



**The Treatment of International Sports
Organizations in the Swiss National Accounts**

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1 Introduction

International sports associations are strongly represented in Switzerland. There are no less than 45 of them! These include the *International Olympic Committee* (IOC), sports associations linked to the Olympic movement, as well as the two major football associations, the *Fédération internationale de football association* (FIFA) and the *Union of European Football Associations* (UEFA). This number rises to 67 if one considers a broader spectrum of sports organisations such as the World Anti-Doping Agency's European office, the Court of Arbitration for Sport, etc. ([1], [3])

Since the early 2000s, various studies have examined the economic weight of sport and international sports associations on the Swiss economy ([1], [2], [3]). They highlight the importance of the three major international sports associations (FIFA, IOC and UEFA) and their growing economic weight.

At the level of the Swiss National Accounts, interest in these associations is more recent. Their effect on business and macroeconomic statistics has begun to be felt more strongly with the continuing rise in license fee revenues (sale of broadcasting and marketing rights).

The development of these revenues is partly linked to the globalisation of sport and, in particular, football, especially in Asia. But the link with globalisation does not end there. Parallels can also be drawn between the functioning and statistical impact of international sports associations and those of multinational enterprises (MNEs). In particular, the central role played by intangible assets can be mentioned. Therefore, ongoing discussions and work on globalisation and initiatives in this area shed light on the treatment of international sports associations. Issues such as the exchange of micro-data between different statistical partners or the close contact with respondents are also very important in this context. For these reasons, the paper tries, as much as possible, to refer to this work and to show the similarities that may exist with the treatment of MNEs.

That said, international sports associations also differ from MNEs in a number of ways. For example, they have a fairly similar business model, which contrasts with the diversity found among MNEs even within the same economic sector. Moreover, the majority of their foreign subsidiaries are short-lived. They are created for the needs of the organisation of a competition and then liquidated once the competition is over. Above all, their revenues (and expenses) display a cyclical pattern that biases and complicates the interpretation of the economic indicators of the Swiss economy.

The paper focuses on the FIFA, IOC and UEFA. It first presents their business models and examines their characteristics in detail. It then provides an overview of the measures taken in the Swiss statistical system to improve and coordinate their treatment and to shed light on the effect of these associations on the interpretation of the economic situation. Finally, it describes the current statistical treatment of their transactions, which was fully implemented in the 2020 revision of the Swiss National Accounts. This treatment raises some questions as well as a growing need for collaboration at both national and international levels.

2 Presentation of the FIFA, IOC and UEFA

2.1 A shared business model

The FIFA, IOC and UEFA are not-for-profit associations with the legal form of an association under Swiss law. They are registered in the commercial register. Their members are national associations or sports federations. They are based in Switzerland and employed around 1,900 full-time equivalents at the end of 2018. Their statutes contain two main purposes: the management and promotion of sport and the organisation of sports competitions¹.

Their business model can be explained quite simply in the light of these two objectives. They centralise broadcasting and commercial rights, which gives them the legitimacy to organise and market sports

¹ Annex 1 provides the current list of competitions and tournaments prepared and organised by these sports associations.

competitions². The organisation of these events generates income that is largely "reinvested" in the sport. This in turn increases the level, attractiveness and coverage of sports competitions and thus the financial returns. There are two main types of financial flows associated with this model. The revenue and expenses associated with the organisation of major sports events and the "transfers" to the member associations and federations. All these flows are recorded in the consolidated income statements of the FIFA, IOC and UEFA³.

The strategic objective of international sports associations is to increase their revenues and the share of these revenues distributed to their members. This objective has a determining influence in explaining their choices both in terms of organising sports events and managing and selling the various rights. The fiscal aspect also comes into play here. As a non-profit association, they benefit from an attractive tax rate in Switzerland.

2.2 Four-year financial cycles

International sports associations derive the majority of their revenues from the major sporting events that take place every four years (Winter Olympics, Summer Olympics, FIFA World Cup, UEFA EURO). It is for these competitions that the sale of the various rights is most lucrative.

In the period 2015-2018, 83% of FIFA's revenue was generated by the 2018 World Cup. In contrast, the organisation of annual events, such as the Club World Cup, generated only a small proportion of this. Among the sports associations, UEFA is an exception, as it organises annual club competitions (Champions League and Europa League) which generate significant revenue.

In accordance with accounting recommendations, revenue is recognised in the year in which the major sporting event takes place. This primarily concerns revenue from broadcasting rights, hospitality and ticketing rights and, to a lesser extent, marketing rights. For the latter, it can be noted that part of the income is recognised on a straight-line basis over the entire contractual cycle. This is because the sponsorship is not necessarily associated with a specific competition, but can take the form of a "long-term strategic alliance" with the international sports association.

