ENSURING GOOD GOVERNANCE
AND PREVENTING CORRUPTION
IN THE PLANNING OF MAJOR
SPORTING EVENTS – OPEN ISSUES
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Ensuring good governance and preventing corruption in the planning of major sporting events – open issues

Abstract: International sports will have to strengthen their efforts to exclude persons with morals in conflict with their sports. IOC and FIFA should mirror their top ambitions in athletic and financial areas by similarly leading ambitions to serve human mankind more generally. To encounter critiques that the organizing of major sporting events are „elitist actions“ IOC and FIFA should declare ex-ante referenda as a precondition for bidding. In order to reduce the funds available for corruption, the role of public finance in major sporting events should be overthought. At least broadcasters under public law public should be excluded from the bidding for TV. FIFA and other sporting federations should make public their payments to member federations etc and the underlying decision criteria.

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In many (most?) sports federations a strict anti-corruptive behaviour was the well-established common sense for decades, even without written rules of conduct. Since the bribery scandal involving some IOC-members during the bidding process for the Olympic Winter Games of 2002 in Salt Lake City/ USA, and the bribing of marketing officials and FIFA officials with up to 160 million Swiss Francs by the former ISL/ISMM-group to secure broadcasting rights\(^1\) an impressive array of formal rules were suggested or implemented by international governmental and non-governmental organisations, national and international sport organisations, as well as scholars. Almost all of them embedded their strategies against corruption in the more general approach of „good governance“, which – according to one of the most often cited definitions is “epitomised by predictable, open and enlightened policy making; a

\(^1\) Corruption on the occasion of major sporting events is not limited to decisions on host venues for important competitions and to the allocation of TV or marketing rights. Corruption affects almost all stages of the value creation chain, and in all groups of “stakeholders”, including nominations for positions (including honorary positions) and commissioning of construction works for sports arenas and other venues (for an overview up to 2004 cf. Maennig, 2005). In recent years most cases of corruption in sports were betting-related, see Forrest and Maennig (2015).
bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law” (World Bank, 1994). However, because of the different characteristics of institutions in need of good governance (e.g. public administration, private businesses, and sporting bodies), up to now, there is no generally accepted code. In addition to the differences arising from structural needs (Edwards and Clough, 2005), the struggle against corrupt behaviour has had to adjust to the changing needs (and to the adaptative changes in corrupt behaviour). It is therefore no wonder that the concept of good governance had been subject to a number of revisions, additions, and analysis\(^2\) over the past two decades. Chappelet and Mrkonjic (2013) provide an overview of more than 30 published principles of good governance in sport\(^3\) as well as checklists, confirming to an extend the critique that good governance has “too many meanings to be useful” (Rhodes, 1997). Taking into account these problems, it may nevertheless be stated in general that the principles and dimensions of a culture of the rule of law and of trust and honesty/transparency/participation, democratisation, and inclusiveness/accountability/compliance/checks and balances, and the separation of powers are accepted by most concepts of good governance.\(^4\)

UNODC (2013) published „A Strategy for Safeguarding against Corruption in Major Public Events“. The IOC, the world’s leading governing body for sport, has accepted this strategy, and has reviewed its Code of Ethics as well as its Ethics Commission’s Statutes and Rules of Procedure accordingly.

These steps will have a binding character for almost all sports, as the IOC Code of Ethics as well as all the Implementation Provisions, such as the regulation related to the conflict of interests, the Rules of Conduct for the bidding cities, the Basic Principles of Good Governance etc. must be respected by the National Olympic Committees and the

\(^2\) For a collection of most recent contributions see Alm (2013).

\(^3\) For an overview on the good governance regulations in the 35 Olympic Sport Governing Bodies see Geeraert et al (2013).

\(^4\) For more details see Geeraert (2013) who also points out that for most of the dimensions, a generally accepted precise definition is missing.
bidding cities.⁵

By now, even taking into account the difficulties involved in establishing a unique and generally accepted definition of good conduct, hardly any corrupt offence can be justified on the basis of being unaware of the principles relating to sports. There cannot be any doubt that in the true interest of sports, officials are required to perform their allocated tasks consciously in a manner that is in accordance with the objectives, moral values, and rules of the relevant athletes, clubs, associations, organising institutions. In particular, it can be asserted that there is a general consensus that officials should not behave corruptly by deviating from such an appropriate behaviour because they receive or expect pecuniary or non-pecuniary advantages.⁶ Put differently, there is simply no way to argue that it is unknown that corrupt behaviour is an illegitimate offence against sports.

