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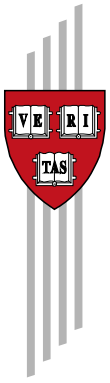
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Off Pitch: Football's financial integrity weaknesses, and how to strengthen them

Matt Andrews and Peter Harrington

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Off Pitch: Football's financial integrity weaknesses, and how to strengthen them

Matt Andrews and Peter Harrington[1]

Abstract

Men's professional football is the biggest sport in the world, producing (by our estimate) US $33 billion a year. All is not well in the sector, however, with regular scandals raising questions about the role of money in the sport. The 2015 turmoil around FIFA is obviously the most well known example, creating a crisis in confidence in the sector. This study examines these questions, and the financial integrity weaknesses they reveal; it also offers ideas to strengthen the weaknesses.

The study argues that football's financial integrity weaknesses extend far beyond FIFA. These weaknesses have emerged largely because the sector is dominated by a small elite of clubs, players and owners centered in Europe's top leagues. The thousands of clubs beyond this elite have very little resources, constituting a vast base of 'have-nots' in football's financial pyramid. This pyramid developed in recent decades, fuelled by concentrated growth in new revenue sources (like sponsorships, and broadcasting). The growth has also led to increasingly complex transactions—in player transfers, club ownership and financing (and more)—and an expansion in opportunities for illicit practices like match-fixing, money laundering and human trafficking. We argue that football's governing bodies – including FIFA – helped establish this pyramid.

We explore the structural weaknesses of this pyramid by looking at five pillars of financial integrity (using data drawn from UEFA, FIFA, clubs, primary research, and interviews). In the first pillar of *Financial Transparency and Literacy* we find that a vast majority of the world's clubs and governing bodies publish no financial data, leaving a vast dark space with no transparency. In the second pillar of *Financial Sustainability* we estimate that a majority of global clubs and governing bodies are at 'medium to high risk' of financial failure. We find, additionally, that European tax debts have grown despite Financial Fair Play, and confederations and FIFA contribute to a pattern of weak *Fiscal Responsibility*. We then create a new metric of *Financial Concentration* and find that the football sector is at 'high risk' of over-concentration, which poses existential questions for many clubs and even leagues. In the final pillar of *Social Responsibility and Moral Reputation,* we find that football's governing bodies face a crisis of legitimacy stemming from a failure to tackle moral turpitude, set standards and regulate effectively. We suggest a set of reforms to re-structure FIFA in particular, separating its functions and stressing its regulatory role.

[1] Associate Professor, Harvard Kennedy School, and Research Fellow, Harvard Center for International Development, respectively. This is Independent research commissioned by the International Centre for Sport Security (ICSS) EUROPE as part of the Financial Integrity and Transparency in Sports (FITS) Global Project. All views and contents are strictly those of the authors alone and should not be seen to reflect the views of the ICSS EUROPE or the ICSS or Harvard University. The authors' thanks go to Katie Simmonds, who provided management support for research processes. The authors are also grateful for the involvement of officials in a number of confederations, associations, clubs and league bodies who offered information and data used in this study, and comments on earlier drafts.

Contents

Executive Summary 3

1. Why Study Financial Integrity in Football? 11

This Study's Structure, and the Discussion Flow 14
A Final Note of Introduction 22

2. Describing Football's Financial Landscape 24

Global Football's Financial Size 24
Global Football's Financial Shape 31
Global Football's Financial Growth 41

3. Football's Financial Integrity Problems 56

Global Football's Financial Integrity Questions 56
Existing Work on Financial Integrity in Football 60
A New Approach to Examining Financial Integrity in Football 65

4. Financial Transparency and Literacy 68

Assessing the Status Quo 68
Addressing the Status Quo 85
Nothing Here Will Be Easy to Do 100

5. Financial Sustainability 104

Assessing the Status Quo 104
Addressing the Status Quo 124

6. Fiscal Responsibility 135

Assessing the Status Quo 135
Addressing the Status Quo 144

7. Financial Concentration 152

Assessing the Status Quo 153
Addressing the Status Quo 160

8. Social Responsibility and Moral Reputation 167

Assessing the Status Quo 167
Addressing the Status Quo 196

9. Football's Pending Conversations 218

References 224

Executive Summary

Global sport has grown significantly in the last generation, especially in monetary terms: the sports sector now generates US $80 billion a year. Such new wealth raises questions about financial integrity in sport. This study reviews these concerns in respect of men's football.

The study begins by assessing the financial landscape of football across the world. Data are very limited, but our research estimates that football produces about US $33 billion a year – more than any other sport, and about 40% of global sports revenue. Most of this is raised in Europe, with football remaining much smaller elsewhere, at least financially. FIFA, UEFA and national associations contribute about US $3 billion in additional revenue each year.

Financially, global football is pyramid-shaped. A small minority of leagues, clubs, players, governing bodies and officials make significant money (about a quarter of global club revenue is produced by the wealthiest 30 clubs in Europe) whereas the rest make very little. This belies a common tendency to look at Europe's rich clubs and assume football is awash with money.

This pyramid took shape in recent decades due to significant growth, first centered in Europe's top leagues but now shifting to Eastern Europe, Asia, and the Middle East. This growth has exacerbated the gap between the 'haves' and 'have nots'. It has been fuelled by new revenue sources—via corporate ownership, sponsorships, and broadcasting connections— and fosters an insatiable demand for talent at the top of the economic pyramid and links up and down the pyramid, making football more interconnected than ever.

Entities at different places in the pyramid behave differently and face different challenges: 'Win maximizing' clubs at the top try to obtain the best talent and face high wage costs. 'Stepping stone' clubs raise and sell talent, and depend on it for financial stability. The rest barely survive.

Financial integrity concerns also differ across the pyramid: 'Win maximizers' often use sophisticated financial arrangements to minimize wage costs that create questions about tax evasion, for instance. 'Stepping stone' clubs often use other tools—like third party ownership (TPO)—to fund talent development, and are forced to deal with questionable intermediaries.

These new realities are creating unprecedented new integrity challenges for clubs, leagues and regulatory bodies, and raise profound questions about football's long term sustainability. *The following paragraphs offer a very brief summary of the study's findings and key recommendations, all of which are explored in much greater depth in the full report.*

A New Approach to Financial Integrity

Is there a financial integrity problem in football? A glance at recent headlines would suggest there is, but there is no established literature on the topic of 'financial integrity' to determine if these are true. Studies focus instead on the profitability of clubs. They show that insolvency is an endemic problem, but clubs survive despite recurring losses and debt. Most clubs would not survive in a normal business sector, however, which challenges the use of profitability to measure financial health in football. Traditional business metrics also do not reflect on key issues that are unique to football and crucial to integrity.

We propose a new definition of 'financial integrity': as 'Being sound, whole, reliable and sustainable, fair and principled, responsible and morally upright in financial structures, transactions and relationships'. This definition suggests five financial integrity pillars in football:

1. *Financial Transparency and Literacy:* producing and publishing financial information
2. *Financial Sustainability:* having the finances to generate value over time
3. *Fiscal Responsibility:* meeting obligations to pay taxes and social payments
4. *Financial Concentration:* distributing financial resources in ways that promote competition
5. *Social Responsibility and Moral Reputation:* being socially and morally reputable

Where the pillars stand tall, financial integrity is healthy. If one is compromised, integrity as a whole is threatened. The study proceeds to measure global football in these pillars.

Financial Transparency and Literacy

The first pillar refers to disclosure of information, and financial capacities and management in football clubs and governing bodies. The picture is sobering.

About 150 to 200 clubs in Europe provide standardized accounts and reports. These 'public reporters' are the best performers, but there are still concerns about their data and the methods they apply to transfers, player values, and more. Meanwhile, over 90% of European clubs, and more in other regions, do not provide any public accounts at all. They are —at best—complying with tax and/or licensing and regulation requirements. Compliance with standards may be low in these clubs, and financial literacy and transparency deficient.

This represents a huge 'dark space' shrouding more than 90% of the world's clubs—where financial data are inaccessible and we cannot see what financial management processes are in place. This vast penumbra is a breeding ground for financial integrity issues: like third party ownership, opaque inter club transfer mechanisms, or flows linked to human trafficking.

Football's governing bodies are scarcely better illuminated. FIFA and UEFA produce financial data with major gaps, lagging behind trends in areas like disclosure of executive compensation or administrative and governance spending. FIFA and UEFA are also not transparent about potential conflicts of interest in revenue sources and bidding processes. Beyond FIFA and UEFA, there is a lack of basic financial literacy or transparency in the majority of confederations and associations and little evidence that these bodies play an effective regulatory role.

These dark spaces exist because even well-intentioned data gathering attempts are fragmented. Existing financial reporting and data capturing exercises create an incomplete patchwork, and the entities gathering these data at organizations like FIFA and UEFA do so with limited resources. Weak capacity limits the type and quality of financial information in football clubs, leagues and associations, which is a major reason we lack comprehensive data on transactions.

This means that the vast majority of clubs, associations and confederations are dark spaces of 'high risk' to financial integrity. The first pillar of financial integrity does not, therefore, stand tall.

We offer ideas to improve financial transparency and literacy in three areas. The first centres on organizations that have 'medium risk'. Key recommendations include:

- *Enhance club and league transparency regarding player values and contracts.*

- *Strengthen oversight for top clubs and leagues, and oversight by governing bodies.*
- *Disclose governing bodies' compensation records, conflicts of interests and contracts.*

The next set of recommendations aims to improve capacity where little exists. They include:

- *Adopt global club licensing mechanisms and build a global club registry.*
- *Establish a FIFA funded program to train finance personnel and improve club reporting.*
- *Enhance transparency and monitoring of FIFA development funding.*

A third set of ideas focus on improving transparency and literacy around transfers, including:

- *Create a Transfer Clearinghouse to house transfer process information.*
- *Provide effectively capacitated oversight of transfers.*
- *Recentralize processes for registering and managing intermediaries.*
- *Properly administer player passports and include TPO details in player passports.*

Financial Sustainability

Financial sustainability means having the resources to seize opportunities and react to threats while maintaining operations and generating value without undue interruption.

Most football clubs rely on patrons or 'supporting organizations' for this sustainability. Financial sustainability is therefore less about making profit than it is about attracting and maintaining responsible patronage. At least three finance-related factors influence this attractiveness: *the club's own revenue attraction*, *financial viability, and cost control.*

We estimate that clubs in 85% of Europe's top leagues are at medium or high risk in terms of their own revenue attraction; clubs in 77% of these leagues are bankrupt or at risk of bankruptcy; and clubs in 65% of these top leagues are struggling to contain player costs. We combine data on all three factors to create a metric of 'financial sustainability risk'; it shows that clubs in 70% of the leagues emerge as 'medium to high risk'. This worrying result is for Europe's richest leagues. Poorer clubs are likely to have even weaker finances. We estimate that only 11% of leagues and clubs across Europe are low risk, with another 14% at medium risk. This means that up to 75% of Europe's clubs and leagues face high levels of financial sustainability risk. We have no data allowing estimates outside of Europe, but studies suggest that the situation there is worse still.

We see financial sustainability concerns in the world's governing bodies as well. FIFA and UEFA have healthy accounts, but face questions about cost control and limited revenue sources. FIFA depends heavily on World Cup revenues, a concern considering problems with World Cup bidding processes, and growing hosting costs which could limit the pool of potential hosts in future and threaten sustainability. UEFA depends heavily on broadcast finances, which may decline.

Given data gaps it is impossible to assess other confederations and associations. We estimate that up to 60% of the world's national associations are at high risk of bankruptcy, however. They lack revenue sources or capacity to manage finances, and struggle to contain costs.

Between clubs and governing bodies, football's financial sustainability pillar appears weak. Our ideas to strengthen it start with creating sustainable club and league systems, including:

- *Explore more effective ways of controlling costs in top tier clubs and leagues.*

- *Initiate discussions about the chronic sustainability concerns in lower tier clubs and leagues.*
- *Adopt routine owner tests, and require club transparency about club ownership and interests.*

Our second set of ideas focuses on a financially sustainable governance system, including:

- *Introduce cost controls in FIFA and UEFA and levy proper membership dues.*
- *Provide an independent review of World Cup costs and revenues (size and allocation).*
- *Promote policies on financial reserves and countercyclical spending in governing bodies.*
- *Initiate discussions about the chronic sustainability concerns in smaller associations.*

Fiscal Responsibility

This pillar relates to the importance of paying taxes and social contributions, an important area given that many clubs have survived weak financial conditions by not paying taxes in the past.

UEFA targeted this issue in its Financial Fair Play reforms. When these rules were created, Europe's top clubs had tax debts of about €1.1 billion; these grew to about €1.4 billion by 2013. Whatever the reason, this debt has reputational costs and threatens financial sustainability. When clubs pay the debt back, they limit their fiscal space and sometimes even end up selling equity at discounted rates. Both scenarios create financial distress for clubs.

A club's ratio of tax debt to revenue captures its 'fiscal responsibility risk'. We find that clubs in over 80% of Europe's top leagues are medium to high risk, with a high or rapidly increasing ratio. We cannot provide similar estimates for clubs in regions outside of Europe, given poor data.

Fiscal responsibility problems go beyond clubs. Tax evasion scandals involving players, managers, and owners bring the game into disrepute and make football vulnerable to corruption and other types of criminal activity. There are also examples of national associations and federations failing to pay taxes or being charged with tax avoidance. FIFA has challenged governments trying to collect taxes from national associations, and demands large exemptions from countries bidding to host the World Cup. Such issues contribute to views that football acts 'beyond the law'.

In this light, we cannot say that fiscal responsibility is a strong pillar. Many clubs, players, officials and organizations fulfil their fiscal responsibilities, but many do not. This is a risk for football.

Our first set of recommendations focuses on clubs, leagues and players, and includes:

- *Provide tax support services for clubs in select leagues.*
- *Introduce targeted tax exemptions for clubs in lower and struggling leagues.*
- *Provide tax support services for players and other personalities.*

Our third set of recommendations focuses on football's governing bodies, and includes:

- *Review FIFA's policies for interacting with sovereign states.*
- *Review the tax and organizational status of FIFA and UEFA.*
- *Clarify and publish all World Cup, EURO and other tournament tax exemptions.*

Financial Concentration

Financial concentration is commonly used to show when a few companies dominate others. In football it matters because concentration affects competition, and therefore financial integrity.

We looked at 4-club revenue and wage concentration ratios, which show that most leagues are highly concentrated. The average revenue concentration in Europe is 0.65 (where 1 is absolute concentration) and the average wage concentration is 0.64 (where the wealthiest four clubs in the average league account for 64% of the wages). Top tier leagues in Italy, England, Germany, and France have revenue concentration ratios between 0.46 and 0.55. Spain's La Liga is 0.66.

We adjusted ratios according to the size of each league. This allowed us to categorize leagues into financial concentration risk: Nearly 40% of Europe's leagues are low risk, with low wage and revenue concentration; about 10% of the leagues are medium risk; but nearly half of the leagues are in the high risk category, with high levels of financial concentration. This category includes all Big 5 leagues and most of the next tier (like Russia, Turkey and the Ukraine).

We find concentration across leagues as well. Europe's top four leagues account for about 60% of the revenue in Europe's top 54 leagues, but only 11% of the clubs. These clubs raise over five times the revenue they would have if allocations were equal. Levels of concentration rise even higher when comparing finances across regions. Europe dominates all others. This concentration is reflected across the world, as a story of nested concentration in a winner-takes-all sector where few clubs in few leagues are monopolizing most of the money and sucking in most of the talent. Outside of Europe's top leagues, clubs have been crowded out of the global financial game and lack revenue raising capacities to compete on the field and survive off the field. This is most apparent in the transfer market, where a small group of clubs dominate. The disparity between this small 'green zone' and a vast 'red zone' raises serious questions for the future of football.

Financial concentration is increasing, but there are no easy answers here and no consensus over solutions. Our recommendation is for the football community to engage in a wide-ranging and inclusive debate on the topic. The debate must consider two contrasting visions for the future. One views concentration as a legitimate result of competition, and accepts a future where professional football is dominated by a small set of elite (super) clubs playing in an exclusive, closed league. The other sees elite dominance as unacceptable, and proposes redistribution from elites to others to ensure the survival of as many clubs and leagues as possible.

Social Responsibility and Moral Reputation

This pillar looks at the relationships and behaviors supported by money in football along three dimensions: social responsibility, moral responsibility, and moral leadership/reputation.

In looking at social responsibility, we argue that professional football has responsibilities towards the sport, communities in which it is played, and broader social issues like the environment. Parts of the football community have risen to meet these responsibilities, with the richest clubs and governing bodies engaging in many social initiatives. These engagements often falter with respect to the environment, or are often not well budgeted and seldom assess impact. FIFA development funds distribute money without effective monitoring or evaluation.

Regarding commercial and financial partnerships, questionable relationships abound. Organizations like FIFA need to have clear and transparent and consistent standards in respect of the key social issues of the day, whether these involve alcohol, gambling, fossil fuels, or human rights. These standards should inform policies, which should inform decisions about who to engage with and how—especially in regard to finances.

Football's moral responsibilities center on normative issues like match fixing, money laundering and human trafficking. All three activities are present and worrisome, but difficult to track or measure. Football is peculiarly vulnerable to such activities, but we see serious weaknesses in the strategies and commitments of the football community to combat these practices.

This leads to the moral reputation and leadership of FIFA and other major governing bodies—particularly the regional confederations. Moral reputation has a significant impact on the value and legitimacy of these organizations. FIFA and other governing bodies need legitimacy to play three key roles: (i) political – providing for representation of footballing bodies; (ii) commercial – creating products like the World Cup; and (iii) regulatory – enforcing rules.

These three roles have become increasingly complex and blurred, creating new reputational and legitimacy problems. The growing commercial side of FIFA and the confederations has produced a myriad of claims of fraud, corruption, mismanagement, and money laundering by senior officials and companies managing FIFA and confederation contracts. As a result, many have lost trust in these bodies and we see significant risks of loss and business interruption.

The political legitimacy of the Congress is also in question, and the degree to which FIFA's structures facilitate effective and accountable political representation for (and in) national association members. The Congress is seen as a haven of patronage politics—where favors and finances are provided to members in return for votes and support. The structure of FIFA's development funds lends credence to this view: they are not decided on, released, or administered in a way consistent with typical development assistance.

In contrast with the growing flows of patronage funds, FIFA and other governing bodies invest far too little in regulating the sector when in fact this is the most important role. FIFA has largely focused on creating regulations. Many regulations are good and would have a significant impact on the risks and challenges discussed in this study if they were implemented and enforced. But we do not see the commitment in FIFA or other governing bodies to do so. This is a crisis for global football, given that regulatory challenges are global in nature and need to be tackled as such. Most of the national associations have even less capacity than FIFA.

Football's social responsibility and moral reputation pillar is the weakest of all. But FIFA's leadership failure raises questions about 'who' would lead any changes if they were proposed, so we are forced to ask about the future of FIFA and the regional confederations. There are other entities in the football sector that could play a greater role in football's future.

Our first set of ideas focuses on social responsibility in the financial processes of football:

- *Clarify social responsibility expectations in football and identify key values.*
- *Formalize social responsibility programs in richer clubs and governing bodies.*

Our second set of recommendations focus on strengthening moral responsibility in football:

- *Produce systematic information on immoral practices in football, develop risk based approaches and networks to tackle them, and increase financial commitment to these causes.*

A third set of ideas aim to strengthen football's moral leadership and reputation, and include:

- *Separate the key functions in football's governing bodies and enhance the regulatory role.*

- *Create accountable and effective President, CEO and board structures in FIFA including an independent board of directors and open voting at general assemblies.*
- *Ensure full transparency and accountability and appropriate representation in football's governance processes and bodies.*

Conclusion

This study looks at global football and finds a changing, deeply interconnected pyramid of money and transactions, dominated by a small elite and characterised by vast dark spaces, institutional voids and a profound lack of data. We assess the status quo in respect of five pillars of financial integrity and find those pillars are weak. We propose ideas to address the weaknesses, but none of them will be easy to do, and some concern existential questions about the future of football.

This study seeks to open debate, not conclude it. It remains for the football community and others to decide if financial integrity is important enough to warrant the energy and resources necessary for the change we propose. The increasing complexity and financial sophistication of those issues requires a concerted, coordinated, holistic, global approach, with greater global cooperation.

There are many conversations pending, and the financial integrity of football depends on who engages in these conversations, how open and transparent they are, and what kinds of ideas they produce. We hope the readers of this study decide to participate actively in all of them.

1. Why Study Financial Integrity in Football?

"The Integrity of the Game is Everything."

Peter Ueberroth, former Commissioner of Baseball, United States of America

"Integrity in sport is under threat..."

Interpol Fact Sheet, 2012

Sports bind people together, in local communities and over national boundaries. People across the world play sports and identify with sports teams and events, looking to these for a sense of identity, deep purpose and passing entertainment. Primarily because of this entertainment value, money has become a big part of many sports in recent years. A range of games have professionalized in the last few decades as a result, and become active economic as well as social sectors. These include American sports, football (soccer), cricket, rugby (of different types), motor racing, boxing, athletics, swimming, and more. According to our estimates, these and other professional sports produced about US $80 billion in worldwide revenue in 2013.[2]

This kind of money is new to sport, which was explicitly amateur and near-to-voluntary as recently as a generation ago. The growing role of finance has not been altogether positive, however. The world has seen an explosion of media-reported sports scandals over this economic growth period, and many of these scandals involve finances. Consider the revelations about bribery in the bidding processes for football World Cups and Winter Olympics,[3] for instance, and the ties between financial interests, corruption and doping concerns in a sport like cycling;[4] or match fixing problems in basketball, cricket, football, and many more.[5]

[2] This number is lower than reported in some prominent studies, including work for the European Parliament (http://www.europarl.europa.eu/RegData/etudes/STUD/2015/563392/IPOL_STU%282015%29563392_EN.pdf). Many of these reports are based on assumptions of revenues and direct and indirect sports impacts (on areas like sports goods and tourism) which we question. A full analysis of our approach is forthcoming in 2016, but the estimates come from identifying revenues accrued to organizations providing professional sports services—a narrow but direct view of the sports economy. Data came from estimates of annual revenues in different sports, collected from primary sources where possible but also from secondary sources (like media reports). The estimates are similar to others (like AT Kearney estimates, at https://www.atkearney.com/communications-media-technology/winning-in-the-business-of-sports) and reveal that some sports produce large revenues but most sports produce small revenues. The estimates for a number of different sports codes include (in US $ billions) are: Association Football 33.5; NFL 9.8; MLB 7.1; NBA 4.6; Tennis 3; Golf 2; Formula 1 4.6; Nascar 1; NHL 3.7; Baseball outside of USA 0.3; Basketball (outside USA) 0.4; Australian Rules Football 0.4; Rugby League 0.3; Canadian Football 0.2; Rugby Union 0.8; Cricket 0.4; Handball 0.2; Other ice hockey 0.2; Horse racing 4; Boxing 0.6; Mixed Martial Arts 2; Swimming 0.1.

[3] The following article compares these scandals, showing commonalities: http://www.npr.org/sections/thetwo-way/2015/05/29/410653814/fifa-scandal-has-echoes-of-salt-lake-olympic-corruption-crisis.

[4] There are many claims of financial malfeasance in cycling, related to doping and other issues. See, for instance, http://www.cyclingnews.com/news/gazzetta-reveals-scale-of-doping-and-money-laundering-under-dr-ferrari/ The formal report by the Independent Cycling Reform Commission offers the most authoritative view into this issue: http://www.uci.ch/mm/Document/News/CleanSport/16/87/99/CIRCReport2015_Neutral.pdf.

[5] For a recent review of match fixing in sports, see Carpenter (2015). See also the Economist view on such issues:

These scandals have generated growing interest in the financial integrity of sport, which the current study aims to address. It focuses on men's association football (called soccer in some jurisdictions). Men's football ("football" henceforth) was chosen as a starting point for a number of reasons; it is the most popular global sport, raises more revenues worldwide than any other sport, and has (arguably) been the subject of more high profile finance-related scandals than any other sport. These scandals have beset organizations at every level of the game. They include concerns and allegations about corrupt misappropriation of funds by global and regional governance bodies (like the international body, FIFA, and the regional Confederations in Latin America (CONMEBOL) and North America and the Caribbean (CONCACAF)),[6] and national governing bodies (like the German Football Federation (DFB) and Kenya's Football Association),[7] tax evasion (and even money laundering) by prominent football personalities and organizations,[8] financial mismanagement at leading clubs,[9] financial difficulties of players in lower European leagues and in leagues in emerging countries,[10] and more.

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http://www.economist.com/news/international/21653615-cash-corrupts-it-can-also-help-clean-up-sport-good-money-bad-money.

[6] See the United States Department of Justice notice on 2015 arrests of officials in FIFA and other confederations (http://www.justice.gov/opa/pr/nine-fifa-officials-and-five-corporate-executives-indicted-racketeering-conspiracy-and) and media reports on prominent business news sites like Bloomberg and Business Insider: http://www.bloomberg.com/news/articles/2015-07-04/soccer-scandal-revealed-decades-of-unpaid-taxes-president-says; http://www.businessinsider.com/fifa-bribery-scandal-concacaf-conmebol-2015-5; See also the 2013 CONCACAF Integrity Committee Report of Investigation into public allegations about senior leaders' integrity lapses at http://www.guardian.co.tt/sites/default/files/story/FinalReport.PDF.

[7] See recent news reports on investigations into charges that German officials paid bribes to win hosting rights for the 2006 World Cup, which has subsequently fueled a tax investigation into the German soccer federation (DFB) (https://www.rt.com/sport/322943-german-football-association-bribes/;http://fortune.com/2015/11/03/german-soccer-hq-raided-in-world-cup-bribe-probe/;http://www.ft.com/intl/cms/s/0/e5a7b14c-821f-11e5-8095-ed1a37d1e096.html#axzz3t0jsZK7f). See also allegations of corruption in the Kenyan Football Association (http://www.insideworldfootball.com/world-football/africa/17166-kenya-nyamweya-battling-corruption-allegations-and-sponsor-pull-out). The allegations raise questions about financial integrity in national associations.

[8] This appears widespread, with many examples. For instance, Brazilian clubs faced massive debt in 2015, partly because of unpaid back taxes (http://www.nytimes.com/2015/04/24/sports/soccer/brazilian-soccers-financial-disarray-starts-to-show-on-the-field.html?_r=0). Similarly, tax authorities recently collected outstanding taxes from players and clubs in England, where elaborate mechanisms were used to minimize tax payments and obligations (http://www.independent.co.uk/news/uk/inland-revenue-investigates-football-clubs-three-year-inquiry-into-alleged-tax-evasion-and-financial-1490245.html;http://www.theguardian.com/football/2015/jan/23/footballers-tax-demands-hmrc). Authorities also acted against prominent players in 2015 (like Neymar and Lionel Messi) given unpaid taxes related to transfers and image rights (http://edition.cnn.com/2015/09/25/football/brazil-neymar-tax-evasion-investigation/;http://www.espnfc.us/barcelona/story/2653477/lionel-messi-to-stand-trial-in-barcelona-for-tax-fraud). Unpaid taxes have also troubled football associations like that in Zambia, where the association headquarters were closed for a period in October 2015 because of taxes that were owed to government authorities (http://zambianfootball.co.zm/2015/10/football-house-opens-as-faz-zra-agree-on-payment/).

[9] Clubs across the world face financial troubles, often related to mismanagement. Consider recent match-fixing and financial corruption crises in Greece (http://europe.newsweek.com/greece-charges-41-over-match-fixing-football-scandal-deepens-327763); or the 2013 case of Blackburn (http://www.independent.co.uk/sport/football/football-league/football-league-we-cannot-act-over-the-mismanagement-of-blackburn-rovers-8606855.html); and the 2008 meltdown of Rangers in Scotland (http://www.theawayend.net/articles/football/the-away-end-archive/281-rangers-financial-crisis-is-real-deal); and Romania (http://www.theguardian.com/football/2015/feb/04/romanian-club-cluj-deducted-24-points-debts).

[10] There are many labor market concerns in football, often related to unpaid wages even in countries like Spain (http://bleacherreport.com/articles/2416314-outside-la-ligas-heavyweights-spanish-football-still-blighted-by-

These scandals raise concerns about where money comes from, how it is used, how it shapes behavior and interactions, and what influence it may have on the future of the game. These are not trivial concerns, for sports lovers worried about preserving the 'beautiful game' and for non-sports lovers focused on the way football (and other sports) might be used to foster socially and economically questionable behavior (like money laundering or human trafficking). The concerns relate to an overarching question: Is there a financial integrity problem in football?

This is a challenging question to address. There are many interest groups in football who experience the issues under discussion differently and disagree on the extent to which financial integrity problems exist (or what the problems involve). Third party ownership of players' economic rights (TPO) is a good example. It involves an entity investing in a player's development and receiving an ownership share in the player.[11] This entitles the entity to part of the player's transfer or wage income, sometimes over an entire career. This is considered anathema in some areas of Europe (where some even liken it to slavery), but provides vital and legitimate income in other countries (where third party investors sponsor training academies, subsidize transfers, and more). A dearth of evidence impedes efforts to bring objective analysis to discussions about such issues, or to frame debates around facts instead of opinions. Because of this, even when solutions are proposed to these issues, they often enjoy narrow ownership and execution.[12]

These factors make it extremely difficult to foster changes needed for the football sector to keep up with its recent financial expansion. One can arguably see this difficulty in the stubborn resistance to deep (but many would say necessary) change in FIFA over recent years. A scandal in the early 2000s led to some change but not enough to avoid the recent 2015 debacle, which is still yielding very limited talk of change in FIFA.[13] The roots of resistance to change may even reflect a failure to recognize problems that fester in the sector, as suggested in a 2007 comment on European football by researcher John Vrooman, which reads, "The governance of European football is in a state of denial about its own obsolescence."[14]

Football is not alone in being a difficult arena to change, however. The difficulties faced in fostering change in this context are common when dealing with complex sectors and issues. One always finds it hard to facilitate transformation where there are many interested parties with different views, experiences and locations, traditions and capacities, and where information is difficult to come by or commonly disputed; and where solutions are unknown or likely to yield

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unpaid-wages). Problems in small leagues also center on low and unpaid wages, reflected in the case of Diego Mendieta in Indonesia: http://edition.cnn.com/2012/12/06/sport/football/diego-mendieta-indonesia-football/. Media reports often also cover alleged human trafficking of young players from Africa to other parts of the world (http://www.theguardian.com/football/2008/jan/06/newsstory.sport4).

[11] TPO is a fairly common practice in global football and has attracted the interest of a number of investment firms (http://www.businessofsoccer.com/2013/04/18/the-realities-of-third-party-ownership/). FIFA banned the practice in early 2015. The TPO ban has proved difficult to enforce, however, and is being challenged in various jurisdictions (http://www.playthegame.org/news/news-articles/2014/controversies-over-how-to-enforce-tpo-ban/). The recent 2013 KPMG report on TPO is as informative about the topic as any other (KPMG 2013).

[12] One sees this with TPO. FIFA banned the practice in 2015 but face opposition about such, given different views on the topic by people like Porto's Daniel Lorenz (http://www.leadersinsport.com/insight/226/daniel-lorenz-fc-porto/).

[13] For opinion on this topic, read http://www.law360.com/articles/724383/fifa-remains-resistant-to-reform-despite-corruption-probes and http://www.theguardian.com/football/2013/apr/22/anti-bribery-resigns-fifa

[14] See Vrooman (2007). Similar sentiment is offered in Frick and Prinz (2006).

unexpected outcomes or uneven gains and losses. In such situations, one cannot simply introduce new ideas in response to concerns and expect everyone to embrace the ideas. One also cannot hope that the ideas will work without unexpected consequences and adjustments. Rather, one needs a process that allows interest groups to (i) engage constructively through informed conversations about the problems (to find common ground), and then (ii) have an open conversation about potential solutions, and then (iii) experiment with a number of these solutions in a manner that allows learning and adaptation, and that generates progressive expansion of ownership and implementation (to ensure broad and deep execution).[15]

This Study's Structure, and the Discussion Flow

This study intends to contribute to such a process, providing a commentary on global football's financial integrity challenges and problems. It fits into a vibrant set of work that has tackled similar issues in the past and present, but mostly in the context of English and other 'Big 5' Leagues (France, Germany, Italy, and Spain), and focused in detail on specific elements of what is really a broad agenda.[16] This report builds on these studies, trying to combine their various narratives into one. This means that the current report should not be expected to examine any specific issue in the kind of depth one finds in traditional academic studies. Instead, it offers a broad report-like narrative by making connections between ideas and analysis from existing work—in as global a manner as is possible, given data limits.

The study tries to provide an accessible narrative for a wide range of readers—who know football in Europe and Africa, the Americas, Asia, and beyond; and some who don't know football at all but are drawn into the discussion of financial integrity because of interests in corruption, law enforcement, or other related issues. The text is thus as uncluttered as possible, with references and more detailed discussion left in footnotes (for those looking more deeply into the work to see where ideas come from and where they can advance their own research). The study builds over a number of sections, fostering the following narrative.

The first section explores patterns in football's global financial landscape. This includes a view on the economic size of the sector, its shape, structure, and growth. Such view shows that football has a bigger economic footprint than all other sports, but this footprint is still limited in size—to about US $33 billion in annual revenues (similar to the income of a major global sportswear company like Nike). These revenues (and associated wealth) are distributed quite unequally, and the sector resembles a pyramid with a broad base, narrow neck and small apex. A few players, clubs and leagues make large amounts of money at the top of this pyramid, while the vast majority of players, clubs and leagues struggle to make even small amounts of money.

[15] We adopt this approach with complex change challenges in the world of international development, using Problem Driven Iterative Adaptation (PDIA) (See Andrews (2013) and http://www.cgdev.org/publication/escaping-capability-traps-through-problem-driven-iterative-adaptation-pdia-working-paper).

[16] While not exhaustive, the following studies inform our work: Andreff and Szymanski (2006), Conn (2002), Dobson and Goddard (2011), Football Governance Research Centre (2006), Goddard and Sloane (2014), Hamil et al. (2001), Kesenne (2007), Morrow (2003), and Szymanski (2015). See also Bernd Fricks' future book (*Conquering the Pitch)*, John Beech's site (https://footballmanagement.wordpress.com) and Supporter's Direct 'Improving the financial sustainability of football clubs':http://www.supporters-direct.org/wp-content/uploads/2013/02/SDE_chapter2.pdf.

This economic structure has led to a stark differentiation of clubs (and even leagues) in the game. Some are 'win maximizers' and compete most aggressively for results on the pitch and resources off the pitch. Others are 'stepping stone' entities, that source and nurture talent for sale to the win maximizers. Then there are the 'minor league' clubs and leagues that allow broad participation in the game and provide a large pool in which talent can emerge.

The sector's sizeable economic differences are relatively new, and result from financial growth over the last few decades. This growth has been fuelled by new forms of revenue—especially from foreign and corporate owners, sponsorships, and broadcasting deals. While present all over the football world, these revenues are particularly concentrated in a few leagues—especially the top tiers in England, France, Germany, Italy, and Spain (what many call the Big five). These leagues also face the greatest pressure from transfer and wage inflation, due to the dominance of 'win maximization' clubs in such settings. A group of new markets in Asia, Eastern Europe and the Middle East may start to feel such pressures in the coming years as well, given recent growth in revenues and efforts to establish competitive leagues with 'win maximizers'.

A second section identifies the many concerns that have plagued world football in this new age of economic expansion. These concerns are often captured in media headlines, with the 2015 FIFA scandals standing out as a particularly notable example. We identify others as well, however, related to insolvencies and outstanding tax debts in clubs, the growing dominance of some leagues over others, the failure to pay players in some leagues, allegations of corruption in various national associations, money laundering, human trafficking, match fixing, and more. We ask if these headlines are just media-driven hyperbola or if they constitute real areas of concern and risks to football's integrity. This is not an easy question to answer, especially given limits to existing studies on such issues (which touch on many key issues but only go into detail on some topics, like club profitability, and primarily in respect of top European cubs only).

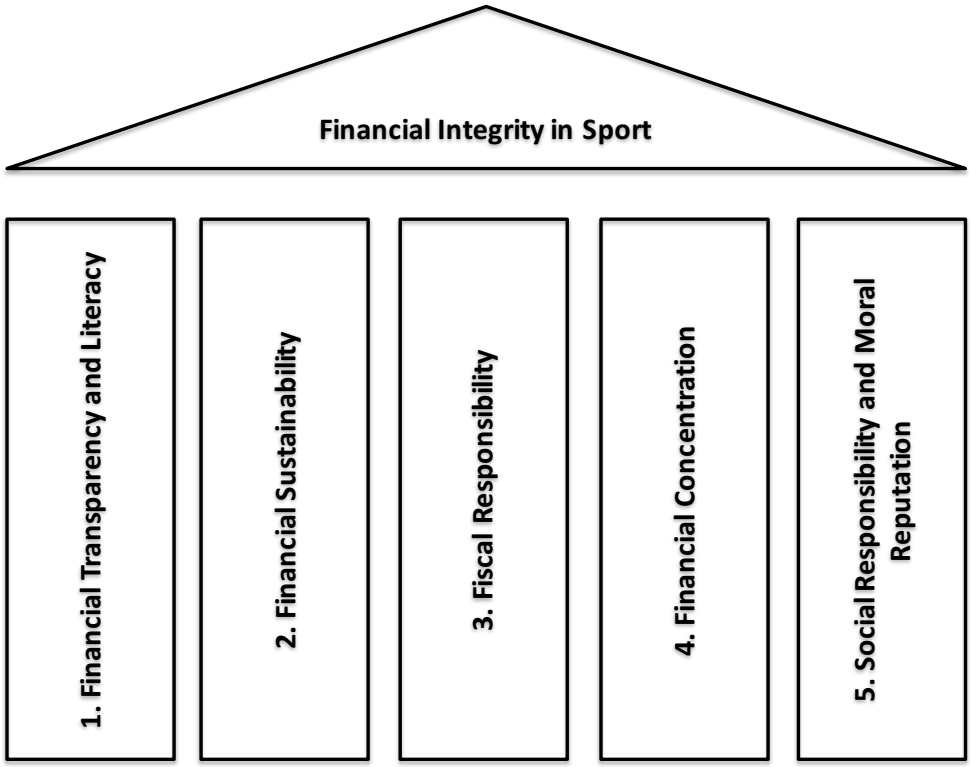
Given the limited work focused explicitly on 'financial integrity', we suggest a new approach to looking at the topic in sports—and football particularly. We base the approach on a broad definition of financial integrity; 'being sound, whole, reliable and sustainable, fair and principled, responsible and morally upright in financial structures, transactions and relationships'.

Such definition deconstructs into a structured basis for analysis, with five core financial integrity dimensions, listed here briefly and shown in Figure 1a as pillars in a proverbial 'financial integrity temple':

- *Financial Transparency and Literacy* relates to the importance of organizations providing appropriate financial information to stakeholders, which implies having the capacity to produce this financial information in the first place.
- *Financial Sustainability* relates to the organizational ability to maintain sufficient financial capacity over time to produce value without undue interruption.
- *Fiscal Responsibility* reflects on the extent to which organizations maintain their obligations to pay taxes and related social payments.
- *Financial Concentration* focuses on the manner in which financial resources are distributed across the footballing sector, given the underlying rationale that high levels of financial concentration undermine competition and lead to resource misallocation.

- *Social Responsibility and Moral Reputation* stress the importance of using finances derived from professional football to promote the broad-based development of the game and the social harmony and well-being of communities in which the game is being played; *and* of fostering just, fair and morally upright behavior when engaging in financial transactions, and promoting a positive moral reputation (a vital intangible asset for any organization or sector).

Figure 1a. The Pillars of Financial Integrity in Sport (and Football)



Source: Authors' rendition of a basic approach to 'financial integrity'

Sections three to seven analyze these five pillars, to determine where they stand tall or do not. The rationale is that even one compromised pillar will undermine overall financial integrity.

Section three raises serious questions about financial transparency and literacy in football.

We find that a small group of clubs in Europe provide publicly available, standardized accounts and reports. There are concerns about these 'public reporters' (focused on their accounting practices and the methods applied to transfers, player values, sponsorship revenues, and debt), but we worry more about the remaining lower tier European clubs, and clubs outside of Europe, which do not (generally) produce publicly available accounts. These clubs are—at best—complying with tax and/or licensing and regulation requirements in their countries (which are often not effectively monitored). Compliance with standards may be low in these clubs as a result, and financial literacy and transparency may be deficient.

This represents a huge 'dark space' shrouding more than 90% of the world's clubs—where financial data are not accessible and we have no idea if any financial management processes are in place. This is a breeding ground for financial integrity problems, given that we simply do not

know enough about player movements, the role of agents, third party ownership, intra and inter club transfer mechanisms, or flows linked to human trafficking.

Football's governing bodies are also weak in this area. FIFA and UEFA produce financial data with major gaps, lagging behind trends in areas like disclosure of executive compensation or administrative and governance spending. FIFA and UEFA are also not transparent about potential conflicts of interest in revenue sources and bidding processes. The bigger concerns lie beyond FIFA and UEFA, however, where the majority of confederations and associations do not produce public financial reports. There is also little evidence that these bodies have the capacity to regulate clubs effectively, which is a core and growing role they need to play—especially in areas like transfers and player movements.

We believe that the dark spaces exist in football because even well-intentioned data gathering attempts are fragmented and/or poorly resourced. Existing financial reporting and data capturing exercises create an incomplete patchwork, and the entities gathering these data at organizations like FIFA (especially its Transfer Matching System (TMS) team) and UEFA do so with limited resources. Weak capacity limits the type and quality of financial information in football clubs, leagues and associations, and is a major reason we lack comprehensive data on transactions in football.

This deficiency means that the vast majority (over 80%) of clubs, associations and confederations are dark spaces of 'high risk' to financial integrity. As a result, we conclude that the first pillar of financial integrity does not stand tall. We offer ideas to improve financial transparency and literacy but also caution that improvements will take time, money, and effort. We ask if the footballing community is willing to provide such resources sufficiently, which would require a new, concerted effort that has not been seen in this sector.

We have similar concerns when reflecting on financial sustainability, the second financial integrity pillar discussed in section four. We start the section noting that most football clubs rely on patrons or 'supporting organizations' for this sustainability. Financial sustainability is therefore less about making profit than it is about attracting and maintaining responsible patrons. At least three key financial-related factors influence this attractiveness: *a club's own revenue attraction*, *financial viability, and cost control.*

We use data from clubs in Europe's 'top leagues' to examine these factors (and to carry out additional work in this study). When we speak of these 'top league' European clubs—throughout the study—we refer to those clubs that are covered in UEFA's benchmarking reports, given that they are either playing in Champions League and Europa League tournaments or are in leagues that produce the majority of clubs playing in these tournaments (and hence report to UEFA to ensure compliance with Financial Fair Play rules). We are grateful that UEFA provided us with data for these clubs from 2013, in a sample of 728 clubs aggregated into 54 top tier leagues (given that privacy concerns prohibit sharing these data at the level of individual clubs). The leagues are shown in Table 1a, which provides the country code we use in some figures and tables (to summarize analyses) and the number of clubs included in each league. Where we refer to ENG or England it refers to the 20 club top tier Premier League. When we refer to Spain (ESP) we refer to the 20 clubs playing in the top tier La Liga in 2013. In most instances, our analysis only focuses

on 53 leagues (and 720 clubs) given that Gibralter's data are only available for one year (and hence do not allow any time series analysis).

Table 1a. The 'Top Leagues' We Examine in Our Data Analyses

Country	Code	Number of Clubs	Country	Code	Number of Clubs	Country	Code	Number of Clubs
Albania	ALB	12	Faroe Islands	FRO	10	Montenegro	MNE	12
Andorra	AND	8	Georgia	GEO	12	Holland	NED	18
Armenia	ARM	8	Germany	GER	18	Northern Ireland	NIR	12
Austria	AUT	10	Gibralter	GIB	8	Norway	NOR	16
Azerbaijan	AZE	10	Greece	GRE	18	Poland	POL	16
Belgium	BEL	16	Hungary	HUN	16	Portugal	POR	16
Bosnia Herzegovina	BIH	16	Ireland	IRL	12	Romania	ROU	18
Belarus	BLR	12	Iceland	ISL	12	Russia	RUS	16
Bulgaria	BUL	14	Israel	ISR	14	Scotland	SCO	12
Croatia	CRO	10	Italy	ITA	20	San Marino	SMR	15
Cyprus	CYP	14	Kazakhstan	KAZ	12	Serbia	SRB	16
Czech	CZE	16	Liechtenstein	LIE	7	Switzerland	SUI	10
Denmark	DEN	12	Lithuania	LTU	9	Slovakia	SVK	12
England	ENG	20	Luxembourg	LUX	14	Slovenia	SVN	10
Spain	ESP	20	Latvia	LVA	10	Sweden	SWE	16
Estonia	EST	10	Moldova	MDA	12	Turkey	TUR	18
Finland	FIN	12	Macedonia	MKD	12	Ukraine	UKR	16
France	FRA	20	Malta	MLT	12	Wales	WAL	12

Source: This is the list of countries in which we have league level data, accessed from UEFA (given 2013 submissions of top tier clubs in these countries). The data are aggregated per league. This is the sample we refer to when discussing clubs in Europe's 'top leagues'.

Given the analysis of these data, we estimate that clubs in 85% of Europe's top leagues are at medium or high risk in terms of their own revenue attraction; clubs in 77% of these leagues are bankrupt or at risk of bankruptcy; and clubs in 65% of these leagues are struggling to contain player costs. We combine data on all three factors to create a metric of 'financial sustainability risk'; it shows that clubs in 70% of the leagues are at 'medium to high risk'. This result is for Europe's richest leagues. Poorer clubs are likely to have even weaker finances. We estimate that only 25% of leagues and clubs across Europe are low or medium risk. This means that up to 75% of Europe's clubs and leagues face high levels of financial sustainability risk. We lack data to produce estimates outside of Europe, but studies suggest that the situation there is worse still.

We see financial sustainability concerns in the world's governing bodies as well. FIFA and UEFA have healthy accounts, but face questions about cost control and limited revenue sources. FIFA depends heavily on World Cup revenues, which is a concern considering growing problems with World Cup bidding and high hosting costs (which could limit the pool of potential hosts in the future and threaten sustainability). UEFA depends heavily on broadcast finances, which may

decline if the recent growth rates in football rights starts to slow (which is not happening now, but is likely at some point in the future, given the high rate of growth over past decades).

Given data gaps, it is impossible to assess other confederations and associations. We estimate that up to 60% of the world's national associations are at high risk of bankruptcy, however. They lack revenues sources or capacity to manage finances, and struggle to contain costs.

Between clubs and governing bodies, therefore, football's financial sustainability pillar appears weak. We share ideas to strengthen this pillar, focused on creating sustainable club and league systems, and a financially sustainable governance system. The ideas raise politically thorny issues; like questions about introducing hard ceilings on player costs and a thorough review of the 'failing majority' in the world club and national association system. We believe that hard political conversations are required to address financial sustainability problems in this sector (given the specter of continued wage and transfer costs inflation if this does not happen, growing exclusion of non-super clubs in the global football labor market, and financial failures of many more clubs and even leagues in the future).

Section five addresses the third financial integrity pillar, fiscal responsibility. It analyzes the record of clubs and associations in paying taxes and respecting tax authorities and systems.

UEFA targeted this issue in its Financial Fair Play (FFP) reforms. When these rules were created, Europe's top clubs (playing in European tournaments like the Champions and Europa Leagues) had tax debts of about €1.1 billion. According to our analysis, these debts actually grew to about €1.4 billion by 2013 (even after FFP was introduced). There are many potential reasons for this, which we discuss. Whatever the reasons, this debt has reputational costs and threatens financial sustainability. When clubs pay the debt back, they limit their fiscal space and sometimes even end up selling equity at discounted rates. Both scenarios create financial distress for clubs.

We calculate tax debt to revenue ratios to capture the 'fiscal responsibility' risk of clubs playing in Europe's top leagues, and to get a view into the vulnerability associated with tax debt (which we measure at the aggregate level, in leagues, using data accessed from UEFA—as already mentioned). We find that clubs in over 80% of these leagues are at medium to high risk in this respect, with large or increasing tax debt to revenue ratios. We cannot provide similar estimates for clubs in regions outside of Europe, given poor data.

We note that fiscal responsibility problems go beyond clubs, however. Tax evasion scandals involving players, managers, and owners bring the game into disrepute and yield football vulnerable to other types of corruption (especially money laundering). There are, additionally, examples of national associations and federations failing to pay taxes or being charged with tax avoidance. Furthermore, FIFA has been criticized for challenging governments trying to collect taxes from national associations, and for the exemptions it requires from countries bidding to host the World Cup. Although hard to specify, given the opacity of World Cup bidding processes, we believe the spirit and nature of such exemptions are problematic. Combining these issues, we see a reputational problem in football—where many believe that the sector acts 'above the law'.

In the light of the concerns about tax debts in clubs and reputational weaknesses, we cannot say that fiscal responsibility is a strong pillar in the global football community. Many clubs, players, officials and organizations fulfil their fiscal responsibilities, but evidence suggests that many still

do not. This is a risk for football and could lead to continued legal and financial disruption for clubs and associations, players and officials.

We offer various ideas to address these weaknesses, focused on working with clubs, players and governing bodies to improve performance in this area.

We then tackle the fourth pillar of financial integrity in football; financial concentration. We examine 'four-club' revenue and wage concentration ratios for Europe's top tier leagues, which show that most leagues are highly concentrated. The average revenue concentration in Europe is 0.65 (where 1 is absolute concentration) and the average wage concentration is 0.64 (where the wealthiest four clubs in the average league account for 64% of the wages). Top tier leagues in Italy, England, Germany, and France have revenue concentration ratios between 0.46 and 0.55. Spain's La Liga has a revenue concentration of 0.66.

We adjust these ratios according to the size of each league, which allows us to categorize leagues into financial concentration risk: About 60% of the leagues turn out to be medium to high risk, with high levels of financial concentration. This category includes all Big 5 leagues and most of the next tier (like Russia, Turkey and the Ukraine).

We find concentration across leagues as well. Europe's top four leagues account for about 60% of the revenue in Europe's top 54 leagues, but only about 11% of the clubs. These clubs raise over five times the revenue they would have if allocations were equal. Levels of concentration are even higher when comparing finances across regions, where Europe dominates all others. This concentration is reflected across the world where very few clubs in very few leagues are monopolizing most of the money and sucking in most of the talent. Outside of Europe's top leagues, clubs have been crowded out of the global financial game and lack the revenue raising capacities to compete on the field and survive off the field. This is most apparent in the transfer market, where a small group of clubs dominate, limiting competition. The disparity between this small 'green zone' and a vast 'red zone' raises serious questions for the future of football.

We conclude the section by noting the lack of easy answers to this financial concentration problem. Indeed, we observe that many commentators do not see this as a problem. Our only recommendation is therefore that the football community engage in a wide-ranging and inclusive debate on the topic. The debate must consider two contrasting visions for the future. One views concentration as a legitimate result of competition, and accepts a future where professional football is increasingly dominated by a small set of elite (or 'super') clubs. The other sees elite dominance as unacceptable, and proposes redistribution from elites to others to ensure the survival of as many clubs and leagues as possible.

This discussion leads to a section where we discuss the fifth pillar of financial integrity in football, social responsibility and moral reputation.

In looking at social responsibility, we argue that professional football has responsibilities towards the sport, communities in which it is played, and broader social issues like the environment. Parts of the football community have risen to meet these responsibilities, with the richest clubs and governing bodies engaging in many social initiatives. These engagements often falter with respect to the environment, or are often not well budgeted and seldom assess impact. As an

example, FIFA prides itself in providing development funds but distributes money without effective monitoring or evaluation and does not even report on project implementation results.

We also examine the commercial and financial partnerships in place across the football sector, under the premise that these relationships should reflect social values and norms supported by the global football community. We find that questionable relationships abound, without clear policies explaining why they are considered acceptable or necessary. We argue, therefore, that organizations like FIFA need to have clear and transparent and consistent standards in respect of the key social issues of the day, whether these involve alcohol, gambling, fossil fuels, or human rights. These standards should inform policies, which should inform decisions about who to engage with and how—especially in regard to finances.

We then examine football's moral responsibilities in relation to three pressing issues; match fixing, money laundering and human trafficking. All three activities are present and worrisome, but difficult to track or measure. Football appears to be peculiarly vulnerable to such activities, however, and there is both a rationale and opportunity for mounting an aggressive attack on these activities within the football community. We do not see sufficient commitment in the football community to combat these practices, however, reflected in a general lack of well-resourced strategies and in the limited expression of leadership in these areas.

This leads us to examine the moral reputation and leadership of FIFA and other major governing bodies—including the regional confederations. Moral reputation has a significant impact on the value and legitimacy of any sector or organization. FIFA and other governing bodies need such legitimacy to play three key roles: (i) political – providing for representation of footballing bodies; (ii) commercial – creating products like the World Cup; and (iii) regulatory – enforcing rules. These three roles have become increasingly complex and blurred, creating new reputational and legitimacy problems. In particular, the growing commercial side of FIFA and the confederations has produced a myriad of claims of fraud, corruption, mismanagement, and money laundering by senior officials and companies managing FIFA and confederation contracts. As a result, many stakeholders in the football community have lost trust in these bodies, which could result in significant risks of loss and business interruption in the footballing sector.

The political legitimacy of the Congress is also in question, and we have concerns over the degree to which FIFA's structures facilitate effective and accountable political representation for (and in) national association members. The Congress is seen as a haven of patronage politics—where favors and finances are provided to members in return for votes and support. The structure of FIFA's development funds lends credence to this view: they are not decided on, released, or administered in a way consistent with typical development assistance. Instead, they resemble fund flows intended to buy support from poor national associations.

In contrast with the growing flows of patronage funds, FIFA and other governing bodies invest far too little in regulating the football sector; when in fact this is the most important role needed. We believe that FIFA's mission to promote and grow football across the globe will be best served by playing this regulatory role as well as possible. In its past efforts to play this role, FIFA has largely focused on creating regulations (and has a long list of regulations to showcase). Many regulations are good and would have a significant impact on the risks and challenges discussed in this study, if properly administered, implemented and enforced. But we do not see the

commitment in FIFA or other governing bodies to effectively implement or enforce these regulations. This poses a major risk for global football, given that the regulatory issues in the sector are global in nature and need to be tackled as such. Most of the national associations have even less capacity than FIFA and certainly do not have the global mandate needed to address inter-jurisdictional issues. Leadership from FIFA is essential given its far-reaching influence and (relatively) deep pockets.

This discussion leads us to conclude that football's social responsibility and moral reputation pillar is the weakest of all. But FIFA's leadership failure raises questions about 'who' would lead any efforts to strengthen such pillar. We are, therefore, forced to ask about the future of FIFA and the regional confederations in proposing ideas for reform. There are other entities in the football sector that could play a greater role in football's future, and we propose a way in which they could engage—alongside a reformed and restructured FIFA.

A Final Note of Introduction

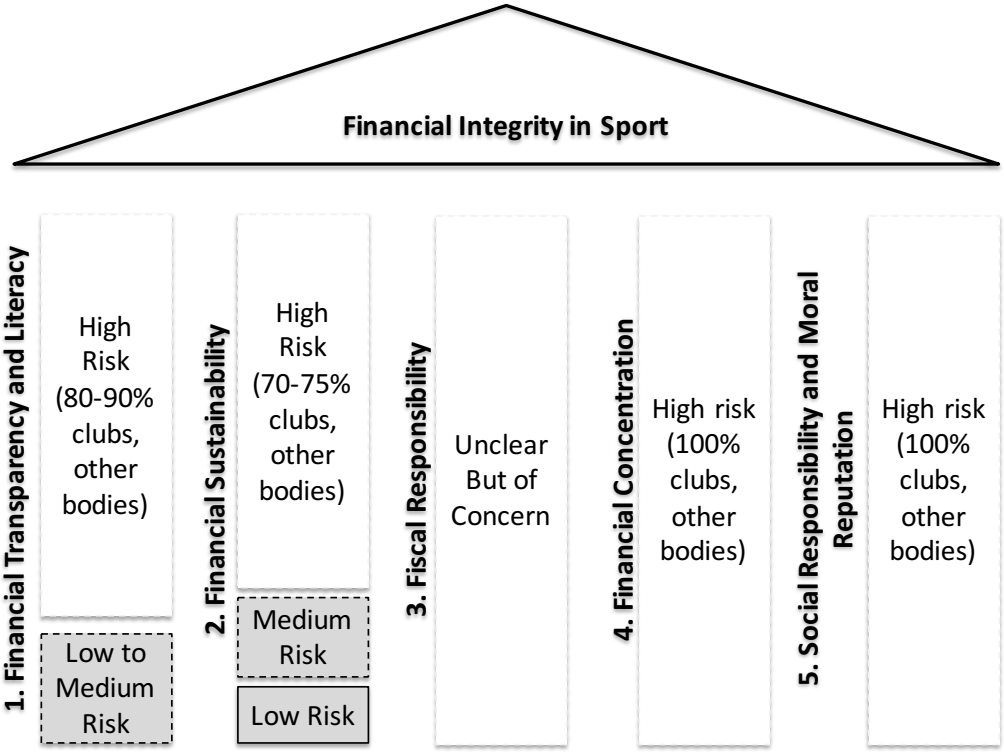
This study emerged over a span of only nine months, spurred on by the constant news of scandal in world football, especially in regard to FIFA. We, the authors, are new to this area. We have experience working on governance, reform and financial management and transparency issues in some of the hardest countries and organizations in the world, however, and believe that the experience in such contexts gives us a new set of eyes to look at football.

Being new to a research area has its benefits, but it also poses challenges. As a plus, our novel position allows us to offer a neutral, comparative perspective on the terrain we discuss. We can interpret financial data in a less football-specific manner than might be done within the sector, for instance, and refer to examples outside of football in thinking about ways to improve governance in key organizations, or strengthen financial management processes and transparency (amongst other reforms). The challenge of being from the outside, however, is that we cannot claim to have covered every inch of ground required for a full picture of this terrain. This challenge is exacerbated by that fact that the ground we cover is vast and diverse and does not support the kind of rigorous analysis one would like to do of the issues (with many areas of interest lacking an established body of work or reliable data on fundamental topics like the number of clubs that exist or the number of players engaged in playing football, or the precise details of key transactions in the sector).

The gaps in knowledge and evidence are particularly noteworthy given the current pressure to provide a thorough and indisputable analysis of the status quo, followed by concrete, broadly acceptable, and actionable recommendations to address issues of immediate importance, like the future of FIFA. We take all of these considerations seriously, and hope you sense a spirit of humility in the study as a result; and a respect for the complexities of this work. We are open about limits of evidence and methodology, for instance, and also about the fact that we do not address every aspect of every issue, or reflect on all the important nuances that other authors have already discussed. We are very aware that our view is imperfect and that we may unintentionally make errors of omission (missing out on key data sources or studies, for instance) or commission (interpreting data incorrectly, for example). At the same time, we also hope you see our frank presentation of ideas and recommendations.

We aim to provoke conversation and action through this work, and believe that the best way of doing this is through taking aggressive positions on thorny and controversial topics. We adopt this strategy because, even with its limits, our study shows that global football is in trouble, with weak financial integrity (shown in Figure 1b, the compromised proverbial financial integrity temple). The situation is so dire that serious actors must confront serious and controversial questions.

Figure 1b. The Weaknesses of Financial Integrity in Football



Source: Authors' rendition.

Our goal is to open up a frank and honest and broad conversation about the financial integrity challenges in global football. We believe that this conversation is necessary to generate recommendations that are sufficiently aggressive to address financial integrity issues, but also pragmatic enough to be implementable, and enjoying the kind of broad ownership required for impact at scale (given that this is a large and diffused sector and solutions need to have significant reach). We hope that you participate in these conversations, even if only to correct us on any errors made in this study. To this end, the conclusion is called 'football's pending conversations', and it makes a pitch for you—as an interested reader and stakeholder—to engage in such.

It is important to get as many voices into those conversations as possible, and our appeal is that readers engage with this piece actively and initiate or contribute to whatever discussion and action may follow.

2. Describing Football's Financial Landscape

"If you can't measure it, you can't improve it."

Peter Drucker, Management Theorist

"In the absence of data, we make up stories."

Unknown

This study involved a nine-month search for publicly available data about finances in global football, with the express aim of measuring the sector and describing it through data—not opinion or stories. This proved a frustrating search, where we learned primarily about the limits of financial information (produced and accessible) in global football. These lessons are common for those researching football's finances, where data deficiencies lead to narrowly focused work (on areas where data exist, like the Big 5 European leagues of England, France, Germany, Italy, and Spain).[17] Our goal was to go beyond this narrow domain, however, and provide a broader view of football's global financial landscape. This section summarizes such view, which is tentative given the challenges of poor data accessibility and quality, but provides a perspective that resonates with other studies in the football literature (as already cited and as will be cited throughout the study).

Global Football's Financial Size

Data on global football are hard to come by. In many places they are not accessible at all, and in others they are not available in any kind of primary or official secondary form (where data come from the primary producer or are aggregated by a dedicated third party, from the original source). In doing this work, therefore, we found ourselves filling many 'dark spaces' with data from unofficial secondary sources (like the media). This is a weakness of any study on global football, and makes it difficult to assess the validity and reliability of all the data in use. We are transparent about both data sources and methods used to assess these data throughout the study, and have only included elements of the work where we are confident of sufficient quality—in methods and narrative. This said, we address the issue of data access seriously later

[17] FIFA began issuing pubic financial reports only in the early 2000s, and collecting data on transfers in 2010/11 through the Transfer Matching System (http://sites.duke.edu/wcwp/world-cup-guides/world-cup-2014/fifa-institutional-politics/the-structure-and-policies-of-fifa/). Other reporting initiatives are also recent. For instance, Morrow (2014) notes that UEFA's efforts to improve financial reporting at the highest levels of football only started in 2010/11. Outside of football's top tiers, one *still* finds very little financial data. One result of this data deficiency is the dominance of studies on leagues where financial information are available—notably the Big 5 Leagues and, even more specifically, the English top leagues. A 2012 paper on the English leagues (Szymanski 2012) notes the use of a 'unique accounting database' for instance, which is only available in England. The bias towards these leagues is reflected in the description of Bernd Frick's future book (due in 2017), which provides a multinational coverage but examines only the Big 5, Brazil and Argentina (See http://www.springer.com/us/book/9780387981789). The bias is also evident in an Institute of Chartered Accountants in England and Wales (ICAEW) study on 'Accounting for Football Clubs' (http://www.icaew.com/en/library/subject-gateways/accounting/accounting-by-industry/football-clubs).

in the study, given that financial transparency and literacy (being open about finances and capable of managing and reporting) are vital to financial integrity.

Facing limited information, we used whatever data were publicly accessible to first obtain a perspective on the size of the world football sector. Part of this perspective is well known, as it relates to the general popularity of the sport and not finances (where data are much murkier). Estimates suggest, for instance, that football attracts 5% of the global population as participants[18] and over 50% as supporters, fans and spectators.[19] Unlike most other sports, it is globally enjoyed, with over 80 million players in Asia, more than 60 million in Europe, in excess of 40 million in both Africa and North America, and nearly 30 million (or 7% of the population) in South America.[20] It is an organized presence as well, with over 300,000 clubs competing at various levels across the globe,[21] overseen and coordinated by hundreds of league and association bodies, falling under six regional confederations and, overall, under FIFA—the global body controlling World Cup hosting rights (arguably the world's biggest entertainment and sporting event).[22]

Beyond these bodies, there are between 4,000 and 6,000 professional or semi-professional men's clubs constantly raising and spending money in the name of football all over the world.[23] It is difficult to state with certainty how much money these clubs (and associated structures) raise across the entire world, given a lack of such information, so we needed to estimate.

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[18] Most data on the global football market come from secondary sources (or are presented as primary data but cannot be validated as such). An example is Repucom's estimate that 20% of the global population participate in football (repucom.net/global-interest-football/). FIFA did primary research a decade ago, and produced more modest numbers (FIFA, 2006). These showed that 4.13% of the world's population participated in football in 2006, which was 265 million participants (and would be well over 300 million now).

[19] Repucom notes that 46% of world population is interested in football (repucom.net/global-interest-football/; See also:www.knowthefan.com/wpcontent/uploads/2014/05/KTF_GlobalOverview_2014_WEB.pdf). UEFA has similar data: www.uefa.org/MultimediaFiles/Download/Tech/uefaorg/General/02/09/18/26/2091826_DOWNLOAD.pdf. Other studies estimate that football is supported by 3.5 billion fans (about half the world population, a billion plus more than the next most popular sport and over three times more than the main American sports combined). See http://www.economist.com/blogs/gametheory/2011/09/ranking-sports'-popularity; www.sportyghost.com/top-10-most-popular-sports-in-the-world/www.topendsports.com/world/lists/popular-sport/wiki-sports.htm;). Studies also show that football enjoys more television viewers than others (whatculture.com/gallery/10-most-watched-sporting-events-in-tv-history/2;qz.com/171174/putting-the-global-perspective-into-the-superbowls-massive-tv-audience/). According to estimates, the FIFA World Cup, UEFA Champions League and FIFA Confederations Cup net about 5.9 billion viewers, compared with the Olympics (with about 2 million viewers). Football attracts more internet interest as well, with more Wikipedia, Facebook and twitter visits than other sports, and the most popular clubs on social media (www.forbes.com/sites/kurtbadenhausen/2015/07/15/barcelona-and-real-madrid-head-the-most-popular-sports-teams-on-social-media/;www.topendsports.com/world/lists/popular-sport/google-trend.htm).

[20] See regional breakdowns in FIFA (2006).

[21] See club numbers in FIFA (2006).

[22] FIFA is the federation of football associations and has 209 members, in the form of associations across the globe. Bigger associations include the English Football Association (with annual revenues exceeding US $400 million in 2013). Most associations are smaller, however, and a large number rely significantly on FIFA for operational revenue.

[23] As already discussed, FIFA TMS claims to collect data from over 6,000 clubs globally. FIFA TMS officials provided us with data on club numbers by region, and the total added to 4,137, with 2,001 clubs in Europe, 652 in South America, 652 in Asia, 258 in North America and the Caribbean, 571 in Africa, and 16 in Oceania. These numbers are slightly different to those from Transfermarkt, which is a website that analyses transfers in clubs across the world. Transfermarkt identifies over 4,700 clubs globally, with over half in Europe.

The first part of this estimation drew on data from UEFA, Deloitte and Forbes, which provide commonly cited information about the size of revenues in Europe's bigger clubs and leagues. These data show that the richest ten clubs made as much as US $4.3 billion in 2013/14, the next ten richest clubs made US $1.8 billion, and the third richest ten clubs made US $1.3 billion.[24] This meant that Europe's richest thirty clubs produced US $7.4 billion in income in 2013, which was about US $1.5 billion more than the National Basketball Association revenues in the United States. The other 70 tier one clubs in the Big 5 countries (England, France, Germany, Italy and Spain) registered about US $5.9 billion in 2013, and the remaining 628 top league clubs in Europe (from leagues playing in European competitions, discussed in respect of Table 1a) raised US $6.3 billion.[25] Beyond these top clubs, our estimates suggest that revenues in Europe's lower leagues (like the English Championship and Italy's Serie B) were about US $3.4 billion.[26]

Altogether, this points to a football market in Europe of about US $23 billion in revenue. This is about the same as revenues of the major American sports combined.[27]

Football is, of course, also played outside of Europe. Financial data are not easily accessed in other regions, however. This meant that we needed to source club and league revenue data from Confederations, national Associations and media reports in most non-European contexts, and make more speculative estimates in the face of large data gaps (where even media reports were not available). In this process, we found that most regions outside of Europe have a few countries with larger revenue leagues; but most countries' leagues are small in the non-European regions:

- The largest leagues in the Asian Confederation are in Japan, China, South Korea, Qatar, Saudi Arabia, and the United Arab Emirates, where estimated aggregate revenues amount to about US $1.8 billion (about as much as is raised by the second ten richest clubs in Europe).[28] Beyond

[24] Drawing on Forbes and Deloitte data, a 2014 Daily Mail article in England identified the 30 richest clubs in 2013/14, with associated revenues (in British pounds), were: 1. Real Madrid (£459.5m); 2. Manchester United (£433.2m); 3. Bayern Munich (£407.7m); 4. Barcelona (£405.2m); 5. Paris Saint-Germain (£396.5m); 6. Manchester City (£346.5m); 7. Chelsea (£324.4m); 8. Arsenal (£300.5m); 9. Liverpool (£255.8m); 10. Juventus (£233.6m); 11. Borussia Dortmund (£218.7m); 12. AC Milan (£208.8m); 13. Tottenham (£180.5m); 14. Schalke 04 (£178.9m); 15. Atletico Madrid (£142.1m) ; 16. Napoli (£137.8m); 17. Inter Milan (£137.1m); 18. Galatasaray (£135.4m); 19. Newcastle United (£129.7m); 20. Everton (£120.5m); 21. West Ham United (£105.3m); 22. Aston Villa (£101.9m); 23. Marseille (£100m); 24. Roma (£97.7m); 25. Southampton (£97.3); 26. Benfica (£96.6); 27. Sunderland (£95.7m); 28. Hamburg (£92.2m); 29. Swansea City (£90.5m); 30. Stoke City (£90.1m). Revenue estimates and the list of clubs varies across time due to performance differences and other factors (http://www.dailymail.co.uk/sport/football/article-2920602/Real-Madrid-football-rich-list-Premier-League-dominates-overall-making-HALF-40-wealthiest-clubs.html).

[25] This estimate is based on data provided by UEFA, for the 728 top league clubs in Europe. The data were provided at the league level, with 54 leagues represented (as discussed in relation to Table 1a)..

[26] This estimate was informed by income data from Deloitte and some national associations, which gave specific numbers for English, German, French, Italian and Spanish lower leagues. Other estimates were determined based on the size of top tier leagues in countries, and the proportionality of revenues in the Big 5 tiers.

[27] The National Football League, National Basketball Association, Major League Baseball, and National Hockey League together raise about US $23 billion in annual revenues.

[28] Estimates derive from research (Dobson and Goddard 2011, Hamil and Chadwick 2010, Horne 2000, Li, MacIntosh and Bravo 2012, Manzreiter and Horne 2014) and from leagues (like http://www.jleague.jp/?) and online reports, (http://sports.163.com/14/1111/14/AAPD0DCU00051C89.html#p=AAPCDTV20B6P0005;http://www.wsj.com/articles/SB10001424127887324266904578456741356678544;http://beta.proleague.ae/en/news/interview-with-plc-chairman.html).

these six leagues, Asian football clubs still do not raise much revenue; the next largest is probably Australia, where annual revenues are about US $50 million.

- CONCACAF has two dominant leagues (in terms of revenue) in the Mexican Liga MX and the United States/Canadian Major League Soccer. Together, these leagues raise revenues of between US $750 million and US $1 billion (less than the revenue of the third ten richest clubs in Europe).[29] Beyond these leagues, the region does not have any other high earning leagues or clubs that would significantly increase its economic footprint (apart from the revenues accrued to collegiate soccer in the United States, which are as large as US $700 million[30]).
- CONMEBOL's member countries have some bigger clubs in leagues like Brazil's Serie A and in Argentina, where reports suggest that combined revenues may be between US $1 billion and US $1.5 billion (depending on the state of the economy and exchange rates, as well as the performance of the leagues and clubs), but other leagues in places like Colombia and Chile are smaller (in the region of US $100-$200 million).[31]
- In CAF, countries like South Africa, Algeria and Egypt have the largest clubs, but these are smaller than even the United States MLS. Other leagues and clubs are not financially large (even in countries like Ghana and Nigeria).[32] As a result, most countries' leagues add to football's global revenues in increasingly small increments and we estimate that the entire continent's clubs makes less than US $400 million in revenues (less than the revenues in any one of the top five clubs in Europe). As a reflection of this, consider that TP Mazembe, one of Africa's biggest clubs (and Africa's 2015 representative at the FIFA Club World Cup), has an estimated annual revenue of only US $10 to US $15 million.[33] Its revenue sources are limited

[29] Sources used to determine this estimate include academic studies like Jewel (2014) and media reports like http://www.dailymail.co.uk/sport/football/article-2833020/Premier-League-wages-dwarf-Europe-flight-players-England-earning-average-2-3million-year.html;http://www.forbes.com/sites/chrissmith/2015/08/19/major-league-soccers-most-valuable-teams-2015-2/;http://www.cheatsheet.com/sports/major-league-soccers-5-most-valuable-teams-in-2015.html/?a=viewall; http://www.soccernomics-agency.com/?p=692

[30] US Collegiate Soccer is played by over 1,600 universities. The number here refers to revenues earned in men's and women's soccer in 2012. The men's game produced US $303,569,919 in 2012; the women's game produced US $408,414,799. The total revenue for men's and women's collegiate soccer was US $711,984,718.

[31] Sources informing this estimate include studies like Dobson and Goddard (2011). Media references include https://futebolnegocio.wordpress.com/2008/07/25/mercado-brasileiro-de-clubes-superou-r-16-bilhao-em-2007/;http://forums.bigsoccer.com/threads/average-revenue-per-club-for-south-american-leagues.644025/;http://www.ft.com/intl/cms/s/0/6ddffa20-3f0f-11e3-b665-00144feabdc0.html#axzz3n49bVeP9; http://globoesporte.globo.com/futebol/noticia/2014/10/estudo-sobre-financas-dos-clubes-brasileiros-aponta-situacao-de-risco.html;http://www.forbes.com/2009/08/11/argentina-soccer-grondona-business-sports-primera.html;http://home.econ.uba.ar/economicas/sites/default/files/AFAFCE-Informe-Final060415.pdf; http://www.supersociedades.gov.co/Web/Ntrabajo/18.Noticias/Informe_consolidado_futbol_31_dic_2012_junio%2019Todos%20los%20equipos.pdf;http://www.footballeconomy.com/content/tv-revenue-boosts-brazilian-teams.

[32] Data sources are scarce for Africa, but there are some academic studies to draw on, including a chapter on South Africa in Hamil and Chadwick (2010). Beyond these sources, one can also find media sources including the following: http://sites.duke.edu/wcwp/research-projects/africa/the-economics-of-african-soccer/south-africa-and-egypt/;http://www.soccerladuma.co.za/news/articles/leagues/south-african-premier-soccer-league/south-africa-is-africa-s-second-highest-paying-league/192874

[33] Data on African clubs are hard to come by. We depended on secondary media sources, like the following articles. (http://www.worldsoccer.com/columnists/steve-menary/339341-339341;http://answersafrica.com/football-clubs-africa.html;http://www.thenational.ae/sport/football/tp-mazembe-the-10-milllion-men-from-congo). Figures in these sources are similar, and the sources appear independent.

to a maximum of US $1.5 million in CAF Champions League winnings (compared with over US $70 million for UEFA Champions League winners[34]), US $500,000 for participating in the FIFA Club World Cup, a maximum of US $5 million in gate takings, and US $5 - $10 million in sponsorships (largely through owners) and other merchandise sales. Other clubs produce considerably lower revenues; with smaller stadiums, market appeal, and performance.

Given such evidence, our estimates suggest that South America (CONMEBOL) and Asia (AFC) are the two biggest revenue raising regions outside of Europe (with annual revenues of between US $2.5 and $3 billion). North American leagues (in the CONCACAF region) produce about US $2 billion,[35] and Africa (CAF) and Oceania leagues raise about US $400 million combined. It should be noted, however, that these estimates are rough: the fact that financial data are almost totally inaccessible for many clubs and leagues in these contexts (particularly Africa and parts of Latin America and Asia) makes it impossible to assess the true economic value of the game.

These estimates leave us with a final figure of about US $30 billion raised annually by clubs playing professional league football across the globe. Beyond these revenues, one also needs to include the income of FIFA, the Confederations, and national associations or federations. These entities raise money around competitions like the World Cup and Champions League and through broadcasting and sponsorships for national teams, as well as via traditional membership fees (and sources like government subsidies). FIFA averages about US $1.2 billion annually, whereas UEFA raises about US $1.8 billion a year.[36] Prominent associations like the English and Italian associations record revenues that are also large (from US $250 to US $450 million a year) but the majority of national associations and even Confederations are earning a lot less. Associations in places like Liberia and Grenada have revenues between US $1.5 and $2 million, for instance. Also, revenues of many associations (and even Confederations) are often drawn from higher-level governing bodies (like FIFA). Over half of Liberia's revenues come from FIFA, for instance. Furthermore, a large portion of UEFA revenues is also shared with clubs (given solidarity payments and payments to clubs winning tournaments like the Champions league).[37] This means that the full value of governing bodies' revenue cannot be included as-is, given double counting concerns. After considering this potential double-counting, we believe that association bodies raise about US $3 billion as an addition to the revenues raised by clubs and leagues.

[34] Barcelona took about US $66 million home after the 2014/15 Champions League, according to UEFA reports.

[35] This includes about US $700 million in NCAA Collegiate Soccer revenues in the United States. These are not earned by professional athletes but are in the realm of spectator sports revenues. We include them in these estimates because they reflect the largest football revenues in the United States, where it seems that the Collegiate game is more appealing to spectators (at least at present) than professional Major League Soccer.

[36] FIFA and UEFA raise different amounts each year, depending on tournament revenues for windfalls. FIFA's revenues varied from about US $1 billion in 2011 to US $2.1 billion in 2014, for instance. UEFA revenue has been increasing over time, and here we calculated the average over the last decade (which may understate the upward pattern). UEFA earned about US $900 million in 2010 and about US $2.9 billion in 2012. All data on FIFA, UEFA, other confederations and national associations are drawn from annual reports and web sites of those organizations. Full citations are provided later in this study, in discussions on financial transparency and literacy.

[37] For reference, see UEFA's 2014 Financial Report (page 4), which details payments: "An impressive amount of €1.24 billion was distributed to clubs and associations in 2013/14…. Solidarity payments increased from €159.8 million to €175.6 million, largely as a result of the amount put aside for the UEFA Foundation for Children."

Combining club and association revenues leaves us with a final estimate of US $33 billion in annual global football revenues (shown in Table 1). This US $ 33 billion estimate suggests that global professional football now produces about as much annual revenue as the United States movie industry (at US $31 billion), a little less than annual global box office revenues (at US $39 billion), but a little more than the apparel and sports good company Nike (at about US $28 billion).[38] Football accounts for about 40% of revenue produced in all professional sports (which we estimate at about US $80 billion per annum, as discussed).

Table 1. Estimating Annual Revenues in Global Professional Men's Football

Revenue Source	Revenue (US $ billion, 2013)	Sources and Comments
Richest 10 Clubs in Europe	4.3	Deloitte Annual Review of Football Finance (2014) and Deloitte Rich List (2014); also Forbes list of most valuable soccer clubs.
Second Richest 10 Clubs in Europe	1.8	
Third Richest 10 Clubs in Europe	1.3	
Rest of Top League Clubs in Top 5 Countries	5.9	UEFA 2013 club financial data (made available by league).
Other Top Leagues in Europe	6.3	
Lower League Clubs in Top 5 European Countries	2.7	Multiple sources for each league in the top 5 European countries, and estimates for others based on Transfermarkt data and other studies.
Other Lower League Clubs in Europe	0.65	
Total European Clubs	**23**	
African Clubs	0.4	Estimates based on multiple sources for top countries. Estimates for others.
Asian Clubs	2.5	Estimates based on multiple sources, including annual reports and studies.
Oceania Clubs	0.0	Estimates based on academic, media reports.
North American and Caribbean Clubs	2.0	Estimates based on various sources, including reports for major leagues.
South American Clubs	2.6	
Clubs outside of Europe	**7.5**	
Total Clubs (Global)	**30.5**	
FIFA and Regional Confederations	3.4	Annual Reports for FIFA, UEFA, and estimates for others. Estimates based on annual reports from some associations, estimates for others.
National Associations and League Bodies	4.0	
Total	**38**	
Total without duplication of Association and Confederation revenues.	**32 – 34**	This assumes that 50–75% of revenues from Confederations and Associations are counted as revenues by other Associations, or Clubs.

Sources: Various, as alluded to in the table's text. Authors' analysis.

Football's financial footprint thus makes it a dominant part of the global sports world and a legitimate presence in the global entertainment industry. At the same time, we caution against

[38] We obtained these data from various sources, including annual financial reports of companies, sector studies by entities like Price Waterhouse Coopers (like the 2015 Global Entertainment and Media Market survey and the 2015 data on box office revenues) and United States Treasury reports.

those who aggrandize the football sector and its power and influence. When one breaks football down into its constituent entities, the sector is still economically small compared with the industries that feed off it (or are associated with it in terms of sponsorship and broadcasting). This has potential implications for financial integrity in football (which we allude to throughout this study). To illustrate the point here, however, Table 2 shows how football's various regions and entities revenues compare to revenues of companies associated as sponsors or broadcasters, and to sectors that enjoy close ties to the game. Note, for instance, how small FIFA is compared to some of its big sponsors (Adidas and Gazprom), or how small even the richest ten clubs in Europe are compared with some of their big sponsors (Nike, Etihad and Emirates Airways, or Deutsche Telekom, for instance). Note, also, how large the broadcasting companies and gambling sector is compared with individual clubs; the leading seven UK sports betting companies produce nearly as much revenue as the top 30 football clubs in Europe.

Table 2. Revenues, For Football's Regions/Entities Compared with Linked Companies, Sectors

Company/sector	Revenue (US $, billion)	Company/sector	Revenue (US $, billion)
Oceania Football Clubs	0	Celebrity and Sports Agents Sector in the USA	7
African Football Clubs	0.4	Etihad Airways (sponsor)	7.6
Mondial, Infront (Dalian Wanda), Gestifute, Stellar, and Legardere (Sports Agencies)	0.4	Leading 7 sports betting companies (sponsors)*	9.5
Other Lower League Football Clubs in Europe	0.65	ESPN (broadcaster)**	11
FIFA average revenue (last five years)	1.2	SKY TV (broadcaster)	11.4
Third Richest 10 Football Clubs in Europe	1.3	VISA (FIFA sponsor)	12
UEFA average Revenue (last 5 years)	1.9	Fox Entertainment Group (broad entertainment)	13.2
Second Richest 10 Football Clubs in Europe	1.8	Standard Chartered (sponsor)	17
North American and Caribbean Football Clubs	2	Adidas (FIFA sponsor)	18
Asian Football Clubs	2.5	British Telecoms (broadcaster)	25
South American Football Clubs	2.6	Emirates Airways (sponsor)	26
Lower League Football Clubs in Top 5 European Countries	2.7	Nike (major sponsor)	28
Richest 10 Football Clubs in Europe	4.3	Sporting Goods Retail Sector (Europe)#	40
Fininvest (owner of AC Milan and Media Company Mediaset)	5	Regulated sports Betting Sector (Global)##	58
Top League Football Clubs in Top 5 Countries (excluding the top 30): 70 clubs	5.9	Deutsche Telekom (major sponsor)	70
628 Clubs in Non-Big 5 Top Leagues in Europe	6.3	Gazprom (FIFA sponsor)	100

Sources: Financial reports (averaged over 5 years in some cases—Gazprom especially—given revenue lumpy-ness).
Notes: *2014 aggregate revenues for William Hill, bet365, Ladbrokes, Paddy Power, bwin, betfair, and Unibet;** ESPN 2014 revenue estimated at $10.8 billion by SNL Kagan and Wunderlich Securities;# Verband Deutscher Sportfachhandel, Pressemitteilung VDS vom 03 February 2015; ##European Gaming and Betting Association Annual Report (based on 2012 data). http://www.egba.eu/facts-and-figures/studies/6-sports-betting-report/

Global Football's Financial Shape

As discussed, and is evident in Table 1, football's revenues are not evenly distributed. There are a few leagues and countries in which large revenues are generated and there are other leagues and countries that produce little revenue. The wealthier leagues are in Europe and dwarf other leagues in size (at least economically). This is further shown in Figure 2, which captures our estimates of recent average club revenues in over 80 global leagues.[39]

The 'Big 5' leagues in England, Germany, Spain, Italy, and France are shown at the top of this figure, given average club revenues that are far above most other leagues (with English Premier League clubs earning an average of US $150 million a year, which is ten times the average of US $15 million across all leagues in the sample). As this figure suggests, the clubs at the top of the distribution produce so much more revenue than others that one could call them outliers. This is particularly the case for English football:

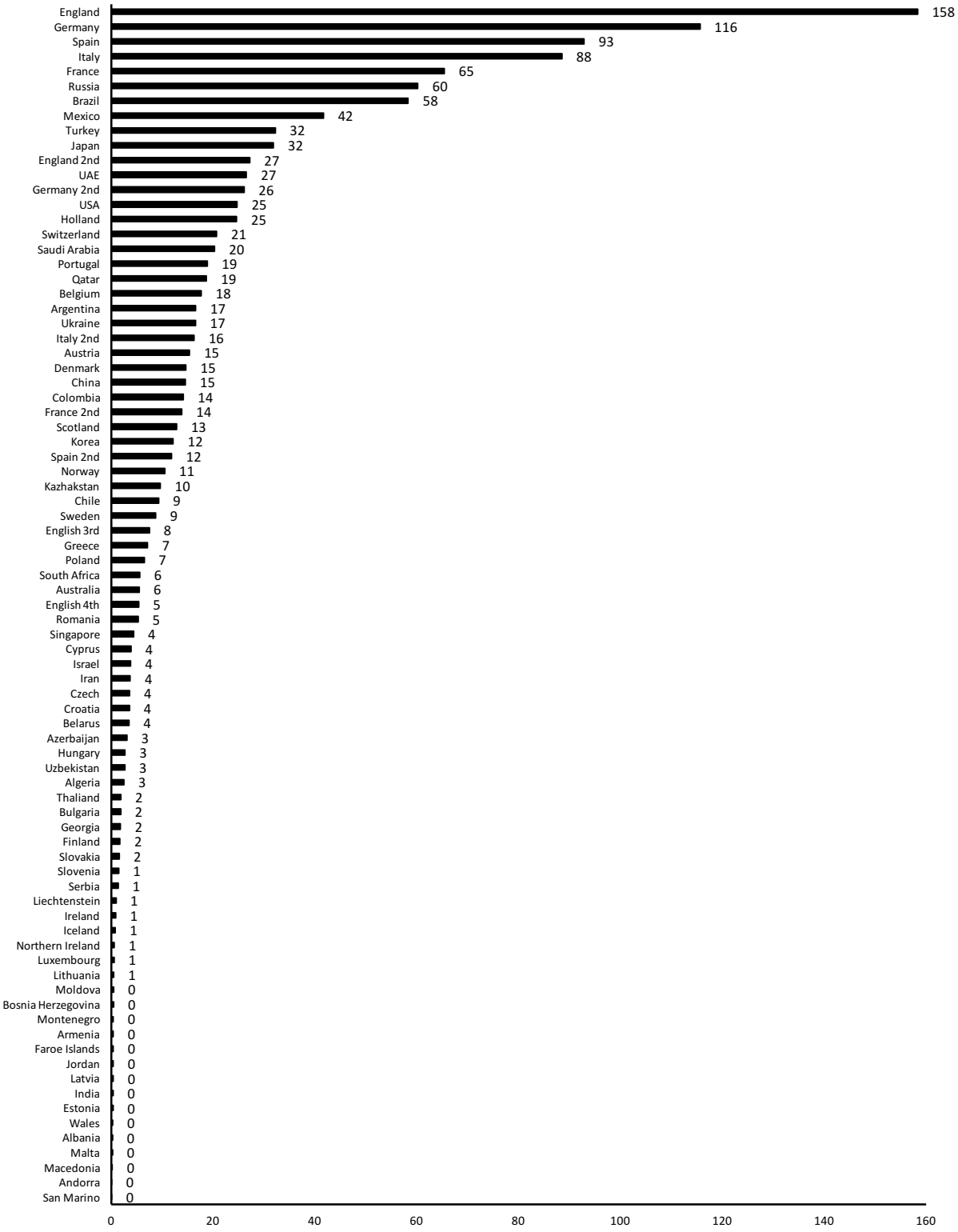
- The average Premier league club earns over 35% more than the next wealthiest league;
- Clubs in England's second tier produce the eleventh highest revenues in the list;
- Clubs in England's next two tiers fall inside the top 45 leagues in the world. (In our list, at least, the English 4th tier has the 41st highest revenue clubs, earning average revenues higher than clubs in top tier leagues in Romania, Croatia, Algeria, and more).

