

# ORGANISING SPORTING EVENTS

**Preventing corruption and promoting  
responsible business conduct**

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# Preventing Corruption and Promoting Responsible Business Conduct when Organising Sporting Events

**Sport teaches millions of people the value of fair play, and the importance of abiding by the rules of the game and of ensuring a “level playing field”. So it is particularly shocking when those in charge of sporting events betray this ethos, and those who believe in it, by engaging in corrupt activities or otherwise failing to respect high standards of conduct.**

Sport is also a multi-billion dollar industry which, according to some estimates, generates annual revenues of more than USD 145 billion.<sup>1</sup> It has intricate ties to public and private interests. In this context, sports organisations are particularly vulnerable and exposed to corruption risks. The organisation of large events further carries high risks of corruption and serious misconduct because of the complex financial arrangements required, often under tight schedules, and the need to have a varied group of stakeholders cooperating. Private sector involvement in large scale contracts and expectations of strong financial returns further amplify the vulnerabilities surrounding the organisation of these events. Recent bribery scandals have brought to light the need for sports organisations to ensure they are well equipped to address these risks and benefit from appropriate anti-corruption safeguards.

Corruption is not the only risk. Other risks include impacts of human rights abuses; workplace exploitation; population displacement; land issues related to venue construction and infrastructure development; labour issues in the supply chains for goods produced for the event; questionable legacy benefits and financial mismanagement; and waste of taxpayers’ money in general.

Identifying and mitigating risks requires the development, communication, and implementation of robust standards to be followed by all parties. The OECD has decades of experience in developing internationally-agreed standards in many of the risk areas facing event organisers and has long-standing expertise in helping governments, organisations and other concerned parties to implement them, especially in the areas of combating bribery and corruption of foreign public officials; promoting a whole-of-society approach to enhancing integrity and reducing corruption; implementing sound public procurement systems; and respecting social, labour and human rights and the environment.

This brochure looks at the corruption, labour, human rights and environmental risks associated with the organisation of large sporting events. It describes how OECD instruments and expertise in implementation of complex projects can help host governments, event organisers and their business partners ensure that the world of sport remains associated with the traditional values of excellence and fair play.

