



# How does hosting the FIFA World Cup economically impact the Federation Internationale de Football Association (FIFA) and the host country?

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## Abstract

FIFA is one of the biggest if not the biggest football organizations in the world and that is mainly due to the FIFA World Cup, the largest and most viewed football tournament in the world where country's all over the world compete for the biggest sporting prize, the World Cup. Given the immensity of the World Cup, there are a lot of economic implications of hosting the event for both the federation and the host country. In terms of monetary values, there are expenses of around \$2 billion incurred by FIFA but an even more sizable and attractive revenue generation of \$5 billion through varying sources including and mainly pertaining to the selling of TV rights. With regards to the host country, there are also many benefits and drawbacks which are to be considered. While the main benefit of hosting the event is the economic expansion that it can facilitate, there are many questions regarding if this growth is truly sustainable in the long run. This paper will be analyzing all of the above within the scope of economics.

**Keywords:** FIFA, Football, Economic growth

## Introduction

How impactful is the FIFA World Cup economically for the hosts and FIFA themselves?

“Develop the Game, Touch the World, Build a Better Future”. This is the mission statement of Federation Internationale de Football Association, commonly known as FIFA. FIFA is a governing body of international football. Amidst the many responsibilities that this corporation has, one is to plan and

host football events. Of these, the FIFA World Cup is the most prestigious football tournament and is the biggest sporting event in the world, hosted once every 4 years since its inauguration in 1930 in Uruguay. The event is hosted by a different nation each time and the choice is made nine years in advance by the FIFA corporation themselves through an extensive bidding process.

Being the biggest sporting event in the world, the tournament produces serious numbers for both the organizer and the hosts, for example, the 2018 World Cup had a combined 3.572 billion viewers, which is more than half of the world's population, and the final between France & Croatia had 1.12 billion viewers alone (FIFA, 2018). Due to these bizarre numbers, FIFA generated nearly \$6.1 billion in total revenue (Panja, 2018), and more than \$14 billion was added to the Russian economy (Rowbottom, 2018). Based on this example and many others, the World Cup is largely significant for FIFA from an economic standpoint as it generates a lot of revenue. For the host country, there are also many benefits to enjoy including an economic expansion through increased economic activity and subsequent rises in GDP.

However, it is also important to consider that the impacts of hosting the World Cup on FIFA and the host country are not always only advantageous. In the case of FIFA, there is a lot of deliberation with regard to the planning of the tournament all the way from picking the host country to the actual games. This requires a lot of time and resources and also comes with a lot of backlashes many times. Additionally, the corporation also has to be mindful of fulfilling the viewer's needs and ensure that any decisions made do not contradict the same. For the host country, many analysts have questioned if the potential beneficial impacts can actually sustain in the long run or if they're purely short term gains. Furthermore, the host country may be thrown into the spotlight, which could be advantageous at times but also attract unwarranted threats.

On the basis of the above, this paper will be analyzing the nature of the FIFA World Cup along with the many impacts that it has on the federation as well as the host country. In light of this, the research question is **“How does hosting the FIFA World Cup economically impact the Federation Internationale de Football Association (FIFA) and the host country?”**

## Who is FIFA and what is the FIFA World cup?



FIFA (Federation Internationale de Football Association) is a non-profit organization founded in Paris, France on May 21 1904 by representatives from Belgium, Denmark, France, the Netherlands, Spain, Sweden and Switzerland. It is now the highest governing body of football in the world with 211 member nations, making it larger than the United Nations which has 193 member nations (Staff, 2015). FIFA is most well known for the organization of the FIFA World Cup, a tournament that is organized once every 4 years. Gathering billions of viewers each time it is hosted, it is not only the biggest football event but also the biggest sporting event in the world.

Including the organization of the FIFA World Cup, the role of FIFA is also to regulate the game across the world. Through the IFAB (International Football Association Board), which was established in 1886 before coming under FIFA's umbrella, it ensures the laws of the game remain universal (FIFA, 2015). The main objectives of FIFA as an organization that regulates the game are, including growing association football internationally, providing efforts to ensure it is accessible to everyone, and advocating for integrity and fair play. Along with running and regulating the sport, FIFA also takes time to ensure the development of the sport. In 2018 along with the IFAB, FIFA introduced the VAR (Video Assistant Referee), where video evidence can be used to advise the referee on their decisions (Conway, 2018). Before the introduction of VAR, the decision of the referee was final, regardless of it being right or wrong, now VAR makes sure there is no error in the decision of the referee as it makes sure that the decision is right.



