

## **Preventing corruption in the planning of major sporting events: open issues**

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Corruption in the planning of major events may start as early as during the bidding process, as demonstrated in the Salt Lake City 2002 Winter Olympic bid.<sup>2</sup> Likewise, corruption may not end with the opening of the event, as demonstrated in the gold medal decision in the 2002 Olympics figure skating competition in favour of the Russian skating duo.<sup>3</sup> The activities between these phases also provide many opportunities for corruption. Corruption affects almost all stages of the value creation chain, and in all groups of 'stakeholders', including nominations for positions, the allocation of TV or marketing rights and the commissioning of construction works for sports arenas and other venues.<sup>4</sup>

### **Truly world-leading ambitions for international sporting institutions**

With the Olympic Games and the men's football World Cup, the International Olympic Committee (IOC) and the Fédération Internationale de Football Association (FIFA) control two of the most fascinating global sporting events, which attract the desire to host them in all parts of the world. These institutions have high ambitions (and positions) in promoting sports and making profits, which should be mirrored by equal ambitions to serve humankind more generally. In a sense, the IOC and FIFA are in a unique position to change the world for the better, and are potentially more influential than any other international institution, including even the United Nations and NATO, because of the prohibitively high 'costs' arising from those institutions exercising their power (alienation of sections of the global community in the event of diplomatic pressure being applied, human casualties and infrastructural destruction in the extreme case of military force being used). FIFA and the IOC could conceivably use their positions to enforce standard requirements for good

governance, labour regulations and the protection of minority rights, by declaring them as a precondition for being eligible to bid or organise their events. Many nations with deficiencies in these areas might change their practices, just to be able to bid.

Any counter-argument that the IOC and FIFA do not have a general political mandate would be invalidated if these organisations made it clear that they were simply applying internationally agreed standards, developed by institutions such as the International Labour Organization (ILO), World Trade Organization, and so on, as they indeed should. Another potential counter-argument may be that such standards are biased towards current ‘western values’, which even Western nations themselves did not live up to a few decades ago, and that such prescriptions imply ambitions towards a Western hegemony, including, for example, religious arrogance and/or a protectionist attempt to hinder competition from emerging regions. For this reason, if the IOC and FIFA were to reform their bidding requirements, they should do so such that they possess an inclusive character, in line with internationally accepted standards, such as those of the UN and ILO. The time is ripe for these organisations to be more ambitious, lead by example and make a genuine impact.

### **Referenda and participation as formal prerequisites**

A general critique is that the bidding for and organising of major sporting events are “elitist actions” that serve the interests of few (e.g. athletes, real estate owners, construction firms, politicians), harm the lives of many (for example by displacement of underprivileged people), and do not serve the majority of the population. These critiques are often linked with accusations of corrupt behaviour, for example against political officials who are accused of being misled by influential individuals and making decisions against the “real will” of the majority. Such critiques regularly hinder the efficient planning and organising of these events.<sup>5</sup> Furthermore, such critiques undermine the positive image of sports organisations. The violent protests in Brazil in 2013 were a clear signal that

successful sporting mega-events need to have the support of a broad majority of the population and need to be planned and managed in an accountable manner.

As a far-reaching mechanism to counter allegations of elitism and corruption, the IOC, FIFA and other sporting institutions could require *ex ante* referenda or similar processes as a precondition for bidding. This could be accompanied by an extension of the time period generally allowed for the process – from the commencement of bidding up to the opening ceremony – by an additional two years at least. The longer period of pre-bidding preparation would fit well with the ambitions of event organisers to use the Games as a tool for urban regeneration – something that is hardly feasible in multi-layered societies with well-ordered checks and balances within the present preparation period.

A requirement to hold pre-bidding referenda implies the risk of fewer cities/nations coming forward to bid in the first place. On the positive side, though, the quality of the bids would improve. Interested cities and nations would need to invest more resources into developing bidding concepts that convince their own populations (and, consequently the decision-making bodies in the sports organisations).

### **Host selection: choosing a pool of future hosts**

The time period between the selection and hosting of the Olympic Games or the World Cup appears to be too short for many cities and countries, if the events are interpreted as a tool for urban regeneration. It is sometimes argued that the time pressure is itself a major source of corruption and cost escalation, because decision-makers lack alternatives for completing the projects on schedule. As a response, the IOC and FIFA could change their selection modus. Instead of selecting one city seven years ahead of the Olympic Games, or one country six years in advance of the World Cup,<sup>6</sup> the institutions could select a pool of some three to four future hosts. The final selection of the host

would take place some four years ahead of the event, based on the current status of the preparation. After each final determination of the next host, a new future host would be added to the pool. Such a mechanism would have the advantage that the host could make use of different speeds of preparation, without hindering investments, as there would be the certainty of being the host at some stage in the near future.