## IDENTIFYING THE RISKS

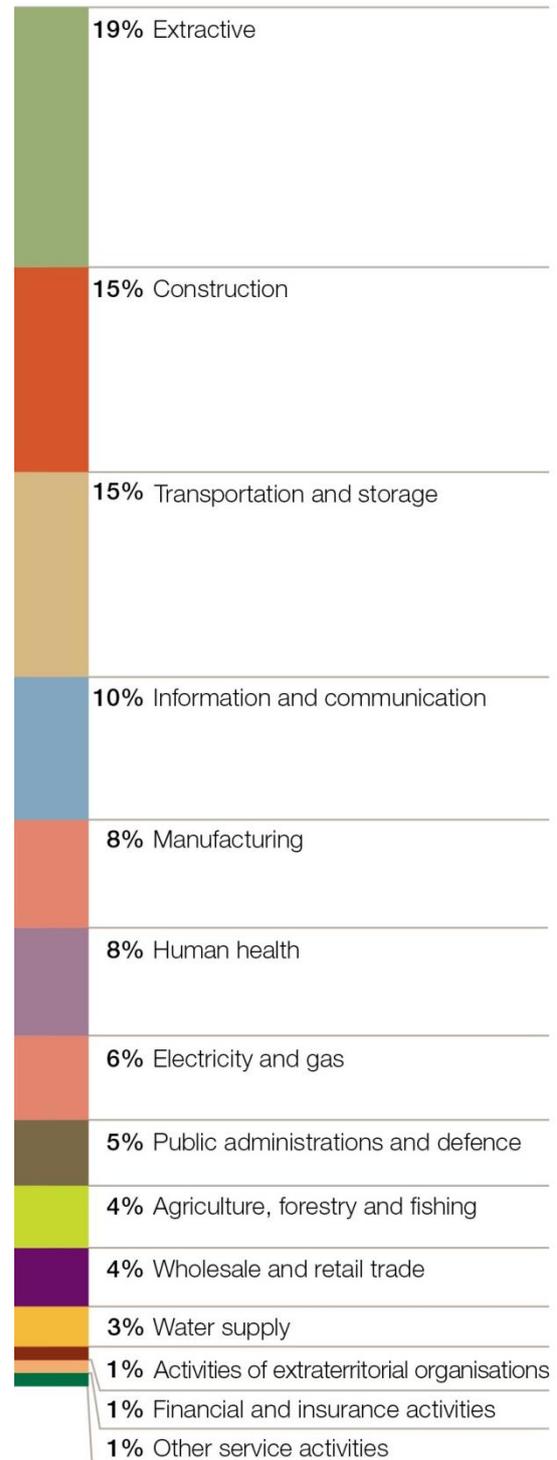
### Corruption

After a series of scandals, the public has grown increasingly aware of the corruption risks facing sports organisations and expects greater transparency, integrity and accountability. The sports movement has been operating with great autonomy from governments and this has led to sports organisations regulating themselves with little or no external oversight with regard to their operation. The high levels of public expenditure on international events, large-scale investment from sponsors, together with high-value media contracts create an environment which presents a number of significant corruption risks for sports organisations. The particular structure of these sports organisations – often, non-profit organisations operating in a market based environment - leads to further challenges in addressing these issues.

These considerations are all the more relevant when talking about corruption risks in the organisation of large sporting events. Indeed, the organisation of such events carries high risks of corruption throughout the entire life-cycle, from the selection of sites, land acquisition and construction, and procurement and security contracts, to supply chains, media rights, sponsorship deals, and financial management (Figure 1).

These risks can further materialise with private sector involvement. The potential sums of money around large sporting events attract the private sector. Companies may use sports sponsorship and hospitality as transactions to deepen relationships and advance marketing, advertising and communication strategies. Although these are not necessarily particular to the organisation of large sporting events, they present a heightened potential risk for corruption given the contracts and benefits at stake. At least one company was sanctioned in relation to sponsorship rights over a large sporting event: in May 2015, the Australian company BHP Billiton had to pay USD 25 million to the United States Securities and Exchange Commission for violations of anti-corruption laws through its

**Figure 1. Sectors that typically involve construction and other large projects are the most subject to bribery.**



Sectors are identified with reference to the United Nations International Standard Industrial Classification of All Economic Activities (US ISIC). Rev 4.

Source: OECD analysis of foreign bribery cases conducted between 15/02/1999 and 01/06/2014.

sponsorship of the 2008 Beijing Olympics. BHP had paid for trips to the Olympics for government officials from Africa and Asia, including some who were negotiating contracts with the company.<sup>2</sup>