The discussion serves as a reminder for observers to take care in not generalizing findings from the English or Big 5 leagues to professional football as a whole (which tends to happen, given the bias towards research in these rich markets and the viewing bias towards English football across the world).[40] Whereas Figure 2 displays a revenue bias towards clubs in a few elite leagues (like those in England), however, it also shows that revenues are flowing into clubs and leagues outside of these elite leagues and across the world. A number of non-European leagues are represented in the figure, which also points to major variation across the global sector (and even regionally in places like Europe).

[39] In most instances, league level data came from sources like UEFA and national associations. We calculated average club incomes as the mean, based on information about the number of clubs in each league from the national associations and league bodies, and from the open access web site Transfermarkt (http://www.transfermarkt.com). We are aware that clubs do not earn the same revenues across any league (some reports suggest that club revenues in the English Premier League ranged from £433m (Manchester United) to £83m (Cardiff City) in 2013, for instance, whereas Corinthians in the Brazilian Serie A makes about US $100 million depending on exchange rates and Brazil's Coritiba makes about US $14 million). With this in mind, median revenues would be a better measure of the average (better addressing the skewed distribution in most league revenues). We lacked sufficient data to calculate such measure, however. One can use Deloitte data to construct these measures in the Big 5 leagues (where club data are provided). Data needed to calculate similar numbers are not publicly available for other leagues, however. This said, averages shown here are sufficiently valid to illustrate variations across leagues, which is the key focus.

[40] The caution against this cannot be strong enough, because many reputable commentators title studies broadly but base their analysis on England or Big 5 countries. See, for instance, the Football Observatory's 2011 report on European Football Players' Labour Market (http://www.football-observatory.com/IMG/pdf/AR2011_excerpt.pdf) and the European Club Association study on the Transfer System in Europe, which is biased towards the Big 5 (http://www.ecaeurope.com/Research/Study%20on%20the%20Transfer%20System%20in%20Europe/ECA%20Study%20on%20Transfer%20System%20in%20Europe_WEB%20version.pdf).

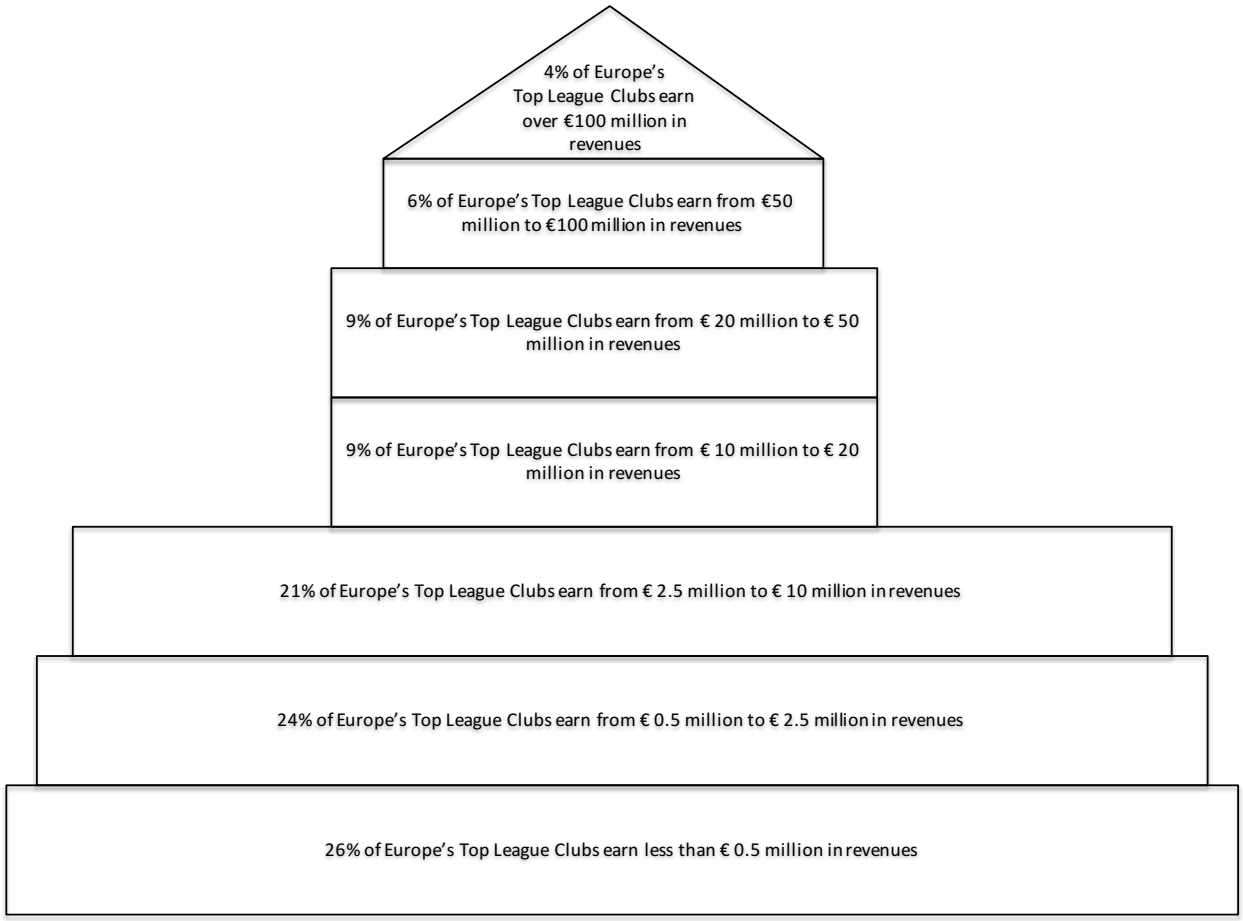
Figure 2. Average Club Revenue in 82 Leagues, 2013 (US $, mill)



Source: Authors' estimates of means, based on various sources. Country name denotes top tier league in that country. Numbers (like English 4th) refer to the lower tier leagues in a country (like the English 4th tier).

The variation in Figure 2 fosters a pyramid-like structure in global football, with a broad base of low revenue clubs and leagues leading upwards to a narrow apex, where few clubs in the richest leagues make large revenues. UEFA identifies a similar pyramid structure in describing the financial structure of 728 clubs playing in Europe's top leagues in its 2012 Club Licensing Report. Figure 3 summarizes the way UEFA's 2012 report organizes these elite clubs into a revenue pyramid, given the following data: 50% of the clubs in Europe's top leagues earn less than €2.5 million annually, only 10% earn more than €50 million. Only 4% earn above €100 million.[41]

Figure 3. Football's Finance Pyramid Across Europe's Top Leagues



Source: Authors' rendition of club revenue distributions in UEFA 2012 Club Licensing Benchmarking Report.

Thinking beyond Europe's top (and elite) leagues (to lower leagues), our estimates suggest the global football financial pyramid looks quite similar in shape to that shown in Figure 3:

- We estimate that one percent of global clubs are in the apex group (about 40 in total);
- 75% of clubs (or 3,000 clubs) probably earn under US $2.5 million a year;
- 40% of global clubs are probably in the bottom group (with about 1,600 clubs earning less than US $500,000 a year).

[41] UEFA (2013, 2014).

This pyramid structure is reflected in football's labor market as well,[42] where a few clubs and leagues pay very high transfers and wage rates to a few top players (the stars or superstars) but most clubs and players transact around low transfer and wage rates. Recent data on the topic produced by Nick Harris (an English journalist whose work intersects with that of SportingIntelligence)[43] show that the average English Premier League player makes about US $3.5 million a year, for instance, and the average German Bundesliga and Italian Serie A player makes between US $2 and US $2.3 million. A large number of top league players in other European countries make a lot less, however: Portuguese top league players average US $408,000; Dutch top league players average US $368,000; Belgian top league players average US $328,000; Croatian top league players earn US $72,000. Lower league players in Europe make significantly less even than this (with League 2 players in England averaging as little as US $60,000 a year). It is similar outside of Europe, where some reports suggest that Brazil's top league players make high average wages of up to US $900,000 (which are, incidentally, only marginally higher than players in England's Championship—where average players earn about US $770,000) but Argentina's top players make about US $340,000, while those in the United States Major League Soccer earn US $213,000 on average, which is more than is earned in top leagues in places like Algeria (US $111,000) or Chile (US $86,000) or South Africa (about US $55,000) and Nigeria (where average annual wages are less than US $10,000).

Figure 4 focuses on the European wage distribution to illustrate the pyramid structure in football's labor-market. It reflects on wages paid by professional (and semi-professional) clubs on the continent, identified for all countries by examining databases like Transfermarkt[44] and association and federation websites (to list clubs in different tiers in different countries).

Data shown in Figure 4 were obtained from public sources like UEFA's annual reports on top leagues, national associations, and—in some places—clubs themselves. These numbers are estimates, of club numbers and average wages, which hold up to scrutiny when trying to assess basic validity.[45] The numbers suggest that 41% of European clubs pay average annual wages

[42] For a thorough analysis of football labor markets, see Frick (2007). See also recent articles examining the market (Deschamps and de Sousa 2015; Papanikolaou undated; Poli and Ravenel 2008; KEA-CDES 2003)

[43] We drew these data largely from Nick Harris's analysis of wage rates in leading football leagues (See the article in London's Daily Mail: http://www.dailymail.co.uk/sport/football/article-2833020/Premier-League-wages-dwarf-Europe-flight-players-England-earning-average-2-3million-year.html). These data resonate with evidence in the 2015 SportingIntelligence Global Sports Salary Survey (http://www.globalsportssalaries.com/GSSS%202015.pdf). An exchange rate calculation produced the dollar estimates, based on an approximate rate of £1=$1.6.

[44] See the website at http://www.transfermarkt.com

[45] We employed a number of checks. For instance, we checked whether the aggregate wage bill associated with these estimates would hold up with official data shown for such at different levels of the game. Given our estimates, one comes up with an aggregated wage bill for European clubs of between €12 and €14 million. This is between 60% and 65% of the total revenues in European clubs, which we estimated earlier (see Table 1). It is reasonable to expect that this wage to revenue ratio (65%) is reliable. Beyond this, we also checked on other estimates of club numbers in Europe. After triangulating data from the UEFA database and Transfermarkt, one counts about 2,600 clubs and 65,000 professional players in Europe. The numbers are within reason with the FIFA Transfer Matching System data, which shows between 2,000 and 2,200 clubs in the region, and with FIFA Big Count data from 2006 (which showed 60,000 professionals in Europe). Given such comparisons, we are confident that our estimates are sufficiently valid to use in constructing a general view of the financial landscape in European football.

below €10,000. This is lower than the minimum wage in most European countries.[46] In contrast, only about 24 clubs on the continent pay average wages above €2 million. Figure 5 uses the same data to show how many players receive wages below €10,000; It is a large figure, above 26,000.[47] In contrast, we estimate that only about 600 players receive over €2 million. This picture suggests that about 200 players in about 10 top-of-the-pyramid clubs are making more money than about 37,000 players in 1,500 bottom-of-the-pyramid European clubs.

Figure 4. Wages Paid by Europe's Clubs

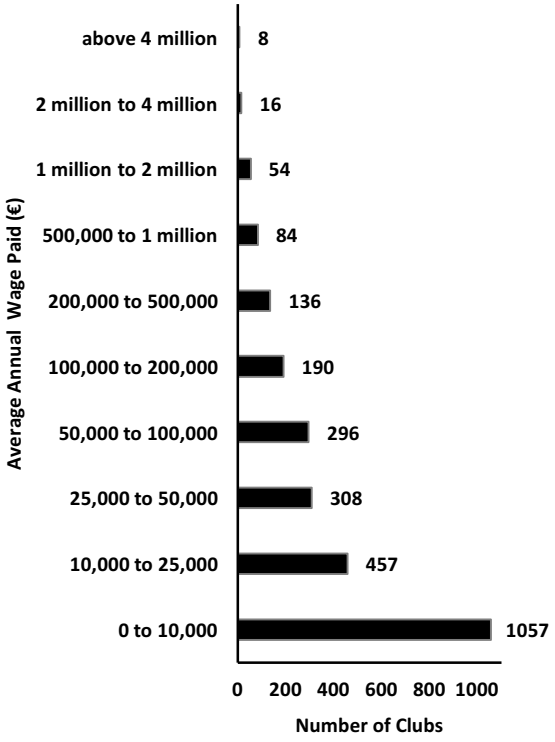
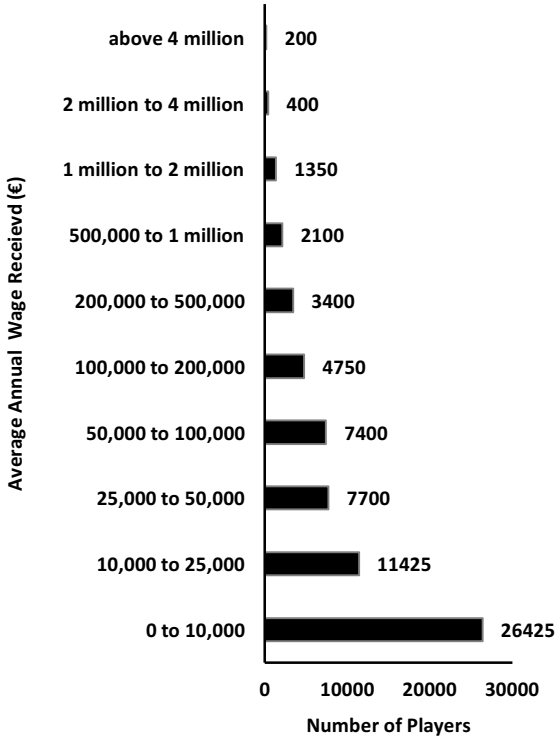


Figure 5. Wages Received by Europe's Players



Source: Authors' estimates based on various sources, as discussed in the text and footnotes.

The situation is even more unequal when one includes clubs and leagues outside of Europe. Data on these clubs are extremely hard to come by, and even harder to validate when they are found (especially in places like Africa and Latin America). The 2006 FIFA Big Count shows numbers for clubs and professionals across the world, however, which we use to estimate (albeit in very rough terms) football's financial shape beyond Europe:

[46] It is not below the minimum wage in countries like Serbia and Bulgaria, but clubs in these contexts are at the lower parts of the band shown and many players are receiving below minimum wage even in these contexts.

[47] As discussed, we used Transfermarkt data to estimate the number of players in each league, and then assumed players in the leagues received the average wage (identified in aggregate UEFA data on league-level wages or from Nick Harris and SportingIntelligence data). Where we did not have average wages (especially for lower leagues), we estimated such, given the top tier data we had and assumptions about how much less tier two and three and four clubs would receive. The number of professionals counted here is about 65,000. This is in the range one would expect given 2006 FIFA Big Count data in 2006 (where 60,000 professionals were counted in the UEFA region).

- The Big Count identified 25,000 professionals in South America. We estimate that revenue in this region is US $2.5 billion. That means there are 41% of the players one finds in Europe (25,000 as against 60,000) earning 11% of the revenue earned in Europe (US $2.5 billion as compared with US $23 billion). If the same wage pyramid structure exists as in Europe, but with players receiving a quarter of the wage (given the ratio of professionals to revenue), we expect that 40% of the players (about 10,000) receive annual wages less than US $3,000 (significantly below average per capita GDP in countries like Argentina, Brazil, and Uruguay).[48]
- The situation in Africa is even more extreme. Using the same logic as above (and our estimates on regional revenues[49]), we calculate that 11% of the players we see in Europe make less than 1% of the revenue in Europe. If the same wage pyramid structure exists as in Europe, but with professionals making 10% of the money, we expect about 3,200 footballers make less than US $1,000 a year (below average wages for the continent, but not in all countries). 80% of the players (5,600) earn less than US $10,000 a year in this scenario (which is significantly less than the average wage in other parts of the football labor market).

In reflecting on this kind of evidence, authors have suggested that global football's labor market is segmented in its own pyramid-shaped structure—with the very top players enjoying monopoly power and commanding extremely high salaries in top leagues and players lower down the pyramid (and in developing countries especially) facing monopsony-like conditions where clubs have dominant power, given the vast labor supply (where players are willing to play professionally, for next to nothing in many contexts).[50] This kind of structure has also been argued to yield three types of clubs (and perhaps even leagues):[51]

- Top clubs are 'win-maximizers' and focus on obtaining the best players;
- A second type of 'stepping stone' club finds, finesses and sells players onto win maximizers;
- A third type of club is a 'minor league' entity, where bulk talent gets to try the game out with the hope that some players might make it to the stepping stone clubs and even beyond.

Figure 6 helps to identify the European leagues in which one is likely to find 'win maximizing' and 'stepping stone' clubs (although even top leagues will likely have a mix of these). It shows the average net transfers for the 53 top European leagues (using UEFA's aggregated data) between 2009 and 2013. According to such data, we see that average clubs in seven leagues act as net buyers (running transfer deficits, up to about €2 million in the English Premier League, which one would expect from 'win maximizers'). These clubs are in the top tier leagues in England, Spain, Russia, Italy, Turkey, Germany and the Ukraine, and seem to pursue player transfers to foster 'wins'. In contrast, some clubs are net sellers of talent (running transfer surpluses, as one would expect with stepping stone clubs), and their multi-year labor trades yield profits. These clubs are

[48] The World Bank shows the average incomes of these countries between US $10,000 and US $15,000.

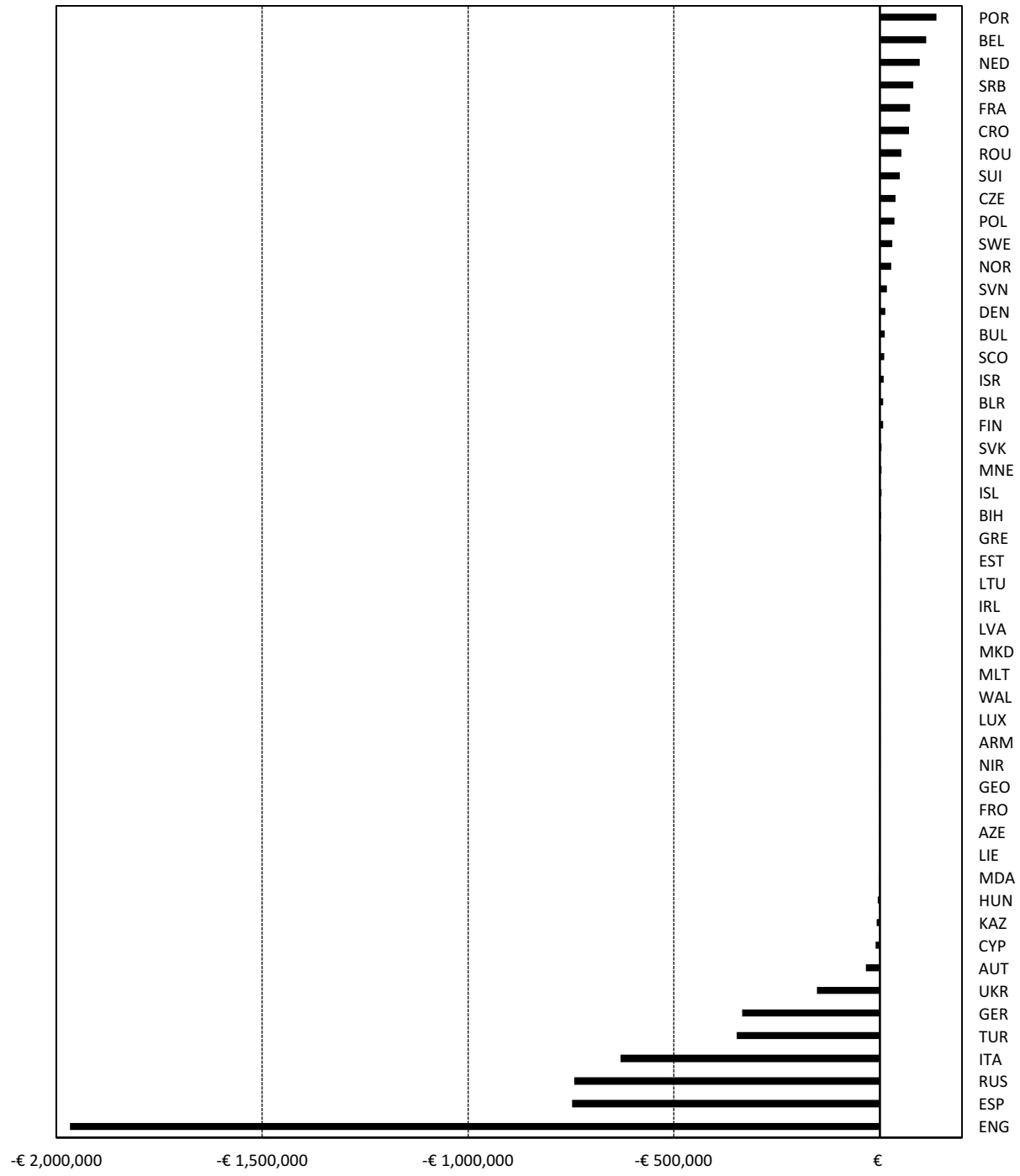
[49] Regional estimates are shown here: FIFA 2006 big count of professionals (thousands): OFC 0, CAF 7, AFC 11, CONCACAF 9, CONMEBOL 25, UEFA 60, Total 113; Our data on estimated revenues ($ billion, 2013): OFC 0, CAF 0.4, AFC 2.2, CONCACAF 2.5, CONMEBOL 2.5, UEFA 23, Total 30.

[50] See discussion of such structure in the Spanish league in Garcia-del-Barrio and Pujol (2004), Which argues that many players at the bottom of the pyramid earn low wages because of monopsony structures, but the rents that clubs earn from these players ultimately finance 'stars' who command monopoly power at the top of the labor market. This exacerbates inequality among players within and across leagues.

[51] DeJonghe and van Opstal (2009).

found in (primarily, taking averages) Portugal, Belgium, Holland, Serbia, France, Croatia, Romania, and Switzerland. We lack data to identify where third-category minor league clubs are in global football, but they are likely concentrated in poorer leagues (in lower European leagues, Africa, and Central and South America, but also in the United States and other Asian leagues).

Figure 6. Average Aggregate Net Transfers for Clubs in Selected Top Leagues, 2009-2013



Source: Authors' analysis of UEFA data for top European leagues (see description of data and codes in Table 1a).

Basic economic theory suggests that top talent will follow money from minor leagues to win maximizers, through the stepping stone leagues (essentially moving up football's financial pyramid). Evidence suggests that this has indeed been happening since football labor markets opened in the mid-1990s:[52]

- 40% of players in 1994's World Cup played in 'win maximizing' Big 5 leagues, compared with 48% in 2002, and 55% in 2006 and 2014 (showing that 'top' players have migrated upwards);
- 23% of those playing in Big 5 leagues in 1994 had migrated from stepping stone leagues, whereas 39% of those playing in Big 5 leagues in 2006 had migrated from stepping stone leagues (indicating that players do indeed move through the stepping stone clubs).

This evidence indicates that the segmented pyramid-shape of football's labor market affects behavior in the sector, at least on the part of players (who pursue higher wages accessible only in higher leagues). We also see these influences in club behavior, and in the way clubs engage with finances and with other actors involved in transactions:

- Win maximizing clubs in wealthier leagues like Europe's Big 5 are net buyers in the labor market, and need to pay top dollar for top players. This is especially important given research that shows clubs with higher wage bills do better at this level of play.[53] To be successful, these clubs require the capacity to find players, train and incubate them, and engage with high-level agents, lawyers and sports management professionals who commonly represent top players.[54] [55] Beyond the challenge of building such capacity, clubs playing at this level (or trying to reach such) often struggle with managing wage bill costs, which can become significantly inflated very quickly and threaten financial sustainability. Various sophisticated financing mechanisms have emerged from club efforts to balance the tension of paying top dollar and also controlling costs; including structuring transfers to minimize taxes, offering difficult-to-tax image rights payments in lieu of more transparent wages, and paying players through deferred compensation schemes. These new mechanisms are also being used by top players in the win-maximizing clubs, and raise a variety of questions about financial integrity that are new to the game and have to be addressed by governing bodies in such contexts.
- Other stepping stone and minor league clubs—including those in the Dutch and Portuguese and Croatian leagues, and in Latin America and Africa—are net suppliers in the market, and need to have resources to find and nurture and incubate young talent and then manage transactions of outgoing players. Clubs in these contexts are often not very financially secure without the money coming from player sales, and hence depend on player sales for financial

[52] See DeJonghe and van Opstal (2009) and Fort and Fizel (2004). See also the Washington Post data on the leagues represented in World Cups: http://www.washingtonpost.com/wp-srv/special/sports/leagues-of-the-world-cup/

[53] Commonly cited studies in this area are Szymanksi (1997) and Szymanski and Kuypers (1999).

[54] Win maximizing clubs do whatever it takes to find and develop talent, as this is key to winning (see Andrews (2015)). Top clubs are thus typically the biggest buyers of established talent *and* the top incubators of talent. A club like Barcelona, for instance, pursues some of the largest transfer deals in the world (for talent like Luis Suarez) but also sources more academy talent than any other club in Europe (See a CIES study, at http://www.football-observatory.com/Barcelona-heads-the-table-for-training-clubs).

[55] This complex world involves middle-men finding, developing and trading talent. Andy Mitten reflects on such: http://www.espnfc.us/barclays-premier-league/23/blog/post/2488925/inside-the-world-of-a-football-agent-andy-mitten

survival. The lack of reliable and high-paying alternative revenue streams leads to common liquidity problems and a challenge of paying bills (including player costs). Financial difficulties in such clubs have generated the emergence of a number of new financing mechanisms and transactional behaviors that also test financial integrity in football. Third party ownership, for instance, has become a way of financing the talent search and development process. In this approach, clubs depend on wealthy benefactors to fund the risk of finding, building or attracting talent. The clubs and players then share the gains from transfers with these benefactors—who essentially own part of the future income stream from the talent building process.[56] Third party ownership (or TPO) often involves family members acting as financial intermediaries (defraying the initial costs of engaging a player in a stepping stone club), but big investment firms have increasingly entered this domain as well, working with agents to source and place players and then enjoying ownership of these players.[57]

Interestingly, the pyramid shape of football's finances reflects global economic patterns:

- A narrow band of richer 'white collar' clubs and leagues exist in Western Europe, with a growing set of such in Asia and some hold-over powerhouses in South America. These are the win maximizers who seek to buy the best talent and enjoy the most revenues;
- Many poorer 'blue collar' clubs and leagues are found across Eastern Europe and many other emerging contexts (like most of Asia). These are the stepping stone leagues and clubs in football, which play as intermediaries between low and high income actors;
- Other developing country contexts (like Africa, Central America, and much of South America) are full of 'poor and struggling' club and leagues. There are many players and clubs in these contexts but they are seen more as a source of talent than legitimate global competitors.

The reality of this kind of economic structure is easy to forget when reading the popular press about football, or even academic and consulting reports (like those produced by Deloitte and Forbes), which focus on the big money earners at the top and not the majority of small entities at the bottom. Observers reading such reports may develop the view that all of football is awash in money, and the financial challenges facing this sector are simply about managing financial excess. The financial variations one sees in assessing football's financial landscape show that this is not true, however, and suggest that financial challenges are extremely different in different places—and need to be treated as such: The financial challenges and opportunities of a club earning annual revenues of US $100 million in England's Premiership are likely to be very different to those of a club earning US $5 million in Australia or US $500,000 a year in Armenia or less in places like Nigeria and Honduras.

This makes the challenge for football's governing bodies and administrative organizations especially difficult, given the role they are mandated to play in both representing the sport and regulating those who produce the sporting product (especially clubs and players). A regional body like UEFA has to engage with wealthy clubs in top leagues like England and lower leagues like Romania, where financial challenges and opportunities are very different. Interestingly, we also

[56] KPMG (2013) is as informative about this topic as any other source.

[57] See articles on this at http://www.firmex.com/thedealroom/third-partner-ownership-of-football-players/; https://oneshortcorner.wordpress.com/2015/07/07/third-party-ownership-the-paradox-of-portuguese-football/; https://www.fifpro.org/attachments/article/5572/07%20Santiago%20Nebot-Speech_ENG.pdf

see a financial pyramid structure in respect of such governing organizations. Whereas FIFA and UEFA raise billions of dollars of revenue each year and football associations and leagues in places like England and Germany record inflows in the hundreds of millions, money is much tighter in other confederations, national associations and leagues (especially in Africa and Oceania and emerging countries like Uzbekistan and Thailand, where governing bodies raise less than US $500,000 of their own-revenues a year and are typically beholden to the global bodies like FIFA for funding). Consider the following examples of this variation:

- FIFA's revenues grew from about US $700 million in 2003 to over US $1 billion a year after 2009 (and over US $2 billion in 2014). UEFA's annual revenue was about €1.7 billion in 2013.[58]
- The African Confederation (CAF) had significantly lower revenues, varying considerably between 2011 and 2014, from US $26 million to US $58 million a year.[59]
- The English Football Association made over US $300 million in 2012 revenue,[60] from a variety of sources that included broadcasting, sponsorship, and income from Wembley Stadium.
- The New Zealand, Irish and South African administrative bodies generated lower numbers (from US $10 million to US $40 million[61]), with varied revenue sources (including government subsidies, which play an important role in the South African case).
- Associations in countries like Malta, the Cayman Islands, Grenada, Liberia and Barbados have lower revenues (between US $1.1 and US $4 million)[62] and depend on FIFA and regional confederations for finance (with these sources often contributing over 70% of revenue). FIFA acknowledges the support it offers to such associations, noting, "Many member associations depend on this support to finance their day-to-day operations. It ensures that football can have a solid foundation throughout the world."[63] We hold, however, that this support creates dependency and facilitates patronage-based relationships (discussed later in this study).

We also see a pyramid structure in the pay of officials hired by these organizations:

[58] These numbers are derived directly from the 2014 financial reports of FIFA and UEFA.

[59] CAF Financial Reports are available online, in a section that also provides other reports and regulation (see http://www.cafonline.com/Portals/0/Regulations%20and%20Official%20Documents/Commercial%20Regulations/CAF%20Financial%20Report%202014%20-%20English.pdf).

[60] The English Football Association made £209 million in turnover in 2013 (http://www.thefa.com/about-football-association/more/financial-statements).

[61] New Zealand's 2014 annual report recorded revenues of about NZ $9 million. Details are available on page 52 at http://www.nzfootball.co.nz/wp-content/uploads/2015/06/SC1202_2014Annual10lowres.pdf. Ireland's revenues were €37 million (https://www.fai.ie/sites/default/files/atoms/files/FAI%20Annual%20Review%202013.pdf). The South African Football Association recorded recent revenues that were between US $20 and US $40 million (financial statements are in Rand, so exchange rate variations impact this number; furthermore, statements split revenues between the association and a private vehicle, so it is difficult to determine exactly what is part of the 'Association' alone). See http://pmg-assets.s3-website-eu-west-1.amazonaws.com/140211safafinance.pdf

[62] Malta's revenues were between $2.8 and $3.5 in recent years (http://www.maltafootball.com/2015/07/17/mfa-financial-report-201415/). The Cayman Islands Football Association made about $4 million in 2013 (See https://caymannewsservice.com/wp-content/uploads/2015/09/2013-2014-CIFA-Financial-Statements.pdf).
Grenada's association raises about US $1.3 million (see http://issuu.com/imscaribbean/docs/gfa_complete) which is similar to Barbados (see the annual report at http://www.barbadosfa.com/photos/BFAAnnualReport-2014WebVersion1.pdf) and Liberia (See http://www.liberiafa.com/about/reference-documents/).

[63] See http://m.fifa.com/associations/association=cod/index.html

- Top officials in organizations like FIFA and UEFA reportedly receive millions of dollars in compensation.[64]
- Some top officials in big national associations (like England and even the United States) receive high salaries as well, from US $500,000 and into the millions.[65]
- Administrators in less wealthy and smaller national associations (and confederations) are earning less than this, probably in a range from US $50,000 to US $500,000.[66]
- Below this, one finds match referees earning up to a maximum of about US $150,000 a year in rich leagues like the English Premiership but as low as just a few thousand in most developing countries.[67]

These referees are arguably the most common and ubiquitous official in the game, and the ones closest to the actual play. They make up the broad but finance-poor base of football's administrative and governing body pyramid.

We identify this administrative and governing body pyramid because it is a key part of the game. The people and organizations working in this part of football are key to the decision-making, management, and control of the sport. We believe there are risks to the system when most of these people and organizations are officiating, regulating, and fostering compliance without sufficient resources—or with much lower compensation than the players they regulate. This pattern of resource allocation makes football vulnerable to corruption and match-fixing, for instance, where low-wage revenue earners are an easy target for influence.[68] Such vulnerabilities are the reality in most countries, given the shape of global football's finances and the structure of relationships involving such finance.

Global Football's Financial Growth

Football's financial footprint was not always as large as it is today, and the top leagues and clubs and official bodies were arguably never as financially differentiated. Both the footprint and shape of football's finances are a product of recent growth (since about 1990, when the English Premier League (EPL) began). The expansion is perhaps most evident in the revenue growth between 1992 and 2013 in the EPL and Europe's Big 5 Leagues (where we have time series data that allows

[64] Salaries of top executives in these organizations are unknown, but observers expect they are paid in the order of US $5 to US $10 million. http://news.yahoo.com/lifting-lid-one-fifas-big-secrets-executive-pay-111221266--spt.html

[65] The head of the US association received a base salary of US $528,209, plus US $102,250 in bonuses in 2013, for instance. The highest paid director in the English association received about US $850,000 in salary and benefits in 2013 (See http://news.yahoo.com/lifting-lid-one-fifas-big-secrets-executive-pay-111221266--spt.html).

[66] Financial reports from CAF and other associations indicate salaries across this range. In CAF, for instance, we see total wage bills of US $1.6 to US $2 million, spread over 10 to 20 employees (we estimate). We assume top employees receive more than others, but this is still limited to the range we set given the ceiling of the overall wage bill. See http://www.cafonline.com/Portals/0/Regulations%20and%20Official%20Documents/Commercial%20Regulations/CAF%20Financial%20Report%202013%20-%20English.pdf

[67] We could not access official data on the wages of referees but find highly comparable estimates in media reports: (http://www.dailymail.co.uk/sport/football/article-2909239/Top-Premier-League-referees-earn-FIVE-TIMES-Football-League-officials.html; http://www.businessofsoccer.com/2013/10/03/the-men-in-the-middle-how-much-are-uefa-champions-league-referees-paid/; https://soccermommanual.com/how-much-do-soccer-referees-make/)

[68] Referees have often been targeted for influence by match fixers, as have low-wage players in lower leagues (http://www.telegraph.co.uk/sport/football/10480640/Football-match-fixing-referees-embroiled-in-scandal.html).

tracking). Nominal Big 5 revenues rose from about US$1 billion to about US$12.2 billion in this period, which amounts to a compound annual growth rate (CAGR) of 12.6% (where the CAGR captures the average annual growth rate over a period in time and is commonly used in work on football finance[69]).

Table 3 presents other evidence of this growth (using nominal data), in sponsorship and prize money for World Cup tournaments, FIFA revenue (calculated over 4 years and annually), EPL wages, and European Championship Tournament revenue. The CAGR for these different measures varies from 10% to 21%. In also providing data for various countries' growth, the table shows that European football has grown much faster than various economies in Europe and beyond. Football's growth is 3 to 4 times faster than that of Germany, the United Kingdom, and France in the same period; it is even higher than fast-growing economies like Brazil and India.

Table 3. Examples of Football's Financial Expansion (Nominal Figures Unless Stated Otherwise)

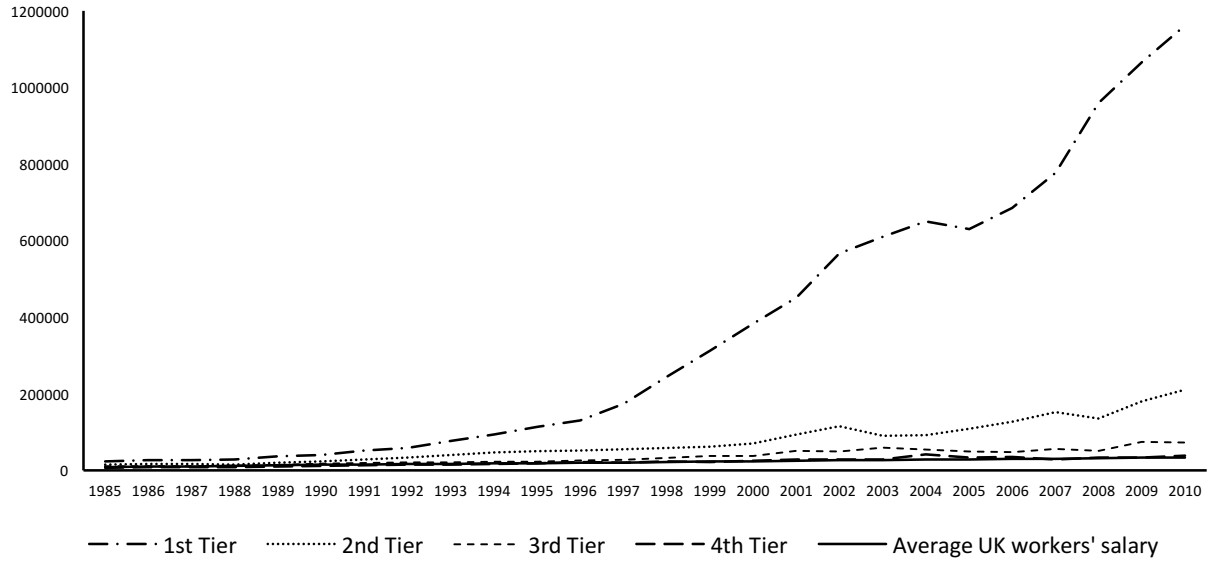
Entity and measure	First year and estimate	Most recent year and estimate	Compound Annual Growth Rate (CAGR)
English Premier League Revenue*	1992, $353 million	2013, $3.2 billion	12%
Big 5 League Revenue*	1992, $1 billion	2013, $12.2 billion	13%
World Cup Sponsorship Revenue**	1982, $19 million	2014, $1.6 billion	15%
World Cup Prize Money**	1982, $20 million	2014, $476 million	10.4%
4-year FIFA revenue***	1982, $45 million	2014, $5.7 billion	16%
Annual FIFA revenue***	1978, $10 million	2014, $1.9 billion	17%
English Premier league wage costs[#]	1995, £195 million	2012, £1.7 billion	14%
European Championship Revenue[##]	1992, €19 million	2012, €839 million	21%
German Nominal GDP^	1990, $1675 bln	2015, $3371 bln	3%
UK Nominal GDP^	1990, $1036 bln	2015, $2864 bln	4%
France Nominal GDP^	1990, $1065 bln	2015, $2422 bln	3%
Brazil Nominal GDP^	1990, $443 bln	2015, $2054 bln	6%
India Nominal GDP^	1990, $233 bln	2015, $2182 bln	8%

Sources: * Deloitte, UEFA, and documents from the English Premier League; ** FIFA Annual reports, academic and other sources; *** FIFA annual reports, particularly 2003, 2012, and 2014 versions (note that historical numbers do vary between documents); [#] Deloitte; [##]UEFA annual financial reports; ^Estimates based on nominal GDP data from the IMF, World Bank.

As one can appreciate from the discussion on football's financial shape (and the evidence of pyramid structures), this financial growth has not been felt in the same way at all levels of football (even in Europe, where most leagues have tiers, with clubs moving between such when promoted upwards or relegated downwards). In England, the CAGR in the top tier Premiership was 12% between 1992 and 2013, but only 10% in the second tier championship, and 9% for clubs in tiers 3 and 4 (called Leagues 1 and 2). Figure 7 shows these different growth rates in respect of average wages paid in the top four tiers in England. The figure illustrates how much growth has concentrated in the top tiers, and how slow-growing the lower tiers have been.

[69] Especially by Deloitte, which publishes regularly cited reviews on football finance. See the 2015 report at http://www2.deloitte.com/uk/en/pages/sports-business-group/articles/annual-review-of-football-finance.html. See also the use of CAGR data in Birkhauser at al. (2015).

Figure 7. Average Wages in England's Top 4 Tiers of Football, 1985-2010 (£)



Source: Authors' analysis of data from Sportingintelligence.com (based on Professional Football Association data).

Football's financial growth has not been even over time, either, slowing in Europe's big markets in recent years. The revenue CAGR was 7% for the EPL and Championship since 2003, for example,[70] and 2% and 4% for lower tier Leagues 1 and 2 (having been above 10% between 1992 and 2003). The revenue CAGR for Europe's Big 5 leagues shows a similar pattern; It was 18% between 1996 and 2000, 7% between 2000 and 2008, 5% between 2008 and 2012, and 6.4% between 2009 and 2013. Interestingly, the revenue slowdown in these big leagues has been balanced by emerging league growth in (predominantly) Asia, the Middle East,[71] Eastern Europe and Central Asia. Table 4 identifies some of these fast growing markets, showing that the financial gains in football are increasingly global:[72] The relatively small Armenian league has grown at a 32% CAGR since 2009 and is now producing €3.5 million in annual revenue; the Georgian league has produced a 66% CAGR since 2009 and now boasts annual revenues of over €20 million; the Saudi Arabian and UAE leagues now produce combined revenues of over US $600 million, up from just over US $200 million in 2010. Chinese Super League revenues expanded from about US $100 million in 2010 to over US $220 million in 2013, having been created in only 2004; Thailand's top league grew from US $5 million to over US $30 million in revenue after 2010.

The growth rates in these leagues compare with rates in some of the world's most expansionary sectors and economies, including the Indian IT sector, Indian and Chinese construction industry,

[70] These data do not include the impact of recent large broadcasting deals that, we expect, will spur significant growth between 2016 and 2018, especially in England.

[71] Beyond data sources from leagues, associations, clubs and the media, a number of studies and reports cite this growth, including a commercial report by Durou and Matthews (2011).

[72] Sources include UEFA European top club data, and Asian leagues, associations and media reports.

Russian, Indian and Chinese economies.[73] Given that the base size of these leagues is small, however, the growth is not leading to the creation of major leagues (at least not yet).

Table 4. Football's Recent High Growth Leagues (Nominal Figures Unless Stated Otherwise)

Country in which top tier league is located	First year, and revenue estimates	Most recent year, and revenue estimates	Compound Annual Growth Rate (CAGR)
Australia	2010, $25 million	2013, $55 million	28%
Saudi Arabia	2010, $100 million	2013, $290 million	43%
UAE	2010, $120 million	2013, $350 million	40%
Qatar	2010, $100 million	2013, $250 million	38%
China	2010, $100 million	2013, $225 million	29%
Thailand	2010, $5 million	2013, $30 million	78%
Kazakhstan	2009, €45 million	2013, €120 million	25%
Azerbaijan	2009, €10 million	2013, €30 million	26%
Armenia	2009, €1.2 million	2013, €3.5 million	32%
Georgia	2009, €2.7 million	2013, €20 million	66%

Sources: These are estimates based on data from national league financial reports, UEFA, AFC, and media reports.

Cumulatively, these data show that finance has entered the world of football in a prominent manner in the last three decades, in Europe and beyond. This has led to new global transactions and deals, most evident in the world transfer market. As Table 5 illustrates (based on FIFA TMS data[74]) there were over 13,000 transfers across borders in 2014, as compared with 11,883 in 2011 (when FIFA's TMS first captured such player movements). The CAGR in transfer numbers in this short period has been 3.28%. The CAGR for transfer values has been 11.87%.

Table 5. The Recent Growth in Global Transfers

Year	Transfer numbers	Transfer $ value
2011	11,883	$2.90 billion
2012	11,552	$2.72 billion
2013	12,718	$3.98 billion
2014	13,090	$4.06 billion

Sources: FIFA Transfer Matching System (TMS) reports, from 2012 to 2014.

The growth in transfer numbers and money spent on transfers is important to note because it shows how globalized transactions now are; football's financial expansion has led to a sector that is more interconnected than ever before. Europe and Asia are the world's big football importers (of players) while South America and Africa are the two biggest net exporters.[75] This trade is in people and money, and involves over 160 countries. Estimates suggest that about 80 countries were involved in the market in the early 1990s (before the Bosman ruling allowed free movement of players in Europe), with fewer than 1,000 annual player transfers and less than US $200 million

[73] There are many different sectors or economies to benchmark against when comparing nominal growth. For instance, the Indian Software Industry CAGR since 2009 has been over 30%. The Chinese construction industry nominal CAGR was over 20% between 2009-2013. The Indian construction industry had a 13.52% CAGR between 2009-2013. The Russian economy CAGR was about 18% between 2003-2013. The economic growth rate in India and China had a CAGR of about 15% between 2003-2013. The book value of Warren Buffet's Berkshire Hathaway shares had a CAGR of 12.7% between 1993-2013, compared with the CAGR of 7.1% for NASDAQ shares in the period.

[74] See publicly available data at http://www.fifatms.com/en/

[75] Beyond the FIFA TMS reports, this pattern is also well explained in Poli et al. (2015)

in annual deals. This means that participant countries have doubled in the last twenty years, player trades have increased by thirteen times, and the amount spent has grown by 20 times.[76]

The formalization and expansion of football's labor market has led to new cost pressures in the industry, and new challenges for clubs transacting in this market (and for governing bodies overseeing such). The recent growth in costs should be apparent in comparing the two CAGR figures noted earlier: the $ value CAGR of global transfers has been 11.87% since 2011, whereas the CAGR for transfer numbers has only been 3.28%. When combined, these figures tell a story of inflation in global transfer markets, where players command higher transfer fees than ever before (and where fees grow on average every year). Interestingly, however, only 13.3% of transfers in 2014 involved fees, with the median price of US $395,077 per player in this subset.[77] Thus, the inflationary effects are felt at high levels but not in all transfer transactions, which reinforces the view of a segmented labor market (as discussed) where some players command high prices but most players transfer between clubs at little or no cost.

The pattern of segmented wage cost increases is observable in the English leagues since 1995. Net transfer payments rose from about £90 million in 1995 in these leagues to about £450 million in 2012.[78] Wage bills also rose, by over 700% since the mid-1990s. The wage inflation was most evident at higher levels of the game, however, and is actually not a major issue in lower leagues:[79]

- Average Premiership player wages grew from £25,000 in 1985 to over £1,1 million in 2010 (a CAGR of 17%), and from £15,500 to £211,000 in the Championship (a CAGR of 11%);[80]
- But average wages only grew from £8,000 to £38,000 in the lowest league (a CAGR of 6.4%).
- Given that the average English wage rates rose from £10,000 to £34,000 in the same period (a CAGR of 5%), the lower league wage inflation is on a par with the national average.

The growth in labor costs at the top of football's financial pyramid has largely been financed by new sources of revenue that have also grown most aggressively at the top of this pyramid. As little as a generation ago, professional football clubs were financed primarily by local benefactors, and revenue was raised almost exclusively by drawing crowds to stadiums, selling tickets, and providing largely local spectators with an entertaining ninety-minute game. Similarly, national football associations, regional confederations and even FIFA raised revenues mainly through the membership dues of those associated with the organization (which is reflected, most effectively, in the fact that 99% of FIFA's revenues in the 1930s came from such dues[81]). In the last forty years, much of the football world has outgrown these revenue sources—and the limits of these

[76] There are no official or verifiable data sources on transfers prior to the mid-2000s. Our analysis draws on data at an independent site (http://eyeseedata.com/football-player-transfers/). Data are impossible to verify in earlier periods; but the most recent years' data relate well with other sources like the Football Observatory (CIES) and Transfermarkt sites. The narrative drawn from eyeseedata resonates with the Financial Times analysis of football transfers over time (see http://www.ft.com/ig/features/baseline/football-transfers-global-history/).

[77] FIFA TMS 2014 transfer report.

[78] This is according to various Deloitte reports on football finance, dating back to 2002.

[79] Based on data collected by Nick Harris (see http://www.sportingintelligence.com/2011/10/30/revealed-official-english-football-wage-figures-for-the-past-25-years-301002/).

[80] See Papanikolaou (undated).

[81] See FIFA's 2002 financial report, which reflects on this fact.

sources[82]—by finding new ways to raise money. Andreff and Staudohar summarize this shift as a move from a Spectator-Subsidies-Sponsor-Local financing model (SSSL) to a Media-Corporations-Merchandising-Markets-Global model (MCMMG).[83]

Part of the MCMMG model reflects the entry of global corporate-style owners in the football sector. These owners bring more money than typical local owners previously did, and have been instrumental in expanding working capital for many clubs (especially in the 'win maximizing' category). Most readers will know of prominent cases like Chelsea, Manchester City, and Paris St. Germain, but foreign-owned corporate-style clubs are more common in Europe than these examples. In 2014, for instance, the Tax Justice Network identified nine English Premier League cubs and a further 19 English league clubs with substantial overseas shareholding.[84] Outside of England, one finds new foreign or corporate-style owners injecting funds into clubs as varied as Holland's ADO Den Haag (owned by Beijing-based United Vansen International Sports Company, Ltd.), France's A.S. Monaco (owned by Russian businessman Dmitry Rybolovlev), Spain's Atletico Madrid (20% owned by Chinese sports group Dalian Wanda), Portugal's Clube Desportivo Feirense (newly acquired by Nigerian businessman Kunle Soname), Belgium's F.C. Kortrijkt (recently acquired by Malaysian businessman Vincent Tan, who also owns shares in Cardiff City, Los Angeles FC, and FK Sarajevo in Bosnia), French Club Girondins de Bordeaux (owned since the late 1990s by French broadcaster M6), Italy's Inter Milan (with significant ownership interests held by Indonesian businessman Erick Thohir), Spain's Malaga (owned by Qatari businessman Sheikh Abdullah Bin Nasser Al-Thani), the United States' New York City Football Cub (owned by the City Football Group, which is owned by Abu Dhabi United Group, China Media Capital and CITIC Capital; which also owns or co-owns England's Manchester City FC, Australia's Melbourne City FC, and Japan's Yokohama Marinos), Italy's Roma (with owners from Boston in the United States), Spain's Valencia (with primary ownership by Singapore's Peter Lim), and Russia's Zenit St. Petersburg (owned by Russia's Gazprom, which also has a stake in Serbia's Red Star Belgrade).

It is important to note that these kinds of owners are not totally new to football. Some of the earliest Spanish teams were owned by English traders, for instance, and clubs like A.C. Milan have enjoyed corporate-style ownership from Silvio Berlusconi and his Fininvest group. What we see, however, is expansion in this kind of ownership and its impact on clubs and leagues.

The majority of these new ownership arrangements seem targeted at the top levels of football's financial pyramid,[85] where clubs are making money and competing for high honors. New owners provide money to ensure these clubs can buy top players at this level and compete for wins. This is suggested in a comment by FC Girondins de Bordeaux historians on the late 1990s deal with the M6 corporation: "FC Girondins de Bordeaux announced a partnership with the M6 group, to secure the financial means and unique individual skills needed to maintain and develop the club's

[82] Traditional revenue sources like gate takings, membership fees and sponsorships were limited by the number and wealth of members, the size and wealth of the local support base, and the capacity of a club's local stadium.
[83] Andreff and Staudohar (2002).
[84] See the Guardian article on the Tax Justice Network research, available online at the following address: http://www.theguardian.com/football/2015/apr/14/english-football-clubs-owned-abroad-tax-avoidance
[85] For instance, 21 of 28 English clubs with these owners are in the Premiership or Championship. One again, see the Tax Justice Network research on this, as covered in the Guardian and available online at the following address: http://www.theguardian.com/football/2015/apr/14/english-football-clubs-owned-abroad-tax-avoidance

position."[86] It is also reflected in findings across Europe's Big 5 leagues, where, "[F]ootball clubs that receive investor cash flows are able to increase the market values of their squads and thereby arrive at more points per match and a higher win probability. Thus, clubs with an investor are on average more successful than those without an investor."[87]

These forms of ownership are also being seen in lower levels of the pyramid, however, especially with what have been called stepping stone clubs (discussed earlier, where talent is either developed and sold or passes through from minor league clubs to the 'win maximizing' clubs). It is difficult to gather details on the finances of these lower league clubs, so we struggled to obtain a reliable perspective on how new owners might be influencing their finances. However, one can see these ownership arrangements as efforts (by clubs and owners) to construct linkages both up and down the financial pyramid. In the recent case of Portugal's Clube Desportivo Feirens, for instance, it is interesting to note that the new owner (Nigerian businessman Kunle Soname) also owns a club in Nigeria's second tier (Remo Stars, which plays in Nigeria's National League, the NNL). Remo Stars is essentially a minor league club and positions itself as a source of talent for other clubs.[88] Remo Stars has sold players to Portuguese clubs in the past, often through agents (and at times with concerns about what seem to be third party ownership and agent fraud).[89] The new club acquisition could create an important link upwards from the minor-league in Nigeria to a stepping stone league (in Portugal), which might facilitate more efficient player and financial transactions in future for Soname.

We see such links developed through ownership engagements by bigger clubs as well. Manchester City FC, for instance, is owned by the same company that owns clubs in Australia, Japan, and the United States, and that has other organizational and financial connections to training academies and clubs in other countries (shown in Figure 8, where one sees entities connected to Manchester City through common ownership, as academies, scouting partners, and work permit clubs). Players can move from club to club in this arrangement, essentially working for the same employer and hence facing fewer barriers or costs.[90]

[86] Available on the Bordeaux website: http://www.girondins.com/en/club-history.html

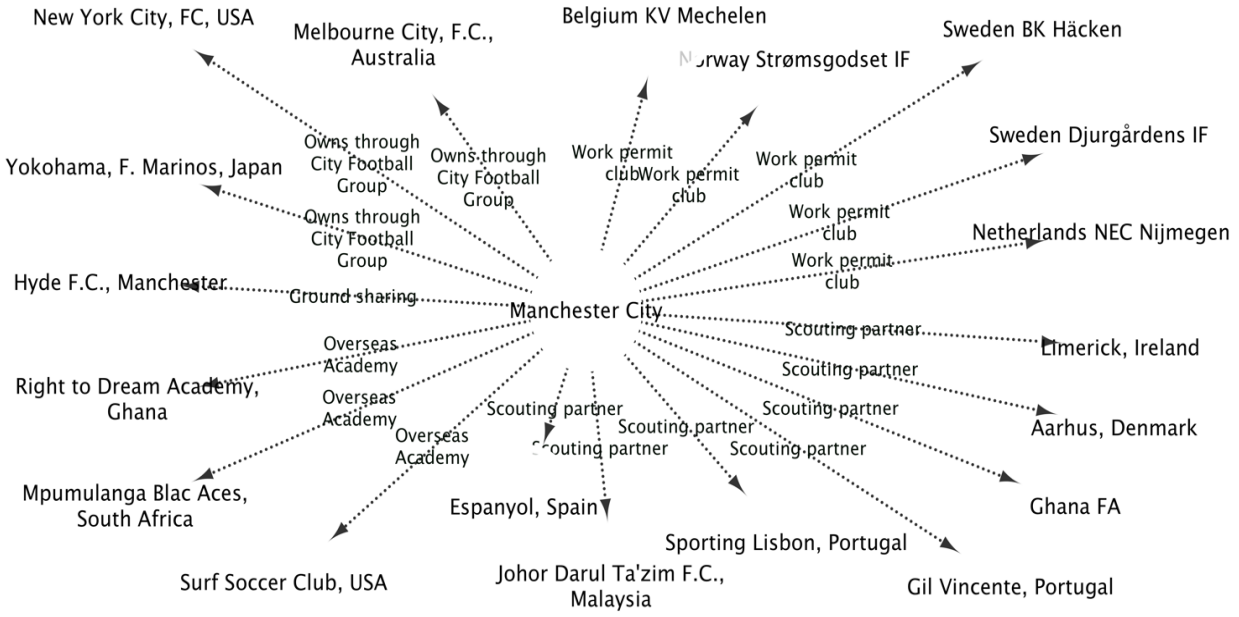
[87] See Birkhauser et al. (2015)

[88] The club's web site (accessed in November 2015) has a headline that reads, 'Remo Stars Await Transfer Offers'. An accompanying text suggests this is a talent producing club: "Nigeria National League (NNL) side, Remo Stars are ready to listen to offers for four of their first team players who have been outstanding for the club in order to allow them face a different challenge in their careers." http://sportsdayonline.com/remo-stars-await-transfer-offers/

[89] Consider the case of Dele Alampasu, whose transfer involved Remo Stars even though he never played for the club (http://www.sl10.ng/news/articles/categories/nigeria-editors-blog/who-owns-alampasu-future-stars-abuja-college-orelaja-or-remo-stars/200281 and http://www.allnigeriasoccer.com/read_news.php?nid=14011). Another interesting example is Ahmed Isaiah who moved to Portugal from Remo Stars in 2014 (http://www.supersport.com/football/nigeria/news/140211/Remo_Stars_midfielder_happy_to_join_Ribeirao). Interestingly, neither of these transfers are registered in the Transfermarkt database of transfers, even though Ahmed Isaiah is shown on the roster of his new club, Ribeirao. Remo Stars is not shown as a former club in the database, however, which suggests that the transfer was never captured. This raises a concern we have about the transfer databases existing in global football, that may not capture all player movements. We cannot verify that this transfer is not registered in the FIFA Transfer Matching System (TMS), which is where we hope it has been recorded.

[90] For instance, Frank Lampard signed with FC New York in 2013 and then played for Manchester City.

Figure 8. Ownership and Other Connections Enjoyed by Manchester City FC



Source: Authors' analysis based on relationships described in reports of City Football Group

There is no doubt that clubs can derive benefits from these new ownership deals; including injections of working capital and broader economic and sports connections through the owners. There are also risks of these kinds of ownership engagements, however, related to the links they promote and the financial transactions they involve.[91] The new corporate-style owners are typically involved in many business dealings, for instance, and their engagement as club owners might create conflicts of interest that football's governing bodies have not heretofore dealt with. Furthermore, many of these ownership arrangements involve the creation of holding companies and corporations that are often located in offshore venues. These entities are common in the world of business; but there are common questions one needs to answer when creating them to ensure they do not introduce unwanted risks (about tax implications, the potential for money laundering, and such). These are new questions for many clubs and leagues in the football world. Recent scandals suggest that they are questions that are not yet being effectively answered.[92]

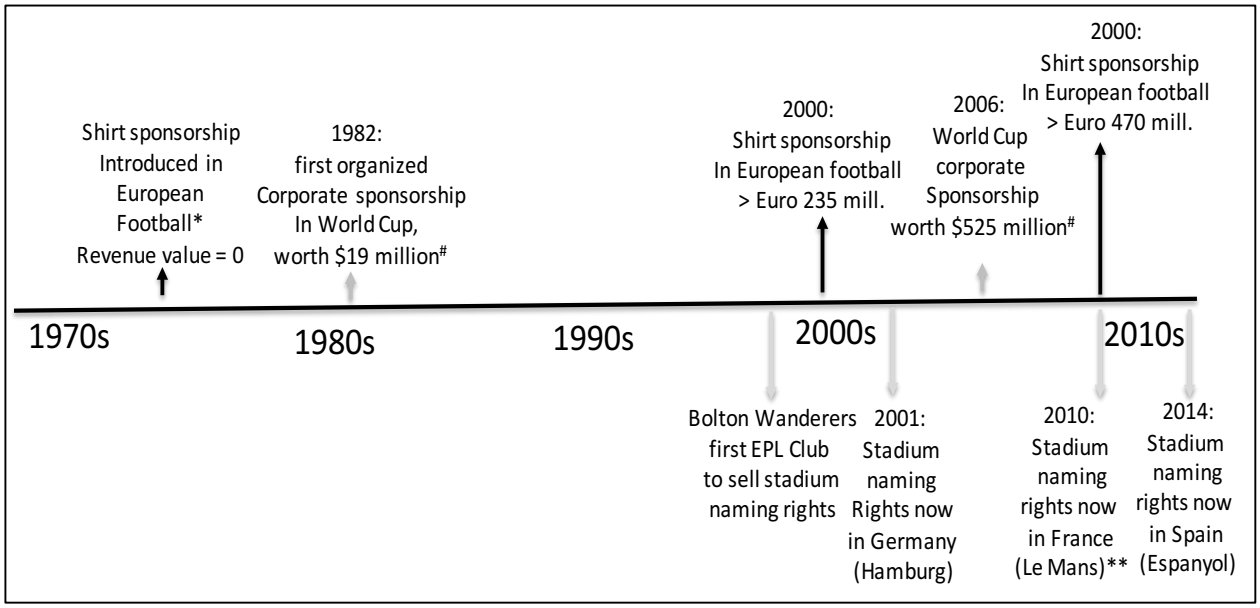
Other new revenue sources include sponsorship and broadcasting. These revenue sources have revolutionized football—increasing the revenues that players, clubs and associations can raise, and globalizing these in a manner one would never have thought possible as recently as the

[91] For in depth analysis, see sources like Hamil et al. (2001), Hamil and Chadwick (2010), and Kelly et al. (2012).

[92] For a discussion of this issue, see OECD (2009). One can also follow media-covered commentary on owners' tests and money laundering. Various European leagues use these tests but results are sometimes unexpected; some owners pass tests and are subsequently implicated in crimes like money laundering (See the case of Carson Yeung, for example, http://www.bbc.com/news/uk-england-26480888).

1970s. Figure 9 illustrates the novelty of such revenue sources, focused on sponsorships, by showing a simple timeline of key dates in the emergence of this revenue source in football.[93]

Figure 9. Sponsorship is a Recent Revenue Source in Global Football



Sources: Various, including the following: Unlucan (undated), * The earliest recorded introduction of shirt sponsorship is 1955 in Uruguay (Penarol) **Chadwick , 2012, p. 313. # Gratton et al, 2012, p. 98.

The timeline shows that shirt sponsorships only entered the European game in the early 1970s.[94] Liverpool's Hitachi shirt sponsorship in 1979 is said to have been worth £50,000.[95] Its shirt sponsorship with Standard Chartered in 2015 is said to be worth £30 million.[96] For Liverpool, therefore, this revenue source has grown at a compound annual rate of 19%. The timeline shows that FIFA first engaged with corporate sponsors in 1982,[97] in respect of the World Cup in Spain. Sponsorship for that tournament was reportedly valued at US $19 million. Barely a generation later, sponsorships are now worth over US $500 million for the same tournament, which is one of the reasons FIFA now registers billion dollar revenues each year.[98] This is a 15% Compound Annual Growth Rate (CAGR) over the period. Other forms of sponsorship, like issuing stadium

[93] Research on this topic is quite limited, but includes studies like Cornwell and Maignan (1998), Lamont et al. (2011), Yang et al. (2009), Yang and Goldfarb (2014).

[94] Eintracht Braunschweig is cited as the first top league European club to adopt a corporate logo on its playing shirt, in 1973 (Morgan, 2014). Liverpool was the first English league club to place a sponsor's name on its shirt in 1979 (although non-league Kettering Town did this in 1976). (See http://www.historicalkits.co.uk/Articles/History.htm and https://www.quora.com/Why-do-English-and-European-football-leagues-dilute-their-clubs-brand-by-allowing-advertising-like-Fly-Emirates-on-the-front-and-just-a-small-club-logo-on-the-chest).

[95] See a recent Daily Mail article chronicling the emergence and growth of shirt sponsorships in England, available at:http://www.dailymail.co.uk/sport/football/article-3116679/Liverpool-signed-50-000-year-deal-Hitachi-1979-Manchester-United-rake-47MILLION-Chevrolet-s-shirt-sponsor-club-had.html

[96] For details on this deal and comparisons, see http://www.telegraph.co.uk/sport/football/11438520/Biggest-shirt-sponsorship-deals-in-football.html?frame=3213571

[97] Adidas was an equipment sponsor before that time, however, for both the World Cup and Olympics.

[98] Gratton et al. (2012).

naming rights, are even newer and potentially bigger in impact. Manchester City's naming rights are reported to have cost US $300 million over ten years, for instance, which is in the same realm as stadium sponsorship in the United States Major League Baseball sector.[99]

The revenue from sponsorship and other commercial revenue is very significant. UEFA data show that clubs in England's Premier League draws over €1 billion from such sources, for instance, and clubs in the other Big 5 Leagues make between €500 million and €900 million annually in this manner. Europe's top leagues now draw over 40% of their revenues from this source and only 17% from gate receipts.[100] Interestingly, Figure 10 shows that the leagues relying most on this revenue source are outside of the Big 5.

Figure 10. Revenue Percentage in Top European Leagues Coming From Commercial Sources



Source: Authors' analysis based on UEFA top league data.

[99] http://www.theguardian.com/football/2011/jul/08/manchester-city-deal-etihad-airways

[100] Based on 2013 UEFA top league data, 44% of Europe's top club income comes from commercial sources, 30% from broadcasting, and 17% from gate receipts. Deloitte data also show gate takings decreasing as a percentage of top club income (http://www.businessofsoccer.com/2014/02/18/how-do-soccer-clubs-make-money/)

Most leagues in Eastern Europe and the former Soviet Republics derive 70% or more of their revenues from these sources. The situation is similar outside of Europe, where clubs across Asia raise as much as 70% of their revenue from sponsorship (and as little as 5% from gate takings).[101] There is certainly a possibility that owner injections or even government subsidies are being classified as sponsorship in some of these contexts (especially where owners are linked to companies that also sponsor the clubs or where governments have direct interests in the clubs, which is common in most emergent leagues). The best case of this, as covered in the media, is from Manchester City in the English Premier League. The club is sponsored by a variety of firms (including Etihad Airways) with connections to the club owners. Other examples come from across Europe and beyond, where local benefactors provide sponsorship through affiliate companies or where governments that own clubs simultaneously organize sponsorship for such. Zenit St Petersburg carries the name of its owner (Gazprom) on its shirt, for instance, and clubs like Qarabag and Dinamo Zagreb enjoy government support (such as the use of stadia) that may be classified as sponsorship.[102]

These revenue sources offer an opportunity and challenge for global football, as a key factor facilitating growth in professional football, but also the source of new questions: What conflicts of interest might be emerging as clubs engage with corporate entities in these deals? How transparent are these deals, and how transparent should these deals be? Are these deals creating opportunities for corruption and even money laundering (where club officials receive kick-backs related to sponsorship agreements, for instance, or where money from criminal activities is laundered through clubs as sponsorship revenue)? These questions can also be raised in respect of sponsorship deals for football's biggest stars, who now draw millions of dollars from endorsements and selling image rights.[103] These revenues can be structured for payment outside of the players' taxable salary and kept offshore in shell corporations. These arrangements are new to football, but raise important questions about integrity and even legality: Are players managing these revenues in ways that entertain risk of prosecution? Are these monies vulnerable to criminal influence? As with the discussion on new corporate and global ownership, we see scandals across the world that suggest these questions are not being effectively addressed.[104]

Such questions plague football's governing and administrative bodies too. Corporate sponsorship has become an important revenue source for these entities. Sponsors are local (as in Liberia, where a national bank supports the national association) and international (as in Holland and Brazil, where national associations are sponsored by global companies like Nike). Regional and global bodies like UEFA and FIFA are active in this area as well. UEFA has drawn increasingly larger revenues from sponsorship deals, associated primarily with the EURO championships and the

[101] Various media reports and academic studies on Asian leagues show, for instance, that clubs in the Chinese Super League and Korean K-League raise 60-65% of their revenue from sponsorship and only about 5% from gate takings.

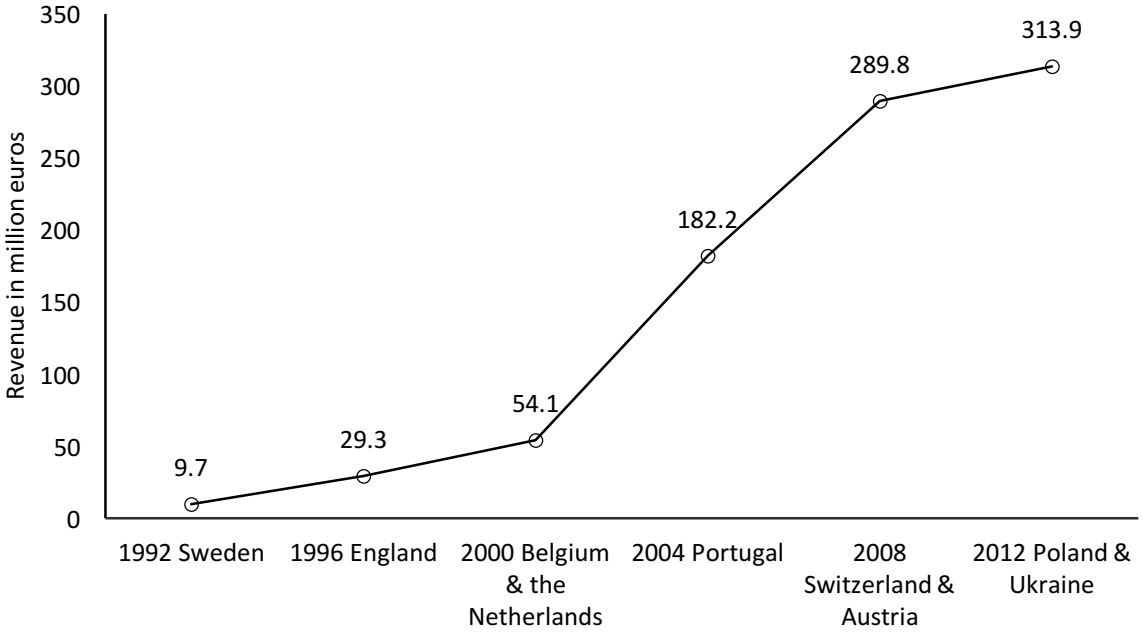
[102] For more details on the ownership and sponsorship connections in this club, see http://grantland.com/the-triangle/gazprom-zenit-st-petersburg-and-the-intersection-of-global-politics-and-world-football/

[103] See http://www.forbes.com/sites/christinasettimi/2014/05/07/the-worlds-highest-paid-soccer-players-3/

[104] Top footballers' contracts are complex (http://www.bbc.com/sport/0/football/23923904) and many attract trouble because of (mis)management. Lionel Messi's tax problems center largely on money received as image rights payments, for example (http://www.sportskeeda.com/football/football-messis-polished-image-faces-first-scandal).

Champions League. With respect to the EURO (shown in Figure 11) commercial revenues grew at a CAGR of 20% since 1992, from about €10 million to about €300 million in 2012.

Figure 11. UEFA EURO Commercial Revenue (Sponsorship, Licensing and Merchandise), 92-12



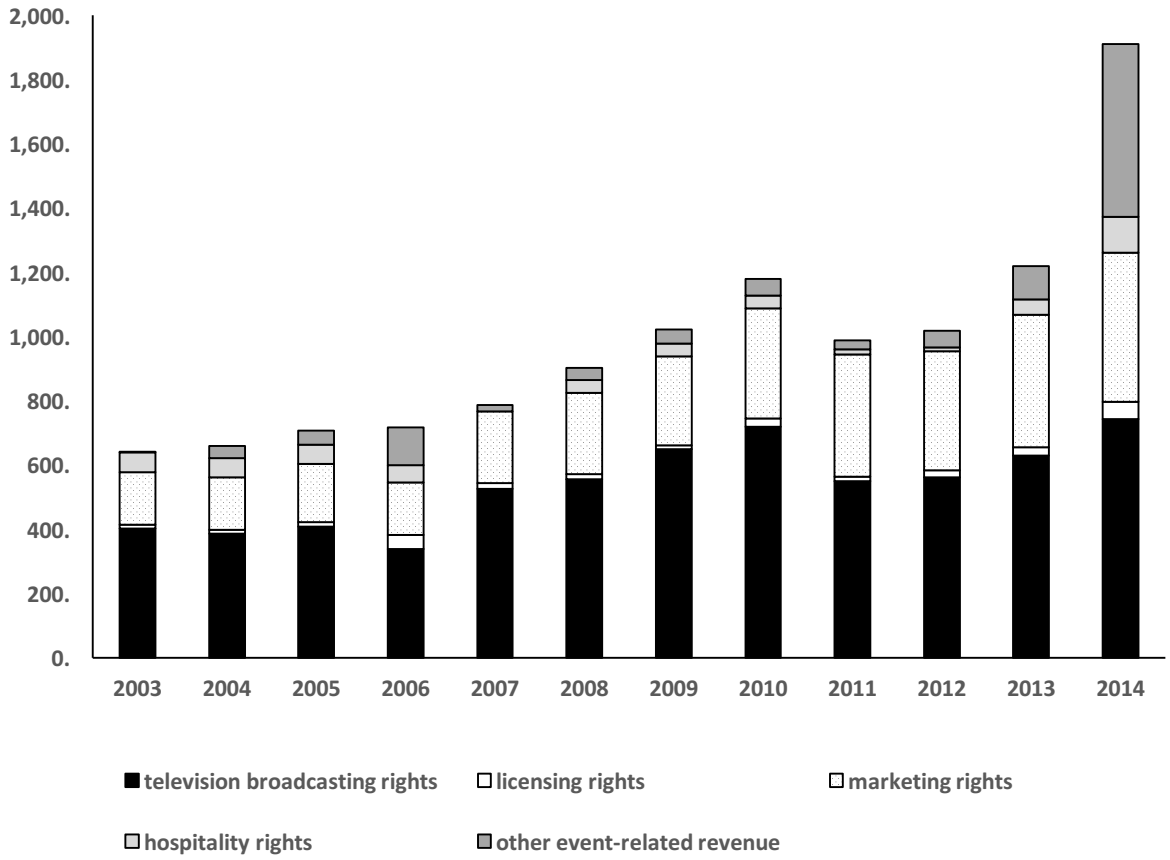
Source: UEFA annual reports.

We see similar growth at FIFA, which draws revenues primarily from marketing, sponsorship, and broadcasting (mostly associated with the World Cup) (as shown in Figure 12) and no longer even reports on revenue from membership dues (its original income source). FIFA generated about US $520 million from marketing and licensing rights in 2014 (up from about US $175 million in 2003). This comprised 27% of its total revenue. UEFA marketing rights revenues have averaged about €320 million since 2004, or 20% of total revenue. These are significant amounts of money, and reflect influential financial connections these organizations have been developing with commercial partners over recent decades. As with the national associations, FIFA and UEFA have to navigate such connections and transactions through which these connections are established.

We find that the details of such connections are currently not easily accessible, and wonder how well the governing bodies—that need to be above reproach in order to effectively regulate clubs and players—are managing their potential risks with such income. In particular, we worry about deficient treatment of conflicts of interest in sponsorship relationships, and the potential for corruption in sponsorship deals and contracts (where FIFA and UEFA determine which companies get key contracts). These concerns have proved material recently, with investigations into corruption in sponsorship arrangements like the Nike support for Brazil's soccer administrators in the late 1990s.[105]

[105] For background, read http://www.businessinsider.com/fifa-corruption-scandal-nike-and-the-brazilian-national-football-team-2015-5; http://www.huffingtonpost.com/2015/06/12/nike-brazil-investigation_n_7574202.html; http://www.theguardian.com/sport/2015/jun/06/nike-fifa-salazar-brazil-football-athletics-doping-allegations.

Figure 12. FIFA Revenues (by Source), 2003-2014 (US $ million)

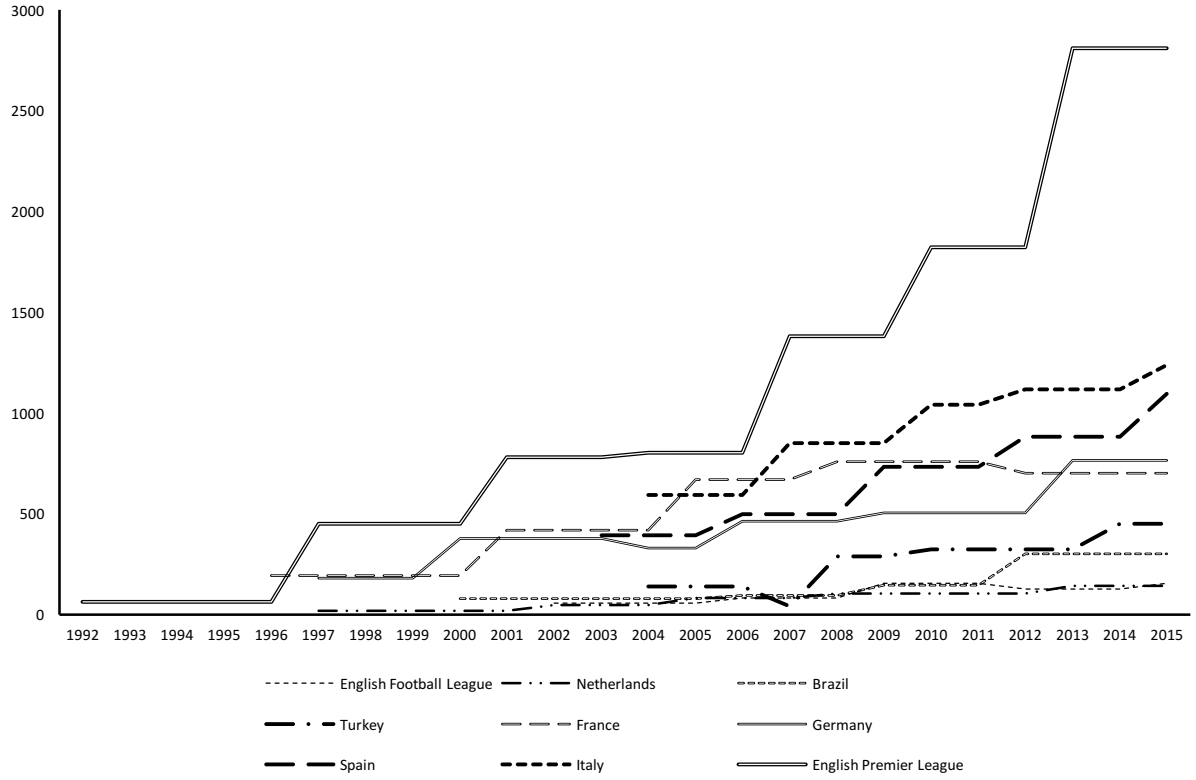


Source: FIFA Financial Report 2014

Interestingly, broadcasting revenues are more important than sponsorship revenues in the big association bodies (like FIFA and UEFA). The contribution of broadcast money in these settings has risen dramatically since the early 1990s, with UEFA's broadcasting revenues from the EUROs increasing by 432% between 1992 and 2012, for instance. UEFA added broadcast revenues associated with the annual Champions League tournament in this period as well, such that it now relies on these sources for 77% of its revenues, raising over €1.3 billion from broadcasting rights in 2013 and 2014 (and over €1.9 billion in 2012, when it staged the EUROs). This is significantly more than FIFA, which made US $742 million from broadcast rights in 2014 (and has relied on such for about 50% of its revenues in the past decade).

Broadcasting revenues are also a major income source in the world's largest leagues. The English Premier League's media rights revenues rose from about US $62 million in the early 1990s to over US $2.8 billion in 2015 (an 18% CAGR). Italian Serie A revenues from this source doubled from US $593 million in 2004 to over US $1.2 billion a year in 2015 (a 6% CAGR). Spanish top league clubs enjoyed about US $400 million in this revenue in 2003, and now raise about US $1.1 billion (a 9% CAGR). German clubs make about US $765 million from broadcasting revenues, up from US $180 million in 2003 (a CAGR of 11%). All of these growth patterns are shown in Figure 13.

Figure 13. Increases in Annual Broadcasting Revenues by League, 1992-2015 (US $, million)



Sources: Authors' analysis and compilation, based on various sources.

Interestingly, broadcast revenues are much lower in less popular and emergent leagues, even with recent broadcasting deals that have enthused league officials. The Dutch top league clubs only draw about US $143 million from broadcast revenues, for instance, and clubs in leagues like Switzerland, Norway, and Austria make less than US $100 million a year from this source. Portuguese revenues from broadcasting (the national cup) were only about US $43 million in 2014, the USA Major League Soccer raised just US $37 million from this source in the same year, South Africa's top league made just over US $30 million selling television rights, and clubs in China, Malaysia, Nigeria, and Ghana raised significantly less than US $10 million (respectively).

One reason why leagues raise different broadcast revenues is that some receive domestic *and* international revenues, whereas others receive domestic revenues only. This is because only a few leagues have global entertainment appeal, reflected in international broadcast revenues:

- Clubs in the English Premier League are far ahead of any other league, and will earn about US $1.4 billion annually after 2016 from broadcast rights sales to foreign markets (with an additional US $2.75 billion from domestic sales).
- Spain and Italy are next most popular globally, with clubs receiving about US $274 and US $204 million from international broadcast sales in 2015/2016.
- French and German clubs raise US $88 and US $77 million by selling TV rights abroad.
- We lack accurate data on other contexts, but estimates suggest that the other globally watched leagues include Brazil (with up to US $20 million in revenues from foreign

broadcasting rights), the English lower tiers (with a similar revenue haul), and top leagues in Portugal, Holland, Russia, Mexico, and the United States (all earning less than US $10 million from external viewers).

Beyond differences in overseas earning potential, we see that broadcast revenues of the world's most popular leagues in foreign countries often exceed the broadcast revenues of the domestic leagues in those countries. The United States Major League Soccer revenues are now about US $90 million, which is just over half the US $160 million paid in the United States (by NBC) to broadcast English Premier League matches. Similarly, Australia's national league earns US $29 million in domestic broadcast revenues, while its domestic broadcasters pay US $45 million to show English Premier League (EPL) games. One sees similar situations in China (where domestic broadcasting rights for the Super League cost US $3 million, which is less than one fifth of the US $17 million Chinese broadcasters reportedly pay to broadcast the EPL), and Malaysia (where the relevant numbers are US $22 million versus US $67 million) and Sub-Saharan Africa (where South Africa's Supersport and others pay between US $50 and $56 million[106] to broadcast African league matches, which is about a third of the US $140 million Supersport pays for EPL rights).

As with other new revenue sources, broadcast revenues bring both opportunities and challenges. They are obviously a way in which clubs and leagues and associations can raise money and enhance the regional and global appeal of their tournaments and league competitions. They also involve links and connections and contracts with corporate entities engaged in broadcasting, which are increasingly sophisticated, complex, and competitive. Recent scandals point to the potential for corruption and conflicts of interest in these linkages, which are proving difficult for clubs and associations to handle. A significant number of 2015 indictments against FIFA executives centered on these deals, for instance, with the former President of CONMEBOL charged with receiving illegal payments in association with such a deal.[107] Beyond this, leagues and associations have been challenged by questions about how they should contract for broadcasting rights (as individual teams or consolidated groups, through league bodies). Further, there are questions about how smaller and less globally recognized leagues can grow their broadcast revenues in future, given the dominance of a few elite leagues (and particularly the English Premier League, or EPL). Research shows that dominant clubs also have a distinct advantage with high paying international sponsors,[108] such that EPL and other clubs simply access much more money than other clubs because they are well-known but become more well-known through their international sponsors (in a financially virtuous circle that smaller leagues do not share). In a sense, the EPL is a giant and established tree in the forest of football leagues, and casts a huge shade on all the other trees, which could stunt broader growth across the forest.

[106] According to our estimates, from media reports, South African domestic league broadcast revenues are about US $32 million a year, other prominent league media revenues are smaller (Nigeria is about US $9 million, Kenya US $3 million, Uganda and Ghana US $1 million).

[107] The case is discussed in the following article, released in late December 2015: http://www.reuters.com/article/us-soccer-fifa-uruguay-idUSKBN0U90KD20151226

[108] Recent research shows that sponsors tend to support clubs that are closely located, which limits the sponsorship opportunities for most clubs. However, more successful clubs have a distinct advantage in attracting distant and local sponsors, increasing their universe of sponsorship options. See Yang and Goldfarb (2014).

3. Football's Financial Integrity Problems

> "The word Integrity tends to be one of those overused words, bantered around with little thought to its deeper meaning."
>
> Positive Deviant.com[109]
>
> "Across diverse industries and functions, our observations and work have shown that a comprehensive approach to building organizational integrity provides the most promising method to limit an organization's risk."
>
> Kayes, et al. (2007, p.63).

Our narrative of professional football's recent growth is hardly complete or comprehensive. It does, however, provide one with a clear-enough view of how much the sector has grown in the past two decades and what kinds of complexities this has brought into the game. Clubs that operated like small local social organizations a few decades ago now have to operate like businesses; some large and some mid-sized and some small and struggling. They have to contend with transactions they never would have imagined even a generation ago—buying and selling players across borders, engaging with players' agents (who largely did not exist in the 1960s[110]) and competing for regional, national and international sponsorship and broadcast money (which also did not exist prior to the 1970s and was not a major influence on the game until the 1990s).

As discussed, the challenging new financial realities are not limited to football clubs, however. One sees similar financial challenges and opportunities for the governing bodies overseeing the sector, coordinating across clubs and countries, and awarding hosting rights for international competitions. All of these challenges lead to a variety of financial integrity problems, which we try to identify in this section and combine into a framework for further analysis. The framework embraces the complexity of the financial integrity concept—offering a comprehensive way to look at the topic.

Global Football's Financial Integrity Questions

Studies on economic development and organizational change indicate that financial expansion commonly introduces difficult challenges for affected entities. Such challenges often manifest in concerns about the pace and nature of change in the sector, and about new pressures and influences that do not seem to be effectively handled.

