SANDLANDERS & SUPPORTERS DIRECT

FIRST AFRICA FOOTBALL REPORT: CLUB STRUCTURES AND LICENSING

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Foreword - Linking Club Structures and Licensing

"We believe that the sustainable success of sports clubs flows from the right choice of structure."

This is the first annual report to be produced by Sandlanders and our partners at Supporters Direct focusing on the business of football in Africa. Based on our experience working with clubs, associations and supporters' groups in nine African countries over the last five years, we have observed that weak football club structures and an absence of effective licensing is at the core of many of the key issues affecting football on the continent.

While the adoption of the CAF[1] Club Licensing Regulations (the "Regulations") in 2012 provides a foundation for change in the African game, there remain challenges ahead to ensure effective monitoring and implementation of the Regulations across CAF's 56[2] member associations ("MAs"). The Regulations are based almost entirely on those established by FIFA in 2008 and establish sporting, infrastructure, personnel, administrative, legal and financial criteria to be met by clubs - all areas in much need of improvement across Africa.

To aid understanding of the challenges ahead, this report will provide an insight into how African football clubs are currently organised. In contrast to football in Europe and elsewhere, there is still a general lack of information relating to the administration of sports in Africa. Questions such as "Who owns the club?" "Where does the money come from?" and "Where does the money go?" are often asked but the answers, despite being crucial to understanding how African football operates, are difficult to find. We have therefore provided an overview of existing ownership structures across the continent with some analysis of the merits of the respective structures. This overview is supported by a more detailed review of the markets in four key jurisdictions - Egypt, Kenya, South Africa and Nigeria. We conclude the report with a summary of conclusions and recommendations for future practice.

"This report will provide an insight into how African football clubs are currently organised."

Based on our experience of involving communities in the running of football clubs, this report will also show, through a combination of analysis and highlighting of best practice, the strength of the links between community ownership and community involvement in decision-making at sports clubs and long-term financial sustainability and good governance. We believe that the sustainable success of sports clubs flows from the right choice of structure, whilst a comprehensive club licensing system - on a national and continental level - creates a fair platform for competition and rewards well-run clubs.

Community ownership is already a big part of sporting culture in many parts of Africa and clubs and supporters now need to take steps to ensure that this involvement translates into financial sustainability and good governance which has to-date not always been demonstrated.

Paul Jones, Director,
Sandlanders Football

NOTE ON METHODOLOGY

The four countries featured as case studies represent a geographical spread (respresenting the largest economy in each of the four main regions of Africa) and a compromise between the goals of the project and the available resources. Whilst there has been some existing work on the economics and structures of sports clubs in Africa, there is no study such as this already in existence.

Given the diversity of club structures and legal systems across the continent, the report is only able to give a brief overview of each jurisdiction and relevant club structure. Ownership and financial details reported have largely been obtained from public sources and we welcome comments and corrections from all stakeholders that would allow us to develop this research further in future."

ACKNOWLEDGMENTS

This report could not have been prepared without the valuable contributions of a variety of African football industry stakeholders and experts including fans, clubs, associations, journalists, corporate sponsors and lawyers.

In particular, we would like to thank Adam Moustafa and Ahmed Assem (of Egyptian football website kingfut.com), Nasr El Din Azzam (Sport Makers, Egypt); Oluwada Lotfi (Egypt), Claudia Ekai (Kenya), Omollo Arthur Omondi (Kenya), Mdudzi Mdunge (South Africa), Ayodeji Adegbenro (Nigeria) and Michael Adebayo (Nigeria).

ABOUT SANDLANDERS

Sandlanders works with African football clubs, supporters' groups and associations. We focus on the development of sustainable clubs, league systems and infrastructure and promote democratic community ownership, transparency and good governance in the administration of sports in Africa. Our assistance for clubs and associations includes advising on corporate structures and governance, league systems, licensing issues and sports infrastructure projects.

As well as developing our own network of community-owned clubs and supporters' groups (who are also our shareholders) competing in domestic leagues in Ghana, Liberia, Sierra Leone, Nigeria, Kenya, Uganda, Zambia and Zanzibar, we work on a range of other projects. Our core areas of focus are club development; policy, research and advisory and project management. In conjunction with Architecture for Humanity, we have developed designs for SoccerHub - an integrated sports and community facility specifically for use in Africa.

In addition to market-specific knowledge obtained from our clubs, through a formal partnership agreement with Supporters Direct we are able to draw on their experience of working in over 20 European countries assisting local communities and clubs develop democratic forms of governance.

ABOUT SUPPORTERS DIRECT

Supporters Direct ("SD") is an organisation that assists democratic football supporter organisations in achieving formal structured involvement in their clubs and associations and developing supporter community ownership of football clubs. SD also advises clubs on their ownership and governance structures, and works with football associations, leagues, UEFA, and other European institutions. Through our SD Club Development consultancy we have the expertise to assist clubs in a variety of situations. In respect of club licensing and supporter involvement, our work over more than a decade has given us a recognised expertise in how decision-making structures in football can be improved to encourage long-term sustainability.

SD currently operate in over 20 European countries, having been set up as a UK-based organisation in 2000. On the initiative of the UK Presidency of the European Union, in 2005, José Luis Arnaut was commissioned to undertake what became known as the Independent European Sport Review. One of his recommendations directed at the football authorities was for them: "to examine the feasibility of a European Supporters Direct body". UEFA liaised with SD in the UK to address this recommendation and funded a 12-month feasibility study, managed by an independent researcher that commenced in July 2007[3]. The resulting paper illustrated a clear desire amongst supporters and supporter owned clubs for similar services to those offered by SD in the UK, but with elements tailored to their national contexts.

ABOUT COMMUNITY OWNERSHIP

'Community Club' is a phrase that is becoming more and more popular when talking about football and other sports globally. In Africa, the phrase is commonly used in a variety of contexts when talking about a club with links to its community.

For the purpose of this report, we define 'community ownership' as meaning;

- A minimum of 50% +1 of the voting rights of the club are controlled collectively by a democratic entity which has an open and inclusive membership.
- 'Democratic' to mean the membership of the entity to work on a one member one vote principle.
- 'Inclusive' to mean that there are no substantial barriers to participate as a voting member, with membership open to all that are sympathetic to the aims of the club.
- Any profits are reinvested back into the club as opposed to being distributed to shareholders.
- The club is committed to running as a sustainable business.