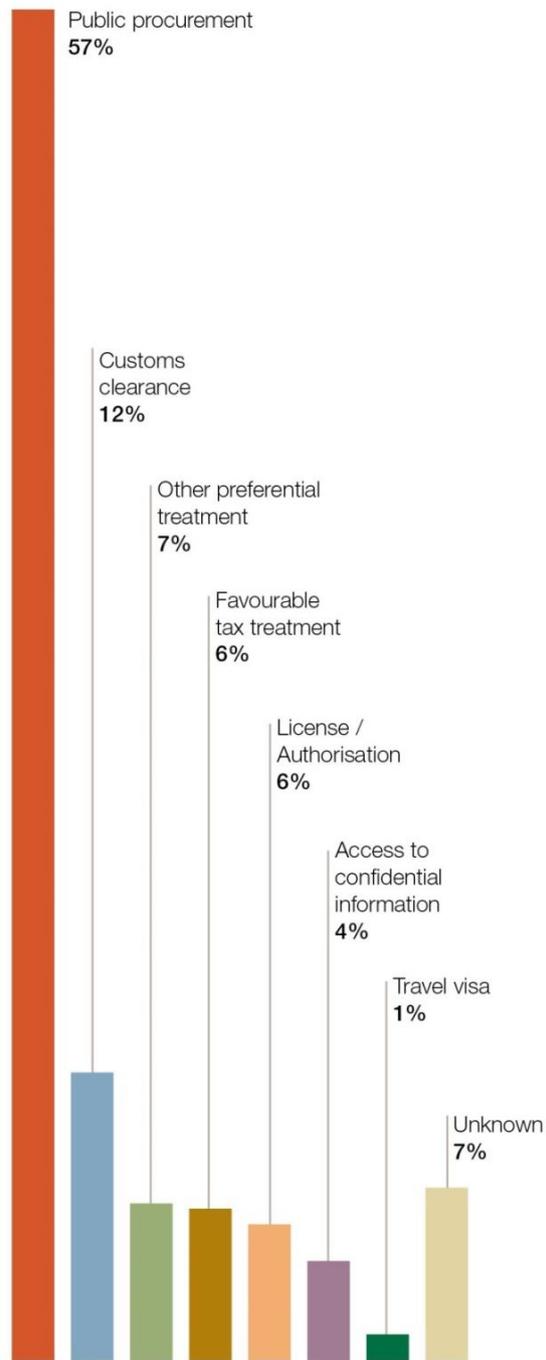
Corruption risks further extend to the various contracting decisions, including public procurement processes for goods, infrastructure and services that come with the organisation of large sporting events. This includes large investments in infrastructure, the construction of venues and/or modifications to existing venues and facilities, as well as media, hospitality, and security contracts. Indeed, public procurement presents large bribery and corruption risks (see Figure 2), exacerbated, in this context, by the very large scale of the contracts and the stringent time constraints to conclude them. These bribery and corruption risks are further heightened by the involvement of public officials (including employees of state-owned enterprises,<sup>3</sup> agencies and institutions involved in the management of public funds and public property), since these public officials may be in a position to exert undue influence on decisions related to public procurement for large constructions, supply of goods and services, security contracts or on financial management activities.

### Exposure to integrity risks in public procurement

In public procurement for large events, the financial interests at stake, the volume of transactions, and the close interaction between the public and the private sectors create multiple opportunities for private gain and waste at the expense of taxpayers. Risks facing sports organisations and countries in the delivery of large sporting events exponentially rise with the often observed technical complexity of sports infrastructure developments and pressures induced by exacerbated political environments. Implementing public procurement strategies that minimise the risk of fraud, corruption and mismanagement of public funds without sacrificing efficiency remains a constant challenge in many countries, be it at the national or local level.

**Figure 2. What are the bribery and corruption risks linked to public procurement?**

Over half (57%) of the foreign bribery cases analysed in the OECD Foreign Bribery Report showed bribes being paid to obtain public procurement contracts.



Sectors are identified with reference to the United Nations International Standard Industrial Classification of All Economic Activities (US ISIC). Rev 4.

Source: OECD analysis of foreign bribery cases conducted between 15/02/1999 and 01/06/2014.

While sporting event organisers often try to rely on competitive tendering to achieve better value for money, they face severe time and planning constraints that often force them to choose other options, like direct awarding or less competitive procedures. A competitive tendering process is the best option but it can achieve lower prices or better quality and innovation only when companies genuinely compete by setting their bids honestly and independently and remain under public scrutiny.

Bid rigging (also called collusive tendering) occurs when businesses that would otherwise be expected to compete, secretly conspire to raise prices, lower the quality or restrict supply of goods or services for the purchaser. Bid rigging is one of the more subtle risks large events can be exposed to. It exposes the event organisers to allegations of inadequate management for failing to prevent it; wastes taxpayers' money; and damages trust in the sound organisation of the event.

Collusion and corruption are distinct problems in procurement, yet they may frequently occur together and are mutually reinforcing.<sup>4</sup> Bid rigging is often combined with bribery of public officials or unlawful kickbacks. Bid rigging is illegal in many countries including all OECD countries and can be investigated and punished under competition law. In a number of OECD countries, it is also a criminal offence. However, it is not sufficient to punish offenders to reduce the risk of bid rigging; it is also important to prevent collusion from occurring in the first place.