This financial dependence on major sporting events explains why associations operate on four-year cycles where three of the four years of the cycle may be marked by negative operating results. Their non-profit status must therefore be understood in terms of this four-year cycle during which the redistribution of income is observed, in accordance with the statutory objectives.

For a given accounting period, the presentation of the consolidated results will differ somewhat from one sports association to another because they apply different accounting standards, work in different currencies and do not all have the same accounting period^{4,5}.

2.3 Type and evolution of revenues

Revenue is mainly derived from the sale of various rights and therefore from the holding of intangible assets. Over a four-year cycle, the sale of television rights is the main source of revenue. Television broadcasting rights are mainly sold to television stations and other broadcasting institutions. These rights allow a television signal to be broadcast for a given period of time in a particular territory. They are either marketed by the association or by an agency charged with doing so. In the latter case, however, the contracts are made directly in the name of the association. Next comes the sale of marketing rights, followed by revenue from hospitality and ticketing and finally revenue from other rights.

² Neither FIFA nor the IOC nor UEFA capitalise these rights. From an accounting point of view, this is because these associations have not purchased or traded these rights and the expenses for branding and marketing cannot be capitalised under IFRS.

³ Indeed, member associations are not subsidiaries of international sports associations. They are therefore not included in the scope of their consolidated accounts.

⁴ In the absence of access to the statutory financial statements of legal units domiciled in Switzerland, the consolidated financial statements are generally the main source of information for the Swiss National Accounts. Although they complicate the analysis because of the inclusion of foreign subsidiaries, they provide more detailed results than the statutory financial statements.

⁵ Annex 2 gives details of these differences.

From year to year, the revenues tend to increase, especially the prices of broadcasting rights. Globalisation explains this phenomenon as well as the efforts of associations to promote, popularise and market sport⁶. Other phenomena also contribute to this, such as the concentration within these associations of the rights associated with sports events, the creation of new competitions and tournaments, the increase in the number of participating teams and the shift from free-to-air to pay-TV contracts. The following figure shows the evolution of broadcasting rights for the UEFA since 2010:

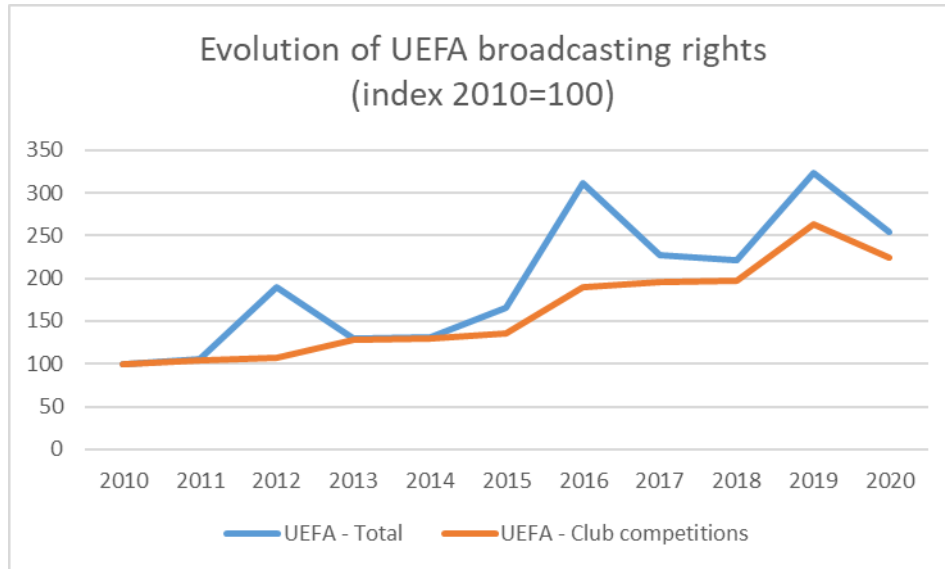


Figure 1: recent developments in broadcasting rights for the UEFA. Source: UEFA financial reports.

Even if they benefit in the medium and long term from the increase in the number of competitions and participating teams (and therefore in the number of matches played), the evolution of hospitality rights and ticketing is nevertheless limited by the capacity of stadiums^{7,8}. Their smaller share of total revenues is also explained by the fact that national associations and clubs retain ticketing and hospitality revenues for some smaller competitions and/or given matches. In the case of the IOC, ticketing and hospitality rights are mainly held by the local Organising Committees for the Olympic Games (OCOG).

2.4 Use of revenues

The FIFA, IOC and UEFA use the generated revenues for different purposes, following different programs and according to different criteria. This section provides a detailed description of these different uses. It is intended to give an accurate picture of how the revenues are used and thus provide the basic information needed to understand these flows.