Acknowledging all efforts and accomplishments which have been achieved over the past 15 years, recent news indicate that there is a need for additional instruments in the fight against corruption in the planning of major sporting events: By the time of writing, the U.S. Justice Department is charging 14 football and marketing officials with 47 counts of corruption, by accepting bribes and kickbacks totalling approximately US$150 million over the past two decades, for arranging different sporting rights, leading up to the 2010 World Cup to be hosted in South African cities. At the same time, Swiss authorities started investigations into the awarding of the 2018 and 2022 World Cups to Russia and Qatar.

Such delinquent activities must be regarded as an intentional individual choice in the face of a number of legal and illegal alternatives for action, whereby the course of action is chosen which promises the greatest expected net utility, i.e. the difference between pecuniary and non-pecuniary benefits and costs.⁷ Illicit behaviour will come

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⁵ In addition, the bidding process for Olympic Games has been made more transparent: the rules for the bidding process, the questionnaires for the evaluation of the bids are published on the IOC website; the Host City Contract is also made public; the full process of the Evaluation Commission, visits and report, is public; and finally the IOC Session is public. Personal email from Pâquerette Girard Zappelli, Chief Ethics and Compliance Officer, International Olympic Committee, May, 22nd, 2015.

⁶ A number of relativisations of the definition, categorisations and extensions of corruption applies (Maennig, 2006).

⁷ Cf. Becker (1968) and for an adaptation to corruption in sports Maennig (2002).
about if the expected net utility exceeds the individual disutility from injuring its moral values. Thus, individuals or institutions with extensive moral qualms will reject illegal behaviour across a greater range of realisations of the other variables.

The variables included in that choice do not represent objective data, but rather the perceived subjective values. Hence individually differing variables such as intelligence, age, education, wealth and family background have to be included in the explanation of whether an individual has recourse to corruption: “Some persons become ‘criminals’, therefore, not because their basic motivation differs from that of other persons, but because their (perceived) benefits and costs differ” (Becker, 1968).

A first implication from this analysis can be drawn: pedagogical measures, leading to a strengthening of the moral values of persons involved in international sports, are of utmost importance. Nevertheless, for certain milieus of persons, moral suasion might reach its systematic limits. International sports will have to strengthen their efforts to exclude such characters that are beyond the reach of moral suasion from their organizations.

In the following, I address what I think are the most critical points, issues and decision to be made. To clarify, I again acknowledge the achievements of international sports in fighting corruption and the many useful recommendations for a further progress published elsewhere. The following suggestions are not alternatives to them, but hopefully provide a few additions. They refer especially to major sporting events which imply increased risks for corruption because they use substantial (public) funds, because their organisation is complex (which limits transparency) and because they work within tight timeframes (which limits the efficiency of existing auditing and accountability mechanisms), the combined effect of which is to reduce the risks of being detected (UNODC, 2013). They may not work for other aspects of international sports, and they may seem too far-reaching, but the current football scandal which implies risks for international sports in general opens the door to a more significant “change through crisis“ which should not be wasted by potentially misleading diplomacy.
Truly world-leading ambitions for international sporting institutions

With the Olympic Games and the World Cup, IOC and FIFA do control the two most fascinating events of the world which attract the desire to host them in all parts of the world. These sporting institutions do have top ambitions (and positions) in athletic and financial areas that could and should be mirrored by similarly leading ambitions to serve human mankind more generally. In a sense, both institutions are in a truly unique position to change the world for the better, potentially more influential than any other institution or power in the world, including even that of USA, UNO, NATO etc. With much less efforts and resources than such institutions, FIFA and IOC could use their position to enforce standard requirements for good governance, labour regulations, minority protection, etc. by declaring them as a precondition for being eligible to bid or organise their events. Many nations with deficiencies in these areas would change their practices, just to be able to apply. Any counter-argument that IOC and FIFA do not have a general political mandate does not apply if IOC and FIFA do not develop their own standards, but use internationally agreed standards, developed by institutions like the ILO, WTO, etc. Another potential counter-argument may be that such standards are biased towards „today’s’ western values“, which were not fulfilled by western nations themselves some decades ago. It might be argued that such prescriptions imply a western hegemony, including e.g. religious arrogance and/ or simply a protectionist attempt to hinder the competition from emerging regions. International standards should thus be checked as to whether they comprise some sort of a world-wide consensus, in order to ensure that they possess an inclusive character. Once this is done, IOC and FIFA should enforce internationally agreed standards of good governance which other institutions are unable to enforce. The time is ripe for such a more ambitious, truly world-leading self-awareness and self-esteem of these organisations.

