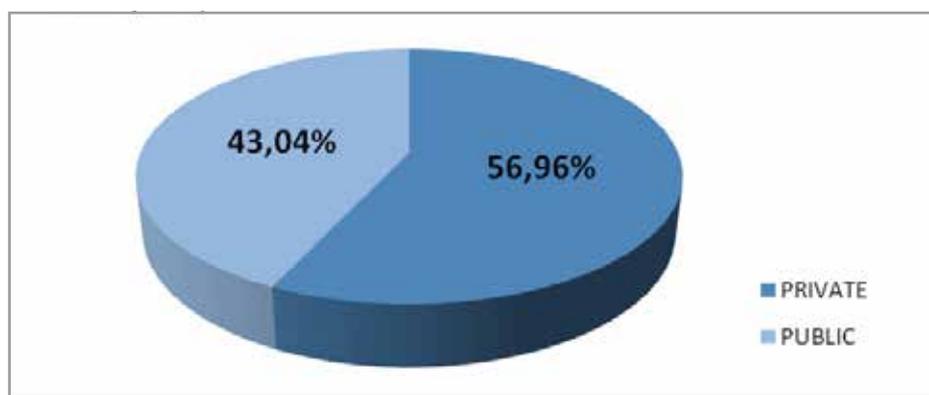
Similarly, works that could appear in the Responsibility Matrix – such as the road to the Olympic Park, urban renovation surrounding the Olympic Stadium, the Brazilian Laboratory of Doping Control ([Laboratório Brasileiro de Controle de Dopagem –LBCD](#)) and official training places used for the Games – are included in the Legacy Plan, increasing its value regarding the work directly related to the Games and enabling the fallacious claim that for every R\$ 1 invested in equipment R\$ 5 are invested in "legacy".

Initial Budget

In the dossier of application presented in 2008 the estimated value of the Games was at R\$ 28.8 billion. With the latest update of the Responsibility Matrix in January 2016 this figure has increased to R\$ 39.07 billion in official data, exceeding by almost R\$ 14 billion the cost of the 2014 World Cup and reaching almost ten times the R\$ 3.7 billion spent on the 2007 Pan-American Games.

In this version of the Matrix there was an increase in the government's share, which increased from 36% in August 2015 to 40.1%. The sum of private funds in the three budget components is R\$ 22.26 billion, which corresponds to 56.9% of the total budget, according to official data. However, this total is being questioned, as we will see in the next section.

Chart 3: Proportional Division of private and public spending of 2016 Olympic Games in Rio de Janeiro



Source: own presentation based on data by Autoridade Pública Olímpica from January 2016

Table 1: Budget of the Games according to official government data (in billion reais)

Budget	Public Sector	Private Sector	Total
Responsibility Matrix	2.84	4.24	7.08
Organizing Committee	0	7,40	7,40
Public Policy Plan	13.96	10.62	24.60
Total according the official government data	16.87	22.26	39.07
% according the official government data	43.04 %	56.96 %	100 %

(Source: Updated table of [World Cup and Olympics Popular Committee Dossier](#) with new data of the Responsibility Matrix of Autoridade Pública Olímpica)

What does the official discourse hide?

As expected, Mayor Eduardo Paes is the biggest supporter of the Olympic Games. He repeatedly tries to distance the preparation for the Olympics from the World Cup. It is part of a media strategy to say that the work will be delivered on time, that there will not be “white elephants”, neither an increase in the cost of the works^[4]. In addition to defending the Olympics he exalts whenever possible the participation of the private sector, officially greater than the public sector.

Showing the public that the resources of private sector prevail over those from the public expenditure is important to the City and to the International Olympic Committee, which immediately embraced this discourse. In a moment when some cities refuse to enter the race to host the Olympics, largely due to the elevated public expenditure, the statement that it is possible to hold the event with private resources is extremely important to the IOC.

On the other hand, City Hall seems to want to make the Olympics their political character by arguing that most of the resources come from private sources. It is common in Brazilian society to show who pays the bill as if they were the only ones interested in a particular issue. For example, in most cases, private ownership of real estate is presented as the sole and exclusive interest of the owner, when the Federal Constitution overrides the social function of property – the public interest – to the particular interest. Thus, City Hall seems to reinforce this image when it consistently says that the expenditure in the Olympics would be done mostly by the private sector, at the same time that it disqualifies the sectors with a critic view of the mega event.

Even if all investments of the Olympics were from the private sector its completion is of public interest. After all, the resources and projects involved in the city’s preparation for the Olympic Games [interfere in the lives of the citizens and change the dynamics of the city](#). However, state and local governments tend to disregard the Access to Information Act. Especially when it comes to issues relating to mega-events, the spaces for popular participation in projects related to their preparation and existing spaces such as public hearings they often [use maneuvers that effectively prevent the participation of citizens](#). As an example of the disrespect to the population we have the [Public Hearings on the privatization of the Maracanã Stadium](#), on the final stage of the World Cup, and on the Olympics Opening and Closing ceremonies.