A minimum of 50% +1 of the voting rights of the club are controlled collectively by a democratic entity which has an open and inclusive membership.

PART I: CLUB STRUCTURES

"if implemented effectively, the regulations, at the top level at least, will address one of the key issues impeding the commercial development in African football - a lack of corporate formality."

OVERVIEW

Sports club structures evolve over time and develop differently from one jurisdiction to the next, influenced by country-specific economic, social and political factors.

The ownership of sports clubs in Africa can broadly be split into the following three forms:

1. Community ownership (via a member-owned society or registered/unregistered association)
2. State ownership (via a state-owned authority/agency or company)
3. Private ownership (via a private limited company or unregistered structure)

There are some variations in the above forms from one jurisdiction to the next and increasingly, boundaries between the forms have become blurred, particularly where community-owned clubs have become subject to state or private influence.

Common to each of the forms, a recurring problem in African football is a lack of formality in implementing these structures. Historically, many top tier clubs have not operated via a formally registered legal entity and where entities are registered, there remains a lack of transparency and accountability to supporters in the way that the clubs are run. Across Europe for instance, a supporter may obtain the ownership register, statutes and annual accounts of their club from the appropriate public registry but this is generally not the case in Africa.

"a recurring problem in African football is a lack of formality in implementing these structures"

This lack of formality is an issue FIFA and subsequently CAF has sought to address through club licensing regulations. One of the stated objectives of CAF's Club Licensing Regulations is to improve the economic and financial capacity of clubs through "proper corporate governance and control". Article 11 of the Regulations requires as a Grade A (mandatory) requirement that license applicants provide "a copy of valid statutes" together with "an extract from a public register (trade register, etc.) containing information on the license applicant (such as name, address, legal form, list of authorized signatories and type of required signature)". Article 12 further requires that regardless of the applicant's legal structure, clubs shall prepare independently audited accounts.

The Regulations are considered in greater detail in Part II of this report but, if implemented effectively, they will, at the top level at least, address one of the key issues impeding the commercial development of African football - a lack of corporate formality. Input received from both sponsors and fans indicates that (i) this lack of formality prevents clubs from accessing finance from commercial lenders and corporate sponsors alike; and (ii) the lack of transparency and accountability also puts a distance between clubs and their supporters, limiting potential long-term engagement.

To provide a high-level example of the split of club structures across Africa, we have summarized below the structures of the 2014 CAF Champions League group phase participants which shows the dominance of community-owned clubs at the highest level of African football.

TP Mazembe (World Club Cup finalists in 2010) are the only fully private club in the final eight clubs. Despite being privately-owned, the club also exhibits some of the characteristics of community-owned clubs in terms of its commitment to developing infrastructure to benefit the community and build the profile of Katanga Province[4]).

TABLE 1 - 2014 CAF CHAMPIONS LEAGUE PARTICIPANTS - CLUB STRUCTURE OVERVIEW

CLUB	COUNTRY	STRUCTURE	FOUNDED	FACEBOOK[5]
TP MAZEMBE	Democratic Republic of Congo	Private limited liability company[6]	1939[7]	111,552
AS VITA CLUB	Democratic Republic of Congo	Community-owned multi-sport club[8]	1935[9]	20,234
AL-HILAL OMDURMAN[10]	Sudan	Community-owned[11]	1930	277,544
ZAMALEK SPORTING CLUB	Egpyt	Community-owned multi-sport club	1911	2,744,504
CLUB SPORTIF SFAXIEN[12]	Tunisia	Community-owned multi-sport club[13]	1928	234,935
ENTENTE SPORTIVE DE SETIF	Algeria	Community-owned[14]	1958	103,846
ESPERANCE SPORTIVE DE TUNIS	Tunisia	Community-owned multi-sport club[15]	1919	226,047
AL-AHLY BENGHAZI SPORTS CULTURAL AND SOCIAL CLUB	Libya	Community-owned[16] multi-sport club	1947	29,493

1. COMMUNITY OWNERSHIP

The establishment of sports clubs as community or member owned associations or societies has deep roots in various parts of Africa.

In North Africa in particular, many of the region's most successful clubs are established as multi-sports associations based on the same model used throughout German football (where all clubs were founded as members' associations) or at the Spanish socio-owned clubs such as Real Madrid and Barcelona.

The map below indicates the penetration of community ownership of sports clubs across Africa (indicating clubs which are currently community-owned or have a history of community ownership). The map is not intended to be definitive and we would welcome additional contributions.

Algeria - Entente Sportive de Sétif, JS Kabylie

Democratic Republic of Congo - AS Vita Club

Egypt - Al Ahly, Zamalek, Smouha, Al Masry, Ismaily, Ittihad of Alexandria, Heliopolis, Gezira, Al Tersana and Al Zohour

Ethiopia - St. George, Ethiopia Coffee

Ghana - Keta Sandlanders

Ivory Coast - ASEC Mimosas

Kenya - Gor Mahia, AFC Leopards, Mathare United, Thika United, Muhoroni Youth, Ligi Ndog

