Obstacles to accountability in international sports governance

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Introduction

To understand why international sport organisations are so often the subject of allegations and findings of corruption it is necessary to understand the unique standing of these bodies in their broader national and international settings. Through the contingencies of history and a desire by sports leaders to govern themselves autonomously, international sports organisations have developed in such a way that they have less well developed mechanisms of governance than many governments, businesses and civil society organisations. The rapidly increasing financial interests in sport and associated with sport create a fertile setting for corrupt practices to take hold. When they do, the often insular bodies have shown little ability to adopt or enforce the standards of good governance that are increasingly expected around the world.

This short article describes why improved governance is needed and why it is so hard to achieve. First, it recounts a number of recent and ongoing scandals among sports governance bodies. Second, it discusses the growing economic stakes associated with international sport. Third, it provides an overview of the unique history and status of international sports organisations, which helps to explain the challenge of securing accountability to norms common in other settings.

Recent and ongoing scandals
Actual and alleged corruption has been a long-standing issue for many international sports bodies. Some scandals are well known. For instance, in the 1990s the International Olympic Committee (IOC) was embroiled in a scandal over the Salt Lake City Winter Olympic games involving alleged bribes for votes. This scandal was particularly notable because of the IOC’s leadership role across international sport. The episode led to the IOC instituting reforms to encourage greater transparency and accountability, such as the creation of an Ethics Commission and the introduction of conflict of interest guidelines.

More recently, the Fédération Internationale de Football Association (FIFA), the body that oversees international football, has faced a barrage of allegations over its process for selecting the venues of the 2018 and 2022 World Cups, won by Russia and Qatar, respectively. The accusations range from the sordid – cash in brown paper envelopes – to the incredible – alleged gifts of paintings from the archives of Russia’s State Hermitage Museum in St Petersburg – and everything in between.

These episodes involve the largest and most visible sports organisations; allegations of corrupt practices can be found among less well known bodies as well, however, including the following.

- The International Weightlifting Federation (IWF), located in Budapest, Hungary, has been accused of financial mismanagement, with millions of dollars provided by the IOC unaccounted for.
- The international volleyball federation, the FIVB, located in Switzerland, has faced accusations of illegitimate political actions to keep a leadership regime in power, as well as accusations of financial mismanagement of funding.
• The international cycling union, the UCI, also located in Switzerland, in association with the doping scandal involving Lance Armstrong and his team-mates, has faced accusations of bribery and financial conflicts of interest.9

• The International Association of Athletics Federations stands accused of covering up institutionalised doping by Russian athletes and of other corrupt practices.10

• CONCACAF, one of the regional football federations within FIFA, discovered alleged bribery and tax evasion within its leadership in a 2013 integrity investigation.11

Corruption, defined as ‘the abuse of entrusted power for private gain’,12 is a global problem, and a risk wherever power and politics are practised (which is to say, everywhere). Some organisations are better than others, however, at discouraging corrupt practices and rooting them out when they do occur. For instance, there is a well-developed body of experience on the role of conflict of interest guidelines and disclosures.13 Avoiding such best practices can be tempting, however, because of the large and growing stakes involved in international sport. Securing the implementation of best practices requires effective leadership but also a more general commitment to good governance.

**Sport and money: big, and getting bigger**

Sport is increasingly big business and, crucially, associated with big business, thus providing opportunity and motivation for corrupt practices. For instance, the IOC reported total revenues of about US$5 billion for the three-year period ending with the London 2012 games.14 To place this number into context, it is comparable to the collective total revenues of the top 15 European football clubs over their 2013–2014 season.15 Following the 2010 World Cup, FIFA boasted financial reserves of more than US$1.3 billion,16 with an additional US$2 billion in revenue from the 2014 World Cup.17
In the broader context of business, however, international sports organisations do not turn over particularly large amounts of money. For instance, Tesco, the British supermarket chain, had revenues of about US$100 billion in 2013\textsuperscript{18} and Royal Dutch Shell, an oil company, had revenues of about US$450 billion.\textsuperscript{19} Stefan Szymanski has shown that, as part of the overall economy, sport and sport-related economic activity constitute a fairly small element.\textsuperscript{20} Even so, the turnover of billions of dollars within the largest sporting organisations represents a significant increase from past years and provides considerable opportunity and incentive for corrupt behaviours. The growth in the financial stakes associated with sport shows no sign of slowing down.\textsuperscript{21}