The global football sector has seen many of these concerns raised in recent years, often in the front pages of prominent newspapers and in academic studies and consultancy reports. These

[109] http://www.positive-deviant.com/definition-of-integrity.html

[110] Bayern Munich's Robert Schwan is considered one of the first business minded administrators in the game; he became one of its first high profile player's agents in the 1970s as well, representing Franz Beckenbauer.

focus on the perceived increase in insolvencies of clubs and leagues,[111] how money is allocated in the sector, if clubs and leagues are paying taxes and using finances to invest in their communities, and whether money is affecting the moral fabric of the sport. Many of the concerns involve emotive topics like money laundering, human trafficking, third party ownership of players, foreign ownership of local clubs, commercialization of sport, bid transparency for mega events, and more. Consider the following recent expressions of such concerns:

- Studies examine the increased number of recent insolvencies in football. Researchers focus on the English leagues, where insolvency numbers have grown since the creation of the Premier League (before which there appeared to be few insolvencies).[112] Records show that there have been 56 insolvencies (thus far) in English leagues since 1992, which is high given historical comparisons.[113] Researchers question why insolvencies have risen in this period, noting the difficulties clubs have of managing multiple new revenue sources and challenging labor costs as well as the elevated risks of poor management and profligate owners in the modern game. These difficulties and risks are not only felt in England, with bankruptcies and related financial difficulties also experienced in clubs from countries as different as Australia and Bulgaria,[114] Brazil,[115] Italy,[116] Romania,[117] and Scotland.[118]
- The 2008 financial crisis in Spain focused attention on the outstanding tax debt of most of the country's top football teams. This has proved to be a problem in many countries, where clubs, players and managers have recently fallen short of paying their due share of tax and social payments. This has led to imprisonment for various officials and players, and in legal proceedings against players like Lionel Messi and clubs like Barcelona and Rangers. Even the CONMEBOL Confederation in South America has found itself having to pay back taxes because of lapses in fiscal responsibility.[119] These lapses often involve schemes to defer player income or compensate players through image rights payments with questionable tax treatment, or transfer arrangements involving third party ownership (TPO) and other arrangements that seem to undermine transparency and clarity in respect of taxation.

[111] Newspaper headlines and concerns about sustainability abound. See, for instance, concerns about Romania: http://www.streetdirectory.com/travel_guide/46040/soccer/state_of_the_game_soccer_clubs_in_financial_crisis.html; http://www.balkaninsight.com/en/article/romanian-football-club-asks-for-insolvency.

[112] These are identified in Beech et al. (2010)

[113] Deloitte Annual Review of Football Finance 2014—Databook, p.13.

[114] Reports of bankruptcies in Australia and Bulgaria are available online, covering recent cases like the Brisbane Roar in Australia (http://www.theroar.com.au/2015/09/01/mckay-sticks-by-roar-despite-crisis/) and CSKA Sofia in Bulgaria (http://m.novinite.com/articles/171147/Sofia+City+Court+Upholds+Insolvency+of+CSKA+Football+Club)

[115] See Ricardo Setyon's 2014 coverage of this situation: http://www.insideworldfootball.com/world-football/south-america/15893-brazilian-clubs-in-crisis-as-wages-unpaid-and-debts-rocket

[116] Parma were declared bankrupt in March 2015, for instance. See http://www.football-italia.net/64054/official-parma-declared-bankrupt. For more analysis of the lower league bankruptcies in Italy, see Zoccali (2011).

[117] See FIFPRO on Romania: http://www.fifpro.org/en/news/insolvency-is-hurting-romanian-football-players

[118] Rangers is the highest profile example of this kind of financial failure, as covered in a recent article by Graham Spiers: http://www.theguardian.com/football/2015/jan/18/how-the-mighty-glasgow-rangers-have-fallen

[119] This example is discussed in the following article: http://www.bloomberg.com/news/articles/2015-07-04/soccer-scandal-revealed-decades-of-unpaid-taxes-president-says

- Various studies examine the influence of finances on competitiveness in football leagues.[120] They tend to find that competitiveness has always been limited in most European leagues, but there are some suggestions that competition has been in decline since the advent of big finance. This, it appears, is partly because of the way certain teams and leagues dominate the financial side of the sport, garnering a lopsided share of revenues and buying up a dominant share of top talent. Reflecting on this, a recent article by Gabriele Marcotti noted that the 55 players identified for potential 'player of the year' honors in 2014 came from eleven clubs, all of which played in Europe and nine of which were in the top 10 revenue earners.[121]
- Observers have been trying to understand why inflation is so high with player transfer fees and wages, especially at the top of the talent pool.[122] Recent transfer window experience suggests a relentless increase in both labor cost dimensions, driven partly by increased demand from the richest clubs (given greater broadcasting revenues in England's Premier League, for instance, as well as cash infusions from wealthy owners). Costs also seem to be rising because of the influence of transactional features like players' agent fees and third party ownership (TPO) shares.[123] Such cost drivers are often argued to be pushing the football labor market ever higher, creating financial difficulties for many clubs.
- Registered and unregistered football agents are reportedly involved in facilitating the trafficking of players from poor countries in areas like West Africa.[124] The players are apparently lured away from their homes by promises of trials with top clubs, which never transpire and lead to troubling human pain reflected in a recent Guardian story: "In May 2007 a leaking fishing trawler abandoned by its skipper, washed up on the shore of La Tejita beach in Tenerife with a cargo of 130 young African men. Some had hypothermia, all were badly dehydrated. Fifteen were teenagers who believed they were on their way to play for Marseille or Real Madrid."[125] Beyond this, some players who try-out at top clubs apparently get stuck because of unscrupulous agents or clubs.[126] A 2009 study estimated that as many

[120] See, for instance, Vrooman (2007) and Szymanski (2015).

[121] On player concentration in Europe see http://www.espnfc.us/blog/espn-fc-united-blog/68/post/2243818/fifpro-world-xi-other-best-player-lists-show-sad-concentration-of-football-power-gabriele-marcotti

[122] Paul Tomkins and Graeme Riley have developed the Transfer Price Index (TPI) to measure inflation in transfers in the United Kingdom. They find that transfer fees at the top of the game have risen eleven fold since the 1990s. See https://sports.vice.com/en_us/article/is-raheem-sterling-overpriced-football-inflation-and-the-transfer-window

[123] This opinion is reflected in the following: "The debate over T.P.O. often divides regionally. Save for a few exceptions like Portugal (which is saturated with investor-backed players), most western European leagues and associations are in favor of outlawing T.P.O., which they contend drives up player prices and benefits people with little stake in the sport" (http://www.nytimes.com/2015/01/02/sports/soccer/fifa-will-ban-third-party-ownership-in-may.html?_r=0). We are unaware of conclusive research on how agents' fees, TPO, etc. impact transfer or wage costs.

[124] This is an estimate from the NGO Foot Solidaire. See http://www.reuters.com/article/us-soccer-africa-trafficking-idUSBRE9A70FQ20131108; See also http://www.footsolidaire.org/images/pdf/foot-solidaire-3eme-conference-internationale-jeune-footballeur-africain.pdf

[125] There are a growing number of media reports on this topic, in the English and global press (http://www.theguardian.com/football/2008/jan/06/newsstory.sport4,http://edition.cnn.com/2013/03/28/sport/football/football-trafficking/ and http://time.com/2964428/human-trafficking-soccer-football/). Also, refer to FIFPro (http://www.fifpro.org/en/news/trafficking-football-players-in-portugal) and studies like Scherrens (2006).

[126] Andrew Guest's commentary on this issue covers much of the important landscape of concerns: http://pitchinvasion.net/hope-fear-and-youth-academies-african-players-and-the-changing-demographics-of-european-soccer/

as 20,000 African boys live on Europe's streets after failing to secure contracts with clubs. This 'muscle drain' also leads to lower quality football in the countries players come from.[127]

- A 2009 Financial Action Task Force report cited 'over 20 cases' of money laundering in football.[128] Recent high profile cases show that this remains a problem: in 2015 the Swiss Attorney General began investigating 53 suspicious transactions in relation to FIFA's awarding of the 2018 and 2022 World Cups; Lionel Messi is also embroiled in a scandal relating to the laundering of cash related to a series of charity matches in Latin America;[129] Portsmouth FC's owner Russian Vladimir Antonov was arrested in 2011 by UK police over a money laundering investigation in connection with the nationalization of Snoras Bank in Lithuania.[130] Finally, the owner of Italy's Parma was arrested in 2015 on charges of money laundering.[131]
- Match fixing has been identified as rampant in football leagues all over the world, with criminal prosecutions in countries as varied as China, Guatemala, Norway, and South Africa.[132] This can involve various actors—like club and league officials, referees, and players.
- Experts bemoan the limited Corporate Social Responsibility (CSR) activities in football.[133] These experts note that few clubs report on how much money they spend in their communities and question why even the biggest clubs have not adopted common private sector modalities to assess CSR credentials (like accreditation and ISO-type standards compliance). Furthermore, CSR specialists question why football clubs and even league and association bodies accept sponsorship money from companies that produce products associated with social costs (like alcohol producers and gambling companies).[134]
- Many questions fester about the moral reputation of FIFA and other prominent bodies.[135] These stem from concerns about the way World Cup hosting rights are awarded, how money from World Cups is allocated, poor transactional transparency, and more. The legitimacy of the sport is under threat when the over-riding perception of its governing body is negative, reflected in the following 2013 view (written years before the 2015 scandals, by Noah Davis, of *American Soccer Now*):[136] "FIFA, international soccer's governing body, is corrupt. The degree of corruption may be debatable, but its existence at the highest levels is not."

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[127] Mullan (2007) discusses this issue in the context of doctors and soccer players leaving Africa.

[128] Financial Action Task Force (2009). Money Laundering Through the Football Sector. FATF/OECD: Paris.

[129] http://www.insightcrime.org/news-analysis/the-messi-scandal-from-charity-soccer-to-money-laundering-accusations

[130] This issue is discussed in the following article: http://www.bbc.co.uk/news/uk-england-hampshire-15882620

[131] As discussed in http://uk.reuters.com/article/2015/03/18/soccer-italy-arrests-idUKL6N0WK2PC20150318

[132] As discussed in http://www.theguardian.com/world/2013/feb/20/match-fixing-bribery-chinese-football; http://www.espnfc.us/story/1200103/fifa-bans-guatemalan-match-fixing-trio;http://uk.reuters.com/article/2015/04/29/uk-soccer-norway-matchfixing-idUKKBN0NK1PT20150429;http://www.soccerladuma.co.za/news/articles/categories/south-africa/the-psl-has-been-rocked-by-match-fixing-game-manipulating-allegations/209516

[133] See, for instance, Breitbarth and Harris (2008) and Breitbarth et al. (2011).

[134] The issue of sponsorship and CSR is discussed in Ralph Richards' work on *Ethical Sponsorship and Advertising in Sports.* Richards calls on entities like FIFA and UEFA to be more selective about business partners, given values espoused in policy documents (see UEFA documents on purported social responsibility positions at http://www.uefa.com/MultimediaFiles/Download/uefaorg/General/02/26/41/78/2264178_DOWNLOAD.pdf). See https://www.clearinghouseforsport.gov.au/knowledge_base/organised_sport/sports_administration_and_management/ethical_sponsorship_and_advertising_in_sport*)*.

[135] As discussed in http://www.dailyrecord.co.uk/sport/football/football-news/rangers-crisis-listen-leaked-phone-6557589morality fifa and rangers http://www.triplepundit.com/2011/11/ugly-side-beautiful-game/

[136] http://www.americasquarterly.org/content/series-scandals-have-not-only-tainted-fifa-undermined-trust-game-well

This list of concerns could be much longer. The concerns seem disparate and different, but all relate to the way finances are managed and considered in the global football sector. They all contribute to an overarching question: Is there a financial integrity problem in football?

This is not an easy question to address, given the many dimensions of concerns raised—and the complexity of this sector. It is a task made harder by the fact that football is an entertainment sector and could thus be seen as attracting media stories about scandals when scandals do not really exist (or are not worse than in other sectors). Are the concerns real or imagined? Does football really face greater financial integrity challenges than other sectors?

Existing Work on Financial Integrity in Football

There is no neat literature on the explicit topic of 'financial integrity in football' which can provide definitive answers to these questions. One does find references to 'financial integrity' in other areas, however, including work on money laundering and corruption; where studies apply thinking from corporate governance and risk management theory to reduce organizational vulnerabilities.[137] One also finds 'financial integrity' references in work on financial transparency, especially in developing country governments.[138]

Recently, the media has paid attention to these kinds of topics in football, sometimes centered on evidence-based studies focused on measuring or explaining key issues. The focus on transparency, for instance, has seen various entities examining FIFA's financial reporting behavior,[139] and Transparency International has very recently examined reporting in national associations as well.[140] Such studies contribute to work on corruption in football, including the notable 2009 Financial Action Task Force study into money laundering in sports, which noted that, "money gradually started to exert a strong influence on the world of sports [with] positive effects, but also negative consequences."[141] The report concludes that,

> "There is more than anecdotal evidence indicating that a variety of money flows and / or financial transactions may increase the risk of [money laundering] through football. These are related to the ownership of football clubs or players, the transfer market, betting activities, image rights and sponsorship or advertising arrangements. Other cases show that the football sector is also used as a vehicle for perpetrating various other criminal activities such as trafficking in human beings, corruption, drugs trafficking (doping) and tax offences."

A limited number of studies also examine human trafficking in sports,[142] and the relationship between money laundering and tax evasion.[143] Many more studies investigate the financial

[137] See the focus of organizations with related names: 'Global Financial Integrity' (http://www.gfintegrity.org) and the Financial Integrity Network (http://www.financialintegritynetwork.net).

[138] The organization, 'Global Integrity' is an example. (https://www.globalintegrity.org). Using a variety of tools, including indicators, it assesses government transparency (especially in using finances) and accountability to citizens.

[139] See https://financialtransparency.org/fifa-and-the-corrosion-of-financial-integrity/

[140] See http://www.transparency.org/whatwedo/publication/football_governance_league_table

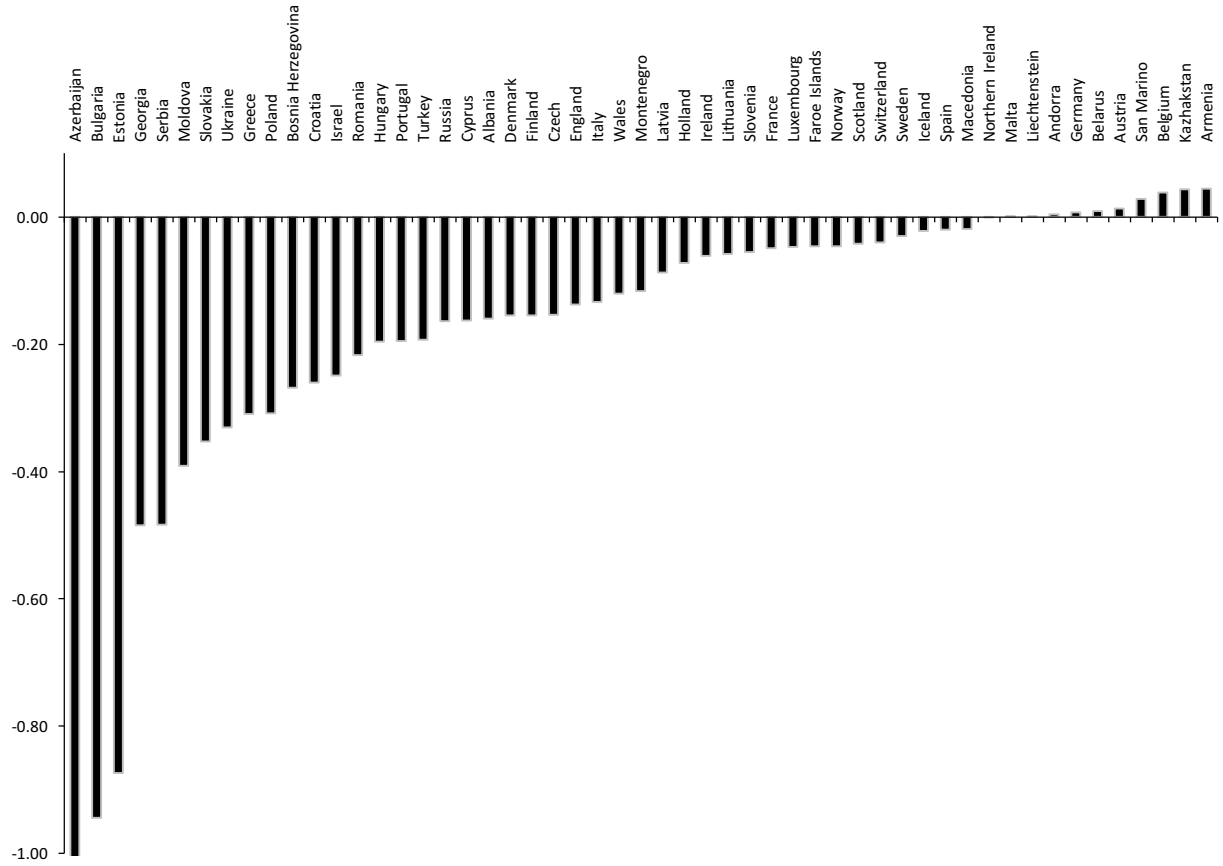
[141] Financial Action Task Force (2009).

[142] Including the 2012 Foot Solidaire Conference Report: http://www.footsolidaire.org/images/pdf/foot-solidaire-3eme-conference-internationale-jeune-footballeur-africain.pdf

[143] See Ian Blackshaw's article on the topic in The International Sports Law Journal, summarized at https://www.questia.com/library/journal/1G1-249138227/money-laundering-and-tax-evasion-in-football

sustainability of football clubs, with generally negative findings; most clubs make losses instead of profits, carry high levels of debt, and struggle to manage costs (especially associated with player transfers and wage payments). A summary statement of this situation came in 2010, when UEFA noted that 56% of clubs playing in Europe's top leagues made losses, and 36% reported negative net equity.[144] The situation has improved recently with these clubs, and in 2014 UEFA reported that 55% of top league clubs made profits.[145] This is hardly a high figure and suggests clubs are in financial trouble even after the last few years of Financial Fair Play reforms. We find similarly; when aggregating clubs into leagues, only 11 of Europe's top 53 leagues had a positive profit/loss ratio between 2009 and 2013 (see Figure 13).

Figure 13. Average 5-Year Profit/Loss Ratio, 2009 and 2013, Europe's Top Football Leagues



Source: Authors' analysis of UEFA data from 2013 Club Benchmarking Report. Based on data described in Table 1a.

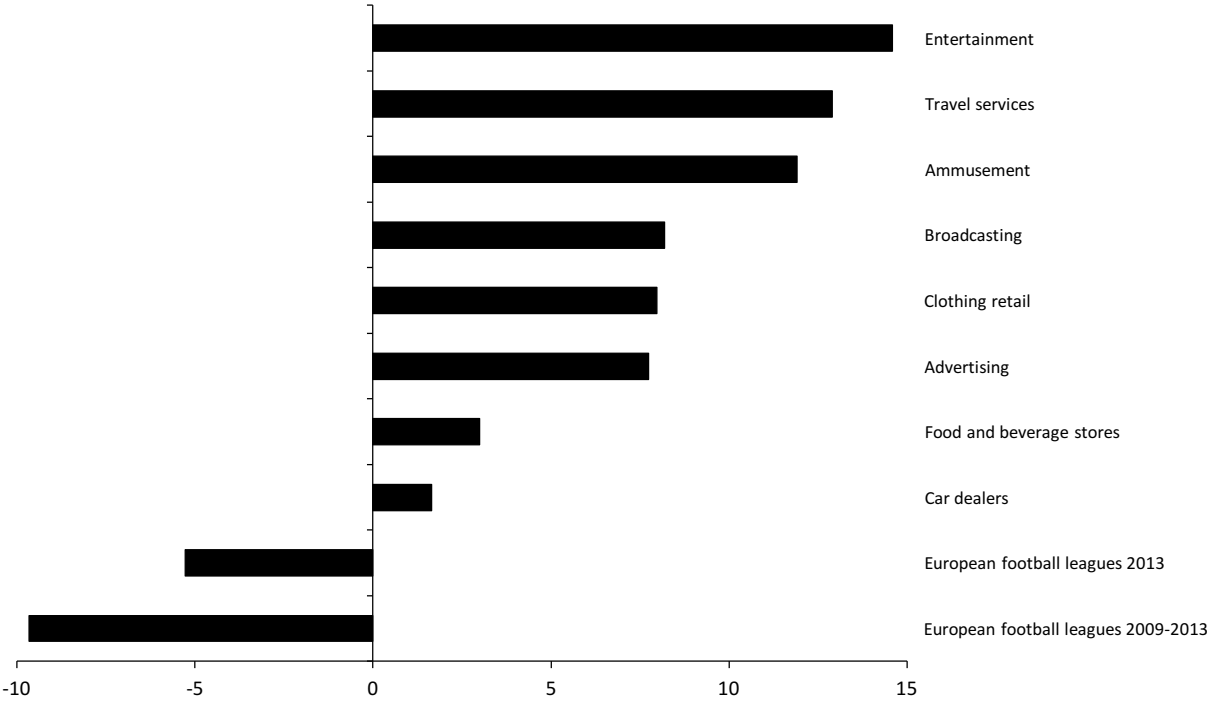
Building on this analysis, Figure 14 shows that clubs in the average top European league ran 5-year losses equivalent to 10% of revenues on average between 2009 and 2013. The situation

[144] UEFA (2014).

[145] Data in UEFA (2012, 2014, 2015) are presented as evidence that the Financial Fair Play initiative has had effect. The UEFA President, Michel Platini, used such data to suggest that the era of austerity was over for European football. We have a different view, that football is still in trouble and these data do not signal major behavioral changes. Our view is shared by others, like Owen Gibson of the Guardian, who expressed concern over continuing transfer growth: http://www.theguardian.com/football/blog/2015/sep/02/financial-fair-play-manchester-city

improved to about a 5% average loss margin in 2013, but this is still significantly worse performance than one would expect in common business sectors, where profit ratios tend to be positive over the medium-term (even if these dip for one or two years like they did after the 2008 financial crisis). Readers should note that the European football situation has improved in recent years given the Financial Fair Play regulations, so the numbers shown here are arguably biased to show a more positive situation in football than one might have encountered a decade ago.[146]

Figure 14. Profit/Loss Ratios of Various Sectors and of Europe's Top Football Leagues (as %)

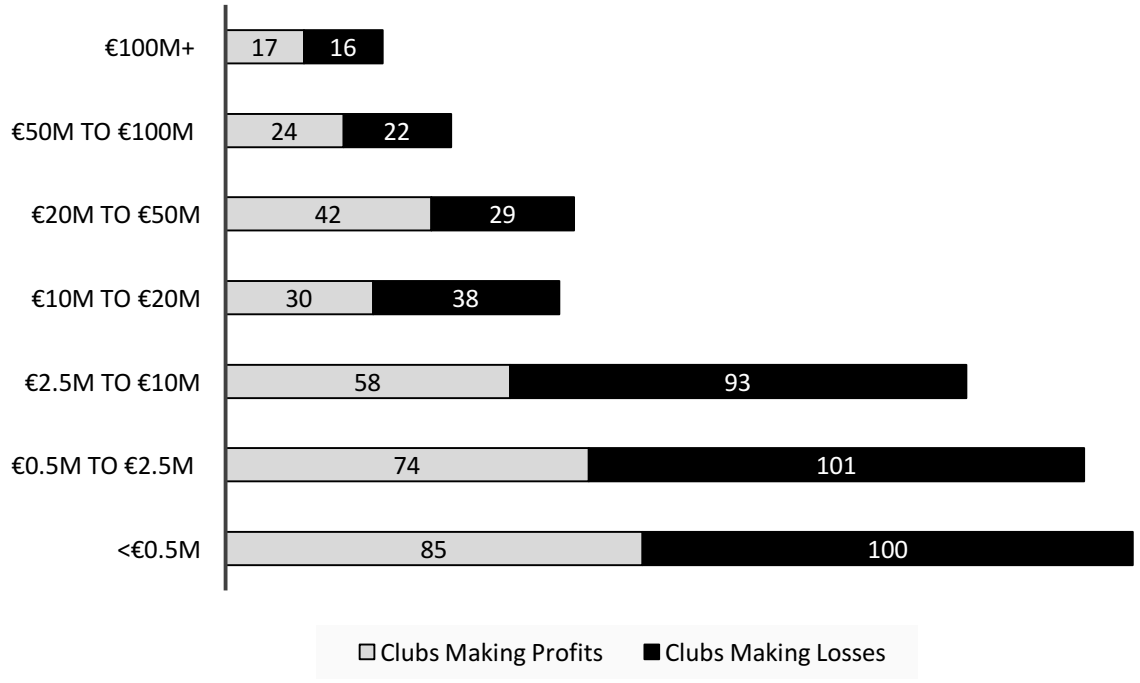


Source: Various, authors' calculations. Data are for illustration, and not explicit comparisons as there are many ways to calculate profit/loss ratios. This uses net profit/loss, which many football-related studies do not adopt (preferring operational profit or loss). The point is that football leagues in Europe are not profitable and lag behind other sectors.

The UEFA data reveal that club loss-making is inversely related to revenue generation (clubs with lower revenues are more likely to find themselves in financial distress). According to the 2010 UEFA report, 44% of the clubs with annual revenues above €20 million in 2012/13 made losses, compared with 55% of the clubs with revenues below €20 million. Figure 15 deconstructs these data, showing that larger clubs are more likely to make profit than smaller clubs, which are far more susceptible to making financial losses and being financially non-viable.

[146] Some may ask if the data provided here offer an unfairly negative view of football, given that they relate to the period after 2008's financial crisis. In fact, football's top clubs have performed better in recent years than before. UEFA's 2014 Financial Fair Play report offers a positive view of the recent period: "[T]he financial health of European club football has been turned around with bottom-line losses cut by 70%, record operating profits generated last year and club balance sheets strengthened by 50% in the first three years of UEFA's financial fair play regulations" (http://www.uefa.org/protecting-the-game/club-licensing-and-financial-fair-play/news/newsid=2295968.html). In contrast, Szymanski (2012) found that insolvency prior to the financial crisis was endemic to European football.

Figure 15. Profits and Losses in Top League European Clubs, by Revenue Levels, 2013



Source: Authors' analysis, based on data in the UEFA Club Benchmarking Report, 2014.

The data in Figure 15 also reveal that lower revenue clubs dominate the top leagues of Europe (the clubs included in UEFA's top 728 club database, where about 80% of the clubs earn below €20 million and half of the clubs earn below €5 million). Low revenue earning clubs—that are more vulnerable to loss-making—are even more prevalent outside of these leagues. Two thirds of the clubs in England's Championship are in this category,[147] and clubs in England's Leagues 1 and 2 average less than €5 million in revenues.[148] Further, whereas data are limited outside of Europe, our estimates suggest that club revenues are below €20 million in over 80% of top league clubs in the biggest non-European leagues (like Brazil and Argentina, Mexico and the United States, China, and Japan, South Africa, Algeria and Egypt). As discussed in the prior section, our estimates indicate that about 75% of the world's clubs probably earn revenues lower than €2.5 million per annum. If the pattern in Europe's top leagues (of greater insolvency for lower revenue clubs) holds globally, we expect that the majority of these clubs will be on the verge of bankruptcy at any given point.[149] Most professional football does not, therefore, seem financially sustainable.

This is borne out in data, which show that low revenue clubs are typically more financially vulnerable than higher revenue, top tier clubs. Over 80% of English Championship clubs made operating losses in more than two of the last five years, for instance, compared with about 50%

[147] See media reports on English clubs: http://www.theguardian.com/news/datablog/2014/may/22/championship-club-accounts-profit-loss-and-the-wage-bill (based on data from the journalist David Conn).
[148] These data come from the Deloitte Annual Review of Football Finance (2014).
[149] One can find media reports supporting this contention in most locales, including in regard to China's new league (http://m.bleacherreport.com/articles/1539895-chinas-super-league-is-growing-but-rife-with-problems) and the United States MLS (http://www.newyorker.com/news/sporting-scene/major-league-soccers-money-problems).

in the richer Premiership.[150] Similarly, 75% of lower revenue Brazilian Serie A and Serie B clubs have faced major financial struggles in the past few years,[151] and bankruptcies in Italy are common in lower tier clubs.[152] The financial vulnerability of poorer lower league clubs is further reflected in the fact that only one of the 56 insolvencies in England since 1992 was in the top tier Premier League, with all other failures occurring in smaller clubs at lower levels.[153] Similarly, all of the 30 plus German league insolvencies since 2008 afflicted small lower league clubs,[154] and all 8 clubs rendered insolvent in Romania in the last five years had revenues significantly lower than €20 million,[155] as did the 12 clubs across Switzerland, Israel, and Italy.[156]

The primary message from these studies is simple: Insolvency is an endemic problem in the professional game of football and most clubs would not survive in a normal market sector. This

[150] Using data from Deloitte, we constructed the following table showing the percentage of profitable clubs playing in England's Premiership and Championship. Deloitte also provides detail on losses in lower leagues in England.

Year	% Premier League Clubs with operating profit	% Championship clubs with operating profit
2008/09	45%	13%
2009/10	45%	17%
2010/11	45%	25%
2011/12	50%	4%
2012/13	65%	4%

[151] See the following examples of media reports on this topic from different parts of the footballing world: http://www.nytimes.com/2015/04/24/sports/soccer/brazilian-soccers-financial-disarray-starts-to-show-on-the-field.html?_r=0;http://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=1069&context=gjicl; http://www.ft.com/intl/cms/s/0/6ddffa20-3f0f-11e3-b665-00144feabdc0.html#axzz3nzPBZJm6; http://www.insideworldfootball.com/world-football/south-america/15893-brazilian-clubs-in-crisis-as-wages-unpaid-and-debts-rocket

[152] Zoccali (2011) lists 52 clubs *below* Serie A that went bankrupt between 2006 and 2010.

[153] See the Deloitte Annual Review of Football Finance 2014 (Especially the Databook, p.13).

[154] A list of German club insolvencies comes from Martin Samuel in Britain's Daily Mail. It shows clubs that experienced troubles, by year and reason for failure. 2008: SV Darmstadt 98 (former Bundesliga, now Liga 3, insolvency); 1FC Gladbeck (former second division, now regional league, no licence); SpVgg Erkenschwick (former Bundesliga, now regional league, insolvency); Yesilyurt Berlin (Oberliga, insolvent, folded); FSV Bayreuth (regional league, insolvency). 2009: Sachsen Leipzig (former East German champions, then regional league, insolvency); Altona 93 (Reionalliga Nord, no licence); Kickers Emden (then Liga 3, now regional league, no licence); FSV Oggersheim (Regionalliga West, no licence); Viktoria Aschaffenburg (regional league, no licence); TSV Grossbardorf (Regionalliga Sud, no licence). 2010: Tennis Borussia Berlin (former Bundesliga, now regional league, insolvency); Hansa Rostock II (Oberliga, voluntarily relegated); Rot-Weiss Essen (former Bundesliga, former champions, European Cup competitors, now Regionalliga West, no licence); Bonner SC (regional league, insolvency); SV Waldhof Mannheim (former Bundesliga, Regionalliga West, no licence); SSV Reutlingen 05 (former Bundesliga, then Oberliga, insolvency); TSV Eintracht Bamberg (Regionalliga Sud, insolvency, folded); VfLGermania Leer (regional league, insolvency); Viktoria Aschaffenburg (insolvency); Preussen Hameln (regional league, no licence, club later folded). 2011: TuS Koblenz (former Bundesliga, then Liga 3, no licence); Sachsen Leipzig (insolvency, folded); RW Ahlen (former Bundesliga, then Liga 3, insolvency); SSV Ulm 1846 (former Bundesliga, now regional league, insolvency); SpVgg Weiden (Regionalliga Sud, insolvency); SpVgg Erkenschwick (no license); 1FC Kleve (Regionalliga West, insolvency). 2012: Turkiyemspor Berlin (Oberliga, insolvency); SC Borea Dresden (Oberliga, voluntarily relegated mid-season for financial reasons); VfL Kirchheim (Oberliga, voluntarily relegated midseason for financial reasons); Eintracht Nordhorn (regional league, insolvency); Kickers Emden (insolvency). http://www.dailymail.co.uk/sport/article-2143867/German-football-efficiency-The-Bundesliga-Martin-Samuel.html#ixzz3nzdymXQo.

[155] See, for instance, http://www.fifpro.org/en/news/insolvency-is-hurting-romanian-football-players.

[156] These numbers were drawn from responses to a survey we sent to licensing authorities in the named countries.

is especially the case at the bottom of the football pyramid, where thousands of clubs generate limited revenues and are extremely unlikely to make profits.

In an interesting twist to this story, however, research points out that most clubs actually continue operating, in some form or another, despite recording recurring losses and facing perpetually high levels of debt. In the words of the journalist Simon Kuper, clubs "survive even when they go bust." He comments further that, "You can't get more sustainable than that."[157] Commentators like Kuper observe that clubs survive because of capital injections and bail-outs by wealthy owners, governments, and other patrons, who seem less interested in making money than is normal in business. This observation causes one to question the use of business-specific viability or sustainability measures as the predominant measure of financial health or integrity in football. The measures do not seem as defining as they are in some sectors if clubs and other entities can survive for decades while running losses and incurring debt.

We note that these financial sustainability measures also fail to reflect on key concerns about financial interactions in the football sector that are crucial to any assessment of integrity. These include concerns about where money comes from, how it is used, whether it promotes moral or immoral activity, and more. Such concerns are voiced in the other areas of work identified earlier (on issues like human trafficking, money laundering, match fixing and tax evasion). These are not reflected at all in the work on club profitability, however. Such concerns also pertain to the administrative bodies governing football, like FIFA, UEFA, CONMEBOL and the national associations (often called Federations), which are not addressed at all in the studies on club profitability. The measures would not be relevant in most of these governing bodies, partly because the vast majority of these entities are not-for-profit companies and exist formally as members' associations. FIFA, for instance, describes itself as "an association of associations with a non-commercial, not-for-profit purpose". The extent to which such entities manage finances effectively and promote financial integrity cannot, therefore, be assessed through profit measures (at least not on their own).

A New Approach to Examining Financial Integrity in Football

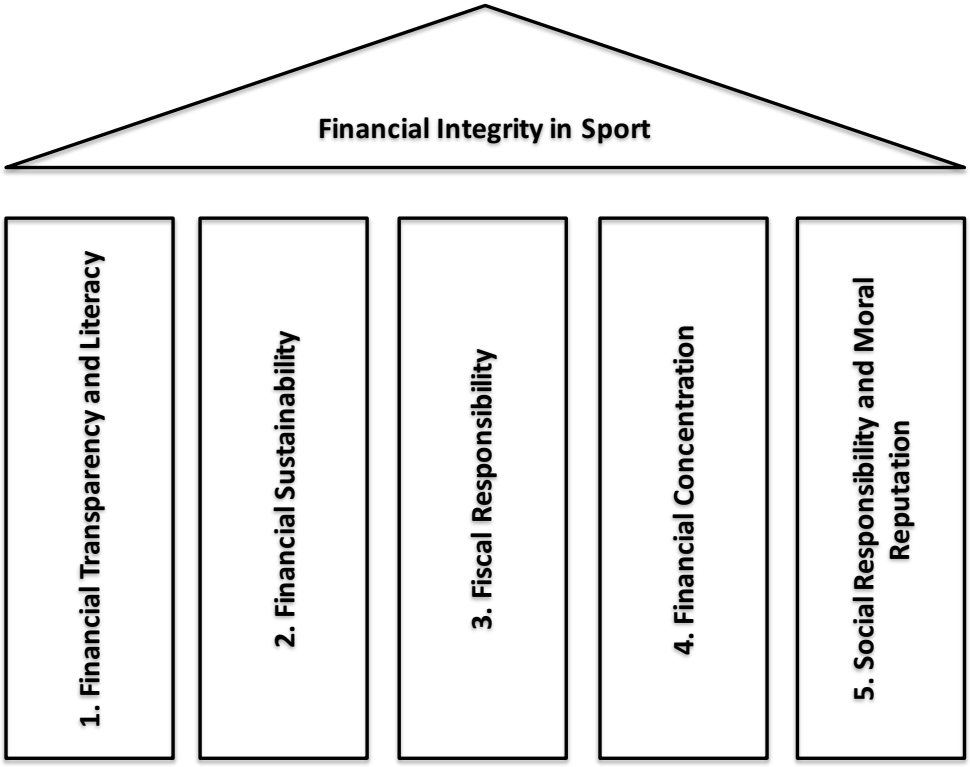
Given these observations, we found it important to offer a more holistic and structured discussion of financial integrity than we could find in the current literature, at the intersection of the many media articles and academic and industry studies presented in the precedent discussion (which tend to offer deep but partial commentaries on a very complex topic). Given our view on the financial landscape, we also felt that any approach to discussing such topic would need to provide a way of examining both club and league systems (where entities raise and spend money to play the game) and governing bodies (that provide oversight and administer the game).

We adopted a multi-dimensional approach to thinking about financial integrity, given that various approaches to the topic suggest different focal points (as discussed). Combining these various focal points, we defined financial integrity as 'being sound, whole, reliable and sustainable, fair and principled, responsible and morally upright in financial structures, transactions and

[157] See http://www.ft.com/intl/cms/s/0/151a2f06-905a-11e1-8cdc-00144feab49a.html#axzz3nzd1MBdZ

relationships'. This definition deconstructs into a manageable basis for analysis, with five core financial integrity dimensions, or pillars, shown in Figure 16 and discussed briefly thereafter.

Figure 16. The Five Financial Integrity Pillars in Sport (and Football)



Source: Authors' rendition of a basic approach to 'financial integrity'

Financial Transparency and Literacy relates to the importance of financial information in any conception of integrity. It is impossible for an organization to prove its financial integrity if it does not provide appropriate financial information to stakeholders (being financially transparent) and, perhaps even more fundamentally, if it does not have the capacity to produce this financial information in the first place (being financially literate or proficient).

Financial Sustainability relates to the organizational ability to maintain sufficient financial capacity over time (enjoying the resources to seize opportunities and react to unexpected threats while maintaining general operations) to produce value without undue interruption. Building on the discussion so far, this does not require making constant profits but is rather about ensuring a constant flow of patronage-based financing in clubs and appropriate financing in administrative and governing bodies.

Fiscal Responsibility is used narrowly to reflect on the extent to which organizations in the footballing sector maintain their obligations to pay taxes and related social payments; so as to be seen as responsible citizens contributing appropriately to public finances.

Financial Concentration focuses on the manner in which financial resources are distributed across the footballing sector (and specific markets or leagues), given the underlying rationale that high levels of financial concentration undermine competition and lead to resource misallocation.

Social Responsibility and Moral Reputation stress the importance of using finances derived from professional football to promote the broad-based development of the game and the social harmony and well-being of communities in which the game is being played *and* of fostering just, fair and upright behavior when engaging in financial transactions, promoting a positive moral reputation (as a vital intangible asset for any organization or sector).

As noted, Figure 16 shows these dimensions as pillars of financial integrity in football. Where the pillars stand tall, financial integrity is maintained and the sport enjoys trust and confidence. Conversely, financial integrity in the sport is undermined if even one pillar is compromised. Unfortunately, anyone reading popular media stories and reflecting on the concerns discussed earlier would believe that a number of these pillars are shaky. As we already mentioned, these stories are sometimes hard to validate. They cause us to wonder; Is the incessant flow of negative media and concern evidence of real risk to the financial integrity of the sport, or is it just hyperbola? The only way to find out is to do an integrity check on all dimensions, to assess how high the pillars are and if the house is in order or not. The following sections provide such a check, in respect of football's clubs and leagues and its administrative and governing bodies.

4. Financial Transparency and Literacy

> "Transparency and accountability need each other and can be mutually reinforcing. Together they enable citizens to have a say about issues that matter to them and a chance to influence decision-making and hold those making decisions to account."
>
> Transparency Accountability Initiative[158]

> "The risk of corruption at too many football associations around the world is high. This problem is made worse by the lack of information such as audited financial statements by many associations."
>
> Cobus de Swardt, Transparency International[159]

As already discussed, the study involved a nine-month search for publicly available data about finances in global football. This search taught us a great deal about the lack of financial information produced and/or accessible in global football. This is not surprising, given that large and complex financial flows are relatively new in this sector; and clubs, associations and other entities are only just starting to produce and publish financial information. We felt that it was vital to tackle data limits explicitly in our discussion of financial transparency and literacy, however, as many of the 'dark spaces' in football's finances threaten the game's integrity. These dark spaces raise questions about financial literacy and transparency in football, which we define as 'the ability to manage and report on finances' (financial literacy) and 'making appropriate information about finances available to relevant stakeholders' (financial transparency).

Assessing the Status Quo

There is a lot one could discuss under the headings, 'financial literacy' and 'transparency'. In order to focus our assessment, we worked according to basic understandings of each topic. These are extremely simplified approaches that guided our broad search to assess whether clubs and associations have the financial management and reporting mechanisms to provide some semblance of integrity. There is much more detail one could go into, and indeed other studies do so.[160] In thinking about financial literacy, we reflected on the extent to which organizations involved in football have skilled people to manage finances, use standards and protocols that are relevant and practical for application to football's financial challenges, and are overseen by effective agencies (as shown in Table 6). In terms of financial transparency, we asked even more basic questions; focused on whether organizations involved in football produce financial reports according to standards, make reports and information available to key stakeholders (like boards

[158] http://www.transparency-initiative.org/about/definitions

[159] http://www.transparency.org/news/pressrelease/football_associations_publish_little_or_no_information_on_millions_of_dolla

[160] See, for instance, Andreff (2007), Baroncelli and Caruso (2011), Baroncelli and Lago (2006), Beech (2010), Morrow (2006, 2013, 2014), Senaux (2008), and Stewart (2007).

and tax bureaus), and make reports and information available to broader groups of interested stakeholders (like supporters) (as shown in Table 7).

Table 6. Fundamental Dimensions of Financial Literacy

Football organizations (clubs, associations, etc.) have skilled people managing finances	Standards and protocols used in managing finances are relevant and practical for football organizations	Oversight entities are effective in ensuring that finances are managed correctly

Table 7. Fundamental Dimensions of Financial Transparency

Organizations produce financial reports according to accepted standards, disclosing information relevant for decision-making and accountability concerns	Financial reports and information are made available to key stakeholders for decision making (e.g. Boards) and accountability reasons (e.g. Club licensing bodies, tax bureaus)	Financial reports and information are made available to broader stakeholder groups with an interest in the organizations (e.g. supporters, local government, community organizations)

In reflecting on these criteria, we found an incredibly diverse picture across countries and leagues and organizations involved in football. The best available data on football finances in clubs and leagues comes from the English Premiership and Championship and the top clubs in Europe's other Big 5 leagues (France, Germany, Italy, and Spain). Many clubs in these leagues are essentially mid to large private sector firms (albeit with different forms of ownership) and most of them produce financial reports common to such firms.[161] These reports are made public on websites and include reporting on corporate social responsibility issues as well as finances.

We estimate about 150 to 200 clubs are in this category—which we call the 'public reporters'—across Europe.[162] This is about 6 to 8% of European clubs. We have no estimates of club numbers outside of Europe, but we do not expect more than a few hundred (given that clubs in this category are large and/or publicly traded, with few examples of such outside Europe). Beyond

[161] Reports are available in England for clubs owned by private individuals or investment groups (like Chelsea (https://www.thechels.co.uk/club/finances/) and Tottenham (http://www.tottenhamhotspur.com/news/financial-results-270315/), and clubs like Newcastle United (http://www.nufc.co.uk/articles/20150330/united-announce-accounts_2281670_4601316), and Manchester City (http://annualreport.mcfc.co.uk). Financial reports are produced by clubs in other leagues as well, where ownership is sometimes related to a private individual or group (See, for instance, financial statements from AC Milan (http://acmilanfinance.com/financial-statements/ and Paris St. Germain (http://www.psg.co.za/investor-relations/financial-information/)). These reports are also produced by clubs responsible to a large group of supporters (called 'socios' in Real Madrid, for instance, who can access financial details at http://www.realmadrid.com/en/members/member-card/annual-reports). The reports are also produced by clubs owned by a blend of both private owners and supporter groups (in the case of a club like Bayern Munich, for instance (http://www.fcbayern.de/en/news/news/2014/annual-general-meeting-2014-summary-281114.php)).

[162] In building this estimate, we found web-based publicly available reports for all English Premier League and Championship clubs, and for the majority of clubs in the other Big 5 leagues. This alone leads to over 100 clubs producing publicly available reports. Other clubs are in the lower leagues in England and Scotland, and in other top European leagues (where we estimate that about an additional 50 to 100 clubs produce publicly available reports). Perennial competitors in the Champions League and Europa tournaments are more likely to produce public reports, whereas others in the same league do not. Porto does, for instance, but we could not find annual financial reports for other top Portuguese league clubs like Arouca. We had similar experiences in leagues like Russia and Holland. In many countries even the Champions League competitors do not produce publicly available reports (Dinamo Zagreb in Croatia is a good example). Given this research, we counted 70% of the clubs that compete regularly in Europe to make our estimate. It is just an estimate, though, and needs more thorough analysis in future research.

providing actual financial data to a broad stakeholder community (including readers and researchers like ourselves) these 'public reporter' clubs tend to have skilled staff to manage finances. They also tend to adopt generally accepted accounting and reporting standards and practices in managing and reporting on finances. They thus demonstrate a notable degree of financial literacy and transparency (where the clubs are transparent towards both investors and supporters in many instances). Their information is also made available through entities like Forbes (especially in its Money League and Business of Soccer data[163]) and Deloitte.[164] This is because of intense interest in these clubs, which creates a demand for financial information and a market for those providing this information, which goes beyond the direct users (boards and tax offices, for instance) and is available for broad stakeholder groups.[165]

We have some concerns about the content of many of these financial reports, however, centered on the standards and methods applied to complex issues like transfers and player values; and to sponsorship revenues and debt. One sees different 'public reporter' clubs adopting different policies to account for intangible assets (like player values), for instance, and reporting differently on transfers and player transactions.[166] In an interesting study on the topic, Bengtsson and Wallstrom find a lack of consistency in the presentation of valuation of players in clubs like Arsenal, Manchester United, Juventus, and FC Porto (where Arsenal and Manchester United provide minimal disclosure and the latter two provide in-depth and even detailed disclosure). The authors note that Arsenal's presentation of information "is in line with the minimum requirements from IASB and UEFA" but they also reflect on how limited it is: "Only the total cost of acquired players in the beginning and end of the fiscal year is presented with adjustments for additions and disposals…Players are not reported separately, instead bundled into a group representing the total value of the contracts. Amortization is presented similarly, with the total amount in the beginning and end of the period, adjusted by disposals and impairment." In contrast, "Juventus FC reports every single contract individually [which means that] The reader[s] of the financial report get information of historical cost, accumulated amortization, remaining book value at the end of the financial year and information regarding the current contract."

[163] For reference, see http://www.forbes.com/soccer-valuations/list/

[164] The 2015 Deloitte Annual Report on Football Finance summary covers the English and Big 5 leagues, available at https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-deloitte-uk-arff-2015-highlights.pdf

[165] Many studies depend on the Deloitte and Forbes datasets, which claim to be reliable because they draw directly on clubs' own reports. We have some concerns about the reliability of these data, given questions that emerged when we were doing our own robustness checks. For instance, Forbes valued Atletico Madrid at US $436 million (See the valuation at http://www.forbes.com/teams/atletico-de-madrid/) at about the same time that Dalian Wanda purchased 20% of the club (in January 2015) for US $52 million (See http://www.ft.com/intl/cms/s/0/687428ee-a076-11e4-8ad8-00144feab7de.html#axzz3sKRhA4AT). The purchase price suggests that the club should actually have been valued at US $260 million, which is about 60% of the value ascribed by Forbes. There are many reasons for this kind of inaccuracy that are common to the information they present. For instance, Atletico may have reported their finances inaccurately or accepted a lower capital valuation in the Dalian Wanda deal (given the need for capital to service tax debt levied by Spanish authorities). For this reason, we are not overly concerned about this and other observed 'inaccuracies'. Some authors have raised more serious concerns about limits in the Forbes and Deloitte data, however. For instance, a recent blog post by Stefan Szymanski questions the accuracy of Forbes figures on United States Major League Soccer clubs (http://www.soccernomics-agency.com/?p=692).

[166] See Rowbottom (1998) and Bengtsson and Wallstrom (2014, see page 32).

They include the following table as evidence of the transparency in the Juventus accounts, which stands as an example of the kind of disclosure leading clubs might offer to interested observers:

Table 8. How Juventus Presents Player Values in its Annual Financial Reports

Player Category	Historical Cost at 30/06/2016 (Euros thousands)	Accumulated Amortization and Depreciation at 30/06/2016 (Euros thousands)	Remaining Book Value at 30/06/2016 (Euros thousands)
First team	206,030	119,482	86,548
Other professional players	60,738	40,489	20,249
Player-sharing agreement	490	-	490
Other revenue-sharing agreement payable	14,345	3,576	10,769
Registered young players	1,593	427	1,166
Players not included in the technical project, but still on the payroll for the 2012/13 season	10,646	10,646	-
Players' registration rights, net	293,842	174,620	119,222

Source: Bengtsson and Wallstrom (2014, page 32).

The study by Bengtsson and Wallstrom reinforces prior work, which shows that clubs (and other new adopters of accounting standards) apply different principles in accounting and also disclose data differently.[167] Past work suggests that such differences may result in accounts not reflecting the fair financial status of clubs,[168] let alone comparable financial conditions across clubs. This is made worse by the fact that many clubs do not provide information for readers to use to interpret data (with a club like Arsenal revealing very little about transfer deals, for instance). This raises questions about the suitability of general accounting standards in the face of peculiar football-related issues and the reliability of financial information as now presented. Such concern has led to calls for more football-specific accounting regulations, especially focused on the need for transparency in football-specific transactions (like player transfers).[169]

There are two other concerns to raise in respect of the 'public reporters'. First, the clubs in this category take a variety of legal forms. Some are publicly traded companies, others are privately held by individuals or holding companies, and others are non-profit corporations of some kind or another.[170] This means that the different clubs are subject to different accounting standards and principles, and different disclosure expectations. This makes any recommendation for reform and improvement extremely complex. Recommendations will affect different club-types differently, and could impact on fairness in competition (which is already the case, given that different

[167] Soderstrom and Sun (2007).

[168] Lozano and Gallego (2011).

[169] In a blog advocating for transparency, Phil Greggory writes, "Few other businesses pay vast fees to secure employees, nor do they pay their employees in a complex manner that includes basic pay, image rights and performance-related bonuses, and yet no special demands are made of football clubs to disclose this clearly in their annual financial statements" (http://untold-arsenal.com/archives/10412). Supporters Direct also advocates fro transparency (http://www.supporters-direct.org/wp-content/uploads/2012/07/Developing-Football-Regulation-to-Encourage-Supporter-Community-Ownership-in-Football-Briefing-2.pdf;http://www.supporters-direct.org/wp-content/uploads/2013/02/SDE_chapter2.pdf).

[170] Pavlovic et al. (2013) show that 40% of the 235 clubs participating regularly in European competition are nonprofit companies or associations; 8% were publicly listed companies; 22% were 'sporting incorporated entities' (a form recognized in 16 European countries); 28% were some other form of company; 2% were state-funded entities.

accounting regimes create different constraints on clubs[171]). Second, the clubs are subject to different types of oversight. Some clubs are subjected to high levels of scrutiny by national tax authorities, others are not. Some are subject to effective monitoring by national football associations or league bodies, others are not.[172] This, again, creates an uneven landscape for financial management and compliance. UEFA attempts to bridge gaps between contexts through the oversight associated with its Financial Fair Play Regulations, but it has a small group working on such issues; one cannot expect that it will provide the depth and breadth of oversight needed to ensure all clubs comply effectively with accounting and reporting requirements.

The oversight concerns are more pressing in respect of 'non-public reporter' clubs (which account for over 90% of European clubs, and more in other regions). Clubs in this category do not provide their accounts for public scrutiny. They are—at best—providing reports required to comply with tax and/or club licensing and regulation requirements (of national associations or organizations like UEFA). UEFA's Financial Fair Play regulations are probably the best known example of regulations specifying what financial information is required by clubs, and what 'standards' must be met to compete in top competitions (related to 'breaking even', for instance, and having no outstanding tax obligations).[173] These regulations were created by UEFA to ensure it could oversee the financial sustainability of clubs playing in European competitions (the Champions and Europa Leagues). About 730 clubs were required to report in respect of these regulations in 2013/14. Many national associations in Europe rely on these regulations in their own club registration processes as well, and claim to receive annual reports (or more regular) about club finances (mostly from top tier clubs). UEFA's own licensing authorities estimate that over 1,400 European clubs are covered by such mechanisms.[174]

We are concerned that, even with these reforms, many clubs are still not covered. Oversight bodies in countries outside of the Big 5 tend to focus only on the top tier clubs in their registration processes (or, at most, the top two tiers). This leaves thousands of clubs without any real oversight at all. Second, we find it extremely difficult to get an effective view on the quality of financial practices and/or information in even the leagues where clubs should be reporting. UEFA summarizes the information it receives in its annual Club Licensing Benchmarking reports, and offers observers a view of aggregate league-level numbers in Europe's top 53 leagues—but gives no specifics (until recently) about actual club finances or financial management and reporting practices and processes in clubs.[175] Beyond UEFA, few associations that claim to receive financial data provide even aggregated public reports on such, making it difficult to assess compliance in many leagues, or to vet the effectiveness of financial management mechanisms are in clubs.

We are concerned that compliance is not very high, and that financial literacy and transparency is deficient in many European clubs (especially below the top tiers). We say this partly because

[171] In Germany, for instance, members' clubs have traditionally faced lower accounting standards. According to Dietl and Franck (2007), "low accounting standards for members clubs, combined with "soft" law enforcement, invite club representatives to hide their consumption on the job behavior until their clubs are insolvent."

[172] See, for instance, the discussion of oversight in France and Italy by Andreff (2007) and Zoccali (2011).

[173] Quick references on these regulations include http://www.uefa.com/community/news/newsid=2064391.html and http://www.financialfairplay.co.uk/financial-fair-play-explained.php.

[174] This is based on personal correspondence.

[175] http://www.uefa.org/protecting-the-game/club-licensing-and-financial-fair-play/news/newsid=2295968.html

our own research suggests that national associations and league bodies have limited capacity to provide the oversight needed for many clubs (and we assume that limited oversight probably yields limited compliance).[176] Further, empirical research by others point to examples of weaknesses in club accounting and reporting regimes that we believe are likely to be pervasive: Emery and Weed describe limited financial management capacity in lower league clubs in England, for instance.[177] Similarly, David Prochazka's study reveals that "a significant number of Czech football clubs submit their financial statements to the Business Register with a delay or they do not submit the statements at all despite the submission is mandatory."[178] In another example, Barajas found "a lack of financial transparency" in Spanish football, with, for example, "delays in the duty of presenting the Financial Statements" and "numerous exceptions in the auditing reports."[179]

We can cite other examples pointing to gaps in the literacy and transparency of football finances in European clubs. These gaps will undermine the impact of even the best intentioned processes (like Financial Fair Play regulations). We expect that these gaps lead to many other financial integrity concerns across Europe's club system, including completely missing financial management processes, weak compliance, and creative accounting.[180] We expect these financial integrity concerns are pervasive outside of Europe's club system as well. There are few studies on such contexts, but existing work suggests that both financial literacy and transparency are lacking. A recent study reports, for instance, that "The financial management profession in Saudi Arabia was found to be inadequately prepared to deal with the unique aspects of the football industry…[which meant] that accountability and compliance levels are still very inadequate amongst football clubs."[181] Another study concludes that, "Serious financial disclosure challenges exist in Ghanaian football … [and these challenges] have persisted, sometimes with the active involvement of club auditors."[182] Other examples come from countries like Brazil, where most professional football clubs score far below European examples in terms of the quality of accounting, reporting and corporate governance mechanisms.[183]

Given these concerns, we see a dark space in respect of about 90% of the world's clubs (the non public reporters)—where financial data are not accessible and we have no idea if any systematic financial management processes are in place to produce such data. *We are not saying clubs have no processes in place, just that we cannot assess if and how finances are managed in these clubs.*

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[176] We conducted interviews with club and league representatives in various European countries and developed the opinion that financial management capacities are lacking in most clubs outside of the top tier in Europe. We are not aware of research in this area, but believe such would be extremely valuable (assessing how many clubs have full time accountants, for instance, or any experience reporting according to national or international standards).

[177] Emery and Weed (2006).

[178] Prochazka (2012).

[179] See Barajas (2004), Barajas and Rodriguez (2010).

[180] Others have raised such concerns as well. See, for instance, Peeters and Szymanski (2014).

[181] Alhakami (2010).

[182] Baah-Nuakoh (2013).

[183] A recent study by Rezende et al (2010) graded Brazilian clubs on the quality of their management systems. As it reports, "the results confirm the chaotic scene of the management model adopted by Brazilian clubs. The biggest governance index did not exceed 49.1% … the national average is 28% … and the worst is 13%...[compared with a European club, where the score was 60%]." See also Nakamuro (2015).

This is a major risk to financial integrity and is the situation we face in spite of efforts by entities like UEFA to monitor finances in the club registration process. UEFA provides some level of compliance-based monitoring to about 700 clubs only; the Asian Confederation is in the first few years of introducing similar monitoring, but as yet produces no publicly available data on even top clubs; the African Confederation (CAF) has also made noises about registering clubs, but with little progress.[184] Other confederations lack these mechanisms, and there is little evidence that many national associations outside of Europe actively monitor club finances.[185] We cannot even find media-based estimates on club finances in most of these contexts, and there are no Forbes or Deloitte reports to rely on (apart from in the United States Major League Soccer and with respect to some of the very big clubs outside of Europe).

Beyond clubs, we also find deficiencies in the financial data of football's governing bodies. Our work on these bodies started with FIFA and UEFA, the two largest. Both entities produce annual financial reports. For large non-profit organizations, however, their disclosures have gaps.

First, the organizations do not disclose sufficient cost and revenue details. They provide little information on executive compensation, for instance, which puts them behind the practice in many organizations (including many private corporations).[186] Such disclosure is required for non-profits in many countries, given the added scrutiny associated with having a tax exempt status and the importance of being transparent with donors and members (in an associative body like FIFA or UEFA). This disclosure is also increasingly common in similar governing bodies (like the National Football League in the United States, where the organization provides data on executive pay, perks, and more)[187] but FIFA and UEFA still provide little to no data of this kind. This leads to various financial integrity risks for these organizations. Executives are themselves also at risk, with these low-disclosure contexts likely to lead to failures in registering conflicts of interest and other potentially compromising transactions. The 2015 banning of Michel Platini and Sepp Blatter shows, at least in part, how poor disclosure practices create such risks.

We are also concerned about compensation issues beyond just the President or CEO level. We worry that organizations like FIFA, UEFA and the other regional confederations and national associations do not provide sufficient compensation to many frontline officials—especially those who perform audits on clubs and referees ensuring the on-field integrity of football games. A large literature links corruption with low compensation for this kind of frontline worker. At present, these officials are among the lowest paid in the governing structures of world football.

[184] Razano and Majani (2014).

[185] We surveyed 44 governing bodies. Only 8 provided guidelines for club licensing. Five of these were in big European countries, where UEFA's Financial fair Play is influential. Beyond this, one finds countries like New Zealand and South Africa standing out as examples where evidence suggests the national association licenses clubs.

[186] Since the 2008 global financial crisis, countries in Europe and North America (and beyond) have developed laws requiring disclosure of the processes used in determining executive compensation, and of compensation details, and even rules limiting the size of executive compensation (see recent discussion of this in the United States, available at http://www.insidecounsel.com/2015/04/29/sec-promotes-transparency-in-executive-compensatio).

[187] In this respect, a recent article notes that "The United States Internal Revenue Service requires any non-profit to disclose how much it pays its key personnel … on the grounds that their tax-sheltered status requires a high level of transparency to ensure there is no abuse. That includes very lucrative non-profits, like the National Football League (NFL), which has since had to disclose tens of millions of dollars doled out to its top executives." (http://www.traceinternational.org/disclosure-of-executive-pay-a-global-trend/.)

We also note that the ratio of national association CEO to average referee pay is high, at about 35 (at least in the English Premier League, where we have media-based estimates of CEO and referee salaries).[188] We wonder if referees should be paid so little relative to CEOs, and also wonder why there are no official data provided about how much these frontline workers are in fact paid (which may influence public opinion on their relative value but would also foster greater transparency about their conditions of service, and perhaps even pave the way towards having full asset declarations by these officials—at least in big competitions).

We also find low transparency in the administrative and governance spending of FIFA and the main confederations. FIFA has a reputation for largesse, at least in the media, which is not appropriate for a not-for-profit association (with allegations of extravagant travel policies, for instance, and office spending). FIFA has, over the years, argued that the reputation is not legitimate, and that it has actually been responsible in keeping costs down. The only way to assess the legitimacy of this claim is for FIFA to provide more data than it currently does on its overheads, operational costs and policies. It is currently impossible to assess how much is spent on first class travel, for instance. Beyond this, FIFA has also been criticized for a lack of transparency in its development funding. Money passing through mechanisms like the Goal Programme is only partially transparent: FIFA shows which countries and projects money *should* go to (given official decisions, which are also not very transparent), but provides no systematic data on how the money is actually spent (or if projects were completed or had an impact). There are numerous examples where the money has been misappropriated, but FIFA has not identified the problem or reported on such. This kind of spending requires more active oversight and follow up than FIFA currently provides, given that the money is often being spent in low-capacity settings characterized by political and other problems. This oversight should lead to more active reporting on how funds are actually being used; to FIFA associates and members.

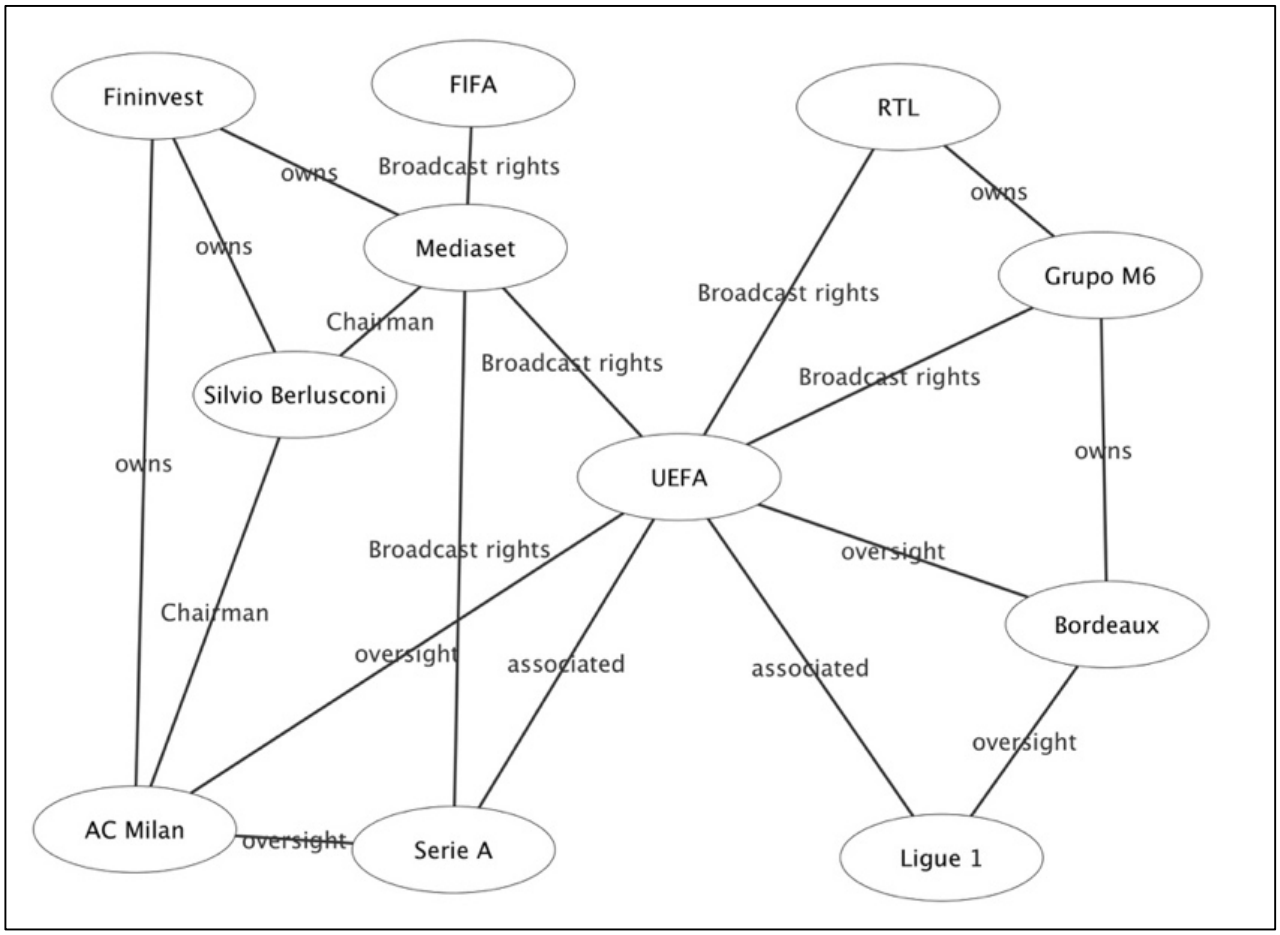
Additionally, FIFA and UEFA are not transparent about potential conflicts of interest in respect of their revenue sources, bidding processes, and other financial partnerships. Most of the two associations' revenues come from sponsorship and broadcasting deals with global companies (which are named in reports, on websites, and such). The details of these deals are seldom disclosed, however, and FIFA, UEFA and other confederations like CONMEBOL do not seem to have defined rules or guidelines to ensure accountability in these deals or to limit conflicts of interest arising in respect of such. FIFA claims that the details of these deals are private and its executive bodies reserve the right to engage in these private deals without full disclosure. This frustrates us as researchers, of course, because we cannot do the work needed to analyze risks associated with financial connections and relationships (like building transactional networks, which we know are proving increasingly useful for organizations trying to understand financial and relational risks).[189] Using our limited data on relationships and deals, we constructed networks to show what such assessments look like. Even our examples cause concern:

[188] Media sources estimate the Premier League CEO salary at between £900,000 and £2.5 million, depending on performance. We used the midpoint—£1.7 million. We also relied on press reports for referee salaries (from £50,000 to £100,000): http://www.telegraph.co.uk/sport/football/10842128/David-Cameron-and-Premier-League-in-stand-off-over-Richard-Scudamore-sexism-row.html;http://www.dailymail.co.uk/sport/football/article-2909239/Top-Premier-League-referees-earn-FIVE-TIMES-Football-League-officials.html.

[189] See recent work on this in the Journal of Network Theory in Finance, http://www.fna.fi/knowledge_center

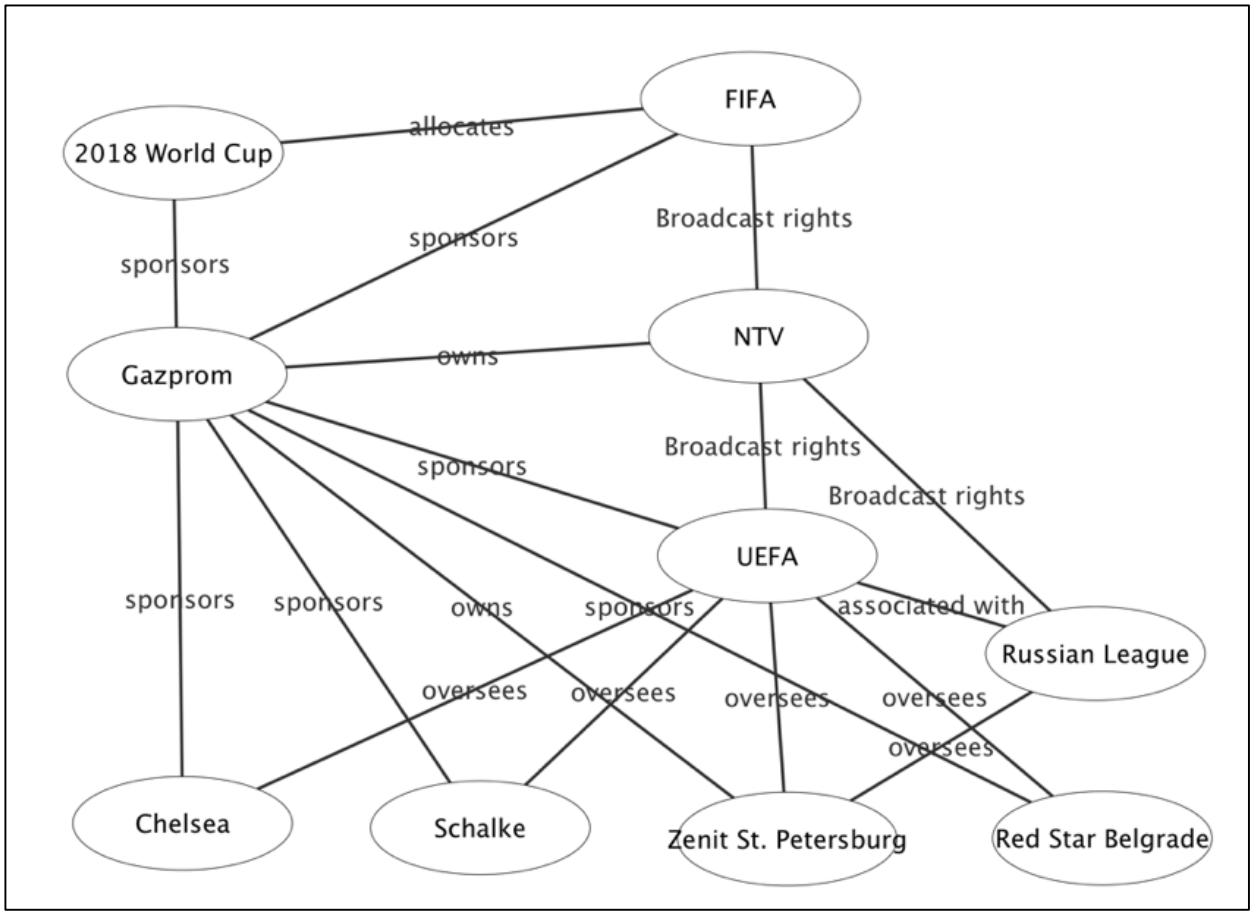
- Figure 17 shows the media rights relationships between UEFA, Mediaset (Italy) and RTL and Grupo M6 (France and Luxembourg). These are the Champions League and Europa League broadcasters in those countries. Mediaset also broadcasts Serie A games in Italy. The problem is that Mediaset and Grupo M6 are both owners of clubs that compete in the European tournaments (AC Milan and Bordeaux, respectively). This means that UEFA has to oversee and regulate clubs whose owners are actively paying UEFA to broadcast matches. This raises conflict of interest questions for UEFA (given that any regulator should be careful of receiving money from or engaging in an economic relationship with an entity it has to regulate, even if the relationship is at two or three degrees of separation).
- Figure 18 illustrates a similar set of relationships in respect of competition in Russia, where UEFA has a sponsorship relationship with Gazprom (as does FIFA), which also owns the national broadcaster NTV (which also has broadcasting rights for FIFA, UEFA and Russian League games). Gazprom also owns Zenit St. Petersburg and sponsors Chelsea, Schalke, and Red Star Belgrade, which compete in European competitions. As with the French and Italian examples, we see a potential conflict of interest in UEFA engaging for financial gain with companies that own clubs it ultimately must regulate and oversee.

Figure 17. Links Between UEFA, Broadcasters, and Clubs in Italy and France



Source: Authors' analysis, based on published information about relationships between entities.

Figure 18. Links Between UEFA, Sponsors, Broadcasters, and Clubs in Russia (and Beyond)

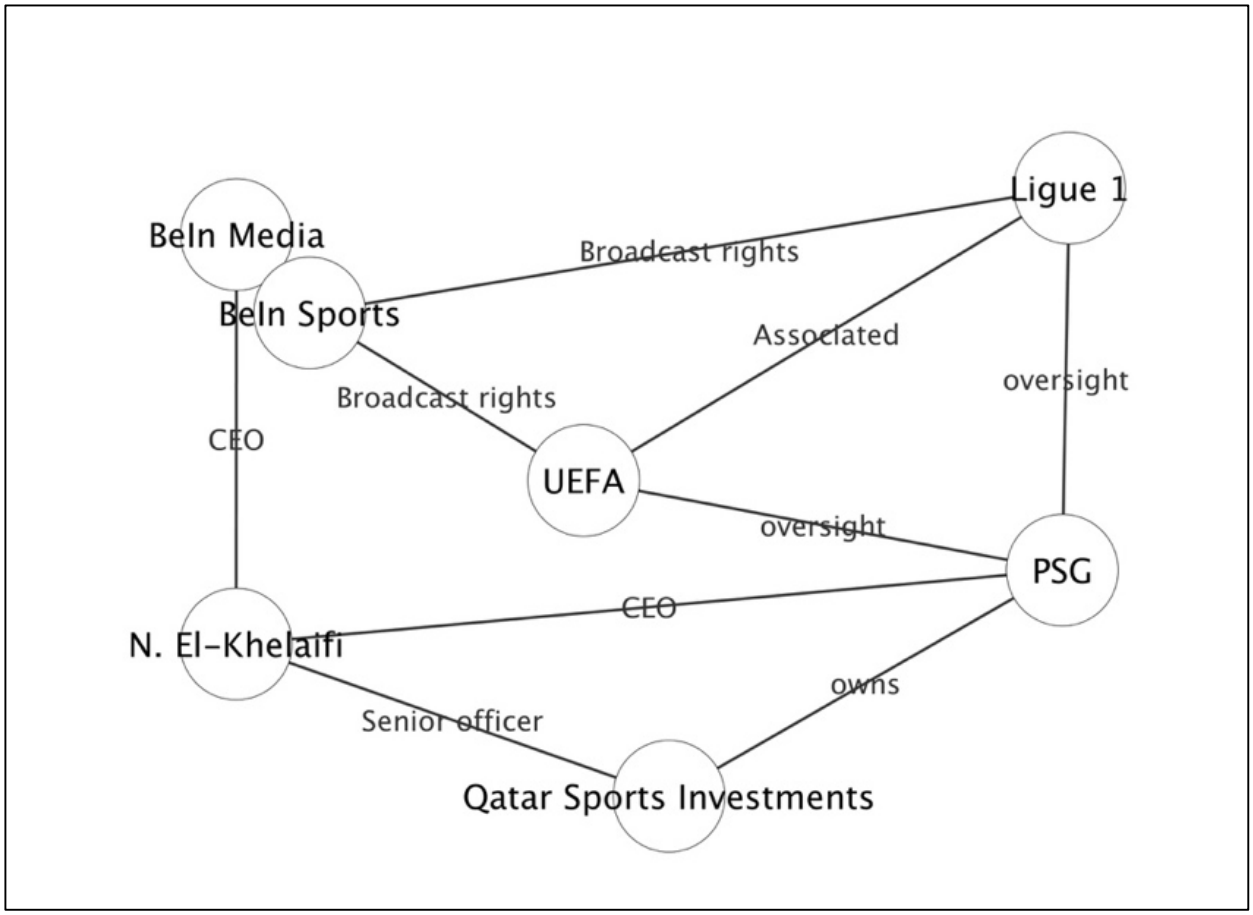


Source: Authors' analysis, based on published information about relationships between entities.

- Figure 19 provides a final example, where one sees UEFA and the French Ligue 1 authorities engaging in broadcast deals with Qatar based entities like BeIn Sports that have many other interests in the world of football. BeIn Sports is owned by BeIn Media, which has Nasser El-Khelaifi as Chief Executive Officer. Mr. El-Khelaifi is also Chief Executive Officer of Paris St. Germain (PSG), however, which is a football club playing in UEFA and Ligue 1 tournaments, and thus coming under the oversight of UEFA and Ligue 1. The same questions arise as above: Are the oversight and regulatory roles of UEFA and Ligue 1 compromised if these entities are engaged in financial relationships with the owners of PSG, where they benefit from such relationships? This has been tested recently, with PSG falling short of Financial Fair Play (FFP) regulations (overseen by UEFA). UEFA seems to have held a tight and firm line on this situation, although some commentators in Europe are critical of the arrangements made by PSG to decrease their punishments.[190]

[190]For discussion on the PSG and Manchester City cases and punishment in mid 2015, see the following articles: http://www.telegraph.co.uk/sport/football/teams/paris-st-germain/11712348/Paris-Saint-Germain-have-Uefa-Financial-Fair-Play-restrictions-lifted.html;http://www.espnfc.us/story/2511923/uefa-lifts-man-city-and-psg-spending-restrictions

Figure 19. Linkages Between UEFA, Broadcasting Contacts, and Paris St Germain



Source: Authors' analysis, based on published information about relationships between entities.

We include these figures and discussion not to argue that there is de facto wrong-doing in the financial dealings or relationships shown. In fact, as we acknowledge, it appears as if UEFA has maintained its integrity in dealing with Paris St Germain (PSG) (when the club broke FFP rules) even when this could have incurred the ire of a broadcasting partner with ownership interests in PSG. We include the figures because we believe they illustrate the presence of potential and apparent conflicts of interest for UEFA,[191] which are not properly disclosed by the organization. We believe these kinds of organization-level conflicts of interest are common in football, but are generally poorly addressed in contracting procedures and financial reports. We see nothing in the FIFA Code of Ethics or any UEFA documents or documents of other confederations which

[191] It is common to differentiate between real, potential, and apparent conflicts of interest. A real conflict of interest occurs when an organization or officeholder is in a position to personally benefit from a decision or relationship (or where a decision or relationship compromises its role). A potential conflict of interest arises when such situation is evident but has not yet transpired. An apparent conflict of interest occurs when there is a public perception that an organization or officeholder is in either a real or potential conflict situation. Most organization-wide conflict of interest policies target all three kinds of conflicts of interest, as even apparent conflicts of interests can lead to legal proceedings and costs.

suggest any organization-level conflict of interest policies that would reflect on such contracts.[192] This, we believe, is a major concern for transparency as all these organizations are not-for-profit, associative bodies that operate in the interest of broad membership groups (not as private entities) and that simultaneously engage in large contracts that are currently opaque in most respects. There is no disclosure of actual amounts involved in the contracts, or of potential conflicts of interests arising in respect of these contracts.

Similar public-interest organizations (like governments and not-for-profits) are subject to rules which require disclosure of all contracts and contractor details before and after contracts are issued. The contractor details that need to be disclosed commonly relate to the broad sets of relationships shown in the network diagrams above, "including not only the business unit or segment that signs the contract..[but also] all subsidiaries and affiliates."[193] We believe that the current gaps in disclosure of such information in the football sector is dangerous for not-for-profit bodies like FIFA and UEFA that have both broad membership obligations and regulatory roles (where they license cubs, for instance, and need sufficient status, legitimacy and independence to invoke punishment where such is required). The recent challenges to FIFA's reputation center on some of these issues (and potential corruption with bidding and sponsorship deals) and undoubtedly weaken the organization's role as a governing entity and regulatory body (the kind of organizations that EU conflict of interest rules note are most in need of such policies).[194]

We fully accept that laws on this issue are vague in many countries; organizations like FIFA and UEFA may even claim legal rights to privacy in such issues. However, the lack of information about these issues creates a financial integrity 'dark space'—where executives can pay themselves excessive salaries, for instance, or where the organization can engage in corrupt deals, launder money, or draw their organization into contracts that result in conflicts of interest.[195] Examples of this are currently apparent in the legal proceedings against officials from CONMEBOL and other federations, who used the opacity of broadcasting and sponsorship arrangements to negotiate personal deals. The risk of this kind of behavior continuing is high if the current opacity is maintained. Furthermore, we believe that there are recent examples showing that this kind of opacity is misplaced in not-for-profit organizations that have a special obligation of transparency to members and the public. A recent case of London's Tate Gallery is of relevance, for instance;

[192] As noted in various places, the fact that we have not found such documents does not mean conclusively that they do not exist. It is possible that such documents do exist but we have just not been able to locate them.

[193] This language is from Defense Acquisition rules in the United States, discussed in Thomas (2012). The thinking is reflected in United States Government Accountability Office records, which affirm that "all business interests within the larger corporate enterprise are imputed to every entity and person within the enterprise." See also Gordon (2005) and refer to Douglass Hibshmann:http://governmentcontracts.foxrothschild.com/2014/12/articles/federal-government/organizational-conflict-of-interest-oci-what-is-it/.

[194] The 2013 Guidelines on Prevention of Conflict of Interest in EU Decentralized Agencies notes that, "conflict of interest is particularly relevant in agencies entrusted with regulatory or inspection powers, or with significant decision-making with potentially important costs involved and/or impacts, or form an indispensable part of the basis for the Commission decision-making." See the full document at http://europa.eu/agencies/documents/2013-12-10_guidelines_on_conflict_of_interests_en.pdf

[195] This is a common critique from advocacy organizations like Transparency International (see recent work at http://www.transparency.org/news/pressrelease/how_to_fix_fifa). It is a central idea in the work of Roger Pielke, Jr. a leading academic voice on FIFA (see Pielke 2013).

where a Court ordered that the not-for-profit organization release details on a BP sponsorship to allow public discussion about the merits of such.[196]

As was suggested in the Tate Gallery case, not-for-profit, associative organizations should be held to a higher level of disclosure than is the norm in private organizations (where resources and interests represent a few private individuals). Organizations like FIFA and UEFA enjoy privileged status as not-for-profits (which means they should be accountable to the public more than is typical in private organizations) and they are meant to be accountable to members (which means they should be committed to inform members about financial relationships, commitments, dependencies, and more). The size and breadth of FIFA and UEFA membership suggests that this commitment would essentially equate with making such information fully public (given that ultimate members include all those registered with the associative bodies affiliated to FIFA and UEFA, who number millions all over the world). We do not see these organizations being transparent to such members right now. Where they do provide information, it is often only to members of executive committees or representatives of national associations sitting on internal committees, which we argue is too limited and does not generate the necessary transparency.

Outside of FIFA and UEFA, we find there are many more fundamental data deficiencies facing football's governing bodies. We struggled to find any evidence of basic financial literacy (the ability to account and report) or transparency (actual reports) in the vast majority of confederations and associations. We also found limited evidence that these confederations and associations are playing (or even can play) the regulatory role they are slated to play (licensing clubs, ensuring transfers are regulated and recorded, and more). Our view of the situation is shown in Table 9. It produces the results of a search we conducted, on the internet, for financial and regulatory documents in 44 national associations.

Table 9. Accessing Financial Data from National Associations is Tricky

Document Type	Produced, Available, and Easily Accessed	Not Produced, Not Available, or Not Easily Accessed
Annual Financial Statement	17 out of 44*	27 out of 44**
Club Ownership Rules and Regulations	10 out of 44	34 out of 44
Club Financial Management Rules and Regulations	8 out of 44	36 out of 44
Transfer Rules and Regulations	10 out of 44	34 out of 44

Source: Original research by authors and researchers at QUEST, a sports research and consultancy firm. This involved examining web sites of 44 administrative bodies. * The Confederations, Associations, Federations included: All India Football Federation, Brazilian Football Confederation, Canadian Soccer Association, Confederation of African Football (CAF), Football Association of Ireland, French Football Federation, Football Federation Australia, Italian Football Federation, Japan Football Association, New Zealand Football, Royal Dutch Football Association, Royal Spanish Football Federation, Scottish Football Association, South African Football Association, Swiss Football Association, The Football Association, UEFA, United States Soccer Federation. ** The Confederations, Associations, Federations included: Albanian Football Association, Argentine Football Association, Asian Football Confederation (AFC),Confederacion Sudamericana De Futbol (CONMEBOL), Cook Islands Football Association, Croatian Football Federation, Ethiopian Football Federation, Fédération Béninoise de Football, Fédération Togolaise de Football, Football Kenya Federation, Gambia Football Association, Ghana Football Association, Jamaica Football Federation,

[196] For a recent reference on this example, see the media coverage in the Guardian newspaper: http://www.theguardian.com/artanddesign/2014/dec/23/tate-reveal-bp-sponsorship-environment-tribunal-case

Korea Football Association, Libyan Football Federation, Mexican Football Federation, Nigeria Football Federation, Oceania Football Confederation (OFC), Pakistan Football Federation, Philippine Football Federation, Portuguese Football Federation, Romanian Football Federation, The Confederation of North, Central America and Caribbean Association Football (CONCACAF), Tonga Football Association, Trinidad and Tobago Football Association, and Zimbabwe Football Association.

The sample of associations and confederations shown in Table 9 was varied according to both regions and prime languages. All of the associations had websites. We assumed that the organizations would produce financial reports and regulatory documents on these websites, given their public obligation to report to members and to inform clubs and players of regulatory regimes. Our findings were disappointing; only 38% of the associations/confederations made their own annual financial statements publicly available on the internet; 23% made club ownership rules and regulations and transfer rules and regulations available; as few as 17% made club financial management regulations available. The research method we employed is not strictly scientific. The findings echo a recent Transparency International (TI) study, however, which reported that most associations provide little to no financial information on the internet.[197] Our research suggests that information availability may be better than what TI claims,[198] and some associations have already made similar claims. Ghana's football association, for instance, notes that its financial reports may not be publicly available but have been produced and shared with key stakeholders (in private).[199] Therefore, one should not read Table 9 to suggest that the entities falling into the 'not produced, not available, or not easily accessed' column do not actually have the documents in question. All we know is that they do not produce data that we have been able to access after months of emails, web searches, and more.

In keeping with the spirit of the TI report, therefore, what we observe is simply that many associations do not produce information publicly, when in fact they have an obligation to do so given (i) they are membership organizations, with thousands of paying footballers who deserve access to information, (ii) they commonly receive public funds from governments or similar sources, and should report transparently as a result, and (iii) they all access funds from FIFA, and are meant to report publicly on the use of such funds. We find that the majority of associations do not report in this way, leaving significant data gaps.

[197] See https://www.transparency.org/whatwedo/publication/football_governance_league_table

[198] We find that associations in countries like Liberia and the Cayman Islands have financial statements available online, for instance, where the TI study does not (Liberia is marked as having no financial documents in the TI report (on page 13), for instance, but the Liberian documents are accessible at http://www.liberiafa.com/about/reference-documents/). We also find that many associations do not produce much data online, even though evidence suggests that the reports and data are made available in physical, hard copy, to delegates at annual meetings. This means that the TI report takes too harsh a line in 'naming and shaming' entities when some of these do produce the reports they should, but not in the form being emphasized. The Zambian football association, for instance, does not produce public financial reports on its website (which has only got details of matches and other football-related events) but has engaged in discussions around such with tax authorities, suggesting that accounts and reports do exist but need to be made public (http://zambianfootball.co.zm/2015/10/football-house-opens-as-faz-zra-agree-on-payment/).

[199] The Ghanaian authorities claim that they do produce financial reports and other materials. We did not find these materials available online, in keeping with the TI study. However, the TI study suggested that this means there are no reports. We do not hold such a strong position, and accept that the Ghanaian association may in fact produce hard copy reports. However, the reports are not publicly available, and therefore we would suggest the association has improvements to make: http://www.ghanaianreactoronline.com/news_details.php?newsid=15044

The data gaps we are describing mean that we had to rely on estimates of financial interactions for many parts of the football world, where it is impossible to obtain an accurate or reliable view on football's finances in many regions. These gaps are frustrating for researchers, but should be of more concern from a financial integrity perspective; they cause major dark spaces in which no one can reliably assess the finances or financial interactions of confederations and associations. The gaps also pertain to various types of transactions that are common across all jurisdictions and involve new parties and relationships in football. These include broadcasting and sponsorship transactions that are now ubiquitous and growing in size (as discussed). Whether involving global, regional or national governing bodies or leagues and clubs, these transactions commonly put footballing entities into contact with sports management and consulting firms and the like, and beyond these agents to global broadcasting, financial and political and business interests. These contacts are often quite opaque and difficult to trace, which creates dark space in the networks of football finance (where we believe there is insufficient knowledge about who is engaging with whom, what kind of money is being exchanged, and more).