The IOC's total revenue for the period 2013-2016 ("the 2013-2016 Olympiad"), amounted to USD 5.7 billion. Of this total, USD 5 billion, or approximately 90%, was paid out by the IOC to support the staging of the Olympic Games and to promote the development of sport and the Olympic Movement worldwide. The remaining 10% was used to cover the operating costs of running the Olympic Movement. More precisely, the IOC redistributes a share of the revenues generated by the television broadcasting and marketing rights to the OCOGs. Another share of revenues generated by these rights is distributed to the United States Olympic committee (USOC). To determine, for each Olympic Game, the (equal) shares that belongs to the International Federations (IFs), the (206) National Olympic Committees (NOCs) and the IOC, one has to subtract revenues distributed to the OCOG and the USOC, together with the Olympic Games-related expenditure to total revenues. For the Rio 2016 Summer Olympics, this corresponded

⁶ The emergence of Asia is particularly striking. In the 2015-2018 cycle, FIFA had 20 sponsors, seven of which were Chinese companies. Moreover, of five big sale territories, the Asian and North African territory delivered the most substantial part of the revenue from TV broadcasting rights, exceeding the European territory for the very first time.

⁷ For example, the UEFA EURO has seen the number of participating national teams increase from 8 in 1992 to 24 in 2016.

⁸ In the context of COVID-19, these products should also suffer a sharp decline or even be virtually non-existent, as in the case of the Tokyo Olympic Games, which took place almost without spectators.

to a total amount of USD 1'621 million, of which USD 540.3 million was for the IFs, USD 540.3 million for the NOCs and USD 540.3 million for the IOC. To promote Olympic values and sports and to support athletes, the IOC withdraw money from two funds related to the Olympic solidarity programme and the Olympic movement fund. Distributions of the Olympic solidarity programme are directed towards NOCs and athletes' support. Distributions from the Olympic movement fund serve for instance to grant resources to the World Anti-Doping Agency and to the International Council of Arbitration for Sport (ICAS).

At the FIFA level, information on the 2018 World Cup cycle (2015-2018) shows that around 80% of the total revenue was "reinvested" in football. Of this 80%, half was used to finance the organisation of competitions and events and to pay participating member associations and football clubs⁹. Among the costs recorded for the organisation of the World Cup were the expenses for the financing of the Local Organising Committee (LOC) consisting of staff costs, rent, IT infrastructure, etc. This committee was responsible for implementing all local operational aspects of its organisation¹⁰. In addition, more than 25% of the total revenue was allocated to various development and education programmes, the main one being the Forward 1.0 programme, and 16% was added to reserves for future investments. Launched in 2016, the USD 1'079 million Forward 1.0 programme provided direct financial support to member associations, confederations and regional/territorial associations for their projects, covering operational costs as well as travel and equipment grants. According to the explanations provided by FIFA in its financial reports, the Forward programme is a solidarity programme that also offers incentives (promotion of best practices). Solidarity is expressed in different ways. Part of the amounts are paid on a lump sum basis and therefore do not depend on the size and importance of the associations. Additional financial support is provided to associations in need. Finally, FIFA encourages associations and confederations that do not need their funds to transfer them to those that do. The Forward 1.0 programme has been replaced in 2019 by a version 2.0 which will run until 2022 with an increased budget of USD 1'746 million. Forward 2.0 was also used as part of a relief plan to help the football community affected by the COVID-19 pandemic.

In the case of UEFA, 80% of all revenue was distributed to participating clubs and associations in the 2018/2019 financial year¹¹. At club competition level, just over three-quarters of all revenue was distributed to participating clubs. In detail, the net revenue generated was distributed between the participating clubs and UEFA according to a new key agreed with the European Club Association in 2018 (93.5% vs 6.5%). UEFA's share is used to invest in football and to cover its administrative and institutional costs. Net revenues are calculated by deducting competition-related costs and solidarity payments from the total gross revenues of club competitions. Solidarity payments are intended for teams that do not qualify for UEFA competitions. They are calculated as a fixed share of gross revenue and are then distributed among the teams not involved in the Champions League and Europa League and those who participated in the qualifying phase but failed to qualify for the group stage^{12,13}. As far as national team football is concerned, the distribution of the total EURO 2016 revenue to the participating associations was 15.7%. The distribution is split between participation bonuses and, depending on the sporting success of the teams, result bonuses. UEFA also contributes to the travel costs of the participating teams. Solidarity payments are made through the HatTrick programme¹⁴. With the HatTrick IV programme (2016-2020), each member association received a one-off payment of EUR 3.5 million for investments in projects related to football infrastructure, development and training, and grassroots football, as well as up to EUR 1.9 million per season in the form of fixed solidarity payments and incentive payments. These fixed solidarity payments and annual incentive payments are intended to contribute to the operating costs of

⁹ On the one hand, football clubs benefit from the "Club Protection Programme", which compensates them if one of their players suffers an injury while playing with their national "A" team in an international match. In addition, a portion of the World Cup revenue is shared with the players' clubs through the "Club Benefits Programme" so that they too can benefit from the success of the competition. The amounts allocated are calculated on the basis of a lump sum per player per day.