In addition to the authoritarian profile demonstrated by Rio’s City Hall and the insistence that private funds would comprise the majority of the budget for the Olympics a critical analysis of the official data brings several controversies. The first refers to the way the

4 Only in the future one will be able to tell whether “white elephants” we’re built or not, but the other two pieces of information are not accurate. The work of the [Olympic Tennis Centre received two additives and it is not up to date, neither the Olympic Equestrian Centre](#).

Olympic budget is presented divided into: Responsibility Matrix, Public Policy Plan, and the Organizing Committee budget. As reported, the last component exclusively refers to the operating expenses of the Games and it consists of private resources and has no public control. Thus, we hereby decide for excluding them from the budget.

As this type of expense is included in the official budget we see tax exemptions for benefit the promoters of mega sports events being excluded thereof. Tax exemptions are granted by three federal entities^[5], but only information of the [Federal Government's estimate amounting to R\\$ 3 billion](#) could be found. It is important to remember that the laws created in the context of mega-events not only address tax exemptions, but also legislate on other questionable points. For example, exclusion zones were created in the host cities during the World Cup, and it could also be used during the Olympic Games. The General Law of the Olympics, currently pending in the Senate, makes room in its Article 9, through the establishment of "areas of interest" for the ban on the marketing of brands that are not sponsors of the event and for the crackdown on informal workers (street vendors). In addition, an Anti-Terrorism Act was recently enacted, and it was criticized for being too broad and for threatening the right to freedom of speech.

However, tax exemptions and waivers are not the only public resources omission in the official budget. Expenses with temporary stands, furniture for the Olympic Village, funding departments created for the Games and even compensations paid to the residents of Vila Autódromo who did not bear the psychological pressure and disruption of public services were included in the tax community by City Hall Administration and its employees and chose to be indemnified. These omitted expenses totaled R\$ 409 million and twice were excluded from the Responsibility Matrix.

The third omission happens in the presentation of the two largest public-private partnerships in Brazil, namely Porto Maravilha and the Olympic Park. The official data does not show the public consideration required by contract and in the case of the Olympic Park, the value of the public land given as compensation of 1.18 million square meters is not monetized.

Therefore, taking into account the issues, presented by the World Cup and Olympics Popular Committee, and updating the data of the newest version of the Responsibility Matrix, we have the following data:

- 5 For example, the Municipal Law No. 5.230 / 2010 - which provides for tax incentives and benefits related to the hosting of the 2014 World Cup and the 2016 Olympic and Paralympics Games - guarantees tax exemption on property tax, ITBI, as well as debt forgiveness and reduction of the rate of ISS during the construction of residence hotels located in the area of Porto Maravilha and other hotels, inns, resorts and hostels for services related to these mega-events.

Table 2: Division of funds (in billion reais)

Budget	Public Sector	Private Sector	Total
Responsibility Matrix	2.84	4.24	7.08
Public Policy Plan (PPP)	13.96	10.62	24.58
Items not included in official budget			
Public costs not included in Responsibility Matrix	0.5		0.5
Public Monthly Consideration of Porto Maravilha (Public-Private Partnership)	1.21 ¹		1.21
Public Monthly Consideration in cash on the Olympic Park (Public-Private Partnership)	0.53		0.53
Public Monthly Consideration of the land of the Olympic Park (Public-Private Partnership)	2.7 ²		2.7
Tax exemptions	3 ³		3
Spending on Public Security (Ministries of Justice and Defense)	0.93		
Total	25,67	14,86	40,53
%	63,33 %	36,67 %	100,00 %

⁽¹⁾ Calculation was based on the monthly amount of R\$ 10 million over 15 years, totaling R\$ 1.8 billion minus the public installment provided by the public policy instance of R\$ 592 million. ⁽²⁾ The value was calculated from the average cost of land in Barra da Tijuca of R\$ 3,381.00 per m² in September 2015. ⁽³⁾ <http://www.contasabertas.com.br/website/arquivos/11861>.

(Source: Updated table of [World Cup and Olympics Popular Committee Dossier](#) with new data of the Responsibility Matrix of Autoridade Pública Olímpica)

By analyzing the table with the official figures and the table proposed by the World Cup and Olympics Popular Committee we have observed that the final value is similar, both at R\$ 39 billion, but its composition is quite different. First, the portion corresponding to the Organizing Committee Budget was deleted and replaced with the omissions of public resources. Second and more importantly, it proves to be an inversion of the participation of private resources into public ones. While most of the expenditure in the official table is done by the private sector in this table we see that the expenditure is mainly done by the public sector. Therefore, the official result is only possible through three omissions: the exemptions and tax waivers granted; unaccounted public investments linked to the event; and public consideration, both monetary and from the assigned land linked to Public-Private Partnerships of Porto Maravilha and the Olympic Park. These omissions appear to represent a transfer of public funds to the private sector in the context of the preparation of Rio de Janeiro for the Olympics, but are not explicit in the official data.