These dark spaces make it difficult to reflect comprehensively on numerous sets of transactions, including global player transfers, which provides a good example to illustrate the status quo.

There are actually some consolidated data sources about transfers: One can access FIFA's Transfer Matching System (TMS) for data on cross border transfers, for instance, given highly commendable efforts to gather data in recent years;[200] One can also access UEFA data on transfer expenses and revenues in the top 53 leagues, given the advances associated with Financial Fair Play reporting; Additionally, data sources in this area include those produced by independent entities like Transfermarkt and the Football Observatory.[201] It is difficult to assess the reliability of these different data sources, given their different means of data collection. It is, however, clear that there are worrying gaps across the different data sources. When triangulating across these data sources, for instance, it is even difficult to verify the number of professional cubs involved in global transfers: FIFA TMS publications claim that data is collected from over 6,000 clubs globally, whereas TMS officials told us that there were 4,137 clubs engaged in 2014 transfers,[202] and Transfermarkt identifies over 4,700 clubs are involved. Getting into the data itself, we found challenging differences between sources. UEFA reports that the 728 top European clubs spent €3.82 billion on transfers in 2013/14 (with revenues of €2.99 billion). This ostensibly captures all transactions by these 728 clubs. FIFA TMS reported US $3.17 billion worth of transfers in 2014. This figure captures cross—border transfers only, but for all clubs across the world. It is very difficult to look across these two data sets and identify the true size of spending across the world, or where evidence gaps are most gaping and could be creating integrity risks.

The gaps between data sets create dark spaces where we simply do not know enough about player movements, the role of agents, third party ownership, intra and inter club mechanisms to access talent, or flows related to human trafficking. These dark spaces are inherent to the transfer process, given the many rules and interactions involved. In any given country one has to

[200] See http://www.fifatms.com/en/

[201] See http://www.transfermarkt.com and http://www.football-observatory.com

[202] Including 2,001 clubs in Europe, 652 in South America, 652 in Asia, 258 in North America and the Caribbean, 571 in Africa, and 16 in Oceania.

navigate between FIFA's regulations, national association rules, and national laws on issues to do with labor, taxation, and more. These regulations are not always consistent and often create opportunities for 'deals' and opaque engagements. These engagements involve many parties as well, where buyer clubs interact with players and their agents and potential third party owners as well as seller clubs in any given transaction. Buyer clubs are meant to register players with national associations or federations, and to reflect transactions in annual reports (as collected by UEFA, for instance). Different associations collect and store this information differently. Different organizations also manage the process of issuing player passports differently. The associations are meant to hold these passports showing where players have been after the age of 12—and to pass them onto clubs. We could not determine which associations actually did this. Associations are also meant to issue International Transfer Certificates (ITCs) when players move across associations. These ITCs are lodged with FIFA and are used when FIFA TMS determines the number of cross-border transfers each year. We found numerous reports of associations issuing these ITCs late, however, and even charging for these to be issued.

We contend that the complexity of regulatory conditions and transfer processes allow many opportunities for opacity and dark spaces. The dark spaces were broadened in 2015 given FIFA's decision to fully decentralize registration of player agents (and other intermediaries). National associations licensed these intermediaries on behalf of FIFA but the licensing system was deemed too cumbersome (which we believe was largely a result of low levels of financial and staffing support, discussed in the section on 'Addressing the Status Quo').[203] This licensing system was dismantled in 2015 and replaced with a more decentralized approach to registering intermediaries at national associations.[204] We do not hold much hope for this system working, given our observations about the capacity constraints in national associations. We are also concerned that the new 'system' does not mandate any publication of a global intermediaries list, or of detailed activities of intermediaries in transfers. They require that associations produce their own lists and report on the involvement of intermediaries in transfers, but nothing brings these data together globally or provides details like payments to intermediaries.

There are, therefore, no central information sources to tap in identifying third parties engaged in player movements. The best source we could find is the Transfermarkt database, which releases statistics on the number of licenses issued in most countries.[205] We are not sure how these data are gathered, but they do confirm our worries about incomplete reporting—and particularly about limited reporting of third party activities in countries that act as major player sources. The database shows Germany having 614 licensed agents, for instance, which is four times the next country (Italy, with 168) and seven times the next country (Spain, with 86). We do not think this properly reflects the transfer activity across even these three countries, but are more concerned to note that only 32 agents are apparently licensed in Brazil, which FIFA TMS describes as the

[203] FIFA underwent a process of review for this licensing system. See http://www.fifa.com/about-fifa/news/y=2013/m=5/news=congress-endorses-new-approach-players-agents-regulations-2088917.html

[204] The new approach is well discussed in this blog post on the topic: http://blog.fieldoo.com/2015/05/football-agent-is-now-an-intermediary-introducing-the-new-fifa-regulations/

[205] http://www.transfermarkt.com/berater/spielerberateruebersicht/berater

'most active country in the international football transfer market'.[206] Other countries that have recently (or perennially) been heavily engaged in transfers also have difficult-to-believe numbers of licensed agents (Ghana has 4, Qatar has 3, Algeria has 2, Ireland has 1, and most African countries have none). We believe these data do not provide an accurate reflection of who is engaged in player movements, and thus who is affecting transfer behaviors, prices, and more.

We find some associations provide lists that confirm our concerns; Australian, Brazilian and English football federation/association lists of intermediaries were longer in December 2015 than suggested in Transfermarkt, for instance. The biggest problem with the status quo, however, is that many (perhaps even most) associations do not publish agency registries. We searched the websites of 25 associations and found only 7 provided the registries. Remembering that many associations do not publish financial statements, we think it is highly likely that as many as 60% of associations will never publish these registries. Where does one go to identify intermediaries working in these countries? Beyond this, we are aware that every association now has different rules for allowing someone to register (so the qualities and characteristics of those on different lists are not the same). Finally, even if some associations publish a registry, there is still no global register for an economic activity that is by definition global. Having multiple registries will almost certainly lead to gaps and duplications, inefficiencies and opportunities for malfeasance.

Importantly, these data sources on transfers and intermediaries do not even attempt to capture things like third party ownership of players. FIFA has banned this practice without an effective means to assess if and where it exists. We wonder how one implements and enforces a ban on a practice without information on the extent to which the practice actually occurs. This is another dark space in world football, and dark spaces are difficult to navigate for any kind of regulator.

There are various reasons why dark spaces like these exist despite the existence of well-intentioned data gathering initiatives. Each initiative has a specific focus, for instance, and there is no entity that is currently focused on fostering a comprehensive view of global transfers (let alone other aspects of financial interaction across world football). This means that existing financial reporting and data capture exercises create an incomplete patchwork of information, at best. Furthermore, those involved in the data gathering exercises at organizations like FIFA TMS and UEFA do so with limited resources. We do not know the budgets of these organizations, but their staff numbers are low and they are actively engaged in marketing their products to earn more revenue (especially FIFA TMS), which suggests that their parent organizations (FIFA in this case) believe they should be making money selling their information (and hence should not require central support). We think this is a problematic view of the role that oversight agencies should play (in regulating transactions and collecting data to ensure transparency and compliance). Regardless of our views, the status quo tendency to under-resource these agencies results in real capacity constraints, especially in terms of the number of people available to

[206] In a report, FIFA TMS notes that, "Brazil has been the most active country in the international football transfer market since FIFA TMS started gathering transfer information from member associations worldwide in October 2010 ... Between January 2011 and June 2014, Brazilian clubs were involved in a total of 2,692 international transfers to engage players, while they performed 2,311 transfers to release players, adding up to a staggering 5,003 transfers during this period, by far the highest volume worldwide (the second most active country being England with 3,469 transfers)." https://www.fifatms.com/Global/MarketInsights/Brasil/Market%20Insights%20-%20Brazil%20EN.pdf

collect, monitor and audit information.[207] The situation is similar in national associations tasked with ensuring that clubs comply with registration and financial management obligations, where we find low levels of dedicated capacity to oversee financial regulations and standards.[208]

These capacity limits create an automatic constraint on the type and quality of financial information one should expect from football clubs, leagues and associations (given that most of these data are self-reported, and thus actually emanate from the low capacity organizations themselves). This is one reason why we lack comprehensive data on global transactions like transfers, which would arguably help deal with many integrity concerns in football (including human trafficking and tax evasion associated with player movements).

Addressing the Status Quo

The observations offered in this section lead to material concerns about financial integrity in football. There are few clubs or governing bodies in the world of football that we would currently classify as 'low risk' in terms of financial literacy and transparency. These are the 'public reporter' clubs, where there are still weaknesses in terms of standards and protocols that do not effectively address key financial issues (like transfers) or allow effective transparency (of issues like player values), as well as oversight deficiencies. Similarly, even large governing bodies like FIFA and UEFA are lacking in crucial areas, like reporting on salaries. Beyond these 'low to medium risk' entities, we see the majority (over 75%) of clubs, associations and confederations as dark spaces of 'high risk' to financial integrity. There is no proof that these entities have skilled (or skilled enough) people managing their finances, or standards and protocols to follow, or oversight entities ensuring finances are well managed, or reports produced according to accepted standards and made available to key or interested stakeholders (like regulators and supporters).

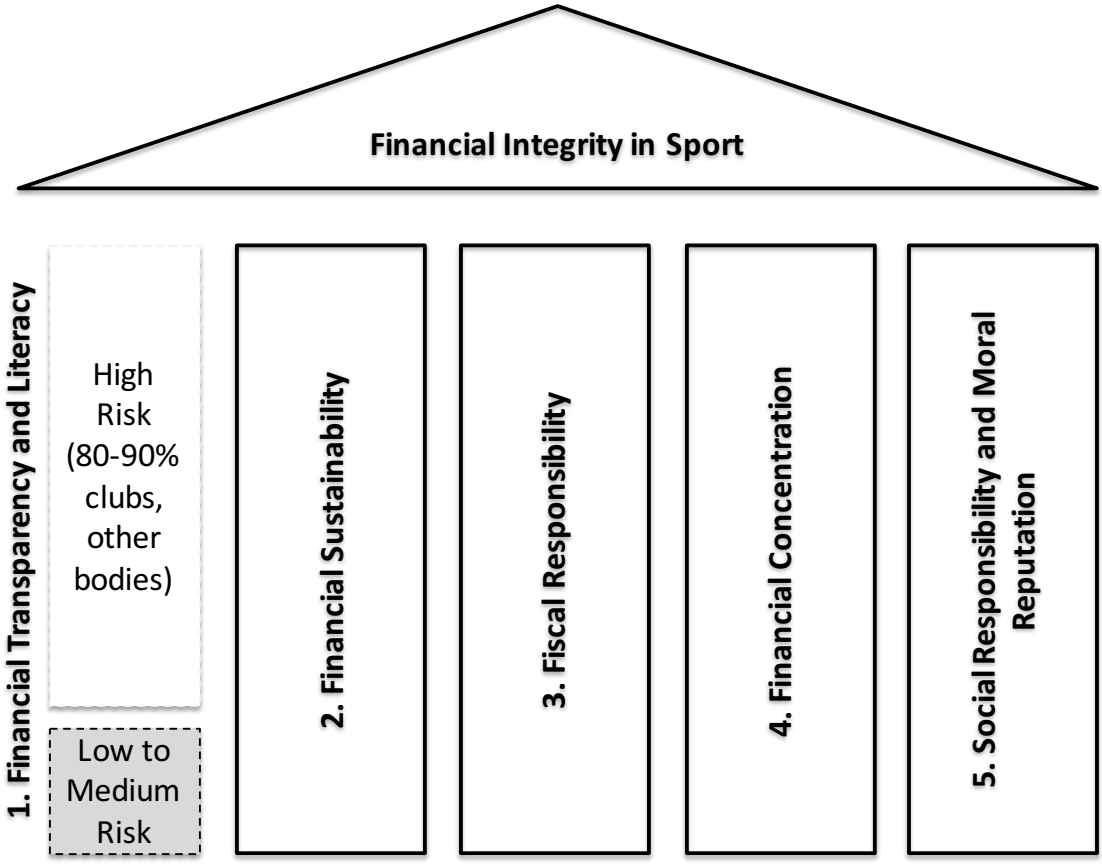
These perspectives lead us to suggest that financial transparency and literacy is a key risk area for financial integrity in football, as shown in Figure 20. We do not see any part of the footballing world as 'no to low risk' and only ten to twenty percent is shown as 'medium risk' (reflecting practices in the 'public reporter' clubs and improved but still incomplete reporting in entities like

[207] We attempted to ascertain the numbers and qualifications of people involved in administering relevant processes, at FIFA and UEFA. We were unable to obtain this information in any formal sense but our impression is that both entities have very small units (of five to ten people) engaging with hundreds and even thousands of clubs across many countries. This is very limited capacity given the size and complexity of the task; gathering, organizing, monitoring and auditing financial data takes time and expertise and requires much more capacity. A good contrast is with organizations like Global Integrity or the International Budget Project. These organizations examine government budgets to assess levels of integrity and transparency in such. They work with local non governmental organizations in each country, to ensure that each country analysis involves small teams. Across fifty countries, therefore, one is likely to find 150 to 200 'assessors'. The UEFA and FIFA teams assess many more entities (730 clubs by UEFA and over 4,000 clubs in FIFA TMS) and have significantly less capacity.

[208] We attempted to assess the capacity of a number of European associations to oversee club registration requirements. In data we received from 13 associations, we found that most of the people involved in such process were engaged on a part time basis. Associations do hire some full time people but only two or three in each instance. Associations and Confederations outside of Europe have even less capacity to gather financial data or ensure the accuracy of data gathered from clubs. CAF (in Africa) has publicly noted that most African associations still do not comply with regulations, often because associations do not have full time accounting or legal staff members.

UEFA and FIFA). Beyond this, we believe the football world is a high risk area with low demonstrated levels of financial transparency and literacy.

Figure 20. The First Financial Integrity Pillar Does Not Stand Tall



Source: Authors' rendition

As a result of this assessment, the figure shows that the first pillar of financial integrity does not stand tall. This assessment is not intended as a cheap critique of the data gathering efforts currently in place in the football world, especially by entities like UEFA and FIFA TMS and even by those responsible for club registration in organizations like the Asian Confederation (where major work is underway). These efforts have expanded access to data in the last few years in a laudable way, and have improved both financial transparency and literacy. The discussion is intended rather to illustrate how limited any evidence-based view of the footballing world currently is and how limited financial transparency and literacy still are. This is an opaque sector, where financial and transactional data are still poor. This is obviously a problem for research of this kind (which depends on data being available for analysis), but the bigger problem is that low and uneven levels of financial transparency and literacy are likely contributing to the financial integrity problems of the game. These deficiencies also provide an opportunity for those trying to improve financial integrity in the game, however.

Financial integrity in football could be bolstered by future efforts to improve current data gathering initiatives (and to close the gaps between such efforts) and to expand the data

gathering and reporting efforts beyond Europe, where they are currently most advanced. The following ideas are presented as potential next steps to bolster transparency and literacy, focused on three objectives: (i) shifting medium risk clubs and governing bodies into the low to no risk category; (ii) shifting more clubs and governing bodies from the high risk category to the medium risk category; (iii) achieving more transparency and regulation over key transactions in football, especially player movements. As discussed in this study's introduction, these ideas are not intended as comprehensive, or final. They are meant to provoke conversations about strengthening financial integrity in football.

Towards Some 'Low Risk' Organizations

Our first focus is on strengthening football organizations that have 'medium risk' financial transparency and literacy. These include 'public reporter' clubs, FIFA and confederations like UEFA (that produce financial reports and most regulations required for clubs they oversee), and the national associations that actively produce financials and oversight practices. We propose eight transparency and literacy (T&L) ideas to build on recent advances in these organizations.

T&L 1. Tailor standards for top tier football issues.

Accounting standards and practices have improved significantly in Europe's clubs. As discussed, howevr, we observe a number of areas where conventional accounting and reporting standards seem to fail in addressing key football-related issues. Player valuation and transfer costing is one example. Dealing with image rights is another. Studies cited suggest that clubs adopt potentially inappropriate, unclear and even different, practices because of these poorly tailored directives. While it may seem technical to some, we believe that this can undermine financial integrity in the larger clubs across the globe—that may experience turmoil by not properly costing players, for instance, or tax pressures because of improper use of image rights payments. We suggest that a group of eminent personalities (academics, accounting experts, those driving UEFA's FFP, and the like) be assembled to (i) list the challenging areas with regard to accounting standards and (ii) progressively propose new standards for use by clubs engaged in football.[209] The group could be convened through (or even at) one of the universities participating in FIFA's Masters in Management, Law, and Humanities in Sport (although we do not think this program focuses enough on financing and accounting to be the clear 'home' for such).[210] This process will help, in the short run, to clarify where standards need improvement. In the long run, it will ensure an industry-specific body of thinkers exists to develop new standards, interpret common standards, and more.

T&L 2. Clarify the implications of having different legal forms in clubs.

Clubs have many different legal forms, which means that they have different accounting and reporting obligations. This becomes a source of tension in competitive settings, where different clubs face different cost structures, for instance (with some paying profit-related taxes and others not paying these taxes, for instance). We believe that these different forms also create potential confusion about how to account and report. The FFP regulations attempted to standardize these

[209] One can identify key participants partly by referring to recent work. Morrow (2013) stands out as an example.
[210] The FIFA Masters program involves various universities. It focuses on subjects like general management and law, not finance and accounting. See http://cies.ch/education/fifa-master/about-fifa-master/about-fifa-master/

into a simple and common set of reporting standards in respect of break-even requirements. We wonder if more treatment is needed, where a group of industry experts gather to describe the different legal forms clubs take, the material costs and benefits associated with different forms, and the specific accounting and reporting requirements for each. This could be initiated in Europe, with the 728 clubs covered currently by UEFA's FFP (given that these are already accessible). The exercise will enhance clarity on the institutional setting occupied by clubs, the potential gaps that different legal forms create (especially for common reporting mechanisms like FFP), and more.

T&L 3. Enhance club and league transparency regarding player values.

Player contracts are a major area in which we see opacity limiting integrity in the more advanced 'public reporter' clubs. Many clubs comply with minimum standards in reporting on player costs and values (usually this involves amortizing the cost of a player over the length of a contract). However, these minimum requirements for reporting on players and their values and costs does not afford oversight agencies or observers any clarity of how many players are on the books in clubs, what they cost, what they are worth, who holds an ownership interest in them, or who their agents might be (and more). These kinds of data are needed to ensure accountability in respect of rules like Financial Fair Play, as well as labor laws in most countries. These data are also of immense interest to potential investors attempting to do due diligence on clubs, and the paying public who want to know the value of their squads (an interest reflected in demand for the work of Transfermarkt, which approximates this kind of information on its website). We believe that more transparency (and improved disclosure) is not only required in this area, but possible—as reflected in the approach Juventus takes to report on its playing staff (shown earlier). We also acknowledge that all calls for more general transparency of player values will lead to opposition, as most clubs probably perceive that this will reduce their competitive advantage. Hence, we suggest an open forum to start the conversation. This would involve supporter groups interested in ensuring club wage bills are not too high (Supporters Direct, for instance), representatives of players (FIFPro, for example), club and league body representatives, those providing oversight through UEFA and other national and regional bodies, and academics and accounting experts. These different voices should reflect on the kinds of information on player values and player movements that should and could be provided by leading clubs, and the improvements that should and could subsequently be made.

T&L 4. Strengthen oversight agencies, especially for top tier clubs and leagues.

T&L 5. Enhance the commitment to financial oversight by governing bodies.

As discussed, many advances have been made to the licensing procedures for the world's top clubs—especially in Europe. UEFA and a host of national associations and league bodies now have regulations in place and units dedicated to providing oversight to clubs. The licensing regimes still depend on self-reporting by clubs (which is appropriate, especially given the size of the ask). This means that the oversight bodies need to be sufficiently resourced and skilled to collect club reports, assess the quality of these reports, audit the reports, visit clubs on a random basis, and investigate some clubs. At present, we believe that the oversight agencies charged with this kind of work are not effectively resourced or equipped to do this job. We propose that national associations and UEFA (and the Asian Confederation, which is starting to move in this direction)

invest more money and resources into hiring auditors and other skilled people to provide these services, within the organizations and/or in contracted bodies (like global audit firms). It is difficult to advise on the exact amounts that different entities should be investing in such work (especially because we lack any information about the status quo), but we do propose that these organizations actually report annually on the amount of money spent on the oversight bodies, the number of people hired into such bodies, the number of random audits undertaken, the number of follow-up investigations undertaken, and so forth. Such details are commonly presented in annual reports of regulatory bodies and government audit agencies. Given that football's governing bodies are meant to play such roles they should be reporting these details.

T&L 6. Fully disclose governing bodies' compensation records.

As argued, there is usually no disclosure of senior staff members' compensation in governing bodies like FIFA, UEFA, other regional confederations and national associations. As also discussed, this contrasts with the growing tendency to disclose executive compensation records—in public, not-for-profit and even private organizations. We believe that all footballing organizations should disclose the compensation of all officials, especially senior executives. We also believe that these organizations should publish executive to worker pay ratios (similar to the ratios required from 2016 for public companies in the United States Dodd Frank legislation, and proposed in the United Kingdom and Europe).[211] These should reflect on the ratio of President/CEO salaries to the salaries of those undertaking compliance audits in clubs (the key practical regulatory role of the entity) and the median annual potential salary of referees (the primary frontline official hired by the entity). We believe that all of these organizations should have an explicit policy about the targeted size of this ratio (in the spirit of Peter Drucker's work).[212] This would limit the size of top-officials' pay and also ensure that the pay of frontline referees is transparent and at a level that the public believes is appropriate for the task—and the risks associated with this task (especially risks of being approached by corrupt interests).

T&L 7. Fully disclose assets and conflicts of interests for football's officials.

We advocate annual conflict of interest and asset declaration by senior officials in FIFA, regional confederations, national associations and league bodies. We include all referees in this listing, given potential vulnerability to external influence. These kinds of declarations are now common in most sporting bodies, and in many other organizations.[213] We believe that self-declaration

[211] See the United States Securities and Exchange Commission, http://www.sec.gov/news/pressrelease/2015-160.html. See also the discussion in a 2014 report by human resource consulting and advisory firm Mercer: http://www.mercer.com/content/dam/mercer/attachments/global/Talent/executive-reward-perspectives/2014/13660-TL%20US%20Executive%20Rewards%20108%20SEC.pdf

[212] See Gretchen Gavett's discussion of this logic and policies associated with such, in a 2014 Harvard Business Review column: https://hbr.org/2014/09/ceos-get-paid-too-much-according-to-pretty-much-everyone-in-the-world/

[213] Conflict of interest issues were raised in prior assessments of FIFA's governance challenges. An example comes from Mark Pieth's work on governance in FIFA, which outlined steps to take in addressing conflicts of interest for senior officials. This work is available online and informs readers of the thinking that FIFA itself has been opened to in recent years (given that Pieth's work was commissioned by FIFA and used in designing FIFA's governance reforms). (http://www.fifa.com/mm/document/affederation/footballgovernance/01/54/99/69/fifagutachten-en.pdf).Even with this work, however, FIFA still lags behind in this area. Other sports-related organizations have better conflict of interest policies, according to Daniel Kaplan of the Sports Business Daily. Kaplan examined United States tax returns

cannot be relied upon to ensure that football's administrators comply with various Codes of Ethics, however. We thus believe that compliance must be monitored and enforced—potentially by the governing bodies themselves (that would then report on levels of compliance) or a third party (like an anticorruption body, that would also report on compliance levels). We believe that a sector-wide whistleblower policy would also be a good idea. At present FIFA and the governing bodies have rules that punish anyone that discloses internal information. This needs to be balanced with some mechanism that makes it possible for officials within the system to disclose important information and still be protected. We understand that this may be a departure from current practice in the governing structures of world football, and would probably be considered impossible as a result. To counter a premature dismissal of the idea, we propose gathering heads of other organizations that do have whistleblower policies (like the US Olympic Committee, National Football League and Professional Golfers Association) to advise on how a potential policy might work in world football.

T&L 8. Full disclosure and transparency in all contracting activities by governing bodies.

As discussed, conflicts of interest do not only happen at the level of individuals working in organizations. Organizational decisions need to be transparent and subject to conflict of interest rules as well. These rules need to be determined in respect of sponsorship and broadcasting contracts in particular (and must require the use of modern mechanisms like relational network charts). The rules should specify when an organizational conflict of interest occurs, and how to address such (at a minimum through disclosing key relationships and interests and at a maximum through rules that limit contracting activities in certain situations). The rules should also clarify and limit the roles of third parties, which have been implicated in 2015 scandals (including sports management businesses, with Traffic Sports being an example[214]). These rules should be applied to the process of contracting and to the reporting of all contracts. Further, all contract details should be made fully public—in respect of broadcasting and sponsorship contracts for FIFA, regional confederations and national associations in particular. There should be no opacity in these contracts (and hence no opportunity for individuals to negotiate side deals) and all stakeholders should have opportunities to comment on the desirability of specific contracts. As with other recommendations, we expect this idea will encounter opposition. Our practical next step is thus to gather key voices from the footballing sector to discuss rules of contracting—and of conflict of interest in contracting—that ensure a viable but effective level of transparency needed to limit the kinds of corrupt behavior seen recently in deals by organizations like CONMEBOL.[215] These conversations should focus on creating transparent bidding processes as well, with clear and appropriate criteria for awarding contracts.

for a range of these organizations and found that FIFA was the only one that did not require annual conflict of interest disclosure, or actively enforce and monitor a conflict of interest policy, or have and active whistleblower policy). We have not vetted these data but they show that other observers share our concerns about FIFA. http://m.sportsbusinessdaily.com/Journal/Issues/2015/06/08/Leagues-and-Governing-Bodies/FIFA-policies.aspx?

[214] Traffic Sports is an agency implicated in 2015 corruption allegations against CONMEBOL.

[215] See Paul Sargeant's discussion of this situation: http://www.bbc.com/news/world-latin-america-33087370

Towards Fewer 'High Risk' Organizations

The first eight ideas target clubs and governing bodies that have some foundational accounting and reporting literacy. The challenge in these organizations is to enhance and sharpen transparency. This involves addressing high level issues and bolstering extant capacity; many of the challenges here are sophisticated and demanding in terms of content and change (given that they tackle festering issues that have perhaps not been dealt with before). Our second set of transparency and literacy ideas focus on those 'dark spaces' where we are not convinced that even basic capacity exists. These are the governing bodies and clubs and league entities where we do not have any evidence of financial literacy—because there are no accessible financial reports, for instance. Our proposals in this regard focus on getting basics in place. They are demanding mostly because of the scale at which we think the dark spaces exist, and also at the lack of financial literacy that we suspect underpins these dark spaces.

T&L 9. Construct a risk map of transparency and literacy risks.

Our first recommendation is to construct a risk map of transparency and literacy weaknesses. We have done some of this work here, identifying which national associations do not have internet-based financial reports for instance (and Transparency International has also done similar work in its league tables of national association governance[216]). We are aware that many clubs and associations may have financial capacities and even reports in different forms that we have not captured, however. It is important to map out which clubs and countries and confederations have which kinds of accounting and reporting capacities. This could be done by having representatives from reputable accounting and audit firms—or from entities that commonly offer capacity building help to developing country governments (like the Chartered Institute of Public Finance and Accounting[217]) visit national associations, clubs and confederations and interview these entities using a basic protocol designed to assess financial management staff, practices, and products. FIFA has started doing some of this already, but in small measures.[218] We would recommend doing this in a staged manner, in recognition of the risk associated with weak financial literacy in different leagues. The biggest leagues which we are concerned about, for instance, are the larger leagues in CONCACAF and CONMEBOL (including Mexico and Brazil, Argentina and Colombia), and growing leagues in Asia (including China and some leagues in the Middle East), and second tier leagues in Europe (lower tier leagues in places like Portugal, Holland, and Belgium, for instance). We would also focus on larger leagues in Africa (like Ghana, Kenya, South Africa, and Nigeria). The goal should be to identify what kinds of capacities are required in which confederations, associations and clubs.

T&L 10. Targeted, progressive, improvement in governing bodies' accounting and reporting.

We believe (with Transparency International) that the vast majority of confederations and associations suffer from serious weaknesses in financial literacy and transparency. In some situations, we believe that bodies lack capacities to produce accounts. In other situations, we

[216] See http://www.transparency.org/whatwedo/publication/football_governance_league_table

[217] For information on this organization, see http://www.cipfa.org

[218] FIFA's 2014 Annual Activities Report notes that KPGM has been working on a similar plan. We have not been able to assess the progress with this, however. See http://issuu.com/fifa/docs/fifa_activity_report_2014_en

believe basic accounting practices are in place but bodies lack capacities needed to adhere to fundamental standards. In other situations, we believe the governing bodies can and do account but are not transparent in doing so. Our first recommendation is for FIFA and all the confederations to mandate that all governing bodies produce public annual financial reports. These are all member-based organizations, with thousands of members, that mostly enjoy not-for-profit status. They should be publicly transparent. The mandate can be supported by pressure for such transparency from stakeholders, especially members of the organizations and sponsors.

To this end, we advocate working with supporter groups and sponsors in all countries where engagement is targeted, to create constituencies that expect and demand publicly available financial reports. Our second recommendation is to embark on a targeted program of ensuring that all governing bodies do indeed produce publicly available financial reports, at least annually. We would suggest a practical process that starts small and looks to ensure progressive treatment of all governing bodies in time. This needs to go beyond the limited training offered by FIFA at present.[219] The starting point would be those confederations that do not yet publish annual financial reports (only UEFA and CAF do so right now). We propose engaging the other confederations in early 2016 and bringing them into an expedited and intense reform program designed to ensure that annual reports are made available by December 2016. We would include a selection of national associations in this process, also starting in March 2016 and with rolling admittance thereafter to ensure that 170 reform opportunities are provided by the end of 2018. This would ensure full coverage of all the confederations and associations Transparency International finds do not currently produce financial reports.[220] We discuss financing of this initiative in recommendation T&L 13.

T&L 11. Targeted, progressive, adoption of (properly capacitated) club licensing mechanisms.

Just as we propose building financial management capabilities in regional and national governing bodies, we also suggest a process of expanding club licensing activities *beyond UEFA and the major national associations in Europe*. We are aware that the Asian Confederation has been introducing club licensing mechanisms like UEFA's system including FFP in the last few years, and that CAF in Africa has shown intentions to do similarly. We believe that these initiatives have proved slow and difficult, and also limited in scope. UEFA's club licensing scheme is itself also limited to only about 728 clubs (of the over 2,000 clubs in Europe). We propose that the technical experts from these regional bodies initiate a structured and intentional process of introducing more broad-based club licensing across the world. This could start by gathering relevant officials from confederations to learn from the experience in UEFA, Asia and Africa. This gathering could then be pressed to work on a very basic licensing protocol. We propose starting with a bare-bones approach to licensing clubs—similar to the simple approaches advocated for registering small businesses in the World Bank's Doing Business reforms.[221] Each confederation could then add to the protocol, but a global team of trainers could be established to take the basic protocol to different national associations. We propose that these trainers come from the confederations,

[219] FIFA offered 13 training sessions in 2014: http://issuu.com/fifa/docs/fifa_activity_report_2014_en

[220] This would cover all the non reporting associations mentioned in the recent Transparency International study (http://issuu.com/transparencyinternational/docs/2015_footballgovernanceleaguetable_?e=2496456/31444500).

[221] For reference, see http://www.doingbusiness.org/reforms/overview/topic/starting-a-business

with assistance from global accounting firms and other relevant organizations. These trainers could help national associations adopt the basic protocol through multi-month initiatives that expand to ensure full coverage of all national associations by end 2018. We discuss financing of this initiative in recommendation T&L 13.

T&L 12. Build a global club registry.

Clubs are increasingly interconnected, and the goal of any club licensing process should include the creation of a global club registry. We believe this would be a very valuable tool that could help in the management and oversight of clubs, transfer activities, and more. It is something that could be built progressively, over the coming years, with the foundation being UEFA's current 728 club database. We propose that this registry be housed electronically, by the different confederations and by FIFA, with an advisory group offering assistance in its creation (including people from organizations like the Football Observatory and Transfermarkt website,[222] which has experience in finding data on global clubs). We believe that that FIFA should subsidize this work globally, using money currently spent on development projects for this purpose. We believe that this kind of initiative has much more development impact than most current projects.

T&L 13. Establish a FIFA sponsored Financial Integrity Program to finance minimum personnel.

FIFA has paid all confederations and national associations between US $250,000 and US $1.5 million every year since 2009. These payments pass through programs that are less than transparent and, we argue, less than useful (generally financing new headquarters in most countries). We recommend that FIFA change its 'development' philosophy and focus first and foremost on financing minimum financial management personnel and capacities in regional and governing bodies. We believe that a budget of US $100,000 a year for each confederation and national association could finance an accountant and/or contract for accounting services from a reputable accounting firm. If FIFA financed these kinds of capacities, they could also require that all associations produce financial reports and they could make all additional 'development' support contingent on the quality of these reports. We believe this intervention could be phased in with the broader initiative to strengthen governing bodies' financial capacities.

T&L 14. Greater transparency in FIFA development funding.

Building on recommendation 13, we propose that FIFA and other confederations improve the transparency of all development financing.[223] We discuss this further in later sections, but the

[222] The Transfermarkt site provides data on players and player values for clubs across Europe and in other regions. The online presentation is easily accessed and provides a useful platform and example to think about when developing a new global club register. This register could show different countries, leagues, and club details in much the same way as is done on the Transfermarkt site (see http://www.transfermarkt.com).

[223] This has been a focal point of many observers' work, including Tomlinson (2014). Fry (2015) provides a balanced view on the development funding issue, arguing that, "it appears that the majority of FIFA's development spending does go to the poorest nations. However, this does not mean that the received funds are necessarily spent wisely amid concerns raised in that large sums of FIFA development money are allocated to tiny nations with national football associations and football officials of dubious quality." Fry concludes, "Development funding allocations made by FIFA in the main seem to be both fair minded and primarily motivated by a desire to help poor countries. However, recent lurid headlines reinforce the need to ensure that the allocated funds are spent effectively and are not abused. The sums of money involved are substantial and point to a continued need for FIFA to remain open and transparent in its future financial affairs."

basic idea is to provide more focused funding to national associations and other bodies (like not-for-profit organizations working in the football domain), and to ensure that there is full accounting for the use of funds. We believe that funds should be allocated according to key principles that are now common in international development. First, the finances should be used initially to shore up basic financial capacity in member organizations. Second, additional finances should be kept in a draw-down fund, with clear rules on who can access these finances and how. Third, disbursement from the fund should be contingent on associations providing appropriate financial reports and proving capacity to use funds. Fourth, disbursements should be based on project requests by national associations. Fifth, money from the fund should be available to help member associations fully develop project requests. Sixth, there should be active, independent evaluation of all projects funded by FIFA, and the annual financial report should reflect on how much was budgeted, how much was spent, what progress was achieved, and what results were attained.

T&L 15. Targeted, progressive, improvement in club accounting and reporting capacity.

The biggest dark space in global football finances relates to the thousands of clubs that do not yet produce regular or appropriate financial reports. These clubs are (predominantly) in lower leagues across Europe, outside of the elite structures in AFC and CONCACAF, and (in our opinion) broadly present across all other confederations. We believe that the risk map proposed earlier will help to better understand exactly where these clubs are and what capacities exist. We also believe that a global club registration/licensing process can create pressure for clubs to better manage their finances in the future. We still believe that the vast majority of global clubs will lack the capacity to do this, however. This will be a constraint on all other recommendations above (and has been an issue in club registration initiatives in Africa, for instance). We thus propose initiating a permanent financial management capacity building initiative for clubs. The initiative should involve providing training for club officials, targeted at compliance with club licensing requirements. We propose that these requirements start in extremely streamlined and simplified form (to be adapted for different contexts), with clubs asked to provide ownership details, a basic income statement, and basic balance sheet. We also propose staggering the initiative and, starting, for instance, with the larger leagues in CONCACAF and CONMEBOL (including Mexico and Brazil, Argentina and Colombia), and growing leagues in Asia (including China and some leagues in the Middle East), and second tier leagues in Europe (lower level leagues in places like Portugal, Holland, and Belgium, for instance). We would also focus on larger leagues in Africa (like Ghana, Kenya, South Africa, and Nigeria). We anticipate that there are extant and latent capacities in many of these settings (in Ghana, for instance, reports are produced but not published). The work would thus not start from scratch in all cases, but would rather build on what exists. Even with these starting points, we think this work would require a large effort over a number of years—and a long term commitment to improve financial transparency in football clubs. It is unclear who this commitment should come from, but if they were in healthier condition we would say it is the role of confederations and FIFA. These entities have to regulate and license clubs and are thus in the position to identify and address capacity shortfalls.

Better Regulation Over Key Transactions, Especially Player Movements

Football's financial dark spaces extend beyond the gaps in financial reports and transactions of governing bodies and clubs. There are special topics and transaction types that are also currently overly opaque. We have discussed one such topic in this section, transfers. This is an area in which over ten thousand transactions occur each year involving people from across the globe. It is also peculiar to football, and especially complex in the way many transactions cross borders. As discussed, we believe that current efforts to shed light on transfers actually create gaps in coverage. We do not think these gaps are easy to fill, given that problems with transfer regimes go far beyond football and relate to the many different national laws and traditions and processes, immigration systems, and such that come into play. However, we do believe there are steps that could be taken to bring greater transparency to transfer activities across the globe.

T&L 16. Clarify transfer processes, globally and in specific countries.

One of the most frustrating parts of this study involved steps we took to learn about how transfers work in different countries. On the one hand we were directed to look at the global rules on transfers produced by FIFA. We found the Regulations on the Status and Transfer of Players quite comprehensive and clear.[224] We were then told to look at individual associations as well, given that they often had their own regulations (used in conjunction with those of FIFA). We found this was indeed the case, in places as diverse as Wales,[225] Botswana,[226] and South Sudan.[227] National associations are particularly in charge of issues like intermediary involvement, which differs from country to country as a result (and is so messy that intermediary organizations like law firms are producing explanatory documents to help those trying to navigate new rules[228]). We were then further advised that one needed to reference labor laws, tax laws and immigration laws in different countries as well, and legislation pertaining to issues like third party ownership and intermediary involvement in personnel transactions.

As we tried to build repositories for all these documents in individual countries, we realized how many potential gaps were being created at the intersection of laws and regulations and of jurisdictional boundaries. For instance, some countries' laws are open to third party ownership, but FIFA does not accept this and neither do football associations in other countries (like England). The ambiguity of this situation will likely play out in different outcomes, depending on the transaction, and lead to inconsistencies in deals. Further, some countries have intermediary lists and others do not, creating gaps in identifying 'who' can engage in a deal and who cannot. Additionally, different countries have different laws about issues like image rights payments and the creation of offshore accounts, which impacts on the way transfer and wage deals are

[224]These regulations are available online from FIFA, and on many association and confederation web sites as well: http://www.fifa.com/mm/document/affederation/administration/regulations_on_the_status_and_transfer_of_players_en_33410.pdf

[225] Player registration details are available online, at http://www.faw.org.uk/PlayerRegistrations.ink

[226] See section 22 of the regulations: http://www.botswanafootball.org/index.php/about-bfa/play-rules-regulations

[227] Transfers are regulated in a broad section of the association regulations (from article 9 to article 52): http://www.ssfaonline.org/wp-content/uploads/2014/06/SSFA-General-Regulations.pdf

[228] The following is designed to help those attempting to work with intermediaries in England, for instance: http://www.danielgeey.com/our-top-10-tips-to-understand-the-football-associations-new-intermediary regulations/-

structured when players move between countries. There is no defined and specific way to do this, so a player could be abiding by the law in one situation and then contravening the law in another—with little knowledge of his status in either case.

In a sense, these gaps are just a reflection of the fact that transfers often involve international transactions, which are always messy. We believe the complexities are greater in football, however, because governmental rules are combined with rules from footballing entities. The plethora of instruments creates gaps, and the gaps create opportunities for opacity and 'deals instead of rules'. To counter this, we believe that a focused initiative is required to bring some clarity to the processes in different countries. This process will involve researchers gathering relevant documentation required to engage in a player transaction within a specific country and across the border from that country. The researchers would determine what steps are governed by what regulations, where there are inconsistencies and where there are gaps. This same exercise will be conducted for as many countries as possible, but starting with those most actively involved in the transfer space (like Brazil, Argentina, Algeria, Ghana, China, Mexico, the United States, and various European nations).

The goal is to provide clarity about the regulatory environment governing transfers in different countries in the short run (to as many observers as possible, even players; to reduce dependency on lawyers who may know one country's rules but lack knowledge of rules in other countries), and to inform processes of streamlining such processes in the long run (using reform methods common to regulatory regimes, including the 'guillotine approach').[229] This medium-to-long run reform is imperative to obtain literacy and transparency in the global transfer system. As of now, the many different regulations and jurisdictional issues make the system incredibly opaque (with, as discussed, varied, dense and difficult to navigate rules about issues like third party ownership, image rights, and even basic conditions of service or employment facing players in different countries). The broader reform process would require attention from global and regional and national football authorities and national governments. This process goes beyond the focus of our study but requires more attention by those interested in managing football moving ahead.

T&L 17. Create a Transfer Clearinghouse[230] to house transfer process information.

We believe that the information collected in T&L 15 could be very useful if presented in an accessible way, to clubs and intermediaries and associations involved in transfer processes. This will also help foster literacy and transparency in transfer processes (and hence improve financial integrity in such). We propose building a Transfer Clearinghouse for this purpose (amongst others, as discussed in T&L 18). The Clearinghouse we suggest would essentially be a central repository of information designed to assist anyone involved in transfer transactions. It would be electronic, and provide access to all regulations, laws and the like pertaining to transfers in specific countries. We believe this could be housed independently of any governing body in football (even by an entity like Transfermarkt or the Football Observatory) or it could be housed

[229] For reference, see Kirkpatrick (2014).

[230] The term 'clearinghouse' is usually used to describe a service portal where financial transactions are facilitated between partners. We are suggesting something that is less about facilitating actual transactions here, and rather providing a one-stop-resource space. This would be a little like the sporting clearinghouse in Australia (https://www.clearinghouseforsport.gov.au).

by FIFA, building on the work already being done by FIFA TMS. This would not be an oversight role, but a transaction-assistance and smoothing role (which is one reason why FIFA TMS may not be the ideal party to manage the clearinghouse, given its regulatory role). A first step in this direction would involve gathering these actors to discuss where it might be located and who might manage it. Some would probably argue for an entity that is independent of FIFA, and others might argue that the governing bodies are the right location. We do not take a strong position either way, but think that a broad set of agents need to be engaged to make this work—so the initial step is the same (bring groups together to discuss options).

T&L 18. Certify transfer specialists in clubs and associations.

The information provided in T&L 16 and T&L 17 is only one step towards improving general literacy and transparency in the transfer market. We feel it is important to ensure that those engaged in transfer transactions have proper training and certification to do so. This would involve introducing capacity building mechanisms where individuals from specific countries are taught about the regulatory conditions in their context, and how to navigate the regulatory and other conditions in other contexts. Once trained, these people could be certified as transfer specialists capable of handling transfer transactions.

We accept that some observers will see this as unnecessary, and claim that such people already exist (in the law firms, and other intermediary groups that exist to facilitate transfers). We know that these agents exist, but also observe incredible variation in the quality and ability of these agents—especially when one considers global football (not just European football). We believe that an intervention is needed to provide quality control across the broad global football sector, such that players always know they will get a minimum standard when they engage a 'specialist'. We do not think that is the case at present.

The envisaged intervention would be much like a certification process required for real estate brokers, and would thus be open broadly to anyone with an interest in engaging in transfers. It would build on training programs FIFA already has in place for officials in national associations (and often led by FIFA TMS). Indeed, we would see FIFA TMS (or the relevant regulatory body) providing this training. We would suggest that FIFA require the presence of a certified transfer specialist in every national association or federation, and confederation. We would also suggest that the training and certification process be used as the basis of registering intermediaries (as discussed in T&L 21). This activity would require more money than is currently invested in providing oversight in the transfer domain, and a strengthened oversight agency (as we currently see TMS). (This is addressed in T&L 20).

T&L 19. Capture transactions in the Transfer Clearinghouse, with effective management.

We believe that all transfer transactions should be captured in the Transfer Clearinghouse. A process for doing this could involve each association or federation maintaining paper or computer based records of transfers (which they should be doing now anyway) and sending these records to the Transfer Clearinghouse every six months (after major transfer windows are over). The Transfer Clearinghouse would then capture all the transactions and enter such into a web-based portal. The transaction information would include much of what TMS already captures (but currently only for cross-border transactions), including information about the transfer fee,

contract length, player biography, and the identity of the certified transfer specialist(s) involved in the transaction. Some information in this portal would be publicly available and other information would not be publicly available, but accessible to associations, confederations, and FIFA. A first step would involve convening a meeting between FIFA TMS officials, and those involved in initiatives like Transfermarkt and the Football Observatory. This meeting could discuss what a Clearinghouse might look like, who should produce it, and how it should be introduced. We accept that this kind of intervention would demand significant approval and buy-in from national associations and the global body (FIFA, or whatever might succeed FIFA). We believe it is worth proposing to all these parties, and also believe that it is not too demanding an idea—given that, in many senses, it builds on the work done by FIFA TMS.

T&L 20. Provide effectively capacitated transfer oversight.

There are too many entities involved in the transfer market to ensure effective oversight and monitoring of behavior. Additionally, organizations that have a regulatory role (like FIFA TMS) are also playing the role of data collector. They are also being required, by FIFA, to market their products so as to obtain independent financing sources. We believe that FIFA TMS—or whatever agency is identified to monitor and oversee transactional integrity—be better resourced and capacitated. This is something that we see as a crucial role for FIFA. As the global governing body, it is the only entity with a mandate to effectively monitor transactions across national jurisdictions. We believe that the role of collecting data on transfers needs to be separated from the role of monitoring compliance with transfer regulations. As such, we believe in a separation of the Transfer Clearinghouse operation and the oversight role (both of which are currently played, to some extent at least, by FIFA TMS). An oversight body should be given the resources, mandate and authority to investigate transfer deals and the work of transfer specialists, audit transactions, and even oversee transfer transactions by national associations. As with other recommendations, this requires money and staff not currently in place in FIFA or elsewhere.

T&L 21. Create centralized processes for registering and managing intermediaries.

The decentralized approach to registering and managing intermediaries is bound to fail. It will also further complicate transfer processes, with different countries having different processes in place. We advise re-creating a centralized process for registering and managing intermediaries.[231] This could start with serious analysis of FIFA's past centralization process, and why it seemed to fail. Based on these lessons, and in the spirit of the recommendation in T&L 18, we propose adopting a certification process for transfer specialists that could serve as a common entry point for intermediaries. Those who are certified will be registered.

In the spirit of recommendation T&L 20, we propose further that the oversight agency monitor and manage intermediaries, perhaps requiring annual reports on activities. The details of these recommendations go beyond the scope of this study, and should emerge from discussions between those who have already attempted these kinds of reforms in the past. We encourage these discussions, knowing that many have already provided proposals for such interventions.

[231] Intermediaries are common in transnational business. Their operations often raise questions of malfeasance and corruption (Hasker and Okten 2008). Research is not conclusive about remedies, but recommends tackling the issue head on—with proactive regulation, and through transparency. For broader discussion, see Lambsdorff (2013).

These proposals need to be discussed more broadly than they have in the past, and considered in a transparent debate including clubs, leagues, associations of agents, and players' unions.

T&L 22. Use the Transfer Clearinghouse to properly administer player passports.

FIFA regulations require that national associations issue player passports to clubs.[232] These player passports are meant to show where players have plied their trade from age 12 onwards. The passports are intended to ensure transparent records of player movements, and to address practices like human trafficking. Unfortunately, we have not been able to establish how many of these passports exist, where they are kept, or how much they are actively used. We believe that practices in respect of the passports is probably varied, from clubs and associations using them a lot to clubs and associations not using them at all. To build on past policy, we believe FIFA should take a firmer position on when passports are to be used, requiring that the passports be presented whenever a player is registered. Beyond this, we believe that electronic versions of the passports should be housed in the Transfer Clearinghouse. The Transfermarkt site shows that it is possible to indicate the professional and amateur history of every player. This kind of treatment makes the player movements more transparent and protects players against abuse.

T&L 23. Make player passports publicly available at all times.

Building on T&L 21, we propose that core data in all player passports be made publicly available through the Transfer Clearinghouse. This should not be too difficult if a clearinghouse is created as suggested. The transparency of these records will allow more active engagement by player advocates and unions, and add to the integrity of the transfer process in football.

T&L 24. Include third party ownership details in player passports and on the Clearinghouse.

The rule disallowing third party ownership in football is being challenged in various court rooms across the globe. We believe it was premature and is likely to fail in practice (if the legal cases do not prevail sooner[233]), without evidence of failure. What we mean is that the football community knows too little about this issue to have such a strong regulation in place and cannot know if current regulations will stop such behavior or just make it more opaque. This is a practice that is currently hiding in 'dark spaces' and is thus not open to aggressive regulation. The most we know about it comes from the 2013 KPMG study, *Project TPO*,[234] which produced only a general view:

> "The percentage of ownership in Europe of the economic rights appear to be usually between 10% and 50% and depend upon several factors. In the case of Latin America, this percentage tends to be higher and individuals, such as relatives, usually have a more relevant role."

We stand with many parties in being concerned about TPO; it seems to us that football would be better off if this practice was not present (or, even better, not necessary—as clubs in places like Spain and Portugal suggest it is). At the same time, we believe that the lack of knowledge about TPO affords it room to hide and that a general ban will force more 'hiding', which will limit

[232] For background on passports, see Montesh (2011) and Colucci and Majani (2008).

[233] Recent cases have supported the ban (or at least rejected the idea of suspending such). See http://www.fifa.com/governance/news/y=2015/m=7/news=fifa-welcomes-brussels-court-s-decision-to-reject-suspension-of-tpo-ba-2668122.html

[234] http://www.ecaeurope.com/Research/External%20Studies%20and%20Reports/KPMG%20TPO%20Report.pdf

opportunities to gather information about the practice and effectively regulate it in future. In this respect, we agree with the sentiments of Indian football journalist Arjun Krishnan:

> "The implications of this ban are still unclear. Some believe that it would drive the practice underground, under a different name, making it harder to trace and regulate. Others are optimistic, and believe this will help clubs to function sustainably in the long run. After weighing the pros and cons of TPO, its impact on football ultimately hinges on the degree to which it is regulated by the relevant governing bodies. The ideal solution wouldn't be to completely eradicate TPO, but to control it in a manner that keeps its negative aspects in check while maximizing all its benefits."[235]

The first step towards effective regulation of TPO involves creating a mechanism for gathering better information on the issue. To this end, we recommend rescinding the ban and introducing—at least in the short run—a regulation that requires clubs and players to reveal all TPO information in player passports and on the Transfer Clearinghouse. This information will be collected for players even if they are not being transferred (via passports) and at the point of all transfer transactions (where shares going to third party owners will be made public). We believe this is a first step to better understanding the practice. It may appear to legitimate the practice in the short run, but we are not concerned about such 'legitimation' undermining authorities' abilities to aggressively attack the practice in future (if this is deemed necessary and practical), even via a better informed ban (and banning process). Various national federations (including that in Spain) and the European Professional Football Leagues (EPFL) have made proposals for alternative policies which we think deserve more attention. But we advocate finding out more about the problem before introducing any specific policy.

Nothing Here Will Be Easy to Do

Nothing in this list of recommendations will be easy to do. This is partly because the financial integrity concerns we identify here are the product of factors that go beyond football. Indeed, they are often a manifestation of broader challenges associated with improving accounting and reporting systems in countries where governments and businesses are struggling with change. These challenges manifest in the variations in current practice across the world, even after decades of having common 'international standards'. The World Economic Forum (WEF) data on Strength of Accounting Standards shows, for instance, that Algerian business entities have a much lower level of accounting practices than those in France (scoring 3.19 out of 7 as contrasted with 5.48 out of 7),[236] which is different to the level in Bosnia and Herzegovina (with an accounting standards score of 3.4), and Germany (where accounting standards average 6 of 7).

These contextual differences are reflected in the evidence of associations' document availability discussed earlier. It is interesting to note that the administrative bodies routinely producing specified documents come from either richer nations and/or English speaking nations and/or

[235] See http://www.firstpost.com/sports/explaining-third-party-ownership-and-how-banning-it-affects-footballs-crazy-transfer-market-2220032.html. Beyond Krishnan, commentators (like Lindholm 2015) reflect on the legality of the TPO ban itself and call for less restrictive means of dealing with the problem. We support this position.

[236] For more information, see.http://reports.weforum.org/global-competitiveness-report-2015-2016/appendix-a-measurement-of-key-concepts-and-preliminary-index-structure/

those with a colonial connection to the United Kingdom. This is important to recognize because a large literature shows greater compliance with modern financial management practices and concerns in governments and private entities in such countries.[237] This work suggests that we should expect many football associations and clubs to have weak accounting and reporting systems. Our evidence reinforces such work and expectation, given a positive relationship between the strength of national accounting standards (as measured by WEF) and what we call National Football Associations Financial Communications Scores (AFC Scores). We calculated the AFC Scores as an indicator of the number of key documents (out of seven) associations provide on their website associated with their own finances and their role as a financial regulator.[238] In constructing the AFC Scores, we gave each association one point for satisfying each of the following 7 requirements: (i) publishing the annual financial statement on theirweb site, (ii) providing evidence that the financial statement is audited, (iii) producing rules and regulations for club ownership, (iv) making club ownership regulations available publicly on the web, (v) making club financial management regulations available publicly on the web, (vi) producing clear rules and regulations for club transfers; and (vii) making club transfer regulations available publicly on the web.

Figure 21 shows, for 36 countries, that associations with higher AFC Scores (where more regulations, reports and the like are available online) are in countries with higher national accounting standards:

- The 13 associations that scored above 3 on the AFC (out of 7) were in countries with an average of 5.6 on the WEF accounting standards measure (also out of 7);
- The 8 associations that scored 1 and 2 on the AFC were in countries that averaged 4.7 on the WEF measure;
- The 15 associations that scored 0 on the AFC were in countries that averaged 4.2 on the WEF accounting standards measure.[239]

Patterns in the football world are thus reflective of those in the world more generally, and need to be treated as such. In recognizing this, all of the recommendations we and others propose to improve financial processes and systems in football can learn from efforts to improve accounting and reporting mechanisms in other areas of the economy. The lessons from these other domains are sobering, and point to the limits of just transferring standards and processes across countries, as well as the need for deep cultural and social change whenever introducing practices that seem as universal as accounting and audit mechanisms.[240]

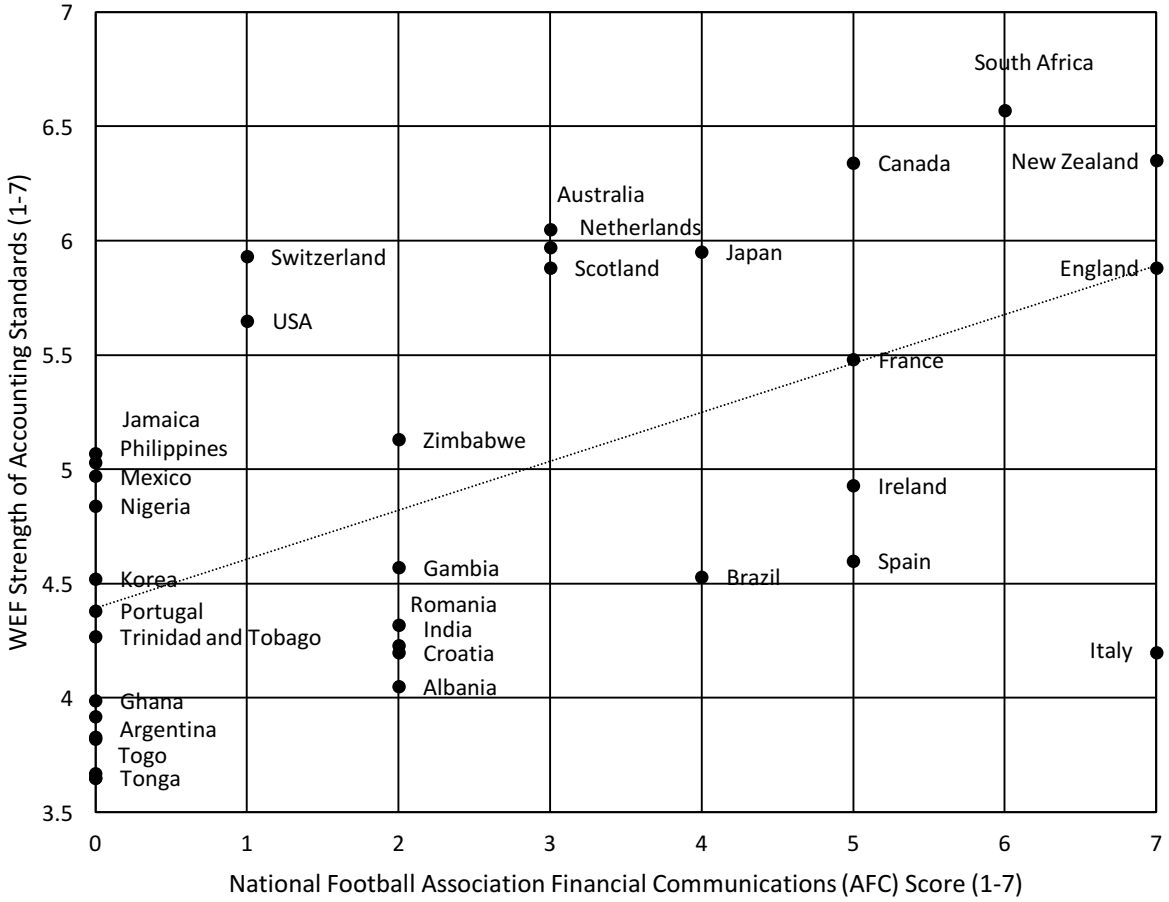
[237] See Andrews (2013) and Zeghal and Mhedhbi (2006).

[238] The AFC scores come from our online search for these documents. We conducted such a search given that this is the most public space the organizations have to communicate their own finances as well as the regulations they plan to enforce (and every association we examined had an active website on which to post their documents). We did a web search on 44 national associations and regional confederations. There were 36 national associations in this data set. The list of available documents suggested here does not suggest any minimal or optimal set of financial communications required by an association. They are simply a list we used to get a sense of the kind of information associations do commonly communicate on their web sites.

[239] Student's t-tests indicate that differences in averages are significant at the 1% level.

[240] The literature on this topic is extensive, and shows that financial systems influence many outcomes of interest in the current report, like corruption (see Malagueño et al. 2010). Studies show that the systems of financial

Figure 21. National Accounting Standards and Football Association Financial Communications



Sources: Authors' analysis of World Economic Forum data and original research by authors and researchers at Quest, a sports research and consultancy firm.

Patterns in the football world are thus reflective of those in the world more generally, and need to be treated as such. In recognizing this, all of the recommendations we and others propose to improve financial processes and systems in football can learn from efforts to improve accounting and reporting mechanisms in other areas of the economy. The lessons from these other domains are sobering, and point to the limits of just transferring standards and processes across countries,

management (including accounting) are influenced at the country level by a nation's culture, level of economic development, colonial legacy, and other factors. Similar factors also influence these practices at the organizational level, where one is likely to see greater uptake of modern accounting practices in bigger firms than smaller firms, for instance, and in firms doing global business rather than in firms operating purely locally (See Gray (1988) and Roberts and Scapens (1985) and Salter and Niswander (1995)). As a result of the evidence that context matters, the literature decries one-size-fits-all efforts to introduce change to accounting, audit, and other business practices and systems. It shows that these efforts often fail, and that a more fitted process is required for effective change. For country case examples, see Sian (2006), Uche (2002), and Ueno and Sekaran (1992). See also, on the subject of insolvency regimes similar to those to which the UEFA Financial Fair Play Rules relate (Halliday and Carruthers, 2007).

as well as the need for deep cultural and social change whenever introducing practices that seem as universal as accounting and audit mechanisms.[241]

We conclude, therefore, that all efforts to apply recommendations need to be sensitive to the realities of context. This means that any change processes need to be embedded in the places where reform is targeted. This requires having people working on the ground for meaningful periods of time, building relationships and trust with those who will ultimately adopt and live with the change. This implies an investment in money and time and effort, over years, by organizations outside of FIFA (where FIFA is the target of change) and by FIFA itself (where the organizations slated for change are those under FIFA's supervision). It is important to point this need out before any work actually begins, because half-hearted interventions are unlikely to have any meaningful impact. The need for major commitment raises an important question for all decision-makers reading this study: Is financial integrity important enough to warrant the time, money and attention necessary to effect real change?

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5. Financial Sustainability

> "There is no agreed definition of what financial sustainability is, but it is about being able to be there for your beneficiaries in the long term. It is the opposite of having to cease your activities simply because you have run out of money."
>
> Mango Advisory Services for NGOs[242]

> "Football is not merely a small business, it's also a bad one. Anyone who spends any time inside football soon discovers that just as oil is part of the oil business, stupidity is part of the football business."
>
> Simon Kuper, Journalist and Author (*Soccernomics*)[243]

A vibrant literature examines the profitability of football clubs (especially in Europe). This literature has been matched with innovative policies by UEFA designed to ensure clubs in key European competitions are financially sustainable. The Financial Fair Play (FFP) regulations are key in this effort. They were introduced as a response to concerns that many clubs across the continent were simply not financially viable, with many in the football community feeling the threat of mass insolvency from the early 2000s onwards. Confederations in Asia and Africa have adopted similar policies in more recent years (though we have no evidence of their implementation yet). These bodies are responding to an important dimension of financial integrity, which we call financial sustainability. We assess financial sustainability as the second pillar of football's financial integrity, looking at both clubs and governing bodies. The analysis of clubs is biased towards Europe given data access, but we comment on other regions as well.

Assessing the Status Quo

Profit and loss figures are often used to reflect financial viability or sustainability in football clubs (with Financial Fair Play regulations focusing on a version of this in emphasizing 'breakeven' analysis). As discussed, these are useful but limited measures of sustainability in the football sector. Clubs persist despite years of not breaking even, running losses and even building up debt. They do so by ensuring constant flows of patronage-based financing to close the gaps created by losses and debt. The really serious insolvency episodes in football are caused by shocks that stop the flow of this patronage (where owners experience losses in their other business interests, for instance, or where governments facing austerity conditions stop financing clubs or demand the payment of outstanding taxes, hence stopping implicit subsidies). In a sense, therefore, it matters less if clubs make profits or losses than if clubs can ensure continued survival even when they do not balance the books—by lining up a sustainable flow of rescue funding from willing patrons.

[242] https://www.mango.org.uk/guide/financialsustainability
[243] Visit the Soccernomics advisory site at http://www.soccernomics-agency.com/?page_id=11

This is not dissimilar to the views many observers have in regard to financial sustainability in not-for-profit organizations or state owned entities (SOEs).[244] These organizations are not primarily driven by a profit motive and rely in large part on external support for financial sustainability (through subsidies or tax-exempt financial assistance, for instance). The organizations receive such support because they produce private and public value beyond raw profit (such as low cost public services). This is similar to the footballing world, where many clubs are not expected to make profit but are seen as a source of more diverse value. As journalist Simon Kuper notes, citing the financier of English lower tier club Accrington Stanley: "Football clubs usually lose money, but then they aren't companies: they don't exist to make profits … [They] are very often part of the fabric of a community, and therefore aren't just judged on the basis of a business."[245]

This argument is buttressed by the fact that many football clubs are not structured (legally or practically) as purely private companies. We have already discussed this, but it is useful to remember that Real Madrid and FC Barcelona are owned by thousands or members or *socios* instead of private companies, and most German clubs enjoy dominant ownership by supporters. These owners demand more than just profit. Similarly, clubs in countries like Malaysia are commonly owned by governments, and clubs in countries ranging from Argentina to Brazil and China receive state support in the form of cheap loans (often from development banks), access to stadia, and more.

Figure 22 shows a 'publicness index' we constructed to illustrate such governmental support in Europe's top leagues (using data described in association with Table 1a). It captures the percentage of clubs in each of these leagues that benefits directly from government support, in some way or other (as reflected in UEFA data, this support could come in the form of being officially registered as state-financed or having preferential status as a not-for-profit organization (which we see as a beneficial legal form for these clubs) or being able to play in stadiums owned by municipal or regional governments). In Serbia, for instance, 14 of 15 clubs assessed by UEFA benefit in some way from the public sector (so the league scores 0.96 on the index).

The figure points to high levels of government assistance in top European leagues in Serbia, Albania, and Israel, where source data provided by UEFA indicate that many top clubs are playing in state owned (and often maintained) stadia and are also often state financed. Clubs in other leagues have lower levels of publicness but it is instructive that governmental links are sufficient to yield an index above 0.4 (out of 1) in 24 of the 53 top leagues contributing teams to Champions League and Europa League play. Figure 22 is likely to be controversial, given that most clubs in Europe are sensitive to the charge that they benefit from 'state aid', which is illegal in the European Union. It should not be controversial, however, with many studies showing that governments engage actively to support clubs across the continent.[246] England's Premier League is the only example in Figure 22 where there is no public or non-profit influence, according to

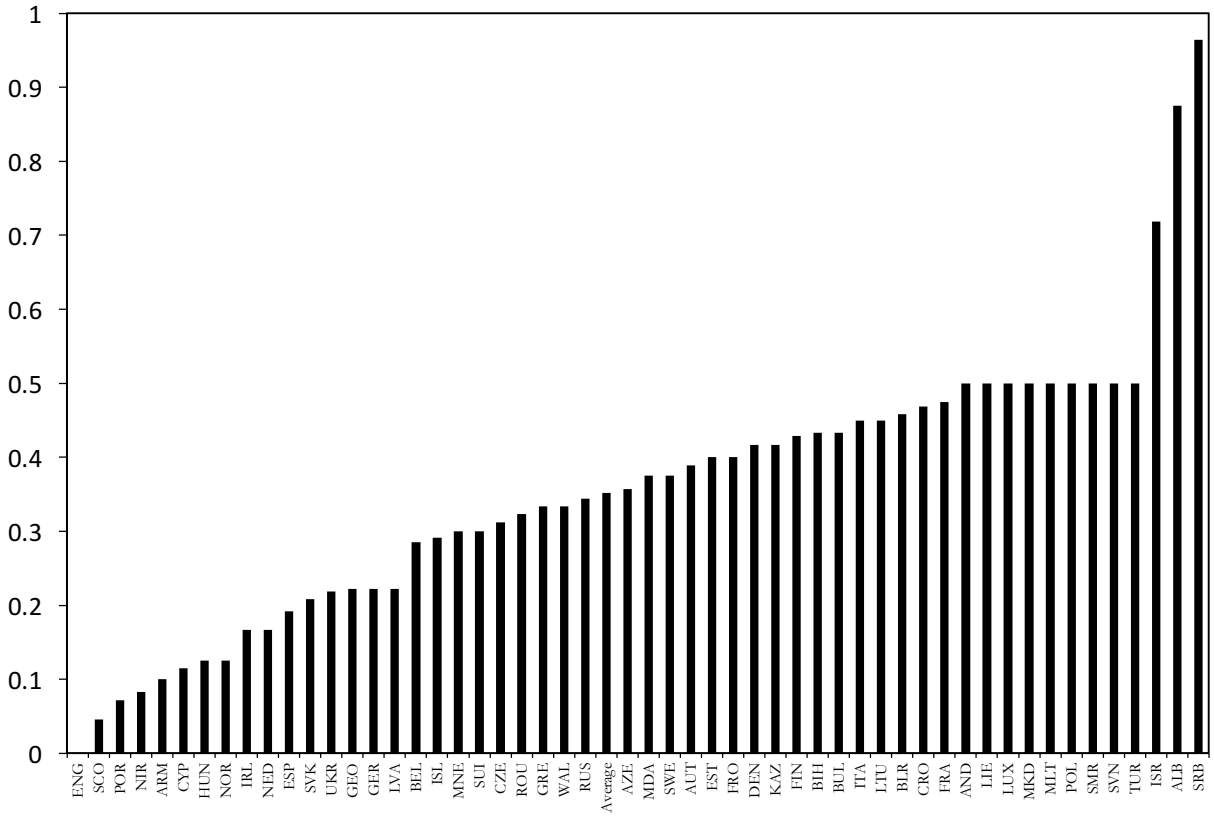
[244] See Sontag-Padilla at al. (2012) and Arena et al. (2015).

[245] Kuper is an established journalist whose comment suggests the limits to thinking of football as an ordinary 'business'. See http://www.ft.com/intl/cms/s/0/151a2f06-905a-11e1-8cdc-00144feab49a.html#axzz3nzd1MBdZ

[246] See Craven (2014) and articles on state aid in Europe: http://www.businessofsoccer.com/2013/08/09/501-and-socios-a-look-at-german-spanish-football/; http://www.lawinsport.com/articles/tax-law/item/how-state-aid-rules-are-being-applied-to-european-football-part-1-examples-of-the-commission-s-approach. Beyond Europe, Dorsey (2015) discusses government and other political patronage in Asian football.

these data. However, recent studies reveal that these influences are widespread—even in England—and reflect the fact that governments and community groups are interested in clubs for the political and public value they provide.[247]

Figure 22. The Publicness Index, as Applied to Europe's Top Leagues



Source: Authors' calculations, based on UEFA data (as described in Table 1a).

Notes: Index captures the percentage of clubs in each league receive state financing or use state-owned stadia. Either characteristic shows a government interest in the functioning of the club. In Serbia, for instance, nearly all 15 clubs assessed by UEFA benefit in some way from the public sector (so the league scores 0.96 on the index).

This government support is just one kind of patronage that clubs rely on to ensure financial sustainability over time, however, and it is arguably not the dominant form in countries like England. Table 10 shows other forms that exist, including what we call vanity patronage, private value patronage, social value patronage, political value patronage, and public value patronage.

[247]For references, see http://www.dailymail.co.uk/sport/football/article-2111563/Manchester-City-400m-Etihad-deal-banned-says-EU-watchdog.html; http://untold-arsenal.com/archives/42757; http://www.oxera.com/Latest-Thinking/Agenda/2014/The-charity-league-state-aid-investigations-in-Eur.aspx. It is important to remember that government patronage is not reserved for football or other sports, however. This kind of patronage has a long history in the arts and culture sector, where the state supports activities because of spillovers and externalities. Different countries have different legacies in this respect—as they do with football—but the general story is that governments support these kinds of sectors routinely and actively, in some way or other, all over the world. See Mulcahy (1998).

Table 10. Patronage Options for Football Clubs

Type of patronage	Common Types of Patrons	Patronage Sources
Vanity Patronage[248]	Wealthy individuals	Private wealth of individuals
Private Value Patronage	Wealthy individuals, funds, banks, and markets	Private wealth (and financial sector access through such) using club for profit and/or to promote other business interests (via marketing, financial engineering, etc.)
Social Value Patronage	Wealthy individuals, community and supporter groups, local and regional financial institutions	Private wealth of individuals, local and regional financial institutions invested in community or in football
Political Value Patronage	Wealthy and connected politicians	Politically connected private wealth, local financial institutions, using sports to promote political interests
Public Value Patronage	Governments and government representatives	Public subsidies (in-kind and financial) and tax breaks, designed to promote continued existence of clubs for social value they create

Source: Authors' analysis.

It is not always easy to identify the dominant types of patrons in different leagues, but some cases do help in illustrating the alternatives shown in Table 10. Roman Abramovich's support to Chelsea is arguably a good example of vanity patronage, for instance, where one sees a wealthy individual using his personal wealth to bankroll a club without any obvious business interest. South Africa's Patrice Motsepe is arguably another example of vanity patronage, bankrolling South Africa's Mamelodi Sundowns from his personal wealth with no clear profit or business-related focus. [Often, we would argue, these vanity owners also have business of political interests, and this is probably true for the cases we show here as well].

The Abu Dhabi ownership of Manchester City, in contrast, seems to be an example of private value patronage. These owners have used the club brand aggressively to market business interests like Etihad airlines. The American owners of Manchester United are also an example of this patronage, given the way they have used the club to foster financial engineering in their broader business empire and, more recently, to establish the club as its own profit-making business enterprise. The supporter-owners who rescued Swansea City from insolvency in 2002 may be seen as an example of social value patronage. Their rescue-funding was intended to ensure that the club continued to exist and service the local community. The membership-based ownership structures in FC Barcelona and Real Madrid and Brazil are additional examples of this kind of patronage. Having tens of thousands of local and regional citizens as owners, these clubs have traditionally been guaranteed financial support from local and regional banks (private and public). Various Kenyan clubs are good examples of political value patronage, depending on support from local and even national politicians (who tend to hold key positions in the clubs).[249] A number of Chinese Super League clubs are arguably also good examples of this kind of patronage, given that 13 of the league's 16 teams are bankrolled by wealthy politically connected real estate developers.[250] The United Arab Emirates new league may be seen as a good example

[248] The idea of 'vanity patronage' emerges from work on the topic of vanity ownership in sports. See Roger Blitz on why investors are snapping up English football clubs (http://www.ft.com/intl/cms/s/0/b491db92-1391-11dc-9866-000b5df10621.html#axzz3v5juCH2z). See also Bower (2003) and Gerrard (2004).

[249] See Pannenborg (2010).

[250] See http://m.bleacherreport.com/articles/1539895-chinas-super-league-is-growing-but-rife-with-problems

of public value patronage. Over a third of its revenues come from subsidies that the state provides to promote the sport, ostensibly hoping it will deliver social value in return.

It is arguable that all clubs rely on one or more of these forms of patronage to survive, at least financially; there are examples of different types of patrons bailing clubs out across the world as well, even in Germany,[251] which is often portrayed as the model of financial well-being. The many examples of patronage and bail-outs feed the work on soft budget constraints in football. As described by prominent sports economist Wladimir Andreff,[252] this literature argues that most organizations face a "constraint on liquidity, solvency or debt [that] sets the upper limit on the sustainability of financial deficit." Andreff argues further that, "[I]f the latter is no longer sustainable and the organization does not receive support from other organizations to cover its deficit, there is no other way than liquidating it, which means that the organization faces a hard budget constraint." Given this reasoning, he concludes that, "[A] firm's budget constraint is soft if it is adjusted to recurrent overspending because the firm receives regular assistance from some organization or administration. The very existence of such organizations—coined supporting organizations—is a prerequisite for the emergence of SBC (soft budget constraints)."[253]

Whether one calls the rescuing entities 'supporting organizations' or 'patrons', it is clear that they play a major role in undermining the natural budget constraint for football clubs. In one sense they are a major cause of what is wrong with football's finances, given how they foster losses and indebted clubs and leagues. A focal point of financial reform efforts should thus focus on hardening the budget constraint of clubs and better structuring the way patronage flows into the sector (influencing where this patronage comes from, how transparent it is, when it is provided, and such; discussed later in this report). In another sense, patronage is a reality of football and

[251] Consider an excerpt from an article by the journalist Martin Samuel in England's Daily Mail, providing examples of patronage in Germany (http://www.dailymail.co.uk/sport/article-2143867/German-football-efficiency-The-Bundesliga-Martin-Samuel.html): "While no Bundesliga team have become insolvent, quite a few have had a fair tilt at it, only to be bailed out in a way that English clubs simply are not. Take Hansa Rostock. Bottom of Bundesliga 2, with debts of £6.81m, they risked being busted down to the amateur ranks until the local council stepped in last week with an aid package, including a partial waiver of tax debt, the purchase of property located in Hansa's training complex and a significant grant. Not that they can afford it. The state of Mecklenburg-Vorpommern, in which Rostock is situated, is the poorest in Germany and below the European Union average in terms of gross domestic product per capita. Yet Rostock's escape is a familiar one. Alemannia Aachen, who will be joining them in Liga 3 next season, were also rescued from debt by the city council, having got into trouble upgrading their stadium, under pressure from the Bundesliga's administrators. Alemannia spent £50m they didn't have and then had to be saved with two 45-year loans. There may be trouble ahead, however, as one of those agreements was only reached on the proviso Alemannia remained a Bundesliga concern. Still, as of next season, they are not the Bundesliga's problem, so another potential insolvency will not go down to European football's perfect financial model. No bankruptcies then, but there have been some close shaves. Eintracht Frankfurt have twice been docked points for financial misdeeds, as were Kaiserslautern, who were in such a mess they mortgaged their star player, Miroslav Klose, to the state lottery. TSV Munich 1860 were forced to sell their half of the AllianzArena to Bayern Munich to stay afloat, while Schalke 04 had debts of £248m two years ago. Meanwhile, SportFive get the first 20 per cent of all monies earned by Hamburg in perpetuity for financing their new stadium, the name of which has changed three times in nine years. And when the politicians or big business won't help, the league or a rival club obliges. Current champions Borussia Dortmund came so close to going under they were only saved by a £1.6m loan from rivals Bayern Munich — a deal so straightforward and above board that it went unmentioned until recently, close to a decade later."

[252] Andreff (2015).

[253] See Andreff (2015) and Kornai (1986).

needs to be appropriately considered when thinking about the appropriate criteria for assessing financial sustainability in clubs and leagues. It is clear, for instance, that financial sustainability is less about making profit than it is about attracting and maintaining responsible patronage.

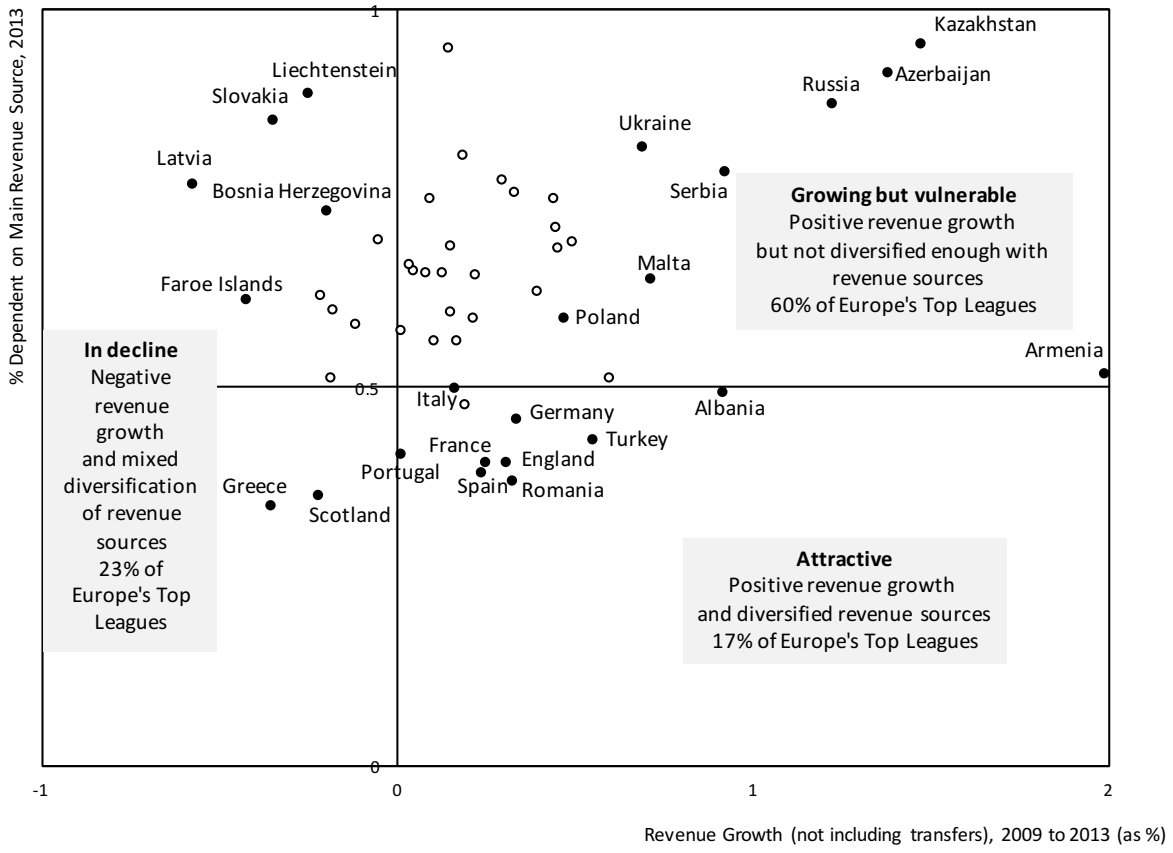
This is not guaranteed by any means in any context, and clubs need to compete over patronage opportunities; especially where the sought after patrons are responsible and stable, unlikely to become sources of instability and financial risk themselves (which has happened on many occasions, where owners allow financial difficulties from other businesses to disrupt club operations, for instance, or where supporting governments run into financial troubles and call-in outstanding tax debts from clubs). In this competition for stable patrons, the more competitive clubs will arguably be those where potential patrons see some financial stability and even opportunity—such that they have to fill fewer financial gaps and may even be able to make money or build the club with its own resources. Accordingly, a cub's financial sustainability depends on how attractive it is to patrons, which is arguably a function of many factors (including the marketability of a club, its fanbase, and more). We see at least three key financial-related factors influencing this attractiveness:

- The first factor captures *own revenue attraction*, measured as the increase in revenue raised through core operations (not including transfers) over the past five years, as well as the diversity of revenue (where more diversity is better). The rationale is that potential patrons will find this revenue raising ability attractive, given that it points to potential financial growth. Furthermore, financial sustainability risks are lower for clubs and leagues that have a growing source of core own revenues and more diverse revenue sources, given that they have some *own revenue resilience* for periods where they may not have a patron.
- The second factor captures *financial viability,* reflected in the return on assets and net equity positions of clubs in the past five years. The rationale is that high quality public, not-for-profit and private patrons will be more supportive of clubs with lower losses and debt obligations (where they need to fill smaller financial holes). Clubs that run consistently large losses and debt are at risk of not finding patronage, or likely to attract risk-friendly (and risky) patrons.
- The third factor captures *cost control* and is assessed by referring to the five-year wage/revenue ratio and transfer spending (and growth). The rationale is that clubs with more disciplined cost management are likely to withstand shocks and periods in which external financing opportunities run dry, and also attract more stable and conservative patrons (who are arguably attracted by such management record).

These factors can be assessed at many different levels; for individual clubs and for the aggregate groups of clubs in leagues and even in regions. The analysis here focuses on the aggregated groups of clubs in the top leagues of Europe, given access to data from UEFA (as described in association with Table 1a), which is not available for individual clubs due to data confidentiality commitments. The analysis of European leagues points to aggregated tendencies in each league, not characteristics of every club in the league. So, for instance, saying that the EPL is struggling with high player costs does not mean every club in the league has such struggle. The league-level analysis thus has its limits but is useful in signaling the relative position of different leagues in Europe.

The first signal of this health is provided in Figure 23, which presents basic own revenue attraction data for the aggregated clubs in Europe's top leagues. The figure graphs data for two dimensions of the factor. The horizontal axis shows the percentage revenue growth between 2009 and 2013 across all clubs in the specified league. This did not include potential revenue from transfers, and is thus more a measure of operational revenue growth than total revenue growth (capturing core revenue like gate takings, and commercial revenue, and broadcasting income). We cut the axis at zero, to show which leagues have positive revenue growth and which have negative revenue growth (with the simple argument that positive growth is good and negative growth is not good). The vertical axis shows the extent to which clubs in each league depend (on aggregate) on the main source of revenue. It shows the percentage dependence on this main revenue resource (such that a league with 55% dependence on sponsorship is at 0.55). We cut the axis at 0.5, given that clubs in leagues above this point have one very dominant revenue source (accounting for over half of income). Clubs in leagues below this point tend to have at least two large revenue sources, and are hence more diversified (which we see as positive).

Figure 23. Own Revenue Attraction in Europe's Top Leagues



Source: Authors' analysis based on UEFA data (described in text associated with Table 1a).

The interaction of these two revenue measures generates three categories:

- The bottom right cluster is the most attractive, where revenue growth is positive and the league's clubs are less than 50% dependent on the main revenue source (having at least two

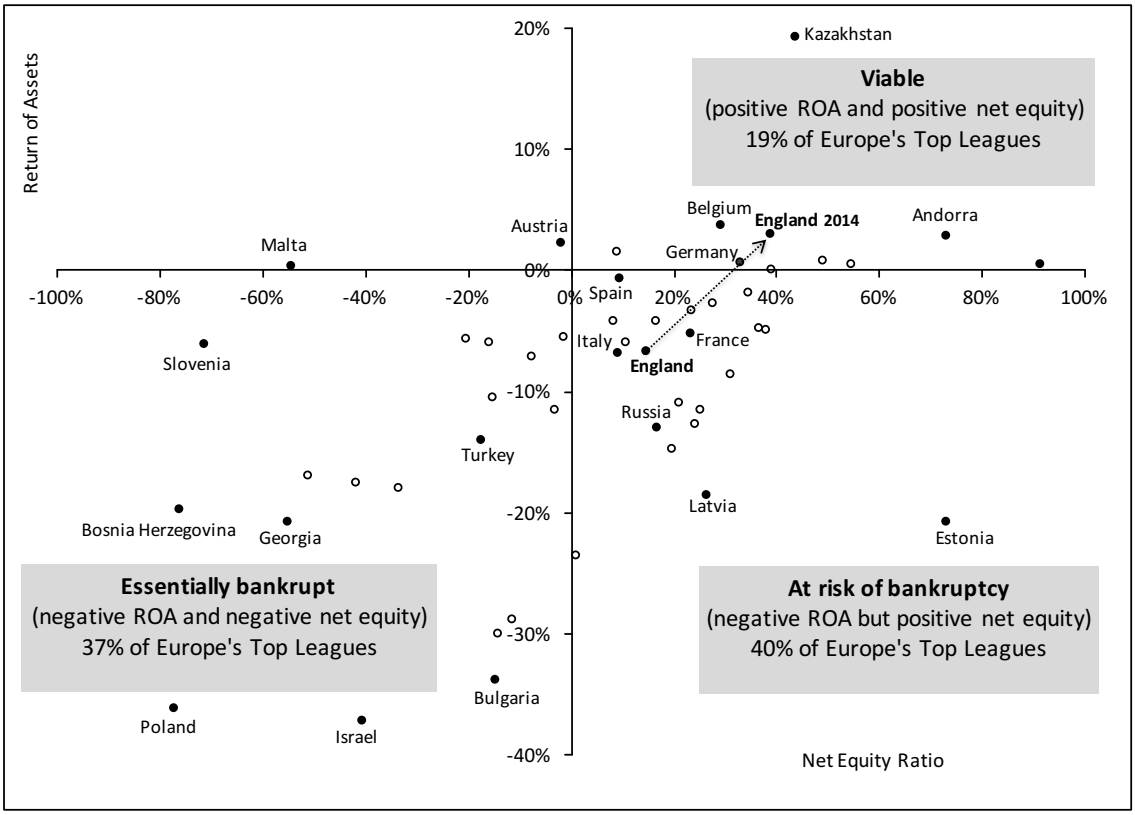
large sources that promote diversification). All Big 5 leagues fall into this category, with other leagues including Turkey, Portugal, Romania and Albania. The robust own revenue performance is likely to attract patrons to clubs in these leagues.