Although the revenues associated with international sport organisations are not comparable to the biggest businesses in the global economy, sport can be considered big business nonetheless. In particular, mega-events such as the Olympic Games and the FIFA World Cup result in the mobilisation of tens of billions of dollars in state-sponsored infrastructure expenses. For example, the 2014 Winter Olympic Games in Sochi, Russia, reportedly cost more than US$50 billion.\textsuperscript{22} The cost of the 2022 World Cup in Qatar, by some estimates, will top US$200 billion.\textsuperscript{23} These enormous expenditures attract a wide range of interests, not only in the projects associated with the games but also in the decision-making leading to the selection of host venues. Sports organisations make decisions with billion-dollar implications, and with corresponding winners and losers.

**The peculiar history and organisation of sports bodies**

Even though international sport and its broader financial context have grown in size and significance, the organisations that govern the games are typically not businesses but, rather, a special class of non-profit associations. The fact that sports organisations sit in such an odd place in the panoply of international organisations will come as a surprise to many; they are not governmental, not
intergovernmental, not corporations and not international bodies like the United Nations or World Health Organization. It is, arguably, this special, non-profit status that is at the heart of challenges to hold such bodies accountable to the same rules and norms that govern other international bodies. There are many examples of businesses, international organisations and civil society organisations that have seen governance shortfalls exposed and then improved. A recent list of examples might begin with the international banking sector, the International Monetary Fund (IMF) and Greenpeace.24

Professor Mark Pieth of the Basel Institute of Governance, and from 2011 to 2013 chair of FIFA’s internal governance reform effort, has written that, despite its non-profit status, FIFA is ‘a potent corporate entity. This calls for a sequence of particular governance measures developed in the corporate world.’25 This view holds for other sports organisations as well. Because of their unique governance structures, however, such bodies are not easily held accountable to standards of good governance. For instance, companies and other organisations typically have formal accountability to stakeholders (shareholders, for example, in the case of public companies) and are often overseen by independent directors. International sports bodies have more diffuse and complex stakeholder relationships, and very few have any external directors (the World Anti-Doping Agency offers an exception).

To understand international sports requires understanding the peculiar history and organisation of the institutions that oversee international sports.26 The most significant governance body is the International Olympic Committee, created in 1894. The IOC oversees what it calls the ‘Olympic Movement’, defined as ‘the concerted, organised, universal and permanent action, carried out under the supreme authority of the IOC, of all individuals and entities who are inspired by the values of Olympism’.27 By ‘Olympism’, the IOC is referring to its guiding philosophy, which is ‘based on the joy found in effort, the educational value of good example and respect for universal fundamental
In 2015 more than 50 different sports are part of the Olympic movement, as elements of the Olympic Summer and Winter Games.

The IOC coordinates the activities of national Olympic bodies and collaborates with international sports federations, such as FIFA, the FIVB and the IWF, among many others. The international federations have many other responsibilities, which go far beyond their collaboration with the IOC. For instance, FIFA oversees the quadrennial World Cup, and also oversees and coordinates the national football associations, which, in turn, oversee (with varying degrees of influence) the most popular professional leagues in the world, including the English Premier League and the German Bundesliga. There are also, of course, many significant sports leagues, such as the National Football League in the United States, that sit apart from the Olympic movement, and thus follow different sorts of governance models.

About 60 international sports organisations are headquartered in Switzerland, including the IOC and FIFA. The IOC may seem like an international body, and it does have a close relationship with the United Nations, including special recognition by the UN and the sharing of programmes with the UN. Despite appearances, however, the IOC is not itself a part of the UN or any other multilateral institution. It is actually a non-profit organisation incorporated under the provisions of Swiss law, which – along with several other global sports bodies – receives special treatment under Swiss law, including tax and property privileges.

For the IOC and other sports organisations, these arrangements with the Swiss government date to more than a century ago, when the Swiss were recruiting international governmental and non-governmental organisations to their country. The historical interest of the Swiss in hosting international
organisations is not particular to sport, with almost 300 such bodies headquartered in the small country.34

**Unique governance practices stymie accountability**

In a 2013 research paper I ask why it is that FIFA, the subject of frequent allegations of corruption and poor governance practices, has been so difficult to hold accountable.35 The answer that I have reached is more broadly applicable, relating to international sports organisations that share similar characteristics.