Liberia - VOA FC

Libya - Al-Ahly Benghazi Sports Cultural and Social Club

Mali - AC Djoliba

Morocco - Raja Casablanca

Sierra Leone - Shining Stars FC

Sudan - Al-Hilal, Al-Merrikh

Tanzania - Young Africans, Simba SC, Coastal Union

Tunisia - Club Sportif Sfaxien, Espérance Sportive de Tunis, ES Sahel

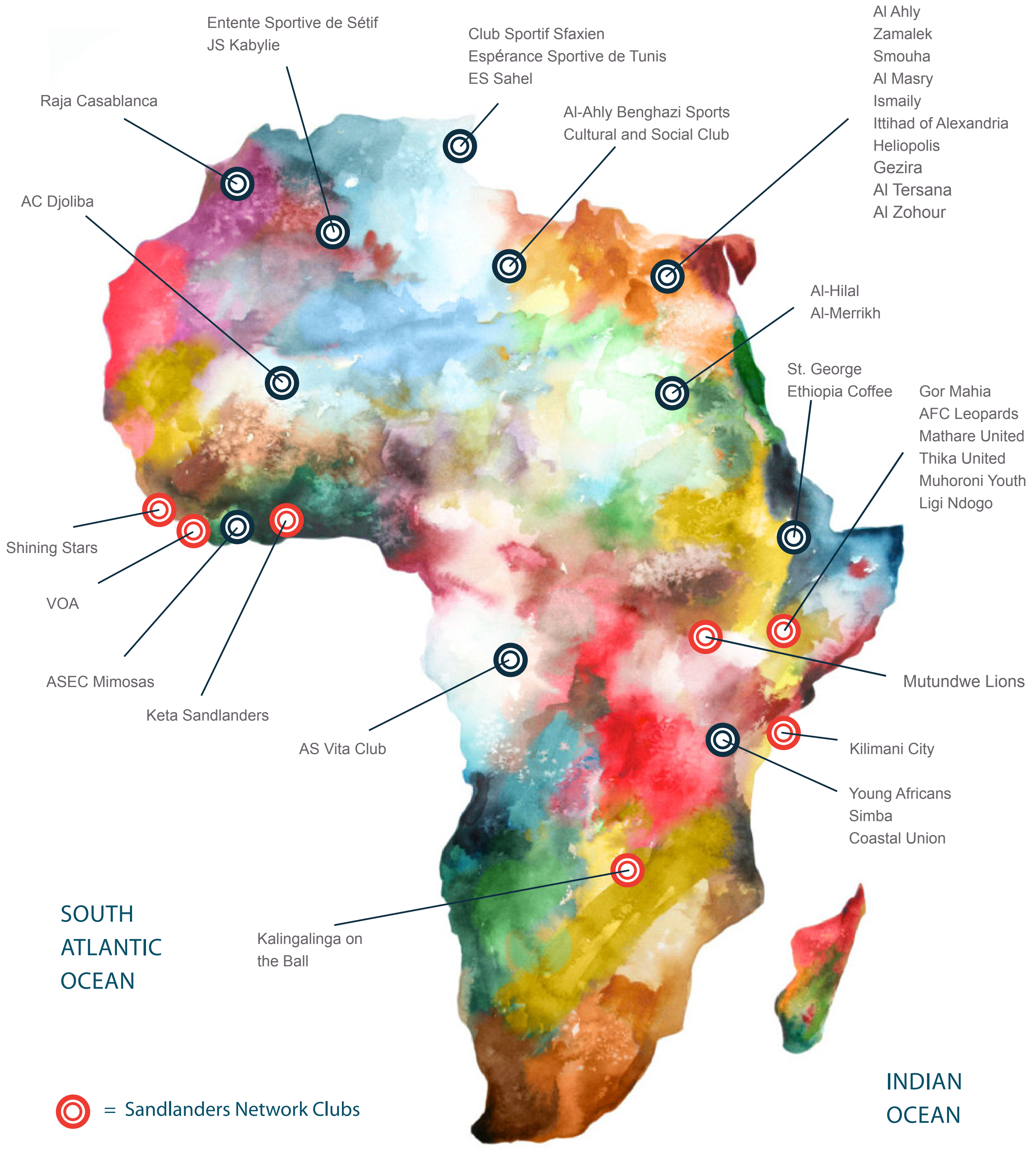
Uganda - Mutundwe Lions

Zambia - Kalingalinga on the Ball

Zanzibar - Kilimani City

"many of the region's most successful clubs are established as multi-sports associations based on the same model used throughout German football"

COMMUNITY OWNERSHIP ACROSS AFRICA - BRINGING COLOUR TO THE BEAUTIFUL GAME



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FIRST AFRICA REPORT: CLUB STRUCTURES & LICENSING

FORM

- We have reviewed structures that include registered and unregistered 'societies', 'associations' and co-operatives. The form varies from country-to-country based on local enabling legislation. In Tunisia for instance, clubs are unable to establish more formal 'Societies' and only non-profit-making associations are permitted (e.g. Esperance).
- Members generally exercise their control by electing a President in elections held every 4 years and otherwise being able to attend annual and special general meetings of the club.
- In general, little financial information is provided to members and their powers are limited.
- The origins and evolution of community-owend clubs are complicated (often tied closely with in-country social and political developments) and should not be over-simplified.

SUCCESSES

- LONGEVITY - many of the most successful community-owned clubs were established in the first part of the twentieth century.
- SUPPORTERS - the biggest community-owned clubs generally have large fan bases. Clubs may have a potential fan base of millions with thousands of registered members e.g. Yanga and Simba in Tanzania - millions of supporters across the country and around 12-13,000 registered members. In Egypt, between 10,000-20,000 members vote in club elections[17]. Zamalek's current membership stands at around 54,000 and since membership is one per family, there are many more individual members.
- ON FIELD SUCCESS - Africa's most decorated clubs are community-owned. Four of the five clubs with the most CAF titles (Al Ahly, Zamalek, ES Sahel, TP Mazembe and JS Kabylie) are community-owned to some extent (TP Mazembe being the exception).

FAILURES

- ADMINISTRATION - despite their large fan bases and on-pitch success, the larger member-owned clubs face complicated and deep-rooted administrative difficulties. Such is the influence of the clubs amongst their supporters and the wider population that, if unprotected by robust regulation, the institutions are vulnerable to over-politicization. In such cases, the principles of democracy, transparency and accountability may be compromised.
- FINANCIAL ISSUES - in a number of cases, community-owned clubs have become over-dependent on state support and do not otherwise run as financially sustainable businesses. The lack of a stable financial base contributes further to over-politicization of the clubs.

"benefits will only be realized if the community ownership model is implemented in accordance with its core principles which include democracy, transparency and accountability."

THE VALUE OF COMMUNITY OWNERSHIP

Supporters Direct have conducted extensive research into the benefits of community ownership of sports clubs in Europe. Their research concluded that supporter community ownership creates "long-term, deep and sustainable partnerships with key strategic partners"[18].

However, these benefits will only be realized if the community ownership model is implemented in accordance with its core principles which include democracy, transparency and accountability. Furthermore, for community ownership of clubs to fully deliver these benefits, comprehensive regulation of clubs is required - at a continental and national level. Decision-making structures of football clubs and governing bodies need to be improved in order to encourage long-term sustainability. The German case study set out in this report offers best practice in this area.

African sports clubs have had varying success in establishing community ownership. In the worst cases, community-owned clubs are vulnerable to corruption, undue influence and over-politicization and no longer satisfy the definition of community ownership set-out in this report.

2. STATE OWNERSHIP

State ownership of sports clubs is a reflection of a 'big' state but also of an economic reality that in some cases only the state has available funds to provide effective support to clubs. These factors have combined across Africa in recent decades to result in widespread state involvement in sports clubs.