- The top right cluster forms a middle category, where revenues have grown but the league's clubs derive more than 50% from one revenue source (meaning that the league is less diversified and hence more dependent on the one source). One finds 60% of Europe's top leagues in this category, including Poland, Ukraine, and Armenia. Growing revenues are likely to attract potential patrons to clubs in these leagues, but the dependence on one or other revenue source will imply some vulnerability that might concern some investors.
- The weakest category is to the left, where aggregated clubs in each league are essentially in financial decline, facing decreasing revenues between 2009 and 2013. About a quarter of Europe's top leagues are in this category, including Scotland, Greece, Latvia, Slovakia and Bosnia Herzegovina. Potential patrons are likely to be concerned about engaging in clubs from such leagues, given the drop in revenues. This will probably limit the pool of investors lined up to invest in clubs in the leagues, which is a concern for sustainability.

It is interesting to note the positive relationship between recent revenue growth and dependence on a single revenue source. The correlation between these two measures in 0.25 (which is not very high but is statistically significant, suggesting that higher growth in the short-run tends to lead to higher dependence on a specific revenue source). To show this further, top leagues in twenty countries had revenue growth higher than the English Premier League between 2009 and 2013, and seventeen of these were more than 50% dependent on one type of revenue. Fourteen of these leagues depended on only one type of revenue for over 60% of all income. In almost all cases, this showed major injections of commercial and sponsorship revenues in recent years (with these revenues increasing by 127%, 143% and 160% between 2009 and 2013 in Russia, Kazakhstan, and Azerbaijan, for instance, ostensibly reflecting the buoyant oil revenues in such countries). This dependency is proving problematic now (in 2015) as oil revenues are declining and clubs in these leagues are struggling for finances. This is why we call the high dependency areas as 'growing but vulnerable'. The England Premier League has moved closer to this quadrant in 2014 and 2015, given dramatic increases in the size and dependency on broadcasting revenues. The league is certainly seeing revenue growth but its dependence on broadcast revenues has also grown (from about 40% in 2009 to 48% in 2014, given UEFA data).

Beyond own revenue attraction, we are also interested in club financial viability. Figure 24 shows our simple approach to assessing this. We present financial viability data for the aggregated clubs in Europe's top leagues using two dimensions of the factor. The aggregate net equity ratio for clubs in each league is shown on the horizontal axis. This is essentially the amount of assets on which club owners have a residual claim after accounting for liabilities, calculated as an aggregate, league level ratio of equity to assets (averaged over 5 years, between 2009 and 2013). A positive net equity ratio is considered 'good' in this analysis (given that in these cases the aggregated clubs have more assets than liabilities). The return on assets (ROA) for clubs in each league is shown on the vertical axis. It shows the basic relationship between income and assets, capturing how profitable the clubs are relative to total assets (also as an average over 5 years, from 2009 to 2013). For simplicity's sake, we cut the axis at zero as well—suggesting that a positive ROA is 'good').

Figure 24. Financial Viability in Europe's Top Leagues (ratios for 2009-2013)



Source: Authors' analysis based on UEFA data (described in text associated with Table 1a).

These are simple indicators and do not capture much of the detail a potential investor would look for (including the structure of assets and liabilities). They do help to paint a general picture here, however, which we feel is probably as good as one can get in such a broad analysis (where one cannot go into detail on the specifics of a club's balance sheet). This general picture should be taken with a great deal of caution, however, because these kinds of measures are typically of limited value in the world of football (especially at an aggregated level). They depend on an effective valuation of assets, for instance, which is seldom a reality in football clubs (where the main assets are brand value, players and stadia, which are not included, poorly valued or commonly depreciated—leaving a skewed picture). Also, this picture can change significantly in short periods due to shocks (positive or negative). For instance, England's position adjusted significantly in 2014 (as shown) given large broadcasting revenue increases. Recognizing these caveats, we cautiously identify three league clusters in the figure:

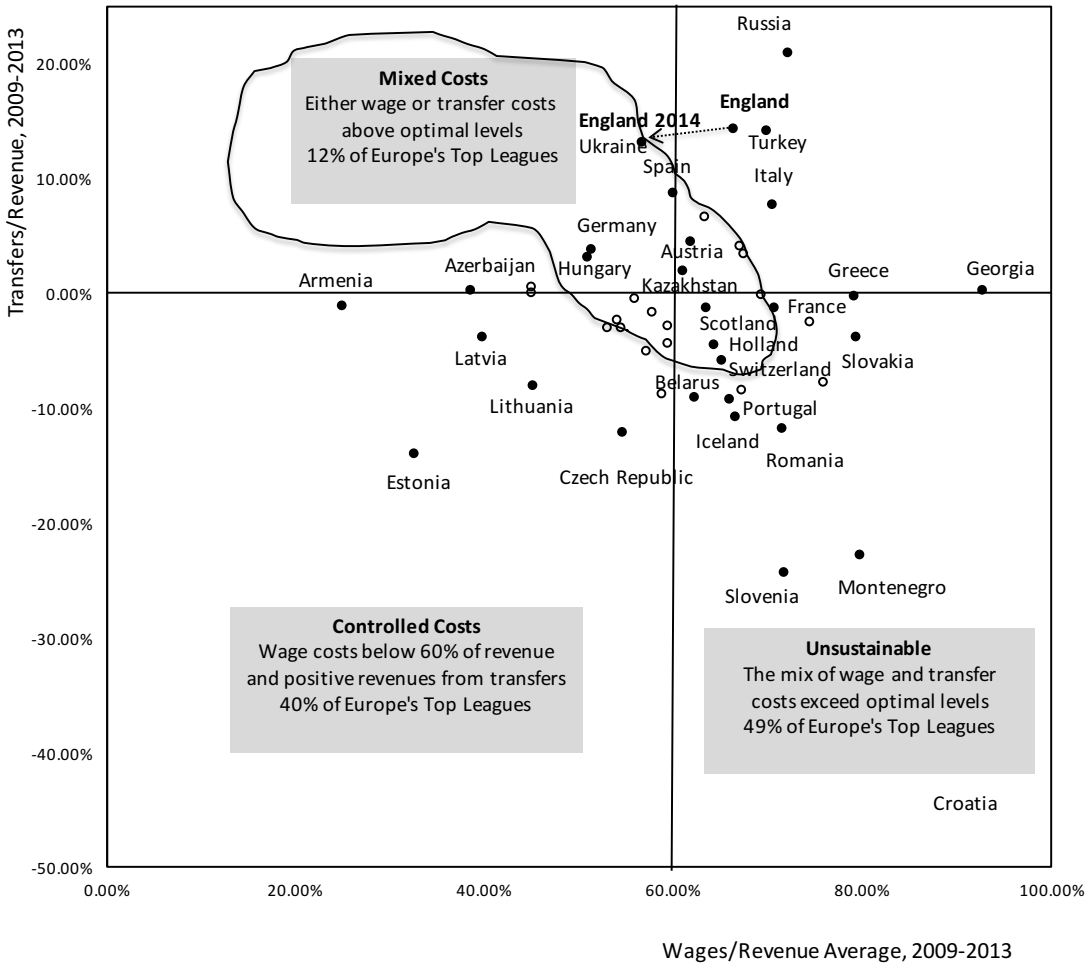
- The top right cluster is the most positive, where the league's clubs have (in aggregate) positive net equity ratios and returns on assets (on average, between 2009 and 13). About a fifth of Europe's top leagues are in this category, including Belgium and Germany. The English Premier League is in this category in 2014. Clubs in these leagues are essentially financially viable, and would require little rescue finance from potential patrons. This would attract a large set of interested patrons for clubs in the leagues.
- The bottom right cluster is the middle category, where the aggregate group of clubs in each league have a negative return on assets but positive net equity. This is where 40% of Europe's

top leagues are located, including England, France, Italy, and Spain (between 2009 and 2013). For the time being, these leagues are propped up by their asset base, but continued negative returns on assets would render these leagues at risk of bankruptcy. Potential patrons are likely to be wary of this, and would need to actively finance the continued operation of these clubs from the outset.

- The left cluster is the weakest category, where the aggregated group of clubs in the league is essentially bankrupt, facing negative returns on assets and negative equity ratios. 37% of Europe's leagues fall into this category, including Turkey, Bulgaria, Poland, and Israel. The significant financing requirements of these leagues will limit potential patronage interests.

Finally, Figure 25 shows cost control data for the aggregated clubs in Europe's top leagues.

Figure 25. Cost Controls in Europe's Top Leagues (ratios for 2009-2013)



Source: Authors' analysis based on UEFA data (described in text associated with Table 1a)

As in Figures 23 and 24, Figure 25 graphs data for two dimensions of the factor: the wage/revenue ratio for aggregated clubs in each league (averaged between 2009 and 2013); and the transfer cost/revenue ratio for aggregated clubs in each league (also averaged between 2009 and 2013). These are two key dimensions of the labor costs faced by clubs in modern football. As already

discussed, these labor costs are material in the football sector and need to be controlled in a balanced and strategic manner. As in prior figures, the interaction of these dimensions allows one to cluster leagues into three categories, depending on the size of both ratios. Leagues are rewarded if wage/revenue ratios are below 60%, and if transfer/revenue ratios are negative (which captures situations where clubs in leagues receive more money from transfers than they spend—such that a negative score here indicates a profit from transfer trade). The 60% wage/revenue mark is a fairly generous one, given that most industries and other professional sports codes have much lower labor cost to revenue ratios.[254] In the footballing world, however, recent UEFA and English Football Directors surveys note that many clubs target the 55-60% ratio level when constructing key performance indicators of financial health.[255]

The figure shows three clusters:

- The bottom left cluster captures leagues in which clubs are most effectively controlling their labor costs. Where the league's clubs have (in aggregate) wage/revenue ratios lower than 60% and negative transfer/revenue ratios (signaling gains from transfer transactions) between 2009 and 2013. Two fifths of Europe's top leagues are in this category, including Estonia, Latvia and Armenia. These leagues are essentially cost controlled, and would hence not put too much of a cost burden on potential patrons. There would be a potential challenge of balancing the cost control with an ability to attract real talent, however, given that none of these leagues produce really competitive clubs in Europe.
- The middle category is marked out as 'Mixed Costs', where the league's clubs have (in aggregate) either a higher than benchmark wage/revenue ratio or a higher than benchmark transfer/revenue ratio between 2009 and 2013. Clubs in these leagues are essentially able to balance the costs from one set of labor market transactions with the other set of transactions. In Germany, for instance, clubs are net spenders on transfers (allocating 3.7% of revenues to transfers between 2009 and 2013), but wage/revenue ratios are lower than 60% (at 51% across the league between 2009 and 2013). In contrast, clubs in Holland have higher wage/revenue ratios but balance this by making profits from transfers. These examples account for 12% of Europe's top leagues, including Germany, Holland and Scotland. England's Premier League was in this category in 2014, largely because increased broadcasting revenues led to a better wage/revenue ratio in that year.
- The weakest category is represented in all clubs to the right of the vertical line but not included in the 'mixed costs' cluster, where the aggregated group of clubs in the league is essentially spending more on wages and transfers than is affordable over the long-run. 49%

[254] In American sports, the National Hockey League (NHL) has an average wage/revenue ratio of about 70%. Baseball, basketball, and NFL football have ratios from 37% to 55%. See http://www.businessofsoccer.com/2014/02/07/how-much-more-do-professional-footballers-make-than-the-average-joe-part-ii/ . In the United States these ratios are high in non-sports industries that employ high cost staff (as in football) like health care (ratio=52%), for-profit services (like accounting and law) (50%) and educational services (especially higher education) (50%). The lowest ratios are in industries that do not hire expensive workers (durable goods manufacturing (22%), construction/mining and oil/gas (22%), and retail/wholesale trade (18%). Data come from the Society for Human Resource Management http://www.shrm.org/research/articles/articles/pages/metricofthemonthsalariesaspercentageofoperatingexpense.aspx#sthash.krU96n00.dpuf.

[255] The 2015 Football Directors Survey (page 14) shows that most clubs in England target a wage/revenue ratio of less than 55%, for instance. http://www.bdo.co.uk/news/the-annual-survey-of-football-finance-directors

of Europe's leagues fall into this category, including four of the Big 5: England, Italy, Spain and France (for the 2009 to 2013 period; as noted, England was in a different quadrant in 2014 given the major increase in broadcast revenues). Some of the clubs in this category are making profits from transfers (Croatia, Romania and even France) that are significantly outweighed by overly large wage bills (with average wage/revenue ratios between 2009 and 2013 of 89%, 71%, and 70% respectively). These leagues produce some of the most competitive clubs in Europe, which confirms research that shows high wage bills associated with competitiveness. These clubs are expensive to own and finance, however, and will only attract small sets of very wealthy patrons (or patronage communities), which escalates the risks to financial sustainability; there are not many of these patrons.

The three sets of analysis in Figures 23, 24 and 25 provide input to an overall assessment of financial sustainability risks in Europe's top leagues, where those with low risk are arguably more attractive to potential patrons (and more capable of surviving on their own). This assessment is summarized in Table 11 with leagues identified as high risk, medium risk, and low risk. It is important to emphasize that this is an indicator of risk and not a measure of such. There is much more that would need to be assessed to actually measure viability; but this analysis gives some pointers as to which leagues might require more analysis than others.

Table 11. Indicators of Financial Sustainability Risk in Europe's Top Leagues

High Risk Leagues, in terms of financial sustainability
Bulgaria, Cyprus, Finland, Georgia, Greece, Iceland, Israel, Luxembourg, Moldova, Poland, Serbia, Slovakia, Slovenia
Medium Risk Leagues, in terms of financial sustainability
Austria, Azerbaijan, Bosnia Herzegovina, Croatia, England, Faroe Islands, France, Holland, Ireland, Italy, Latvia, Liechtenstein, Malta, Montenegro, Portugal, Romania, Russia, Scotland, Spain, Switzerland, Turkey, Wales
Low Risk Leagues, in terms of financial sustainability
Albania, Armenia, Belarus, Belgium, Czech, Denmark, Estonia, Germany, Hungary, Kazakhstan, Lithuania, Macedonia, Northern Ireland, Norway, San Marino, Sweden, Ukraine

Source: Authors' analysis based on UEFA data. The high risk category includes leagues where clubs, in aggregate, face high financial sustainability risks, given their own revenue performance, viability statistics, and cost control data.

Table 11 does not provide an assessment that one can apply when thinking about individual clubs in each league (one would need to do an assessment of each club to construct such a view). It is an indicator of general financial sustainability in a league, however, much like a general health indicator would reflect on risks for those in different age groups (much like saying men aged 30-40 are at less risk of heart attacks than men aged 50-60, which does not mean that individuals in both categories will always reflect such risk profiles).

This assessment shows that the clubs in 13 leagues (25% of those in the sample, accounting for about US $600 million in revenue) face high financial sustainability risk. Most of these leagues are smaller revenue earning leagues that have limited financial slack, and where one would likely find clubs at the bottom of the football financial pyramid. A number of these high risk leagues are located in countries that have recently undergone significant economic hardship following the 2008 global financial crisis (like Greece, Cyprus, and Poland) and a variety of Eastern European countries that are also struggling due to economic slowdown (including Bulgaria and Serbia).

Clubs in 22 leagues (about 43% of the sample, accounting for over US $12 billion) are in the 'medium risk' category. Four of the Big 5 leagues are in this middle group (England, France, Italy and Spain) along with six of the other 15 highest-revenue leagues. These leagues have a less robust 'financial sustainability' pillar than other high revenue leagues like Germany, Norway and Denmark (which are in the low risk category). Clubs in 17 leagues (about 32%, accounting for about US $3.5 billion) are in this low risk category and largely financially sustainable, including five of the wealthiest 15 leagues (Germany, Belgium, Denmark, Norway and Ukraine). We should note that our assessment here was generous—rating a 'good' wage/revenue ratio as anything lower than 0.6, for instance—and no league in the low risk category is actually a 'no risk' league].

This sample is, of course, only covering about a third of all Europe's clubs—and the richest ones at that (with lower league clubs still not covered in any UEFA database). We would not expect many leagues or clubs outside of this sample to have robust finances, given the earlier discussion on financial difficulties in lower leagues (and the higher propensity for financial distress in such leagues). We thus estimate that about 11% of leagues and clubs in Europe (33% of 32%) are likely to be at low levels of financially sustainability risk, with another 14% (33% of 43%) at medium risk. This is, of course, a rough estimate—but leads to the conclusion that up to 75% of Europe's clubs and leagues (in total) are subject to high levels of financial sustainability risk.

We have no data allowing even tentative estimates like this outside of Europe. However, studies and reports would not lead us to believe that the situation is any better (and in fact it appears worse). We know, for instance, that the average club playing in the Asian Champions League receives 50% of its revenue from only one source—sponsorship. This dependency is highest in some of the fastest growing leagues in the region (including Qatar, China, and Korea, where reports suggest that sponsorships account for up to 60% of club incomes).[256] This lack of revenue diversification is a major risk factor for these leagues. A similar dependency plagues leagues in countries like Kenya, where research also shows that single-source revenue dependency is a major source of financial distress.[257] This dependence risk is also a factor in Argentina's top league, which was interrupted as recently as 2009 because of less-then-expected broadcast and transfer revenues.[258] We also see risks associated with viability concerns, where many clubs and leagues appear essentially bankrupt because of high loss ratios and weak equity positions. The Brazilian Serie A and B have had such problem in recent years, for instance.[259] The American MLS has also been making routine losses and is over 50% dependent on gate takings, struggling to increase its appeal to broadcasters or in the merchandising arena.[260]

Financial sustainability challenges are not reserved for football clubs and leagues in which the game is actively played, however. We see very real sustainability concerns and risks in the world's governing bodies. There are 209 national associations, six regional confederations and one global association of associations (FIFA) governing world football. These entities tend to be structured as tax exempt, not-for-profit entities operating as membership associations. Such entities usually

[256] The authors base these estimations on personal correspondence with officials in these leagues.
[257] Thiga (2014).
[258] For reference, see http://www.theguardian.com/football/2009/aug/05/argentina-football-cash-crisis
[259] For reference, see recent New York Times article: http://www.nytimes.com/2015/04/24/sports/soccer/brazilian-soccers-financial-disarray-starts-to-show-on-the-field.html
[260] For reference, see http://www.soccernomics-agency.com/?p=692

receive dues from members and raise additional revenues on behalf of members. In the football sector, these additional revenues are associated with the rights of national team brands (typically raised by national associations or federations) and regional or global club and country competitions (typically raised by regional confederations or FIFA).

As with football clubs, financial sustainability of associative bodies is not commonly assessed on the basis of profitability. Associations do not need to make profits (and probably should not make profits, given their responsibilities to members, regulatory role, and not-for-profit nature). Instead, these entities must maintain financial balance over time, to ensure they have sufficient funds to represent members' needs in an effective and resilient manner. We reflected on this balance through a number of indicators, as was done with clubs; including the ability to raise revenue, manage costs, and ensure a positive net equity position (where assets exceed liabilities). Our rationale behind these criteria is quite simple:

- Associations that are able to raise revenue from diversified sources have resources to represent members effectively over time and to weather potential shocks.
- Similarly, associations that limit operating costs can balance their finances and still provide services to members, allocating more to member services than to running costs.
- Finally, associations with positive net equity have the means to service liabilities, which ensures resilience in the face of any creditor demands.

These indicators are used routinely to assess the financial sustainability of not-for-profit organizations. Many of these organizations will report annually and even publicly on such indicators. This is not, however, the case for the vast majority of national football associations, which do not even produce public financial reports (as discussed in prior sections). This is surprising (and problematic) given that most (if not all) of these associations receive money from member fees and/or government grants, which would create an obligation to report publicly. The reporting deficiencies are also very problematic for this kind of research, limiting the extent to which one can fully assess financial sustainability across associations. One can get a fairly comprehensive picture for FIFA, however, and UEFA, and a reflection of other confederations and associations (or federations) based on available financial reports (and the informed estimation one can make based on these documents).

These sources show that football's associative bodies face very different financial realities. In terms of revenue alone, FIFA and UEFA stand far ahead of any other multi-national entities, with the most recent annual takings of close to US $2 billion each. Other regional confederations have revenues lower than US $200 million a year, with CAF, CONCACAF and OFC each raising less than US $50 million annually. Similarly, some national associations raise significant revenues and others do not: England's Football Association generates over US $400 million a year, and the French and Italian federations raise between US $180 and US $220 million, whereas the South African and Irish associations record revenues of about US $40 million, Canada's governing body raises about US $25 million, New Zealand's reports on about US $9 million, and associations in countries like Barbados, the Cayman Islands and Liberia register incomes below US $2 million.

Given this variation, it makes sense to discuss different entities separately. One can start with FIFA, where financial sustainability is generally high. The organization has high and growing revenue streams (increasing from about US $700 million in 2003 to over US $1 billion every year

after 2009, and as much as US $2 billion in 2014). The organization also enjoys a healthy net equity position, with deep reserves accumulated over the past decade (standing at over US $1.5 billion in 2014). FIFA's cost structure raises some questions, however, as does the organization's dependence on revenues associated with the World Cup tournament.

Officially, about 16% of expenditure goes to operational expenses (like personnel) but there are many other operational costs embedded in large items like football governance, event management, and development (where each activity incurs its own operational costs, including personnel, travel, organizing committee costs, and more). These costs are basic overheads of the organization (used in fostering the organization's basic operations), and absorbed as much as US $1.8 billion between 2011 and 2014 (out of US $5.38 billion in expenditure, and US $5.7 in revenue).[261] These costs are relatively high for this kind of organization, and beg questions about controls over standard items like executive salaries, travel, and facilities. Such questions have been raised repeatedly over the last few years, fueled by perceived excesses in the organization (and assumptions about first class travel policies and high salaries, which fester because of FIFA's own lack of transparency about its policies and costs, like the President's salary).[262] Estimates suggest that FIFA's personnel and perks costs are relatively high for non-profit associative bodies.[263] Whether perception or reality, these cost concerns undermine financial integrity in the organization and are common points of critique by observers.

Beyond these costs, FIFA's financial sustainability is vulnerable because of the dependence on one main revenue source—the flows from World Cup tournaments. Over 90% of revenues come from this source (which is differentiated into, among others, ticket revenues, broadcast revenues, and sponsorship revenues). Any interruption to a World Cup would land FIFA in significant financial trouble. FIFA acknowledges this risk, and takes out expensive insurance to mitigate against any unforeseen disruption (whether due to natural, social, or political events). This insurance does not cover potential disruption because of failures by FIFA itself or the host countries, however, which makes the recent challenges to the legitimacy of bidding processes for 2018 and 2022 World Cups extremely worrisome for FIFA. If these tournaments were cancelled or otherwise disrupted because of irregularities in the bidding processes, the organization would stand to lose significant revenues and suffer financial distress.

The dependence-risk associated with World Cup revenue is of additional concern when one considers the costs that host countries incur in staging the event, and how these costs may deter interests of potential future hosts. Data on the costs and benefits of these events are highly debated, but it is clear that recent tournaments are very costly, that the costs are borne by

[261] This includes US $861 million in operating expenses, US $262 million in governance expenditures (for organizing congresses and legal expenses), and World Cup organizing expenses and insurance (about US $700 million).

[262] This is a high salary organization, where 474 employees received US $397 million between 2011 and 2014: this amounts to an average of US $209,000 per employee (which is close to estimates by other entities, like Bloomberg (http://www.latimes.com/sports/sportsnow/la-sp-sn-fifa-employees-salary-20150610-story.html)).

[263] When combining administrative, governing, and financial expenses, 30% to 45% of FIFA spending was on overheads in the past five years (on a declining scale, given increases in spending). FIFA salaries and administrative spending tends to be higher than other sporting entities, like UEFA (with FIFA salaries apparently 37% higher than those in UEFA, four times larger than salaries in most not-for-profits, and actually higher than salaries in the hedge fund industry). (http://www.latimes.com/sports/sportsnow/la-sp-sn-fifa-employees-salary-20150610-story.html).

governments in host countries, and that the short-term benefits of hosting are far from sufficient to balance short run cost burdens. In most recent years, FIFA has exacerbated this problem by allocating short-term revenues like gate collections away from the host governments and towards FIFA itself (or the local organizing committee). This means that host governments need deep pockets to host World Cup tournaments, and an ability to endure political pressure from constituents concerned about excessive short term costs (and the optics of having all short term revenues allotted to FIFA and participating nations). These tensions were seen in South Africa and Brazil (in 2010 and 2014) and will undoubtedly influence the bid-appetite of other nations.

Tables 12 and 13 show the revenues and expenditures in respect of South Africa's 2010 World Cup. As noted, the information in these tables is highly disputed, with FIFA presenting its data, the South African government producing its data, and critical observers producing alternative data. We triangulated data across sources to obtain what we believe are reasonable estimates.

Table 12. Revenues from the 2010 World Cup, and Beneficiaries

Revenue Stream	Total Revenue[264]	Beneficiary
Sale of television broadcasting rights	US$ 2.408 billion	FIFA
Sale of corporate sponsorship and marketing rights	US$ 1.072 billion[265,266]	FIFA
Tourism income	R3.64 billion	Tourism industry
Ticket sales	US$ 300 million (net revenue)	LOC (passed on by FIFA)
Earnings of organizing committee	US$ 226 million	LOC

Source: Various, as cited in footnotes. LOC stands for Local Organizing Committee.

As Table 12 shows,

- Revenues from broadcasting rights and sponsorships went to FIFA:
- Ticket sales and organizing revenues went to the Local Organizing Committee.
- The tourism industry benefited from increased visits, but these increases are disputed and tax authorities did not record gains in collections.

This meant that the government did not make money from the event (at least in the short run). Contrast this with the costs incurred by the government, shown in Table 13. Based on these data, total costs were about US $997 million for FIFA and R45 billion (US $6.3 billion) for the South African government (plus US $22 million in additional European financing).[267] This meant that South African taxpayers paid over US $6 billion between 2003 and 2010 to host the World Cup and received no real short-run offsetting revenue.

FIFA argues that South Africa will yield gains over the long run. We do not expect this, given the large literature that suggests these mega events generally fail to yield promised benefits.[268] Even

[264] Most of these data are based on FIFA's 2010 Financial Report (FIFA, 2011).
[265] Other reports pointo to US$ 1.6 billion in sponsorship revenue between 2007 and 2010 (EUFootballbiz, 2010).
[266] FIFA made additional revenue by selling hospitality rights (US$ 120 million) and licensing rights (US$ 55 million).
[267] This estimate resonates with others in the media, that suggest the World Cup cost about £3 to £3.5 billion. See http://www.csmonitor.com/Business/The-Sports-Economist/2010/0513/South-Africa-spends-3.5-billion-on-World-Cup-preparations.-But-for-what-return
[268] See Simmons and Deutscher (2012) and Maennig (2007) and Allmers and Maennig (2009).

if gains do happen in time, however, the short run losses for South Africa's government have been significant—and not off-set by any kind of short-term gain. This inter-temporal misalignment of costs and gains is what concerns us the most, given the short-term need for economic and political balancing and the fact that long run promises hold little short-run return. In many ways politics and economic development are all about using short run results to gain space for pursuing a longer run vision. Too little of the former can seriously undermine the commitment to the latter. If short run costs are too high, therefore, politicians will not be able to get by with vague promises of long term gains (especially if researchers say these are unlikely to materialize; but even if the gains are likely to come with time; politicians the world over are aware of John Maynard Keynes' words, 'In the long run, we are all dead').

Table 13. Costs of Hosting the 2010 World Cup, and Bearer of Costs[269]

Cost Category	Cost	Bearer of Cost
Stadiums and precinct development	US$ 2.5 billion (R17.4 billion)	South African Government, Development Bank of Southern Africa interest earned
Transport infrastructure	R13.6 billion	South African Government
Other infrastructure (immigration, ICT etc.)	R8.7 billion	South African Government, provinces, host cities
Event broadcast and telecommunications	R1.5 billion	South African Government
Marketing and promotion of the event (mass mobilization and legacy programme)	R67 million + €18 million	Department of Sport and Recreation (R50 million) and Mass Mobilisation Campaign (R17 million); German Govt. (€7.5 million) and EC (€6 million); KfW (€4.5 million)
Safety and security	R1.3 billion	South African Government
Event operations	R717.1 million	South African Government
Event volunteers	R25 million	South African Government
Communications, hosting, legacy and culture	R504 million	South African Government
Local Organizing Committee expenses	US$ 516 million	FIFA
Prize money	US$420 million	FIFA
Compensation for travel and preparations	US$ 61 million	FIFA
Event health management	R825.6 million	South African Government
Event disaster management	R60 million	South African Government
Tournament tickets and paraphernalia	R30.9 million	South African Government
TV production	US$ 214 million	FIFA

Source: Various, as cited in endnotes.

The short term World Cup losses in South Africa are even more notable when one considers how much actual costs exceeded estimates by the government in its bid and afterwards. The bid document expenditure is actually unknown, given FIFA's rules about not disclosing such information, but the published FIFA Inspection Group Report shows that costs were estimated at only US $470 million.[270] The cost estimates provided in a South African Parliamentary Sports and Recreation Portfolio Committee Meeting on 9 September 2003 amounted to R2.3 billion (which was about the same as US $470 million, given exchange rates at the time). Other publications

[269] Data in this table are based on a variety of sources, including Bond and Cottle (2011), du Plessis and Maennig (2007), Keeton (2014), du Plessis and Venter (2010), South African Department of Sport and Recreation (SRSA) (2013), Preuss and Schnitzer (2013) and McMichael (2012).

[270] http://www.fifa.com/mm/document/tournament/competition/ig_report_fwc2010_en_25997.pdf

suggest that the total estimated expenditure was scheduled to be R15 billion in 2005,[271] updated to R33 billion in 2007, and then to R55 billion in 2010.[272] The Portfolio Committee meeting in 2003 was told that government would receive R7.2 billion in taxes, with an additional R12.7 collected from spectator spending.[273] The cost and revenue data were so drastically incorrect that one must wonder why government has not been more reflective of the estimates. Given this example, however, one must suspect that other governments will be wary of understated expenditures and over-inflated revenues and gains in bids.[274] Over time, such evidence may lead to lower interest from countries in hosting World Cups. One might, therefore, see a narrowing of the kinds of countries willing to bid (to those with few infrastructure needs or where governments have no worries about political accountability). This is a risk to FIFA.

UEFA does not suffer from the same dependency on a single event occurring every four years. It draws most of its high and growing revenues from two tournaments (the Champions League, which contributes about 80% of UEFA's annual revenue (about €1.7 billion in 2013), and periodic European Championships, which raised €1.4 billion in both 2008 and 2012, adding an average of €350 million to UEFA's annual revenues over a four-year period). This means that UEFA's revenue is more diversified than FIFA's, in terms of source and regularity (there are two major sources and an annual flow of revenue from Champions League competition that FIFA does not enjoy). Countries and cities also incur lower costs in hosting UEFA events when compared with the World Cup, and hosts share more in the immediate revenue gains than World Cup hosts (with significant and consistent participation and solidarity payments resulting in fewer short-term pressures related to high hosting costs with low demonstrable short-term benefits).[275] UEFA also has lower administrative costs than FIFA (in absolute terms and as a percentage of total expenditures, where the organization has kept administrative and governing expenses at about 3.5% of total spending over the past reporting cycle),[276] and enjoys a healthy net equity position, which acts as a cushion for any shocks.[277] This ensures high financial sustainability for the confederation.

A risk for UEFA is that over 80% of its revenues comes from broadcasting, where contracts have grown unabated recently. A slowdown in growth—or a burst in the global sports bubble—could be problematic. We do not see this as a short term concern, given that most broadcast contracts run for the next three or four years. In the longer-run, however, it is advised that UEFA diversify its revenue sources to ensure it is not vulnerable to downturns in the global broadcasting market.

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[271] A 2006 report notes that the government was budgeting R15.1 billion for the World Cup. http://www.iol.co.za/sport/2010-world-cup-budget-revealed-1.324177

[272] Including Bond and Cottle (2011)

[273] See the summary of this meeting at the Parliamentary Monitoring Group web site, at the following address: https://pmg.org.za/committee-meeting/2836/

[274] See Bond and Cottle (2011): "These problems [high costs and low revenues] are extremely costly. They not only partially offset World Cup benefits calculated in purely economic growth terms, but also cause political-economic and political-ecological problems that mainstream economists rarely comprehend, much less measure."

[275] UEFA has allocated about €485 million to member associations in Solidarity Payments since 2011/12 (shared over 54 members). Clubs participating in European competition have received €467 million in the same period.

[276] Estimates suggest that salaries are 37% lower than FIFA. These are still high relative to other not-for-profit associative structures but are less of an outlier than in FIFA.

[277] Total assets in the 2013/14 UEFA Financial Report were €2.7 billion, compared with €2.1 billion in liabilities. The net equity ratio was about 25%. The ratio of current assets to current liabilities was 123% in 2013.

One can only assess financial sustainability in one other confederation, CAF in Africa, given a lack of publicly accessible financial reports from the other regions. CAF provides a major contrast to UEFA, even though both Confederations serve a similar number of countries (CAF has 56 members and UEFA has 54). CAF revenues between 2011 and 2014 varied considerably, from US $26 million to US $58 million a year.[278] This is common for a regional governing body, reflecting the lumpy nature of revenue from competitions (with the organization deriving most of its revenue from the African Cup of Nations tournament). About 80% of its revenue comes from these competitions (with gross revenues from tournaments amounting to US $39 million out of about US $51 million total revenue in 2013/14). The next biggest revenue source is FIFA, which contributes about 12% of CAF's income (US $6.1 million in 2013/14).

This revenue is not very high, given the confederation's demands, and is not diversified or independent enough to foster financial resilience in the face of a shock. The shock potential is also quite high, given risks of hosting tournaments in Africa. These manifest in 2014 when the ebola epidemic caused a last-minute relocation of the African Cup of Nations. It is unclear if CAF has any insurance to cover such risk, but it certainly lacks the money FIFA pays for a similar policy. The confederation's lack of money is further reflected in the fact that its disposable income after association distributions is only about US $15 million, of which about US $6 million goes on administrative and governance costs—leaving little for additional activities in service of member entities. CAF does have some resilience from a healthy net asset position (and reserves of about US $100 million), but the overall picture is of a financially stretched entity capable of performing only limited services to its members.[279] It is thus not very financially sustainable.

One also gets this picture when examining national associations in most developing regions. Few associations publish financial reports, but most that do are in financial difficulty. Barbados, for instance, raised revenues of US $1.1 and US $1.4 million in 2014 and 2013.[280] Up to 70% of this came from FIFA and government subventions. About 60% of the revenue goes to administration and travel.[281] These expenses would not be covered by the association's own revenue sources (from gate receipts at national matches, for instance, sponsorship, or bar revenue at stadiums). The association reports a positive net equity position and positive reserves, but these would provide little cushion if FIFA payments and government subventions stopped (with liquid assets and reserves to cover only three years of administrative expenses).

[278] CAF Financial Reports are available online, in a section that also provides other reports and regulation (see http://www.cafonline.com/Portals/0/Regulations%20and%20Official%20Documents/Commercial%20Regulations/CAF%20Financial%20Report%202014%20-%20English.pdf).

[279] According to its 2013/14 Financial Report, CAF assets stood at US $116 million; liabilities were at at US $20 million. Reserves were at $95 million, having grown from what the organization estimates at US $3 million in 1995.

[280] See http://www.barbadosfa.com/photos/BFAAnnualReport-2014WebVersion1.pdf

[281] Administrative expenses for football were US $600,000 in 2014. The association also reports general administration expenses of US $230,000. It is unclear what the different items capture.

Reports show similarly challenging financial sustainability conditions in associations in Liberia,[282] the Cayman Islands,[283] and Grenada.[284] These are associations from low income countries with localized leagues, and national teams with limited international engagement. This constrains own-revenue raising capacity and promotes financial dependence (and low sustainability). We cannot assess with certainty how many associations fall into this weak sustainability category (given limited data) but 80 to 120 associations exhibit characteristics associated with such vulnerability.[285] This means that 40 to 60 percent of the world's national associations are probably not financially sustainable on their own, but dependent on FIFA grants and other revenues not generated by or through members. The moral and political implications of this dependence are discussed later in this study,[286] but for the time being the point is simple: many associations lack basic financial sustainability integrity and, without external support, football's governing structure is essentially bankrupt in three regions (CAF, CONCACAF, and OFC).

We believe that the situation is better in mid range associations like Belarus, South Africa, and New Zealand. These associations tend to have reliable revenue sources and stable viability conditions. Their financial sustainability rests on having more mature and marketable leagues and/or national teams, and being in stronger economies that allow greater domestic revenue

[282] The Liberian Football Association received over US $700,000 in FIFA grants in 2013, and over US $500,000 in 'contributions' from outside parties. This was about 70% of total income. The association raised only US $470,000 of own revenue, which would have covered salaries (US $237,000), rental expenses (US $162,000), repairs and maintenance (US $28,000) and stationary (US $16,000). The association would not be able to fulfil much of a mandate with these own revenues (See http://www.liberiafa.com/about/reference-documents/)

[283] The Cayman Islands Football Association raised revenues from hosting women's and girl's tournaments in 2013, and 2014 (US $1.4 million from these tournaments came from CONCACAF and FIFA). The association raised about US $800,000 from FIFA grants, CONCACAF's WIN program, and government grants. These sources accounted for about 80% of revenue. Own revenue amounted to about US $280,000, which covers administrative costs only (https://caymannewsservice.com/wp-content/uploads/2015/09/2013-2014-CIFA-Financial-Statements.pdf).

[284] Over US $1 million out of US $1.3 million come from FIFA and CONCACAF or government grants and subventions in Grenada (see http://issuu.com/imscaribbean/docs/gfa_complete).

[285] The associations likely to fall into this category exhibit two or more of the following characteristics: they are small islands and/or low income country associations with low revenue national leagues and low ranked national teams (as determined by FIFA rankings and cross-referenced with prior participation in regional and international competitions) and/or a history of financial crises and mismanagement (having failed to pay fees to managers or players, as in Nigeria, or having experienced FIFA Normalisation procedures because of financial management problems, like Indonesia). These associations have a limited own-revenue raising and financial management capability, which makes them likely to be dependent on outside grants and/or government subventions. When these criteria are applied, conservatively, one is left with a list of associations that includes 25 in CAF (Uganda, Morocco, Liberia, Rwanda, Malawi, Benin, Mauritania, Niger, Burundi, Zimbabwe, Madagascar, Namibia, Sierra Leone, Swaziland, South Sudan, Tanzania, Guinea-Bissau, Lesotho, São Tomé e Príncipe, Comoros, Seychelles, Eritrea, Somalia, Djibouti), 24 in CONCACAF (Haiti, Antigua and Barbuda, St. Kitts and Nevis, Cuba, Aruba, Belize, St. Vincent and the Grenadines, Barbados, St. Lucia, Dominican Republic, Curaçao, Bermuda, Guyana, Grenada, Puerto Rico, Dominica, US Virgin Islands, Suriname, Montserrat, Cayman Islands, Turks and Caicos Islands, British Virgin Islands, Anguilla, Bahamas), 10 in OFC (all except for New Zealand), and 20 in AFC (Turkmenistan, Kyrgyzstan, Guam, Afghanistan, Tajikistan, Myanmar, Timor-Leste, Maldives, Laos, Yemen, Bangladesh, Bhutan, Cambodia, Pakistan, Brunei Darussalam, Chinese Taipei, Nepal, Sri Lanka, Macau). When one is more expansive, including countries like Kenya and Mozambique, Nigeria, Malaysia, India and Indonesia, and Trinidad and Tobago, the total goes up to about 120 (with another 24 in CAF, 7 in CONCACAF, and 8 in AFC).

[286] Various authors link FIFA's support for national associations and the voting for FIFA Presidents. See Darby (2003). Other views on FIFA's development funding balance the picture: Akindes and Kirwin (2009).

collection—including revenues from membership dues.[287] They do face challenges, however, in that costs are relatively high given the revenue base these kinds of associations enjoy.[288] Their national teams tend to participate in international competitions, which are costly, and the services the associations provide tend to be wide ranging and demand higher revenues than are commonly available. Media reports suggest that most CONMEBOL associations and federations probably fit into this category, enjoying some financial sustainability but also facing risks at the same time. We estimate that 40 to 50 associations and federations are probably in this category overall. This is about 20% of the world's governing bodies.

Beyond this, we find the top end associations like England, Germany, and Italy in Europe (among others) and Australia, the United States and Japan outside of Europe (also, among others). These associations represent relatively established football playing nations where national teams are regularly competitive in major international events (which generates income) and where leagues are stable and attract attention. This means that the associations have a wide variety of sources to tap into for revenue (including broadcasting rights and sponsors associated with the national teams and potential stadium assets that generate additional revenue). These associations also tend to benefit from having large football playing—and income generating—populations (capable of paying meaningful membership dues). We estimate that there are fewer than 40 associations in this category globally. They are financially sustainable and hence at low risk of bankruptcy.

Addressing the Status Quo

As noted, there is a large literature on profitability and financial viability in football clubs. Work in this literature employs a variety of methods to assess viability, and usually assesses such by examining clubs directly. We have not examined individual clubs because of limited data (and because we wanted to go beyond the Big 5 contexts in which club-level data are available). We also have not employed all the measures used in other work (like debt levels and the structure of debt, for instance). Our work is thus not perfect by any means. It can be criticized as presenting a general picture of health for a section of the population (like men from ages 20 to 30) based on very few indicators. This is a fair critique, but one that we think misses the bigger focus of this study: to provide a view into general patterns across a very large population. We are confident that this general pattern holds quite true in the current analysis, even though we expect that there could be questions and even adjustments for individual league or club realities.

[287] The associations likely to fall into this category have some own-revenue generation potential from limited domestic professional football activity and from active but low earning national teams. Revenue is still localized, however, and is not sufficient to effectively address growth challenges, which results in limited association assistance (as in New Zealand) or persistent association deficits (as in South Africa and larger associations in Africa). Associations in this category also often suffer from weak financial management. The category is likely to include 10 associations from CONMEBOL, 6 in CAF (South Africa, Egypt, Ghana, Cameroon, Morocco, Algeria), 7 in AFC (mostly middle eastern countries and south-east Asian nations, all with nascent, low income leagues and as-yet uncompetitive national teams but with strong local sponsorship), New Zealand in OFC (at risk because of a very small professional base to build on, and limited international revenue generation potential), and 16 to 25 in UEFA (small countries and island-states, with small and low-revenue leagues and uncompetitive national teams, like Malta and Belarus).

[288] There are very few academic articles looking at the governance and administration of sports in such contexts. One example, which looks at New Zealand and the struggles of administration, is provided by Sam (2015).

The general patterns we see are not simple, and actually reflect on a number of different populations. We will try to combine them here. First, we estimate that clubs in 25% of Europe's top 53 leagues (where we have data to work with, as shown in Table 1a) are at high financial sustainability risk; clubs in 43% of these leagues are at medium risk; and clubs in 32% are at low risk. Extrapolating these data beyond the top leagues in Europe, we estimate that up to 75% of Europe's clubs and leagues (in total) are subject to high levels of financial sustainability risk (with another 14% at medium risk. This is, of course, a rough estimate.

We are comfortable in the view of reality presented by such estimate, however. We remind readers that this estimate reflects on our thinking about all clubs and leagues in Europe and not just the top tiers, and that past work hints at similar statistics:

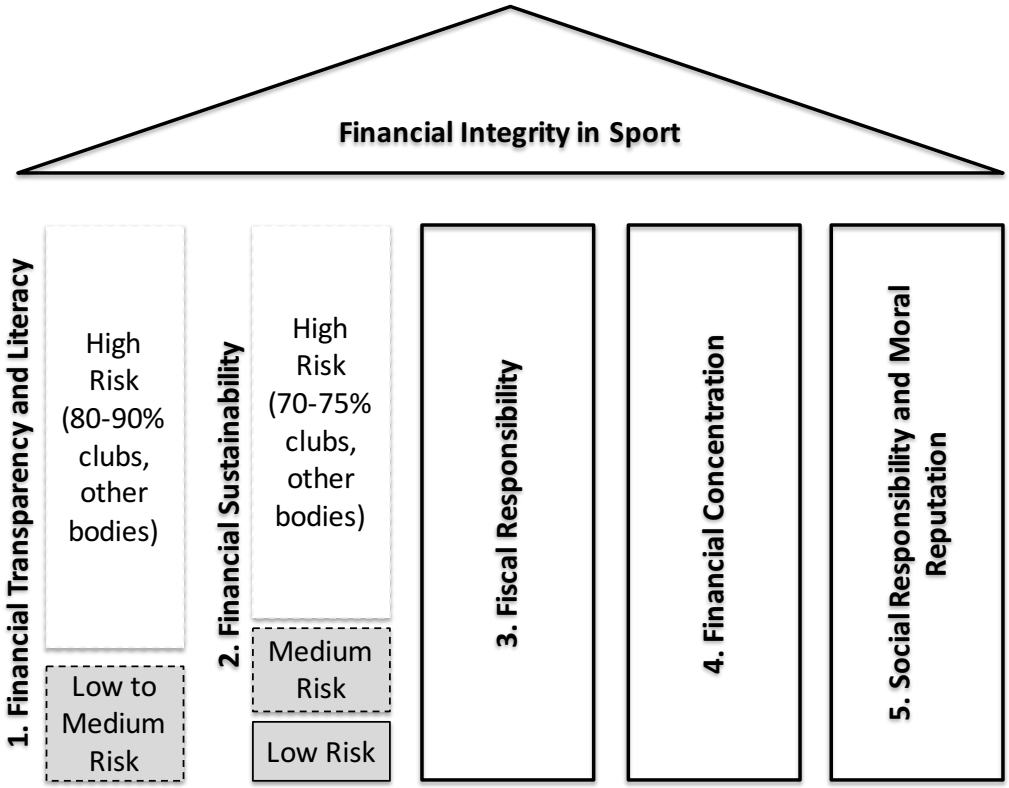
- Such work shows that financial sustainability in top tiers has been low (with UEFA finding that 45% to 55% of top clubs were not profitable in recent assessments);
- As discussed, past work also shows that the sustainability of clubs and leagues beneath the top tiers is much lower, with most European insolvencies at this level;
- FIFA's Big Count data, and other sources, indicate that lower tier clubs dominate Europe's football landscape, making up about two thirds of all clubs in this region.
- When combining all leagues, therefore, it is reasonable to expect high financial sustainability risks in a large portion of clubs and leagues—and 75% is not an outrageous estimate.

We do not have data to reflect on the situation outside of Europe. This said, our analysis provides examples of other leagues and countries that suggest the pervasive nature of financial sustainability risks across other regions. Clubs tend to face common and critical challenges in (inter alia) raising diversified own revenues, managing short term and medium term debt and viability, and controlling costs.

Beyond the clubs, our analysis raises many questions about the financial sustainability of football's governing bodies. Even FIFA and UEFA face risks to financial sustainability (related to their dependence on specific revenue sources). Beyond these financial powerhouses, however, we estimate that there are major concerns over financial sustainability in up to 60% of the world's national associations (which are likely to be at or close to financial failure at any given time, especially if they did not receive external help from FIFA), and believe that only about 20% of these associations (representing elite countries) can be considered low risk in this area. Combining these data, we believe that global football has a weak and compromised financial sustainability pillar, shown in Figure 26.

As with the discussion on Financial Transparency and Literacy, we believe there are a number of recommendations to strengthen this financial integrity pillar. We present these as ideas to prompt discussion, not as comprehensive or exclusive proposals, in two categories: (i) Building financially sustainable club and league systems; and (ii) Building a financially sustainable governance system. Our recommendations in these areas are not as numerous as they were in the Financial Transparency and Literacy section, given that many of the ideas presented there are also relevant in this discussion: better financial management and transparency are generally known to foster better financial sustainability in organizations.

Figure 26. The Weak Financial Sustainability Pillar of Football's Financial Integrity



Source: Authors' rendition

Building Financially Sustainable Club and League Systems

As discussed, there are many clubs and league systems that appear financially unsustainable. We have six ideas to strengthen clubs and leagues.

FS 1. Better understand financial sustainability in patron and supporting organizations.

As argued, we believe that financial sustainability in football clubs is not about making profits. It is, rather, about ensuring that a club's financial situation makes it attractive to responsible patrons or supporting organizations. We find that many clubs are at risk in this regard, with financial situations that are unlikely to attract the kind of patronage or external support necessary to maintain and even improve a club's economic well-being. Beyond identifying this problem, however, we have not delved into all the reasons why clubs commonly struggle to be financially sustainable. We therefore recommend that future work focuses on such a question. Existing research on club profitability in (mostly) the Big 5 European leagues provides an excellent starting point.[289] This research points to various reasons for club financial weakness, including natural conditions associated with the nature of European football (clubs overspending on players in an effort to gain promotion or avoid relegation, for instance) and weak management by poorly selected patrons.

[289] See, for instance, Szymanksi (2012), Barajas and Rodriguez (2014), Emery and Weed (2006), and Serby (2014).

Interestingly, researchers do not always agree on which explanations are most pertinent in different situations. This, we suggest, is because the reasons vary for different kinds of clubs—playing in different tiers of the game, for instance. Clubs competing at the top of the elite European tournaments are focused on buying top talent and looking for patrons with deep pockets to facilitate such. Clubs in second tier leagues are less aggressive or competitive and are probably looking for patrons with less money but enough to compete for promotion to higher tiers. Local lower tier clubs are just trying to get by, with local talent in most cases, and are often looking for patrons with ties to the local community.

The bottom line is that clubs in different situations are looking for support from different kinds of patrons, and pursuing different objectives (on and off the field), which means different financial strategies and financial challenges. We point to these differences in simple form in Table 14, which provides a highly stylized reflection of the different realities at different tiers of a European league system. The aim of this table is not to offer a specific understanding of these different kinds of patronage but just to make the main point visible—and to emphasize that any efforts to promote more sustainable clubs must be sensitive to the kind of clubs involved and the kinds of patrons those clubs are likely to target.

Table 14. A Stylized Presentation of the Reasons for Financial Failure in Different Football Tiers

Tier	Targeted patrons	Reasons for financial failure
Elite in the top tier (cubs competing for European representation)	Private corporates with international interest, or Extremely wealthy individuals with international interests	Generally lower levels of failure. Shocks do occur, however, like unexpected debt challenges (given tax issues or to owner mismanagement, etc.). If clubs experience playing failure they could also lose elite level competition revenues, which make their high wage bills difficult to maintain
Rest of the top tier	The same patrons as in the elite top tier but, realistically, small international or domestic corporations or individuals	Clubs often have high wage bills and are vulnerable to any kind of shock (including relegation, mismanagement, and contagion from the other business interests of unreliable patrons)
Second tier	Generally smaller domestic corporations or individuals, with some government support	Clubs sometimes overextend on the cost side, to gain promotion, but do not have revenues to cover such. These clubs also struggle with unreliable owners or owners unable to cover the high operating costs
Lower tiers	Localized individuals, supporter groups, and government	These clubs simply lack revenues and the management capacity to build on low revenue bases

Source: Authors' views on the reasons why clubs at different tiers of European football fail financially, presented in simplified, stylized manner. Not based on large scale analysis, but drawing on interviews with various club officials.

FS 2. Promote risk-based financial sustainability assessments in leagues and clubs.

We see financial sustainability as a high risk area in football. The football community needs a way to monitor such risk, identify where risks are coming from, and use such information to address risks before they lead to real failure. UEFA's FFP process is the most advanced mechanism currently in place to do this, and we recommend continuing with and expanding FFP as a result (see FS 3). However, we believe that the FFP process has a different focus to the one we are recommending: It assesses 'break even' metrics as an entry condition to European competition, when we are proposing the need for a broader monitoring approach designed to identify risks more specifically (and not as an entry condition for competition). Our recommendation builds on

the belief that the financial sustainability challenges of modern football differ by context, and risks of failure are thus also different in different contexts.

We show this in Table 15, which summarizes our earlier analysis of financial sustainability in a selection of Europe's top leagues. One can see that the leagues that are generally high risk have different risk areas: Georgia's are in viability and cost control, for instance, whereas Greece is in revenue resilience, viability, and cost control. One can see, further, that the leagues considered medium risk overall have different pressure points: Croatia is high risk in cost control and medium risk in revenue resilience and viability; England's Premier League is low risk in revenue resilience but medium risk in viability and high risk in cost control; Portugal is high risk in viability and cost control. One sees similar variation in the leagues considered 'low risk' overall, with Germany, Northern Ireland and Norway having very different risk profiles (even though all three are in the same overall category).

Table 15. Varying Financial Sustainability Risk Profiles of Different Top Leagues in Europe

Country	Revenue Resilience	Viability	Cost controls	Financial Sustainability Overall
Georgia	Medium Risk	High Risk	High Risk	High Risk
Greece	High Risk	High Risk	High Risk	High Risk
Croatia	Medium Risk	Medium Risk	High Risk	Medium Risk
England	Low Risk	Medium Risk	High Risk	Medium Risk
Portugal	Low Risk	High Risk	High Risk	Medium Risk
Germany	Low Risk	Low Risk	Medium Risk	Low Risk
Northern Ireland	High Risk	Low Risk	Low Risk	Low Risk
Norway	Medium Risk	Medium Risk	Low Risk	Low Risk

Source: Authors' analysis, based on assessments of UEFA data for top leagues in Europe.

The purpose of Table 15 is simply to show that different leagues face different risk profiles. They will need different remedies (and arrangements of remedies) as a result. We believe that the football community needs a risk-based approach to assess financial sustainability. It would capture such variation in realities, and allow targeted responses based on the risks that are identified. National associations and regional confederations would probably be the right home for such a device, given that they collect club financial data and use such for oversight. We would propose working with UEFA's FFP oversight team to explore how it might use club level FFP data to develop such an approach, for instance, so that they would not just reflect on break even conditions in clubs but also on the particular risks for clubs. This reflection could then be used to advise clubs and leagues on where to focus their financial strategies. We believe this would be a tremendous value added to the FFP mechanism, and provide a model for other regions as well.

FS 3. Build on the momentum of financial fair play—but with adaptations for lessons learned.

As noted, we see FFP as the most advanced and effective mechanism currently in place in world football to mitigate the risks of financial sustainability. It introduces some version of a hard budget constraint for clubs. It is not a perfect mechanism, by any means, and many lessons have

been learned in the first few years of its adoption.[290] We believe that these lessons should be collated and publicly discussed to ensure positive adaptations are made in future. We believe, further, that adapted versions of FFP should be used more broadly than FFP is used at present—in other regions and at lower levels of football in Europe. The specifics of this kind of strategy will be challenging—both logistically and politically—but FFP appears to have brought some discipline and focus to financial management at one level and region of football and should be experimented with to see if similar gains are possible in other levels and regions.

FS 4. Explore more effective ways of controlling costs in top tier clubs and leagues.

Europe's elite clubs and leagues account for a large portion of the football world's revenues, and are central to the global appeal of the game. Cost control is the biggest financial risk we see in these leagues, given a general problem with managing transfer costs and wage bills in these contexts. There is a tendency to invest new revenues in players in these leagues (especially in the Big 5). This exacerbates inflationary pressures in the higher levels of the global football labor market (with a few elite clubs competing aggressively over a few elite players). Current efforts to tame this process include the break-even requirements of FFP. These act as an informal salary cap for clubs and leagues, limiting costs to revenues (in simple form).[291] The FFP rules have been criticized, however, for not actually taming the very big clubs (with expansive revenue sources that allow extra spending even within breakeven rules) but having a more restrictive effect on the next tier, where clubs have more limits on revenues (and FFP rules undermine their competitiveness in the labor market and on the field as a result of 'hard' breakeven limits).

We believe this critique is relevant, and expect that an exercise in reflecting on FFP will yield better designs in the future. We are unsure of exactly what a 'better' system would look like, however, given the many political and practical issues involved. Given this, we believe that a first step in this direction would involve gathering key voices to discuss the issue. We would advise a structured conversation, however, driven by modelled assessments of the effects of different salary cap designs on top tier football clubs in Europe (where the problem is most severe). We would suggest modelling the impacts of hard and common salary caps, where all clubs face the same limits (not like the current FFP rule, which is sensitive to each club's revenue raising ability). We would advise further that discussion center on models involving both per-player limits (where transfer and wage ceilings are set for different types of players) and roster limits (where ceilings are set on both the number of players and the value of these players, introducing, for instance a 25 player squad size limit and a 12 player home grown rule). We also recommend modeling ways of controlling for common creative accounting devices used to control transfer and wage costs (including the use of image rights and deferred compensation mechanisms).

We are fully aware that these kinds of options are likely to face opposition, and will even be considered outside of the spirit of European football.[292] We believe they need to be considered

[290] For various lessons, see Vöpel (2011) and Franck (2014), Morrow (2014), and Schokkaert (2013).

[291] Arguments for and against FFP and the salary cap restraint issue are proposed in a number of articles, including Peeters and Szymanski (2012) and Lindblom (2010).

[292] The following 2008 article is good to remember in this respect, noting resistance to salary caps. We argue that the FFP regulations were also considered impossible in 2008; but they exist now and provide a foundation for further reforms and salary cap interventions. http://www.theguardian.com/sport/2009/oct/08/salary-caps

in a more structured way than they have been to date, however, primarily because the inflationary effects of unfettered transfer and wage costs are also counter to the spirit of European football (and constitute probably the biggest threat to the game's most economically important clubs). We also believe that there are now examples of more effective salary caps in football (in the United States and Australia, for instance) and outside of football (in European rugby, for instance, and in American sports).[293] UEFA's FFP has opened the door to salary caps, and a broader discussion of such options is the next logical step towards controlling costs.

FS 5. Initiate discussions about the chronic sustainability concerns in lower tier clubs and leagues.

Clubs outside of the top tiers of European football (and perhaps the very top tiers of select leagues in Asia and other regions) are financially vulnerable because of pressures in managing high labor costs with low own-revenue capacities. This tension is extremely difficult to manage because these clubs do not control the labor market and simply struggle for revenue. They do not benefit from the expanded broadcasting and sponsorship revenues we see in top leagues, for instance. These realities are not well addressed in either the literature on football finances or in policies like FFP, which center on top tier leagues only. We believe that the football community needs to have urgent discussions about the future of lower league football in Europe and, indeed, most football outside of Europe. The segmentation of the world football market means that most of the clubs in these domains are simply not sustainable as economic entities, and need help. This help could come in efforts to bolster revenues in such clubs; by providing tax holidays to such entities, for instance (as we discuss in a later section). These efforts are likely to have only marginal effect, however, and we propose that a more far reaching discussion is probably required—about the future of a segmented market and sports sector. We suggest that this discussion entertain a variety of options for addressing this issue, including the aggressive financial redistribution from richer countries and leagues to others. This would be an appropriate remedy if the footballing world wants to keep open leagues (where all tiers and leagues interact in a promotion-relegation style system). The other extreme idea is to create a European (or world) elite league—involving only the richest clubs that are financially sustainable—and separate this from other leagues, essentially making these other leagues amateur (giving up on the idea that they can be financially sustainable).[294] This would be similar to the United States National Football League (NFL) model, where 32 financially sustainable teams are serviced by over 1,000 amateur college teams. We discuss this in a later section as well, given greater consideration of financial concentration risks. The key issue is simply to recognize the trade off between having open leagues and having sustainable clubs. The footballing community needs to

[293] For a broader discussion of salary caps in sports, see Dietl et al (2012) and the following 2012 summary of salary cap issues: http://bleacherreport.com/articles/1296780-does-the-english-premier-league-need-a-salary-cap

[294] This idea is not new. It has been discussed as a potential European Super League in the past. Vrooman's (2007) elucidation is probably most cited: "[The] European Champions League has distorted competitive balance throughout domestic European football. Elite teams have long since outgrown their respective leagues, and the small revenue clubs are going under to keep a distant pace. In this final section it is argued that the European Super League (ESL) is an inevitable consequence of a unified European open market. The idea is not new to the pragmatic business side of European football or to sports economic theory." For recent discussion, see Paché (2015). The idea of this kind of super league was rejected by UEFA, but has been constantly reintroduced by various commentators (http://www.independent.co.uk/sport/football/european/will-we-see-a-european-super-league-not-if-michel-platini-can-help-it-8372559.html).

recognize that more and more lower league clubs will struggle financially in a winner-takes-all sector, given the way top clubs dominate available revenues in such leagues and foster player inflation. The pressing question is simply, 'how much financial disruption will we accept for open leagues as they currently exist?'

FS 6. Adopt routine owner tests, and require club transparency about ownership and interests.

In our analysis, we argue that football clubs rely on patrons or supporter entities for their financial well-being. The role of the owner is thus crucial in any club. Clubs will likely survive when owned by responsible patrons interested in building over time. Clubs will likely struggle when patrons are short-term or irresponsible (in their dealings in the club and outside the club). This means that serious attention should be given to the ownership of clubs. This is already the case in much of Europe, where academics and policymakers have been discussing various ownership models for years.[295] These discussions commonly center on the potential of local supporter-led ownership, or at least some variation of such (like the socio model in Spain and the 50%+1 model in Germany). Many argue that these ownership models tie interests to the local community and force more accountability and responsibility on owners. We believe more work is required to prove that this is the case, but right now we are not convinced that this—or any other—particular model of club ownership is intrinsically better than others. We are also convinced that club ownership models are shaped by the history, context and culture of the countries and cities in which the game is played, so it would probably not be possible to introduce the same ownership solution all over the world. But we do think that some action is needed to ensure that owners are responsible (or at least to mitigate the risk of overly irresponsible ownership).

Owners tests have been used in this regard in various countries.[296] These are never perfect, and we think many lessons can be learned about both the practical side of implementing such tests and the substantive side of ensuring the tests foster better ownership. We propose initiating a broad-based policy discussion across leagues about these owner tests, with the aim of improving the design of such mechanisms in the future. We propose further that an improved design should be applied more broadly across the world's football leagues, to at least ensure that owners are vetted when they gain entry into this sector. We would support efforts to promote regular annual owner reporting (to league bodies) as well; on personal financial positions, external business dealings, and more. The aim would be to ensure early identification of risks associated with irresponsible or struggling owners, which would allow timely initiatives to address such risks.

Building a Financially Sustainable Governance System

As discussed, we do not only see financial sustainability risks in the club and league structures of world football. We are also concerned that the governance system has sustainability issues. We propose five ideas to address some of the risks in this area.

FS 7. Introduce cost controls in FIFA and UEFA.

[295] See Ward et al (2012), Wilson and Plumley (2013), Dietl and Franck (2007), and Giulianotti and Robertson (2012).
[296] See an example of the 'fit and proper person test' in English league football (http://www.football-league.co.uk/global/appendix3.aspx). See discussion in Kelly et al. (2012) and Walters and Hamil (2013).

FIFA and UEFA both have reputations for largesse, with observers criticizing both organizations for spending a lot on perks and the like. We find it difficult to verify the critique, given limited detail on such costs in both organizations. We could not even locate policies on commonly targeted expenses like travel. The evidence we do have suggests that these costs are relatively high for both organizations, however, and there are various signs that the organizations are not as cost conscious as a not-for-profit member-based entity should be. Both organizations have very lavish premises, for instance, and both are renowned for hosting luxurious events and allowing high cost travel. We believe there are practical and reputational problems associated with such costs, and recommend that both organizations introduce cost control policies. These policies should specify conservative spending norms and rules for officeholders and staff members and board members, limiting the perks offered by the organizations. We believe FIFA and UEFA should be benchmarking such policies against other member-based organizations and international not-for-profits.[297] If this were done, the organizations would decrease costs related to board salaries,[298] travel, and more. Examples of not-for-profit cost control policies abound, and a first step is to benchmark FIFA and UEFA appropriately (as not-for-profit member organizations). Travel (and other) policies should be developed and managed and implemented transparently, with annual financial reports providing details on the policies and their impact on spending.

FS 8. Promote revenue diversification in FIFA and UEFA—including levying membership dues.

We believe that the biggest financial sustainability risk to FIFA and UEFA lie in their dependence on specific revenue sources. These include the World Cup (for FIFA) and broadcasting revenues (for UEFA). If anything happened to these revenue sources, both entities would face real financial hardship. One approach to this problem is to improve the performance of other revenue sources, so as to diversify the revenues of both organizations. This could include improvements to non-event sponsorship finances, but we are particularly interested in seeing both organizations increasing their membership dues. These organizations are both meant to be member-based entities, representing members who pay to be part of the organization. This is how FIFA began, and for many years FIFA was almost completely dependent on such revenues. It does not even report on these revenues now.[299] We worry that the lack of member fees limits the voice of FIFA members and allows the organization to behave independently of its members. This line of thinking reflects the fiscal governance literature, which finds that states that do not tax citizens

[297] Clear, disciplined cost policies are important in not-for-profits, and reflect organizational ethics. See Rhode and Packel (2009) and Bottiglieri et al. (2011). An example of a not-for-profit member-based organization travel policy comes from the Nonprofits Insurance Alliance Group: http://insurancefornonprofits.org/resources/Travel-Expense-Policy.pdf

[298] Most not-for-profits do not pay board member, but FIFA pays members hundreds of thousands of dollars, according to media speculation (which we rely on, given poor information from FIFA). See http://sports.yahoo.com/news/fifa-no-200k-pay-board-151213362--sow.html. FIFA could emulate the International Olympic Committee (IOC), which compensates executive board members for days in residence doing IOC work—not as a salary: "IOC presidents and members are considered volunteers and do not receive a salary, but their travel, housing costs and other expenses on Olympic duty are covered." (http://www.usatoday.com/story/sports/olympics/2015/04/02/ioc-releases-compensation-figures-for-bach-and-members/70816678/

[299] Eisenberg (2006) noted that less than 1% of FIFA's revenues came from such dues in 2006.

(as per membership fees with FIFA members) often reap weak and arbitrary governance systems (as citizens, or members, are easily held at bay by leaders with access to 'cheaper rents').[300] Membership dues are thus a source of revenue that is both symbolic and material and should be levied more aggressively by FIFA and UEFA.

FS 9. Provide an independent review of World Cup costs and revenues (size and allocation).

As discussed, there is a general perception that World Cup tournaments have become more expensive for governments to host (with high short term costs and low short term returns to governments). The perception feeds a view that FIFA benefits more from these tournaments than host governments.[301] This could undermine the number and quality of bids in future, which could threaten FIFA's World Cup revenue stream. We have not been able to fully assess the validity of such claims, but do believe that the reputational risks of this are significant enough to warrant a thorough review.[302] The review should be independent of FIFA, and cover a number of issues: (i) the difference between costs in bid documents and final costs for the last four World Cups (to assess whether bids are materially and consistently under-budgeted); (ii) the allocation of revenues from the World Cup versus costs required to host the Cup (determining whether this allocation is biased towards any party); (iii) the degree to which costs have risen in the past decade and if there is any view that country governments perceive this as cause for not bidding on World Cups in future. We believe this study is needed for FIFA to ensure that growing World Cup costs are not posing a threat to future bids by new governments.

FS 10. Promote mandatory policies on financial reserves for larger governing bodies.

Beyond diversifying revenue sources and ensuring that World Cup revenues are not threatened unnecessarily (by excessive host government costs), we propose that FIFA and UEFA manage their revenue dependence risks by maintaining high levels of financial reserves. While we are not at the point of acknowledging any 'bubbles' in either World Cup or broadcasting revenue streams, we do note that both sources have grown incredibly in recent decades and it would be wise to plan for the day that they are not growing. FIFA already maintains a conservative approach to its financial reserves (maintaining high reserves), and we suggest UEFA should too. We recognize that some may ask why these revenues are not used to promote football, and advocate spending every cent on the organizational mission. Our argument here is simply that organizations like FIFA and UEFA are vulnerable to shocks (largely because of dependency on

[300] See Moore (2007), who writes that, "Taxation – or the absence of tax – impacts on the quality of governance through two main channels. The first relates to the degree of dependence of governments on general taxation for their financial resources. Many governments do not need to make much tax effort because they have large non-tax incomes from oil, gas and mineral exports or from foreign aid. State elites are then financially independent of citizen-taxpayers. This changes the political incentives that they face, and the ways in which they seek to obtain, use and retain power. The long term consequences for governance are malign: state elites are less responsive and accountable to citizens; and, depending on the sources of non-tax revenue, may have less incentive to build up the political and organisational capacities of the state. States are likely to be simultaneously arbitrary and weak. All else being equal, the dependence of governments on general taxation has positive effects on the quality of governance."

[301] de Almeida, et al. (2015) and Preuss and Schnitzer (2013, 2015).

[302] This kind of review needs to employ modeling and analysis similar to that in De Nooij et al. (2013) and Kesenne (2012). Such review should also build on work by authors like Mitchell and Stewart (2015).

specific revenue sources) and need financial reserves to manage such shocks. The mission will be severely disrupted if they need these revenues and have been spending such.

FS 11. Initiate discussions about the chronic sustainability concerns in smaller associations.

Finally, there is real risk of financial failure in the majority of national associations that lack the own-revenue required to be viable without FIFA help. They lack the management capacities required to live within limited means, or the cost controls warranted by such realities. These associations are easy targets for patronage-based corruption in football (and other corrupt influences like match fixing). It is imperative that the world football community face up to this situation, and the risks it poses for the future of the sport. A serious discussion of this is probably required through the auspices of a reformed FIFA, and involving organizations like FIFPro (the global players' union), a selection of national associations, and even governments. This discussion should center on opportunities for shoring up revenues in poorer countries, through mechanisms like the Coubertobin tax proposed by Andreff and others (discussed in later sections as well).[303] [This tax was slated to ensure poorer countries producing talent received money for that talent. We are aware that reforms to the transfer process have already embedded elements of this approach (like training compensation and solidarity payments), but have no data to assess the degree to which countries and clubs sourcing talent are actually benefiting from such. We have our doubts about this, however, given that Coupertobin taxes should slow the flow of players from emerging markets and we do not see this happening. More research is thus needed.]

[303] Discussing contexts where we see struggling national associations, Andreff (2001) notes that "sport in the Third World cannot escape to professionalism, multinational sponsors, media and corruption, nor to the relocation of the sporting goods industry in low cost labour areas." He proposes a "Coubertobin tax" which is levied on transfers of players from these countries and then held in a fund for sports development in the developing countries themselves.

6. Fiscal Responsibility

> "Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto."
>
> Arthur T. Vanderbilt, former Chief Justice New Jersey Supreme Court
>
> "Neymar just ran into tax trouble—a problem all too common for soccer's global superstars."
>
> Tim Fernholz, Journalist at Quartz.com[304]

The financial sustainability pillar captures much of what one would normally see in a financial report for a professional club or governing body. There are other dimensions of fiscal integrity that go beyond these details, however, as shown in the pillars of financial integrity we introduced earlier. For instance, it is important to reflect on the degree to which football's governing bodies, clubs and players are paying taxes and social payments. In one sense, this information is embedded in data already considered, including debt information. It is very deeply embedded in these data, however, such that one cannot really ascertain whether clubs have outstanding tax debt or a good record of paying taxes. This matters as a stand-alone concern, given that the fiscal responsibility of an organization or sector is reflected in their record of paying such obligations. All participants in any economy are required to make these contributions, and the pattern of payment or non-payment reflects on how seriously such responsibility is taken. This section assesses global performance in this area (as much as is possible, given data limitations).

Assessing the Status Quo

Clubs and governing bodies that pay tax (and related) obligations are considered responsible, making required contributions to public goods and services in their communities and services (like roads maintenance, law and order, and government-run social programs). Clubs that do not pay these obligations exhibit low levels of fiscal responsibility, which reflects on their poor contribution to public goods and services and their failure to comply with fiscal responsibilities that other companies, organizations and individuals are obliged to adhere to.[305]

This is an important area of interest in football, given the soft budget constraint problems in the sector. Many clubs have survived through weak financial conditions by not paying taxes, and tax authorities have behaved as patrons in allowing clubs to fall behind in such obligations.[306] In some situations, revenue authorities have written taxes off altogether to ensure that clubs survive through financial distress. A high profile recent example comes from Spain, where tax authorities calculated that top tier clubs owed authorities €670 million in back taxes in 2013.[307] The example shows that Spanish clubs were not paying taxes and that tax authorities had allowed clubs to

[304] http://qz.com/511574/neymar-just-ran-into-tax-trouble-a-problem-all-too-common-now-for-soccers-global-superstars/

[305] Clubs that fail to pay taxes are often seen as pursuing other negative behavior (like tax evasion and money laundering). Reputational effects of fiscal behavior are thus quite severe in the sporting realm. See Gee et al. (2011).

[306] Beech (2010) calls outstanding taxes 'soft debt' in many cases (where there was no pressure to repay).

[307] See the following reports on Spain's tax problems: http://footballperspectives.org/plan-relieve-spanish-football-club-tax-debts; http://www.football-espana.net/21880/sevilla's-unpaid-debt-not-alone

behave in this way, even after the 2008 global financial crisis (which hit Spain's economy hard and led to a rapid decline in tax receipts and a burgeoning public sector deficit). Other examples abound, including from Latin America where Brazil's clubs are renowned for not paying taxes.[308]

UEFA targeted this issue through Financial Fair Play reforms, conceived in 2009 as part of its efforts to strengthen club financial sustainability. The rules require (inter alia) that clubs prove they do not have overdue payables towards other clubs, players and social/tax authorities.[309] At the time these rules were created, Europe's top clubs had tax debt of about €1.1 billion.

Interestingly, this tax debt had grown to about €1.4 billion by 2013 (given UEFA data, for the top 728 clubs playing in European competition—as described in relation to Table 1a). This suggests that fiscal responsibility is still an area of concern in European football and a financial integrity weakness in the sector. The extent of the problem in 2013 is shown in Table 16, which presents the ten highest average club tax debt leagues in UEFA. League-level tax debt was between €173 and €349 million in 2013 in Spain, Italy, England and France—four of the Big 5 leagues often celebrated for on-field performance. This was two years after the introduction of the FFP rules. We note that recent UEFA reports show that these debts declined in 2014, and 2013 may have been a peak year. We do not have updated data to show this, and therefore reflect on what we see up to 2013. We do know from 2014 UEFA documents that overdue taxes have declined, however, and this suggests that clubs have been performing better in this area. It will be interesting to re-do this analysis in a few years and see how multi-year patterns change.

Table 16. Tax and Social Payment Debts, by League and Average Club in Each League

Top league country	Aggregate Club Tax Debt 2009 (€ mln)	Aggregate Club Tax Debt 2013 (€ mln)	Average Club Debt (Mean) 2009 (€ mln)	Average Club Debt 2013 (€ mln)
Spain	272	349	13.6	21.3
Italy	233	242	11.7	12
England	138	192	6.9	9.6
France	221	173	11	8.7
Germany	61.6	71.3	3.4	3.9
Turkey	20.1	68.9	1.1	3.8
Greece	41.1	45	2.8	2.5
Portugal	18.4	38.8	1.1	2.4
Russia	19.1	24.1	1.2	1.5
Holland	31.5	24.9	1.7	1.4

Source: Authors' analysis of UEFA top leagues' data (described in relation to Table 1a).

[308] See, for instance, a New York Times article: http://www.nytimes.com/2015/04/24/sports/soccer/brazilian-soccers-financial-disarray-starts-to-show-on-the-field.html?_r=0

[309] A summary version of the Financial Fair Play regulations states that, "Most people use the term 'Financial Fair Play' (FFP) to refer to UEFA's requirement for clubs to balance their books. However, the UEFA FFP rules are actually 90 pages long and cover much more than the need to 'Break Even'. For example, they specify that clubs keep up-to-date with their taxes, their transfer fees and pay player wages on time." See details of the FFP regulations at http://www.financialfairplay.co.uk/financial-fair-play-explained.php

The average club playing in European tournaments (and captured in the data upon which Table 16 is based) had outstanding obligations of between €9 million and €21 million in 2013. These obligations had grown in size since 2009 in Spain, Italy, and England; per club obligations grew in other leagues as well, including Germany, Turkey, Greece, Portugal, and Russia (to name a few). The tax debts shown in Table 16 vary across clubs in all leagues (such that the averages are not representative of all clubs). Estimates in 2012 suggested that six of the top league Spanish clubs actually had no outstanding tax and social payment obligations, for instance, whereas Atletico Madrid accounted for as much as one fifth of the league's tax debt. Clubs like Atletico have been trying to pay this debt down (or renegotiate the debt), but a debt of over US $150 million is a challenging prospect for a club valued (by Forbes) at US $436 million and with annual revenue of US $231 million. The tax debt amounts to over 60% of annual revenue for the club.

An ordinary business might negotiate to repay this at about 5% of revenue per year, which would mean repayment (assuming no interest or penalties) over ten years, and significant loss of financial room to manoeuver in that time. The other option would be to sell a stake in the business (to a willing soft budget constraint supporting organization or patron) to accelerate the repayment. This seems to have been part of Atletico's strategy, given that it sold 20% of the club to a Chinese investment group Dalian Wanda in early 2015. The cash injection has allowed the club to make fairly large annual payments on its tax debt (reportedly about €30 million) while still being able to manage an expensive (and expansive) wage bill. Interestingly, we calculate that the club's equity was sold at a distinct loss (given Forbes valuations). Forbes valued Atletico at US $436 million[310] at about the same time that Dalian Wanda purchased 20% of the club for US $52 million.[311] The purchase price suggests that the club should actually have been valued at US $260 million, which is about 60% of the value ascribed by Forbes. Put differently, Atletico should have received US $87.2 million for its 20% equity stake given Forbes valuation, but was actually paid only 60% of this value. There are many potential reasons for this kind of discrepancy, including the likelihood that Forbes valuations were incorrect (these are difficult valuations to make, after all). Another explanation is that Atletico accepted a lower valuation in the Dalian Wanda deal because the club needed capital to pay off part of its tax debt. This is common practice when organizations sell equity to service debt; receiving less than true value because of their situation.

The ratio of tax debt to revenue is a good indicator of the stress these debts can create for a club or league (by limiting activity or forcing clubs into potentially disadvantageous situations like having to sell equity at a discount). This ratio is particularly severe across some leagues, like Spain, Greece, Serbia, Croatia, Bulgaria and Bosnia, where tax debt accounts for between 20 and 80 percent of annual revenues. There are many potential explanations for this kind of debt, including the recent financial slowdown in Europe, which many clubs blame for their tax debt. Some clubs also bemoan the high tax rates in countries like Holland and Denmark (which can make tax payments onerous for all organizations) and recent tax increases in countries like France (which were seen to make taxes even more difficult to pay, especially when levied on high income earners in top leagues). Clubs in some countries have also levied blame for high tax debt on revenue authorities themselves, arguing that these authorities often fail to engage on specific

[310] See the full valuation at http://www.forbes.com/teams/atletico-de-madrid/

[311] See http://www.ft.com/intl/cms/s/0/687428ee-a076-11e4-8ad8-00144feab7de.html#axzz3sKRhA4AT

tax issues for long periods and then tighten rules or audit and collection protocols—catching clubs in their nets when doing so, and levying charges retrospectively. Examples of this argument abound in recent years, as tax authorities have been ramping up collections in the face of austerity demands (in places like Romania and Serbia, for instance) and closing tax loopholes related to practices like deferred compensation funds (in countries like Scotland).

Whatever the reason for clubs having tax debt, this debt is a sign of poor fiscal responsibility in the affected clubs and leagues, and it undermines their financial integrity. These tax burdens are also a threat to financial integrity dimensions like financial sustainability, in that clubs face more fiscal pressure when past due obligations are bought to light. The recent wave of insolvencies in Romanian clubs happened after tax authorities called in prior tax-related debts, for instance, after having allowed the clubs to run the debts up in the first place.[312] A number of club owners now face tax evasion charges. The 2012 insolvency of Scotland's Rangers was also related to outstanding tax obligations;[313] revenue authorities assessed that the club owed £49 million in 2010, associated with the use of an employee benefit trust (EBT) to minimize tax payments, which compounded existing debt burdens and caused the club to enter bankruptcy proceedings.

These examples show that, while one can argue that no tax debt is morally or socially acceptable, clubs with low tax debt/revenue ratios are better off than those with higher tax debt/revenue ratios (given the risk this debt has on financial stability and sustainability). Figure 27 shows the average wage and social cost debts of clubs in Europe's top leagues as a proportion of annual revenue, between 2009 and 2013 (on the horizontal axis). It shows the percentage growth in this ratio from 2009 to 2013 as well (on the vertical axis).

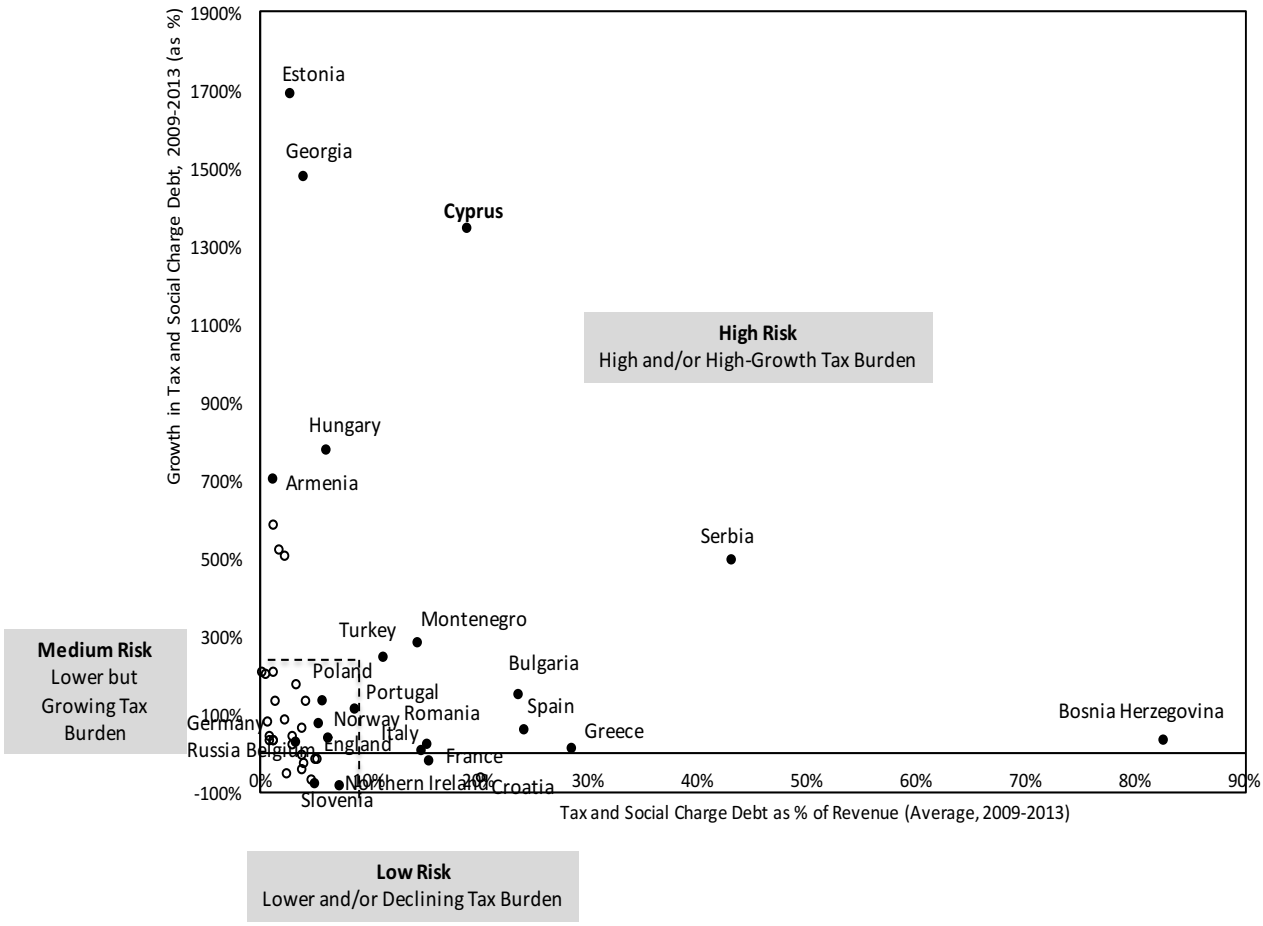
A primary observation in this figure is that all leagues had (in aggregate) positive average outstanding tax debts over the period in question. These debts were very high, as a percentage of revenue, in some leagues: 83% in Bosnia Herzegovina, 43% in Serbia, and above 25% in Bulgaria, Spain, and Greece. Holding debt and revenue levels constant, and assuming clubs in these leagues could allocate 5% of revenues to repay back taxes (and interest on such) each year, we estimate that clubs would be making such payments for over 16 years in Bosnia Herzegovina, 8 years in Serbia, and 5 years in places like Greece and Spain.

These numbers average tax debt over the five years from 2009 to 2013, so one might expect that the numbers have dropped recently in many leagues (especially given the introduction of FFP rules). We find that all leagues had positive tax debt to revenue ratios in 2013, however, and that most of the leagues had seen increased tax debt to revenue ratios between 2009 and 2013. Only 11 leagues saw a drop in this ratio (Holland, France, Denmark, Scotland, Croatia, Slovakia, Slovenia, Ireland, Northern Ireland, Latvia, and Wales). Interestingly, many of these leagues are in countries with high taxes (like Holland and Denmark), or where tax rates increased after 2009 (France, for instance), or where financial austerity measures led to stringent tax collection processes (like Ireland and the Baltic states).

[312] For reference, see http://www.insideworldfootball.com/world-football/europe/16371-romanian-club-crisis-deepens-as-petrolul-ploiesti-is-sixth-club-to-go-bust;http://balkanist.net/steau-bucharest-and-the-perpetual-crisis-of-romanian-club-football/

[313] The Rangers case went to court in 2015, where the club lost a challenge to revenue authorities, as discussed in a Tax Justice Network blog: http://www.taxjustice.net/2015/11/05/rangers-lose-the-big-tax-case-what-now/

Figure 27. Fiscal Responsibility in Europe's Top Leagues



Source: Authors' analysis based on UEFA data (described in relation to Table 1a).

We identified leagues falling into three categories, given the data in Figure 27:

- Low risk leagues are those where clubs had relatively lower outstanding tax burdens (below 10% of annual revenue) between 2009 and 2013, and where these burdens were declining. There are nine such leagues (Holland, Denmark, Scotland, Slovakia, Slovenia, Northern Ireland, Ireland, Latvia, and Wales). This is 18% of the sample where we had revenue data.
- Medium risk leagues are those where clubs had relatively lower outstanding tax burdens (below 10% of revenue) between 2009 and 2013, but where these burdens were increasing. We count 23 leagues in this category, or 46% of the sample where we had revenue data.
- High risk leagues are those where clubs had (in aggregate and on average) relatively high outstanding tax burdens (above 10% of annual revenue) between 2009 and 2013, and/or where these burdens were increasing. We count twenty leagues in this category (including France and Croatia, where tax debts have declined but are still in excess of 10% of club revenue), and Turkey, Montenegro, Hungary, and Armenia (where the tax debt is low relative to revenue but has been increasing). This is equal to 40% of the clubs in our sample.