Who is winning gold?

While the official discourse broadly informs that the Olympics is largely paid up by the private sector a critical review of the official data indicates quite the contrary, and it points to a transfer of public funds to the private sector. However, this is not an ordinary kind of transfer. As shown in table 3 below, a recurrence of large contractors in the works related to the Olympics can be observed.

The systematic recurrence of the same large Brazilian construction companies in the Olympic works suggests an interchange among them in the execution and control of the projects. Thus, it is possible for a particular contractor to be associated with a second one for one bidding and to be associated with a third contractor for a new bidding where it is competing with its previous partner. After reviewing the bidding of large enterprises the publication [Rio owners – Who are the owners of Brazil?](#) by the research organization Mais Democracia suggests that there are signs of cartel formation. According to economics theory cartel formation assumes the existence of a concentrated market and the benefit of the companies involved, as the amount paid to finish the works exceeds market value.

Since the survey was conducted suspicions have increased by the investigations carried out by the Federal Police during Operation Car Wash. All major Brazilian construction companies are involved in the Petrobras scandal and their directors and presidents have been arrested. The old complaints about the shady relations between government and contractors should be scrutinized. Even works carried out for the World Cup are being investigated, such as suspicions of [overbilling at the Arena Pernambuco](#), while Olympic projects are now also under investigation. Of the investigations, [one refers to the release of FGTS resources connected to the execution of Porto Maravilha project](#), in which Eduardo Cunha is a suspect.

Therefore, Olympics included, you can see how the mega-events have not changed the political and economic actors capable of mobilizing public funds, as they keep benefiting large companies at the expense of the population's needs, and reach far wider than the existing corruption allegations. Sports arenas were built and large urban works were performed by the same large contractors, thus consolidating a decade of expansion and concentration of this sector. Overall, this expansion was achieved by the transference of public resources both for the execution of projects and now with an increase in the number of Public-Private Partnerships.

Table 3: Contractors hired in the biddings for major works linked to the Olympics in the city of Rio de Janeiro – 2014

Contractors	Consortiums and partnerships in which they participate	Construction Work	Total Value Of Contracts (in Reais) ⁴	Responsible Institution
Odebrecht	Consortium Rio Barra	Metro Line 4 Construction	8.790 billion ⁵	State government
	Consortium VLT Carioca ⁶	Construction of the LTR - Light Rail on Trails from Porto Maravilha	1.188 billion	Urban Development Company of Rio de Janeiro (Companhia de Desenvolvimento Urbano do Rio de Janeiro – CDURP)
	Consortium Rio Olímpico ⁷	Construction of BRT Transolímpica - Construction of Expressway	1.912 billion ⁸	City Hall
	Partnership with Sanerio Construções	Construction of BRT Transoeste	91.55 million	City Hall
	Concessionaire Porto Novo	Porto Maravilha Project - Revitalization Project of the Port Zone. Level 2	8.2 billion ⁹	City Hall
	Consortium Olympic Park	Olympic Park	1.4 billion	City Hall
	Ilha Pura Company ¹⁰	Athletes Village	2.909 billion	City Hall
	No partnerships	Duplication of the Joá's Elevated Highway	459.88 million	City Hall
Andrade Gutierrez	Consortium Complexo Lagunar	Environmental Recovery of the Lagoon Complex of Baixada de Jacarepaguá	613 million	City Hall
	Consortium Olympic Park	Olympic Park	613 million	City Hall
Carioca Engenharia	Consortium Rio Barra	Metro Line 4 Construction	8.790 billion	State government
	Concessionaire Porto Novo	Porto Maravilha Project - Revitalization Project of the Port Zone. Level 2	8.2 billion	City Hall
Carvalho Hosken	Consortium Olympic Park	Olympic Park	1.4 billion	City Hall
	Ilha Pura Company	Athletes Village	2.909 billion	City Hall
Queiroz Galvão	Consortium Rio Barra	Metro Line 4 Construction	8.790 billion	State government
	Consortium Complexo Lagunar	Environmental Recovery of the Lagoon Complex of Baixada de Jacarepaguá	613 million	City Hall
OAS	Consortium Complexo Lagunar	Environmental Recovery of the Lagoon Complex of Baixada de Jacarepaguá	613 million	City Hall
	Concessionaire Porto Novo	Porto Maravilha Project - Revitalization Project of the Port Zone. Level 2	8.2 billion	City Hall
Invepar	Consortium VLT Carioca	Construction of the LTR - Light Rail on Trails from Porto Maravilha	1.188 billion	Urban Development Company of Rio de Janeiro (Companhia de Desenvolvimento Urbano do Rio de Janeiro – CDURP)
	Consortium Rio Olímpico	Construction of BRT Transolímpica - Construction of Expressway	1.912 billion	City Hall