Looking specifically at the World Cup, it began in the year 1930 and was hosted by Uruguay and has since been hosted by a different country once every four years (with the exception of a few disturbances including the second world war). The first-ever World Cup was played between 13 nations, Argentina, Brazil, Bolivia, Chile, Mexico, Paraguay, Peru, United States, Belgium, France, Romania, Yugoslavia & Uruguay. The first-ever World Cup Final was played in

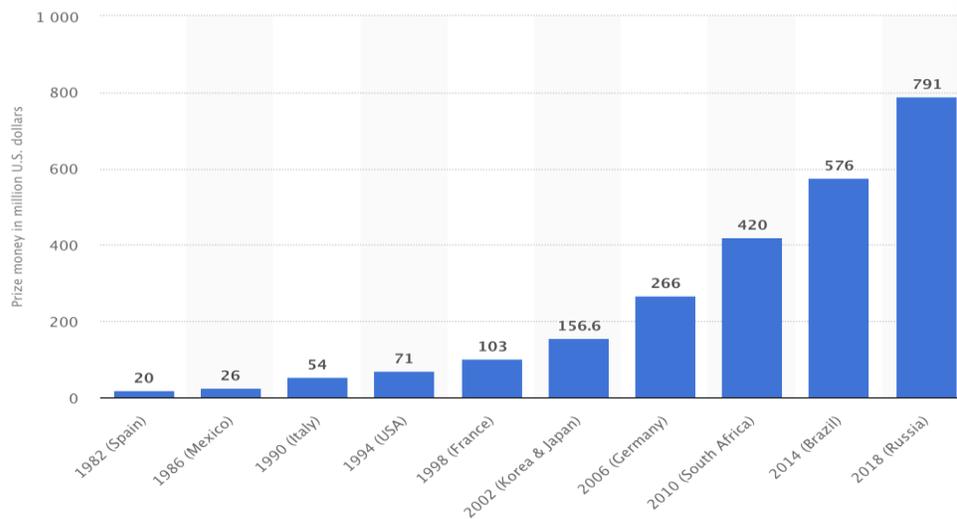
the Estadio Centenario with an audience of 93,000 and it was played between Uruguay and Argentina, the final was won by the hosts themselves in a 4-2 victory over Argentina, making them the first-ever winners of the World Cup (Footballhistory, n.d.).

Since the first World Cup, which was played 91 years ago, a lot has changed, there are now a total of 32 teams that play in the World Cup out of which everyone except the host has to qualify through qualification matches in order to play. There have been 21 World Cup Tournaments and 8 nations have won the Cup, Brazil being the most successful having won it 5 times, and they are the only team to have played in every tournament. The other World Cup winners are Germany and Italy, with four titles each; Argentina, France, and inaugural winner Uruguay, with two titles each; and lastly England and Spain, with one title each (Foxsports, n.d.). The current champions are France having won the 2018 edition of the world cup, which is also the most-watched live event ever.

Along with the actual World Cup itself, the tournament also has several other awards that are awarded to both individuals and teams. These awards include, the Golden Ball for the best player of the tournament, Golden Boot for the top scorer, Golden Glove for the best goalkeeper, Best Young Player for the best youngster, FIFA Fair Play Award for the team that advances into the second round of the tournament with the best fair play record, the Goal of the Tournament for the best goal scored, and lastly the Most Entertaining Team for the team that played the most attractive brand of football (FIFA, 2010).

As if extra awards weren't enough, FIFA also awards Prize Money to each nation that participates in the tournament. In the 2018 edition of the World Cup, the champions, France, were awarded 38 million dollars and the runners-up Croatia also received a healthy sum of 28 million dollars. Other teams who did not make it far in the tournament also received 8 million dollars each just for participating (Lange, 2020). The prize money in total for this tournament was \$791 million, the highest ever and more than \$200 million higher than the prize money for the 2014 world cup. As evident in the figure below, the prize money of this tournament rises significantly each time it takes place and the main reason behind this is due to the significant rise in viewership and revenue as well. For example, the 2014 edition of the World Cup brought in \$4.8 billion in revenue whereas the 2018 edition brought in \$5.3 billion. (Sports Value, 2018)

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### **The impact of hosting the World Cup on the Federation Internationale de Football Association**

The FIFA World Cup is a tournament that lasts for a month, and it brings in revenue worth almost \$5 billion for FIFA. For the 2014 World Cup, FIFA spent \$2.2 billion in expenses, but due to the \$4.8 billion earning in revenue for the organization it led to a \$2.6 billion profit for FIFA. The 2018 World Cup was an even bigger success as the organization spent only \$1.82 billion in expenses and brought in \$5.36 billion in revenue, making the profits made from the World Cup \$3.54 billion. The next edition of the World Cup, 2022 in Qatar has a similar projected profit range at \$3 billion (Akabas, 2021). These outrageous numbers have multiple sources that make them as high as they are with the FIFA World Cup having 4 primary sources of revenue including; TV rights, Marketing Rights, Licensing and Ticketing and Hospitality.