State clubs typically represent major state instructions such as the army, revenue authority or city councils. Successful examples include APR (the Rwandan military); URA (Uganda Revenue Authority); Zesco (the Zambia Electricity Authority) and most notably Nigeria's Enyimba (backed by the Abia State Government) who are all regular champions of their domestic leagues.

While these clubs have helped to fill a gap in funding in recent years, they are usually entirely reliant on state support for revenue in the absence of a significant fan base to contribute gate receipts or a more developed commercial strategy. With this in mind, it is likely that such clubs will play less of a prominent role in future as the game is increasingly privatised.

Nigeria provides a good example of this trend. Currently, almost all Nigerian Premier League clubs are owned by state governments but the recent Nigerian Club Licensing Regulations impose a rule ultimately requiring all clubs to establish themselves as commercial entities in which no single party can own more than 30% of the shares. If implemented in full, the regulations will have a transformative effect on Nigerian football and reduce state involvement in the game.

3. PRIVATE OWNERSHIP

Private ownership of sports clubs in Africa is on the rise as additional commercial sponsorship and other corporate involvement (in some countries at least) makes investment a more viable proposition.

African football has long been home to clubs privately owned by wealthy individuals (e.g. TP Mazembe, Kaizer Chiefs and Mamelodi Sundowns) or corporate groups looking to promote a brand or provide a social outlet for employees (e.g. East Africa Breweries' Tusker FC in Kenya or Azam FC in Tanzania). It is likely that the level of sophistication of this model will increase as economies develop resulting in better equipped owners and more money in the game.

As the most successful league in Africa both administratively and financially, South Africa's PSL best illustrates this trend. The league operates on a freely tradable 'franchise' basis (similar to America's MLS), which has resulted in a diverse portfolio of investors but, as we consider in our South Africa case study, the model brings its own challenges in terms of developing an effective fan base and diverse revenue streams.

PART II: CLUB LICENSING

"corporate confidence should result from clubs being committed to legally binding statutes, rules and regulations."

CAF CLUB LICENSING REGULATIONS 2012

The Regulations were approved by the Executive Committee of African football's governing body on 19 January 2012, coming into force on 1 March 2012.

The Regulations contain the following overarching objectives, which mirror those set out by FIFA in their 2008 Club Licensing Regulations:

- Promoting and improving the quality and level of all football aspects in Africa.
- Ensuring that all clubs have the appropriate infrastructure, knowledge and application in respect of management and organisation.
- Adapting and improving club sporting infrastructure
- Improving the economic and financial capacity of clubs, through proper corporate governance and control
- Ensuring and guaranteeing the continuity of international competitions during the season
- Allowing parallel development and comparison amongst clubs by ensuring necessary compliance in terms of financial, sporting, legal, administrative and infrastructure criteria.

The areas identified for development (most notably economic and financial

"The regulations require clubs to provide evidence of their incorporation and public registration and also to prepare independently audited accounts."

capacity, governance and control and infrastructure) are in urgent need of improvement and the Regulations provide a clear basis for improved regulation in African football if implemented, monitored and enforced effectively on an on-going basis.

From a club structuring perspective, the Regulations require clubs to provide evidence of their incorporation and public registration and also to prepare independently audited accounts. As well as addressing issues such as transparency and accountability, an increase in corporate confidence should result from clubs being committed to legally binding statutes, rules and regulations.

IMPLEMENTATION

Following slow initial implementation of the Regulations by MAs and the missing of various deadlines for implementation, CAF has most recently mandated MAs to implement the Regulations in two phases from January 2014 to 30 November 2014 (with non-compliant countries risking exclusion from the CAF Club Competitions for the 2015 season):

PHASE 1: Comprising four steps to be completed by 31 January 2014:

- Insertion of statutory clauses adopting the club licensing system in MA statutes.
- Establishment of national club licensing regulations.
- Creation of decision-making bodies i.e. First Instance Body and Appeal Body.
- Organisation of a seminar for premier league clubs.

PHASE 2: Expiring 30 November 2014:

- National club licensing regulations to become fully operational. This includes the organisation of national seminars, rendering the decision-making bodies operational and undertaking the necessary work to permit the issuance of licenses to clubs.

Under the Regulations, CAF shall carry out spot checks within the MAs to ensure that licences have been correctly issued to clubs under the national licensing regulations and may sanction the relevant MA for breach.

As at October 2014, a number of MAs are still in default in their implementation of the Regulations. Of the countries considered in our case studies:

- Egypt has approved national club licensing regulations and nominated the relevant decision-making bodies. EPL clubs have submitted their files to the EFA for approval by the First Instance Body.
- Kenya is yet to adopt national club licensing regulations.
- South Africa created relevant decision-making bodies and adopted a set of comprehensive licensing regulations in 2012.
- Nigeria has created the relevant decision-making bodies and also adopted a set of comprehensive licensing regulations which shall be effective from 30 November 2014.

CHALLENGES

Implementing and enforcing the Regulations to strengthen the administration of football in Africa will face the following challenges:

- Certain MAs (some will be better prepared than others) will struggle with the additional administrative burden imposed by the need to develop and enforce national regulations.
- In many cases (particularly at lower league level) clubs will lack both the funds and expertise required to make the necessary changes to comply with the national licensing regulations.
- Certain problems (e.g. over-politicisation and a lack of administrative accountability) will remain unless MAs implement above the basic requirements set out by CAF (e.g. by introducing further requirements relating to qualifications for ownership - a 'fit and proper person' test – and supporter representation at shareholder and board level).

RECOMMENDATIONS

Overall, the Regulations certainly provide a foundation for change but will need to be implemented carefully with attention paid to the circumstances of MAs and clubs.

In 2011, a research thesis completed for the International Centre for Sports Studies (CIES) entitled ‘African Football Realities: Moving towards a Club Licensing System’ , which included case study assessment of Kaizer Chiefs (South Africa); Kumasi Asante Kotoko (Ghana); Paradou AC (Algeria); Mathare United (Kenya) and Stade Malien (Mali), highlighted that African clubs and national associations “evolve in intrinsic football realities based on different socio-economic, political and sporting histories.”

Based on the research carried out in the thesis, four major needs and priorities of African clubs and national associations were identified as follows:

1. EDUCATION (need for trained sport managers & administrators and special training on the club licensing system)
2. FINANCE (need to increase financial incentives for participation in CAF inter-club competitions – or greater travel/accommodation subsidies – and financial support for club licensing implementation)
3. YOUTH DEVELOPMENT AND PROTECTION (need to promote structured youth development systems and strengthen the protection of African youth players)
4. INFRASTRUCTURE (need for consistent accessibility and safety/security for players and fans)

A report from the African Sports Law and Business Bulletin entitled “Club Licensing in African Football - Are we there Yet?”[20] also highlighted the reality that some regulations will be more easily enforceable in certain countries rather than others and the need for education and information for the concerned MAs and clubs.