Procurement officials are often insufficiently aware of the main integrity risks, extent and forms of corrupted and collusive actions in public procurement. If systems and officials are solely focused on corruption (a conspiracy between the bidders and officials) they may fail to protect themselves against collusion (a conspiracy among the bidders, often, but not necessarily, involving corrupt officials).

Beyond systems providing red flags and early warnings to detect integrity risks, well thought-out procurement processes adapted to the magnitude and complexity of these projects and made transparent through interactive platforms, open contracting and tailored communication strategies participate to reduce corruption opportunities and foster accountability of stakeholders from the public and the private sectors.

## **Respecting human rights, labour standards and the environment**

Hosting large sporting events can create new jobs, improve infrastructure, aid local development, and increase visibility for the cities and countries that host them. However, these benefits are not automatic. Recent attention to the activities of the Olympic Games and the FIFA World Cup has renewed focus on practices surrounding the organisation of large sporting events. Host governments, sports governing bodies, suppliers and sponsors in particular must ensure that human rights and high environmental and social standards are observed throughout the entire life-cycle of these events. Key concerns include human rights abuses, workplace exploitation, displacement and land issues, and adverse environmental impacts related to venue construction and infrastructure development. Related issues include impacts on workers' rights in the supply chains for merchandise and other goods produced for the event.

In event bidding and planning, it is important to ensure that business responsibility standards, including human and social and labour rights considerations, are respected from the start. Bidding requirements that include due diligence requirements to prevent adverse environmental and social impacts of a large event should be based on internationally recognised principles and standards. Many event organisers already require assessments and stakeholder engagement plans on environmental impacts. This could be extended to requiring due diligence to identify and address adverse human rights and labour impacts.

The bidding and planning process could include a capacity building component for bidding countries and cities that would be valuable even when a bid is not successful.

In procurement and sourcing, the challenge is to ensure that environmental standards, human rights and social and labour standards are observed by companies that provide materials and goods. This applies to everything from venue construction and infrastructure development to the supply of merchandise. To be effective, these policy objectives must not only be embedded into tender requirements or awarding criteria but also in contract performance management (including subcontractors) to ensure that companies abide by their previous statements when implementing the contracts. Companies that provide materials and goods for large events and source from countries with weak environmental and social standards are particularly exposed to this challenge.

## **OECD STRENGTHS AND ASSETS: FROM GENERAL PRINCIPLES TO IMPLEMENTATION**

### **Promoting an integrity framework for public investment in sports infrastructure**

The organisation of sports events is made possible by significant public investments, which have the potential to boost economic performance. At the same time, public investments are a policy tool by which governments can promote sustainable economic growth, innovation, and contribute to well-being through the provision of basic infrastructure and public services, particularly in emerging economies. Sports events represent an invaluable opportunity for states and local governments to undertake sustainable investments and improving infrastructure availability, thereby creating a legacy for future generations. However, experience and scandals have shown that corruption allegations concerning government-financed investments in relation to the organisation of sports competitions are common. Investments are often captured by vested interests and they thus result in negative return of productivity or excessive infrastructure, creating “white elephant” projects.

Considering the risks of corruption in relation to public investments and the importance of ensuring sustainable and efficient investments around sports events, governments and private sector actors working on the organisation of sports competitions may find the guidance in the *OECD Integrity Framework for Public Investment*<sup>5</sup> useful. This guidance analyses corruption risks in public investment by identifying corruption entry points over the entire public investment cycle. The framework identifies tools and mechanisms to promote integrity in public infrastructures, including measures for promoting ethical standards, managing conflict of interest, strengthening monitoring and controls, and increasing transparency. This tool illustrates concrete measures and mechanisms that could be employed at each phase of the project cycle in order to safeguard integrity. Furthermore, it provides many concrete examples of good implementation measures and mechanisms already existing in the public and private sectors.<sup>6</sup>

### **Ensuring internal controls, ethics and compliance**

The OECD is uniquely placed to promote existing measures to address the need for increased transparency and accountability in the organisation of large sporting events. It is important for sports organisations to develop appropriate mechanisms to assess, deter and detect the specific corruption risks in their various activities, from the awarding of rights to hold large events to television rights and sponsorship, charitable donations, ticket sales and distributions, the giving and receiving of gifts, or the recruitment and transfer of players. As large sporting events all require private sector involvement,

companies have a responsibility to take action to adopt and promote principles of integrity, accountability and transparency as well as strong compliance rules.