¹⁰ Its staff reached 1'374, which is more than the number of FIFA employees.

¹¹ In previous years, this percentage was between 70% and 75%, and even 50% in the 2015/2016 financial year including EURO 2016.

¹² The fixed share was equal to 8.5% of gross revenues and was reduced to 7% from the 2018/2019 financial year onwards due to a cross-subsidy of EUR 10 million from the Champions League clubs.

¹³ The amounts paid to non-participating clubs must be used for the development of the youth sector. A share of 80% of these amounts shall be distributed to national associations and/or leagues with at least one club participating in the group stage of the Champions League and 20% to those without clubs participating in the group stage of the Champions League.

¹⁴ This programme was launched in 2004.

the associations and to encourage them to participate in junior, women's and futsal competitions. In total, EUR 610.5 million was made available to the member associations during the HatTrick IV cycle.

3 Work carried out

Following the growing impact of international sports associations on Swiss statistics, it became increasingly necessary to look at their flows. The 2020 revision of the National Accounts made it possible to do so and to adapt, rather than completely revise, the treatment applied to them and also to recalculate the impact of the cycles before 2014. The impressive and recent evolution of their income and expenses required a new analysis of their structure and activities carried out from Switzerland. To this end, exchanges and meetings with the associations took place. They were conducted jointly by staff from business statistics and the National Accounts with the aim of ensuring the emergence of a single view of these associations and their flows within the Federal Statistical Office. With the growth of financial flows, the risk of inconsistency with the data published in the Balance of Payments also became greater. To prevent this, a working group of the Swiss National Bank (SNB), the State Secretariat for Economic Affairs (SECO) and the Federal Statistical Office (FSO) was set up to discuss financial flows and their treatment and presentation in the National Accounts¹⁵.

The following paragraphs give some highlights of this work by addressing the contact with associations, the cooperation with the SNB and the adjustments developed in the framework of the annual and quarterly National Accounts.

3.1 Meeting with international sports associations

In order to determine whether and how the treatment of international sports associations should be adapted, it was necessary to carry out in-depth work to understand the structure and activities of the three largest international sports associations, namely the FIFA, IOC and UEFA. To do this, their financial accounts were scrutinised and meetings were held with each of these associations in the first half of 2019. The main purpose of these meetings was to gain a better understanding of their structure and activities in Switzerland and to obtain additional information that was not included in the financial reports. They also allowed the associations to be made aware of the impact they have on macroeconomic statistics and the evolution of GDP. They were interested and surprised by the extent of their impact on economic developments¹⁶. This was an important step in motivating them to collaborate and provide good quality information. In the future, ad hoc meetings are envisaged to address specific topics such as the way future sports events are organised, their financial impact or changes in financial reporting and the implementation of new accounting standards (e.g. with regard to the "IFRS 16 - Leases" standard).

3.2 Cooperation with the Swiss National Bank

A central element of the revision was the search for greater consistency between National Accounts and Balance of Payments data. Consistency tests were first carried out at an aggregate level in order to compare the data from the FSO (production, intermediate consumption, transfers) with the data from the Balance of Payments (imports and exports of services, transfers). The comparisons showed that the data used in the Balance of Payments and the National Accounts were not consistent for the three major international sports associations. The problems were more on the expenditure side than on the revenue side. The reasons for this included the use of different data sources. While the SNB uses survey data to compile the current account, the FSO mainly uses information from consolidated financial reports. As a result of these analyses, the SNB has adapted the survey guidelines sent to international sports associations concerning the treatment of distributions and solidarity payments made to member associations, regional associations and confederations based abroad. In addition, with the endorsement of the sports

¹⁵ In Switzerland, the SECO is responsible for the quarterly National Accounts and for providing economic forecasts and trends. The SNB is responsible for the Balance of Payments.

¹⁶ The interest of associations in knowing their impact on macroeconomic statistics was in itself not surprising, given that FIFA and the IOC had each already commissioned a study to quantify the impact of international sports associations on the Swiss economy ([1], [3]).

associations, it provided the FSO with the survey data concerning them¹⁷. This made it possible to compare data at the level of each association, allowing for more detailed checks on their consistency, similar to what is done in a Large Case Unit (LCU) for large multinationals.