Based on the above and our own review of the licensing process to date we recommend that:

1. The priorities identified in the CIES research thesis and the associated recommendations (such as a special fund to assist with the implementation of the licensing process, educational seminars and a digital knowledge exchange tool) should be contemplated by CAF and MAs as part of the implementation process.
2. CAF establish a division with a focus on club development that will be responsible for the on-going education of MAs to enable those MAs to in turn educate and support their clubs to assist with compliance of the national regulations.
3. MAs consider additional regulations that would assist to address some of the core issues impeding the development of football in their jurisdiction e.g. regulations to more tightly regulate corporate governance; ownership (as the Nigerian regulations have done) and provide for the involvement of supporters at both board and shareholder level.
4. Clubs establish working groups with their interested stakeholders (both public and private and including supporters, local authorities and corporate sponsors) to consider how best to manage the increased regulatory requirements particularly those related to infrastructure, youth systems and other areas requiring significant investment.

“The Regulations certainly provide a foundation for change but will need to be implemented carefully with attention paid to the circumstances of MAs and clubs.”

PART III:
SD EUROPE CASE STUDY: CLUB LICENSING IN GERMAN FOOTBALL

"Clubs that constitutionally have to reinvest profit into their activities are more financially sustainable. "

INTRODUCTION

Decision-making structures of football clubs need to be improved to encourage long-term sustainability. Current governance frameworks disadvantage clubs that operate sustainable, long-term financial policies. Despite the severity of the problem, it is solvable. It is a governance crisis that causes an economic one. The financial resources are available to redress the situation through a more holistic approach.

Ultimately, ensuring financial sustainability and probity in football requires better regulation hand in hand with formalised supporter involvement. Structured benefits of formalised supporter involvement and ownership include:

- Clubs that are run with a view to the long term interests of their key stakeholders, rather than the short term interest of shareholders are more likely to prosper[21].
- There is increased accountability and scrutiny associated with stakeholder involvement and ownership.
- Clubs that constitutionally have to reinvest profit into their activities are more financially sustainable.

"Clubs that are run with a view to the long term interests of their key stakeholders, rather than the short term interest of shareholders are more likely to prosper….."

Business benefits of supporter ownership[22] include:

- Longer term and more sustainable partnerships with key strategic partners.
- A range of business and funding opportunities, from help with development of new facilities, to innovative finance, to attracting sponsors keen to be associated with 'ethical' football clubs.
- Greater supporter resilience and higher satisfaction, strengthening the long-term organisation.

The introduction of comprehensive, over-arching club licensing systems on the domestic level, provides the ideal method of ensuring these benefits stand a better chance of being realised. In terms of best practice, the system employed by Germany's football stands out from the rest.

CONTEXT – THE '50+1' RULE

As a starting point, it is important to recognise the wider cultural norms that have led to the establishment of what can broadly be referred to as the 'German model.' Over the last half-century, Germany has been characterised as a society that values cooperation and consensus, something that extends to its typical system of corporate governance. The concept of a supervisory and a management board (which exist independently of one another) is a cornerstone of the German corporation, whether it is a private limited liability company (GmbH), a public limited company (AG), or a limited partnership with one general partner that is liable without limitation (KGaA).

However, as well as conventional businesses, Germany also has a strong tradition of members' associations, based on community and social values. These are known as eingetragener Verein (e.V), and around 550,000 exist in Germany today.

This tradition of cooperation has exerted a powerful influence on the development of German football. Prior to 1998, all football clubs were structured as e.Vs, owned by their members and managed by democratically elected representatives. Any revenue generated by e.Vs has to, by law, be invested back into the organisation (in this case, the football club). As well as a tradition of cooperation, many German football teams were established as 'sections' of multi-sport clubs, as is the case in many European countries. In the 2014/15 Bundesliga, six clubs (1. FSV Mainz 05, FC Augsburg, FC Schalke 04, SC Freiburg, SC Paderborn 07, and VfB Stuttgart 1893) are structured as e.Vs.

Since 1998, clubs have been permitted to incorporate their professional football sections into external limited companies, separated from the 'parent club'. The League Association (DFL, of which all 36 professional clubs in the Bundesliga and 2. Bundesliga are members) decided to permit this with both commercial and competitive reasons in mind.

However, this does not mean that the twelve other clubs competing in the Bundesliga this season are not in the control of private investors – thanks to the rule which has become known as '50 + 1'. Under German Football Association (DFB) statutes, the parent club (i.e. the members' association) must retain the majority shareholding of the separated limited company, which means the majority of votes – 50% plus one. The rule has two main intentions:

- To safeguard the influence of the parent club in the decision-making process; and
- To prevent a distortion of sporting competition.

There are two exceptions to this rule: Bayer Leverkusen, and VFL Wolfsburg. In both cases, the clubs are 100% subsidiaries of industrial groups (Bayer, a chemical corporation, and Volkswagen, a car manufacturer). In 2011 it was ruled that sponsors with over 20 years' involvement in a club could take majority shareholdings – though only with the consent of the members, of course. This was in response to the Chairman of Hannover 96, Martin Kind, who submitted a motion to abolish the '50+1' rule – he was unsuccessful. Thus, democratic supporter ownership or at the very least supporter control remains enshrined in the regulatory fabric of German football.

PROCESS – CLUB LICENSING IN THE 1. BUNDESLIGA AND 2. BUNDESLIGA

Whilst the '50+1' rule underpins this regulatory fabric, a comprehensive club licensing system takes care of the day-to-day operations of clubs. The fundamental aim of the licensing system is to safeguard the operations of all league members during the season and to ensure stability, integrity and continuity of the competition(s)[23]. '50 + 1' is the bedrock of the system, but there are also a number of specific criteria, which address the competence of the management team and, crucially, the financial state of the club. The licensing system also sets out guidelines for transparent corporate governance.

Under the terms of the licensing procedure, clubs are requested to produce economic data for examination by the relevant authorities. The rationale behind this is a desire to prevent/reduce club overspending through specified planning, and an annual license application. Clubs are required to apply to the German Football League (DFL), which assesses the application and issues the license.