The *OECD Good Practice Guidance on Internal Controls, Ethics, and Compliance* provides a set of measures that are fully relevant to sports organisations and can be translated to their structure and organisation to prevent and detect improper actions and wrongdoings, including the various forms of corruption that have penetrated the sport sphere.<sup>7</sup> The Good Practice Guidance includes in particular the need to develop an appropriate risk-management process subject to regular reassessment, addressing risk areas that are relevant to sports federations, a robust system of controls to prevent and detect wrongdoing, and a culture of compliance within federations and among their members. Incentives can be offered by governments in the context of public procurement for the adoption of good practices.

To address the specific corruption risks in the organisation of major sporting events, the OECD can develop a Handbook for Preventing Corruption in Large Sporting Events providing practical guidance and examples of how different OECD instruments and implementation mechanisms may be used to assist the various agencies, governments and other stakeholders involved in bidding for organising a large sporting event. The OECD could promote the Handbook in the context of a pilot project linked to a future large sporting event. Where international standards are not respected, OECD instruments can help law enforcement and other agencies identify and punish wrongdoers.

## **When bribery and corruption are detected**

The organisation of large sporting events involves public officials, agencies and institutions responsible for the management of public funds and who are in a position to exert large influence on decisions, personnel, procurement or financial management activities. If corruption does occur in the organisation of a large sporting event, the provisions of the OECD Anti-Bribery Convention<sup>8</sup> would then apply. Accordingly, law enforcement authorities are responsible for enforcing national anti-corruption legislation, notably bribery and related offences as defined under the OECD Anti-Bribery Convention by investigating, prosecuting and sanctioning those who have offered, promised or given any undue pecuniary or other advantage to foreign public officials. Over the past 17 years, monitoring and enforcement by the OECD Working Group on Bribery have established the Convention as the most rigorously enforced international anti-corruption instrument.

## **Implementing sound public procurement**

Robust mechanisms are necessary to ensure the timely acquisition of goods and services while achieving value for money and avoiding abuses in the procurement process. The 2015 OECD Recommendation on Public Procurement provides a holistic approach towards the implementation of strategic public procurement helping governments to address the multidimensional and complex nature of this area exposed to close interactions between the public and the private sector. Risk mitigation measures may be developed to prevent or reduce the usual risks associated with large construction and infrastructure development projects necessary to the organisation of large sporting events, and to generally minimise the opportunities for corruption and abuses while opening routes for synergies and savings.

Understanding how to detect and prevent collusion is also a key component of an efficient procurement policy. The OECD has a set of practical rules to reduce the risk of collusion through better design of the procurement process and early detection of bid rigging conspiracies.

The *OECD Recommendation on Fighting Bid Rigging in Public Procurement*<sup>9</sup> helps governments to achieve more competitive public tendering and reduce the risk of bid rigging. It also helps to develop capacity to deliver goods and services at the best value for money for taxpayers, consumers, and users of public services.

The OECD can contribute its expertise to the development of guidance by making recommendations on fighting bid rigging in procurement procedures in partnership with the international bodies responsible for overseeing the organisation of large sporting events. The OECD can help with implementation, starting with pilot projects tailored to the needs of different organisations. Such projects could provide concrete suggestions to prevent and detect bid rigging, including better tender design and the use of mechanisms to detect cartels such as procurement data screening tools.