### **Looking beyond public finance for sporting mega-events**

Private financing for major sporting events has been proposed as an alternative approach, in order to avoid the need to draw upon and further stress public finances.<sup>7</sup> When considering corruption as an intentional choice, this would make sense as well: the risk of corruption generally increases if sufficiently large bribes can be financed.

The significant increase in budgets for World Cups and Olympic Games over recent decades, which – including urban infrastructure – now easily reach double-digit billion-dollar levels,<sup>8</sup> provide a potential additional impulse for corruption. With private financing and no public funds, there would be much less investment for sport facilities and other infrastructure, severely limiting the scope for corruption. With effective regulations, CEOs will have far fewer incentives for allowing corruption to happen on their watches. The Los Angeles 1984 and Atlanta 1996 Summer Olympic Games were organised with minimal or no public finance, and their examples should be scrutinised by other bidding nations.<sup>9</sup> This method would bring the Games much closer to their roots, as a sporting event rather than an occasion for urban regeneration.

If removing public finances from the funding of major sporting events appears too far-reaching a move, at least public broadcasters should not be allowed to bid for World Cup and Olympic broadcasting rights (at least when there are private bidders willing to provide free broadcasting of

the event). As such, a decrease in the TV (and marketing revenues) of major sporting events can be expected. Inevitably, this would not be a policy actively promoted by international sports organisations. With a worldwide consensus on the part of public authorities to exclude public sector institutions from bidding for TV and marketing rights, however, the available funds – and thus the risk of corruption – should be reduced.<sup>10</sup>

### **Human resources: selection, rotation, limitation, payment and accountability**

The decision-making should be participatory, especially in the selection of the leadership for the bidding and organising teams. Up to now, in almost all cases, the selection process has been limited to a small circle of decision-makers in a non-transparent process. In too many instances the selection process has led to the enthroning of politically connected individuals who ‘represent a greater degree of risk of corruption’.<sup>11</sup> Furthermore, there are various cases of bids and organisation processes for major sporting events when the leading individuals had to be removed because of inadequate performance. A selection that includes a public participation process may well increase the quality (and acceptance) of the leadership team. Such a selection process may well conclude with the decision not to install a single ‘head’ but, rather, a team of peers with different abilities, specialisations and backgrounds – a well-established everyday principle in almost all team sports.

It might be useful to consider making higher payments to officials working for sports organisations, especially in FIFA and the IOC, notwithstanding the above reasoning for reducing the budgets of sporting events by excluding public finance. This may imply a need to change the human resource concept for officials in such institutions, to a system where officials should be paid a salary that is higher than the standard market wage for equivalent activities (‘efficiency wages’).<sup>12</sup> In combination, a deferred compensation model<sup>13</sup> should be constructed; in other words, a large part of the officials’ income would have to be paid into funds, be they pension or otherwise, which would then be paid out after the end of a corruption-free tenure. A sufficiently high perceived risk of

losing this future income would decrease the corruptibility of sporting officials.

Finally, some other measures could be considered. For example, other sporting institutions should weigh up the benefits of adopting the term limits and job rotation policies of the IOC, which would tend to mitigate corruption risks by preventing too high a level of trust developing between potential providers and recipients of bribes. It might also be instructive, in the context of public finances for the sporting mega events, to look at the case of the governor of the Reserve Bank of New Zealand, whose contract extension was linked to performance – in this instance, targeted inflation rates not being exceeded.<sup>14</sup> Similarly, the contract and/or the payment of chairmen or women for organising sporting mega events could be linked to not exceeding event budgets.

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<sup>1</sup> Wolfgang Maennig is Professor of Economics at Hamburg University and an Olympic champion (rowing eights at the 1988 Summer Olympics).

<sup>2</sup> Some argue that it may have even started earlier (see section headed 'Referenda and participation as formal prerequisites'); *The New York Times* (US), 'Olympics: leaders of Salt Lake Olympic bid are indicted in bribery scandal', 21 July 2000, [www.nytimes.com/2000/07/21/sports/olympics-leaders-of-salt-lake-olympic-bid-are-indicted-in-bribery-scandal.html](http://www.nytimes.com/2000/07/21/sports/olympics-leaders-of-salt-lake-olympic-bid-are-indicted-in-bribery-scandal.html).

<sup>3</sup> ESPN (US), 'Sale, Pelletier share gold with Russian pair', 15 February 2002, <http://sports.espn.go.com/oly/winter02/figure/news?id=1333280>.