Applications are assessed by examining "…a range of criteria covering sporting, legal, staffing, administrative, infrastructural, security, media-technical and above all financial competence."[24]

Financial competence must be demonstrated by proof of solvency and positive liquidity, taking into account the following key factors:

- ASSETS
- RECEIVABLES
- CASH AND BANK BALANCES
- LIABILITIES/PROVISIONS
- CURRENT OVERDRAFT ACCOUNT FACILITIES
- LOAN COMMITMENTS
- PROJECTED PROFIT AND LOSS STATEMENTS
- PLANNED INCOME FROM MATCH OPERATIONS
- PLANNED ADVERTISING INCOME
- PLANNED TRANSFER-RELATED INCOME
- PLANNED PAYROLL COSTS FOR MATCH OPERATIONS
- CASH INFLOWS/OUTFLOWS FROM INVESTING AND FINANCING ACTIVITIES.

As well as these listed criteria, a liquidity forecast is undertaken as part of the assessment process, based on figures provided by each club, with commentary from their auditors. These figures must cover an eighteen-month period from the previous December 31st – and crucially, anything that cannot be evidenced on paper (i.e. in the form of a contract) is ineligible for submission.

he DFL are allowed to reduce projected income, or indeed increase projected expenditures based on the figures provided – a scenario which sometimes occurs when considering intended cost-cutting through player salary reduction, or budgeted income from ticket sales.

"The current success and long-term stability of the Bundesliga can be directly attributed to its structure of member ownership of clubs, and the implementation of a strict licensing system that imposes financial sustainability on those clubs that wish to participate in the German football pyramid"

Following the liquidity forecast and assessment of the criteria listed above, four scenarios are possible:

- Positive liquidity at the end of the season where a license is being applied for is proved; financial criteria are fulfilled = a license is granted unconditionally, with no further obligations
- Positive liquidity could only been proven after the fulfilment of certain conditions; financial criteria are fulfilled = a license is granted with certain obligations for the season in question
- Positive liquidity at the end of the season is proven, but the balance sheet as of December 31st reveals net debt (i.e. negative equity); financial criteria are fulfilled = a license is granted, but with the obligation to improve the club's equity position as of December 31st by a certain percentage
- Positive liquidity is not proven; financial criteria are not fulfilled = no license is awarded

Should a club be refused a license, they can appeal to the licensing committee, and if the appeal is unsuccessful the Court of Arbitration for the appropriate division (1. Bundesliga or 2. Bundesliga). Should their appeal be successful there the application is returned to the licensing committee and, finally, the League Association. If, after all these avenues are exhausted a club has still not received a license, they are banned from competing in the forthcoming season.

WHAT HAPPENS DURING THE SEASON?

As well as the close season licensing process, the German system also includes monitoring during the course of a season, with a similar aim of proving economic capacity. All clubs are required to submit revised and fully audited accounts up to June 30th, a revised budget for the upcoming season, as well as an auditor's report covering the period up until October 31st. The DFL are thus able to detect any gaps in positive liquidity, and act accordingly.

Should a gap be found, clubs:

- Are given a month to secure new income streams
- Are barred from acting in the January transfer window without DFL approval
- Face fines for late submission of documents, and;
- Could have points deductions imposed should the month-long window elapse.

BENEFITS: A SUSTAINABLE SYSTEM WITH STRUCTURED SUPPORTER INVOLVEMENT

By receiving a license, all clubs also enter into an agreement to (if requested) provide clubs in financial difficulties with aid from the income received as part of the collective television rights agreement. Of course, this would have the effect of well-run clubs receiving less TV income than they are entitled to, simply in order to plug the gaps of others. However, the reality is that the potential support is capped at two months' salary costs, and is accompanied by a point deduction. Indeed, no club has requested aid of this kind since 2004, when it was introduced.

Furthermore, this aid was introduced based on the collective understanding within German football that financial difficulties of any one club will inevitably have an impact on the day-to-day functioning of others – in essence: clubs accept the fact that they depend on one another, and financial sustainability benefits everyone. Taking the historical view underlines this point: no Bundesliga club has experienced an insolvency event since the league was established in 1963[25].

CONCLUSION: WHAT CAN BE LEARNED?

The current success and long-term stability of the Bundesliga can be directly attributed to its structure of member ownership of clubs, and the implementation of a strict licensing system that imposes financial sustainability on those clubs that wish to participate in the German football pyramid. Clearly, the socio-cultural context outlined above cannot be transplanted onto other countries, but the building blocks of a more sustainable system are provided by a close examination of the Bundesliga's licensing procedure, as well as its protection of member ownership.

We believe that the involvement of supporters in governance at club and national governing body levels can provide a greater level of scrutiny, independence, accountability and transparency than is evident at present, and will lead to better and more balanced decision making in the best long term interests of the sport, and the institutions (clubs) that play such an important role in the life of supporters and their communities.

However, only a robust regulatory environment can help to protect clubs who apply sustainable financing methods from being outmuscled by clubs that simply live above their financial capacity. Domestic leagues need a 'multi-faceted approach' to increase sustainability and competitive balance: (a) sound regulatory environment, (b) supported by distribution model that avoids creation of major wealth gaps that cause systematic and behavioral problems.

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FIRST AFRICA REPORT: CLUB STRUCTURES & LICENSING

PART IV:
COUNTRY CASE STUDIES
EGYPT

"The fall-out from Port Said and other events over the last few years has drawn attention to the links between Egyptian politics and sports clubs"

BACKGROUND

Historically one of Africa's strongest footballing nations, both in terms of its national side and its local league, Egyptian football has endured a torrid few years since the 2011 Revolution.

After the nadir of the Port Said stadium disaster in which 74 fans lost their lives on 2 February 2012 following a match between Al Masry and Al Ahly, the Egyptian Premier League was suspended for over a year.

The 2013/14 and on-going 2014/15 seasons have been played behind closed doors with the security situation still deemed too sensitive for fans to return to stadia well over two years after the ban was introduced.

The fall-out from Port Said and other events over the last few years has drawn attention to the links between Egyptian politics and sports clubs and reform of the country's sports laws is high on the agenda of international observers. However, separating Egyptian sports and politics (as mandated by both the IOC and FIFA) will be a complex task.