Specifically, I drew on research on international organisations that identified seven different mechanisms of accountability. These are:

- *hierarchical accountability*: the power that superiors have over subordinates within an organisation;
- *supervisory accountability*: relationships between organisations;
- *fiscal accountability*: mechanisms of control over funding;
- *legal accountability*: the requirement that international bodies and their employees must abide by the laws of relevant jurisdictions in which those laws are applicable;
- *market accountability*: influence that is exercised by investors or consumers through market mechanisms;
- *peer accountability* refers to the evaluation of organizations by their peer institutions, and
- *public reputational accountability*: the reputation of an organisation.
Because most international sports bodies are incorporated as associations – that is, voluntary membership organisations – and are legally characterised as non-profits, in general they are not subject to national or international laws or norms that govern business practices.

The difference in governance practices between public corporations, multilateral institutions and sports organisations is striking. For example, if one wants to know the compensation of Ban Ki-Moon (about US$240,000), the secretary general of the United Nations, one can find that information online. The same transparency goes for the president of the United States (US$400,000 in 2014) and the CEO of Nestlé (US$10.6 million in 2013), one of the largest Swiss companies. If one wishes to know the salary of Sepp Blatter, the president of FIFA, however, that information is simply not available, and has in fact been refused to be released by FIFA. FIFA can keep this information secret because none of the mechanisms of accountability have much influence on FIFA, and thus it can do as it wishes with very little in the way of consequences.

Leadership compensation disclosure is just one of many areas in which private, non-profit sports organisations differ from governmental, corporate or other non-governmental multilateral organisations. Good governance, of course, goes well beyond transparency. In 2011 Pieth was commissioned by FIFA to draft a paper on how the organisation might improve its governance practices. In addition, Transparency International published a report on FIFA governance the same year. Among the recommendations of these reports is a focus on the following areas of governance:

- executive term limits;
- the establishment of a compensation committee with external membership;
- salary disclosure;
- non-executive directors on the executive committee;
• the adoption of best-practice anti-corruption protocols;
• the adoption of best-practice conflict of interest guidelines;
• greater financial disclosure at all levels of FIFA and its member organisations;
• greater transparency in anti-corruption investigations and proper due process; and
• greater adoption of democratic procedures in various FIFA election processes.

Such recommendations are not unique to FIFA or football. For instance, a 2012 review of the International Cricket Council (ICC) led by Lord Woolf concludes: ‘The reputation of the ICC and international cricket as a whole is at risk if the right standard of Boardroom behaviour is not seen to be in place.’\(^4^2\) Transparency International agreed, concluding that ‘today’s sports governing bodies have to start operating as big businesses, using best business practices’.\(^4^3\) In fact, there exists considerable commonality in recommendations being made for sporting bodies in general. The recent investigation into doping in international cycling, for instance, has made similar recommendations for governance reform.\(^4^4\)

Several scholars have looked more comprehensively at governance across international sports bodies, finding many to fall well short of best practices. For instance, Jean-Loup Chappelet and Michaël Mrkonjic survey the academic, evidence-based literature to identify 63 indicators of good governance across seven families of indicators in order to develop a governance scorecard for international sports bodies.\(^4^5\) They apply their scorecard to the IOC and FIFA, finding notable improvement by the IOC from 1998 to 2012, but with FIFA still falling short. In another recent analysis, Arnout Geeraert, Jens
Alm and Michael Groll apply criteria of good governance to 35 Olympic sport governing bodies, concluding that ‘recent high-profile corruption scandals have been institutionally induced’. There is a general consensus among observers of international sport that governance practices could be much improved across many sports organisations.

Pieth argues that sports organisations ought to follow the practices widely used by corporations and international bodies alike, such as oversight by independent directors: ‘They are close to international organisations, but they are also businesses. There is a certain logic in applying the standards of both worlds.’ In general, however, adopting such standards has proved difficult in practice, as sports organisations have been held to different standards from other organisations, and because of these different standards it is typically easier (though often still challenging) to identify and address corruption in corporate and other international settings than it is in sports organisations. The expectations of governance may be changing, however.