In addition, the OECD can provide on-going support to the development of major sports events and related infrastructures. Experience with real-life major events, such as the 2015 Milano Expo, and large infrastructure projects, including the ongoing construction of the New International Airport of Mexico City mentioned before, the OECD can assist sports organisations and host countries alike in implementing public procurement frameworks and strategies conducive to a performing, transparent and accountable environment.

#### **INTEGRITY IN MEGA EVENTS: EX-ANTE CONTROL MECHANISM FOR THE EXPO MILANO 2015**

The OECD provided support to improve control, transparency and the integrity of the procurement process related to the Expo Milano 2015 in cooperation with the Italian Anticorruption Authority (ANAC). With the establishment of an operational unit (UOS) to monitor projects of the EXPO 2015 several rules, procedures and control mechanisms were set to monitor and exercise “a priori” control of the procurement processes. This approach proves useful mainly in specific contexts, such as EXPO 2015, that have already been affected by instances of corruption which have not only contaminated existing tenders but also threaten to undermine future contracting procedures. Indeed, to be effective, ex ante controls of documents concerning the award and performance of public contracts for works, services and supplies of goods, by an entity separate from the contracting authority, cannot cover all public tenders but must focus on individual, specific cases with a “high risk of corruption”.

Source: High Level Principles” for Integrity, Transparency and Effective Control of Major Events and Related Infrastructures: Lessons Drawn from the OECD/ANAC Co-Operation Project on EXPO Milano 2015, [www.oecd.org/expo-milano.htm#integrity-and-transparency](http://www.oecd.org/expo-milano.htm#integrity-and-transparency).

#### **A mechanism for addressing human rights, labour and environment issues**

The *OECD Guidelines for Multinational Enterprises*<sup>10</sup> are government-backed recommendations covering disclosure, human rights, employment and industrial relations, environment, bribery and corruption, consumer interests, science and technology, competition, and taxation. Together with the *UN Guiding Principles on Business and Human Rights* and core ILO Conventions, they are the main international instrument setting out what is considered responsible business conduct and good practice on environmental and social issues. What is unique about the Guidelines is their implementation through National Contact Points (NCPs), which can help resolve issues related to company behaviour.<sup>11</sup>

The NCP system has already been used to resolve issues related to sporting events. In one example, a group of human rights NGOs asked the UK NCP to mediate a case related to a lack of human rights due diligence by Formula One in Bahrain. The successful outcome resulted in a commitment by Formula One management to respect human rights wherever it operates and to adopt human rights due diligence policy. Another example is the offer by the Swiss NCP to mediate between trade unions and FIFA to

resolve alleged human rights violations of migrant workers related to the construction of facilities for the 2022 FIFA World Cup in Qatar.<sup>12</sup>

At the 2015 OECD Global Forum on Responsible Business Conduct, international sporting bodies were called on to use their influence to ensure better working conditions, respect for human and labour rights, and better environmental practices, particularly considering that they set the rules through the bidding process and contractual requirements. The 2016 Global Forum will focus on how to ensure business accountability through the whole life-cycle of the organisation and delivery of large sporting events, and support the efforts of a new multi-stakeholder initiative involving experts from governments, NGOs, IOs and sports organisations.<sup>13</sup>

The Guidelines can be used as a base for developing international standards for procurement tenders and public works which would reflect agreed best practice. A sourcing code for merchandise suppliers could also be developed based on the due diligence requirements in the OECD Guidelines, building on the sustainable sourcing code put together by the 2012 London Olympics Organising Committee. This code covered all contracts with suppliers and licensees in order to ensure that the merchandise for the Games was sourced in an ethical way. This work would need to incorporate the NCP grievance mechanism provided for in the OECD Guidelines.

### **Fostering partnerships for integrity, transparency and accountability**

The OECD can draw on multiple examples of co-operation and partnerships with multi-stakeholder groups related to the development and implementation of instruments and best practices. The OECD is supporting international initiatives, including the 2016 UK Anti-Corruption Summit, to develop partnerships in the fight against corruption in sport. The OECD is home to the Local Economic and Employment Development Programme,<sup>14</sup> which works with cities and national governments to ensure that global events are used as a catalyst for economic growth and development.