We cannot provide similar estimates of high, medium and low risk leagues or clubs in regions outside of Europe, given a lack of data. We are left showing additional examples cited in the media, therefore, that suggest this is a pervasive concern. For instance, a 2011/12 case from Australia saw the A-League Central Coast Warriors pursued by authorities because of outstanding tax debts of over AUS $1 million.[314] Another example comes from Peru where, in 2009, the club Universitario had to put their training grounds up for sale to clear a tax debt and avoid the threat of bankruptcy.[315] Mexico provides a third example, where the top tier club Puebla was afflicted with tax problems in 2012; its stadium was seized by tax authorizes because of unpaid taxes.[316] The most recent case comes from Brazil, where the government became football's biggest creditor in 2015, given that clubs owed about four billion reais (US $1.3 billion) in unpaid taxes. Government authorities had to negotiate with clubs to waive most penalties for late payments and provided up to 20 years to repay these taxes.[317]

Our analysis has thus far focused on general tax debts faced by clubs. This does not, however, reflect on all aspects of football's fiscal responsibility problem—especially related to transfer and player remuneration. One commonly finds reports on tax avoidance or evasion schemes and scandals involving players, managers, and even club owners. As noted, clubs like Rangers (in Scotland) have been accused of using devices like employee benefit trusts (EBTs) to defer paying taxes and employment fees, for example.[318] Schemes to lessen taxes on transfer fees are also well known, and range from using under-the-table payments (sometimes called transfer bungs),[319] to opaque payments made to third party owners of players (which may end up in accounts in international tax havens). Clubs and players alike have also been targeted by authorities because of efforts to structure transfer and wage payments as image rights payable to shell corporations, also often located in tax havens by way of disguised remuneration.[320] A growing number of club owners are accused of creating umbrella corporations in tax havens as well, to avoid (or evade) taxes in the countries where the clubs are located.[321]

It is unclear how widespread such practices are in football, because they relate to activities that are difficult to capture and measure. There have been widespread cases against football clubs and individuals associated with such in recent years, however, in places as varied as Belgium,

[314] See an article on this (http://www.theherald.com.au/story/116682/belinda-neal-chased-for-soccer-club-tax-debt/). Recent efforts by the club to enhance revenue raising capabilities led to hiring ex-Portsmouth executive Peter Storrie, who was previously accused of tax avoidance: http://www.theguardian.com/football/2014/dec/31/central-coast-mariners-appoint-peter-storrie-as-associate-director.

[315] See http://sports.espn.go.com/espn/wire?section=soccer&id=4498588

[316] See various media reports: http://www.goal.com/en-us/news/114/mexico/2012/01/13/2845849/mexican-tax-authorities-seize-puebla-fcs-stadium-over-unpaid;http://www.soccernewsday.com/world/a/412/puebla-fc-step-back-from-the-brink

[317] See the New York Times article on this issue: http://www.nytimes.com/2015/04/24/sports/soccer/brazilian-soccers-financial-disarray-starts-to-show-on-the-field.html.

[318] See Croall (2015) and Morrow (2015).

[319] See Harry Redknapp's case:http://www.theguardian.com/football/2012/jan/23/harry-redknapp-tax-evasion-trial.

[320] Affected players include Javier Mascherno (http://www.espnfc.us/barcelona/story/2687979/barcelona-javier-mascherano-admits-to-unpaid-taxes-in-spain) and Barcelona's striker—and 5-time world player of the year, Lionel Messi (http://www.nytimes.com/2015/10/09/sports/soccer/messi-ordered-to-stand-trial-in-tax-case.html?_r=0).

[321] See Williams (2012) and 'The Offshore Game', an article published in 2015 by the Tax Justice Network: http://www.taxjustice.net/2015/04/14/the-offshore-game-new-tjn-report-on-offshore-finance-in-football/

Brazil, Ecuador, England, Spain, Italy, Malaysia, Korea, and Romania.[322] Germany is also in this list, even though it is often presented as a model of all that is good in football governance. The highest profile example from Germany was arguably Uli Hoeness, the former player and recent president of Bayern Munich, who received a prison sentence for tax evasion in 2014.[323] This was the same man who criticized Spanish clubs for not paying their tax debts in 2010, saying that "This [kind of behavior] is unthinkable. We pay them hundreds of millions to get them out the shit and then the clubs don't pay their debts."[324]

It is debateable whether clubs should be held accountable for many of the above examples of tax avoidance and evasion, which usually center on one or two individuals (and where the tax evasion is often in their personal dealings, not directly associated with football). The annual survey of directors in English clubs promote the view that these issues are about individuals and not clubs; "Six out of ten respondents [suggest that clubs should] not get involved in tax enquiries relating to agent fees and image rights payment considering them to be 'largely a player matter'."[325] Another view, which we adhere to, is that these practices bring the game of football into disrepute and contribute to a perception that a culture of impunity exists in the professional football sector (which fosters vulnerability to other types of corruption).[326] Clubs, and individuals associated with clubs, are seen as fiscally irresponsible in many countries; and perhaps also as being beyond the law and exempt from punishment in this respect. This is a problem for fiscal integrity in the sport, and a contributing reason to flag this issue as a point of major vulnerability.

This vulnerability is evident in associations and confederations as well, where fiscal responsibility issues seem to fester. This is surprising, given that most governing bodies are not-for-profit and hence tax exempt. However, they must pay employment-related taxes in most countries and are also subject to other charges in some places. Recent cases show that these charges often go unpaid. In Zambia, for example, national revenue authorities were forced to close the football association offices in late 2015 because of unpaid taxes. When a schedule for repayment was later brokered, the FAZ (Zambian Football Association) did not reveal what the unpaid tax debt was or why it was unpaid (which seems improper for a member-based organization that received FIFA funding).[327] Claims of tax evasion also led revenue authorities to raid the German Football Association (DFB) in late 2015. These claims related to reports of a secret fund used by the DFB in its bid to host the 2006 World Cup.[328] Another example comes from the failure to pay taxes in Romania, related to a large broadcasting contract.[329] Tax evasion charges focused on broadcasting contracts were also levied against various associations in Latin America in 2015, as

[322] See Sanchez (2011), Brooks,et al (2012), Balduck and Lucidarme (2011), Crisan and Voicu (2014), and Di Ronco and Lavorgna (2014).
[323] See Gaisbauer et al (2015).
[324] See http://swissramble.blogspot.com/2012/04/truth-about-debt-at-barcelona-and-real.html
[325] See http://www.bdo.co.uk/news/the-annual-survey-of-football-finance-directors
[326] Brooks et al (2013).
[327] See http://allafrica.com/stories/201510300629.html and http://zambianfootball.co.zm/2015/10/football-house-opens-as-faz-zra-agree-on-payment/
[328] This case is still under investigation, but the reputational effects of the government action have been quite severe. See http://www.bbc.com/news/world-europe-34708640
[329] See http://www.romania-insider.com/searches-start-at-romanian-professional-football-federation-in-eur-3-mln-tax-evasion-money-laundry-for-football-matches-tv-rights/118711/

well as the regional confederation, CONMEBOL. Interestingly, the focus on CONMEBOL raised other concerns about past failures to live up to fiscal responsibilities. In the words of the (then) CONMEBOL President, "It's a big problem…We still haven't reached the solution to all our financial problems, but in these last three weeks we've been paying health programs that had never been paid in 30 years, we paid taxes that were never paid."[330]

Another important example of associations failing in this area comes from Indonesia. The 2015 season was stalled when a government agency demanded that clubs—and the national association—pay outstanding tax bills (and wages).[331] The national association was charged with tax evasion as well. FIFA responded by warning the government against involving itself in the business of football. When the government refused to back down, FIFA banned Indonesia from world football. This ban was still in place in late 2015 when government officials met FIFA to explain the situation. FIFA's delegation is reported as being "shocked" at the real story of fiscal responsibility lapses by the national association, and came to an agreement with the government about a path ahead.[332] This was after it called on the government to back down in the governmental efforts to ensure that footballing bodies were fiscally responsible and transparent, however, and after it punished Indonesia's government for failing to heed such warning.

FIFA has a reputation for challenging governments when country-level governing bodies are charged with breaking national laws.[333] We do not believe that this is an appropriate reputation for any sector to have. FIFA is also on shaky ground in this 'fiscal responsibility' area given its requirements for tax exemptions in World Cup bidding processes. These exemptions often require one-off legal changes in the countries hosting such events, and are far reaching—leading to the governments losing large amounts of revenue. In their post mortem on the South African World Cup, Bond and Cottle reference a spokesperson for the South African Revenue Services (SARS) (Adrian Lackey) explaining the situation:[334] "Our approach to the World Cup has been that it was never going to be a revenue-raising exercise. Certainly it would be wrong to view the World Cup as a significant contributor in itself. The concessions we had to give to FIFA are simply too demanding and overwhelming for us to have material monetary benefits."

Bond and Cottle describe the concessions required by South Africa as follows:

> "Those concessions included 17 government guarantees contained in the Bid Book and secured through the Revenue Laws Amendment Act 20 of 2006. Guarantees include a tax-free bubble around FIFA-designated sites, unrestricted import and export of all foreign currencies to and from South Africa, as well as their exchange and conversion into US dollars, euros or Swiss francs, the suspension of any labour legislation that could restrict FIFA, its commercial partners, media and broadcast members, free security and medical care, the protection of

[330] See http://www.bloomberg.com/news/articles/2015-07-04/soccer-scandal-revealed-decades-of-unpaid-taxes-president-says

[331] See a recent article on this situation: http://www.espnfc.us/blog/football-asia/153/post/2314606/players-and-fans-pay-price-as-indonesian-football-loses-its-way-again

[332] See http://countmein.thejakartaglobe.com/sports/fifa-forms-committee-get-indonesia-back-game/

[333] This is as per FIFA's policies on government interference in the administration of national football. For reference, see Morakinyo (2008) and for discussion of FIFA's influence over national governments, see Meier and Garcia (2015).

[334] See Bond and Cottle (2011).

FIFA's intellectual property rights and guarantees to indemnify FIFA against all claims and proceedings against it. To enforce these extraordinary concessions to South African sovereignty, FIFA demanded that the state set up and fund special courts."

FIFA defends its requests for exemptions, arguing that it is not far reaching or inappropriate:[335]

"During its call for tenders, FIFA does not ask the candidate countries for its sponsors to enjoy "unrestricted or even complete exemption from any form of taxation". Instead, FIFA requests specific, limited exemption for its sponsors and certain service providers, which is closely connected with the event. The exemption requested by FIFA for its sponsors is on a level with the tax relief requested by other organizers of major sporting or cultural events. For example, FIFA does not demand any general tax exemption for sponsors and suppliers for the overall commercial activities in the host country. Instead, FIFA only requires an easing of customs procedures for some materials that need to be imported for the organization of the World Cup and cannot be obtained in the host country (e.g. import of computers to be used by FIFA or the LOC), import of electronic advertising boards (and subsequent export), import of footballs to be used during the World Cup), and which will either be used and exported after the event, or donated to an institution linked to sport in the host country. Furthermore, to reduce its costs, FIFA requests for example exemption from or the ability to pay back sales tax payable in connection with the purchase of services or goods to the extent that such services or goods are solely used for the organization and staging of the World Cup. Incidentally, a tax treatment similar to FIFA's request has already been granted under EU sales tax law in relation to the so-called "entitlement to input tax deduction" on the basis of purely entrepreneurial activity for any company (and unconnected with FIFA or the World Cup)."

We find it difficult to determine the true nature of FIFA's exemption requirements given these different views—and vague explanations. It is impossible to settle the issue by referring to actual bid documents, given that FIFA does not allow bidders to release such publicly. The only example of a bidder that has actually contravened FIFA's rule in this regard is Holland, which published all eight government guarantees it included in its bid for the 2018 Cup in an open letter to the FIFA president.[336] The sentiment of the letter is clear: FIFA requires governments to give up too much of their taxing authority in hosting the World Cup. Given this kind of evidence, we believe that FIFA's tax exemption requirements are a problem, and lead to the organization being seen (with good reason) as not respectful (or abiding by) the taxation authority of sovereign states. This reputation has grown in recent years, given charges that FIFA received greater tax exemptions in respect of the World Cups in the lower income countries of

[335] See http://www.fifa.com/mm/document/affederation/bodies/02/36/77/41/faq_finance_en_neutral.pdf

[336] This was covered by Ian Pollock in an article titled, 'To Tax or Not to Tax', which reads, "The Dutch government recently published all eight government guarantees on its official website, in the form of a draft letter to Fifa President Sepp Blatter. Guarantee no.3 requires "Full tax exemption of Fifa and Fifa subsidiaries" and "is not limited to the events and is not limited time-wise" … "The exemption stated in this section shall encompass all revenues, profits, income, expenses, costs, investments and any and all kind of payments, in cash or otherwise, including through (i) the delivery of goods or services, (ii) accounting credits, (iii) other deliveries, (iv) applications, or (v) remittances, made by or to Fifa and/or Fifa subsidiaries" …. This exemption also applies to associated bodies such as the local organising committee; Fifa confederations; Fifa member associations including the hosting association; the host broadcaster; and Fifa service providers" (See http://www.bbc.com/news/10091277).

South Africa and Brazil than it did in the wealthier Germany.[337] No one knows the exemptions for Russia and Qatar, but observers suspect that they are large.[338] Whether these suspicions are accurate or not, FIFA has a reputational problem in the area of fiscal responsibility, therefore, and needs to address this with transparent and aggressive remedies.[339] We should note that some readers of a draft version of this study commented that we were being unfair in raising reputational issues as part of a study on financial integrity. We disagree very strongly. Reputational issues are vital to the financial health of any organization,[340] often impacting revenues and even the ability to borrow. Furthermore, organizations typically go to great lengths to ensure they have positive reputations. FIFA's reputational problems are significant, and would on their own be considered grounds for major reform in most corporations.

Addressing the Status Quo

Our assessment of fiscal responsibility issues in global football has not been easy to complete. We lacked data on most of the sport's organizations—including clubs outside of the top leagues in Europe and most governing bodies. The data we could access show that many clubs have outstanding tax bills, however, and that football in general has a reputation of falling short of its fiscal responsibilities. These shortfalls are often associated with broader concerns (like money laundering) and fester in organizations that pay some taxes (like FIFA) but are also perceived as seeing themselves above or even beyond the law in respect of other taxes. This perception goes beyond organizations to include the players, officials and personalities.

When we reflect on the data and anecdotes and reputational concerns discussed, we cannot see that this is a strong financial integrity pillar for football. We acknowledge that many clubs, players, officials and organizations do fulfil their fiscal responsibilities,[341] but evidence also

[337] Pollock addresses this in his article, writing that, "After the 2006 World Cup, the German football association (DFB) paid 101 million Euros … in various taxes on its activities during the tournament. Germany also taxed the non-resident players and trainers as normal … That raised just over seven million Euros (£6.1m). Everyone else from abroad who was officially accredited to the competition was exempted from German income or corporation tax, although VAT was applied to sales and services as normal" (See http://www.bbc.com/news/10091277).

[338] In respect of the Russian bid, for instance, a recent Guardian article cites a Russian official-turned columnist stating that the bid had significant tax exemptions included: "In Russia's official bid, Gaaze wrote, "Putin offered Blatter what no one else had ever offered him": a complete exemption from Russian taxes and customs for Fifa and all other organisations involved in the World Cup, an exemption to the Russian law against alcohol advertising and the right for Fifa employees to bring in and exchange any amount of currency without any limits or customs declaration" (See http://www.theguardian.com/football/2015/jun/06/fifa-scandal-fallout-russia-disbelief-threat-world-cup-2018). See, additionally, Becker (2013).

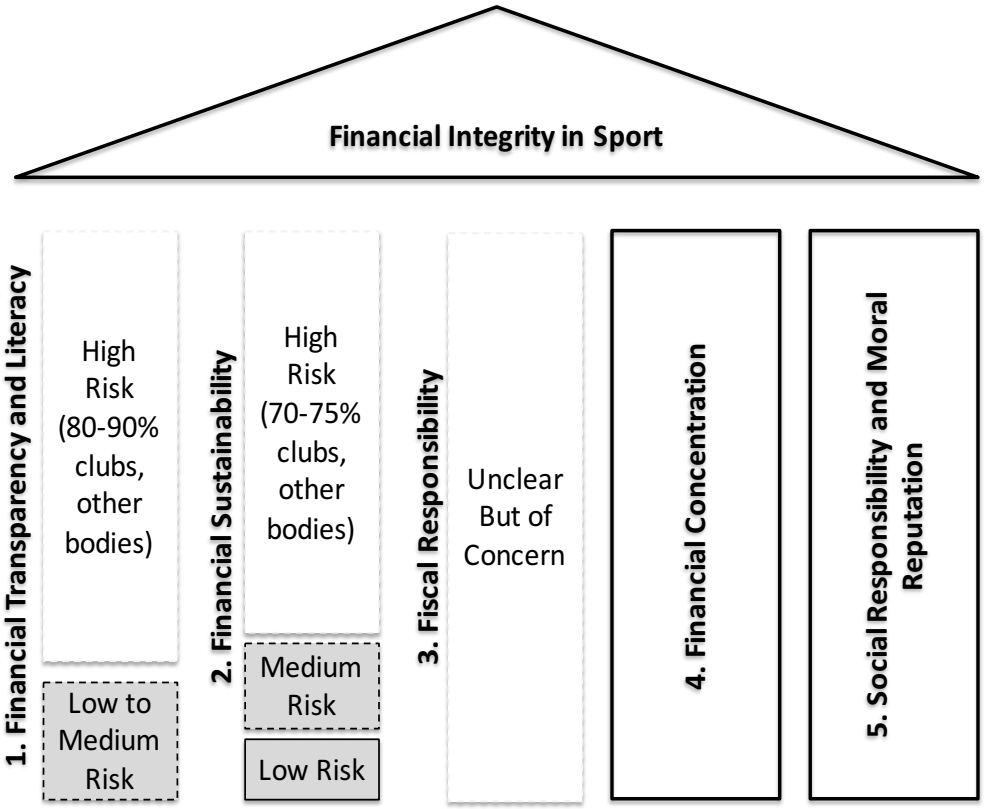
[339] The reputation is cultivated by the work of observers like Alan Tomlinson, who has written extensively on FIFA's reform challenges. A 2014 article co-authored by Tomlinson tackled the issue of tax exemptions directly, and called for FIFA to relinquish such (http://www.theguardian.com/commentisfree/2014/jul/13/world-cup-final-fifa-brazil-football-tax-breaks). Reputational issues are also tackled in articles like Cope (2015), Henne (2015), and Mitra (2015).

[340] See Roberts and Dowling (2002) and Sabate and Puente (2003). Fich and Shivdasani (2007) show that reputational issues also relate to the behavior of individuals in organizations (especially directors).

[341] One can find league and association bodies across the world actively reporting on their payment of taxes, ostensibly aware of the need to prove that they are responsible. See a recent report on payments from the English Premier League (http://www.mirror.co.uk/sport/football/news/premier-league-clubs-players-paid-5991822). FIFA has recently also tried to show that it pays taxes. It attempts to clarify its fiscal responsibility record in the Frequently Asked Questions on its web site, for instance, writing that, "Over the 2011-2014 cycle, FIFA generated USD 5.7 billion

suggests that many do not. We cannot estimate how much of the community fails to live up to their responsibilities (as shown in Figure 28), but see the area as a major risk for football because any failed responsibilities could lead to continued disruption for clubs (who have to pay back large tax bills, for instance) or associations (where business as usual is compromised because of tax evasion charges and the like) or even players and officials (who have to stand trial for breaking rules in this respect). Ultimately, supporters are the biggest losers: facing interruptions to the games they support and having to see role models in compromised positions.

Figure 28. The Questionable Fiscal Responsibility Pillar in Global Football



Source: Authors' rendition.

We believe that the global football community could take a number of steps to address the weaknesses in this area. The following recommendations suggest such steps in three areas: (i) Strengthen fiscal responsibility in the global club system; (ii) Enhance fiscal responsibility by football personalities (especially players); and (iii) Strengthen fiscal responsibility (material and reputational) in football's governing bodies.

in revenue, yet only USD 75 million was paid in taxes. How is that possible? Contrary to what has often been said, FIFA does pay taxes. FIFA is taxed in Switzerland according to the Swiss taxation rules applying to associations. As such, we are taxed on our taxable net income deriving from the statutory financial statements (revenue minus expenditure). Therefore, the amount paid in taxes cannot be compared with the total revenue. The same would apply to any company that is not taxed on its revenue but on its net profit." (See http://www.fifa.com/about-fifa/news/y=2015/m=3/news=fifa-financial-report-2014-frequently-asked-questions-2568090.html).

Strengthen Fiscal Responsibility in the Global Club System

We identify various concerns about fiscal responsibility in club and league systems across the world. These relate to failures in paying taxes by clubs, which create financial risks for the organizations. There are various reasons why clubs fall behind in these payments. These include insufficient knowledge of tax obligations, ambiguous and inconsistent application of tax laws by revenue authorities, and more. We propose five ideas to address risks in this area.

FR 1. Conduct a stock take of fiscal responsibilities in the world's leagues.

As readers will appreciate, we have limited evidence of unpaid taxes in clubs in Europe's top leagues. We lack specifics in this context, however, and do not even have general data for lower leagues in Europe or for clubs in other regions. Information deficiencies are not just centered on actual tax obligations, though; we also lack reliable knowledge about the fiscal responsibilities that exist for clubs in different leagues (about the taxes and payments they should be making). This kind of knowledge would list club legal forms, and the tax and employment payments (and others) associated with different legal forms. This information is important if one is really aiming to assess how much of a fiscal responsibility gap exists in different leagues, and if different clubs have competitive advantages in respect of their comparative fiscal responsibilities.

We raise this issue because we do know that clubs in even prominent leagues have different fiscal responsibilities;[342] Real Madrid has lower obligations than most other Spanish top tier clubs because of their legal form, for instance. We believe that a stock take of the different fiscal responsibilities of clubs and leagues will help to bring transparency to such differences—and help observers and governments and clubs clarify what clubs are expected to pay in terms of taxes and related charges. We would recommend starting such a stock taking exercise with analyses of clubs in leading leagues (like Germany and Spain) as well as some emerging leagues (in places like China and the Middle East) and in countries where we know that tax evasion and responsibility concerns fester (like Brazil). In the short run, this research will clarify fiscal responsibilities across clubs and leagues. In the medium to long run, it will inform policy reforms.

FR 2. Publish annual fiscal responsibility reports for clubs in leading leagues.

We believe that there is a lot to learn from the recent experience in tackling tax delinquency in Spanish football clubs. The Spanish government and footballing authorities were forced to address outstanding taxes given financial struggles after the recent economic crisis. Part of their strategy was to calculate and publish outstanding club taxes, and repayment details.[343] This made fiscal responsibility issues transparent and also helped to inform policy decisions related to continued failures to pay taxes (Elche was relegated in 2015 for not paying taxes, for instance[344]). These advances have been significant in a country were tax authorities were known to

[342] See Knight (2013) and the following discussion on tax advantages enjoyed by Real Madrid and FC Barcelona: http://www.independent.co.uk/sport/football/european/how-tax-break-gives-real-madrid-and-barcelona-an-unfair-edge-8749146.html

[343] See Van Rompuy (2012) and http://www.crownint.com/spanish-football-will-finally-repay-its-huge-debts-to-the-tax-authorities/

[344] See http://www.nytimes.com/2015/07/24/sports/soccer/judges-ruling-relegates-one-spanish-team-and-saves-another.html?_r=0

accommodate football clubs in not paying taxes. The lessons are about the importance of calculating unpaid tax obligations and forthcoming obligations and making these public. Beyond this, transparent reporting of football clubs' tax payments also helps to promote responsibility in this regard. Such transparency is common for private and not-for-profit entities in many countries (where tax documents are publicly available). Collating individual reports across clubs will be time consuming, however, and needs to be owned and driven by specific entities. Organizations like the Tax Justice network have been doing such work for England's Premier League already.[345] We propose connecting this organization to other entities interested in promoting tax transparency, and interested national associations. Discussions between such parties will need to specify which leagues to start examining and how to calculate and communicate fiscal obligations in clubs.

FR 3. Identify and clarify major fiscal responsibility risks for top tier clubs.

These recommendations are intended to deal with fiscal responsibility risks facing clubs. Top tier clubs face specific sources of such risk, related to the modern realities of ownership structures in such clubs and the kinds of transactions they engage in. Many of these clubs are now either subsidiaries in larger companies or are legally located in tax-beneficial countries other than the countries in which they compete. Many of these clubs are also using tax avoidance mechanisms designed to decrease their employment-related taxes (including structuring salaries as image rights instead of wages, and using deferred compensation schemes). These kinds of practices are commonly used in business, but are also complex. They need to be well managed in order to ensure that they do not lead to contraventions and even evasion charges. When these charges do come (as in the case of Rangers in Scotland), a club can find itself compromised.

We believe that the world's elite clubs could benefit from greater clarity on the kinds of practices and schemes they can and cannot use, and where different mechanisms are likely to lead to risks of legal and other response. There is a robust academic and legal literature on this topic, especially in respect of English football.[346] However, the work one needs is not just country specific—given that most elite clubs now have international ownership and subsidiary structures. We recommend building on the work that exists to clarify what the risk areas are in specific countries and what kinds of risks arise when engaging across boundaries. In the short run, this kind of work will help to inform clubs and authorities about these risk areas. In the medium to long run this information will help in addressing some of the risk areas—especially where these risks emerge because policies and laws are vague, or have been inconsistently implemented, or vary significantly across countries. This kind of work would be perfectly suited to the international accounting and audit firms (like Deloitte), with experience in the global football sector.

FR 4. Provide tax support services for clubs in select leagues.

FR 3 would provide an informational source for clubs to reference in determining their tax compliance policies. We believe that many top clubs will use such mechanism to improve their current practices, and manage risks in this area. We are concerned that many clubs will still not be able to do this, however, given that our (notably limited) work suggests that clubs beyond the very top elite level lack effective financial management capacities. We see limited capacity even

[345] See http://www.taxjustice.net/tag/premier-league/
[346] See, for instance Morrow (2013, 2014, 2015).

in other top leagues of Europe; it is more emphasized in lower leagues in Europe and in other regions. We worry that clubs with these limited capacities are already in compromised fiscal responsibility positions, without knowledge of such, and are not capable of dealing with the challenges associated with managing increasingly complex taxation demands. This is not an uncommon situation, with many small and medium sized businesses struggling with fiscal responsibility demands in growing economies.[347] Tax service providers often emerge to supply the capacity firms need in these situations. Such services are already being provided to football clubs in places like England (from legal and accounting companies). We do not have evidence of such services being available in many other contexts, and also worry that the cost of such services might be so high as to be essentially out of reach for most football clubs (especially in lower leagues and poorer countries). Given this, we propose that regional and global football associations work together with tax authorities and private entities (like accounting firms) to create easily accessible tax support services to clubs. We believe this should be subsidized by FIFA and the confederations (given an interest in maintaining financial sustainability for clubs and ensuring that clubs have a reputation for being fiscally responsible). A first step would involve learning from efforts some governments take to provide tax services to small businesses.[348]

FR 5. Introduce targeted tax exemptions for lower league clubs and those in struggling leagues.

We are concerned at the limited financial sustainability of lower league clubs in Europe and of the club system in many areas outside of Europe. We believe that serious consideration should be given to alleviating costs of these entities; especially if local small clubs are considered part of the social fabric of communities, and worth government support. Many countries employ policy tools like tax exemptions and even tax breaks to stimulate and support small business development, where these governments determine that small business is worth supporting in such a way. In many countries we see revenue bureaus offering this kind of de facto support to football clubs (given low levels of actual tax collection). We believe that it might be useful to think about formalizing this kind of policy action in places where small clubs are struggling and/or where tax bureaus already turn a blind eye to tax collection. In many respects these entities are being treated as not-for-profit entities, and it is perhaps time to make this approach more explicit. Policymakers from national and even regional governments are the ones who should be approached in this respect. They can draw from experience with similar policies in respect of small business support and promotion. We recommend experimenting in small interventions before ramping any solutions up, and ensuring transparency in any such policies.

Enhance Fiscal Responsibility of Football Personalities (Especially Players)

Clubs are not the only entities vulnerable to risks in respect of fiscal responsibility. Players and other football personalities—managers, owners, and even administrators—have recently made headline news because of their tax difficulties. While we agree that individuals in all sectors break laws in this area, we also believe that the large number of publicly covered violations are bad for the reputation of football. We believe, further, that these violations can be better managed—

[347] Many clubs are comparable to small or medium enterprises (Moore and Levermore 2012; Soderman 2013).
[348] See, for instance Kent (1994), Kamyabi and Devi (2012) and Wolk and Wootton (2015).

and perhaps even avoided—with aggressive and clear engagement with football personalities (especially players) about this topic. We have two suggestions in this regard.

FR 6. Identify and clarify major fiscal responsibility risks for football's personalities.

Our study has only identified some of the media-covered instances where players and other footballing personalities fell foul of revenue authorities. Even in these instances, however, we see specific and recurring issues that get these people into trouble. Some of these issues seem specific to football (or at least sports and entertainment) and may be avoidable if players and the like are better informed about what they can and cannot do. For instance, a number of players have incurred fines because of ill designed schemes to structure their wages as image rights payments. Others have run into trouble in respect of transfer payments to third party owners who are also family members. Others have faced investigation and prosecution because of income earned from testimonial games. It is certainly possible that players and personalities always know exactly when they are contravening rules, but it is also possible that they do not have such clarity and are not aware of the risky areas in tax policy. We believe that improved identification of such risks will thus be helpful. A first step towards identifying such risks, and making the risks known to footballers, could involve examining recent tax-related investigations of individuals. An investigation of such cases will allow the identification of specific issues that draw attention and lead to difficulties in this area. In the short-run, such a process can help produce an advisory product for players to reference when determining responses to tax policies. In the long-run, this can help to improve behavior in respect of such policies.

FR 7. Provide tax support services for players and other personalities.

We believe that the fiscal responsibility demands of players and other personalities in global football are quite difficult to manage. This is partly because of the opacity of many transactions in football; transfers, sponsorship deals, image rights arrangements and the like are often dealt with in very non-transparent ways. This is also partly because players (in particular) often have complex labor relationships with the clubs they play for; in the eyes of taxation bodies, they are sometimes seen as full time employees, and sometimes as contract laborers, for instance. These complexities are compounded by the fact that many players are operating across local and national jurisdictions, and earn money in many different places—where tax regimes differ and have become incredibly complex in recent decades. The situation is further compounded by the fact that many football personalities have limited education and are relatively young to be dealing with the complex tax demands they face. They thus depend, in many cases, on intermediaries like agents and even third party owners to manage their affairs. These intermediaries are not well regulated anywhere in the world, which means an absence of regulatory quality to control the services they might provide.

All this is to say that we believe many footballers (and others involved in the game) are vulnerable to making mistakes in their fiscal responsibilities. These can never be condoned, but we also think they should not be left completely to individuals to address. This is because we feel the risks and vulnerabilities are felt across the footballing sector and need to be solved systematically across this sector as well. We believe that governing bodies could identify and even provide tax support services for players and other footballing personalities to use. These services could be vetted and even subsidized (where required) by the governing bodies. They need not be in-house services

(but could come in the form of structured agreements with independent entities like legal and accounting firms). We are sure that some such services already exist (probably with the support of entities like FIFPro and some national associations). We have not been able to identify examples, however. A first step in this work would be to identify examples, therefore, and simultaneously experiment with making support services available in specific leagues.

Strengthen Fiscal Responsibility (Material or Reputational) in Governing Bodies

Beyond clubs and players, we have discussed the tax and social payments concerns associated with governing bodies—FIFA, confederations, and national associations. As argued, a number of these bodies (and their members) have recently been charged with failure to pay taxes or with efforts to evade taxes. FIFA has also been charged with demanding excessive tax exemptions from countries bidding for the World Cup, potentially violating national sovereignty in the process. Given such issues, we believe that the world's football governing bodies need to strengthen their fiscal responsibility approach—to avoid material breaches and/or adjust negative reputational effects. We have five recommendations in this respect.

FR 8. Conduct a stock take of fiscal responsibilities in the world's governing bodies.

Our first idea is to take a stock take of the actual responsibilities of the world's football governing bodies. There is currently a lack of clarity as to what taxes and social payments these bodies should be paying and do pay. FIFA and other associations have attempted to address this with their own statements about such (as we have cited). We did not find these statements clear or sufficient in indicating what we should expect from such organizations, however. As a result, we think that work needs to be done to identify the legal forms of different governing bodies, and the fiscal responsibility implications of such. This work could start with FIFA, and include the confederations and associations. It is work that should be done by lawyers and accountants working together, and is in the interests of the governing bodies themselves. In the short run, it allows these bodies to better communicate what taxes they should pay. In the medium to long run it allows observers to hold these bodies accountable for paying these taxes.

FR 9. Publish annual fiscal responsibility reports for the world's governing bodies.

We build on FR 8 to suggest that the world's governing bodies publish annual fiscal responsibility reports. This reporting would specify what taxes and social payments were due, what were paid, and what have been negotiated, deferred, and more. This is intended to improve transparency and accountability in this area. It will be key to improving organizational reputation as well.

FR 10. Review FIFA's policies for interacting with sovereign states.

FIFA has policies in place to ensure that governments do not disrupt football. These policies are required, given experiences where politics and other factors have sullied the game. However, there are claims that FIFA has over-reached in engaging with governments. Some of this over-reach seems to have occurred when governments have pursued football officials because of failures to pay taxes, claims of tax evasion, and the like. As with other issues, we find it difficult to determine if these claims are valid of not. There simply is no objective evidence in the relevant cases. We do believe that the cases are cause for concern, however, and warrant a review of the way in which FIFA and governments engage. This review should be done by an independent

entity, focused on instances where FIFA has interacted with states (like the Indonesian example discussed). The goal should be to improve policies guiding FIFA's interaction with governments.

FR 11. Review the taxation and organizational status of FIFA and UEFA.

FIFA and UEFA enjoy special organizational status in Switzerland, as not-for-profit associational bodies. They thus face limited tax treatment. They also have to register as organizations in some of the countries where they are represented (the United States, for instance) and tend to do so as not-for-profits in these locales as well. The organizations enjoy their protected status because of historical reasons; they started as member-based organizations with extremely limited business interests or revenue generating activities. Both organizations have changed their business models dramatically in the past generation, and do not resemble the kind of organization they were when they were initially established. We believe that the tax and organizational status of both organizations should be reviewed in light of the changes in business models. This should be done independently, by a group of legal and business scholars primarily versed in Swiss law. Any changes to the status of these organizations will obviously require engagement with Swiss authorities, which could be initiated after the independent analysis (or could run concurrent to such). This is a step that we think should be welcomed by FIFA and UEFA, given the need to solidify their legitimacy (which is currently on the wane because of perceived ethical infractions). It is a step that comes on the heels of a change in legal status by the United States National Football League (NFL).[349] This organization relinquished its not-for-profit status in early 2015, apparently in recognition of the business interests it now enjoys and to manage negative perceptions that came with being seen as a highly profitable not-for-profit organization.

FR 12. Clarify and publish all World Cup, EURO and other tournament tax exemptions.

There is currently an unresolved controversy about what tax exemptions FIFA and UEFA require in the bidding processes for major tournaments. This controversy is fed by an opacity in the bidding processes. We simply do not know what exemptions are required, how much these exemptions cost for host governments, and what impact the exemptions have on the sovereignty of states bidding for the games. Some have called for an end to all exemptions; others (including FIFA) have argued that the required exemptions are not significant and have practical validity. They suggest that bidding nations compete by offering additional exemptions to those that are mandated. We cannot determine what specific solution is required to resolve this argument, but certainly see a need for more transparency around this issue. As such, we recommend first that all past bidding nations and FIFA and UEFA agree to release both (i) the details of tax exemption requirements from FIFA and UEFA in past bidding processes, and (ii) details of the specific tax exemptions offered by potential host countries in the past bidding processes. We believe that an independent assessment of this information will help to show, transparently, what the de jure and de facto exemption requirements are. This will bring some accountability to the bidding process in the short run. In the long run, we hope such findings will help to inform policy processes in respect of these exemptions. We recommend, at a minimum, that all exemption demands and offers be made public during the bidding process for events. Citizens of bidding countries must know what exemptions their governments are required or committed to make.

[349] See http://www.theatlantic.com/business/archive/2015/04/why-the-nfl-decided-to-start-paying-taxes/391742/

7. Financial Concentration

> "So the big question is: how can we restore and sustain trust?
> First and foremost, by making sure that growth is more inclusive and that the rules of the game lead to a level playing field—favoring the many, not just the few; prizing broad participation over narrow patronage."
>
> Christine Lagarde, Managing Director, International Monetary Fund[350]

> "Every fan knows that in European domestic football there is a hierarchy, with the super wealthy clubs on top and those struggling to make ends meet near the bottom … We can only gaze longingly, through sepia-tinted lenses, at the time when there was a more level playing field in football."
>
> Aanu Adeoye, Journalist, Paste Magazine[351]

Our fourth dimension of financial integrity relates to financial concentration. This is commonly assessed in economic sectors and industries, where researchers and observers measure the economic dominance some organizations have over others.[352] In a sense, and echoing the quotations, these measures capture how level the playing field is (or is not) in a sector.

Measures vary across studies but frequently include the proportion of a sector's sales or output accounted for by the top companies in that sector. This kind of measure is called a concentration ratio (or c-ratio).[353] When this ratio is high, it shows that a few companies dominate others. For instance, if the top four companies in a sector account for 70% of sector sales (and hence receive 70% of revenues), the four company concentration ratio would be 0.7. Higher ratios imply less competitive sectors, although they do not provide an exact measure of competitiveness.

This concept is relevant in the current discussion because of the importance of competition in sports and economic markets. The principles of competiveness and uncertainty of outcome are considered vital in most sports sectors, including the football sector (although there is some discussion of its relevance in Europe's top leagues).[354] The underlying idea behind these principles is that clubs in any given league are actually competing with each other, with spectators and supporters assuming that each game and tournament will actually be competitive—not dominated by one or two clubs. Given that research shows clubs with higher wage bills (and hence revenues) tend to perform better than others,[355] competition will be negatively affected if only a few clubs in a league dominate revenues. Similarly, cross-national competition will be undermined if only a few leagues dominate others in producing revenue. This

[350] May 27, 2014 address on Economic Inclusion and Financial Integrity—an Address to the Conference on Inclusive Capitalism. https://www.imf.org/external/np/speeches/2014/052714.htm
[351] http://www.pastemagazine.com/articles/2015/08/what-does-the-premier-leagues-skyrocketing-wealth.html
[352] For recent application of such thought, see Jappelli et al (2013) and Li et al. (2013).
[353] See Hrazdil and Zhang (2012), Vogel (2014, and White (2015).
[354] Some argue that European football depends less than other sports on competitiveness or uncertainty of outcome. Recent references include Pawlowski and Anders (2012) and Serrano et al. (2015).
[355] UEFA (2014) and others (Forrest and Simmons 2002; Frick 2013) show that club wage bills affect league position.

kind of financial concentration undermines financial integrity in sport as a result, and needs to be examined.

Assessing the Status Quo

Researchers have studied the competitiveness of different football leagues and tournaments over the years, and found varying levels of true competitiveness:[356] some leagues have been dominated by a small number of clubs for many decades (with clubs like Real Madrid winning more matches and titles than any other in Spain since at least the 1950s, for instance).[357] In reflecting on this, we wondered if the recent financial growth in football had any impact on such competitiveness. We argue that it would if money were overly concentrated in a few clubs, leagues and regions; giving these entities a permanent resource advantage over others.

To analyze this, we started looking at four club revenue and wage concentration ratios to assess patterns of financial distribution.[358] These measures provide a general indicator of the potential dominance by a group of clubs in any given context, but they do not specify what that dominance looks like in any detail. A league might have a high four-club concentration ratio because one club is dominant, for instance (where we could say that one club has a monopoly); or a league could have a high four club ratio because four clubs together are equally dominant (with more of an oligopoly in place). With this caveat in mind, Figures 29 and 30 show the four club revenue and wage concentration ratios for Europe's top leagues (based on UEFA data). The figures also show the proportional representation of the four top clubs in their leagues. This varies, given the number of clubs in a league; the top four represent 20% of the clubs in a 20 club league like England's Premiership, for instance, but 40% of clubs in a ten club league like Switzerland.

The data in these figures indicate that most leagues are highly concentrated, with the average revenue concentration at 0.65 (or 65%) and the average wage concentration at 0.64 (or 64%). Some leagues have concentration ratios above 0.8 or 80% (where 8 out of every 10 dollars earned in revenue goes to the four clubs). These leagues include Ukraine, Albania, Latvia, Georgia, Azerbaijan, Croatia, and Moldova. In most of these cases the high concentration ratio points to one or two extremely dominant clubs. These clubs usually represent the league in European competition (where they receive significant financial rewards, especially in relation to the size of their home league's revenues). Croatia's Dinamo Zagreb is an example. It accounts for about 60% of the league revenues and also dominates competition (having won the national title ten years in a row). The reward for winning this national title is that Dinamo gets to represent Croatia in European competition. The club receives money for this, often much more than all other clubs in the league. In 2012/13 it received €10.5 million, for instance, which was about 27% of all the league's revenues, and as much as the next four clubs in the league combined.

[356] See Goossens (2005), Késenne (2005), Peeters (2011) and Roland Berger (2013). We like Play the Game's Champions League Diversity Index. It measures participation in European tournaments, reflecting competitiveness and financial concentration (see http://www.playthegame.org/news/news-articles/2015/0053_more-money-to-the-same-old-clubs-champions-league-diversity-index-2015-2016/).

[357] Fedderson and Maennig (2005).

[358] Earle and Wörgötter (2013) apply four firm concentration ratios in analyzing economic activity in Eastern Europe.

Figure 29. Revenue Concentration, Europe's Top Leagues

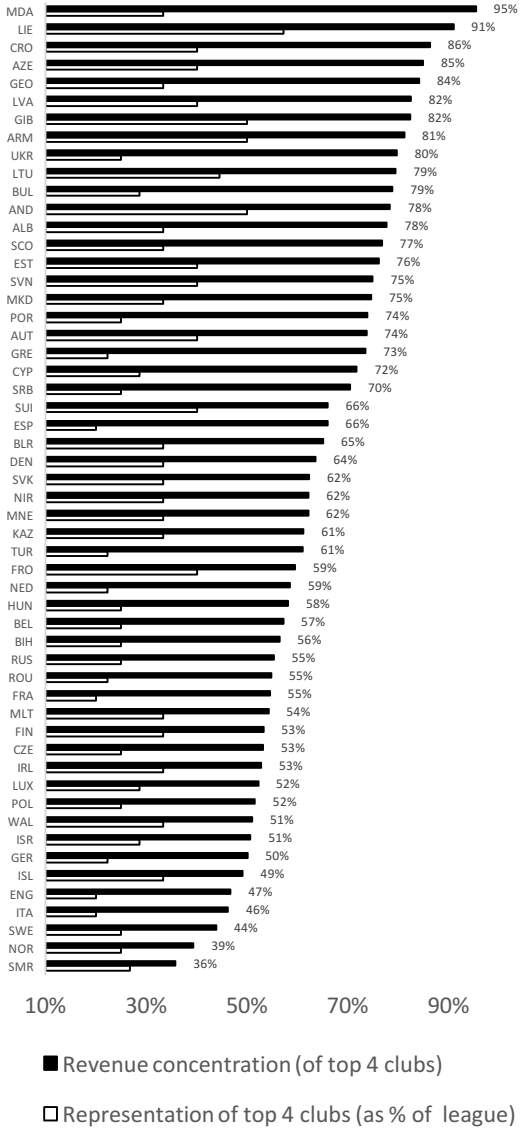
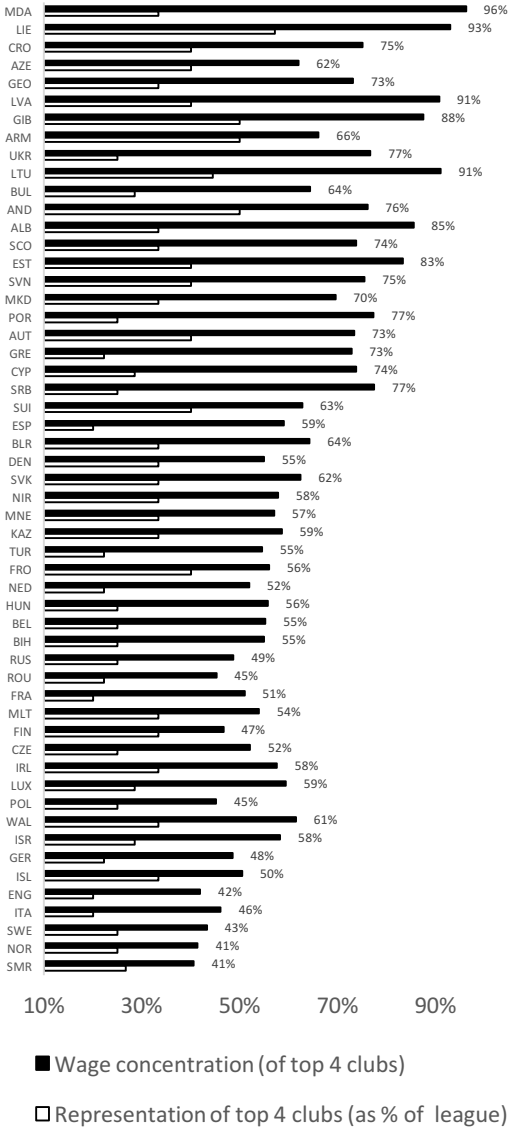


Figure 30. Wage concentration, Europe's Top Leagues



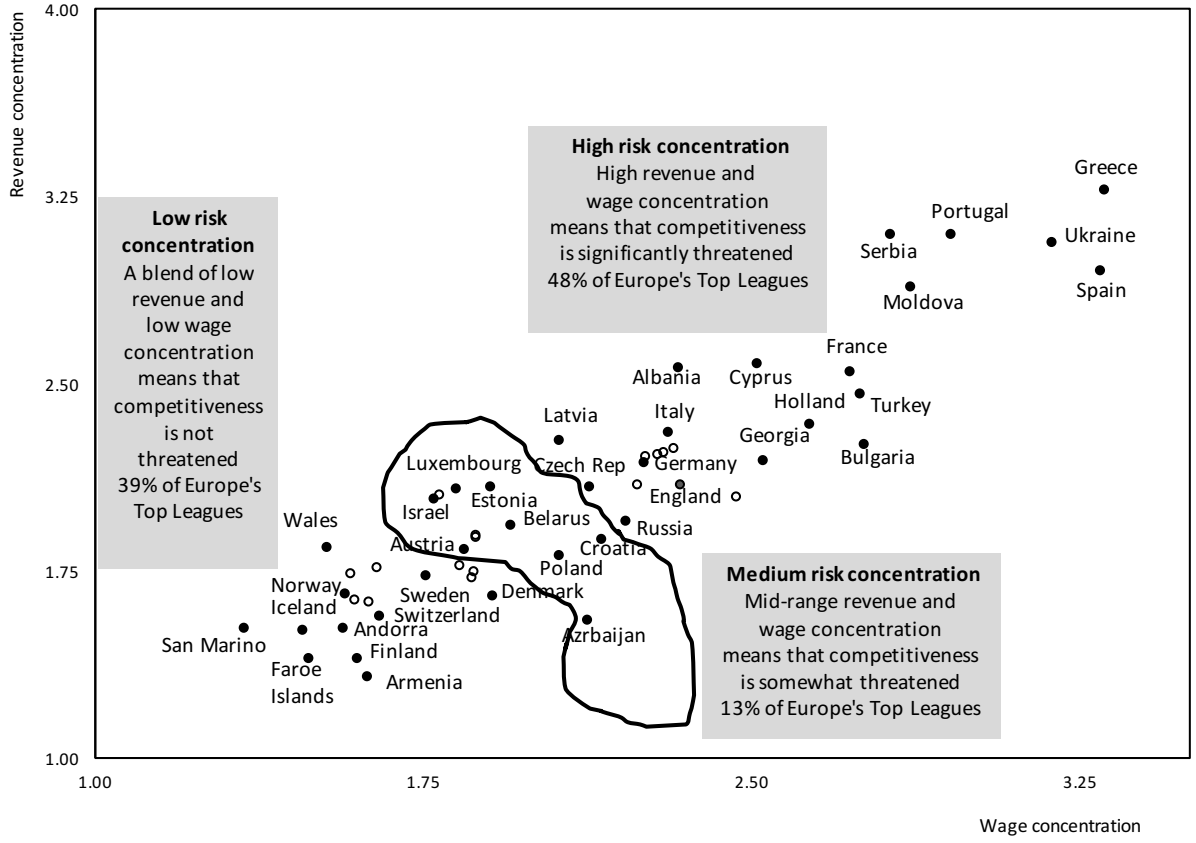
Source (for both): Authors' analysis of UEFA data (as these data are described in relation to Table1a)

Interestingly, most of the Big 5 European leagues are among the least concentrated in Europe when one uses the 4-club concentration ratio. Italy, England, Germany, and France have revenue concentration ratios of 46%, 47%, 50%, and 55%, respectively. Spain's La Liga has a 66% ratio.

These ratios need to be adjusted for the size of each league to get a true sense of concentraton, however. This adjustment captures the difference between the dark and light bars in figures 29 and 30 (or the extent to which the 4 clubs' portion of revenues or wages exceeds their actual representation in each league). In England, for instance, the top 4 clubs enjoy 46% of the revenue but only represent 20% of the clubs in the league. Their revenue share is thus 2.34 times what it

would be if all clubs enjoyed an equal share. The top 4 French clubs earn revenues that are 2.73 times what they would if revenues were equally distributed. The top 4 Spanish clubs earn 3.3 times this amount. Figure 31 shows this ratio for all of Europe's top leagues, for wage concentration (on the horizontal axis) and revenue concentration (on the vertical axis).

Figure 31. Financial Concentration in Europe's Top Leagues



Source: Authors' analysis based on UEFA data (as described in relation to Table 1a). Notes: Concentration is calculated as the 4 club share of revenue or wage divided by the 4 club representation in the league. Thus, a 4 club revenue share of 40% in a league where the 4 clubs make up 20% of all clubs would lead to a ratio of 2 (0.4/0/2).

As with previous analyses, this figure allows the identification of different risk categories:

- Leagues in the bottom left are in the low risk financial concentration category. Wage and revenue concentration is reasonably low in these leagues (with both being below 2 in all cases, such that the richest four clubs have less than two times their share of revenue and wages). Nearly 40% of Europe's top leagues are in this category, including Nordic leagues (Sweden, Norway, Denmark and Finland). The risk of financial concentration influencing competitiveness is relatively low in these leagues.
- Leagues in the demarcated cluster are in the medium risk financial concentration category. Either wage or revenue concentration exceeds two in these leagues (such that the top 4 clubs enjoy more than two times their share of financial resources). This is a small group of leagues, including Poland and Croatia and Azerbaijan. Interestingly, the share of the top four clubs is large in some of these leagues (including Croatia, as discussed) but the leagues themselves

are small (in terms of club numbers), which means that the 4 clubs should be having a greater share of revenues and wages (given basic proportionality in the sample). The risk of financial concentration influencing competitiveness is moderate in these leagues.

- Leagues in the top right cluster are in the high financial concentration risk category. These are leagues in which revenue is overly concentrated in a few clubs, and where wage bills in these clubs are much larger than in other clubs. We would expect financial concentration to pose a major risk to competition and the competitive spirit of football in these leagues. Nearly half of all Europe's top leagues are in this category, including all Big 5 leagues and most of the next tier of European competitors (like Russia, Turkey and the Ukraine).

This analysis only captures concentration within leagues. Given the broad scope of this study, however, it is important to reflect on concentration across leagues. We did this first by looking at the top European leagues (given the data we had obtained from UEFA). We started asking how much more revenue was earned in the richest English Premier League (EPL) as compared with the lowest earning league that still sent representatives to European competition.[359] In this spirit, we found that the EPL raised over €3.1 billion in 2013, and the top league in Belarus (which sent Bate Borisov to the group stages of the Champions League) raised €42 million. This means that the EPL revenues were about 75 times those in the Belarussian league.

Beyond this kind of extreme and binary comparison, we see that Europe's top 4 leagues (England, Germany, Italy, and Spain) account for about 60% of the revenue in Europe's top 54 leagues. This is the equivalent of a four firm concentration ratio of 0.6, which suggests a dominant and concentrated sector. The four top leagues only accounted for 11% of the top leagues' clubs, such that the revenue concentration ratio we calculated above would be about 5.5 (showing that the clubs in these top four leagues raised over five times the revenue that would be associated with an equal allocation across leagues). This is a high rate of financial concentration in one region.[360] Figure 32 shows such numbers for individual leagues.

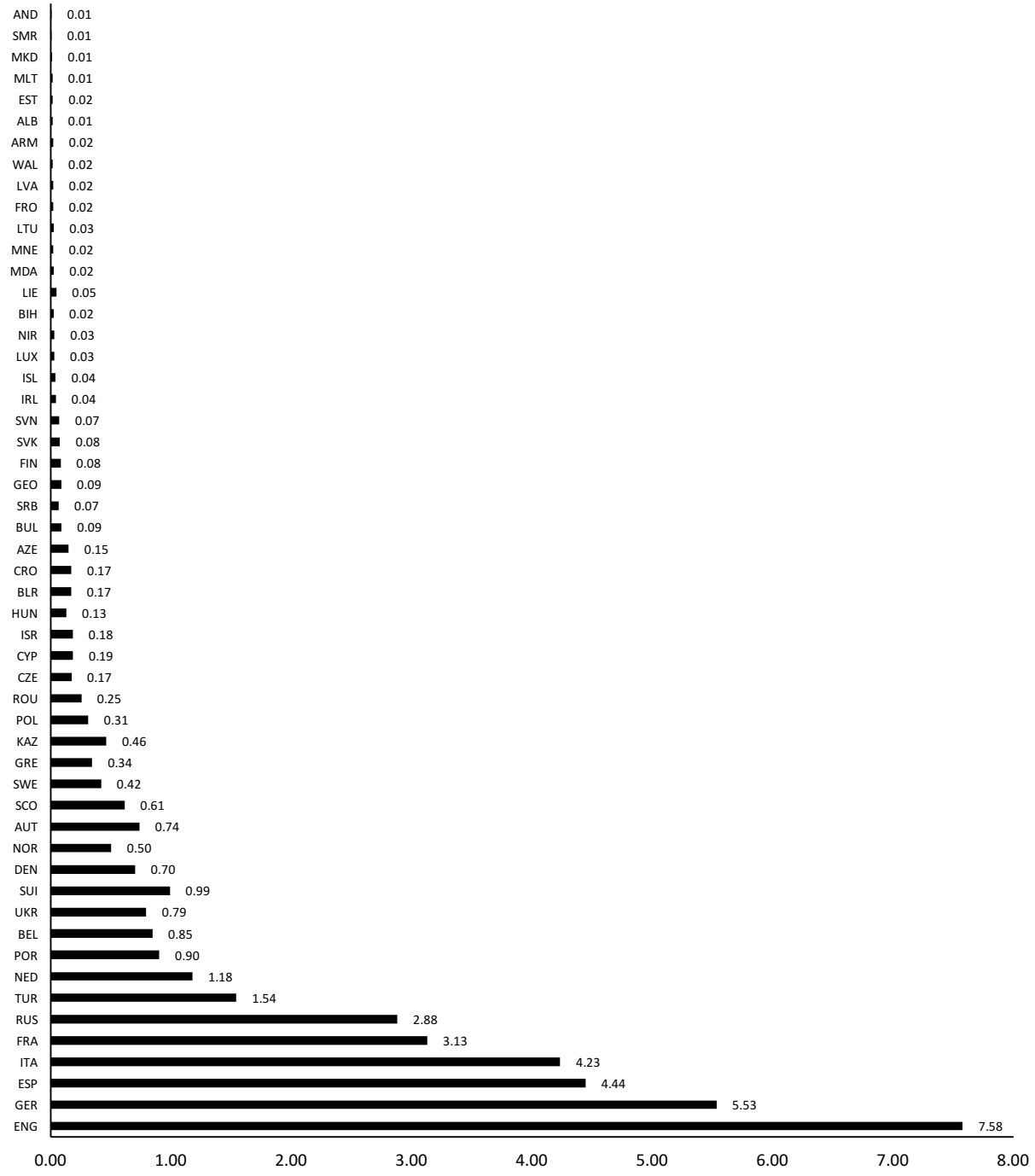
The figure reveals the following (among other details):

- England's Premier League scores over 7, given that it has 21% of the revenue in the 54 leagues but only accounts for 2.8% of the clubs in the 54 leagues (21/2.8=7.58).
- The German Bundesliga scores 5.5; the Spanish and Italian leagues register scores above 4.
- Only eight leagues score above one (the Big 5 leagues, plus Russia, Turkey, and Holland).
- 46 leagues raise a smaller proportion of revenue than they account for in club numbers.
- Portugal accounts for 2% of the combined 54 league revenue, for instance, even though its clubs account for 2.23% of the clubs included in the 54 league sample.
- 25 of the leagues score less than 0.1, given that their revenue share is less than 10% of their share of the clubs in the club database. (These are financially weak, non-competitive leagues).

The bottom line of this analysis is that Europe is a highly financially concentrated football region. This is not surprising, given the earlier analysis that showed the pyramidal shape of the European football sector. The extent of the concentration is quite noteworthy, however.

[359] One can find more sophisticated versions of this work in current literature (like Plumley and Flint (2015)).
[360] This differential revenue raising capacity is a key focal point in recent work (like Szymanski (2015)).

Figure 32. Proportion of Revenue in League (Out of all 54 Top Leagues)/ Proportion of Clubs in League (out of all 54 European Top Leagues)

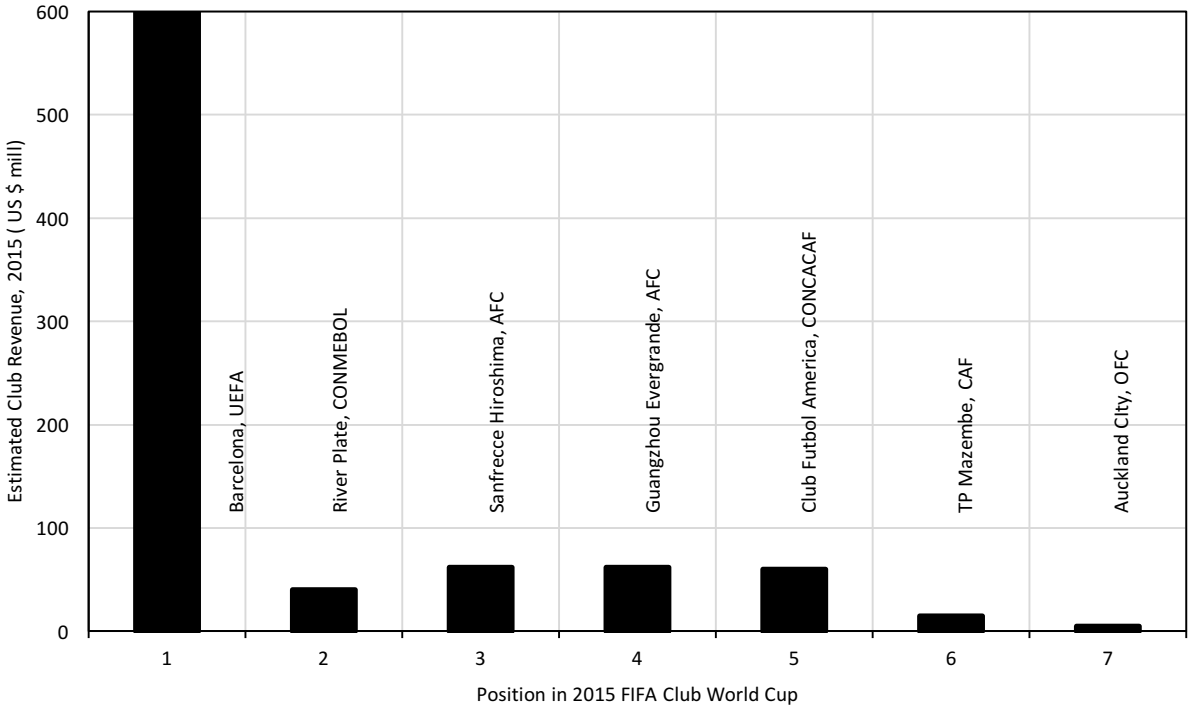


Source: Authors' analysis, based on UEFA data (as described in relation to Table 1a).

We see even higher levels of concentration when comparing finances across football's various regions. We do not have data to do this comparison in any comprehensive or scientific manner. However, we do have estimated revenues for clubs that represented football's six regions in the

2015 FIFA Club World Cup. Seven clubs competed in this tournament, with the equivalent of Champions League winners in all six regions and one additional representative from the Asian Confederation (which hosted the tournament). Figure 33 shows the estimated revenues of these seven clubs, and the positions they attained in the tournament. FC Barcelona from UEFA came first, and has an estimated revenue of about US $600 million. River Plate from CONMEBOL came second, and has an estimated revenue of US $40 million. The seventh placed club was Auckland City from the Oceana Federation (OFC). Its revenue is estimated at about US $5 million. [We expect discrepancies in these estimates, given a reliance on media reports. However, the general pattern shown in Figure 33 will hold regardless of any necessary adjustments.]

Figure 33. Inequality Across Regions: Revenues and Competitiveness of Championship Teams



Source: Various, Analysis by authors.

Figure 33 shows that a club with US $600 million in revenues was put into competition with a club earning only US $5 million. The lower revenue club (Auckland) earned 1/120th of the revenue of the higher revenue club (Barcelona). The one club concentration ratio here is about 0.71 (with Barcelona accounting for US $600 million of about US $844 billion). Interestingly, this degree of concentration in the Club World Cup is indicative of the revenue shares we see in clubs across football's regions: as shown in earlier analysis, we estimate that UEFA accounts for about US $23 billion of about US $30 billion in revenues, which is about 76% of all global revenues.

This suggests that there is an overall high level of financial concentration in world football (where European clubs dominate all others). This concentration is reflected at a more micro regional level as well (given the European top league analysis, where we see some leagues dominating others). We also see it in most individual leagues in Europe, where finances are concentrated in

a few clubs. The story, therefore, is of nested concentration in an extreme winner-takes-all sector; where very few clubs in very few leagues are monopolizing most of the available finances. Other clubs, leagues and even regions are left with little.

This, we contend, is a major reason why we see significant financial sustainability problems outside of Europe and in Europe's lower leagues. Clubs in these contexts simply lack the revenue raising capacities needed to compete on the field and survive economically off the field.

Interestingly, we see a similar financial concentration at the level of regional Confederation bodies. UEFA makes US $1.8 billion annually,[361] CONCACAF makes US $60 million,[362] Africa's CAF raises US $45 million,[363]South America's CONMEBOL produces US $115 million,[364] the Asian region AFC has estimated revenues of US $200 million,[365] and the representative body from Oceania (OFC) has even lower revenue (given no professional football and no real revenue collected in the region). The total annual revenue across all six entities is about US $2.2 billion. UEFA accounts for 82% of this revenue.

We found it difficult to reflect on financial concentration in national associations, given a lack of data for most of these associations. What we do know, however, is that revenues in most associations are below US $5 million, and that the revenue of top associations like England, Germany and Italy are between about US $200 million and US $400 million. We thus suspect a situation where a handful of associations are probably earning up to 75% of all the association revenue raised each year. FIFA offers equal annual allocations to associations which might be seen as countering such financial concentration. The chances of these funds having such effect are negligible, however. Africa as a whole received a maximum of about US $90 million in the highest allocation year from FIFA (2010), which is about the same revenue as the top two Major League Soccer teams in the United States, or what the relegated club Cardiff received in the English Premiership in 2013, and less than half what the Italian football governing body made in the same year. This is not to say that these monies were not important for African associations. As discussed, financial support like this can make a huge difference in entities that are essentially bankrupt on their own. These monies are not likely to even the financial playing field between countries and regions, however.

[361] This is the mean average revenue between 2011 and 2014, given lumpy revenues in this period (as reported in UEFA annual financial returns). The median is closer to $1.9 billion.

[362] This figure is gleamed from a 2012 Tax Return from CONCACAF, which suggests growth in the organization. (See https://www.documentcloud.org/documents/1180347-concacaf-990-tax-returns.html). We also found documents related to prior years and media reports that suggested prior revenues amounted to about US $35 million in 2009. (See http://www.guardian.co.tt/sites/default/files/story/FinalReport.PDF).

[363] This is a 3-year average, capturing the mean revenue earned, as reflected in CAF annual financial reports (see http://www.cafonline.com/Portals/0/Regulations%20and%20Official%20Documents/Commercial%20Regulations/CAF%20Financial%20Report%202014%20-%20English.pdf).

[364] This is based on a March 2015 media report. It is an average figure for revenues over the past three years. (see http://www.sportsbusinessdaily.com/Global/Issues/2015/03/06/International-Football/CONMEBOL-Blatter.aspx).

[365] This is a very rough estimate based on 2009 media reports of sponsorship and broadcasting deals worth about $140 million a year. This assumes that these deals account for 70% of income, which may be lower than is reality. (See http://www.sportspromedia.com/news/afc_and_wsg_sign_billion-dollar_deal_for_asian_soccer).

We see similar limits in the solidarity payments and other support offered by UEFA (shown in Table 17). According to its annual report, solidarity payments amounted to €264 million in 2012/13. This is a large amount of money. Over 70% of this money goes to leagues outside of the wealthiest 'Big 5', suggesting some intentional redistribution. However, we find that UEFA allocates much more money in the form of prizes awarded to clubs involved in the Champions League and Europa competitions. Over 60% of the €1.3 billion in such money goes to the Big 5 leagues (that account for over two thirds of the region's revenues). Interestingly, the Big 5 clubs are not very dependent on such award-related revenues (given that UEFA prize money makes up only 8.42% of overall revenues in these leagues). We find that the poorest 28 leagues covered in UEFA's top league database actually depend more on UEFA prize money (which makes up an average of 22.1% of revenues in such leagues). Given this, it appears that UEFA could have a huge impact in these poorer leagues if it allocated more money according to solidarity payment policies and less according to the winner-takes-all prize money approach.

Table 17. How UEFA Financial Support is Allocated, Exacerbating Financial Concentration

Club grouping	Share of all 53 Leagues' Total Revenue	Share of all UEFA Prize Monies (Reported)	UEFA Prize Monies as % of League Revenue (Average)	Share of all Solidarity Payments
Big 5 Leagues	67.90%	62.26%	8.42%	26.43%
Next 20 Top European Leagues	29.92%	33.09%	11.07%	35.45%
Next 28 Top European Leagues	1.93%	3.63%	22.10%	37.80%
All 53 Leagues Totals	€15 billion	€1.3 billion	NA	€264 million

Source: Authors' analysis of data, based on UEFA annual financial reports and UEFA top club databases (2012/13).

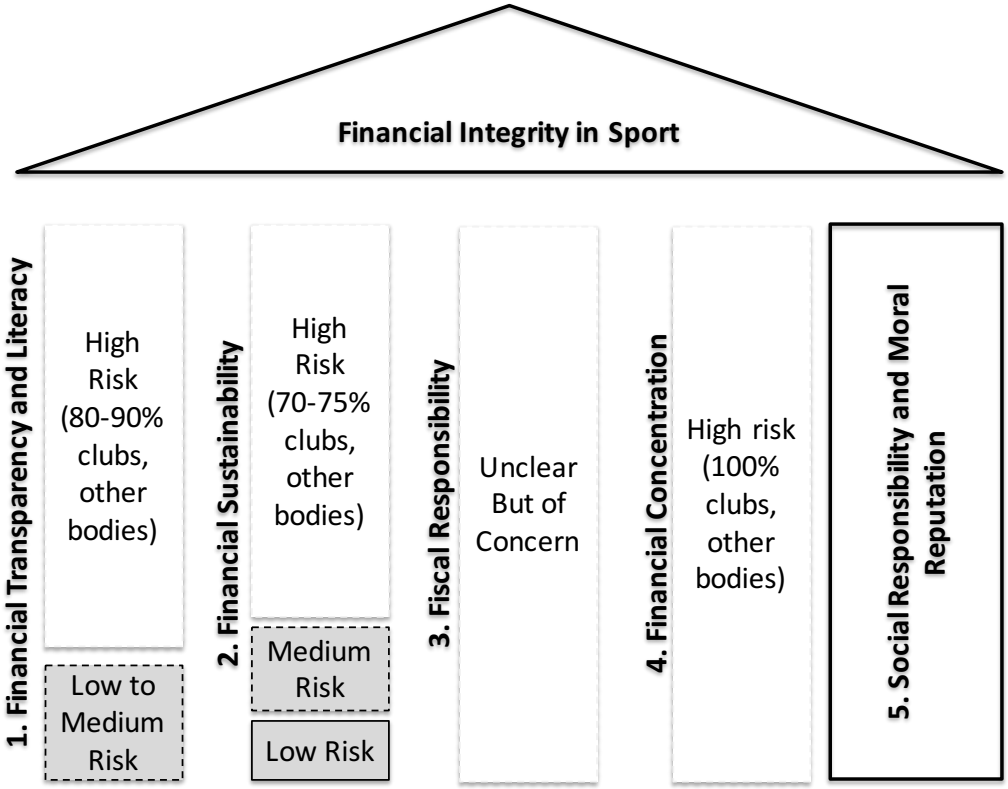
Addressing the Status Quo

As in many places in this study, we find ourselves unable to provide an unequivocal, evidence based view on the status quo. There simply are not enough data on current financial allocation patterns to determine, with certainty, where football's finances are allocated across the world. However, we do have enough data to suggest a perspective on the issue that we believe is quite valid. The perspective is simple: finances are quite highly concentrated in a few elite clubs in a few elite leagues in one elite region of the world. These are the win maximizing clubs and leagues referenced in prior sections of this study, and discussed in broader literature. They dominate the sport on the field and—most certainly—off the field, sitting as the 'win (and revenue) maximizers' at the apex of the financial pyramid we identified earlier. Other clubs—and leagues—are the stepping stone and minor league clubs we mentioned before, struggling to raise money and compete for talent and wins against their wealthier opponents.

These observations lead us to the determination that financial concentration risks are present—and high—throughout world football. Every club and league is impacted by the way finances are distributed, and the survival of the game in its current form is likely under threat because of these distributional patterns. We will get to that discussion shortly, but offer Figure 34 as the updated

representation of football's financial integrity structure. With a fundamentally high risk financial concentration pillar, this structure does not look very strong.

Figure 34. The Weak Financial Concentration Pillar in World Football



Source: Authors' rendition

Our perspective on this issue overlaps interestingly with those of other prominent observers. Stefan Szymanski offers a similar view on the extent of financial concentration in his discussion of 'The future of football in Europe', for instance, noting that, "Hand in hand with the growth of income has been the growth in inequality." He notes that the implications of this financial concentration are debateable, however, suggesting that the growth in financial concentration has not impacted in-year competition as one might have expected (such that wealthier clubs are not dominating leagues more than before,[366] even with more expensive squads). Szymanksi does provide evidence, however, that "dominance by the same teams over time" has grown:

> "[T]here does appear to be some increase in the frequency with which the big teams win in recent years … In the decade 1947-56 there were 31 different teams across the five countries [the Big 5] that won the national championship; by the decade 1997-2006 there were only 20. In the closed North American leagues most teams in the league end up winning eventually. In the open European leagues, although in theory there [are] very large numbers of teams that could win, in practice only a small subset does … This magic circle seems to be getting smaller."

[366] Szymanski (2006).

Szymanksi also reflects on the dominance of the Big 5 leagues in European competitions. He notes that, "clubs from these countries lobbied for a greater share of the rents" associated with broadcast revenues in these tournaments, which led to their expanded involvement and revenue share. This led to a decline in small country competitiveness: "[I]n the three decades between 1967 and 1996, 43% of the semi-final places in the top European club competition were taken by teams from the Big 5 countries, while in the past decade they have taken 90% of the places." The declining size of the 'magic circle' is also reflected in the transfer market. A small selection of elite clubs dominates this market, as shown in the following list of the world's top purchases.

Table 18. The World's Most Expensive Transfers, up to December 2015

Player	Country of origin	Buying Club, country	Club rank, global (revenues), 2015	Amount
Gareth Bale	Wales	Real Madrid, Spain	1	£86 million
Cristiano Ronaldo	Portugal	Real Madrid, Spain	1	£80 million
Luis Suarez	Uruguay	Barcelona, Spain	4	£76 million
Neymar	Brazil	Barcelona, Spain	4	£71.5 million
James Rodriguez	Colombia	Real Madrid, Spain	1	£63 million
Angel di Maria	Argentina	Manchester United, England	2	£59.7 million
Zlatan Ibrahimovic	Sweden	Barcelona, Spain	4	£59 million
Kaka	Brazil	Real Madrid, Spain	1	£59 million
Edinson Cavani	Uruguay	PSG, France	5	£55 million
Kevin de Bruyne	Germany	Manchester City, England	6	£54 million
Radamel Falcao	Colombia	Monaco, France	25+	£51 million
Fernando Torres	Spain	Chelsea, England	7	£50 million
David Luiz	Brazil	PSG, France	5	£50 million
Raheem Sterling	England	Manchester City, England	6	£49 million
Zinedene Zidane	France	Real Madrid, Spain	1	£46 million
James Rodriguez	Colombia	Monaco, France	25+	£38.5 million
Hulk	Brazil	Zenit St. Petersburg	24	£38.5 million
Hernan Crespo	Argentina	Lazio	25	£38.5 million
Sergio Aguero	Argentina	Manchester City, England	6	£38 million
Juan Mata	Spain	Manchester United, England	2	£37 million

Source: Various media sources.[367]

Real Madrid, Barcelona, Manchester City, Manchester United, and Paris St Germain feature multiple times on this list, paying fees that are multiple times more than the maximum payments of other top tier clubs. Clubs like Everton and Tottenham Hotspur have never paid more than £30 million in this market, for instance (even though they are in the top 20 revenue earners). They are simply not in the same buying space as the other super clubs in Europe. This means that they do not compete for the kinds of players the super clubs can afford in multiples (like strikers, whose high listing prices are largely a result of the lavish amounts the few super clubs pay).

Top clubs in what now seem to be stepping stone leagues have even less buying power in global markets: Anderlecht and Porto have never spent more than €10 and €20 million on a player,

[367] See the following: https://en.wikipedia.org/wiki/List_of_most_expensive_association_football_transfers; http://www.telegraph.co.uk/sport/football/picturegalleries/10259401/Top-20-most-expensive-transfer-fees-of-all-time.html?frame=2650550.

respectively. These clubs are regular champions in their leagues, and have both won Europe-wide championships in the past. Now, however, both of these clubs have squads worth less than the top one or two strikers playing for Barcelona (according to Transfermarkt data, Anderlecht's squad is worth about €100 million and Porto's squad is worth about €180 million, whereas Barcelona's Luis Suarez is valued at €90 million, Neymar is valued at €100 million, and Lionel Messi is valued at €120 million). The concentration of resources in the few super clubs is so severe that the value of one, two or three of these Barcelona strikers alone exceeds the full squad value of 6 of the 16 clubs that made playoff rounds in the 2015/16 Champions League tournament.[368]

It is notable that most of the players in Table 18 were not originally from the Big 5 leagues, although this is where all but one of them have ended up playing. They come predominantly from South America, where clubs and leagues are struggling to survive financially. According to Transfermarkt data, the top three Barcelona strikers (who all hail from South America originally) are worth as much as the entire squads in the most valuable ten clubs in Argentina's Primera Division. Similarly, the value of the top ten African transfers of all time (Bony, Adebayor, Essien, Yaya Toure, Eto'o (twice), Benatia, Drogba, Mikel, Kolo Toure) exceeds the full value of the top leagues in Africa.[369] None of these players plays in Africa: Seven played most recently in England, one each played in France and Italy, and one was in Russia. The important point is that the concentration of revenues leads to a concentration of talent, and a movement of talent from most of the world's clubs and leagues to a very few. This undermines the ability of most clubs and leagues to ever compete on the field, and also makes it difficult to see how they will compete off the field either. Football is about stars and superstars, broadcast money and sponsors. The sponsorship and broadcast money flows out when the stars and superstars leave stepping stone and minor league clubs. One sees this most vividly in the fact that people in places like Africa are willing to pay more to watch Big 5 football on television than their own teams.

In short, therefore, we see that winner-take-all behavior has led to high levels of concentration and lower levels of competition—on and off the field, in Europe and across the globe. We do not have clear ideas or recommendations on what to do about this, however. This is partly because we see much disagreement on the interpretation of the current situation in world football. Our only recommendation is that the football community create structured conversations around this disagreement and reflect on what it should do about financial concentration in the game.

Promoting a Discussion about Financial Concentration and Football's Future

FC 1. Actively engage in a discussion about the concentration in this sport.

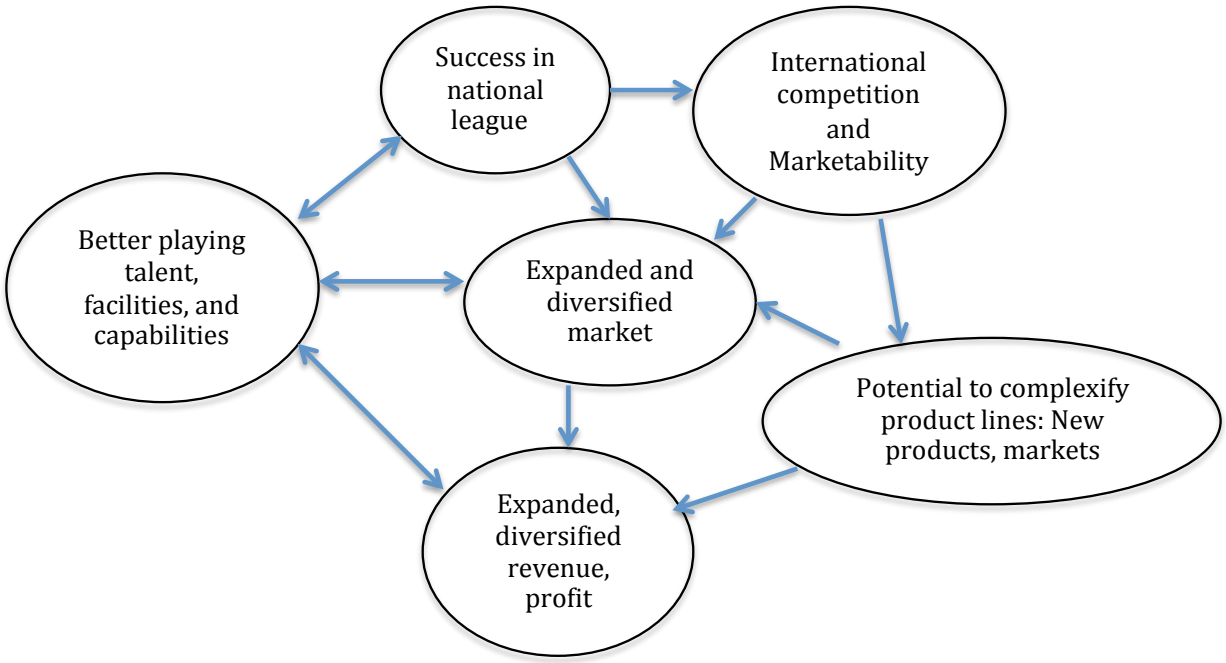
There are strong opinions about the concentration issue, following two dominant logics. Any discussion needs to ensure both sides of the story are presented, with others that may emerge.

[368] These were Gent (€63 million), Dynamo Kyiv (€131 million), Benfica (€155 million), Zenit St Petersburg (€189 million), Wolfsburg (€193 million), and Roma (€263 million). All squad valuations from Transfermarkt. See the site: http://www.transfermarkt.com/champions-league/startseite/pokalwettbewerb/CL

[369] See the following web-based sources, which provide similar data: http://ghanasoccernet.com/top-10-expensive-african-transfers-football-history;http://english.ahram.org.eg/NewsContent/6/54/120060/Sports/Africa/Top--most-expensive-African-transfers-in-football-.aspx

Some observers do not feel that the concentration is cause for concern. They argue that we are observing an expected product of the promotion-relegation approach to European football. Clubs that do well also attract audiences and make money, which affords them the ability to do better, make more, and do even better. The mentality is presented in Figure 35, which shows that clubs that have better playing talent also have more success, gain improved international marketability and an expanded and diversified market, new products and an expanded and diversified revenue. The argument is that this is how Super Clubs emerge, and that these clubs have always been a part of European football. The argument, carried even further, is that the current financial success in global football is centered less on the attractiveness of competition and uncertainty of outcomes on the field than the entertainment and spectacle provided by super clubs and players.

Figure 35. The financial expansion of super clubs is a product of the economic logics of football



Source: Andrews's discussion on super clubs, building on Krabbenbos[370]

This line of thinking is essentially neo-liberal, market logic that emphasizes the importance of competition and that accepts the results of competitive behavior—even when this leads to the demise of many competitors.[371] It sees the high levels of financial concentration in football as a legitimate product of the on-and-off field competition between clubs and leagues. Financial concentration is not problematic given such argument. Indeed, it has led to the creation of an attractive and potentially financially sustainable group of clubs and leagues (no matter how small). Such argument leads to the suggestion that clubs and leagues outside of this small group are never really likely to survive or grow and should not be expected to do so. Referring to the future of European football, Szymanksi notes that this thinking has led to a "fear that the big clubs would like to separate altogether from the domestic championships and focus only on a

[370] Andrews (2015) and Krabbenbos (2013).
[371] Szymanski (2006) developed the idea of 'competition' versus 'competitor' to explain the tension in this situation.

European competition … [creating] a closed system to permanently cement their dominance." This, he says, would "look almost exactly like a US major league."

This is an interesting idea, and one that we think needs serious thought: football probably has too many clubs to survive in the market structures that exist today. The natural concentration that seems to characterize this market favors having a smaller set of globally marketed clubs playing in a closed league like the National Football League in the United States (where 32 clubs account for about US $9 billion annually). Player costs and inflation in this league are kept at bay through agreed upon salary caps, and the financial integrity issues we have discussed in this paper are generally easier to manage because the number of clubs is smaller. Beyond this small circle one finds thousands of college teams where players ply their trade in their teens and into their early twenties. These 'clubs' manage to avoid much of the financial sustainability risk that we see in current stepping stone and minor league football clubs (in Europe and beyond) because players are amateurs (which keeps costs down) and because there is no promotion and relegation system impacting ownership decisions.

A model like this will be a radical departure for global football, especially in places like Europe. However, the current tendency towards intense financial concentration seems to be pushing the footballing community in this direction and it is probably about time that serious thinkers reflect on whether this is a natural end to the market forces currently at work and if it is an end that is acceptable or should be avoided.

There are those who are focused on avoiding this end, however, and introducing policies to adjust the path of football's current development. In the words of Szymanski, these observers emphasize the 'competitors' in football's market,[372] and not the 'competition'. What this means is that they see the importance of taking steps to ensure the survival and sustainability of a majority of football's clubs. There are various steps they propose in this light, including centralizing negotiations about football revenues (especially broadcasting revenues) and ensuring these are more equally distributed than they are at present. They also propose taking steps to slow down inflationary pressures in transfer markets and wage rates and introducing redistributive mechanisms that allow resources to flow towards poorer contexts (like Africa and South America). Additionally, they recommend using policies to slow and even stop the muscle drain from these poorer markets to football's elite clubs and leagues. The argument is that clubs and leagues in places like Africa and South America need to keep their own elite talent in place for longer if they are to be competitive (on and off the field).

The "Coubertobin tax" is a policy idea that has emerged from such thinking. It would involve a charge levied on transfers of players from poorer countries to more advanced clubs and leagues. The charge is expected to make these transfers less attractive and thus decrease the flow of talent from poorer locales. It is also intended to raise revenues for poorer clubs and leagues, and would be held in a fund for sports development in the developing countries themselves, and used to promote football in those contexts.[373]

[372] Ibid.
[373] See Andreff (2001).

We believe that this kind of policy intervention is required to bring some stability and hope of financial integrity to many clubs and leagues in world football—if this is the goal of the footballing community. It was proposed in the early 2000s and has been largely forgotten in recent years. We are not at a point where we would recommend it as a specific policy idea, however, even if we were agreeing that this policy direction warranted unequivocal support. We believe that much thought is still required to determine how it would work and that other ideas could also be entertained by those trying to preserve the many 'competitors' in football's market (including curbing youth transfers more aggressively to allow the development of talent in countries of origin, and the restructuring of FIFA and UEFA financial distributions away from winner-takes-all awards and towards supporting focused development activities like the creation of football academies).

As noted, these are ideas to consider if the goal is to reduce financial concentration levels and preserve competitors. This would be like flattening the financial pyramid we discussed in earlier sections (decreasing the differences between the richer and poorer clubs, creating a more robust 'middle income' clubs section, and hopefully making the bottom of the pyramid more financially sustainable). The other extreme option (as discussed) is to support the competitive direction of the market and separate the top of the pyramid from the rest. We do not stand by any one of these policy directions in particular, and accept that middle-way options must also exist. The middle-way could even involve leaving the situation as-is, especially in Europe where tradition would limit any move towards and NFL-type closed system (given that the football culture is built on an open system with local, storied clubs competing against each other regardless of financial inequality). Even this line of thought needs to be more considered than it currently is, however, because it comes with downsides. We believe that more clubs will enter financial difficulty more often than ever before because of the cost challenges in the sector, and decision-makers need to recognize that a decision to maintain the status quo must also be matched with a greater appetite for financial failures (and, potentially, more rescue measures to help clubs when this happens).

All we recommend, therefore, is that football's leaders start a robust and frank conversation about such options; financial concentration is real, and is impacting on world football, and structural changes are going to be required to deal with these impacts.

8. Social Responsibility and Moral Reputation

> "What I know most surely about morality and the duty of man I owe to sport."
> Albert Camus, Nobel Prize winning author

> "Albert Camus once said, "What I know most surely about morality and the duty of man I owe to sport." He was referring to the relative simplicity of morality on a football pitch rather than the realm of the sport's politics or values."
> Simon Chadwick, Academic[374]

Money is not a static commodity. It fosters and facilitates relationships, between people and organizations, and allows activities that promote certain kinds of values and behavior and frustrate or even disallow other types of values and behavior. One cannot, therefore, examine financial integrity in football without reflecting on the relationships and values and behaviors supported by money in the sport. This section does so by examining the social and moral contributions of money in football; the final pillar of the financial integrity analysis.

The discussion draws on many strands of thinking, in a disparate set of literatures. Given such, we examine three sub-topics. The first, social responsibility, looks at how football organizations promote the sport itself and the communities in which the sport is played,[375] and how football organizations support broader social issues (commonly captured under the rubric of corporate social responsibility (CSR)).[376] A second sub-section, on moral responsibility, examines the extent to which the football community is tackling issues that threaten fundamental values (of sport and modern economic systems). The values we focus on relate to match fixing,[377] money laundering,[378] and human trafficking.[379] A third sub-section addresses moral reputation and leadership by focusing especially on the impact FIFA's 2015 corruption struggles have had on football.[380] These are hardly an exhaustive set of sub-topics under the heading of 'Social Responsibility and Moral Reputation' and we conclude the discussion with a list of additional issues that need attention.