Referenda and participation as a formal prerequisite

A leading critique is that the bidding for, and the organizing of major sporting events are „elitist actions“, serving the interest of a few (e.g. athletes, real estate owners, construction firms, politicians), harming the lives of many, and not serving the majority of the population. In almost all cases, the bidding and organising of major sporting
events is accompanied by such criticism during the entire period up to the opening ceremony. These critiques almost always make accusations that corrupt behaviour is taking place, for example against political officials who - although obliged to serve the people – are accused of being misled by a few agents and taking decisions against the „real will“ of the majority. In response, some of the cities thinking about bidding for Olympic Games have decided to hold referenda. With very few exceptions, until now, such referenda decided against holding the Olympics, reinforcing the critique of elitist corruption in the cases of bids without ex-ante referenda.

This general critique and the accompanying criticism of misallocation of public funds, disregard of otherwise established processes of participation, displacement of underprivileged persons and other anti-social side effects regularly hinder the efficient planning and organising of the events. Furthermore, such critiques are endangering the positive image of the sporting federations. The violent protests in Brazil in 2013 should be regarded as a clear signal that successful major sporting events need to have the support of a broad majority of the population.

As a far-reaching mechanism to counter the the allegation of elitist corruption, and starting from the belief that major sporting events are attractive events that may well convince the majority, IOC, FIFA and other sporting institutions could declare ex-ante referenda or other participation processes appropriately adapted to the nation’s normal practices as a precondition for bidding. This will prolong the time period required for the process from the current (at least) ten years by some two to three additional years at minimum. The resulting longer period of ante-bidding preparation may well fit within the increased ambitions of e.g. Olympic Games organisers which regularly (mis?)interpret the Games as a tool for urban regeneration – which is hardly feasible within some 10 years in multi-layered societies with well-ordered check and balances.

Ante-bidding referenda imply the risk of having fewer bidding cities/ nations. On the positive side, the quality of the bids will increase. Interested cities/ nations will need to invest more resources into developing bidding concepts that convince their own

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For the (critique of the) planning displacement see Porter et al (2009), for the other critical aspects in the case of Brazil 2014/2016 see Aragão and Maennig (forthcoming).
populations (and, consequently the deciding bodies in the sporting federations). Having the majority in support, the organising will afterwards be smoother. It may happen that more effort will be saved during the bidding and organising period than is invested in the ante-bidding period.

Such „convincing“ should not be regarded as one-way street: the people’s participation and inclusion of the views of all milieus of society on urban development may well increase the perceived quality of the concepts. Especially in the case of urban development, the competences of the formal elites in politics and administration are no longer accepted as superior within a growing number of social milieus.

The ideas that come out of such participation processes may well reveal some painful pieces of information with regard to the weak points of major sporting events. For example, there may be requests to plan Olympic facilities in a way that makes them available inclusively for “sports for all” after the event. Compensating measures may not be asked for, not only in the ecological sphere, but also in social respects, for example in order to address the fear of increasing rents and real estate prices felt by many persons. In the end, dealing with such requests may strengthen the bidding concepts for major sporting events.

**Overthinking the role of public finance in major sporting events**

There may even be demands for a private financing of such major sporting events, so as not to put further stress on public finances. When referring to the above interpretation of corruption as an intentional choice, such demands may make additional sense: the danger of corruption generally increases if sufficiently large payments to potentially corrupt individuals can be financed. It is no wonder that the events of those sports that are able to generate considerable sources of pecuniary income, such as football, boxing, and basketball, have historically been most affected by corruption. An obvious solution, to take money out of sports, is hardly feasible, but also economically inefficient (Maennig, 2002).

Nevertheless, it is quite obvious, that some of the recent corruption scandals would not have happened if no or less public money had been involved. The significantly increasing budgets for World Cups and Olympic Games over recent decades, which –
including urban infrastructure – now easily reach double-digit US$ billion (Zimbalist, 2015) have provided a potential additional impulse for corruption. With complete private financing and no public funds, there would be much less investment for sport facilities and other infrastructure – severely limiting the scope for corruption. Los Angeles 1984 and Atlanta 1996 were able to organise the Games without or near to zero public finance, and these two showcases should be scrutinised by other bidding nations. By the way, such a method of financing would bring the Games much closer to its roots as a sporting event, rather than an occasion for urban regeneration.

