

## Working Paper – Draft 10 April 2009

### Corruption and Sports: Building Ethics and Preventing Abuses

#### 0. Introduction:

Whenever there is money and competition involved, corruption is always a constant threat. The sports industry is not immune from this reality. From game-fixing to rigging the awarding of international sporting events and stadium construction kickbacks, the sports world has seen a string of scandals that has tarnished its reputation. Although the Olympic Charter states that it “seeks to create a way of life based on... the educational value of good example and respect for universal fundamental ethical principles”, the International Olympic Committee (IOC) and other international sports organisations have not yet adopted effective anti-corruption approaches to deal properly with the problem.

A close relationship between sporting officials, politicians, sponsors and the media has compromised a greater response to pursue preventative actions. What happens behind the scenes—including key decisions by national and international sport organisations—is far from transparent or accountable. For example, the IOC elects its own members with no real democratic proceedings, establishing a closed-shop structure. Yet few people speak out to address these problems, perhaps from being too proud as a member of the ‘team’ to criticise it or too fearful of losing their own position and influence.

#### **1. Issue at stake**

The sporting industry is a big and influential business. Globally, billions of people watch international sporting events like the Olympic Games, FIFA World Cup and Super Bowl. Locally, billions of people practise their favourite sport and watch national and local competitions. This high level of citizen engagement impacts local politics, economies and culture. The televising of events, sponsorships and related infrastructure projects has turned the sports industry into a lucrative business. In the European Union, it is estimated to account for between one and three percent of **gross domestic product (GDP)**. For example, the sports industry accounts for 1.8 percent of Switzerland’s GDP. If tourism related to sports is included, this figure rises to 2.5 percent.

**Commento [cf1]:** Dear Chapters, please send us any information you have about this figure for your country. We will then add them to the report.

Despite its powerful role, the sporting industry has not dealt effectively with addressing the changes around them, such as how corruption is threatening its integrity. The manipulation of event results—often connected with betting fraud and/or money laundering—endangers a sport’s most important elements and its core values: fair play, respect for competitors and trust in the rules of the game. –

There is an actual need to protect the integrity of athletes, sport organisations and entire industry if sports are to continue their original role of setting a higher ethic and standard.

Areas of concern that should be addressed include:

- **Organized crime.** Match fixing in connection with betting
- **Governance.** Corruption in the decision making process of local, national and global sport organisations. Issues include:
  - Awarding of international sporting events (e.g. Olympics and the FIFA World cup).
  - Elections of team and organisational leaders.
  - Regulations, including disciplinary actions.
  - Players, including team trades and payments.
- **Contracting.** Corruption in connection with infrastructure projects, especially for international and regional sporting events like the Olympics, FIFA World Cup, Pan American Games and Asian Games.
- **Private sector:** Abuse of powers in regard to sponsorship and partnerships, including:
  - Sponsorship and media contracts.
  - Ticket distribution, including for handling contracts and complimentary seats.

Organised crime is often a force behind the series of betting scandals that has tarnished the reputation of sports as a fair, competitive and trustworthy event. The European Union and other international organisations, as well as international football associations like FIFA (Fédération Internationale de Football Association) and UEFA (Union of European Football Associations), have started to deal with this problem but many national football associations still lack awareness and do not see it as their task to address. Even countries with low levels of political corruption have had its teams and players

implicated in abuses. In March 2009, the European Handball Champions League was shocked by claims of alleged game fixing by one of the two German teams that had played in the championship league finals in 2007. The league also had to deal with a case against German referees who were found returning from an international match in Russia with US\$ 50,000 in bills in their luggage. Now more accusations regarding teams and referees from several other European countries have been raised.

**Box 1:**

Countries where players and referees are badly paid have been particularly vulnerable to match fixing for betting purposes and the capture by organised crime networks. The advent of the internet has meant that over the last ten years, betting is being driven from both inside and outside the country. For example, a football match in the Argentina could be influenced by criminal networks as far as away as China.

**Box 2:**

Preparations ahead of the EURO 2012, the European football championships, to be jointly hosted in Poland and Ukraine, is of special interest given the impact that the games could have on the image of football. The EURO 2012 could help the Polish and Ukrainian football federations to become clean and build the social foundations to address corruption in the country. At the same time, any corruption scandal could compromise the league for years.

According to Transparency International's Corruption Perceptions Index (CPI) for 2008, Ukraine falls within the lowest quarter of 180 countries studied, receiving a similar score as Comoros, Nicaragua and Pakistan.<sup>1</sup> While Poland's corruption measures are much better, recent cases of corruption in sports show the industry's vulnerability in the country. In an independent report done in 2008, it was found that up to half of all first- and second-league matches in Poland over the past four years may have been rigged.

The UEFA and Polish government already have struggled about the right way to deal with the situation. For example, the UEFA has threatened to suspend the Polish national team after the government forced the elected national football president to step down in October 2008.