Assessing the Status Quo

Social Responsibility in Football

There are many players, clubs, leagues and governing bodies participating in and benefiting from the modern professional game of football. These beneficiaries are part of a much larger community playing the game, across the world, and a tradition that dates back over more than a

[374] http://www.isportconnect.com/index.php?option=com_content&view=article&id=30187:disorganisation-and-immorality-put-football-on-path-to-absurdity-simon-chadwick&catid=63:soccerfootball&Itemid=186
[375] See, for instance, Brown et al (2013) and Onwumechili and Akindes (2014).
[376] For background on CSR in football, see Anagnostopoulos and Shilbury (2013) and Walters and Panton (2014).
[377] See Brooks et al. (2012) and Anderson (2014).
[378] See Brooks et al. (2013), De Sanctis (2014, and Dhillon (2014).
[379] See Esson (2015, 2015a) and King (2012).
[380] The idea of 'moral reputation' is discussed in respect of various related sectors (Zhou and Whitla 2013).

century in most countries. The current financial growth we have been discussing builds on this tradition, which provided global rules and systems and local clubs and supporter-communities that shape how and where the game is played. Most who do play and watch the game will never benefit directly from its professional form, however, which means that those who do benefit directly have a responsibility to ensure the sport—and its local communities—benefit as well. This is the fundamental rationale behind those arguing for social responsibility in football.

These arguments are bolstered by the strong movement to introduce social responsibility concerns in all sectors and industries, not just football.[381] This movement has taken shape under the rubric of corporate social responsibility (CSR). It has a growing group of advocates in the football community who call for clubs and associations to support even bigger and broader causes than football itself and the local community. They particularly stress the importance of focusing the professional football community on issues related to environmental protection and climate change. This is because professional football activities contribute significantly to climate change. Cardiff University's Heledd Jenkins describes some common contributions as follows:[382]

> "Football grounds, with their massive water use and high energy floodlights, are the site of many of the main environmental impacts of most football clubs. The thousands of fans who travel to matches generate huge amounts of waste and carbon emissions travelling to and sustaining their big day out. There are also environmental impacts associated with the supply chains of football clubs' catering and merchandising outlets. Measuring the ecological footprint of one FA cup final football game held at Cardiff's Millennium Stadium showed that a total of 59 tonnes of waste was generated by supporters and food and drink businesses in Cardiff. It is estimated that it takes 20,000 litres of water per day to maintain a football pitch in the English Premier League, enough to fill a small swimming pool."

Observers list a variety of additional environmental impacts, especially associated with international tournaments like the World Cup (where stadia are built, air travel is significant, and there are more factors affecting the environment). The carbon footprint for the 2014 World Cup was expected to generate just over 2.7 million tons of equivalent carbon dioxide (where 10,000 miles of car travel accounts for about 3 tons).[383]

There is evidence that the professional football community has risen to meet these social responsibilities. As discussed throughout this study, we do not have access to a broad enough swathe of documentation to reflect on patterns across this community. The evidence we do have is limited to the larger national associations, FIFA and UEFA and the 'public reporter' clubs discussed in an earlier section (richer European clubs that produce financial reports). These entities tend to produce reports on their social responsibility engagements. Reports take the form of glossy annexes to annual financial reports and show pictures of players engaging with young school-going footballers, local community members, and people associated with charities.

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[381] See Walters and Psnton (2014), Kolyperas et al. (2015), and Levermore and Moore (2015).

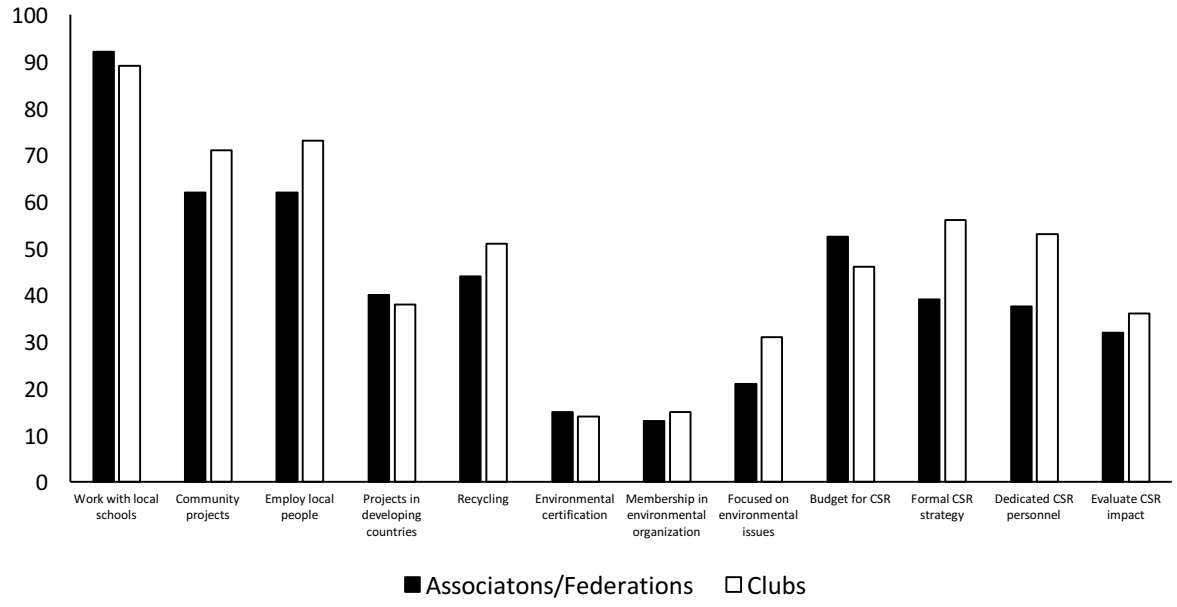
[382] Jenkens (2012).

[383] See the following: http://www.mgminnova.com/web/summaryofthe2014fwccarbonfootprint_neutral.pdf. See, additionally:http://www.texasvox.org/carbon-footprint-vs-world-cup-football-environmental-impact-fifa-2014-world-cup/;http://www.cellonline.org/cell-news/blog/football-footprint-world-cup-impacts-environment/; http://edition.cnn.com/2009/SPORT/football/06/09/green.football/;

The narrative associated with such pictures typically suggests an awareness of the responsibilities to both the game and community.

This positive view of CSR in football's elite is reinforced by findings from a recent survey of European federations and the top clubs included in UEFA's FFP database. Geoff Walters and Richard Tacon, writing in a Birkbeck Sport Business Centre Working Paper, note that, "The large majority of national federations are involved in a number of initiatives with various stakeholders"; and "A large majority of the football clubs that responded … are involved in a variety of initiatives for the community and employees."[384] The left hand columns in Figure 36 show the most positive elements of these findings: most federations and clubs surveyed by the authors worked with local schools, engaged in community projects, and employed local people. Nearly 40% of both federations and clubs also supported projects in developing countries.

Figure 36. The Social Responsibility of European Associations and Top Clubs



Source: Authors' arrangement of findings in Walters and Tacon (2011).

The authors find that the social responsibility performance is lower—in both federations and clubs—when considering environmental issues. About half of these entities have recycling policies, but fewer than 20% take steps to obtain any environmental certification or membership in environmental organizations, and less than 30% of the surveyed entities were directly focused on environmental responsibilities.

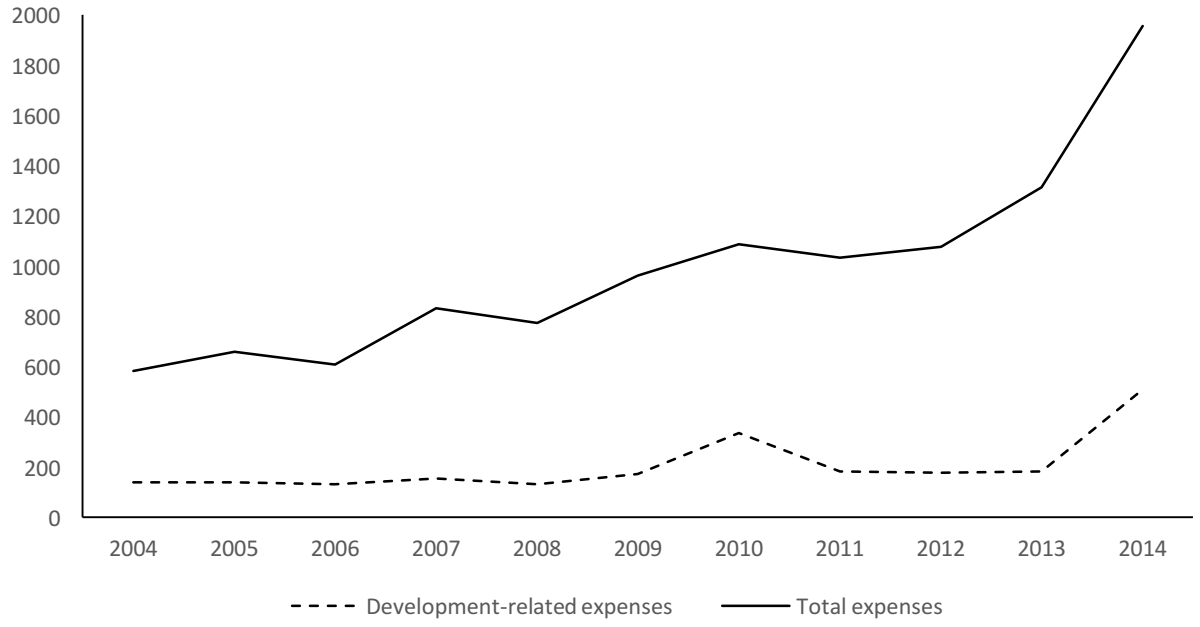
Beyond this observation, the authors of this survey also critique the way in which CSR activities are organized. They find that most federations and clubs lack dedicated social responsibility budgets or policies, for instance, do not hire specific staff to work on social responsibility issues, and do not evaluate the impacts of social responsibility initiatives (all shown in Figure 36). These findings suggest that federations and clubs could—and should—improve their approach to

[384] Walters and Tacon (2011, Pages 4 and 5).

providing social responsibility initiatives by formalizing these initiatives. Incidentally, improvements like this are commonly needed in small and medium sized businesses and in firms that are initially adopting such engagements (given that adoption takes time and resources).

The Walters and Tacon findings resonate with our own analysis on social responsibility work in FIFA. FIFA provides its own evidence on how much is spent on development initiatives. Figure 37 shows the development-related expenses of the organization, which rose from about US $140 million to US $500 million between 2004 and 2014 (when they accounted for over 25% of total spending). The development-related expenses are detailed in annual financial reports and dedicated reports (like the 2011-2014 analysis of these activities). The detailed reports show that FIFA spent over US $1 billion in this four year period: US $214 million went to the member associations under the Financial Assistance Programme (FAP); US $261 million went to extraordinary FAP payments; US $63 million went to FAP payments in confederations (with an additional US $60 million also going to these confederations); US $123 was spent on the *Goal* Programme; US $40 million went to the Football for Hope programme; and over US $250 million were spent on a variety of other projects including the Refereeing Assistance Programme, Challenger Programme, and Football for Health.

Figure 37. Development-Related Expenses in FIFA, 2004-2014, US $ Millions



Source: FIFA Annual reports.

There is also evidence that FIFA pays attention to other responsibility issues—including the environment; especially in the context of the World Cup. The organization committed to make the 2014 World Cup as 'green' as possible, for instance, with efforts to "offset 100 percent of the

CO2 produced during the games."[385] Various observers felt that it fell short of this goal, but generally praised the efforts to pursue the objective.[386]

As with the federations and clubs surveyed by Walters and Tacon, we see room for improvement in FIFA's social responsibility stance. First, we do not think that all of the expenditure classified as 'development-related' should in fact be in this category. Much of the FAP spending, for instance, should not be in this category—and the training programs for referees is also not suited to such. These are core responsibilities of FIFA—to support members and provide training in support of regulation. Furthermore, FIFA does not do enough to evaluate the impact of social and development programs. One can easily find the lists of projects they sponsor, but there are no regular, streamlined mechanisms to detail execution results or impacts. This leaves one wondering about the impact of such projects. Unfortunately, independent observers find cause to question whether many projects are even implemented.[387] Corruption and malfeasance have been identified in various countries. FIFA does not seem to have sufficient monitoring or evaluation practices in place to manage the risks of such malfeasance. UEFA has (arguably) better products in this respect, including their Football and Social Responsibility Reports.[388]

One can also question potential mixed messages in the sponsorship and CSR activities of organizations like FIFA and UEFA. These entities present themselves as supporters of various social causes—like environmental protection and public health—but simultaneously accept sponsorship funds from firms that arguably contribute to the problems these causes address. FIFA has been criticized for its relationship with alcohol producer Budweiser in recent years, for instance. Budweiser is a major sponsor of FIFA, and some have linked this sponsorship to FIFA's demands that Brazil's government change laws to allow beer sales in stadiums during the World Cup tournament (with Budweiser being the beer on sale).[389] As ex-FIFA Secretary general Jerome Valcke said in January 2012: "Alcoholic drinks are part of the FIFA World Cup, so we're going to have them. Excuse me if I sound a bit arrogant but that's something we won't negotiate."[390] This perspective has been seen as FIFA 'bullying' governments on behalf of the alcohol producing lobby, and in apparent ignorance of the health and social-welfare concerns associated with having alcohol in stadiums. Brazil had banned beer from stadiums because of past episodes of violence, for instance,[391] and a large literature shows a positive correlation between match-day

[385] See discussion: http://grist.org/climate-energy/2014-world-cup-to-nearly-double-carbon-emissions-over-2010/

[386] The views of World Bank economist Leszek Sibilski are useful to consider in this respect. See these thoughts here: http://www.brookings.edu/blogs/future-development/posts/2015/05/22-fifa-climate-change-sibilski

[387] Askin and Hassan report on such issues in Pakistan, reflecting on *Blatter's corroded legacy on South Asian soccer fields* (See http://www.reuters.com/article/us-fifa-southasia-insight-idUSKCN0R72AP20150907). The Guardian's David Smith reflects similarly about Zambian projects: http://www.theguardian.com/football/2015/may/28/sepp-blatter-fifa-africa-zambia). Another example relates to malfeasance allegations in Goal projects in Thailand; http://www.isportconnect.com/index.php?option=com_community&view=groups&task=viewbulletin&groupid=31&bulletinid=228&Itemid=7.

[388] See http://www.uefa.org/MultimediaFiles/Download/uefaorg/General/02/26/52/56/2265256_DOWNLOAD.pdf

[389] For background, see http://edition.cnn.com/2012/01/19/sport/football/football-brazil-alcohol-fifa/index.html; http://globalnews.ca/news/1387775/beer-back-on-menu-in-brazil-stadiums-as-controversial-ban-lifts/

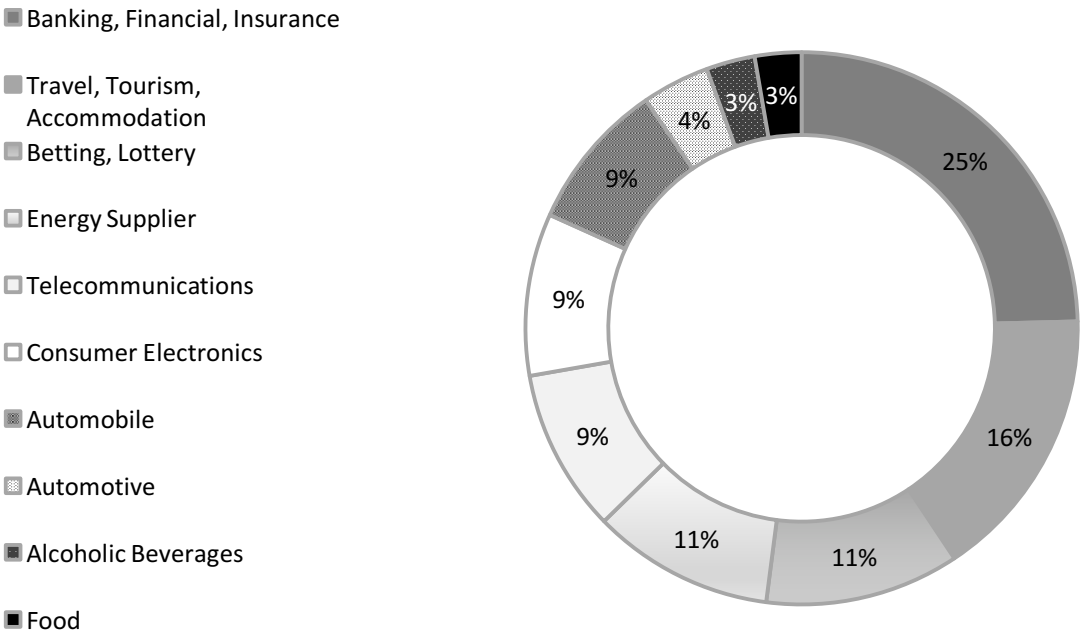
[390] For reference, see http://www.latinpost.com/articles/15443/20140623/fifa-world-cup-sponsors-budweiser-partnership-changing-alcohol-bans-brazil.htm

[391] See Gornall (2014) and the article, "Alcohol industry wins, public health loses at World Cup 2014' by Susan Perry (https://www.minnpost.com/second-opinion/2014/06/alcohol-industry-wins-public-health-loses-world-cup-2014).

drinking and public and domestic assault in many countries.[392] Studies also show that athletes in various sports suffer a higher incidence of public health issues related to alcohol consumption.[393] A number of commentators argue that FIFA should not entertain alcohol sponsors as a result of these public health effects (especially when entities like FIFA simultaneously run programs ostensibly focused on improving health).[394]

Similar positions have been taken in respect of sponsorships with entities like Gazprom, where observers question how FIFA and UEFA can advocate environmental responsibility and engage in an economic relationship with a fossil fuel extractor.[395] This line of concern extends into the club system of world football as well, where sponsorship arrangements bring clubs into relationships with many industries that may seem unpalatable to different stakeholders. Figure 38 shows what these industries are, in summarizing the main sectors sponsoring Europe's top leagues. The list includes firms producing alcohol, and energy (like oil companies), and firms in the betting and lottery industry. Different voices question sponsorships from such industries.

Figure 38. Sponsorship Proportions for Different Sectors in Top European leagues, (2005-2014)



Source: Repucom (2014) and Unlucan (undated). A recent analysis of Champions League sponsorships found similar patterns, with main sponsors being airlines (18%), energy (18%), financial services (15%), telecommunications (12%), tourism (9%), and alcohol and electronics (6%).[396]

[392] See Brown (2015). Gornall (2014, 2014a, and 2014b) are also good reference points, with Christopher Snowdon's critique:http://velvetgloveironfist.blogspot.co.uk/search?updated-min=2013-01-01T00:00:00Z&updated-max=2014-01-01T00:00:00Z&max-results=50.

[393] A review of studies on the topic "indicates higher rates of alcohol use and violence in athlete populations when compared against non-athlete populations" (Sønderlund et al., 2014).

[394] An aggressive version of this argument, not just focused on sports organizations, is provided in Parry et al (2012).

[395] See http://www.thinkfootball.co.uk/should-uefa-be-in-partnership-with-fossil-fuel-extracting-gazprom/

[396] See the Sports Sponsorship Insider (https://infogr.am/uefa-champions-league-club-sponsorship-analysis).

Concerns over these kinds of issues frustrate free market advocates, who argue that firms (or clubs or confederations) should be at liberty to engage in transactions with other law abiding firms, irrespective of the business interests. In the realm of corporate governance, however, it is valid to ask whether the values and ethics of financial relationships serve the interests of a firm or sector. This is the discussion that many observers would like to see taking place more regularly and frankly in the football sector. It is a discussion that also relates to broader issues, like human rights, given recent challenges to FIFA's decision to stage the World Cup in Qatar and allegations of human rights abuses in preparing for this tournament.[397] It is difficult to determine whether these allegations are true or not, and an investigation of this issue goes beyond the scope of our current analysis. We do not, therefore, have a view on the veracity of the charges. We do believe, however, that there are financial integrity concerns involved in these kinds of situations, related to both the reputation of football and the social responsibility policies of footballing entities. Organizations like FIFA need clear, transparent and consistent standards in respect of the key social issues of the day, whether these involve alcohol or gambling or fossil fuels or human rights. These standards should inform policies, and these policies should inform decisions about who to engage with and how—especially in regard to finances and financial transactions.

A recent survey of over 11,000 football fans corroborates our view that these issues matter;[398] 84% of the respondents answered 'yes' when asked if FIFA should be "concerned about geopolitical issues within countries hosting the World Cup, such as workers rights in Russia, the kufala system in Qatar, etc." Currently, we believe that the sector as a whole falls short in this regard, which compromises financial integrity. Our view on this is reflected in a comment on FIFA's responses to allegations of worker abuse in Qatar: "[T]he soccer organization's statements with respect to World Cup workers' rights abuses are largely out of tune with the rest of the globe."[399] We concur with this view, and believe that efforts by FIFA and the world soccer community to act in socially responsible ways will be undermined if policies on social values and engagement are 'out of tune' with accepted norms.

Moral Responsibility in Football

There is obviously a normative dimension to our discussion on social responsibility in football. As indicated, we consider weak and vague norms in respect of social issues a risk for the integrity of the sport—and particularly to FIFA as the global governing body. We are aware that the norms around many social issues are often disputed, and that clarifying such will not ensure broad based support (we expect interesting responses if footballing entities decided not to work with

[397] Such allegations come from labor organizations, including the International Trade Union Confederation: http://www.care2.com/greenliving/skins-stands-up-for-human-rights-demands-fifa-action.html. Advocacy groups and individuals have also been vocal (including people like Jamie Fuller at SKINS: http://www.newfifanow.org/may-18-2015.html). Academic articles also address the issue (Corrarino 2014; Devi 2014; Zimmerman and Schenker 2014), going beyond the Qatar event to discuss human rights issues in respect of other World Cups and mega events.

[398] The survey was by the organization #NewFIFANow (http://www.newfifanow.org/survey.html). We do not know enough about the methodology to vouch for its quality. It is, however, the only such survey currently available. Another survey was initiated in 2014 by Simon Chadwick at Coventry University. It will provide a good comparator when available (http://www.coventry.ac.uk/research/research-directories/spotlight-on/2015/simon-chadwick-on-the-fifa-scandal/).

[399] Erfani (2015, page 627).

sponsors from the alcohol industry, for instance, and also expect tensions if entities decided to maintain relations with these sponsors). The football community needs to take positions on issues even with these tensions, however, or risk being perceived as purely pragmatic (entering financial relationships just for money, with no underlying values).[400]

There are normative issues that we think are less disputed and controversial, however, and where the sporting community as a whole—and public and private entities beyond sports—agree on basic values. In respect of football, these issues include match fixing, money laundering and human trafficking. All three issues are considered anathema by broad sets of stakeholders across the world. The football community has committed to eradicating all three sets of activities as well, and to leading the fight against such practices. This stand has major moral dimensions to it, where the footballing community has placed its interests and voice behind a set of values. The degree to which its behavior reflects such morality is thus of great importance to any discussion on integrity. Financial integrity is particularly impacted, given the link that exists between finances and the practices discussed (match fixing, money laundering and human trafficking). As such, we attempted to analyze the extent to which these practices occur in modern football and the extent to which the football community has responded to eradicate such practices, especially with financial investments in counter policies and initiatives.

This proved an exceptionally frustrating research initiative. A lot has been written on all three of these topics, especially in the media but also in academic journals and industry reports.[401] Yet we do not know enough about any of the topics to say with any certainty (i) how big the problems are, or (ii) why they seem to fester in world football. In reflecting on our frustration, we also note that these two observations are not surprising, given that these activities relate to corrupt behaviors that exist in dark spaces. They are thus not easy to 'see' or describe, but, unfortunately, they are given harbor in football's many dark spaces (discussed in earlier sections of this study).

Match Fixing in Football

On the subject of match fixing, we are aware that proper definitions are required to specify what we are discussing. This is not a straight-forward task, given the lack of clarity on the issue in organizations like the European Union and Council of Europe.[402] Definitions hold that match fixing is about 'the act of arranging the outcome of a sports match prior to its being played' or 'the action or practice of dishonestly determining the outcome of a match before it is played.'[403] We

[400] Various entities are engaged on such issues, creating the basis for future discussion. See, for instance, the German FA and league's position on alcohol advertising: http://www.dfb.de/fileadmin/_dfbdam/47441-EU_SportPolicy_DFB-DFL_Oct-2014.pdf (p.22); the English Premier League's Memorandum to the UK Parliament alcohol enquiry: http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/151/151we46.htm.

[401] For recent work on the subject, see Boeri and Severgnini (2013), Manoli and Antonopoulos (2014), Veuthy (2014), and Feustel and Rodenberg (2015).

[402] As discussed in a very clear blog post on the topic by University of Colorado academic Roger Pielke, Jr: http://leastthing.blogspot.com/2012/10/how-match-fixing-is-defined-in-european.html. The definitional issue is addressed in a 2012 document prepared by the European Commission, which offers its own definition critiqued by Pielke (http://ec.europa.eu/sport/library/studies/study-sports-fraud-final-version_en.pdf). For additional work, see also the ICSS Sorbonne Report (http://www.theicss.org/wp-content/themes/icss-corp/pdf/SIF14/Sorbonne-ICSS%20Report%20Executive%20Summary_WEB.pdf?lbisphpreq=1).

[403] As per the Collins Dictionary and Oxford Dictionary definitions.

hold that match fixing goes beyond fixing 'the outcome', however, given that many elements of a match are also open to interference. Hence, we settle on the following definition: 'In organized sports, match fixing occurs as a match is played to a completely or partially influenced result, given purposeful interference that violates the rules of the game and often the law.'

There are various important elements of this definition, centered on the purposeful interference in a match (in part or a whole), in contravention of the game's rules. These elements make the action anathema to most (if not all) in the sports community, and afford us the space to say it is generally considered immoral. With this definitional clarity achieved (hopefully, at least sufficiently to proceed), we turn to a source that we feel best describes the current situation in world football: Declan Hill.[404] Hill starts a 2015 article on this topic by citing various regularly cited sources that speak to the 'size' of the match fixing problem in football. He begins with the 2013 Europol study that identifies as many as six-hundred fixed matches in 3 years (a number which police officers claim is just the tip of the iceberg).[405] He then reflects on "over-sixty national police investigations into this phenomenon across the world: from South Korea (where they have been several suicides of athletes linked to the issue) to Australia (where in 2014, several athletes were convicted of their participation in fixed matches) to Hungary, El Salvador and South Africa."[406] His article and book build on original data as well, including a Fixed-Match Database (FMDB) and a Fixing/Non-Fixing Players Database (the FPD). "The FMDB was constructed by finding in newspaper articles, interviews or through the compilation of the confession databank, examples of fixed matches."[407] It comprises "301 fixed matches in 60 different countries and 55 different leagues or cup play".

We mention all of this to illustrate two things: First, there is information suggesting that match fixing is rife in football; Second, the information does not take the form of traditional statistical data, as was used in other areas of this study. This information tends to come from secondary sources like law enforcement reports or the media, and is thus hard to verify. The limits of such evidence should not undermine the central story of Hill's work, however: match fixing is endemic in football, with most leagues and associations likely to struggle with such problem.

We saw a similar narrative emerging in our own data gathering efforts. We attempted to construct a database like Hill's FMDB, using web-based references on match fixing in a selection of countries. We identified forty countries for analysis, and committed to examine up to five google pages using the search phrases "'country name', 'football' (or soccer), 'match fixing'". Our goal was to see how many countries would have even one reference, and how easily these references would be to find. To our surprise, we found references in all but four countries (90% of the sample)—and we found these references easily, in the opening google search pages we looked at. This confirmed our view of the ubiquitous nature of this practice in football: it is common and widespread.

[404] These include Hill (2013) and Hill (2015).
[405] Hill cites the following source: Europol, European Police Press Conference, The Hague, Netherlands, February 6, 2013. See http://www.dw.com/en/europol-exposes-football-match-fixing-network/a-16574490
[406] Hill (2015).
[407] Ibid, pg.218.

We could not determine the reliability of these web references, however, to see if they were rumor or fact. Hill does this well, differentiating between six levels of evidence:[408] 1. A law case with a guilty verdict (with 99 examples out of 301); 2. A football association verdict with a guilty verdict (59 cases); 3. Confession of participants (67 cases); 4. Law case suspended due to insufficient evidence (24 cases); 5. Allegations by one side, with some proof offered (15 cases); 6. Rumor (37 cases). Importantly, Hill finds many cases in the first three levels (225). These have some assured reliability, as examples where we know match fixing actually occurred. This number is still high, consolidating the view that football has a match fixing problem.

Hill's research also helps to explain why match fixing occurs, and his rationale and evidence resonate strongly with work on corruption in general. In summary, he argues that "the consistent, almost-universal, motivation for match-fixing is money."[409] In focusing on players, he finds evidence that older footballers are more likely to participate in match fixing, and that it is often because they have a real or perceived need for money—commonly related to their dire employment conditions and the fact that they are not paid enough; or because of fears related to economic hardships they will endure after their playing days are over. Hill concludes that, "It is not that players do not know the correct ethical position in gambling match-fixing: it is that players have not been paid their salaries, benefits or have received no significant post-retirement education."[410] Similar research shows that financial and career concerns are also central to referee decisions to fix matches,[411] and to the decisions that club and league officials might even make in such respect (where a club official may engineer a match fix so as to assure his or her club of a specific league position and more money associated with such, for instance).[412]

The link between match fixing and finances helps to explain why so much of this activity occurs in football (with so much money on offer), and why it often involves lower league games (where players and referees are poorly paid and thus more vulnerable to corruption and cheaper to bribe). These vulnerabilities are unlikely to go away with the current financial structures that exist in global football (discussed in prior sections and especially related to the unequal distributions that exist and the fact that most clubs struggle to pay players and most definitely do not pay players into retirement; as well as the low pay offered to most referees). These vulnerabilities are also not effectively addressed in match fixing mitigation policies by governing bodies like FIFA. The main policies FIFA currently employs in this respect include an Early Warning System (EWS) designed to identify irregular betting activity, the FIFA-INTERPOL initiative to educate players and other football officials on the subject, and the FIFA Integrity initiative (which focuses on prevention, detection, intelligence-gathering, investigation and sanctions, and the creation of a

[408] Hill (2013, Table 2.2).
[409] Hill (2015, pg. 220).
[410] Hill (2015, pg. 226).
[411] Match fixing by referees is common. FIFA banned a number of referees for such in 2011, after investigating games in which all goals came from referee-decided penalty kicks (see http://www.telegraph.co.uk/sport/football/world-cup/10918404/Football-match-fixing-Referees-guilty-of-fixing-final-scores-in-high-stakes-games.html). The issue is discussed in various academic articles including Rickman and Witt (2008) and Boeri and Severgnini (2011).
[412] Catania's club president Antonino Pulvirenti and six others were arrested in June 2015 on suspicion of fixing matches to keep the club from being relegated from Serie B, Italy's second division, for instance (see http://www.theguardian.com/football/2015/jun/23/catania-serie-b-seven-arrested-match-fixing). Discussion of this kind of match fixing is offered in various academic sources: Mignon (1999), Hill (2009), Brooks et al. (2012).

FIFA integrity team to analyze and assist member associations and confederations on request and to establish basic structures and processes for fighting match manipulation).[413] These are all laudable efforts, but they target the match fixing acts and not the structural economic and financial factors that make football vulnerable to such acts.

We have the same view of the much-praised New Zealand approach to combat match fixing: This approach brings many actors together under an aggressive regulatory framework, with education initiatives targeting players, officials, and owners, and a focus on ethical training.[414] There are many good things to say about this approach, but it does not address the financial problems festering in many leagues and clubs (in places like New Zealand and beyond) which appear to be fundamental reasons why sports (and football in particular) is at risk of match fixing.

Money Laundering in Football

Money laundering is perhaps an even more complex topic than match fixing. It involves the movement of money that has been obtained illegally through legitimate banks and other businesses and activities to make it seem as if the money was actually obtained legally. Such activities are considered rife in the footballing sector, given that a lot of cash changes hands in many 'dark spaces' (allowing undetected 'laundering').

Observers have long claimed, for instance, that South American football clubs are used to 'wash' money for owners involved in the drug trade.[415] Other observers hold that unscrupulous owners involved in other forms of shady business buy clubs for the same reason.[416] This view is reflected in a 2013 Economist article subtitled 'a villain's guide to football', which argues that "Football clubs can easily be used as stealing machines".[417] The article notes that ticket revenues are easily exaggerated, for instance, so that 'dirty takings' from other sources can be turned into legitimate income. It also reflects on transfers, which "involve huge and largely subjective sums (since a

[413] For more details, see http://www.fifa.com/about-fifa/news/y=2015/m=2/news=what-does-fifa-do-to-prevent-match-fixing-2523803.html

[414] See the full policy at http://www.sportnz.org.nz/assets/Uploads/attachments/managing-sport/integrity/New-Zealand-policy-on-sports-match-fixing-and-related-corruption.pdf

[415] A prominent example comes from Mexico, where Tirso Martinez Sanchez was implicated in money laundering through Mexican football clubs. As described in a 2014 article, the operation was elaborate and long-standing: "Aside from trafficking drugs, Martinez was also "responsible for organizing the laundering and remittance of millions of dollars in drug proceeds back to Mexico," the State Department said. His money laundering operations allegedly involved three professional soccer clubs: Queretaro, Atletico Celaya and Irapuato FC. Martinez and jewelry merchant Kleber Mayer were joint-owners of the latter club and Martinez is also believed to have been a prominent investor in both Queretaro and Celaya, though he often sought to hide his tracks by operating behind false names. Martinez's elaborate soccer network began to unravel in October 2002 when Colombian drug trafficker Jorge Mario Rios Laverde, alias "El Negro," was arrested in Mexico and extradited to the United States. Rios, who also worked as a soccer agent and promoter in Mexico, was prosecuted for cocaine trafficking by Florida's Southern District Court (http://www.borderlandbeat.com/2014/06/mexican-soccer-remains-tainted-by-links.html). Beyond Mexico, prominent examples of this behavior come arguably from Colombia during the peak days of the cocaine trade and the reign of Pablo Escobar. The Cali-based drug lords were known for owning "hotels, supermarkets, radio-taxi companies, laboratories, airlines, banks and credit institutions, foreign exchange shops, radio stations and soccer clubs" and using these entities to launder money (see Filippone 1994). See more examples (Zaluar 1999; Duffy 2000).

[416] A study into organized crime in Russia found, for instance, that criminal groups used football clubs (and local cinemas and restaurants) to 'wash money'. See Finckenauer and Voronin (2001) and also see De Sanctis (2014).

[417] The Economist (2013).

player is worth whatever someone is willing to pay for him)." This creates a major risk for money laundering, which the Economist suggests is within reach of any willing owner: "With agents or other intermediaries involved, payments pass through multiple hands and jurisdictions: perfect for concealing the origin and direction of the cash. Sell a player to a friendly club that publicly overstates the true price, and you can supplement the real fee with a couple of million ill-gotten euros of your own: that money is now clean and in your club's accounts."[418]

Most of the work on this topic takes the Economist's approach in listing examples where money laundering is (peculiarly and particularly) possible in football. The prominently cited 2009 Financial Action Task Force (FATF) report is an example.[419] This kind of analysis shows that football is indeed very vulnerable to money laundering, because of characteristics discussed in the current study. These characteristics are presented under different headings in the FATF report, as follows: The market is easy to penetrate; [There are] complicated networks of stakeholders; Management lacks professionalism; [There is] diversity of legal structures; Considerable sums [of money] are involved; [There is an] irrational character of the sums involved and unpredictability over future results; [There are] complex financial needs of football clubs (many are struggling in a winner-takes-all setting, for instance); [Some players are] socially vulnerable; [A] societal role of football complicates action [given that] people are reluctant to shatter sports' illusion of innocence); and [The sector is full of] Non-material rewards.

These kinds of characteristics are particularly evident in football's lower tiers and in emerging and lagging regions and leagues (which we show make up as much as 75% of the population of clubs). This includes contexts like Brazil, where recent research reveals high levels of vulnerability to money laundering through club ownership, transfer transactions, and more.[420] As we argue in this study, these vulnerabilities are a product of the financial structure currently in place in world football; and the differences between 'developed' and 'underdeveloped' contexts.[421] Vulnerabilities are exaggerated in the underdeveloped contexts, given low levels of transparency and regulation and weak financial sustainability in these contexts, which create a sense of desperation and dependency in clubs and players and officials. These entities become targets for actors who offer money or connections in lieu of access (allowing them to piggy back on transactions and launder money, among other corrupt activities). Marcos Alvito from Fluminese Federal University recounts an instance where one sees this happening in Brazil:[422]

> "It is no coincidence that the winner of the 2005 National Championship was Corinthians, a team that did not lose players and actually purchased a number of stars, including three Argentines, among them the striker Tevez–who was named MVP of the competition.

[418] The Economist (2013) offers additional 'advice' to listening villains, especially related to third party ownership: "Another wheeze—annoyingly banned by some national football associations—is third-party ownership, where the rights in a player are owned (or part-owned) not by his club but by an outside consortium. So you can secretly invest in players whom you then rent to your club, trousering the proceeds. Or sell your club's star man to your front company for a depressed fee, then sell him on at full price. Naturally you will award the club's construction and catering contracts to your own firms."

[419] Financial Action Task Force (2009). See also Anderson (2014), Dhillon (2014).

[420] See Alvito (2007), Dubal (2010), Rachman (2011), and Salvo (undated).

[421] This has been argued before. See, for instance Andreff (2001).

[422] Alvito (2007, pg. 532).

> Corinthians, however, is the exception that proves the rule. The team was funded by money of questionable origin through the company Media Sport Investment Limited Group, which is reputedly connected to Boris Beretzovski, a Russian millionaire sentenced to 20 years in prison in his homeland for fraud and participation in organized crime. A judge in the 36th District Court of São Paulo published a ruling which stated 'State prosecutors assert, based on overwhelming evidence found throughout the investigation, that the MSI Corinthians partnership is being used to launder money'."

Work like the FATF study tend to use typologies and examples to reflect on this issue partly because there are no hard and fast data to refer to. This makes it impossible to show how large the problem really is. The FATF study does its best in this regard, referring to the fact that '20 cases' have been raised in this area.[423] The 2015 investigations into impropriety in FIFA and leading confederations has already yielded many more such cases.[424] Swiss authorities were considering 53 cases in June 2015, for instance, which came on the heels of over 40 charges in May 2015 by United States authorities (focused on 14 senior footballing officials, and centered on money laundering and racketeering). The same United States authorities expanded the actions in December 2015, with a 92-charge indictment against FIFA executives—again, for actions involving money laundering.[425] Many of the charges related to allegations involving under-the-table payments these officials received in lieu of support for votes in World Cup bidding processes or to secure broadcasting or marketing rights.

These events show that the money laundering concerns in football are far-reaching—involving finances as varied as gate takings, transfer fees, image right payments, broadcasting and marketing proceeds, and more. These actions also point to the real challenge of addressing the problem in football. FIFA and the confederations are important actors in the sport's regulation, and are meant to be key actors in tackling money laundering. FIFA had committed to play such role after the 2009 FATF report was issued, but it has obviously fallen short of this commitment.[426] Additionally, FIFA and the confederations appear to have engaged banks and financial regulators in their money laundering schemes,[427] undermining the authority such entities should have in combatting such activities.

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[423] See news coverage of the FATF report: http://news.bbc.co.uk/sport2/hi/football/8127790.stm

[424] See https://www.bostonglobe.com/sports/2015/06/17/fifa-swiss-attorney-general-reviewing-scores-possible-money-laundering-cases/A89SNhrJIVb4mccwKD6kUM/story.html.

[425] See http://edition.cnn.com/2015/12/03/sport/fifa-corruption-charges-justice-department/

[426] FIFA had focused its Financial Audit and Compliance Committee as a 'Financial Watchdog' to oversee money laundering. Unfortunately, even this entity has been compromised by recent events, given that a committee member was arrested under suspicion of financial malfeasance (http://theweek.com/speedreads/446796/fifa-financial-watchdog-official-arrested-suspicion-money-laundering-corruption).

[427] This issue is addressed by the FACTCOALITION (Where FACT stands for Financial Accountability & Corporate Transparency) in the following comment: "Given the many rumors about bribery and corruption that had been swirling around FIFA, it is astonishing that it has taken 24 years to bring this case…The next step for the government is to look at why and how U.S. banks were involved in moving this money, and we urge them to do so…You can't hide this amount of cash under the bed, so you need a bank willing to take the money…[so] This case raises questions about the due diligence carried out by American banks." The article draws on details in the late May indictment, which "alleges that shell companies, front companies and offshore bank accounts were used in schemes to move the bribe money into the Defendants' accounts around the world, and may have been used to buy the real estate

This leaves us with the impression that money laundering has not been owned as a problem in the footballing community, and lacks legitimate champions in such. The 2015 interventions were driven by law enforcement agencies in (primarily) the United States concerned with transnational organized crime, not agents in the footballing world. This suggests that agents outside of the football sector are more serious about the issue than any entity in football and leads us to wonder if any agents are ready to address the issue seriously within the sport.

Human Trafficking in Football

There seems to be a similar lack of material ownership when it comes to solving human trafficking in football. This is the third moral responsibility issue we examined. We focus on the trafficking of players, called 'football trafficking' by some[428] (not including related activities like sex trafficking around mega events, which are important but not treated here). We define 'football trafficking' as the illegal trade in individuals for the purpose (or with the promise) of playing professional football. It is as much an economic and financial crime as a social one, given the money that exchanges hands when individuals are traded.

It is difficult to track the extent of football trafficking or to determine the risk this activity poses to global football.[429] A recent article by James Esson of Loughborough University uses common references in an attempt to 'size' the issue:[430]

> "It is estimated that since 2005 there have been more than 1000 cases of football- related irregular migration in Paris alone … and approximately 7000 across France ... These figures are from the organization Culture Foot Solidaire (CFS), which is based in Paris and was founded in 2001 by Jean-Claude Mbvoumin, a former Cameroonian international player. CFS aims to support young African players allegedly trafficked or unsuccessful in their trials with European football clubs. As with all statistics, particularly those concerning 'hidden populations', that is, members of society who may be associated with illegal or stigmatised activities … , these figures should be treated with caution. Nevertheless, regarding the cases in Paris, CFS claims that 98% are illegal immigrants and 70% are under the age of 18."[431]

We found ourselves limited to these kinds of numbers and sources. They suggest that a problem exists but do not provide concrete estimates of the size of said problem. As a result of this data gap, authors like Esson shed light on the issue by referring to qualitative stories and constructing archetypes to explain how the trafficking occurs. As with the work on money laundering, this

identified in the indictment." It calls on government to create rules that require U.S. banks to "find out who is behind a shell company, and [to remove] the temporary exemption enjoyed by real estate agents that allows them to turn a blind eye to criminals purchasing real estate with the proceeds of their crimes" (See the full article at http://thefactcoalition.org/fifa-bribery-scandal-raises-questions-about-anti-money-laundering-checks-in-u-s-banks/). See other media coverage (http://www.zacks.com/stock/news/177059/banks-under-scrutiny-for-money-laundering-in-fifa-scandal;http://www.bloomberg.com/news/articles/2015-10-30/credit-suisse-received-fifa-inquiries-amid-swiss-u-s-probes).

[428] See Esson (2015).

[429] This point is made by Moses Montesh (2011) from the University of South Africa, who uses media reports in describing the problem because more formal data are lacking.

[430] In this section, Esson cites Poli (2010), Sparre (2007) and Tyldum and Brunovskis (2005).

[431] Esson (2015, pg. 513).

approach leads to observations of the factors making football vulnerable to such activities, and where vulnerabilities are most pronounced. Common observations include:

- Africans (especially West African) and South Americans (from Brazil, for example) are most affected, given the low cost of such players (partly due to financial weaknesses in domestic football in these contexts), the limits of regulatory regimes (given deficiencies in government and football authorities), and the fact that established migration routes exist from these places (with the large number of legitimate football transfers from these countries being one example of this), and partly because players in these contexts associate spatial mobility with social mobility (and may thus be predisposed to leaving their home countries).[432]
- Under-age players (below the age of 18) seem to be specific targets. These targets are identified in, amongst other places, football academies set up across target countries.
- The direct perpetrators include scouts and agents (legitimate and not) who lure boys from their homes by offering trials and contracts in (mostly) emerging Asian and lower tier European clubs.[433] In some instances these perpetrators also employ versions of third party ownership to influence boys and their parents (investors who finance academies might claim rights to boys who trained there, for instance).
- The direct perpetrators are sometimes also the primary beneficiaries; especially where the promises of trials and such are pure fabrications intended to extract travel and other fees from families before they leave their homes. There are many examples of this, where 'agents' take boys abroad but then abscond with the money these boys' families have paid.
- There are other potential beneficiaries, however. These can include officials in clubs where the boys end up playing (typically at no or low cost to employees and with extremely poor working and living conditions). These can also include criminal groups, who take control of boys once they reach their destinations (as foot soldiers in gangs, for instance, or sex slaves).

These observations are hardly comprehensive, but they do point to the many ways in which financial integrity is impacted by football trafficking. For instance, financial weaknesses in the footballing sectors of source countries discussed in prior sections are a major reason why players are open to this in the first place. Additionally, it seems that finances from more established footballing sectors are used to construct the opportunities for this crime; as clubs, agents and other members of the football community set up training academies, for instance. Finances are also raised in the activities; from players and families inspired by the idea of playing football. Finally, finances emanating from these activities feed the money laundering problem, as these finances are by definition dirty and need to be washed.

Unfortunately, the finances feeding this problem do not appear to be matched by finances dedicated to stopping it in the football community. FIFA has led regulatory initiatives to tackle the problem, with its 2001 ban on under age transfers and other rules targeting trafficking in 2005 and 2008.[434] It has toyed with various other solutions, including imposing high levels of

[432] Esson (2015a).

[433] Our interviews suggest that top tier European clubs increasingly avoid scouting or transfers that involve risk of this sort. They use their own youth academies to source talent and deal with known, registered partners. It appears that the problem is moving to smaller European clubs and leagues and to Asia and other less regulated markets.

[434] For discussion on these and other efforts, see Andreff (2010) and Najarian (2015).

regulation to address the issue to regulating but with exemptions (allowing under age player movements for certain reasons, even by ten year olds).[435] It has, however, not allocated the kind of financial support needed to provide real muscle to its efforts.

We could not find any programs focused on this issue particularly, for instance, when the regulations FIFA has introduced quite obviously demand significant financial investments: in capacities to provide close and aggressive monitoring of academies in known source countries, for instance, or to monitor player movements through known 'trade' routes. FIFA might argue that it has invested in solutions through initiatives like the Transfer Matching System but, as discussed, this is poorly resourced to manage even the most fundamental issues in respect of legal transfers. Beyond such work, FIFA has been associated with a few conferences on the issue, involving organizations like Foot Solidaire, but we cannot see any additional and specific financial commitment to addressing the issue. We do not see such commitments from other financially well-off entities in football, either (like UEFA or leading national associations or even the super clubs). All of these entities speak against football trafficking but do not contribute the (substantial) monetary means needed to address this issue.

This leaves a major financing and leadership gap in this area, with small organizations like Foot Solidaire left as the only game in town (with limited engagement of even players unions in the most affected countries).[436] Such organizations lack the means to address key issues involved, however, and have been subject to investigation themselves (which creates legitimacy problems for their 'leadership' as well).[437] We do not believe football will address the financial integrity risks associated with football trafficking if this kind of financing and leadership gap persists.

Moral Reputation and Leadership (by FIFA, in Particular)

This commentary leads into a discussion of the moral reputation and leadership concerns involving FIFA and the other major governing bodies—notably UEFA and the five other regional confederations. This discussion matters in the current study because moral reputation has a significant impact on the value and support-worthiness of any sector or organization. This is, we suggest, particularly important with a sector like football—that has an economic side to it but is also a social and public good and depends on attracting responsible patrons and keeping fans and supporters interested.

The moral reputation of football is thus important, and the respect and trust that ordinary citizens have in the sport is an important indicator of its reputation.[438]

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[435] See a recent discussion of these initiatives: http://theconversation.com/what-the-next-fifa-president-could-do-to-tackle-child-trafficking-in-football-52016

[436] The world players' union FIFPro has only a limited presence in Africa, for instance, with nine members and three observers (out of 53 potential members). See http://www.fifpro.org/en/division-africa

[437] Recent media reports point a finger at Foot Solidaire, for instance, claiming that the organization's leader has been involved in football trafficking. We have no informed view on these allegations, but recognize that claims of this sort undermine the legitimacy such entity needs if it is to 'lead' the fight against football trafficking: http://www.independent.co.uk/sport/football/news-and-comment/victims-or-fraudsters-the-world-of-football-trafficking-a6783421.html

[438] Kaptein (1998).

We are limited to examining the financial integrity dimensions of this issue, and the moral reputation and leadership questions emerging from the way FIFA and other entities raise and spend money. Essentially, we are asking whether the actions and engagements of these entities strengthen or weaken their reputation as governing bodies, so as to strengthen or weaken the legitimacy they need to lead the global football community.

In discussing this, we feel the need to start by reflecting on FIFA's structure, to ensure we are clear about the kind of legitimacy it needs. The needs derive from the fact that it is an association of associations, with members from 209 national associations across the world. These national associations are themselves member-based organizations, with many members in most countries—including leagues, clubs, players, and officials. FIFA facilitates the interaction between these 209 associations (and, by extension, their members) in three ways:

1. It provides a political domain in which the community of associations can discuss key issues and work together in representing the broad interests of football;
2. It provides a regulatory mechanism that determines and oversees the rules governing football,[439] including many rules discussed in this study (related to financial transactions);
3. It provides a commercial vehicle through which the 209 associations can pursue their coordinated economic interests (especially related to trade involving common products, like the World Cup Tournament).

The confederations play similar roles, offering a platform for regional political representation and potentially also regulation (as UEFA does through the FFP, for instance); and managing the rights to regional tournaments (involving clubs and countries, like the African Cup of Nations).

The reputational concerns of FIFA and these confederations have changed with time, given the dramatic growth in football over the last century (and the last generation in particular). We see roots of current reputational concerns in the historical developments over this period, discussed here in relation only to FIFA:

- FIFA was created in 1904, with seven members (100% of which were European, in a homogenous organization). The original FIFA statute was quite simple. It specified the fees these members would need to pay, identified the source of the game's rules (the Football Association), created some regulations for club and player behavior, and indicated the desire to hold international competitions that FIFA would arrange. At the time, and for the next few decades, revenues came purely from membership dues, and the organization had limited expenses (related to low governing and administrative costs). Member associations paid for their own teams' participation in international competitions, which were not seen as commercial events or ways of generating money.
- By 1921, FIFA had 20 members. It was still predominantly European, but now had some additional members (like South Africa) with different interests and needs. The European dominance remained in place until at least the 1950s (having 85 members, the majority of

[439] It is important to note that many of the rules of the game (as played on the field) are not determined by FIFA. The International Football Association Board has set rules this since the late 1890s. FIFA publishes these rules, however, and controls regulation beyond such (mostly involving the structure of footballing sectors, and the behavior of clubs and players and officials, as well as the interaction of the footballing sector and political and economic interests).

which were European, in 1954).[440] The political dimension of its role was more pronounced than any other at this time, with no real commercial activities to speak of and a regulatory role limited to setting rules and providing hearings when rule breaches were reported.

- The organization began to change in the 1960s and 1970s, when membership grew and the organization became more politically diverse. It had 140 members by 1974—fewer than half of these being from Europe. The World Cup emerged as a highly marketable product open to commercialization at this time as well. The President was João Havelange (from Brazil). He pioneered a business-oriented approach to the World Cup, as influenced by Horst Dassler, an executive from the emerging sporting goods company Adidas, and Patrick Nally, a global sports marketing and sponsorship executive.[441] This approach focused on attracting large global sponsors in different key industries and ensuring full FIFA control over all rights to the event (including broadcasting rights and advertising). Third party intermediaries were contracted to negotiate sales of these rights (with Dassler and Nally being the first executives to provide these services.).
- The organization has undergone even more significant change since the 1970s, politically and economically. The organization added about 70 new members in this period (having 209 national association members in 2015). Less than 25% of these members are now European, with extremely heterogeneous composition from all over the world. The first major economic contracts for World Cup rights were determined in 1982 (for the event in Spain), and have grown over 25 fold since then (from less than US $20 million to about US $525 million in 2006, and more since then). FIFA raises considerable finances now (over US $5 billion in the four years between 2011 and 2014) from these kinds of commercial activities and broadcasting rights sales. This means that member associations are now all net financial recipients of the organization. The governance expenses that flow from FIFA to member associations equate with about US $27,000 per member (for travel and expenses to allow political participation). Member associations were responsible for such payments in the past. These associations also receive money through FIFA's Development Expenditures, which amounted to US $263 million in the 2011-2014 period (about US $1.25 million per association). Not only were these payments not made in the past (even in the 1970s and 1980s), but the member associations paid meaningful fees at that time (being net financial contributors to FIFA).[442]

We offer this short history to show how much FIFA has changed in the last century. It has become a significantly more complex political organization than it was even thirty years ago, is now a flourishing commercial entity, and has to address many more regulatory challenges than it did then (especially related to the interaction of countries, transfer market issues, and globalization). All of these changes have ramped up the profile of the organization, and arguably inflated the

[440] See http://www.fifa.com/about-fifa/who-we-are/history/

[441] A growing number of authors write on this history (Sugden and Tomlinson 1998; Tomlinson 2000; Goldblatt 2006; Blake and Calvert 2015). Some of them clearly foster negative views of FIFA (which FIFA denounces), but they all importantly provide similar narratives on the history of the organization. We recount elements of the story that appear factual and not based on interpretation. See also http://sites.duke.edu/wcwp/world-cup-guides/world-cup-2014/fifa-institutional-politics/the-structure-and-policies-of-fifa/

[442] Membership fees still exist but are small in comparison with the money associations (and individuals in associations) receive from FIFA as compensation for travel and participation and through development programs.

importance of its reputation in the global football community. It has a bigger role to play, and needs legitimacy to play that role effectively.

Unfortunately, many of the changes have contributed to reputational problems, with the organization (and other confederations) struggling to manage the challenges of growth.

For example, the rapid expansion of FIFA's commercial operation has generated negative attention to the organization and to football in general. This attention centers on a myriad of claims of fraud, corruption, mismanagement, and money laundering by senior officials and companies managing FIFA contracts. The allegations relate to broadcasting and sponsorship engagements, ticketing irregularities in World Cup tournaments, and more.

These date to the questionable decision to have Dassler and Nally negotiate deals for World Cup rights in 1982 (which was, in many ways, the year in which FIFA's commercial role emerged). There were transgressions in the 1990s as well, also involving Dassler's marketing company—and implicating then president Havelange and his stepson Ricardo Teixeira (a former FIFA official and former president of the Brazilian football federation). Both men apparently received around US $42 million from Dassler's company in exchange for FIFA broadcasting rights.[443] The allegations were only leveled in recent years (and FIFA punished both men in 2013), but show that the organization has been operating in a compromised way for decades, with a business model that never secured financial integrity as needed—and was always going to foster reputational costs.

Other allegations dating from the early 2000s to 2015 have targeted financial mismanagement and corruption involving contracts between FIFA and the major confederations and companies selling broadcasting, sponsorship and hospitality rights associated with the World Cup and

[443] The background to this experience comes from a variety of sources, which are based on facts presented in courts and formal proceedings against both men. These facts are discussed in a streamlined and condensed way in the following article by journalist Christopher Harress (http://www.ibtimes.com/fifa-under-former-president-joao-havelange-was-involved-corruption-long-sepp-blatters-1941099). Excerpts from this article follow: "Swiss sports marketing company International Sport and Leisure (ISL) was established at the beginning of the '80s to sell the broadcasting rights for FIFA events… They'd buy the rights from FIFA and sell them for a profit. The man at the helm of ISL at the time was Horst Dassler, heir to the Adidas empire and close friend of Havelange … By 1987 the European TV rights to the next three FIFA World Cups were sold for $440 million. Those included the 1990, 1994 and 1998 events. The non-U.S. rights for the three tournaments from 1998 sold for $2.2 billion. The money at the time was split between FIFA and ISL… [These details did not emerge for many years, however, and] the extent of Havelange's alleged corrupt dealings while at FIFA … were not fully revealed until 2010, eight years after the marketing company that he was alleged to have taken bribes from went bankrupt… It was during a fraud trial that began in 2008 that ISL's accounting was first scrutinized by investigators. Court documents showed that ISL paid nearly $200 million in "personal commissions" to sports officials and other people involved in the marketing of broadcast sports rights between 1989 and 2000. A judge referred to the commissions as bribes. But the fraud trial was ended without prosecution after an anonymous source paid a $5.6 million fine that was accepted by the court. By 2010, Havelange and Teixeira's names had been leaked as the recipients of some of the bribes. Despite evidence against both men, neither faced trial. They ended up paying $525,000 and $2.6 million, respectively, to the liquidators of ISL to ensure that neither went to trial. The sums paid were considered reasonable given that the statute of limitations in Switzerland had elapsed and that Havelange was more than 90 years old. A 2013 FIFA investigation into the alleged bribes paid to Havelange and Teixeira concluded that both were guilty and accused former FIFA executive member Nicolas Leoz of also receiving cash... "It is certain that not inconsiderable amounts were channeled to former FIFA president Havelange and to his son-in-law Ricardo Teixeira as well as to Dr. Nicolas Leoz, whereby there is no indication that any form of service was given in return," noted the report."

regional tournaments. These include accusations that the organization misappropriated US $500 million in 2002,[444] alleged bribes from German and South African football authorities to secure the 2006 and 2010 World Cups,[445] a Vice President and Secretary General charged with profiting illegally from the sale of 2010 and 2014 World Cup tickets,[446] and 2015 indictments against FIFA and other leading officials related to World Cup and other sponsorship and broadcasting deals, bidding processes for the World Cup and other competitions, and more.[447]

At the time of writing, there is a long list of officials who are either under advanced investigation, have pled guilty to crimes, or been banned from football. Not everyone has been prosecuted, but the full list of those accused resembles a large part of the organizational chart that existed in global football's governing bodies in 2014 (a year prior to major law enforcement efforts in this regard): a FIFA President is included, and at last five recent FIFA Vice Presidents and a Secretary General, and former Presidents of confederations including CONMEBOL and CONCACAF.

The extent of reputational damage caused by this situation is quite staggering. It is captured in a 2015 Global Fans Survey conducted online by the organization #NewFIFANow. We cannot vouch for the methodological rigor of this survey, apart from knowing that it covered 11,420 football fans around the globe and is one-of-a-kind in revealing perceptions of FIFA.[448] The headline finding is simple, "97% have lost trust in FIFA", while additional expressions of mistrust also stand out: 94.6% of respondents answered unequivocally 'no' when asked if they thought FIFA was dealing properly with allegations of impropriety; 56% called for an overhaul in FIFA leadership.

The reputational damage extends to views on corruption in the World Cup, arguably the primary economic asset of the global football community FIFA represents. Over 85% of survey respondents indicated that they believed the Russian and Qatar World Cup bids were affected by corruption. This is understandable, given that serious allegations have been made in respect of bid rigging in the selection process of the 2006 and 2010 and 2014 World Cups.[449] Additionally, numerous observers have written extensive accounts of corruption in the 2018 and 2022 bidding process,[450] and Sepp Blatter himself made comments suggesting that decisions were (i) made before bids were discussed and (ii) influenced by factors other than those typical to an unbiased process. (In an October 2015 interview with journalists, Blatter seems to admit that the 2018 and 2022 decisions were predetermined and then disrupted by political influence placed on (then UEFA President) Michel Platini to change his vote).[451] Legal agencies are currently investigating

[444] http://www.usnews.com/news/articles/2015/06/10/soccers-succession-of-scandals-a-timeline-of-fifas-alleged-corruption

[445] For the German story, see http://edition.cnn.com/2015/11/09/football/german-football-president-wolfgang-niersbach-fifa/; For the South African story, see http://www.bbc.com/news/world-africa-32985032

[446] See http://www.dailymail.co.uk/news/article-3112655/Son-disgraced-soccer-boss-Jack-Warner-admits-scalped-World-Cup-tickets-substantial-profit-multi-million-dollar-scam.html; http://www.examiner.com/article/fifa-s-valke-suspended

[447] http://www.usnews.com/news/articles/2015/06/10/soccers-succession-of-scandals-a-timeline-of-fifas-alleged-corruption

[448] The survey did have some bias, given that it could only be accessed from sites sympathetic to #NewFIFANow. Another survey was launched by Simon Chadwick at Coventry University in 2014. It will allow for a good comparison with the #NewFIFANow survey. https://en-gb.facebook.com/PLAYYAeV/posts/10152295577093115

[449] http://www.theguardian.com/football/2015/jun/04/fifa-corruption-crisis-fbi-inquiry-now-includes-2014-world-cup-in-brazil

[450] See, for instance, Blake and Calvert (2015).

[451] Blatter's comments, reflected in the interview transcript (See http://tass.ru/en/sport/832283), follow: "In 2010 we had a discussion of the World Cup and then we went to a double decision. For the World Cups it was agreed that we go to Russia because it's never been in Russia, eastern Europe, and for 2022 we go back to America. And so we

these issues, and it is beyond the scope of our analysis to offer views on the outcomes of such. We can conclude, however, that the charges themselves have sullied FIFA's moral reputation and undermined financial integrity in the sector.

The many claims of financial impropriety have not only undermined the reputation of FIFA's commercial side (and of the regional confederations). The political legitimacy of these governing bodies is weakened every time a secretive bidding or voting process goes awry.

The legitimacy losses accrue especially to FIFA's Executive Committee (ExCo). The ExCo resembles a political cabinet in a Parliamentary system—with representatives drawn from Congress.[452] Its members have been implicated in many financial improprieties. The claims of wrongdoing are extensive and serious, and undermine trust in FIFA's most important decisions. For example, Table 19 lists improprieties of the ExCo members involved in the 2018 and 2022 World Cup bid decisions. Twelve of the 22 members have been punished by FIFA itself and/or are under investigation for financial and ethical violations, most of which occurred during the 2018/2022 bid or before the bid. The reputational concerns these charges raise are significant, and call into question the legitimacy of the 2018 and 2022 bids and all other decisions made by this ExCo.

Table 19. 2018 and 2022 Bid ExCo Members Improprieties: How to Undermine a Vote

Executive Committee Member	Current Status	Impropriety: Alleged or Proved
Sepp Blatter	Banned from football	2011 financial impropriety
Michel Platini	Banned from football	2011 financial impropriety
Jack Warner	Banned for life, indicted	2011 bribery allegation, corruption
Julio Grondona	Deceased, but accused by FIFA and US authorities	Bribery in connection to 2010 World Cup, and match fixing in Argentina
Chung Mong-Joon	Banned from football	Ethics violations in 2018 and 2022 bidding
Isaac Hayatou	Current Acting FIFA President	Reprimanded for receiving payments from marketing firms in 1990s, when in IOC
Angel Maria Villar	Fined	Did not initially cooperate with investigation into 2018 and 2022 bidding process
Geoff Thompson	Head FIFA dispute resolution	Nothing
Michel D'Hooghe	Head, FIFA medical committee	Cleared of ethical violations in 2018/2022 bid process
Ricardo Terra Teixeira	Resigned 2012, on being named for taking bribes, being investigated	Swiss authorities identified that he took money in 1990s from marketing company ISL; additional corruption charges
Mohammed bin Hammam	Banned from football	Alleged 2022 bribery bid; ethics violations
Senes Erzik	Still on committee	Nothing
Chuck Blazer	Banned from football; provided evidence to FBI	Racketeering, wire fraud, money laundering, tax evasion related to 2010 World Cup
Worawi Makudi	Suspended	2012 forgery in Thai federation election; allegedly sought bribes in 2018 bids
Nicolas Leoz	Indicted by US authorities	Corruption charges
Junji Ogara	Retired	Nothing
Marios Lefkaritis	Still on committee	Investigated for land deal with Qatari Investment Authority

will have the World Cup in the two biggest political powers. And everything was good until the moment when Sarkozy came in a meeting with the crown prince of Qatar, who is now the ruler of Qatar (Tamim bin Hamad Al Thani). And at a lunch afterwards with Mr. Platini he said it would be good to go to Qatar. And this has changed all pattern. There was an election by secret ballot. Four votes from Europe went away from the USA and so the result was fourteen to eight. If you put the four votes, it would have been twelve to ten. If the USA was given the World Cup, we would only speak about the wonderful World Cup 2018 in Russia and we would not speak about any problems at FIFA."

[452] ExCo members are chosen by confederations, which differs from how Prime Minister's select cabinets, however.

Jacques Anouma	Lost seat	Accused of receiving bribe in 2022 bidding process
Franz Beckenbauer	Stepped down 2011	Under investigation for ethics and corruption violations in 2006 and 2018/2022 bids
Rafael Salguero	Stepped down 2015	Nothing
Hanny Abo Rida	Still on committee	Nothing
Vitaly Mutko	Still on committee	Alleged complicity in Russian athletics doping scandal
Reynald Temarii*	Banned	Bribery in 2018/2022 bidding process
Amos Adamu*	Previously banned	Bribery in 2018/2022 bidding process

Note: * denotes that the individual did not vote in the bidding process because they had already been found guilty of bribery in the run up to the bid. *Sources:* Authors' compilation of information in media reports; we accessed multiple reports on each personality and triangulated across multiple reports. The goal was to ensure as much accuracy as possible in the final analysis. [453]

The allegations against ExCo decisions are not just what corporate governance studies call 'discrediting events'.[454] They are also a significant source of corporate risk for FIFA and, by extension, world football. Allegations of this kind of high level corporate corruption is one of the major sources of corporate crises and even failure.[455] This corruption creates opportunities for litigation about all aspects of corporate decision-making and corporate decisions, which imply major costs for the organization (in having to defend and perhaps settle legal challenges) and can lead to losses in business.[456] In some instances, these costs and losses put organizations—and their shareholders or members—under significant financial duress.

FIFA is already experiencing some of these material reputational costs, recording a 2015 financial loss[457] because of high legal fees and lost sponsors.[458] The losses have been registered for the

[453] Sources include the following media reports: http://www.theguardian.com/football/2015/dec/21/sepp-blatter-michel-platini-banned-from-football-fifa;http://www.theguardian.com/sport/2011/dec/08/lamine-diack-issa-hayatou-ioc; http://www.bbc.com/sport/0/football/34388545; http://fortune.com/2015/05/27/fifa-indictments-julio-grondona/; http://theworldgame.sbs.com.au/article/2015/10/26/chung-mong-joon-officially-withdraws-fifa-presidency-bid-0; http://www.dailymail.co.uk/sport/football/article-3080147/Tahiti-FA-chief-Reynald-Temarii-banned-eight-years-accepting-300-000-EUR-Mohamed-bin-Hammam.html http://fortune.com/2015/11/10/world-cup-scandal-beckenbauer/; http://www.theguardian.com/football/2015/may/27/fifa-corruption-crisis-key-figures-football;http://www.theguardian.com/football/2014/jun/01/mohamed-bin-hammam-timeline; http://www.fifa.com/about-fifa/news/y=2012/m=3/news=resignation-ricardo-terra-teixeira-1602953.html; http://www.espnfc.us/fifa-world-cup/story/2584154/judge-throws-out-leoz-request-to-halt-extradition-to-us; http://www.vanguardngr.com/2015/10/fifa-investigates-amos-adamu/

[454] Warsame et al (2002).

[455] Larkin (2002).

[456] Andrews et al. (2015) address this in responding to the FIFA situation: "Costs for responding to governmental inquiries can be substantial. The response and related internal investigation can involve collecting, reviewing and providing large amounts of documents. It can involve gathering necessary facts from employees and third parties. And it can involve legal fees incurred in those endeavors. For example, one company incurred $273 million in 2013 and 2014 in costs in connection with "inquiries and investigations," including with respect to… investigations into potential Foreign Corrupt Practices Act (FCPA) violations."

[457] See http://www.theguardian.com/football/2015/dec/02/fifa-67m-loss-crisis-governing-body

[458] As the Guardian writes, "Fifa's crisis has had serious financial consequences…[It] has suffered a £67m financial loss in 2015. A drop in income from sponsors – and huge legal bills following the corruption scandal – has led to the world governing body being hit hard in the pocket. Fifa's executive committee members were told on Wednesday the losses for the year totaled 103m Swiss francs (£67m), according to insiders. It is the first time the body has reported a loss since 2001. FIFA has so far been unable to replace its top-tier corporate partners Emirates and Sony as well as the second-tier sponsors Castrol, Continental, Johnson & Johnson, because of its now toxic reputation"

first time since 2001, when FIFA's loss related to failure of a marketing company that was also linked to corruption (again, history repeats itself to show that FIFA's commercial model is problematic). We see much greater potential loss and business interruption, however, if challenges are brought against past ExCo decisions. Countries that bid for past World Cups could sue FIFA for costs incurred in such bids, for instance.[459] It is also conceivable for countries that bid on past and impending events (in 2018 and 2022) to raise challenges about the legality and legitimacy of the impending hosting decisions.[460] Whether such efforts lead to a change in hosting rights decisions or not, they would disrupt preparation processes and lead to major costs for FIFA. They would also have potentially negative impacts on the risk perceptions of future potential bidding countries and of future potential sponsors and broadcasting partners. These impacts could be material for FIFA and the world football governing structure, given our earlier discussion about the dependence of FIFA and this structure on World Cup revenues.

The ExCo impropriety is thus a major source of financial and corporate risk, given the way it undermines the organization's reputation. The nature of this impropriety is systemic and not simply personalistic (as many suggest when arguing that the organization just needs a new President). As discussed, the financial transgressions we see in 2015 are repeat examples of what transpired in the 1980s and 1990s, when different people were involved.

This is also the view of various high profile reports on FIFA and related reform proposals,[461] all of which have targeted weaknesses in the ExCo procedures and structures and in the bidding processes for World Cups, broadcasting and sponsorship rights, and more. The reform proposals have recommended fundamental changes that would be considered standard in many organizations. These have centered on creating a modern board structure, for instance, with independent board members and transparent decision-making processes. The fact that these recommendations were needed makes it clear that FIFA's organizational structures are not up to modern standards or the demands of a billion-dollar entity. The fact that FIFA has not implemented many of the recommendations makes it clear that the organization is in even more trouble.[462] These failures to change have further damaged the organization's reputation.

Recommendations also target the role of the FIFA President on the ExCo, calling for term limits on this position and a variety of mechanisms that control and limit his or her power and influence. The recommendations about FIFA's presidency are pertinent to the other confederations as well. They raise bigger questions about the political structure of the Congress, however, and the degree to which FIFA's structures facilitate effective and accountable political representation for (and in) national association members.

(http://www.theguardian.com/football/2015/dec/02/fifa-67m-loss-crisis-governing-body).

[459] Reports suggest that Dutch, Belgian and English authorities who bid for 2018/2022 hosting rights were considering action in November 2015. We cannot verify the reports or offer views on the potential of any action. http://www.aljazeera.com/news/2015/11/151110210358367.html;http://www.telegraph.co.uk/sport/football/fifa/11960258/Sepp-Blatter-Fifa-planned-to-hand-Russia-World-Cup-finals-before-the-vote-had-taken-place.html

[460] Youd (2014).

[461] The most prominent of these proposals include reports by the Basel Institute and Mark Pieth (Pieth 2011), as summarized in FIFA's own 2012 strategy (FIFA 2012a). See also Pielke, Jr. (2013).

[462] Pielke, Jr. (2014).

FIFA's growth over the last two generations has made this political role a tremendously complex one, given large variations in members' interests and in the challenges faced across member associations. This complexity is similar to that found in federal structures in many governments; where a large number of different—and differently empowered and resourced—jurisdictions are convened to foster common political discussions and decisions. At present, the rules of engagement in these discussions and decisions see 209 individuals representing thousands of members of different associations voting in secret to determine important decisions—most notable being the identity of the FIFA president itself.

Unfortunately, various scandals have led to reputational problems for the Congress as well, often centered on these decisions. It has, in particular, been seen as a haven of patronage politics—where favors and finances are provided to members in return for votes and support. This charge is perhaps most commonly raised in respect of FIFA's presidential elections, where prominent observers point to 'vote buying' as common and influential.[463]

The claim is that candidates channel money and other favors to the individuals representing national associations—or to the national associations themselves—to garner support in key Congressional decisions (like presidential votes). It is argued that these payments do not have to be large to win over representatives in smaller and poorer nations—making it relatively cheap and easy to buy votes in such contexts. Many national associations fall into this category (as discussed earlier in this study); especially in regions like OFC, CAF, and CONCACAF. Many small and poor nations are in these regions, and their representatives enjoy the same voting power as representatives from larger and richer nations.

It is difficult to prove these claims in any conclusive fashion, and we are aware of a counter-narrative (that suggests the claims reflect something akin to Europhilia, or a bias in favor of European interests in global football). This view presents Sepp Blatter as a development-friendly FIFA president who expanded the coverage and membership of the organization to promote football in non-European contexts. Proponents of this view point to the growing non-European voting block in FIFA, and to 'large' development funds FIFA has provided to developing countries.

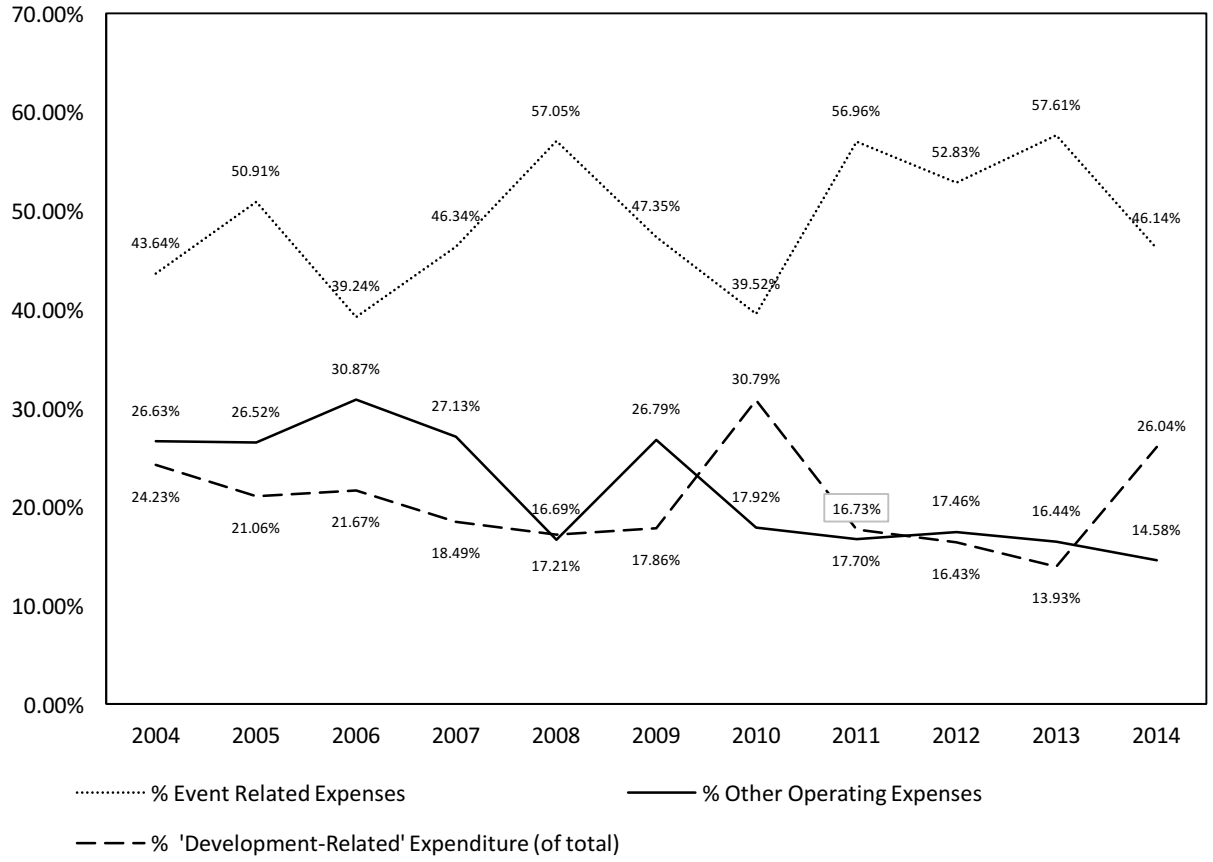
We do not agree with this view, however, and believe that claims of patronage and corruption in FIFA's political process have enough substance to undermine its moral reputation and leadership.

We see valid concerns about the way in which FIFA's development expenditures are allocated and overseen, for instance. These expenditures are shown (as a percentage of total FIFA spending) in Figure 39. This figure shows that they are quite erratic, rising in some years and falling in others. The years when they grew the most were 2006, 2010, and 2014. This is partly explained by the fact that these are World Cup event years, and FIFA provides additional allocations to its development budget (especially its Financial Assistance Program, or FAP) during these years. These are also the years immediately preceding FIFA presidential elections, however, which political science scholars might interpret as a potential sign of political patronage. This

[463] See comments by Owen Gibson of the Guardian, (http://www.theguardian.com/football/2015/may/29/sepp-blatter-fifa-crisis-election) and by Ian Ranson on Reuters (http://www.reuters.com/article/us-soccer-fifa-fiji-idUSKBN0OH22720150601) and Vivek Chaudhary on ESPNFC (http://www.espnfc.us/fifa-world-cup/story/2471101/fifa-elections-what-you-need-to-know).

interpretation is given further credibility when one considers that the increases in these years came from 'bonus' payments decided by the ExCo itself, headed by the FIFA President.[464] The interpretation makes even more sense when one considers that development expenditures tend to be significantly lower in other years (and fall below operational expenditure in every year but the recent years preceding or involving a presidential election).

Figure 39. FIFA's Development Expenditures as a Percentage of all Expenditure



Source: FIFA Annual Reports. Authors' analysis.

This may seem like a simplified and even unfair observation to some readers, who see the 2006, 2010 and 2014 bonuses as gainsharing from FIFA's World Cup windfalls. This rationale does not reflect the nature of 'development' spending, however. Development projects commonly take time to prepare and implement and achieve, and short term 'windfalls' are not easy to absorb or program into development budgets. If these bonuses were in fact facilitating more development initiatives, therefore, we would expect to see a more gradual and consistent rise in expenditures. This would involve national associations identifying new project proposals in 2010 when new 'bonus' allocations were approved, for instance, leading to the initiation of an expanded project

[464] The following link takes one to the December 2014 FIFA circular notifying national associations of the bonus. http://resources.fifa.com/mm/document/affederation/administration/02/49/61/02/circularno.1463-fifafinancialassistanceprogramme2015(fap)andbonusrelatingtothe2011-2014financialresultsregulationsandadministrativeguidelinesfor2015_neutral.pdf

set in 2011, and expanded project spending in 2012, 2013, and 2014—given that most projects have a four or five-year time horizon.

We do not see evidence of this kind of project spending at all; in fact, we see a spike in spending in the year that bonuses are announced and declining expenditures in the following years. This either means that FIFA's accounts are only reflecting political announcements (and not real spending) or that the spending is happening extremely quickly (and thus fails to reflect characteristics of real development spending). Either alternative would arguably indicate patronage motivations behind the spending (where money is promised to association heads a year before elections).

Another reason why we question the motivation behind this spending relates to the activities it supports. In its 2015 'Frequently Asked Questions' document, FIFA notes that the Development Committee vets different project proposals from national associations and thus "the same investment is not made for each member association."[465] This is not what we observe, however. We examined FIFA's own database of projects supported in thirty different countries and found that over 80% of these national associations used FIFA money primarily to build an association headquarters with attached technical center and attached synthetic pitch.[466] Money is also spent on other objectives (especially through FAP, which is harder to track because it seems to finance a lot of operational expenditures in many associations).

The fact that FIFA money seems to commonly finance the same kinds of infrastructure projects in most countries is curious, however, and contradicts FIFA's explanation of its program. It is also telling that the projects funded by this money tend to benefit officials in the national association most directly. Funding association headquarters is like allocating money to a political district so that the member from that specific district can build themselves a better office.

We also question FIFA's development spending record because of a lack of oversight in this area. Media reports frequently point to unfinished projects or projects that did not get off the ground (even after budgets were drained). Beyond these reports, FIFA itself has recently pointed to 'major deficiencies' in the accounting and reporting of development projects.[467] Acting Secretary General Markus Kattner listed these in a 2015 report, as including: having no special bank account to receive FIFA funds, ill-defined signatory powers, poorly documented expenses and cash payments, weak monitoring of payments to related football parties (leagues, clubs and such), unapproved expenditures, and non-compliance with local laws and regulations regarding taxes and employee payments. These deficiencies are not surprising given the weak financial management capabilities in many national associations (as discussed earlier in this study). It is, however, surprising that these deficiencies are fostering serious regulatory responses in FIFA only in 2015. There has been limited (to no) response previously, even though the organization has provided over US $1 billion in development funding in prior years.

[465] FIFA (2015b, pages 5 and 6).
[466] See FIFA's database of projects: http://www.fifa.com/development/facts-and-figures/index.html
[467] http://www.insidethegames.biz/articles/1032340/major-deficiencies-in-record-keeping-for-2015-fifa-development-payments

Part of the problem, we believe, is that FIFA reports only on how much spends in this area—considering more spending as more success—and ignores the impact of this spending.[468] Another part of the problem is the low level of regulatory enforcement capacity FIFA enjoys. A number of regulations and policies exist to 'ensure the proper implementation of [FIFA] development projects.'[469] We do not see sufficient evidence of staffing or resources dedicated to enforce these regulations, however, evidenced in part by a low rate of project audit (only 20%). One can compare this to the levels of oversight one typically finds in development projects funded by agencies like the World Bank—where a permanent team produces annual (or more regular) updates for projects; and procurement, accounting and audit specialists work on all projects.

Such observations suggest that FIFA's development spending record is not a strength, but actually contributes to its negative reputation. At best, the organization appears irresponsible with its funds. At worst, it seems that the funds are being used to foster patronage-based politics, which undermines the reputation of the Congress.

This discussion brings us to address another area where FIFA struggles from a reputational perspective. This relates to weaknesses in FIFA's financial regulatory capacity. As noted, we see regulation as one of FIFA's three areas of operation and engagement (alongside its political and commercial roles). FIFA is the world's governing body and has the main role in regulating the game at the global level. We believe confederations could have a similarly structured three-role mandate, with a regional focus (although some observers question whether these bodies have a regulatory mandate, we point to UEFA's FFP intervention as a regulatory engagement with perhaps more impact than any other we see in football—there is no reason other confederations could not follow UEFA's example in exerting such regulatory requirements).

FIFA's approach to this regulatory role has largely focused on creating regulations. There are 66 different regulations on FIFA's web page , covering areas like the 'rules of the game', 'tournament regulations', 'regulations governing international matches', 'equipment regulations', and 'Transfers, Player's status, Clubs, Agents Regulations'.[470] Regional confederations and national

[468] FIFA (2015b, pg. 6) outlines 'FIFA's main development achievements to date' and focuses on what has been spent and the number of projects funded. There is no reflection on the projects completed or impact of such.

[469] Our language draws directly from FIFA's FAQ document on development activities, as referenced previously.

[470] The full list of regulations (with some archived regulations included) is available at http://www.fifa.com/about-fifa/official-documents/law-regulations/index.html#doctransfersreg. It lists the following regulations (by category): *General regulations:* FIFA Organisation Regulations; FIFA Code of Conduct; Standard Cooperation Agreement; National Dispute Resolution Chamber (NDRC) - Standard Regulations; Standard Electoral Code; FIFA Code of Ethics; FIFA Disciplinary Code. *Laws of the Game:* Beach Soccer Laws of the Game; Futsal Laws of the Game; Laws of the Game 2015/2016. *FIFA Tournament Regulations:* Regulations for the Olympic Football Tournaments 2016; Regulations FIFA U-20 Women's World Cup Papua New Guinea 2016; 2018 FIFA World Cup Russia – Regulations; FIFA Futsal World Cup Colombia 2016 – Regulations; Regulations FIFA Women's World Cup Canada 2015™. *FIFA Regulations Governing International Matches:* Regulations Governing International Matches; Application form for hosting a tier 1 match or competition; Application form for hosting a tier 2 match or competition; Application form for participating in a tier 1 match or competition; Application form for participating in a tier 2 match or competition; Association report form; List of players form; Referee report form. *Miscellaneous Regulations:* Unsolicited Submission Policy; Canada 2015: Guidelines for use of FIFA's Official Marks; Canada 2015: Public Viewing License Fee*;* Terms & Conditions for FIWC 2012*;* FIFA Public Viewing Exhibition Licence (All Territories Except Colombia)*;* FIFA Regulations For Non-Commercial Public Viewing Exhibitions (Territory: Colombia)*;* FIFA Commercial Public Viewing Exhibition Licence (Territory: Colombia)*;* FIFA Public Viewing Exhibition Licence (All Territories Except Mexico)*;* FIFA

associations have many other regulations on their websites and under their watch, related to club registration, player behavior, and more. The content of many such regulations is impressive, and one imagines that the regulations would have a significant impact on the kinds of risks and challenges discussed in this study (and others) if they were effectively implemented and/or enforced. Herein lies the problem, however. We do not see the financial or organizational commitment in FIFA or the other governing bodies to resource and enforce the many regulations they have created. This is not uncommon for governing bodies like regulatory agencies or governments—where we see many laws and rules un-implemented and ineffective.[471]

A primary reason for this lack of regulatory impact is the failure to provide the means required to give regulations life and effect. Governments will pass laws against corruption, for instance, and announce the creation of an anti-corruption agency, but they will not hire any (or enough) agents to work in the agency, or provide the agents with resources to use in investigating and pursuing cases they deem important. We have called this the dilemma of having 'good or good looking government'—where the former entails actually financing and supporting the implementation and enforcement or regulations while the latter just involves having the regulations and hoping for the best.[472] We believe that FIFA has taken the latter approach to its regulatory role; it passes regulations, engages minimally with those who are meant to comply with the regulations, provides very little oversight, and relies on self-compliance and even self-reporting of violations (or at least reporting from other stakeholders).

We believe that it is possible to take a light touch regulatory position like this when those being regulated are a small, homogenous group; and where the behavior being regulated is easy to see and can thus be monitored relatively simply; and where those being regulated have common interests in complying with the regulations; and where those being regulated have common and

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Commercial Public Viewing Exhibition Licence (Territory: Mexico)*;* FIFA Regulations For Non-Commercial Public Viewing Exhibitions (Territory: Mexico)*;* Football Stadiums: Technical recommendations and requirements - 5th Edition*;* Regulations on the Organisation of Refereeing in FIFA Member Associations*;* Regulations Governing the Admission of Associations to FIFA*. Equipment Regulations:* Guide to the Artificial Lighting for Football pitches*;* FIFA Stadium Safety and Security Regulations*. Transfers, Player's status, Clubs, Agents Regulations:* Regulations on the Status and Transfer of Players (October 2015)*;* Rules governing the Procedures of the Players' Status Committee and the Dispute Resolution Chamber (2015)*;* Technical bulletin - FIFA Club Protection Programme*;* Regulations on Working with Intermediaries*;* Club Licensing Regulations*;* Commentary on the Regulations for the Status and Transfer of Players*;* Match Agents Regulations*. Archived regulations:* Regulations on the Status and Transfer of Players (April 2015); Regulations on the Status and Transfer of Players – 2012; Rules governing the Procedures of the Players' Status Committee and the Dispute Resolution Chamber (2014)*;* Regulations on the Status and Transfer of Players (2014)*;* Rules Governing the Procedures of the Players' Status Committee and the Dispute Resolution Chamber (DRC) (2010); Regulations on the Status and Transfer of Players – 2010*;* Regulations for the Status and Transfer of Players (2008)*;* Rules Governing the Procedures of the Players' Status Committee and the Dispute Resolution Chamber (DRC) (2008)*;* Players' Agents Regulations (2001)*;* Regulations on the Status and Transfers of players (October 2009)*;* Players' Agents Regulations (2008)*;* Rules Governing the Procedures of the Players' Status Committee and the Dispute Resolution Chamber (DRC) (2005)*;* Annex 6 of the Regulations for the Status and Transfer of Players: Rules for the Status and Transfer of Futsal Players*;* Regulations for the Status and Transfer of Players (edition July 2005)

[471] For a discussion of this issue in respect of many governments, see Andrews (2013).