If „no public finances“ for major sporting events appears too far reaching as an objective, the principle should at least be implemented for broadcasters and other institutions under public law, which in many parts of the world induced a sharp but finally unfair competition, resulting in a sharp increase in the TV and marketing revenues of major sporting events. Of course, such a policy initiative will not be actively promoted by international sports. But with a worldwide consensus of public authorities to exclude institutions under public law from the bidding for TV and marketing rights, the available funds and thus the risk of corruption should be reduced.\(^9\)

**Host selection: Selecting a pool of future host of Olympic Games and World Cups**

The time period between the selection of a host of the Olympic Games or the World Cup and the opening ceremony appear to be too short for many cities/ countries, at least as long as they interpret the events as a tool for urban re-generation. It is sometimes argued that the time pressure is a major source of cost increases and corruption because decision makers do not have much choice. As a response, IOC and FIFA could change their selection modus. Instead of selecting of one city (country) seven (six) years ahead of the Olympic Games (World Cup), the institutions could select a pool of some three to four future hosts. The final decision/ determination of the host will 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 may

\(^9\) Free TV could nevertheless be prerequisite.
make use of different speeds of preparation, but not hindering investments, as there is the certainty to be the host in the near future.

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

Today, participation in many societies is equated with freedom, and sometimes paralleled in importance to equality before the law and to equal opportunity. This principle should be included in all steps of the decision-making, also – and especially – in the process of finding the leadership for the bidding or organising team. Up to now, in almost all cases, the selection process was limited to a small circle of decision makers in a non-transparent process. In too many cases the selection process led to the enthroning of politically exposed who „represent a greater degree of risk of corruption“ (UNODC, 2013, p. 19). Furthermore, there are very few (any?) known cases of bids/organisation processes of major sporting events known where the leading persons did not have to be removed after a certain time. From a historical perspective and in general, the selection processes of leadership personnel for major sporting events cannot be regarded as successful. A selection which 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 athletic principle in almost all sports.

Regarding the payment of the officials – and notwithstanding the above reasoning for reducing the budgets of sporting events by excluding public finance - it could be useful to consider higher payments for the officials. Historically, in many cases the corrupted persons came from less privileged regions or felt under-privileged in relation to their peers. This may imply a need to change the human resource concept for officials in institutions like IOC and FIFA to a system of significantly higher incomes compared to today's situation. Officials should be paid an allowance that is higher than the standard market wage for equivalent activities („efficiency wages“). The perceived risk of losing such an income would decrease the corruptibility of sporting officials. Taken one step further, a deferred compensation model (Lazear, 1979; Maennig, 2002) should be constructed, i.e., a large part of the income of the officials would have to be paid into (pension) funds which would then be paid out after end of a corruption-free
sporting career. The system would be similar to the relatively high payment of, for example judges in many societies, preventing the corruption of these officials. Indeed, salaries of high-ranking judges could be a good minimum starting point for top sporting officials, even adjusted for a shorter duration of holding the job and of being able to accumulate wealth.

Finally some other measures should be mentioned: other sporting institutions should analyse the IOC limitation of terms of office, eventually accompanied by job/office rotation which may be meaningful measures against corruption because they prevent a too high level of trust between potential providers and recipients of bribes. Also, even in the case of public finances for the major sporting events, the case of the Governor of the Reserve Bank of New Zealand whose contract was to be prolonged exclusively if certain inflation rates are not exceeded may be analysed.

**Transparency as a balancing tool between algorithmics and politics**

In 2015, the member federations received from FIFA

„a standard $250,000 annual grant as well as a one-time $500,000 bonus from profits linked to the 2014 World Cup. Associations can also apply for FIFA Goal Programme money, for projects such as soccer fields and offices, and financial aid for specific construction or outreach programs. FIFA is also dispensing one-time bonuses in the millions to regional soccer confederations.” (N.N., 2015)

Most of the current allegations of corruption against FIFA argue that these payments are discretionary, ad-hoc, hardly traceable, but nevertheless systematic by maximising the number of votes for certain elections and decisions by positively discriminating in favour of the many smaller and poorer member federations.

Strict anti-corruption ideas could call for a formula that – for example – defines a fixed sum for each member plus a variable payment according to membership numbers, athletic performance at World Cups and the like. FIFA would be bound to a zero discretion, comparable to the odyssean approach of prevention against the temptation of the sirens.
Beside the possibility to redefine the algorithm from time to time, such an approach would imply the end of (sport) politics in the sense of its usual interpretation as a decision-based social process based on a possibly time-varying weighting of the relative importance of different targets and criteria. Algorithms are intrinsically backward-looking, leaving less room for politics in the sense of a future-oriented strategy. For example, it could be argued by less privileged FIFA member countries that an algorithm that is based on the past athletic performance will cement a historically grown hegemony of some few privileged nations.

In principle, the known FIFA payment structures, favouring poorer members, resemble those of other (sporting) institutions which nevertheless do not suffer from allegations of corruption. One of the major differences between FIFA and other federations lies in the degree of traceability of their payments to its members. FIFA and other sporting federations should make public their payments and the underlying decision criteria. Such a strategy of transparency will not calm all allegations of unfair or biased financial policies, but will help to find a balance between algorithmics and politics.

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