3.3 Revision and adaptation of the annual and quarterly National Accounts

Until 2014, international sports associations had received little attention from the Swiss National Accounts and their functioning was still poorly understood. The data received from the value added survey for NACE branch 93 "Sports, recreational and leisure activities" were smoothed to avoid strong cyclical fluctuations. From 2014 onwards, however, when the combined impact of the Winter Olympics and the soccer World Cup was felt, it was decided to stop this smoothing and to represent the cycles as they appeared in the raw data. The 2020 revision of the Swiss National Accounts allowed the same procedure to be applied to the entire series. In this revision, the production value, intermediate consumption and gross value added were first recalculated for FIFA, IOC and UEFA on the basis of the financial reports until 2009. Backward calculations were then made for earlier years. As the following graph shows, the two-year cycles of the sports events are now clearly visible in the annual data of the National Accounts.

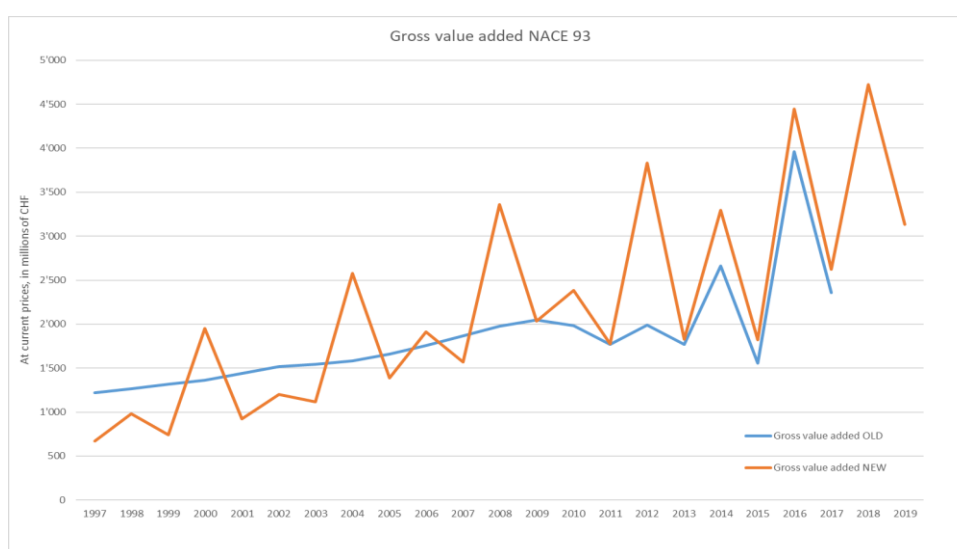


Figure 2: evolution of NACE 93 gross value added before and after the 2020 revision of the Swiss National Accounts. Source: Swiss National Accounts.

FIFA's adoption in 2016 of the international accounting standard "IFRS 15 - Revenue from contracts with customers", which defines how and when revenue should be recognized in IFRS-compliant reporting, explains the break observed for 2015 (the first year of FIFA's 2015-2018 cycle) and, in part, also the weaker impact of the years with a Football World Cup before 2018 in the revised series. Prior to 2015, FIFA reported its revenue proportionately over the four-year cycle¹⁸. The renegotiation cycles of the contracts for the rights of the various competitions overlap. As they are renegotiated upwards, they mainly show their effect through the increasing trend of the curve, but can occasionally also amplify the effect observed over an even year¹⁹.

The evolution of the nominal gross value added of branch 93 "Sports, recreation and leisure activities" shows considerable variations. For example, this evolution was +143.7% in 2016, -40.9% in 2017 and +79.9% in 2018! Although the sector 93 represents only about 0.5% of GDP in nominal terms²⁰, such

¹⁷ Currently, the exchange of micro-data between the SNB and the FSO is made difficult by the legal framework. A recent revision of the legal framework could change this in the medium term. For its part, the FSO sends the detailed data from the financial reports to the SNB for plausibility purposes.

¹⁸ The IOC adopted this standard in 2018 and applied it retroactively to 2017, the first year of its 2017-2020 cycle. The impact was virtually negligible, as the IOC previously recorded the entire broadcast rights in the year the Olympic Games were held.

¹⁹ As was the case in 2016 for UEFA, where the holding of EURO 2016 coincided with the beginning of a new cycle of club competitions (which happens every 12 years by virtue of the fact that contracts for these club competitions are negotiated for a three-year cycle).

²⁰ In view of the fluctuations, this share varies greatly from year to year.

high growth rates have a significant impact on the evolution of the aggregate. In autumn 2017, SECO assessed this effect in an analysis, the results of which are shown in the figure below. This analysis shows that the entertainment industry (NACE 90-96) contributed 0.1% to real GDP growth in 2014, reduced it in 2015 by 0.2% and then increased it by 0.3% in 2016. With an effect that must have been even more pronounced in 2018, the main lesson of the analysis is very clear: major sporting events interfere or even distort the picture of Switzerland's economic situation.