[472] See discussion of 'good or good looking government' in respect of reforms to improve transparency in developing and developed country governments at http://matthewandrews.typepad.com/mattandrews/2013/05/good-or-good-looking-governance-that-is-the-question.html

sufficient capacities to comply with the rules. These are not the characteristics we see in global football—whether one is looking at governing bodies or clubs or partner organizations. The regulatory environment is complex and requires much more activist and engaged regulation than is currently being provided.

FIFA itself shows an awareness of this, in its recent efforts to engage more directly with regulations. The organization ramped up the regulations required for associations to access development funds in recent years, for instance, and also engaged the services of an accounting firm (KPMG) to identify capacity weaknesses in national associations and to train officials in these associations to comply with national regulations.[473] Similarly, FIFA put more investment into monitoring compliance with its transfer regulations when it created the FIFA Transfer Matching System and the FIFA TMS company (in 2007, with initial operations starting in 2012).[474] These examples also show the limits of FIFA's commitment in regulatory enforcement, however:

- Our first observation in looking at the accounting regulation efforts is that the KPMG engagement only began in 2013 (we believe), after at least a decade of development financing (and where the problems identified in 2013 have been evident to observers for this entire period). Second, the KPMG engagement has been very limited, to 13 training sessions in new accounting, corporate governance and related regulations (as described for the period between end 2013 and end 2014 in the FIFA activity report).[475] Third, FIFA also claims to audit up to 20% of its development projects, but it has a very small in-house staff for this work. One can contrast this with work by organizations like the World Bank, where audits cover most (if not all) projects, capacity building work is continuous, and staff are permanently working on ensuring compliance with regulations in all projects.
- Our second observation pertains to FIFA TMS, which has done incredible work providing data on cross-border transfers in the past few years. It is, however, seen as a stand-alone entity (created as a for-profit firm) and is increasingly required to produce its own revenue. Its staffing complement is small as a result, and focused predominantly on gathering transfer data, ensuring these data are effectively managed in a system, and packaging these data for external consumption (and sale). The fact that these data provide the fundamental basis for monitoring compliance with transfer regulations seems to have been lost in thinking about this role. We do not see any evidence that the organization can actually act effectively in following up on potential violations it sees when collecting these data, or provide enough spot checks to ensure compliance, and more. It simply lacks the resources for such role.

Beyond these examples, we see FIFA's failure to engage as a regulator most obviously in the treatment of agents in transfer processes. The organization created far reaching regulations in the 1990s, centered on many aspects of the player agents' role: including qualification, registration, remuneration, reporting, and more. These regulations were replaced in 2015 with a much simpler set of rules that no longer speak of agents but rather refer to intermediaries. The new rules provide a very simple set of requirements related to registration and reporting (predominantly) and require enforcement by national associations. Observers have responded

[473] See the FIFA 2014 Activity Report at http://issuu.com/fifa/docs/fifa_activity_report_2014_en
[474] See the history of TMS at http://www.fifatms.com/en/Company/History/
[475] See the FIFA 2014 Activity Report at http://issuu.com/fifa/docs/fifa_activity_report_2014_en

to these requirements with puzzlement, as reflected in the following excerpt from a July 2014 Asser International Sports Law blog post:[476]

> With the game of football becoming ever more globalized and with an ever increasing amount of international transfers of players, regulating the profession of agent/intermediary at the national level is becoming increasingly difficult. In this context, FIFA has adopted a surprising orientation by delegating the responsibility to regulate the profession to the national associations.

FIFA claimed that the prior regulations failed because they attempted to control agents rather than agents' behavior.[477] It appears that this was difficult to do, and the weak implementation of the prior regulations led to compliance failures. Our observations are that FIFA never effectively costed out the practical implications of having these demanding regulations, and thus never gave the regulatory regime any chance of succeeding. Its response—to effectively deregulate or delegate regulatory responsibilities to (in many cases) poorly capacitated national associations—shows that it is still not willing to take on this kind of resourcing commitment. We see this as a major problem for global football, given that these kinds of regulatory issues are global in nature (and need to be treated as such) and most of the national associations have even less capacity than FIFA (so will not, we are sure, be able to administer this kind of process).

This will become a bigger issue if FIFA—or whichever agency exists in future to govern world football—adopts any of the measures included in earlier sections of this study. We believe that more global regulation is needed—in transfers, club and league registration, and more. We believe, however, that this regulation needs to be properly implemented and enforced. This means having a governing body that prioritizes its regulatory role and separates this from its commercial arm—in financial and organizational terms. Football will continue to suffer significant social and moral reputational challenges without such commitment, which will ultimately continue to undermine its financial integrity.

Addressing the Status Quo

There are many other social and moral issues we could have discussed in this section—including racism in football and other forms of discrimination. Some of these issues have distinct financial integrity connections, like those we do examine, and require more attention. Even with our limited view, however, we are not left with a very positive perspective of football's social responsibility and moral reputation. We see some efforts at spending in a socially responsible manner by richer clubs and associations, FIFA and some confederations. However, these efforts are not as formalized as they could be—with poorly defined financial commitments to activities, and a lack of impact evaluation. Social responsibility measures also fall short in the area of environmental protection and in respect of the demonstrated value orientation of football's high

[476] Titled 'A Short Guide to the New FIFA Regulations of Working with Intermediaries'. Available at: http://www.asser.nl/SportsLaw/Blog/post/a-short-guide-to-the-new-fifa-regulations-on-working-with-intermediaries

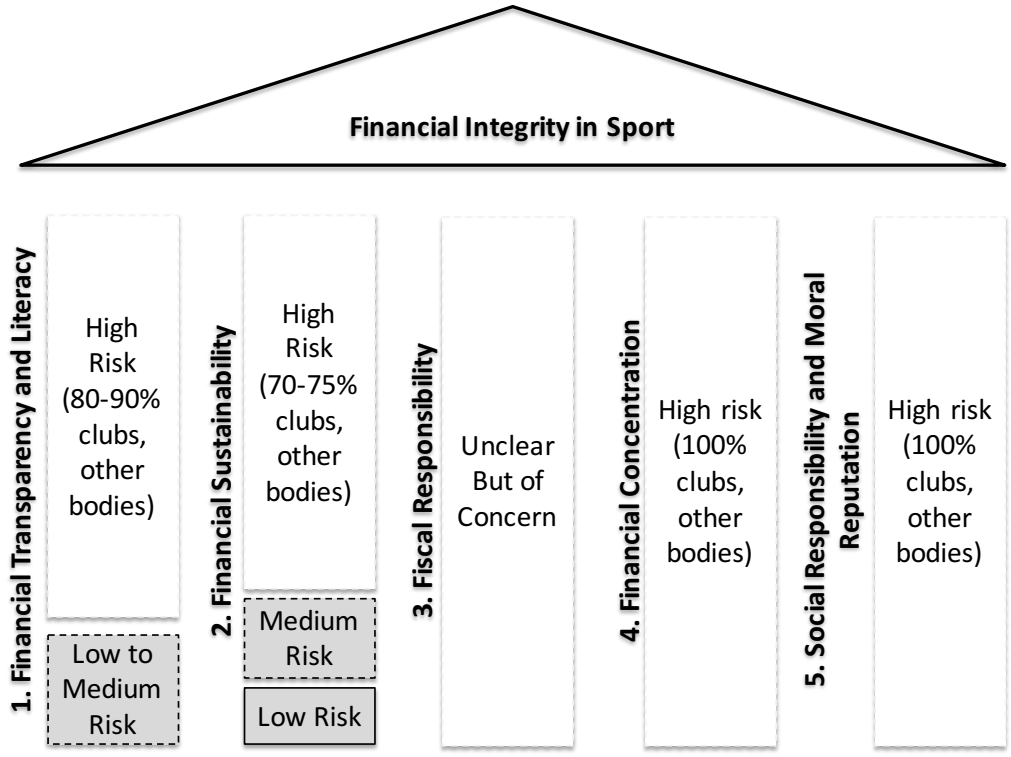
[477] See FIFA's announcement of the regulations: http://www.fifa.com/about-fifa/news/y=2014/m=3/news=fifa-executive-committee-approves-regulations-working-with-intermediarie-2301236.html

income earners; many of these draw criticism because of the business partners they work with (like sponsoring companies, tournament hosts, and more).

The moral responsibility questions facing football are even greater. The sector is highly vulnerable to morally questionable practices like match fixing, money laundering, and trafficking, but we do not see sufficient response to the issues from footballing organizations themselves (in terms of committed money, time, staff and authority). This brings us to concerns about moral leadership and reputation. FIFA and the other governing bodies have completely undermined the legitimacy of their political and commercial roles, and have not done enough to fulfil the regulatory roles they should be playing. We believe that FIFA's recent corruption crisis would be fatal in many organizations—few governments or companies would survive if most of the cabinet or board were implicated in impropriety the way that FIFA's has been. We also believe that FIFA's recent crisis introduces significant reputational risks to football and that these should be expected to translate into financial costs; one would expect significant legal challenges to all decisions made by a corporate board or governing body subjected to the kinds of claims facing FIFA.

Given this analysis, we conclude that football's social and moral responsibility and reputation pillar is weak, and highly compromised. This is shown in Figure 40, where we suggest that football as a whole is compromised: the FIFA lapses and morality concerns overwhelm any advances in social responsibility we do see, and place football at serious reputational risk.

Figure 40. Football's Weak Social Responsibility and Moral Reputation Pillar



Source: Authors' rendition.

Many astute and thoughtful commentators, experts and football lovers have offered ideas and recommendations to address football's weaknesses and strengthen the game's reputation. We

have cited a range of these people throughout this study, and do not feel that there is much new to add to the list of proposals they contribute. We also agree with leading commentators like Roger Pielke Jr. that the solutions are undermined by the situation within FIFA. He notes that, "FIFA demonstrated time and again that it has essentially no hierarchical, supervisory, peer or public reputational accountability, and minimal fiscal accountability. This means that efforts to reform FIFA from within or as a consequence of pressure from governments, the public, the media or watchdog organizations are unlikely to result directly in any significant change."[478]

In the face of what seem to be deeply embedded structural weaknesses underlying FIFA's failures, we do not see an easy path to change. In many respects we are dealing with a situation described in Gandossy and Sonnenfeld, where "groupthink, obedience to authority, bystander apathy and confused incentive systems" have created a toxic governance arrangement in football. Unfortunately, we agree with Gandossy and Sonnenfeld when they conclude that, "There are limits to economic, accounting and legal remedies" in such situations.[479]

Given such view, it is sobering to ask, "What can one do?" We make some recommendations here in an effort to contribute to an answer to such question. In doing so, however, we are mindful that the biggest question relates to the future of FIFA and the rest of world football's governing structures. Any recommendations we propose hinge on the question, "who does that?" which always comes back to the answer "FIFA/UEFA/national associations." We have identified these actors as playing key roles in the future of football throughout this study. But we do not think that their future should be taken for granted, and wonder if the scope and severity of football's current financial integrity problems create both the need and opportunity to rethink governance and leadership in world football at a more fundamental level than before. Is there a need and opportunity to do away with FIFA, and the structures that created and give FIFA life?

This is an important question that seems to run counter to a common rule of change and reform, which stresses the importance of "always starting with what is there."[480] We do not see a conflict, however, in that we believe that there is a lot more "there" in today's football community than was present when FIFA and the other governing bodies emerged in the 1930s: players' unions, organized supporter groups, club and league associations, and more. These entities could and should have more to do with football's future than they have with its past.

Our ideas for the future fall in three categories, reflecting the preceding analysis: (i) strengthening social responsibility in football's finances; (ii) strengthening moral responsibility in football's finances; and (iii) reimagining and strengthening football's moral reputation and leadership.

Strengthening Social Responsibility in Football's Finances

Social responsibility is increasingly important in all sectors of the economy. It is also important in football, given responsibilities to community and to the sport and other social issues. We propose four ideas to strengthen the way football clubs and other organizations engage with their social

[478] Pielke, Jr. (2013, pg. 265).
[479] Gandossy and Sonnenfeld (2005, pg. 228).
[480] See Andrews (2013, chapters 7 and 8).

responsibilities. These are designed to ensure that engagements are effective and foster a positive reputation in football, which we believe will translate into financial integrity as well.

SR&MR 1. Clarify the social responsibility expectations in football.

One cannot expect the same social engagement from all organizations involved in football. Our analysis suggests that many clubs and other entities have such limited resources that they cannot even pay their own bills and taxes. These entities cannot be expected to invest significant money in their communities. In contrast, other wealthier entities could (and should) be expected to engage aggressively, paying back on the past investments of generations of fans and players and communities, and offsetting the social, environmental and other costs associated with the business of producing football-related products.

It would be useful to clarify expectations for football-related entities in this area, given their different circumstances. This could involve specifying appropriate ways in which different clubs, governing bodies and others are anticipated to engage with society. Lower-revenue local cubs might be slated to provide in-kind contributions to their local communities, for instance, whereas larger clubs might be slated to provide specific levels of financing (a percentage of revenues, for instance) doing a broader swathe of activities (working with their communities, and the communities from where players come, and attending to larger social issues like the environment). The same clarity could be provided for entities like UEFA and FIFA, where social responsibilities are matched to the business of the organization (with environmental considerations stressed in both cases, for instance, given the environmental costs associated with the large tournaments they draw revenue from).

This exercise could be done by national associations or league bodies (on behalf of clubs) and would probably benefit from partnership with supporter groups. The exercise will be useful for the football community, which is currently not directed in any real way in how to engage with social issues. Clarity could help this community direct resources more effectively and also communicate about its work. These gains will be key to ensuring that resources invested in social responsibility initiatives have greater impact and promote reputational gains.

SR&MR 2. Formalize social responsibility programs in richer clubs and governing bodies.

Beyond clarifying general social responsibility strategies, we see significant room for improvement in the way larger clubs and bodies like FIFA and UEFA promote social responsibilities. These organizations should be budgeting more explicitly for activities in this area, showing how much they are 'investing' in such issues. They should also be creating strategic long term partnerships. Most importantly, they should be evaluating the impact of their activities and publishing the results of these evaluations.

These steps would indicate a seriousness about social responsibilities and assist in improving the impact of activities in this area. This recommendation is obviously targeted at individual clubs and organizations, but could be acted upon by league bodies and even supporter groups as well—who could create the demand for such formality. We are particularly interested in the lessons

from leagues that have already formalized their corporate social responsibility activities through mechanisms like dedicated foundations. [481]

SR&MR 3. Strengthen linkages between footballing entities and civil society.

By nature, social responsibility activities link football entities to civil society (where the activities are either being provided alongside civil society or consumed by civil society or evaluated by civil society). Most of the corporate social responsibility initiatives we researched were surprisingly weak in terms of these linkages, however. There were few explicit mechanisms in place to partner with civil society organizations or to attain civil society stamps of approval (in areas like environmental engagement, for instance, entities like FIFA have their own programs in place but have not committed to gaining 'green' accreditation for World Cup tournaments). We believe that bigger clubs and organizations like FIFA could benefit a great deal (substantively and in reputation) by engaging more actively with civil society. This could be through surveys of supporter sentiment (about social issues) to help direct social responsibility engagements. It could also involve working with civil society entities to produce indexes of social responsibility (to report on activities). It could also involve working with civil society entities in defining social responsibility activities and then evaluating the impact of such (instead of just working alone). These kinds of interactive initiatives will foster better impact and trust and could be undertaken by individual clubs, or groups of clubs working together, or larger bodies like FIFA and UEFA[482] (that currently engage in many social responsibility initiatives alone).

SR&MR 4. Clarify and report on social values underpinning football's governance regimes.

Our most negative comments about social responsibility initiatives in football relate to the apparent lack of social values underpinning financial engagements. Most bigger clubs and organizations like FIFA and UEFA lack clear business principles to inform choices in financial relationships (with sponsors, tournament hosts, and more). A number of these choices have been criticized by different sets of stakeholders, leading to claims that football clubs and other entities do not support public health initiatives, or care for human rights, and more. These claims may only have a reputational impact, but as we suggest, 'reputation matters'. Football should not have the reputation of being all about money. One way to address this issue involves introducing business principles into the sector. This has been done in other areas of the economy, where

[481] See, for instance, the work in this respect through a pioneering structure at the German league foundation: https://www.google.fr/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0ahUKEwik9I6Sqb3KAhXHChoKHYxmBdwQFggkMAE&url=https%3A%2F%2Fwww.bundesliga-stiftung.de%2Fdownload%2Ffile%2Ffid%2F807&usg=AFQjCNFR0KpMtLWA5u2nD_0G9sLMWt6XXg&cad=rja).
Further information on CSR commitments of Europe's richer clubs and leagues is available in the European Club Association's Community & Social Responsibility publication (A collection of ECA Member Clubs' CSR Projects) http://www.ecaeurope.com/Research/ECA%20Community%20and%20Social%20Responsibility/ECA%20CSR%20Publication_low%20res.pdf

[482] We recognize that some organizations are already in partnerships, and believe that lessons from these initiatives will be valuable for the community in general. UEFA, for instance, is working with a various civil society organizations (see http://www.uefa.org/MultimediaFiles/Download/uefaorg/General/02/26/52/56/2265256_DOWNLOAD.pdf).

extant examples offer specific ideas. The ten principles of the UN Global Compact[483] are a example, directing businesses towards specific values in their financial (and other) dealings:

- Human rights: 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence, and 2. make sure that they are not complicit in human rights abuses.
- Labour relations: 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, and encourage, 4. elimination of all forms of forced and compulsory labour, 5. effective elimination of child labour, and 6. elimination of discrimination in respect of employment and occupation.
- Environment: 7. Businesses should support a precautionary approach to environmental challenges, 8. undertake initiatives to promote greater environmental responsibility, and 9. encourage development and diffusion of environmentally friendly technologies.
- Combating corruption: 10. Businesses should work against all forms of corruption, including extortion and bribery.

Another examples comes from the OECD guidelines for multinational enterprises, which suggests themes that such enterprises should adhere to in business dealings. These are shown in Table 20 and would be challenging for entities like FIFA (especially if applied aggressively to the selection of World Cup hosts, sponsors, and more).

Table 20. Themes in the OECD Guideline for Multinational Enterprises

General principles: Respect of human rights; Enhancement of human capital by creating employment, promoting employee education and training; No discriminatory or disciplinary measures against employees who in good faith report to management or relevant authorities practices which infringe law, guidelines or company policy; No demands for exemptions from ecological, social standards; No improper involvement in local political activities.
Disclosure of information: Regular information on activities, structure, financial situation, business results; High quality standards in reporting, accounting, auditing; Publication of basic information on parent company and its main affiliates, its percentage ownership (direct or indirect) in affiliates, including shareholdings.
Employment/social partners: Worker rights for trade union representation; Abolition of child, forced labour; Ban on discrimination; Promotion of effective collective agreements; Duty of information vis-à-vis workers and their representatives; Employment of local personnel /training measures to improve the level of qualification.
Environment: Establishment of an environmental management system ; Information to the public and employees about the possible impact of the company's activities on environment, health and safety; Drafting of crisis plans, in order to prevent serious damage to environment and/or health; Training of workers.
Combating corruption: No payments to officials, employees of business partners; Management control systems discourage bribery and corruption; No illegal donations to candidates for public office, political parties.
Consumer interests: Ensure product safety; Precise, clear product information; Handle complaints effectively.
Knowledge and technology: Promotion of know-how transfer.
Competition: No anti-competitive agreements.
Taxation: Punctual payment of tax debts.

Source: http://www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html

We propose that all of football's governing bodies adopt a version of these principles, and clarify how these principles will impact decisions—including the kinds of sponsorship relationships they will entertain, who they choose as leaders, and the social factors they will consider in determining

[483] See http://www.unglobalcompact.org; http://www.icc-deutschland.de/icc/frame/gc_index.htm; http://www.gtz.de/de/leistungsangebote/2677.htm

who hosts tournaments. Organizations like FIFA and even some national associations will probably claim that they have already done this. They will point to organizational mission statements and even Codes of Ethics and other devices in so doing. All this proves is that they may have adopted some list of principles like those shown above *on paper*. There is no real evidence that these principles have actually penetrated the decisions and behavior of governing bodies, however (and the discussion we offer suggests reasons to believe that this is still a major reputational problem for football). In response to this, we also propose that football's governing bodies report at least annually on how these principles have impacted their key decisions. This reporting should cover all sponsorship, hosting, and broadcasting deals, showing that due diligence was done in respect of considering business principles before entering into relationships and transactions.

This sounds like an aggressive idea, but it is actually very appropriate for a member-based organization that should be transparent about the basis of its decisions. It is also appropriate for governing bodies that need to constantly establish and guard their legitimacy. It is also appropriate for organizations that are more than economic entities or businesses and that represent specific social groups with social and moral interests. The football community is an example of this kind of group, with interests, and members of the football community deserve knowing what governing bodies are thinking about and responding to when making decisions.

Strengthening Moral Responsibility in Football's Finances

Our analysis of moral issues in football focused on match fixing, money laundering and human trafficking. We identified specific issues in each area, but also revealed common critiques. The ideas we propose center on these common critiques (leaving the specificities in each area to other work, as cited). We have four ideas for moving ahead in addressing the moral issues.

SR&MR 5. Produce systematic information on the immoral practices plaguing football.

It is extremely difficult to make a case for significant investment in addressing moral concerns without evidence of the impact these practices are having on football. It is also difficult to promote focused responses to these concerns without specific evidence of how and where they manifest. Given this, we simply do not presently have the data to motivate concerted and focused responses to match fixing, money laundering and human trafficking in football. As a result, we believe there is a need to invest in producing and providing systematic information on these practices. This will require creating dedicated research teams that have both financial resources to gather data and authority to work with law enforcement, customs and other officials in key countries. A study on human trafficking in West Africa could, for instance, record the number of males leaving the country over a period of time, the reason for leaving, and if and when they return. This could even allow tracking of the individuals when they arrive in other countries (if research offices are set up in common destinations in Asia and Europe, for instance). This kind of study would go a long way to prove whether these moral problems are as large as some suggest, and mobilize lessons and energy behind solving them. The studies could be done by academic or other entities, but would need significant funding and official support (by governments and governing bodies in football). We do not expect the emergence of dedicated and effective efforts to address the immoral practices in football without such evidence-based work.

SR&MR 6. Introduce risk based approaches to tackle immoral practices in football.

The existing data on match fixing, money laundering and football trafficking are useful in pointing to specific vulnerabilities in the football sector. Particular transactions seem to attract money laundering activities, for instance, because of their informality and given the 'dark spaces' in which they are undertaken. Certain leagues and events seem more open to match fixing as well, given the opportunities and circumstances in which they are played and the economic conditions that exist. Certain immigration routes seem more likely to be used for trafficking as well.

Risk-based approaches to addressing these practices could build on this kind of evidence, informing carefully targeted strategies and interventions. These approaches would be evidence-based, and draw on existing technology and information. For example, even though it is controversial, technology exists to identify match fixing events (and perhaps even forecast vulnerable matches) and could be leveraged more than it is at present.[484] Similarly, technology could be used to create a money laundering risk-analysis based on the factors identified in the Financial Action Task Force report (2009).

We propose this approach because we believe there is enough information in existing literature on these subjects to inform more strategic responses than we currently see are in place. Our idea is simply to bring those who have done this work together with risk management professionals and technology buffs to ensure that the good conceptual and theoretical work yields practical products. This work could be led by governing bodies in football or by interested civil society organizations or even law enforcement bureaus.

SR&MR 7. Build purposeful networks to tackle immoral practices in football.

The ideas in SR&MR 5 and 6 raise two key questions: (i) Who will do this? and (ii) How will all the necessary parties be engaged (across professions, borders, and more)? These are the hardest questions to ask in respect of all three moral issues discussed in this section. The issues are not just football issues, and are not issues that can be addressed effectively in any one national jurisdiction. This means that there is no one entity capable of solving such problems. Partnerships and linkages are required to even mount a process of learning about these problems (as proposed in SR&MR 5), let alone addressing the problems (as proposed in SR&MR 6).

In recognizing this, we propose that purposeful networks be built to tackle the immoral practices we have discussed. These networks should be 'issue specific'—tackling money laundering in football, for instance, or human trafficking in football. They could also be region-specific in some instances (tackling risks of these practices in some regions, for example). They would bring together football clubs and governing bodies, law enforcement agencies of various types, and civil society groups (with the earlier mentioned New Zealand anti match fixing coalition providing a good example to follow, of who should be involved).

The coalitions will need to work together for long periods of time, and on the basis of real evidence and a focused strategy (such that all coalition members can actively report back to their home organizations about why they are involved and what the results are). These kinds of coalitions will be difficult to create, especially in a (relatively) narrow area like football (given the

[484] Examples include Sportsradar, Betgenius or FIFA-run EWS.

bigger issues currently keeping many of the interested parties busy, like international terrorism). We do not see much chance for real impact if the linkages cannot be created, however, and therefore suggest that entities in the footballing community consider teaming up with representatives of other sporting codes to build broader coalitions. These communities may be big enough to mobilize government attention and commitment in the face of other challenges.

SR&MR 8. Increase the financial investment to tackle immoral practices in football.

The ideas in SR&MR 5, 6 and 7 raise one last fundamental question: Who will lead these initiatives, financially and politically? It will be expensive and it will be demanding, on time and energy. Up to now, we simply do not see finance or leadership of this type involved in combatting the issues we discuss. Various civil society organizations have attempted to take the lead in some instances, but typically lack the legitimacy and/or finances and/or contacts to lead effectively. Given this, we see an urgent need for football's global governing bodies to step up and make these issues priorities. This would mean creating a political and financial commitment to tackling practices that have to date been decried in speeches and written policies but not in meaningful, well-resourced strategies. An effective response to such idea would involve the publication of a clearly determined initiative, with budget and personnel, strategy and results metrics. This needs to be led by a global governing body, within football, that can create the connections described in SR&MR 7. Until such leadership emerges, we suspect these immoral practices will continue to fester and perhaps even grow, and ultimately warrant even more intervention by authorities outside of the sports world (like the United States and Swiss law enforcement bureaus that investigated money laundering in FIFA in 2015). We believe that football's interests will be better served if leadership on such issues came more effectively from within the sector, bringing outside actors in where necessary but focusing attention on making football a less vulnerable sport.

Reimagining and Strengthening Football's Moral Reputation and Leadership

Our last set of ideas relate to the moral reputation and leadership of football's governing bodies, especially FIFA. This is a most important area of concern for football. The sector has grown substantially in recent decades, and needs significant global leadership now and in the future to address emerging challenges. This leadership must be legitimate and visionary, and grounded on a strong reputation—for moral behavior and responsible activity. FIFA as we know it fails to meet this standard. It has become a symbol of all that is wrong with football and lacks the legitimacy to lead reforms needed to secure financial integrity in the game. This leaves a leadership void in the footballing sector. We have seven proposals to address such void, providing a new way of thinking about and structuring global governance in football.

SR&MR 9. Reimagine football governance: lessons from the past, a vision for the future.

Our first proposal is targeted at observers and policy makers trying to make sense of the 2015 FIFA scandals. We propose a response that is neither too rash (responding too hastily to media-driven reports) nor too defensive (allowing the status quo to continue with only minimal change, like rearranging the chairs on the proverbial Titanic). Recent and past events offer many lessons about the deficiencies in FIFA that can help inform future governance reforms. The organization's leadership has been too powerful, for instance, and not transparent enough. ExCo members have been allowed to engage in too many compromising activities. Development funding has been too

poorly monitored. Internal and external voices of dissent have been too regularly quashed. Key transactions have been too opaque. Regulatory activities have not been sufficiently resourced.

These and other lessons speak to the need for a dramatic overhaul in the way FIFA is structured and in how it works. This overhaul must not be a knee jerk reaction, however, or become a narrow response targeting individuals. There is an opportunity to carefully unfold lessons from the past failure (beyond the statements we offer above) and ensure that reforms effectively respond to such. For instance, it is vital to understand why the ExCo is structured as it is, and includes members with past records of financial malfeasance (when such individuals would not be able to sit on many other corporate boards). Unpacking the reasons for this failure will help immeasurably in ensuring that the same mistakes do not recur in the future. This learning did not appear to happen in the past, given that current scandals about corruption in sponsorship and broadcasting contracts bare a startling resemblance to similar scandals in the 1990s.

Beyond these lessons, we also see the opportunity to totally re-think the governance structures of world football—and better reflect modern opportunities and realities. We believe that FIFA's difficulties in 2015—and the other scandals dating back nearly two decades—reveal the organization's weaknesses and not just wrongdoing by particular individuals. FIFA was created before football's rapid growth began, and is not structured—politically or administratively—to properly reflect the challenges of the modern game. A new vision for the future of football governance is required, that accepts the new complexities associated with truly global engagement, the rise of new sets of interest groups, and the emergence of new issues.

In our efforts at crafting such vision, we started by recognizing how crowded the modern football governance arena is. There are at least six sets of actors in this arena, representing different sets of stakeholders and with different interests and tools to use in shaping the sport in the future:

- FIFA and UEFA are 'supranational' actors, with FIFA exercising authority over laws in the game and both exercising authority over global and/or regional rights associated with tournaments. Other organizations like the World Anti-Doping Agency (WADA) also occupy this tier, setting specific sports regulations. Global and regional bodies also represent key interest groups, like the FIFPro Players' Union. Beyond sports organizations, supranational government bodies like the European Union, United Nations or Interpol set and/or enforce policies that impact sports across jurisdictions.
- 'National' actors include entities within countries, including national associations, league bodies, and players' associations. These entities set and enforce rules governing domestic football, address disputes between players and clubs, and manage domestic leagues. National governments also play a role in this tier, setting policy parameters for engagement in sports and in the economy, for instance, collecting revenues and enforcing laws.
- There are 'local and regional' actors, where one finds municipal, city, provincial and state-level governments dominating the scene. These bodies provide services and shape regulatory regimes that are important to sports, especially centered on the use of land. They also often control services that overlap with the sports sector (like health, retail and community development) and influence regulations on local taxation, labor conditions, and other practical factors integral to setting up and carrying out sports activities. Football clubs also play a role here, as do sports-related non-profit organizations.

- Governance also matters in respect of the 'clubs producing football'. These entities organize players and managers and back office staff producing competitive events for consumption by spectators. Many of these clubs fit into bigger organizational hierarchies that also need to be considered in this tier. Some are subsidiaries of larger conglomerates, for instance, and the governance of the conglomerate has direct influence on the functionality of the club. Other clubs are heavily dependent on municipal governments, and the governance of these municipalities influences the club's functionality.
- There is also governance in the 'organizations supporting, facilitating and financing football'. These include entities that connect clubs to talent (agents and scouts, for instance) and service transactions in football (lawyers, for example), and that support sports through sponsorship or broadcast deals, or bank loans and credit facilities. The identity, characteristics, location, interests and governance of these entities has a huge impact on the nature of transactions in football and the incentives associated with such transactions.
- Finally, there is governance of and by 'spectators, supporters and fans', who consume the spectator football product. These groups sometimes organize in active clubs or in more passive networks, among many forms. The forms vary for many reasons, including the distribution of support (which can be local, regional or global). The main authority of these groups comes, arguably, in the exit power they enjoy (given that they can choose to attend games, watch games on television, purchase merchandise, or not do any of these things). They may also enjoy some influence through voice, where they offer contributions to policies affecting the game (at different levels). The exit and voice power of these groups is significantly affected by the organizational and governance structures they employ.

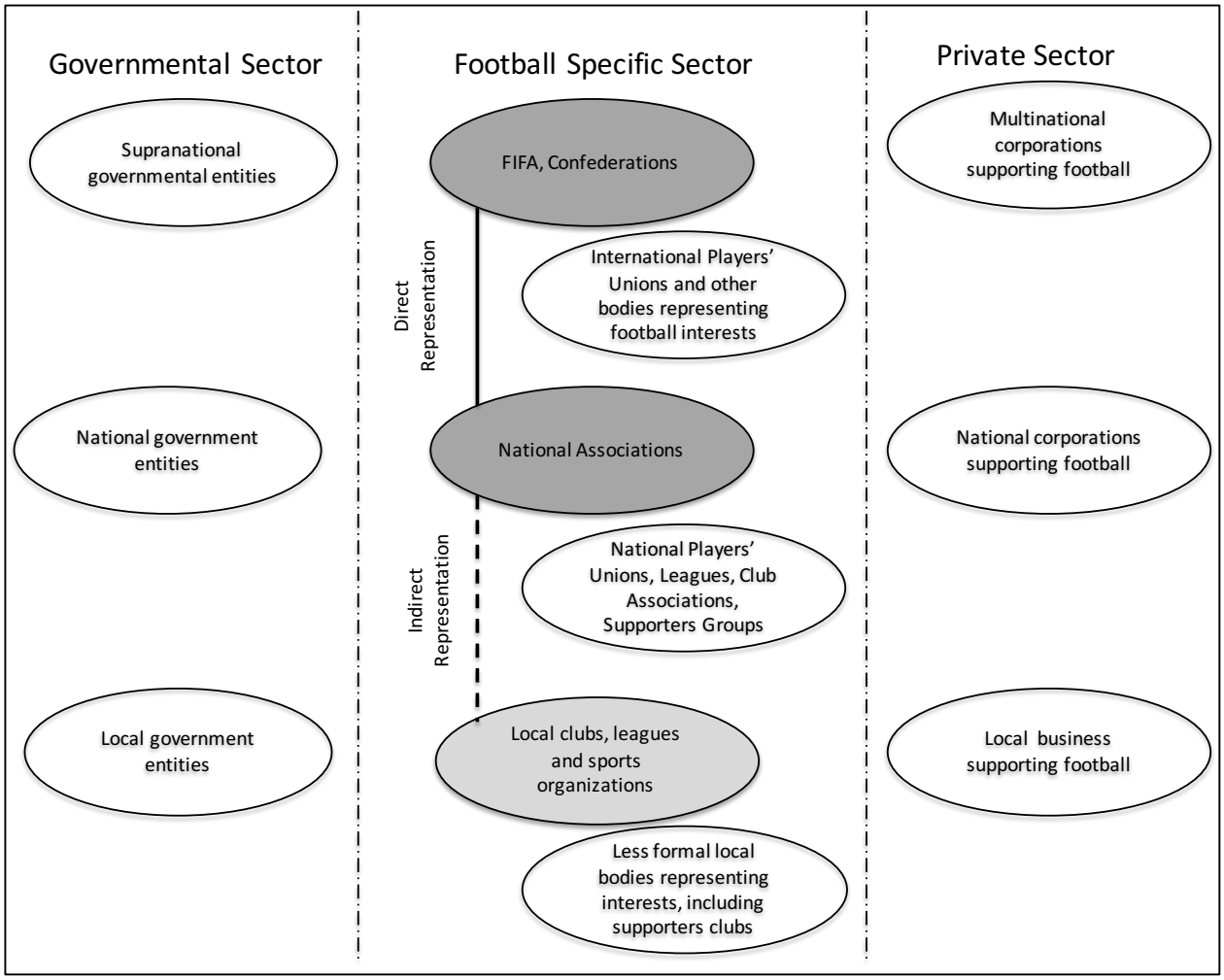
Figure 41 simplifies the way in which we see these actors being arranged, in three spheres (the governmental sector, football-specific sector, and private sector). It also shows the extent to which we feel football's formal governance structures currently foster representation; in the central football-specific sector column only, with direct ties from FIFA and the Confederations to the National Associations and then indirectly to the local members of the National Associations.

This is obviously a simplification, and does not reflect informal connections that do exist in the governance arrangements around football. The simplified picture does have value, however, in showing how many interested and affected actors are not currently empowered or engaged through representation in football's governance structures, as currently centered on FIFA and the Confederations. These actors include international players' unions and regional club associations, organized supporters' groups, and important actors in the governmental and private sectors. We expect that some readers will balk at even the idea of government and private entities being engaged. What we are saying here is that these entities are *already* key players in the football sector, however, influencing the way this sector works through finances in particular. We believe that it is not useful to pretend that the reality is different, and hold that football's formal governance processes could benefit from a more realistic and formalized approach to the stakeholders that actually exist.

The tools, talents, interests, and accountability-enhancing viewpoints of all the actors shown in Figure 41 are vital to ensuring effective leadership in football and should be more present in any future governance structure for the sport. The 'country club' structure that currently exists will

not easily accommodate these actors, however, and thus needs to be modernized. A vision for the future will foster such modernization. We believe it is time for such vision, and propose elements of such in SR&MR 10, 11, 12, 13, and 14.

Figure 41. Potential Actors in Modern Football Governance, and Gaps in FIFA's Representation



Source: Authors' representation and simplification

SR&MR 10. Separate functions in football's governing bodies.

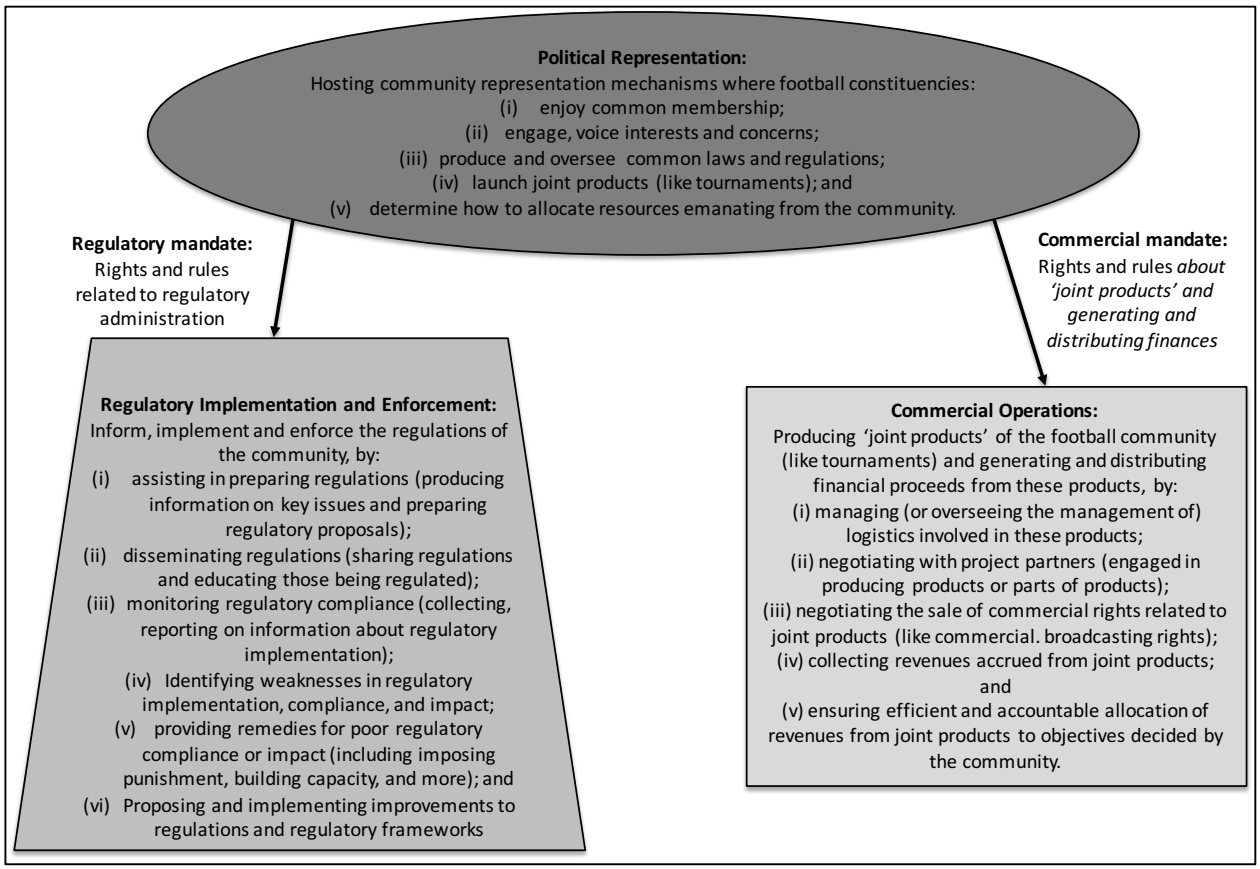
FIFA itself offers the first point of departure in reflecting on the future of football's governance and leadership structures. Whether called FIFA or not, a supranational global governing body is required in football. There are many global issues that require attention from such a body, which must satisfy three different global functions: providing for political representation of key stakeholders, carrying out commercial operations on behalf of these stakeholders, and facilitating regulatory implementation and enforcement across the sector.

We believe that these three roles need to be separated more aggressively than they have been to date, as simplified in Figure 42. The FIFA Congress should facilitate political representation and produce regulatory and commercial mandates that are then undertaken by independent

regulatory and commercial enterprises. All three entities should have executive leaders (a President of the Congress, Regulations CEO, and Commercial CEO), and be connected by formal rules of engagement and interaction—whereby the latter two entities enjoy operational autonomy from the Congress but ultimately account to Congress in a transparent manner.

The idea of separated functions is fundamental in the literature on corporate governance.[485] The separation of functions helps to manage both conflicts of interest and patronage concerns, for instance, which are currently problematic in FIFA (and other confederations, like UEFA). FIFA may claim that it has already implemented this kind of change, and separated commercial from political operations. We do not agree, however, and point to the way in which the FIFA President still controls operations in the organization, and the way in which FIFA's myriad of political committees inform operational and regulatory activities (like the channeling of funds to development projects, which is done by the Development Committee, which has recently been headed by a nominee for election as FIFA President in 2016). These kinds of overlaps between political and regulatory and commercial operations create reputational and other risks.

Figure 42. Separating FIFA's Functions



Source: Authors' representation and simplification

Figure 42 also provides our view on what the three parts of a global governing body should do:

[485] See Bridgestone guidelines on corporate governance, which reflects specifically on the separation of oversight and corporate functions: http://www.bridgestone.com/corporate/library/annual_report/pdf/08_corp_gov.pdf

- The Political Representation Part will host community representation mechanisms where constituencies: enjoy common membership; engage, voice interests and concerns; produce and oversee common laws and regulations; launch joint products (like tournaments); and determine how to allocate resources emanating from the community.
- The Regulatory Implementation and Enforcement Part will inform, implement and enforce community regulations, by: assisting in preparing regulations (producing information on key issues and preparing regulatory proposals); disseminating regulations (sharing regulations and educating those being regulated); monitoring regulatory compliance (collecting, reporting on information about regulatory implementation); identifying weaknesses in regulatory implementation, compliance, and impact; providing remedies for poor regulatory compliance or impact (including imposing punishment, building capacity, and more); and proposing and implementing improvements to regulations and regulatory frameworks.
- The Commercial Operations Part will produce 'joint products' of the football community (like tournaments) and generate and distribute financial proceeds from these products, by: managing (or overseeing management of) logistics involved in these products; negotiating with project partners (engaged in producing products or parts of products); negotiating the sale of commercial rights related to joint products (like commercial. broadcasting rights); collecting revenues accrued from joint products; and ensuring efficient and accountable allocation of revenues from joint products to objectives decided by the community.

These are obviously simplified descriptions (and there will always be complex situations in which decisions overlap, for instance). We offer the simplified view here, however, to underscore the importance of clarifying (as much as is possible) what each part of the organization will do and what each part will not do. This clarity is vital in creating the functional boundaries between the three parts of the organization, which should be made clear in the governing body's policies. Such clarity also helps to reflect on the legal forms each part of the organization should take. If one accepts the basics of our three descriptions, such reflection will lead to identifying three different legal forms, which we think is probably most appropriate for football's governing bodies (where these entities make profit, they should be treated as a profit making enterprise; but they should not be classified as such when facilitating representation by members or acting as a regulator). This would actually create a case for creating three different organizations, not one.

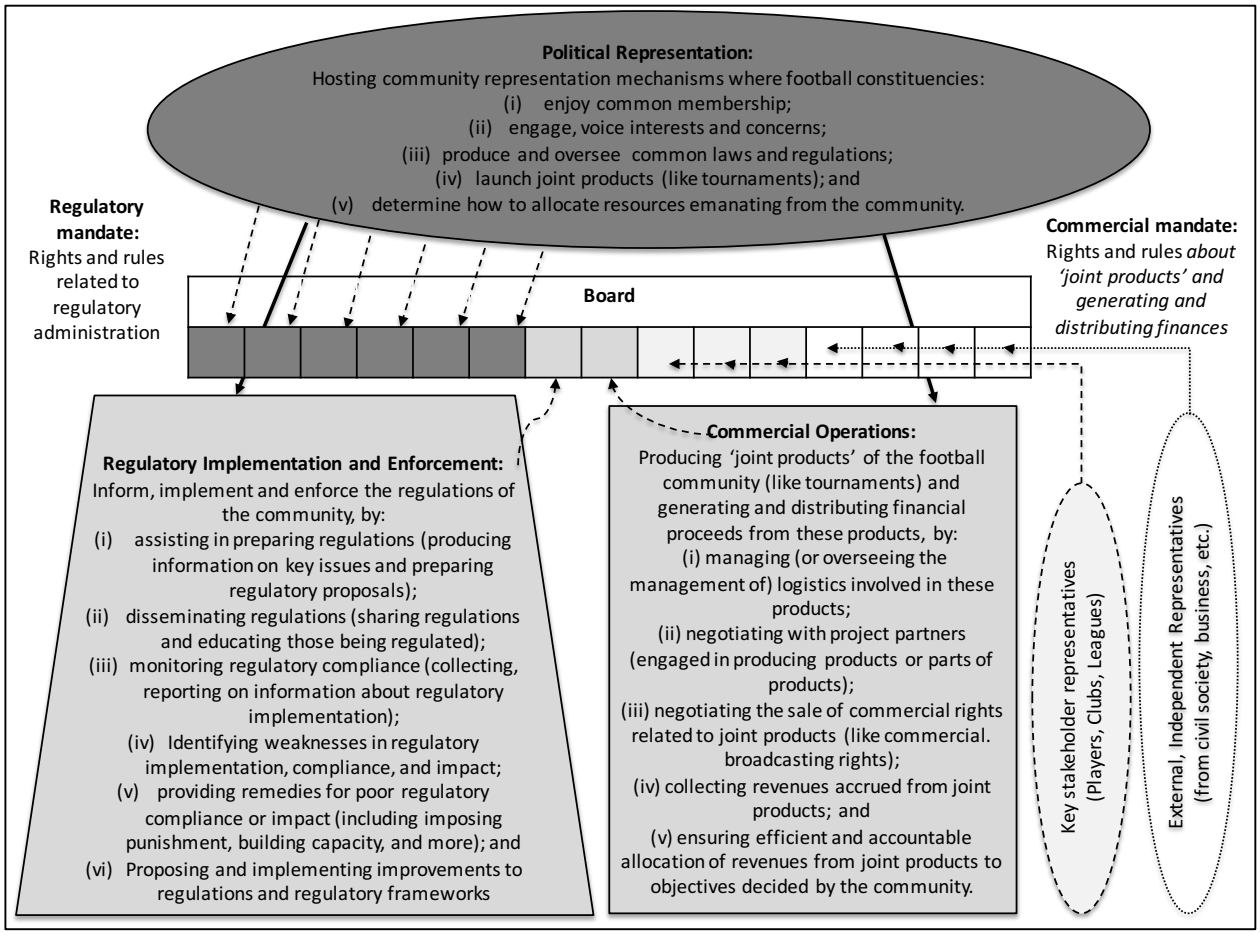
SR&MR 11. Create accountable and effective President, CEO and board structures.

This separation of functions will dilute the role and power of the current FIFA president. This will become a parliamentary role only, much like the Speaker of the House in the United States Congress (instead of the current joint parliamentary-executive role that exists (where the FIFA president plays a dual role like that of Prime Minister in England) or an executive role (like the President of the United States of America)). We propose renaming this role as appropriate—calling it the President of the Congress—and redefining what it involves (essentially facilitating the representation process, overseeing Congressional meetings, and ensuring that key issues are heard, votes are brought, mandates are issued to other parts of the organization, and reports from the other parts of the organization reach the Congress). This role should be subject to term limits as well, to limit the accumulation of influence and power.

CEOs in the other parts of the organization will become like Executives in private corporations and regulatory bodies, with the people occupying these roles doing so on the basis of contracts typical of such positions. These contracts will specify their roles and ethical obligations, as well as results agreements. They will provide formal reports every year to the full Parliament (given that the members of such are the de facto shareholders) explaining financial performance (on the commercial side) and regulatory performance (on the regulatory side).

These CEOs will need to report more regularly to an intermediary body, however. This cannot be the current ExCo in FIFA, which we believe has no remaining legitimacy (given current and past scandals). Instead of the ExCo, we see FIFA (or whatever takes its place) adopting a conventional Anglo-Saxon Board (as has been advised in past reform proposals). We see Board members coming from four different domains (to allow representation and engagement with a broader set of actors in Figure 41 and to foster independence and accountability). We show this in Figure 43, with a proposed 15-person board (but note we are not suggesting this as a hard recommendation, just a specific example to explain our reasoning—the principle matters more than the specifics here, but the specifics allow us to explain our thoughts).

Figure 43. A Modern Board Structure for FIFA



Source: Authors' representation and simplification.

In this example, one voting member will come from each of the six confederations (chosen by the Congress members); two non-voting members will come from the regulatory and commercial parts of FIFA (the CEOs); seven additional voting members will be chosen from outside, representing key stakeholder groups (like FIFPro, global or regional club bodies, and league bodies) and as fully independent members (from civil society, private business, and other sports bodies or governmental entities).

This Board will meet regularly to provide an intermediary between the Congress and the regulatory and commercial parts of the organization. It will report directly and transparently to the Congress, as is typical in a complex multinational organization (which reports to shareholders). Its members will be elected regularly, and fixed term appointments with limits will be in place to control power and influence. We would prohibit the President of Congress be from sitting on this structure, to ensure full separation of powers in the organization. Additional options to contain political and personal interests include requiring that one of the independent directors act as Board Chairman, and ensuring that all directors provide full asset declarations.

SR&MR 12. Ensure full transparency and accountability in football's financial decisions and flows.

Beyond these structural issues, we advocate greater transparency and accountability in FIFA's financial decisions and fund flows. This will be achieved partly by clarifying and simplifying the financing role. Apart from membership fees, which could be collected directly in the Congress (given the arguments we proposed earlier about fiscal democracy), we believe that all major funds will be collected in the Commercial Operations part of FIFA (as shown in Figure 44). This commercial part will operate like a private firm and produce the 'joint products' of the FIFA community (like the World Cup). It will negotiate all sponsorship and broadcast deals (directly or indirectly) in a transparent manner (and independent of political interests or regulatory considerations, to mitigate against conflicts of interest emanating from those two domains).

The commercial operation will allocate its income in five different ways:

- It will use funds to finance its own operations.
- It will invest funds on behalf of the entire FIFA organization.
- It will provide Congress with money to finance representative processes.
- It will provide the Regulatory part of FIFA with money to fund its activities.
- It will manage allocations to external beneficiaries, including National Associations and football-related entities, charities and such (as identified by Congressional policies).

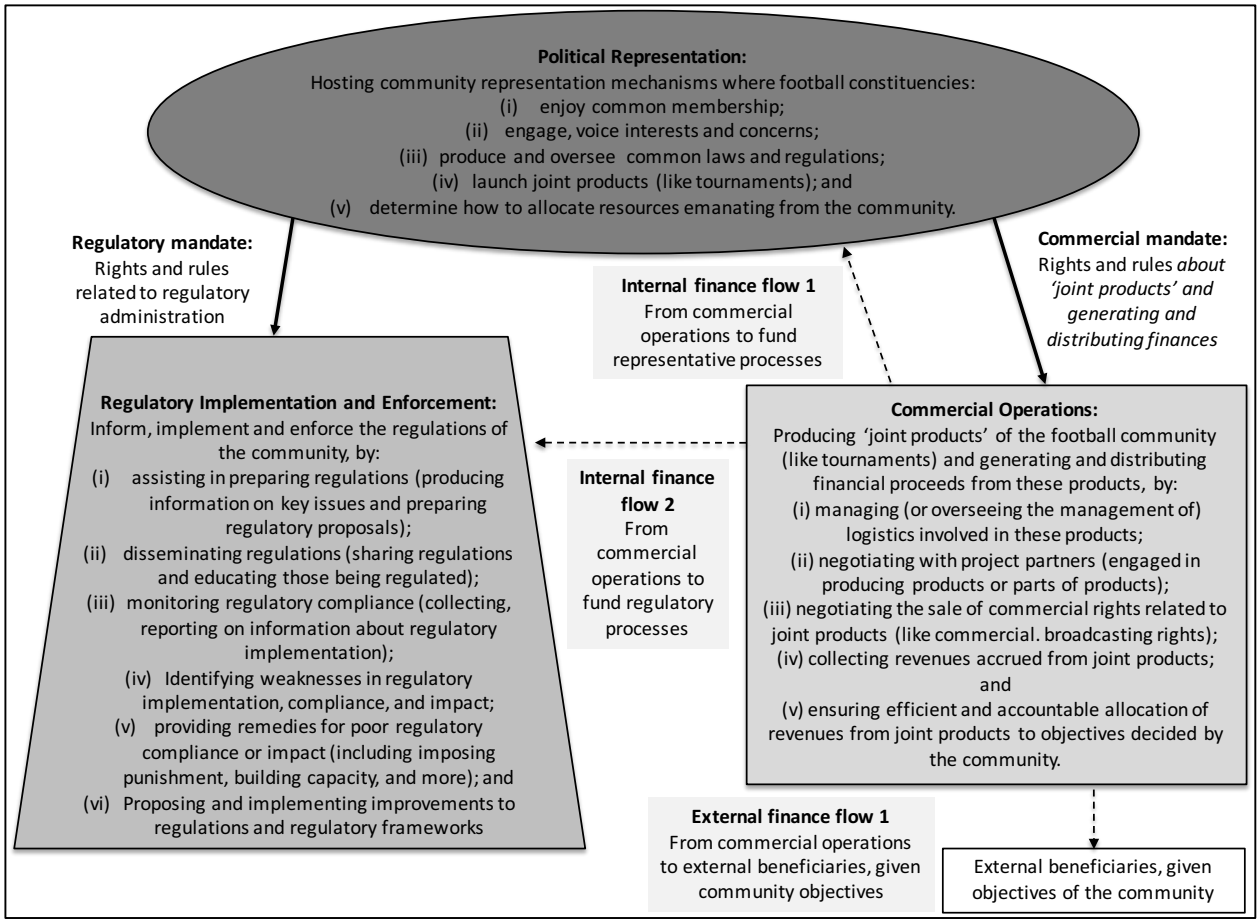
The first two allocation types will take place within Commercial Operations, whereas the last three will involve flows between parts of the organization (and outsiders), as shown in the figure. These flows should all be based on clear policies emanating from the Congress and overseen by the Board. We would advise using formulae for these three fund flows, much like one would find in a government; where budgets to parliaments and regulatory agencies are often based on formulae that discipline requests,[486] and where allocations to local governments are also often

[486] Formula-based funding is common in many areas, including parliaments (with the Barnett formula used for devolved governments in the United Kingdom, see http://www.ft.com/intl/cms/s/0/897257ae-3d99-11e4-8797-00144feabdc0.html#axzz3xk5n3CCM), and policing (http://www.parliament.uk/business/committees/committees-a-z/commons-select/home-affairs-committee/news-parliament-2015/151106-police-funding-evidence/)

based on formulae that structure these relationships and limit opportunities for patronage.[487] An example of a formula in the 'External finance flow 1 area' could be a decision by the Congress to allocate money annually to each association based on the following breakdown (as above, this is provided as an example of thought, not a hard proposal):

> One twentieth of a percent of all FIFA funds, as a maximum. With half of the allocated funds going towards the association as a financial management subsidy (to pay for accountant services) and the rest available for competitive project proposals.

Figure 44. Ensuring Full Transparency in Fund Flows in FIFA



Source: Authors' representation and simplification

The Commercial Operations part of FIFA would execute this formula-driven expenditure mandate, independent of Congress. This would promote accountability and maintain the separation of functions. We would advise full transparency for any formulae used in allocating funds, and for all financial transactions and fund flows. All three parts of FIFA would, therefore,

[487] Intergovernmental grants are often used to allocate money to local governments with mixed results (see https://www.rug.nl/staff/m.a.allers/politicalinfluenceongrants.pdf). See also the use of formulas in Eastern Europe: http://www.coe.int/t/dgap/localdemocracy/News/2015/LFB-Chisinau/Options-assessing-local-finances_en.pdf).

produce financial reports detailing revenues and expenditures, and the Board would play a fiduciary role ensuring these reports are properly developed, audited, and published.

In this model we still see the Congress playing a key economic role in deciding the identity of World Cup host countries (and perhaps also host countries for other FIFA sanctioned tournaments). This role is currently left to ExCo, where secret ballots are used in the voting process. Given that these hosting decisions are taken every few years, we believe they could be taken by the full Congress, which could vote in open and transparent processes (much like one sees in other representative democratic processes, where representatives of broad sets of constituents vote in the open to ensure accountability to their constituents). We have already argued for making bid requirements public before bids are even sought. This transparency will foster a more accountable process, with greater integrity than is currently the case.

SR&MR 13. Ensure appropriate representation in all football's governance processes.

Congress will still comprise members of the national associations in a reformed model of FIFA. We advocate greater transparency in these national associations; about who their members are and about the internal processes employed to determine representatives to the FIFA Congress. These members should be on limited budgets when engaged in FIFA business, as well, with strict limits on funds like per diems and an absolute ban on gifts. They should also all be required to provide conflict of interest and asset declarations annually.

Beyond this, we advocate having transparent votes on all Congressional decisions. This would include votes for the President of the Congress and other key positions and for the World Cup hosts. Transparent voting is one way of ensuring that each member of the Congress represents her or his broader set of constituents in an accountable manner. Such idea obviously goes against the secret ballot principle currently in place in the FIFA Congress (where members vote in secret). This principle is crucial in many democratic processes, where it limits undue influence on individuals casting their private ballots. We believe that it is a less appropriate principle when representatives vote on behalf of constituencies, however, such that the vote is not private. We expect that this will be a controversial idea, and observers might note that value of countries being able to keep votes secret from one another, or that some parliamentary bodies allow representatives to vote in secret. We accept that there are arguments on many sides of this issue, and reiterate that this is our view and not 'the final word'. We do believe that transparent voting should be considered more seriously than it has been in the past, however; FIFA representatives should be accountable to those on whose behalf they vote, and the latter group deserve to see what those votes supported (and what they did not support).

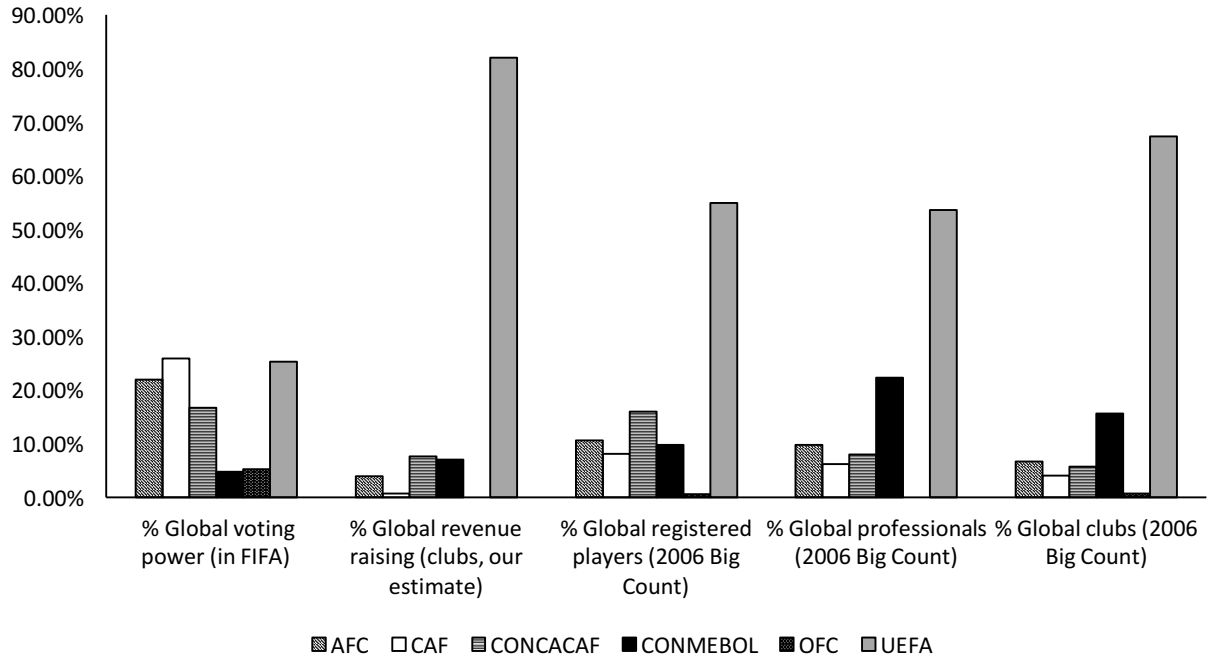
We also see a need to reassess the basis of representation in the FIFA Congress. At present, each national association has equal voting power in all parliamentary decisions. The principle of 'one person one vote' is obviously fundamental to democratic processes across the world, where individuals vote directly and are thus given equal representation. Both principles have less traction when votes are cast by representatives on behalf of constituencies, however, as is the case in FIFA. When national association representatives enjoy the same voting power it means that their representatives actually enjoy differential voting power. Consider, for instance, that Germany has the same voting power as Fiji, although FIFA's 2006 Big Count found that 16 million Germans play football (20% of the population) compared with about 49,000 Fijians (5% of the

population). FIFA's current 'one association one vote' approach essentially disenfranchises millions of German footballers and gives Fijian footballers an advantage in every vote.

This is obviously a thorny issue. It has important implications for any discussion on financial integrity, however, because it impacts perceptions of fairness in football.

The perceived fairness of a political allocation system (like the FIFA Congress) is often reflected in whether those represented have a fair say in decision making processes. This is not currently the case in global football, where footballers in some countries and regions enjoy much more 'voice' in the FIFA Congress than others. Some of these differences are illustrated in Figure 45, which shows that UEFA and CAF representatives have similar aggregate voting powers in FIFA. However, countries in UEFA have a greater proportion of global revenue and registered players and professionals and professional clubs. There are, of course, reasons for these figures (related partly to discussions about inequality in prior sections of this study). Regardless of these reasons, it is easy to see that UEFA is seriously under-represented in the current configuration of the FIFA Congress. The situation is similar in comparing CONMEBOL and OFC. These regions enjoy about the same aggregate voting percentages, but CONMEBOL dominates OFC in every other metric. It has vastly more players and clubs and revenues than OFC.

Figure 45. Rethinking the Basis for Representation and Voice in FIFA



Source: Authors' analysis, based on FIFA voting data, 2006 Big Count data and global football revenue estimates.

Congressional systems usually attempt to apportion representation in parliamentary bodies—where representative numbers reflect population numbers or some such metric.[488] If this were

[488] A blog post on the FIFA malapportionment issue is interesting and humorous, referring to FIFA's voting system as 'one palm tree one vote' (http://www.mischiefsoffaction.com/2015/06/one-palm-tree-one-vote-how-fifa-shows.html).The size of United States Congressional districts are determined through a process of apportionment,

the case in football, and representation was based on the number of registered players or professionals, FIFA's Congress would comprise many more UEFA and CONMEBOL members and fewer members than it currently has from other regions. This could be balanced by having a second chamber of the Congress (like a Senate) where each region has similar representation. We propose this kind of equal representation for the Board (as discussed) and think the idea of an equal representation second chamber might be worth examining. We believe that the full Congress should be structured to allow more proportional representation of those playing football, however. If disproportional representation continues, it could undermine the legitimacy of FIFA's future decisions and lead to fractures in world football.

We acknowledge that some readers might criticize us as Europhiles for making this recommendation (where we define 'Europhile' as a supporter of European interest, or someone biased against non-European interests). We are also that some readers might believe equal representation of countries is required for smaller countries to have an effective voice in global football. We contend that these smaller countries have not benefitted from their representation in the last twenty years, however. Data show that they may have gained more votes in this period, but they have actually lost out on football revenues (and the growth in such) and lag behind in football participation (with many more players in other, wealthier countries). If less wealthy countries really want to fight for their place in football's global community, they should focus less on voting in annual FIFA meetings and more on protecting their own talent, forcing redistribution from wealthier locales, and bringing balance to the financial shares in football. FIFA has not played an effective role in promoting these interests in the last twenty years, even though they have increased voting percentages for the affected countries.

SR&MR 14. Enhance the regulatory role and commitment of football's governing bodies.

We focus on FIFA's representation structures partly because regulations emanate from political decisions, and regulations will only be respected if national associations, league bodies and clubs see them as fair and legitimate. FIFA's regulatory challenge goes beyond ensuring a perception of fairness in its laws and rules, however. The number of regulations has grown in scope and complexity over the last two decades, addressing issues that did not exist in the past—like international transfer behavior, club registration and ownership issues, and more. FIFA is not alone in regulating such issues. Confederations like UEFA have ramped up efforts in this area (with FFP, for example) and national associations are also engaging on such issues.

Our biggest concern is that entities like FIFA and UEFA (and others) are still investing too little in fulfilling their regulatory roles, however. The finances allocated to these roles are absorbed in other budgeting items in annual reports, for instance, with no recognition that regulation should be its own stand-alone area of engagement. We feel very strongly about this, and would argue that the best way for FIFA to further its stated goal (of promoting and developing the sport across the world) is to fulfil the regulatory role better than it currently does (ensuring that the rules matter and are being adhered to across the world). Currently, the agencies within FIFA and UEFA working on these issues are small and poorly staffed, with no real chance of providing the support

based on census data. See https://www.census.gov/prod/cen2010/briefs/c2010br-08.pdf. See also http://fivethirtyeight.com/features/the-supreme-court-could-give-the-gop-another-8-seats-in-congress/ See also a recent article on apportionment issues in FIFA. http://fivethirtyeight.com/datalab/fivethirtyeight-finally-fixes-fifa/

and oversight required to effectively implement and/or enforce key regulations (related to club registration processes or transfers or agent registration, for instance).

We believe that FIFA and UEFA should give more importance to the regulatory roles played in their organizations. They would do this through creating a fully-fledged regulatory body as part of the organizational structure (as proposed in prior recommendations) and providing proper stand-alone finances and staffing complements for this body. They would base this budget on cost estimates related to the implementation and enforcement of existing regulations. These estimates could be determined by independent academics and made publicly available, to give stakeholders a view on how much money should be spent on regulation (and allow these stakeholders to hold FIFA and UEFA accountable for what they actually do spend). Every new regulation could be costed as well, to ensure that full attention is given to budgeting staff and money needed in implementation.

This may be one of our final recommendations but it is also one of the most important. Many of the ideas we offer in this study depend on having some effectively resourced global regulatory body in football. This body will need a level of money and authority that we do not currently see in either FIFA or UEFA or any of the confederations or national associations. Such body will thus need to be created in the future, demanding commitment and vision from FIFA's leadership.

S&MRR 15. Measure trust and reputational integrity regularly.

The final idea we have in this section on football's moral reputation and leadership is summarized in three words: Pursue constant feedback.[489] We find that football's governing bodies spend very little effort canvassing the views and perspectives of key stakeholders (including football fans and those who buy football merchandise, attend games, and more), especially on issues to do with management and governance in football. A large literature shows that organizations need to pursue feedback regularly, however, and from broad groups of stakeholders.[490] The act of looking for feedback is central to many strategies aimed at improving or maintaining corporate reputation. The feedback itself informs corporations about needed change and reform.

We propose that football's governing bodies reach out to broad sets of stakeholders in various ways, using surveys, focus groups, and more to assess views on a number of issues. These could relate to the performance of the organizations, the trust of different stakeholders in the organizations, views on specific financial relationships and decisions, and more. There are various internet platforms to use in this respect, and a number of established survey mechanisms to

[489] Larkin (2002) notes that feedback is a key.

[490] Many observers point to the importance of engaging with stakeholders, and see such as key to any strategy focused on managing reputational impacts. Carol-Ann Morgan from B2B International writes, for instance, that "Private business … recognises the need to be in tune with the perceptions and attitudes of those who will shape and influence its success (or failure!). A company's reputation is critical to its success, and as reputation is all about the way a company operates, the way people see it operating and the future directions it plans and takes, understanding those who influence the future success of the business is critical. This can involve employees, customers, suppliers, funders, partners, policy makers, etc., and can relate to anything from the development of new products and services to the strategic positioning of the company over the next 10 years." (See https://www.b2binternational.com/publications/stakeholder-research/). Deloitte actually also surveys users on reputation risk, which reflects on the importance of feedback in the process of managing such risk. See http://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl_Reputation_Risk_survey_EN.pdf

piggy back on: including the Afrobarometer and Latinobarometro surveys that ask normal citizens about levels of trust in specific organizations.[491] Recent surveys by SKINS and Coventry University have also attempted to capture such information,[492] and could offer useful lessons.

We propose surveying two side of the transparency relationships in place in football as well. On the supply side, FIFA and other governing bodies (or independent entities like Transparency International) should regularly assess the degree to which confederations, national associations and even clubs produce public reports (as we propose in respect of National Football Associations Financial Communications Scores (AFC Scores) shown in Figure 21). Transparency matters in football and a regular measure is needed to assess if footballing entities provide the information needed to assure basic transparency. On the demand side, however, one must assess the extent to which stakeholders access and use existing data to promote accountability (this, after all, is the goal of improved transparency). FIFA, or other independent bodies, could survey stakeholders (mush as SKINS did in the example cited earlier) regularly, and ask if they know where to find financial data for their national association and local club (for instance), and if they have looked for these data, and found these data, and if they find these data useful, and if they have avenues for reporting on any concerns they have given these data. This kind of survey will help to both build an accountability link between football's consumers and producers and ensure better flows of feedback and ideas between these groups.

This flow will enhance trust and reputation in the sector. As with all of the ideas we propose, it requires a new way of thinking about the stakeholders in football—and reimagining the relationship between those entrusted with governance responsibilities and the many players, supporters and interested stakeholders they serve.

[491] See http://www.afrobarometer.org and http://www.latinobarometro.org/lat.jsp.

[492] See http://www.newfifanow.org/april-29-2015.html; https://en-gb.facebook.com/PLAYYAeV/posts/10152295577093115

9. Football's Pending Conversations

There are some basic rules of research that we stress with our students: focus on a specific topic, go deep rather than wide, and work with 'clean' data (that are valid and reliable). We break these rules in this study, tackling an expansive topic across as broad a scope as possible—the world--and using data from various sources, many of which are not open to effective quality control and many of which would not be called 'data' in most academic studies. We do this because the topic is important, and because it has not been addressed for this scope of countries before; and because the available data may not be perfect but offer a novel view into an opaque terrain—making this terrain a little less opaque in the process.

We are aware of the limitations of the view we provide into the finances of global football. There is probably enough that is objectionable in this study for those who want to object. We believe, however, that there is also more than enough to use in this study for those trying to be useful in securing financial integrity in football. This final section is written with the latter group in mind, identifying the pending conversations that we hope will follow this work. We are not summarizing the study in this process, but rather reflecting on practical and political and even philosophical strands that thread their way through the analysis, observations, and recommendations.

First, is the debate over the specificity of sport. We have not used this term much (or at all) in the study, although it is key to any discussion on the future of football and sport in general. As a concept, it refers to the idea that sport is 'special' and should be treated differently, especially when it comes to laws and regulations.[493] Debate around the idea dominates policy discussions in many sports, particularly in Europe, where lawyers go to great lengths arguing whether sports sectors should be subjected to the same laws of business, employment and more as other sectors in the economy or society. European law does recognize specificity to some degree, in what observers call 'autonomy with qualifications'; but there is constant discussion about the areas in which sport is to be given authority and what kinds of 'qualifications' will be placed on such. This feeds the dark spaces that have led to abuse by some officials of football, who exploit the special dispensation that sport has historically been given and use its "specificity" to shield themselves from the laws of the land.

We have implicitly contributed to such discussion at many points in this study, referring to the importance of regulation in the football sector and offering ideas about who the regulators should be. We have no doubt that football as a sector requires some regulation that is peculiar to its own needs, and even regulators that are specific to the sector. This relates to areas like global transfers, for instance. There are other areas where we think football could be less specific and more compliant with general laws and processes (related to taxes and social payments, for instance, money laundering and human trafficking). The future is likely to be full of arguments around these issues, and we can only suggest as pragmatic an approach as possible. Part of such an approach would involve asking serious questions about the legitimacy and commitment and capacity of football's governing bodies and regulators. Football cannot be left to its own devices

[493] See, for instance, Siekmann (2008) and Donnelly (2015) and Pijetlovic (2015).

if organizations like FIFA lack the legitimacy required to oversee the sport's specific rules or provide weak commitment and capacity to do so (as we believe is the current reality).

A second area calling for conversation centers on the tension between privacy and transparency in football. In doing this research, we have encountered many football sector insiders questioning the extent of transparency needed in the sector. Some have argued that private clubs should be allowed to hold some information back from the open market, for instance, and others suggest that organizations like FIFA need to keep the details of some deals under wraps; others posit that senior managers in FIFA, players, and the like deserve privacy in respect of their salaries and other conditions of service.

We find that these arguments often rely on comparing football's organizations with those in the general sectors of the private economy (where many believe that firms disclose very little information to interested stakeholders). We believe these arguments are problematic, however, because levels of transparency and disclosure tend to be much higher in other areas of the economy than they are in football. Private and not-for-profit firms cannot operate without generating publicly available accounts in most sectors of most countries, for instance, or accounts that are accessible on request from tax and other regulatory authorities. Furthermore, as discussed in earlier sections, larger firms and not-for-profits like FIFA and UEFA are commonly required to disclose details of transactions to stakeholders, and larger entities across the world are increasingly required by law (and their shareholders) to reveal salary and employment data. Even beyond this, FIFA should probably be more appropriately compared with government organizations (given that it is a governing body representing multiple large constituencies); and government organizations have extremely high transparency standards and requirements.

We also believe that football (and other sports) should be more transparent than most other sectors. There is something 'specific' about the unusual influence sports has on people, and about the way sports sectors work, and about the large number of stakeholders that contribute to the success of any given club or competition or professional entity.[494] These contributions have been made over decades in the towns where money-making clubs reside, and depend on the support and enthusiasm of generations of loyal supporters. Contributions also come from the millions of people who play the sport but never make any money from it, and beyond. We believe that these stakeholders have an active and legitimate interest in knowing as much as they can about the financial health and interactions of their clubs and governing bodies (especially when these entities are member-based organizations with thousands or millions of distributed members, as is the case with entities like FIFA).

This line of reasoning leads us to argue in favor of transparency over privacy in the football sector, most of the time. Whenever the question is 'To disclose or not to disclose,' therefore, our bias will always be the former—disclose as much as possible, and do it as publicly as possible. This would also restore the public's trust in football. We expect some opposition to this position, and we would also agree that exceptions to such position exist and need to be acknowledged. We strongly suggest that the global football community converse more actively about this topic, given its centrality to financial integrity in football.

[494] For a discussion of similar views, see Fitzpatrick (2015) and Garcia and Welford (2015).

The third conversation we encourage relates to the choice between rigid regulation and light regulation in football, and the associated tension between top-down and devolved regulation. There is no doubt that regulation is required in many areas of global football. There are questions about what this regulation should entail, however, and who should implement and enforce such. We see these questions playing out in recent decisions by FIFA, most notably in respect of agents in the transfer process (where we see a shift from a rigid top down and centralized approach to a softer, devolved approach).

This kind of shift is common in regulatory regimes, across governments and even within private organizations. It reveals the complexity of regulatory responsibilities, where a large literature exists to help design effective regimes. This literature suggests that different regulatory designs are required for different situations, depending on various factors (like the type of activity being regulated, where the information on compliance is most effectively captured, who is best positioned to enforce and punish low compliance, and more).[495] While we cannot prove it as fact, we do worry that decisions are being taken about how to regulate in football without serious reflection on this literature. As discussed in prior sections, we believe that FIFA's decision to devolve the regulation on intermediaries was driven primarily by the difficulty of implementing prior regimes (and the high cost of such). The change has led to a bigger regulatory gap than ever existed, given that extremely low capacity national associations are now having to do what FIFA could not get right with its vastly superior resource reservoirs. A better response to past regulatory failure would involve garnering lessons about the failure and allocation of necessary resources to the task.

This does not mean that all regulation should be driven by FIFA or that all regulation should be rigid. The recent global ban on Third Party Ownership may be an example of a regulatory action that was prematurely rigid, for instance. In our opinion, this regulation emerged after limited consultation and on the basis of scant evidence and analysis, and could have benefited from a less aggressive initial approach.

These are our opinions on extremely complex topics. They are guaranteed to meet some disapproval and disagreement in any discussion on regulation in football. As with our prior comments, we welcome this disapproval and disagreement as long as this occurs within a serious conversation about regulation in the sector. Indeed, there is probably a need for many conversations—about many aspects of regulation—in order to ensure that the right regimes are put in place for different regulatory challenges.[496]

One of the great challenges of modern football is the focus of our fourth pending conversation. It centers on the potential trade off between protecting market-based competition in football leagues across the world, and the survival of competitors in those leagues. We analyzed this issue in more detail in section seven (on financial concentration). This analysis presented football as a sector of intense, nested concentration; where a few clubs dominate a few leagues in one dominant region—leaving most other clubs with very limited economic footprint or opportunity and a competitive disadvantage in any on-field engagement.

[495] Sparrow (2008, 2011).

[496] For related recent discussion, see Fitzpatrick (2015), Morrow (2015) and Sloane (2015).

We noted that some observers question whether this is a problem that undermines financial (or sporting) integrity in football. One view holds that growing inequality is just the expression of market-driven competition, and successful clubs and leagues are reaping the rewards of producing a better product than others. Extreme adherents to this view argue that competitive forces will ultimately yield a small and high-revenue elite league, which will be super competitive and economically successful. Other leagues and clubs will occupy a permanent second (or lower) tier status, and probably struggle even more to garner their piece of football's economic pie.

Others disagree with this sentiment, and decry the excessive winner-takes-all mentality prevalent in such. They argue that professional football is entrenching global patterns of economic power and financial allocation, which will ultimately lead to the declining competitiveness of many clubs and leagues and even nations.[497] In the spirit of prominent work outside of the football sector (by people like Thomas Piketty (2015)), these observers call for regulatory interventions that curb the current narrow accumulation of wealth in football and redistribute revenues to lower tier clubs and emerging and struggling leagues and even nations. This approach is biased towards protecting as many players, clubs, leagues and nations playing football as possible, even if this comes at the expense of unfettered economic competition.

We do not take a position in this debate, but believe it is of great importance to the future of football—and to financial integrity in the game. As a result, we promote active and honest conversations about the issue. The failure to hold such discussions may lead to significant tension in the football community in the not-too-distant future, as inequality grows.

The fifth pending conversation in global football is related to this, and centers on the dilemma posed by the largely unsustainable majority of football clubs and even leagues and national associations across the world. As discussed in section five (on financial sustainability) we are concerned that a majority of football clubs and national associations in the world are not financially strong enough to compete and/or survive on their own. They do not have access to the global revenues enjoyed by bigger clubs (from corporate and wealthy owners, sponsors and broadcast deals), and even struggle to draw traditional localized revenues (from gate takings, for instance) because local people who used to support them are now busy watching the big foreign wealthy clubs on television (who they now follow, and whose merchandise they now buy).

This is, once again, a direct result of the economic growth and globalization of football. Advocates of free markets and globalization will thus likely oppose including this as a point of necessary conversation for the football community. It is an important conversation to engage in, however, because the economic stragglers of world football (clubs or associations) will either need to be allowed to fail or be propped up by purposeful redistribution or other outside support. This outside support is currently being provided by governments, FIFA (especially to national associations), and private sector organizations (like hedge funds). The support from such entities

[497] See Spaaij et al. (2015) for a recent discussion of this argument in respect of sport generally, and Brown (2015), who argues that Scotland's once competitive clubs have already been rendered uncompetitive because of the social patterns of allocation and power which are manifesting with increasing depth in football. If these patterns continue, one can expect the fall of even current tier one clubs in Big 5 leagues, and major declines in European leagues outside of the Big 5, and in places like Brazil and Argentina (where revenues have not been growing like we see in other places and players leave earlier and earlier for wealthier destinations).

is potentially controversial, however, and may be seen to violate principles of 'no state aid' in places like Europe, or foster patronage (between FIFA and national associations, for instance), or create opportunities for corruption, money laundering or unregulated third party ownership arrangements (and the like).

In short, we believe that football is more open to questions of financial integrity if parts of the sector are just not financially viable. It behooves all members of the community to confront the problem of the perpetually financially unsustainable, and address the risks and challenges associated with such members of the community.

We assume that there will be many different perspectives in all of these conversations, especially given the variation in national backgrounds, cultures and interests across the football community. The penultimate conversation we believe is pending actually addresses this topic directly. As noted in section eight (on social responsibility and moral reputation), we believe that the global football community and the governing bodies leading such are falling short of upholding norms and values they purport to champion. There are many examples of these bodies ignoring criticism from stakeholder groups about questionable financial transactions with companies and countries, for instance: FIFA and UEFA support public health programs, for instance, but also insist on providing alcohol at tournaments (even in locales where policies explicitly prohibit such because of public health concerns).

Such relationships foster the charge that many football-related organizations put money above morality. This may not be a concern for everyone, of course, and the entire discussion of values may seem misplaced and even unfair in this study. Indeed, many stakeholders probably have no qualms with the values demonstrated in the financial relationships involving football's governing bodies. But there are stakeholders who are concerned, as mentioned in this study. Their concerns deserve more voice, and should be heard in a structured conversation about the values and morals in football.

The final conversation we propose as pending centers on the pressing question of FIFA, and the governance of world football. As discussed in section eight, we believe that football needs an active and legitimate and committed world governing body. This body needs to play a more purposeful regulatory role than it has in the past, and would ideally be the convener of all the conversations we propose in this concluding narrative.

Unfortunately, we do not think FIFA is currently legitimate enough—or appropriately structured—to play these roles (as neutral convener or effective regulator).

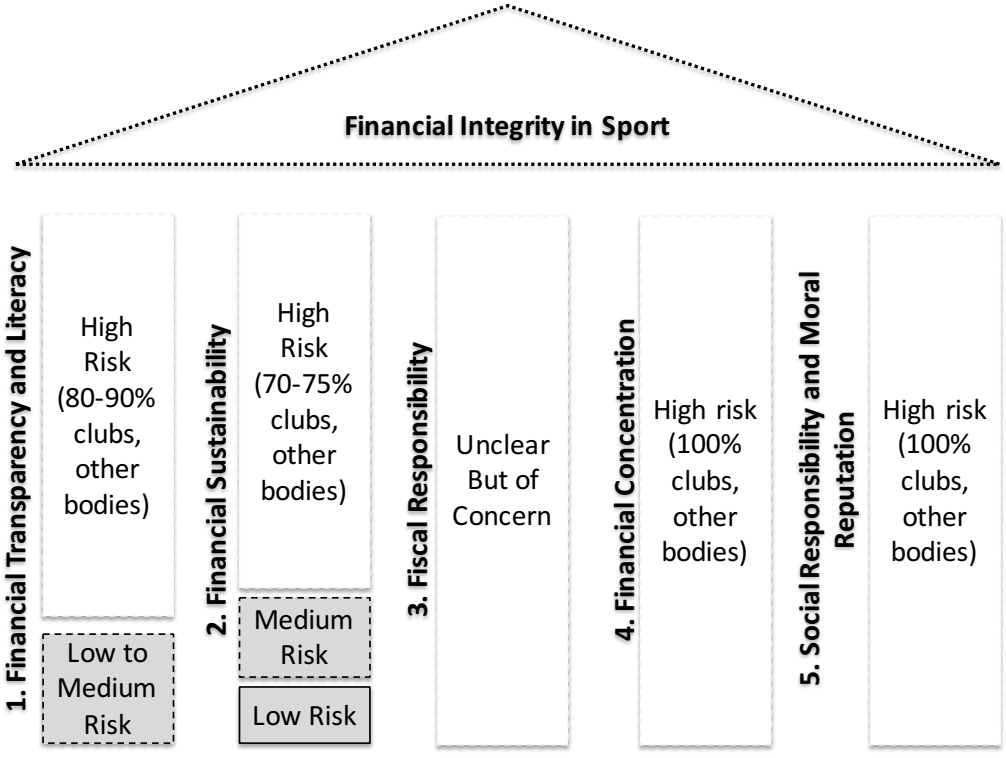
A conversation about the future of this governing body is thus vital. It should not assume any end point and should not even be about 'what to do with FIFA'. Rather, it should foster an inclusive, structured and visionary discussion about the future of global football governance. This discussion would include voices in favor of maintaining the status quo, but under new leadership; assuming that most of these voices come from within the extant FIFA structures, or the supporter-groups around FIFA presidential candidates. The conversation should also include voices in favor of dramatic change, as one finds in the NewFIFANow community and in global union groups. It should also include voices from the academic and industry specialists who have

offered reform ideas in the past (like the anti-corruption experts in Transparency International, and Mark Pieth, Roger Pielke, and Stefan Szymanksi, all of whom have been referenced here).

While we certainly see views from all these groups reflected in the media, we do not have faith that such views are being combined in the kind of active and purposeful conversation needed to foster a more effective governance regime in the future. We worry, therefore, that one of the three groups will simply prevail—and this will likely be those currently closest to power (given a status-quo bias that seems prevalent in this sector and is common in change processes everywhere). This will be an unfortunate result of the current FIFA crisis, and one that draws inefficiently from the serious and diverse ideas that could contribute to re-designing football's leadership mechanisms.

As with the other conversations we propose, this will be a challenging, politically uncomfortable, and messy discussion. Unfortunately, such discussions are needed in football right now. They reflect the realities on the ground—which manifest in a highly segmented community, with serious growing pains, and weak financial integrity. Figure 46 summarizes the analysis provided in earlier sections. This analysis pointed to major problems in all five financial integrity pillars—financial transparency and literacy, financial sustainability, fiscal responsibility, financial concentration, ad social responsibility and moral reputation. None of these pillars stands tall, and as a result financial integrity in football is weak. Securing financial integrity in football will thus demand significant work and commitment, by many stakeholders. This must begin with convening conversations, as proposed. We hope that all readers of this study participate in such.

Figure 46. Football's Weak Financial Integrity



Source: Authors' rendition

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