

The United Nations Convention Against Corruption
Safeguarding against Corruption
in Major Public Events

**Lesson 2: Challenges associated with the
organization of major events**

**WHAT IS IT ABOUT MAJOR EVENTS
THAT MAKES THEIR ORGANIZATION
VULNERABLE TO CORRUPTION?**

Learning outcomes

- ✓ Understand why major international events hold a very high risk of corruption;
- ✓ Understand that the organization of a major event is also a very significant opportunity to demonstrate the efficacy of key corruption prevention measures and to leave a very positive legacy of integrity in large public sector projects;
- ✓ Identify some of the major challenges associated with the organization of major events and their implications for the prevention of corruption.

Costs out of control?

As widely reported by the media, the Russian town of Sochi hosted the most expensive Olympic Games ever at a cost of about \$50 billion.

The price tag, which includes a major upgrade to Sochi's infrastructure, outstrips the \$40 billion China is thought to have spent on the Beijing Summer Games.

It is more than three times the cost of London 2012. When it won the bid in 2007, the costs of the Winter Games were estimated at \$12 billion. That figure ballooned as a huge effort to build new sporting venues, roads and hotels gathered pace.

Sports-related cost overruns, Olympics 1960-2012; original currencies, real terms Games Country Type % Cost Overrun

- London 2012 UK Summer - 101%
- Vancouver 2010 Canada Winter- 17%
- Beijing 2008 China Summer – 4%
- Torino 2006 Italy Winter – 82%
- Athens 2004 Greece Summer – 60%
- Salt Lake City 2002 USA Winter – 29%
- Sydney 2000 Australia Summer – 90%
- Nagano 1998 Japan Winter – 56%
- Atlanta 1996 USA Summer – 147%
- Lillehammer 1994 Norway Winter – 277%
- Barcelona 1992 Spain Summer – 417%
- Albertville 1992 France Winter – 135%
- Calgary 1988 Canada Winter 4-59%
- Sarajevo 1984 Yugoslavia Winter – 173%
- Lake Placid 1980 USA Winter – 321%
- Montreal 1976 Canada Summer – 796%
- Grenoble 1968 France Winter - 201%

Bent Flyvbjerg and Allison Stewart (2012). *Olympic Proportions: Cost and Cost Overrun at the Olympics 1960-2012*. Saïd Business School working papers, The University of Oxford.

The sport of “Understating Expenses”

“It doesn’t happen at every Olympics, but for many (Montreal, Moscow, Sydney, Athens, London) this is how you play. It’s pretty simple really.

- 1) Understate the expense of the Olympic Games upfront in order to sell your citizens and nation on the economic merits of hosting the Olympics.
- 2) Act surprised when expenses begin to escalate.
- 3) Act surprised when revenue and economic benefit projections aren’t met.

American sports fans are no stranger to this game. The rules are similar to the “stadium game”. You know, where city leaders and team owners overstate benefits while understating costs of building new sports facilities, and by the time construction is completed the eventual costs to the public are significantly higher than projected while benefits may not accrue as much or as swiftly as advertised.”

Source: Patrick Rishe, “How Does London's Olympics Bill Compare to Previous Games?”, *Sports Money*, 8 May 2011.

Questions for discussion

- Are cost-overruns in the organization of a major event necessarily a sign of corruption?
- Can costs escalation be attributed in certain cases to corruption?
- In your view, could the cost escalations described in the case study have been anticipated and prevented?

Specific challenges

- The stakes involved in organizing a highly-publicized and internationally anticipated major public event can be very high.
- Any failure is potentially rife with financial, economic, and political consequences for the responsible agency, sponsors and the country involved.
- The political nature or the politicization of such events – including the close relationships between organizers, politicians, the private sector, sponsors and the media – can create a high-risk environment for corruption.
- The exceptional nature of these events increases the likelihood that regulations and standard procedures might be relaxed or set aside.



UNODC

United Nations Office on Drugs and Crime

- ***Time constraints:*** The shortness of time may make it difficult for existing monitoring, auditing and accountability mechanisms to effectively perform their functions and have the desired impact.
- ***Governance issues:*** The organization of major events is often delegated to a special, dedicated team or agency that does not always fit squarely within existing public management structures and processes.
- ***A team's relative inexperience*** with respect to the organization of such a large-scale event adds to the risk of corruption as excessive responsibility, power and money may be given to event organizers who may not necessarily have the required managerial and organizational skills.
- Large scale ***recruitment and training*** of personnel required within a short period of time.



UNODC

United Nations Office on Drugs and Crime

- Requirement for the *procurement* of goods, infrastructure and services on a very large scale, usually with significant time constraints.
- The complexity of the numerous contracting and sub-contracting arrangements involved in the organization of major events, either with private companies or public sector agencies, often on an international scale.

Key points to remember

- ✓ Major international events hold a very high risk of corruption, in part because of their special nature and unique requirements.
- ✓ The organization of a major event is also a very significant opportunity to demonstrate the efficacy of key corruption prevention measures and to leave a legacy of integrity in large public sector projects.
- ✓ There are major challenges associated with the organization of major events and each of them may render the whole initiative particularly vulnerable to large scale corruption.
- ✓ The costs of organizing a major event can be substantially increased as a result of corruption.