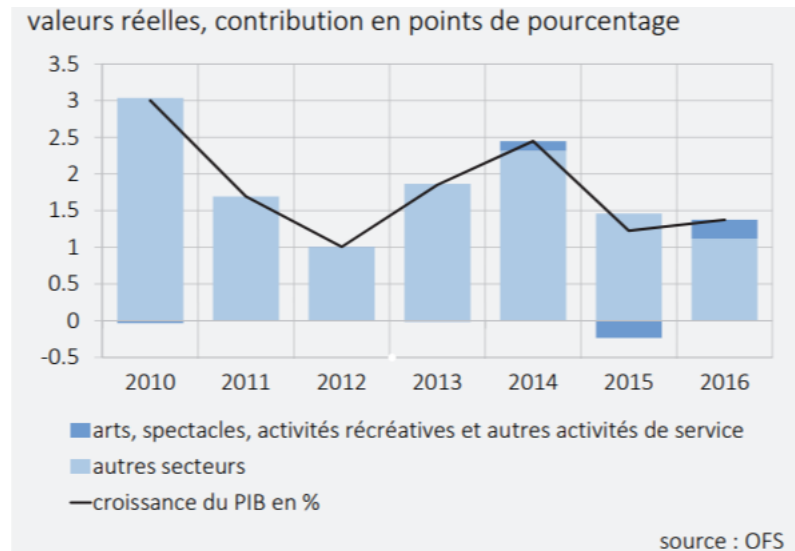


Figure 3: Contribution of the entertainment industry to GDP growth, real values, contribution in %. Source: [6]

In order to smooth out the effect of major sports events (which cannot be done using standard seasonal adjustment procedures) and to obtain more informative series on the economic situation, SECO has developed a "sports event-adjusted" series which treats the value added resulting from major sports events separately and spreads it over four years²¹.

Productivity analyses are also greatly affected by the activities of international sports associations. Productivity varies greatly because value added fluctuates much more than employment. It is true that employment within international sports associations increases momentarily in connection with the organisation of major sports events, but in much more modest proportions than gross value added.

4 Treatment adopted in the Swiss National Accounts

This section details the treatment that the Swiss National Accounts currently apply to the income and expenses recorded by international sports associations. Based on this treatment, it then compares the impact in terms of gross value added of two major sporting events, the EURO 2016 and the 2018 football World Cup.

4.1 Treatment of income

In terms of income, we have seen that there are four main types: income from broadcasting rights, income from marketing rights, income from hospitality/accommodation rights and ticket sales and income from licensing rights. The current treatment in the Swiss National Accounts is as follows:

²¹ This correction procedure is identical to the one recommended for the correction of working days at international level. "Corrected" quarterly series have been published by SECO since mid-2018, but only for the production side: <https://www.seco.admin.ch/seco/en/home/wirtschaftslage---wirtschaftspolitik/Wirtschaftslage/bip-quartalschaetzungen-/daten.html>

- Revenues from broadcasting rights are considered to be an output of associations that is fully exported. The export of services is classified under "Charges for the use of intellectual property n.i.e." according to the classification established for the Balance of Payments. With respect to the time of recording of these flows, we follow the international recommendations that specify that amounts paid, even if they extend over several years prior to the event, should be recorded as charges for use of intellectual property in the period when the event actually takes place (BPM6-CG 12.129).
- Marketing rights are non-produced assets. Their use should result in a transaction in the primary income account. However, payments also contain a service component that cannot be distinguished from property income in this case. By convention, then, the total payments are recorded under "Franchise and trademark licence fees (Charges for the use of intellectual property n.i.e.)" (BPM6-CG 12.124, MSITS, § 3.219). Because the sponsors are large MNEs based abroad, the payment flows generated by these sponsorship contracts are considered exports of license fees from the National Accounts perspective.
- Revenue from hospitality rights and ticket sales is considered to be an output of the associations and an export of services. However, there are situations where the sale of tickets and hospitality is done through a subsidiary in the host country. In these cases, no production or export is taken into account.
- We apply the same treatment to the income from licensing rights as we do to other fees, i.e., we consider it to be an output of the international sports associations that is fully exported ("Charges for the use of intellectual property n.i.e.").