## **LOOKING AHEAD**

Building on its expertise in the field of corporate and public governance and anti-corruption, as well as in large-scale infrastructure projects, the OECD is committed to partnering with governments, sports organisations and other stakeholders to address corruption and integrity risks in the organisation of large sporting events and to facilitating co-operation between sports organisations and law enforcement authorities.

All actors in the world of sport may learn from the lessons of building a coherent and effective integrity management framework, comprising all those instruments, processes and structures that directly stimulate and enforce integrity and prevent corruption and other integrity violations in public and private organisations.

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## NOTES

<sup>1</sup> Global Corruption Report: Sport, Transparency International, Feb 2016. Changing the Game: Outlook for the Global Sports Market to 2015, PricewaterhouseCoopers.

<sup>2</sup> SEC Administrative Order, Release No. 74998 / May 20, 2015 Administrative Proceeding File No. 3-16546.

<sup>3</sup> Employees of state-owned enterprises (SOEs) are considered public officials under the OECD Anti-Bribery Convention. Data shows that in 80% of cases involving bribery of foreign public officials in international business transactions, bribes were promised, offered or given to SOE officials.

<sup>4</sup> Council Report on the Recommendation of the Council on Fighting Bid Rigging in Public Procurement, C(2016)10.

<sup>5</sup> OECD Integrity Framework for Public Investment, [www.oecd.org/fr/publications/integrity-framework-for-public-investment-9789264251762-en.htm](http://www.oecd.org/fr/publications/integrity-framework-for-public-investment-9789264251762-en.htm).

<sup>6</sup> This is also supported by insights on implementing the 2010 Recommendation of the Council on Principles for Transparency and Integrity in Lobbying, and the 2003 Recommendation of the Council on Guidelines for Managing Conflict of Interest in the Public Service.

<sup>7</sup> OECD Good Practice Guidance on Internal Controls, Ethics, and Compliance was adopted on 18 February 2010 [www.oecd.org/daf/anti-bribery/44884389.pdf](http://www.oecd.org/daf/anti-bribery/44884389.pdf). It was originally drafted to help companies establish and ensure that effective internal controls, ethics and compliance measures are in place to prevent and detect bribery, and endorsed by the 41 countries Party to the OECD Anti-Bribery Convention.

<sup>8</sup> OECD Anti-Bribery Convention [www.oecd.org/daf/anti-bribery/](http://www.oecd.org/daf/anti-bribery/).

<sup>9</sup> OECD Recommendation on Fighting Bid Rigging in Public Procurement [www.oecd.org/daf/competition/oecdrecommendationonfightingbidrigginginpublicprocurement.htm](http://www.oecd.org/daf/competition/oecdrecommendationonfightingbidrigginginpublicprocurement.htm).

<sup>10</sup> OECD Guidelines for Multinational Enterprises <http://mneguidelines.oecd.org/>.

<sup>11</sup> National Contact Points are government agencies set up by each government adhering to the Guidelines. Their role is to further the effectiveness of the Guidelines by undertaking promotional activities, handling enquiries, and contributing to the resolution of issues that arise from their alleged non-observance in specific instances (<http://mneguidelines.oecd.org/ncps/>).

<sup>12</sup> OECD Guidelines for Multinational Enterprises <http://mneguidelines.oecd.org/database/>.

<sup>13</sup> Information about the 2016 Global Forum on Responsible Business Conduct is available at <http://mneguidelines.oecd.org/>. The session is co-organised with the Institute of Human Rights and Business [www.megasportingevents.org](http://www.megasportingevents.org).

<sup>14</sup> In May 2016, the OECD/LEED programme [www.oecd.org/cfe/leed/](http://www.oecd.org/cfe/leed/) published draft Principles for Leveraging Local Benefits from Global Sporting Events as part of a project on optimising the local benefits from hosting the EURO 2016. These principles build upon previous work on Local Development Benefits from Staging Global Events.

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