CLUB STRUCTURES

Egyptian sports club structures may broadly be broken down into the following three categories:

OVERVIEW

GOVERNING BODY: . Founded 1921, FIFA affiliated 1923
RELEVANT GOVERNMENT BODIES: Ministry of Youth and Sports, National Sports Council
RELEVANT LAWS: Constitution of the Arab Republic of Egypt (2014); Sports Law (1975), new Sports Law in development
CAF RANKING: 13
FIFA RANKING: 61
LEAGUES: Egyptian Premier League (EPL - 20 teams); Second Division (3 groups of 16 teams); Third Division, Fourth Division. EPL organised by the EFA.
STATUS OF CLUB LICENSING REGULATIONS: EFA national club licensing regulations in force

1. COMMUNITY CLUBS

- Registered as associations. All sports entities established pre-1975 were reregistered under the sports law of that year (either as private authorities or 'public interest' entities)
- Includes both big teams with large fan-bases run by members who democratically elect a president for four-year terms (as per the club's statues) and smaller clubs (e.g. Heliopolis and Gezira) which operate on the same basis and where supporter involvement is key and members are obliged to attend elections. Under the association structure, no profits are distributed to the board or the members.
- Clubs are considered as sporting and social clubs and their boards are responsible for providing non-sporting social services for members (e.g. Zamalek recently opened a seaside resort) and funding the football, handball, futsal, tennis and volleyball operations of the club.

2. STATE CLUBS

- Owned and funded by state-owned companies, Ministries or agencies
- Limited numbers of fans, no members and usually run by a delegate of the Ministry involved in the club e.g. El Geish and the Interior Ministry

3. PRIVATE CLUBS

- Usually via a private company
- e.g. Wadi Degla (part of the Wadi Degla investment group, who also own Lierse SK in Belgium)

The founding dates in the table below indicate how structures have evolved over time. In general, the big community clubs were incorporated first, with state teams to follow and some private clubs now developing.

TABLE 2 - EGYPTIAN PREMIER LEAGUE CLUB STRUCTURES[26]

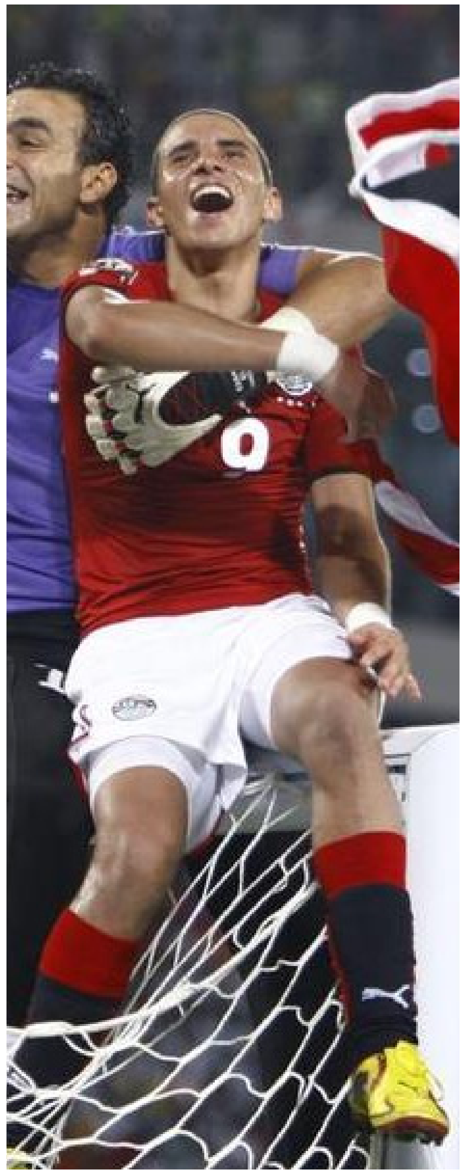
CLUB	STRUCTURE	FOUNDED	MEMBERS/OWNERS	FACEBOOK
AL AHLY	Community	1907	Registered members	5,721,620
ZAMALEK SC	Community	1911	c. 54,000 registered members	2,744,504
EL DAKHLEYA FC	State	2005	Egyptian Army	-
SMOUHA SC	Community	1949	Registered members	-
AL MASRY SC	Community	1920	Registered members	264,056
MISR EL-MAQASSA SC	State	1937	-	-
HARAS EL-HODOOD SC	State	1950	-	-
AL-RAGAA	-	-	-	-
ISMAILY SC	Community	1924	Registered members	5,024
ITTIHAD OF ALEXANDRIA	Community	1914	Registered members	9,615
ITTIHAD EL-SHORTA	State	1980	Egyptian Police	-
TALA'A EL-GAISH SC	State	1995	Egyptian Army/Interior Ministry	-
ENPPI	State	1985	ENPPI (state-owned engineering company)	-
WADI DEGLA SC	Private	2002	Wadi Degla Investment Group	37,557
EL-GOUNA FC	Private	2003	-	55,313
ARAB CONTRACTORS	State	1972	El-Mokawloon El-Arab (state-owned construction company)	-
PETROJET	State	1980	Petrojet (state-owned petroleum company)	-
DAMANHOUR	-	-	-	-
ASSIOUTY SPORT	Private	-	Assiouty Sport Resort	115,448
AL-NASR	-	-	-	-

INFRASTRUCTURE

In common with other aspects of sport in Egypt, the state plays a big role and almost all clubs are tenants of government-owned stadia. Zamalek does own the Helmy Zamora Stadium which at 20,000 capacity is insufficient for match use but is still used as a training facility. Both Al Ahly and Zamalek own various club facilities for use by members.

SUPPORTERS

North African football in general has proved much more resistant to the influence of European football than the rest of the continent and Egypt is a clear example of this. Until the stadium ban of the last 2 years, attendances at Egyptian games remained high at the community-owned clubs in particular which have developed deep social and cultural relationships with their fans. Supporters have always had a strong voice in Egypt and have the right to participate in the running of community-owned clubs through elections.



In his 'Turbulent World of Middle East Soccer' blog, James M. Dorsey documents the origins of both Al Ahly and Zamalek and also the rise of the 'ultra' fan groups which were formed in 2007 as a non-political, non-religious group which became increasingly politicised following regular police confrontations[27]".

PREMIER LEAGUE

Prior to the tragic events of 2012, the EPL was an undoubted commercial success. Strong commercial and TV revenues combined with revenue from healthy attendances enabled the biggest clubs to keep hold of their best players, keeping the quality of the on-field product high and fans coming to the stadia. The fact that almost all of Egypt's national team played in Egypt (the reverse is usually true for most African nations) was long regarded as fundamental to their success as they won three successive African Nations Cup titles from 2006-2010.