4.2 Treatment of expenses

In terms of the expenses of these associations, we have seen that there are three main types, namely operational costs related to competitions, distribution to participating associations and teams, and solidarity payments. The current treatment in the Swiss National Accounts is as follows:

- Operational costs related to competitions are mainly treated as intermediate consumption²². As competitions are mostly held abroad, they must also be in service imports.
- Distributions to participating associations and teams and distributions to teams releasing players are considered a purchase of services in the context of events where the association plays the role of organizer. These amounts should also be included in intermediate consumption and imports of services.
- Although the total amount of solidarity payments depends on the income generated, it does not seem appropriate to consider them as a kind of dividend distribution. One of the reasons for this is that they are earmarked for specific purposes (infrastructure, organization of competitions, aid to associations lacking resources, etc.). Even if the use of the funds is defined beforehand, no direct counterpart is requested from the national associations. Therefore, they are not a purchase of services and should not be considered as intermediate consumption²³. These amounts are treated as current transfers (D.75) and are also included in the secondary income account of the Balance of Payments.

Participation distributions or solidarity payments for units located in Switzerland should not be included in the Balance of Payments data. These amounts should be excluded as far as possible, even if they

²² One exception is insurance premiums, where only the portion related to the service should be included in intermediate consumption.

²³ There are exceptions, such as solidarity payments to clubs eliminated in the Champions League and Europa League qualification phase, which depend on the number of matches played. These are treated as intermediate consumption in accordance with the treatment of distributions for the participating associations and teams.

are usually relatively small amounts. For example, during the 2018 World Cup, in which the Swiss national "A" team participated, the amounts paid to the Swiss Football Association (SFA) amounted to USD 13.5 million (out of a total of USD 448 million paid to the 32 participating member associations)²⁴. In addition to the participation in the 2018 World Cup, a total of USD 3.75 million has been allocated by FIFA to the SFA for the years 2016 to 2018 as part of the Forward program (out of a total of USD 873 million allocated to member associations).

In the case of IOC payments, the situation is different. A significant part of these payments concern entities based in Switzerland. In fact, the IOC allocates part of the income to the International Sports Federations, many of which have their headquarters in Switzerland, and to the National Olympic Committees. For the latter, the distribution of the allocated amounts is carried out by Olympic Solidarity, which is an autonomous entity of the IOC. As a result, it is a bit more difficult to identify the flows paid abroad in this case. In addition, the IOC pays part of the Olympic revenues to recognised international organisations, some of which, such as the ICAS, are also located in Switzerland.

4.3 Impact of major sporting events

Table 1 shows the total revenue generated as well as the costs treated as intermediate consumption as a share of total revenue for the 2018 FIFA World Cup and the UEFA EURO 2016.

Table 1: FIFA World Cup 2018 and UEFA EURO 2016 key figures to understand their impact on Swiss National Accounts.

| | Total revenue - gross production value | Costs treated as intermediate consumption as a share of total revenue |
|--|--|---|
| FIFA - World Cup 2018 (In millions USD) | 5'357 | 34,0% |
| UEFA - EURO 2016 (In millions of EUR) | 1'916 | 44,2% |

As can be seen from Table 1, the impact of the two events is not the same on the Swiss National Accounts. The holding of the 2018 World Cup has had a stronger impact since the revenues generated are higher and the costs treated as intermediate consumption (expressed as a share of total revenue) are lower. This also puts into perspective the impact of FIFA's decision, already mentioned above, to apply, from the 2015-2018 cycle onwards, IFRS 15 for the treatment of revenue.

5 Outstanding issues

- At the conceptual level, the discussion among statistical institutions in Switzerland has focused on whether solidarity payments should be considered as transfers or as a form of intermediate consumption necessary for the organisation of sports competitions. In the Swiss National Accounts, we have favoured treating the costs directly related to the organisation of sports events as intermediate consumption and solidarity payments as transfers. We consider these transfers, often of a lump sum nature and made possible by the ownership of intellectual property rights, as a core activity of international sports associations. In the background, however, is the question of the nature and extent of the services that the member associations and federations of the FIFA, IOC and UEFA provide for the realisation of major sports events. In the discussions, some of our partners argued that the solidarity payments are in fact an indirect remuneration for their services and that, without these payments, the major sports events could not take place.
- Despite the efforts made, there is still work to be done to harmonise the treatment of flows between the National Accounts and the Balance of Payments. The data sources used by the National Accounts (consolidated annual accounts) and the SNB (quarterly survey data) may

²⁴ They include a prize money of USD 12 million and a lump sum of USD 1.5 million to cover the preparation costs of the participating teams.

also be the cause of important differences (e.g. scope of coverage, temporal distribution of flows, recording concept). These aspects will have to be analysed in depth and solutions found to further reduce inconsistencies.