Starting off with the TV rights, out of all the revenue that was brought in from the 2018 World Cup, 55% of it was from TV rights, making it the biggest source of revenue for FIFA. FIFA sells these TV rights to television and broadcasting networks around the world, permitting them to broadcast the World Cup on their network for viewers around the globe. The competition for these rights is fierce and relentless as the World Cup is the most viewed event in the world and every broadcasting company wants the FIFA World Cup available for viewing on their network. The second-biggest source of revenue for FIFA is the Marketing Rights of the World Cup, which generated \$1.66 billion for the organization in the four-year cycle leading up to the current World Cup. FIFA also generated \$600 million from the licensing rights for the 2015-2018 cycle, which was 114% more than the previous cycle. This revenue comes from the sale of brand licensing contracts, royalty payments, and other similar sources. The final source of FIFA's revenue comes from ticket sales and hospitality rights. All the revenue made from the ticket sales is owned by FIFA, meaning 100% of ticketing sales will go to FIFA and will not be distributed with the government of the host country. In the 2015-2018 cycle, FIFA reported \$712 million in hospitality

rights and ticket sales revenue, and more than 10 million tickets were requested for the 2018 World Cup events in Russia (Reiff, 2020).

These were all the sources of revenue for FIFA, now on how the organization spends money and why the expenses of the tournament are around \$2 billion. FIFA's expenses in the 2015-2018 cycle of \$5.36 billion can be broadly divided between the primary categories of event-related expenses (\$2.56 billion), development and education projects (\$1.67 billion), and FIFA governance and administration (\$797 million). Other high amount expenditures from the 2015-2018 cycle include Football Governance, which includes legal costs, information technology, and building expenses. This cost FIFA a total of \$124 million. Lastly, FIFA also spent \$211 million on Marketing & TV Broadcasting in the 2015-2018 cycle (Reiff, 2020).

After analyzing the expenditure and the revenue of FIFA, we can clearly see that the World Cup is their cash cow and it is where the majority of their revenue comes from, we can also see the very evident surplus as the revenue is more than double of what they spend each time resulting in a very hefty profit. As mentioned multiple times earlier the FIFA World Cup is hosted once every 4 years, but due to the immense earning and the exponentially increasing success the World Cup has been having, FIFA is considering hosting the tournament every 2 years rather than 4. Arsène Wenger, legendary former Arsenal manager and current Fifa's chief of global football development says that he is "100% convinced" it is the right way for the sport (Rosser, 2021). This agenda has led to many debates and disagreements around officials and football fans. The supporters of this agenda are mainly officials as the more frequent the World Cup the more money they make, whereas the opposers of this agenda are mostly fans who claim that the exclusivity of this event is what makes it so special and strongly believe that all these officials care about is money and not the sport.

From an economic point of view, hosting the World Cup every 2 years is very beneficial in the short term, but in the long term, it will not be beneficial and could also lead to losses. To relate it to an economics theory, we can confirm this by the law of diminishing marginal utility. The law of diminishing marginal utility states that as consumption of a good increases, marginal utility, or the extra utility the consumer receives, decreases with each additional unit consumed. In this case, the FIFA World Cup is the good whose consumption is being increased, and the marginal utility indicates the viewer's interest in the World Cup. When you apply the law of diminishing marginal utility into this situation, we can see that the more frequently the World Cup is hosted the viewer's interest in the tournament decreases each time.

## **Impact of hosting the FIFA World Cup on the host country**

Throughout this paper, it has been mentioned that the FIFA World Cup has been the biggest live event in history and brings in huge amounts of money for both FIFA and the host country. Due to the high amount of money this tournament brings for both parties, the host country is chosen through a long bidding process and 9 years before the competition begins. The bidding process requires the countries to first apply to be a bidder by providing evidence that they have the capabilities to host the games. These include specifications for the number and size of stadiums as well as hotels amongst other infrastructure. For example, FIFA has had strict stadium guideline requirements since at least 2001, the stadiums must have a capacity of at least 40,000, stadiums hosting quarter-finals must have a minimum of 60,000 and those hosting the opening ceremony or final must have a capacity of at least 80,000. FIFA also has requirements that include bidding nations having to meet requirements on human rights, sustainable event management and environmental protection. If these requirements are not met by the bidding country, they are automatically excluded from the bid. Once these requirements are met, a small list of candidates is created and the final choice is made by FIFA's congress almost 9 years in advance of the games (FIFA, n.d.).