A good example of the challenges facing international sports organisations is provided by the Confederation of North, Central American and Caribbean Association Football (CONCACAF), which is one of six regional confederations under FIFA. In 2013 CONCACAF released the report of an internal integrity committee, empanelled to look at the practices of former management. The report uncovers a wide range of corrupt practices, including allegations of fraud, financial mismanagement and violations of CONCACAF’s ethics code and fiduciary responsibilities. The officials implicated in the report are no longer associated with CONCACAF, but have not otherwise been sanctioned (though certain investigations continue), and the organisation has begun to implement some changes to its governance practices.
For those sports organisations that are located in Switzerland, there are additional challenges. These bodies are subject to the provisions of Swiss law, and the Swiss government has historically been lax in its oversight of these organisations. For example, as recently as 2006 certain kinds of bribery in the private sector were not illegal under Swiss law. The Swiss government has taken steps to tighten its oversight of sport bodies. In December 2014 it passed a law that would classify the leaders of sports organisations as ‘politically exposed persons’, thus allowing investigators to examine their financial holdings and transactions. The legislation is part of a broader set of reforms known as ‘Lex FIFA’ (after the football body), which will be further considered in 2015.

In addition, other countries, notably the United States, have extended the reach of their anti-corruption investigations beyond their own borders. At present the US FBI is reportedly investigating FIFA, and the United Kingdom’s Serious Fraud Office has been asked to open its own investigation. The FBI has reportedly secured the cooperation of a US citizen implicated by the CONCACAF integrity report mentioned above. To date, however, fiscal and legal accountability has been scarce.

In terms of market accountability, all international sports organisations have corporate sponsors, and some have very large television contracts. Sponsors have shown little interest in holding these bodies accountable when allegations of corruption have surfaced, however. Occasionally a sponsor will issue a statement of concern, but, so long as sport proves popular and makes money, sponsors tend to show little interest in much else.

Similarly, with respect to public reputation accountability, sport is continuing to grow in popularity, and there is scant evidence to suggest that its popularity is threatened by alleged or actual corrupt practices among governance bodies. Some argue that the corruption of sport, such as via doping or match-fixing, has proved to be a greater threat to the integrity of sport than shortfalls in governance.
Conclusion

This article has argued that international sports bodies are particularly fertile settings for corruption to take root in and, accordingly, difficult to reform. Sports organisations have come to resemble corporations and other international institutions, but their governance practices, not only to address issues of corruption but beyond, have not kept pace. Although sports bodies play the role of international organisations, they are with very few exceptions neither governmental nor business operations, which helps to explain why their governance practices have developed in a unique fashion.

As sport has gained in popularity, so too has the amount of money involved in the various games and in building associated infrastructure, especially for events such as the Olympic Games and football World Cup. The vast amount of money flowing through these bodies, coupled with the financially significant decisions that they make, often at the highest levels of politics and in the absence of best practices in place for governance, creates settings amenable to corrupt practices.

Recent decades have seen greater attention being devoted to achieving best practices of governance on the part of states, businesses and non-profits, but sport organisations have lagged behind. They will continue to face pressures to improve their governance. Athletes, sponsors, supporters, governments and other parties all have interests in participating in this process. To date, however, progress has been slow. If sport organisations prove incapable of introducing effective reform, they may find change being forced upon them. So far, at least, change has proved difficult.

Notes
Roger Pielke Jr is Professor and Director of the Center for Science and Technology Policy Research at the University of Colorado.


Ibid.

See *The Guardian* (UK), 'Official “was offered $40,000” after Mohamed bin Hammam presentation', 30 May 2011, www.theguardian.com/football/2011/may/30/mohamed-bin-hammam-fifa.


For instance, I helped to produce this review on conflicts of interest in science advisory processes: http://bipartisanpolicy.org/library/science-policy-project-final-report/


Financial Times (UK), 'Greenpeace, Amnesty and Oxfam agree code of conduct', 2 June 2006; Spiegel Online (Germany), 'Financial scandal: organizational change has led to chaos in Greenpeace', 23 June 2014, www.spiegel.de/international/business/greenpeace-financial-scandal-how-the-organization-lost-millions-a-976686.html.


26 For an overview, see Jean-Loup Chappelet and Brenda Kübler-Mabbott, The International Olympic Committee and the Olympic System: The Governance of World Sport (Abingdon: Routledge, 2008).

27 International Olympic Committee, 'The Olympic Movement', www.olympic.org/content/the-ioc/governance/introductionold.


29 Ibid., 'Sports', www.olympic.org/sports.


31 Reuters (UK), 'Swiss to increase oversight of FIFA, other sports bodies', 5 December 2014, www.reuters.com/article/2014/12/05/us-soccer-fifa-switzerland-idUSKCN0JJ1I20141205.


35 Pielke (2013).


47 Pieth (2011).