- Given their non-profit status and tax advantages, the gross value added of the major international sports associations should be roughly equal, over a 4-year cycle, to the sum of their personnel costs, depreciation, transfers and, if applicable, the surplus added to reserves for future investments. For FIFA, for example, this represents an average annual gross value added of around USD 770 million over the 2015-2018 cycle. While their gross value added is significant, the main impact of these associations on the Swiss National Accounts is not so much in terms of levels as in terms of rates of change. Like the negative net operating results presented in their profit and loss accounts, the calculation of the gross value added of these units may result in negative values in some years and be followed in the next year by a gross value added exceeding CHF 1 billion. This high variability is related to the distribution of income and expenses over a four-year cycle. Its magnitude depends on the amount of income generated by the major sports events and the amount of associated expenses processed as intermediate consumption. Even if all solidarity payments were treated as intermediate consumption, the problem would remain, albeit mitigated. The question of smoothing the calculation of gross value added to avoid the appearance of negative figures arises.
- Since the Swiss National Accounts do not apply a treatment or techniques that smooth the results of international sports associations, it has been necessary to produce "major event corrected" series for the purposes of business cycle analysis. In another context, some studies ([1], [3]) have moved away from National Accounts concepts in order to better estimate their impact on the Swiss economy. One of the options chosen was to exclude solidarity payments from gross value added by subtracting them from the gross production value. To the extent that international sports associations distort the link of the usual macroeconomic indicators with the domestic economy, such an option could also be considered at the level of the National Accounts as an alternative measure. However, the option of creating new indicators is not the preferred one at the international level, especially in the context of the treatment of MNEs. The recommendations for the treatment of MNEs by the Globalization Task Team (GZTT) are rather in the direction of using existing aggregates other than GDP (e.g. gross national disposable income) as well as showing more granularity in the production account and/or the sequence of accounts²⁵.
- We have no idea what impact our treatment has on bilateral asymmetries. The question arises as to whether and, if so, how the various financial flows of international sports associations based in Switzerland are recorded abroad. Are the treatments applied to them consistent with those of the Swiss National Accounts? Moreover, wouldn't the time of recording of these flows abroad rather follow the actual payments?

6 Conclusion

The treatment of international sports associations has been the subject of extensive analysis within the Swiss National Accounts, culminating in a visit to these associations.

This work became necessary because of the increasing impact of these associations on Swiss macroeconomic statistics. With the emergence of a global market for the marketing of major sports events, their revenues from broadcasting and marketing rights have increased dramatically in recent decades. These revenues, which are cyclical by nature, influence the evolution of GDP and make it more difficult to understand the domestic economic situation. Since they take place abroad, the financial flows associated with these competitions are generally recorded in the Balance of payments, which raises the question of their consistency with the National Accounts data.

²⁵ Recommendations issued in the context of the revision of the System of National Accounts 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual (BPM6): <https://www.imf.org/en/Data/Statistics/BPM/GZTT>

At the conceptual level, the discussion on the treatment of distributions and solidarity payments made by the FIFA, IOC and UEFA abroad is probably not yet complete. This treatment was discussed extensively with our partners during the 2020 revision of the Swiss National Accounts.

With the chosen treatment, part of the distorting effect of the activity of international sports associations on the Swiss National Accounts is similar to that of foreign MNEs. A significant amount of production, made possible by the holding of intangible assets, is recorded in Switzerland, while most of the income is distributed abroad. In this context, it is particularly striking, but perhaps not surprising, that some of the recommendations issued for the treatment of MNE and Intra-MNE Flows by the Globalization Task Team (GZTT) are also relevant for international sports associations.

7 Bibliography

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Annexe 1

Table 2: Portfolio of competitions and tournaments.

| FIFA | IOC | UEFA |
|---|--|---|
| <ul style="list-style-type: none"> • World Cup • Women's World Cup • Confederations Cup • U-20 World Cup • U-20 Women's World Cup • U-17 World Cup • Women's World Cup • Olympic Football Tournaments • Youth Olympic Football Tournaments • Blue Stars/FIFA Youth Cup • FIFA Club World Cup • FIFA Beach Soccer World Cup • FIFA Futsal World Cup | <ul style="list-style-type: none"> • Summer Olympic Games • Winter Olympic Games • Summer Youth Olympic Games • Winter Youth Olympic Games • Paralympic Games | <ul style="list-style-type: none"> • EURO • Women's EURO • Under-21 final tournament • European Qualifiers to the World cup • Nations League • Champions League • Women's Champions League • Europa League • Super Cup • Other competitions |

Annexe 2

Table 3: key features of the consolidated financial statements of FIFA, IOC and UEFA.

| | Consolidated financial statements | | |
|------|-----------------------------------|----------|---|
| | Accounting period | Currency | Accounting standard |
| FIFA | Civil year | USD | IFRS for the Accounts / IFRS 15 since financial year 2015 / IFRS for the budget since financial year 2017 |
| IOC | Civil year | USD | IFRS |
| UEFA | From 2005/06, 01.07 to 30.06 | EUR | Swiss Code of Obligations |