**Weak governance structures that lack transparency and accountability** are part of the problem for not being able to prevent such abuses from beginning in sports organisations. For example, irregularities regarding internal decisions and elections are all too common. Board members of international federations as well as members of working committees are often expected to vote unanimously, with dissenting votes not registered in the minutes. Such practices prevent any real accountability. **Money distributed by international sports federation**, which is provided with no or little oversight, can create opportunities to easily 'buy' votes during election times in associations. For example, representatives from Qatar and Bahrain are fighting to take over the presidency of the Asian football federation against a backdrop of alleged misuse of financial help that had been provided by FIFA to purchase votes.

**Construction projects** as part of large-scale international sporting events require that they are built quickly — a situation that low levels of governance and high levels of funding complicate. In the lead up to the FIFA World Cup 2010 in South Africa, allegations of corruption in stadium construction have already become an issue of concern. The Winter Olympic Games to be held in 2014 in Russia are suffering from similar worries as well as fears that corrupt practices could compromise the area's pristine nature areas once construction encroaches on them.

In terms of partnerships with the **private sector**, **corruption** can take the form of providing kickbacks to sign lucrative deals for **transferring players and team sponsorships**. These unfair advantages may be provided as payments to teams or as in-kind goods, such as through 'complimentary' tickets and paraphernalia. The problem has increasingly extended beyond the teams and companies to involve **local politicians and leaders**. In Austria, Great Britain and Germany there have recently been reported problems of public officials receiving free VIP entrance to sporting events. Until now, **the issue of corruption in sponsorship** have not entered into broader concerns of corporate responsibility and transparency.

<sup>1</sup> See: TI's Corruption Perceptions Index (CPI). [http://www.transparency.org/news\\_room/in\\_focus/2008/cpi2008/cpi\\_2008\\_table](http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table).

## 2. Importance for Transparency International

Many of these topics relate to the work where the anti-corruption movement is already engaged, but up to now sports have not been a special focus of concern:

1. The prominent **public profile and publicity that sports receive** globally and locally have the potential to support the fight against corruption as well as undermine it. In terms of the media, **sports reach a public** that many times would never receive information regarding corruption in other sectors of society. However, if corruption is seen as inevitable in sports, people could begin to lose trust in broader anti-corruption measures in society. On the other hand if the sports industry is successful in tackling corruption, it could help to increase efforts to tackle corruption in other aspects of daily life. If this can happen, publicity through the media and other channels would provide sports federations and the anti-corruption movement with an excellent opportunity to develop common messages and outreach.
2. **Developing countries**, often with low levels of transparency and accountability, increasingly focus on competition in sporting events in order to put their country on the international map and as an act of national pride and state building. International sports organisations, namely the IOC and FIFA, use the global fascination with sport and its heroes to help build up sport structures in developing countries. However, this should happen in a transparent way otherwise corrupt structures will be stabilised or established instead of reforming them.
3. **The structures of sport clubs and sport associations rely on a mixture of volunteers and professionals and the use of governing board structures, claiming autonomy from the state and common controls — although in all countries there is high public support for sport.** Such lack of oversight means that an important part of the economy with a huge public interest is free of adequate control – both professionally or democratically. This special situation needs a specific approach.

## 3. Current Discourse within Transparency International

Several Chapters have shown interest and started to work on the issue of sport and corruption. But up to now no systematic approach and common understanding of the issue has been established. Based on a paper of TI Czech Republic for the European Council and the experience of representatives of **TI Argentina, Poland, Switzerland, Germany** and others a summary of the actual situation will be provided and linked to activities of Transparency International in other areas.

## 4. Challenges and potential Opportunities

Moving the agenda forward on sports and corruption will depend on the ability **to strike partnerships** that promote integrity, ethics, transparency and accountability.

Possible activities to address each of these components include:

### Integrity:

- **Promote the use of integrity pacts and similar citizen-monitoring mechanisms for infrastructure projects and all contracting done as part of large sporting events**
- **Implement the use of 'bidding integrity pacts' for the awarding of sporting events, including the selection of cities and countries as hosts.** For example, this could be implemented as part of the process for the **Olympic Winter Games to be held in 2018** (but which will be decided in 2011, with interested cities having to enter their interested bids in 2009). Equally, **the FIFA World Cups for 2018 and 2022** will be decided in December 2010.

### Ethics

- **Raise awareness** among sporting associations, teams, players and citizens that close links between politics and sport organisations/leaders can lead to corrupt practices.
- Develop a code of conduct and rules for the use of VIP invitations
- Help sponsors to promote ethics in sports as part of their **corporate responsibility programmes.**

### Transparency:

- Work with international sport organisations to establish anti-corruption approaches as part of their charters, constitutions and codes of conduct for members.
- Partner with international organisations and anti-corruption/anti-fraud entities nationally, regionally (i.e. the European Union) and internationally to address international crime in sports, especially connected with **the betting industry**.
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**Accountability**

- Adopt anti-corruption instruments as TI;s Business Principles for Countering Bribery to cooperate with the international betting industry to prevent abuses and corruption.
- Encourage civil society organisations to partner in activities that promote **increased accountability on the part of sporting associations, events and teams**.

10 April 2009

Sylvia Schenk and Craig Fagan