Contractors	Consortiums and partnerships in which they participate	Construction Work	Total Value Of Contracts (in Reais) ⁴	Responsible Institution
CCR		Construction of the LTR - Light Rail on Trails at Porto Maravilha	1.188 billion	Urban Development Company of Rio de Janeiro (Companhia de Desenvolvimento Urbano do Rio de Janeiro – CDURP)
	Consortium Rio Olímpico	Construction of BRT Transolímpica - Construction of Expressway	1.912 billion	City Hall
Cowan	Consortium Rio Barra	Metro Line 4 Construction	8.790 billion	State government
Servix	Consortium Rio Barra	Metro Line 4 Construction	8.790 billion	State government
Mendes Junior	No partnerships	Control Program at the Greater Tijuca Region Construction	613 million	City Hall
Riopar	Consortium VLT Carioca	Construction of the LTR - Light Rail on Trails at Porto Maravilha	1.188 billion	Urban Development Company of Rio de Janeiro (Companhia de Desenvolvimento Urbano do Rio de Janeiro – CDURP)

⁽⁴⁾ The indication on the table indicates the total value of contracts, what does not mean that each contractor received this value, considering that they often act in consortia, namely, together with other contractors. The total price for each project or contract is repeated in lines related to each contractor to give the idea of their participation in the volume of contracts with the government. ⁽⁵⁾ This value considers two contracts. The first amounting to R\$ 7.63340 billion is intended for the construction of civil works and accessibility. The second amounting to R\$ 1.15748 billion is aimed at deploying operating systems and rolling stock. ⁽⁶⁾ The Consortium VLT Carioca was declared winner of the tender for the construction and operation of the Light Rail Vehicle System (VLT), which will connect the Port Zone to the financial city center and Santos Dumont Airport in Rio de Janeiro. The four consortium leaders have 24.4375% each. In addition, the consortium has a minority stake in the Argentinean company Benito Roggio Transporte with 2% and from the French company RATP responsible for public transport in Paris with 0.25%. ⁽⁷⁾ The Consortium won the bid to perform the work and to explore the concession of the expressway for 35 years. ⁽⁸⁾ This value considers two contracts. The first amounting to R\$ 1,806.79 million is aimed at the construction of the expressway, while the second amounting to R\$ 106.50 million is for the implementation of the Magalhães Bastos - Deodoro Connection. ⁽⁹⁾ Based on the contract for the Public-Private Partnership between the City of Rio de Janeiro and Concessionaire Porto Novo. ⁽¹⁰⁾ The Ilha Pura Company is formed by the companies Carvalho Hosken and Odebrecht.

(Source: [World Cup and Olympics Popular Committee of Rio de Janeiro Dossier](#))

Conclusion

The Olympics comprises a series of major events and it was promoted as some kind of celebration of a transformed Rio de Janeiro. With a wide coverage in the media and provided with R\$ 150 million for advertising the Mayor and his administration are trying to discredit the criticism using various strategies, such as emptying the public debate by systematically repeating that most of the Olympic budget is funded by the private sector. [According to Rio's Mayor Paes](#), those would be "the legacy games are saving public money and will result in no white elephants—this is the medal that Rio has been training tirelessly to win in 2016".

However, the data and the official discourse are questionable and full of inconsistencies. Considering the waivers and unaccounted tax exemptions, public expenditure not included in the Responsibility Matrix and transfers of government to public-private partnerships, we can observe that the Brazilian government is in its three levels the true promoter of the Olympic Games, while promoting at the same time the transfer of public funds to the private sector. This becomes even more serious when we consider the current context of tax adjustment and cuts in social areas, which has undermined rights such as health and education in favor of keeping expenditure in other areas, such as the Games.

This article intends to contribute to the debate about mega-events through a critical analysis of the budget and resource shared between the government and the private sector. However, one cannot overlook that the mega-events are inserted into a city project in course, which has made the Rio de Janeiro more unequal and exclusive.

However, this project produces and faces several resistances. Many of them are disperse, but one cannot ignore the possibility of uniting the agendas, materialized in the fight for a city for the people, and a new rise of popular struggles.

The Authors

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Imprint

Edited by Heinrich-Böll-Stiftung

Translation: Fal Azevedo

Editing: Primacy Idiomas

Schumannstr. 8, 10117 Berlin

Place of publication: www.boell.de

Release date: June 2016

In Cooperation with

PACS – Instituto Políticas Alternativas para o Cone Sul

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the position of the Heinrich Böll-Stiftung.

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