<sup>4</sup> For an overview up to 2004, see Wolfgang Maennig, 'Corruption in International Sports and Sport Management: Forms, Tendencies, Extent and Countermeasures', *European Sport Management Quarterly*, vol. 2 (2005). In recent years most cases of corruption in sports have been betting-related; see Christian Kalb, *Integrity in Sport: Understanding and Preventing Match-Fixing* (Lausanne: SportAccord, 2011), available at [www.sportaccord.com/multimedia/docs/2012/04/SportAccordIntegrityReport\\_A4\\_V2UpdatedApril2012.pdf](http://www.sportaccord.com/multimedia/docs/2012/04/SportAccordIntegrityReport_A4_V2UpdatedApril2012.pdf); and David Forrest and Wolfgang Maennig, 'The Threat to Sports and Sports Governance from Betting-Related Corruption: Causes and Solutions', in Paul Heywood (ed.), *Routledge Handbook of Political Corruption* (Abingdon: Routledge, 2015).

<sup>5</sup> For more information on and a critique of the planning displacement, see Libby Porter, Margaret Jaconelli, Julian Cheyne, David Eby and Hendrik Wagenaar, 'Planning Displacement: The Real Legacy of Major Sporting Events', *Planning Theory and Practice*, vol. 10 (2009); for the other critical aspects in the case of Brazil 2014/2016, see Thêmis Aragão and Wolfgang Maennig, 'Mega Sporting Events, Real Estate, and Urban Social Economics: The Case of Brazil 2014/2016', in Paulo Esteves, Andrew Zimbalist and Luis Fernandes (eds.), *BRICS and the Sports Mega Events: Experience and Perspectives* (Rio de Janeiro: BRICS Policy Center, forthcoming).

<sup>6</sup> This is typically a period of six years, though the awarding of the 2022 World Cup to Qatar in 2010 was an exception.

<sup>7</sup> *The Boston Globe* (US), 'Olympic bid draws fire over funding omissions', 28 May 2015, [www.bostonglobe.com/metro/2015/05/28/walsh-says-public-money-can-used-for-olympic-infrastructure/aljtE75n1JDIVe2nQqsZ2N/story.html](http://www.bostonglobe.com/metro/2015/05/28/walsh-says-public-money-can-used-for-olympic-infrastructure/aljtE75n1JDIVe2nQqsZ2N/story.html); *Frankfurter Allgemeine* (Germany), 'Keine öffentlichen Gelder für Olympia!', [www.faz.net/aktuell/sport/sportpolitik/keine-oeffentlichen-gelder-fuer-olympia-13331809.html](http://www.faz.net/aktuell/sport/sportpolitik/keine-oeffentlichen-gelder-fuer-olympia-13331809.html).

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<sup>8</sup> Andrew Zimbalist, *Circus Maximus: The Economic Gamble behind Hosting the Olympics and the World Cup* (Washington, DC: Brookings Institution Press, 2015).

<sup>9</sup> *The Boston Globe* (US), 'Atlanta Games' venues left some lessons for Boston', 3 August 2014, [www.bostonglobe.com/metro/2014/08/02/atlanta-games-venues-from-left-legacy-some-lessons/Jj8zIJqrUcdTT6sEXUjseK/story.html](http://www.bostonglobe.com/metro/2014/08/02/atlanta-games-venues-from-left-legacy-some-lessons/Jj8zIJqrUcdTT6sEXUjseK/story.html).

<sup>10</sup> Free TV could nevertheless be a prerequisite.

<sup>11</sup> United Nations Office on Drugs and Crime, *The United Nations Convention against Corruption: A Strategy for Safeguarding against Corruption in Major Public Events* (Vienna: UNODC, 2013), p. 19, [www.unodc.org/documents/corruption/Publications/2013/13-84527\\_Ebook.pdf](http://www.unodc.org/documents/corruption/Publications/2013/13-84527_Ebook.pdf).

<sup>12</sup> Editor's note: Transparency International understands, though the organisations do not publish salary bands and salaries of executive officials, that these officials already receive sufficiently high if not exceedingly high salaries, and does not advocate for raising them.

<sup>13</sup> Edward Lazear, 'Why Is There Mandatory Retirement?', *Journal of Political Economy*, vol. 87 (1979); Wolfgang Maennig, 'On the Economics of Doping and Corruption in International Sports', *Journal of Sports Economics*, vol. 3 (2002).

<sup>14</sup> David Archer, 'Inflation targeting in New Zealand', paper presented to International Monetary Fund, Washington, DC, 20 March 2000, sect. I, [www.imf.org/external/pubs/ft/seminar/2000/targets/archer.htm#iia](http://www.imf.org/external/pubs/ft/seminar/2000/targets/archer.htm#iia).