There has also been a recent addition in the process of selecting the host country and that rule allows a continent to host a World Cup every eight years, this addition makes sure that the tournament is not held in the same continent twice in a row. A source from FIFA has also mentioned that the organization might be considering increasing the waiting period to 12 years which would mean that a World Cup hosted in Europe might not take place until 2030 (Homewood, 2016).

The above being said, there is a reason why countries are very enthusiastic about hosting the tournament and that is mainly due to the positive economic impact these games can have on the host country. In the 21st century, the games were held in 5 different venues and the overall consensus was that the most notable effect of hosting the World cup was the economic expansion that it experiences through increased spending and a subsequent boost to the GDP. According to the report by Alexey Sorokin, the chief executive of Russia's World Cup Organizing Committee, the impact of the World Cup on Russian gross domestic product (GDP) between 2013 and 2018 was 952 billion roubles - the equivalent of 1.1 percent of GDP (Rowbottom, 2018).

Not only does the World Cup have an impact on the GDP but it positively affects many industries as well with the travel industry being one of them. For example, the travel industry in Russia experienced massive growth as more than 1.5 million people visited Russia during the World Cup (Murison, 2018),

this has also resulted in an expected 4% compound annual growth by 2022 in the number of inbound arrivals in Russia. Gloria Guevara, President & CEO, WTTC, said "Travel & Tourism creates jobs, drives economic growth and helps build better societies. This is particularly the case in Russia, the 16th largest tourism economy in the world, with Moscow generating more than a quarter of Russia's tourism revenue. Hosting this World Cup has given Russia the opportunity to showcase cities across the country and bring together millions of travelers while contributing to the economic growth of the sector and creating jobs." Another economic advantage of hosting the World Cup is the potential it has to create employment in the economy. A report by the Russian World Cup organizers stated that due to the tournament more than 315,000 jobs were created per year in Russia, and claimed that the tournament would still have an impact on the economy of Russia for the next 5 years. Another added advantage of hosting the games is the country's ability to improve public perception and get at the forefront (Rowbottom, 2018).

The world cup clearly comes with a lot of benefits for the host country and benefits their economy exponentially, but like all things, hosting the world cup also comes with a few drawbacks. The drawbacks of hosting the World cup include a lot of expenses, inflation, crime, etc. As mentioned earlier, the world cup requires massive investments by both the hosts and FIFA. For example, According to Professor Richard Tomlinson of the University of Melbourne, as of June 2010, costs had spiraled out of control, and South Africa had spent approximately US\$4 billion on preparations for the event. Although there are economic benefits to hosting the tournament, Tomlinson called them "vastly overstated." Another major drawback of hosting the tournament is inflation, in the 2010 world cup out of all the anticipated concerns inflation was the biggest, and rightly so, because the price of consumer goods rose up 70% due to the hosting of the games. In addition to inflation and a lot of expenses, crime is another concern that World Cup hosts have to worry about. Due to the increase in the number of people flowing into the country over a short period of time, the crime rate can potentially increase too (Wolfe, 2010).

## **Conclusion**

On the basis of the above, the answer to the research question is clear wherein it can be stated that hosting the FIFA World Cup does in fact have big economic implications for both FIFA and the host country.

For the organization (FIFA) the world cup is considered their cash cow and where the majority of their revenue comes from as the competition brings in \$5 billion dollars for the organization. This revenue is brought from multiple factors like TV rights, marketing rights, licensing, and ticketing and hospitality as

explored in the paper. However, even though the World Cup generates a lot of revenue for the federation, it also presents a significant expense amount of around \$2-3 billion. Therefore, the decision to increase the frequency of the World Cup can change the economic implications of hosting the games for FIFA.

For the host countries, on the other hand, hosting a world cup is like a lottery ticket as it is a great opportunity for countries to boost their economies greatly. This is for a variety of reasons including the higher levels of economic activity, largely facilitated by the increased infrastructure in preparation for the games, as well as an increase in the flow of people entering the country and an injection for other sectors of the economy including tourism. Once again, however, just like FIFA, even the hosts have to put in a lot of money to prove themselves worthy of hosting the tournament and then subsequently preparing for it. On the whole, hosting the games, to a certain extent, prove to be a good investment as the country develops in almost all areas but the question still remains as to if the benefits are enjoyed merely in the passing or are sustained in the long run.

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