Assisted by the country's ability to market its games to both Egyptian and Arabic television networks, in 2011 the EFA sold broadcasting rights for the EPL to Qatar-based Al Jazeera Sport for $2.6 million, making it the first international TV network to show the league. Egyptian channels Modern Sport, Modern Kora, Channel 2, Alhayat 2, Dream, Nile Sport, Almasriya, Channel 3 and Alahly TV have all shown matches from the domestic league.

The spectator ban, however, created a financial crisis for the EPL. In April 2013, the EFA aimed to raise at least $17.3 million from auctioning off EPL television broadcast rights for the next three years. This auction was open to Egyptian and foreign broadcasters, as well as marketing companies. However, on 27 June 2013, the 2012/2013 season was cancelled before the final round when the Ministry of Interior announced that it would be unable to secure local or regional matches during the upcoming period of anticipated protests.

Egyptian clubs themselves have significant revenue generating ability. In 2011, the newspaper Al Ahram was reported to have agreed to pay EUR 15m to Al Ahly over 3 seasons[28]. Also in 2011, Etisalat ousted rival Vodafone to become Al Ahly's new shirt sponsor paying a reported US$22.6 million for the three-year deal. Etisalat Egypt chairman, Gamal El-Sadat, told reporters at the time "We are honoured to sponsor the shirt of such a big club, and have our name associated with Ahly."[29]

CLUB LICENSING

The EFA has approved national club licensing regulations and nominated the relevant decision-making bodies. EPL clubs have submitted their files to the EFA for approval by the First Instance Body.

ISSUES

1. The security of supporters at football stadia should be a paramount concern and Egyptian football needs to be rebuilt around this. Effective club licensing needs to be implemented to address this issue as well as others linked to club organisation.
2. Over-politicization of community-owned clubs in breach of IOC and FIFA regulations (please see below). State-owned clubs are also inherently politically influenced.
3. A lack of formality in the registration of legal structures for each of the three forms of ownership. This lack of formality contributes to a lack of transparency and accountability.
4. Lack of supporter engagement by state and private clubs – absence of community roots and genuine supporters.

COMMUNITY-OWNED CLUBS AND POLITICAL INTERFERENCE

Egypt's football clubs have proven to be powerful and resilient social institutions. Al Ahly and Zamalek in particular (Cairo clubs with millions of fans and 13 CAF Champions League titles between them) have national prominence and the fans of both clubs have been significant actors in the ever-changing political landscape over the last few years. Politicians have long been drawn to sports clubs with such levels of influence and this is a status supported by the country's 1975 Sports Law.

This level of political influence is of course inconsistent with the rules of international sports and in November 2013, the International Olympic Committee (IOC) imposed a six-month deadline[30] on Egypt to produce draft legislation updating and revising the 1975 law to make it fully compatible with the basic standards of the Olympic Movement. As part of this revision process, the status of sports clubs in Egypt was required to be reviewed and clarified. Completion of the whole process, including the formal adoption of the new sports legislation by the competent authorities in the country, was required within one year. In the meantime, the Egyptian government was mandated not interfere in any manner whatsoever with the internal operations of the national sports federations and the sports clubs, and the current sports regulations/"standard statutes" issued by the Sports Ministry should not be implemented.

This mandate appears not to have been adhered to however when in February this year, FIFA intervened to call for the reinstatement of all Egyptian football club boards that had been deposed by Sports Ministry officials, reiterating the position that Egypt's government must not interfere with internal football affairs. A letter sent by FIFA required Al Ahly, Zamalek, Smouha, Ittihad of Alexandria, Tersana and Zohour to organise general assemblies to elect new boards "without interference from the authorities."[31] The letter also stipulated that the elections must not take place before the new sports law had been implemented in line with the IOC timetable. Until then, the clubs whose boards have been disbanded must reinstall their former ones, FIFA specified.

Egypt's new 2014 Constitution provides in Article 75 that "All citizens shall have the right to form non-governmental associations and foundations on democratic basis, which shall acquire legal personality upon notification. Such associations and foundations shall have the right to practice their activities freely, and administrative agencies may not interfere in their affairs or dissolve. them, or dissolve their boards of directors or boards of trustees save by a court judgment".

PART IV:
COUNTRY CASE STUDIES
NIGERIA

"Football has long been used as a way for state governments to publicly display their support for sports and social welfare in their state."

CLUB STRUCTURES

State-owned clubs dominate the Nigerian Premier League (90% of the 20 clubs being owned by state governments). Currently, only two clubs are privately owned and both of these clubs were initially barred from entering the current league season for failure to meet the LMC's licensing requirements.

Nigerian sports club structures may broadly be broken down into the following three categories:

1. STATE-OWNED CLUBS

- State-owned clubs dominate the NPL
- Historically, these clubs have been unincorporated but under new licensing regulations formal corporate structures will be required at NPL level.

2. PRIVATE CLUBS

- Again, historically unincorporated but formal corporate structures (likely to be private limited companies owned by the individual or corporate shareholders) will be required at NPL level under new licensing regulations
- Below Premier League level, there is a growing number of privately owned clubs (such as C.O.D United FC, Stationery Stores FC, Remo Stars, Gabros FC and Go Round FC.). C.O.D are owned by the City of David parish of the Redeemed Christian Church of God and have invested heavily in the club. Go Round have their own mini-stadium which NPL side Nembe City currently use for home games.

3. COMMUNITY CLUBS

- Lower down the league system.
- Unincorporated.
- 'Community-owned' ethos but no formal structures.

Football has long been used as a way for state governments to publicly display their support for sports and social welfare in their state. The prevalence of state-owned clubs in the NPL reflects that they have generally been the only clubs in Nigeria with access to ongoing finance required to run and maintain a top-flight club.

State-owned clubs are supported directly from the state treasury with ad hoc support from 'Patrons' – usually prominent members of the state community. A specific department or agency will typically be set up within the state government with responsibility for managing the club. The clubs may also be supervised by the Office of the State Governor or State Ministry of Sports. Historically, these structures have not been formally enshrined in corporate vehicles but this will now change based on the new Nigeria Club Licensing Regulations, which requires all NPL clubs to provide evidence of corporate registration and audited accounts.

OVERVIEW

GOVERNING BODY: Nigeria Football Federation (NFF). Founded 1945, FIFA affiliated since 1960
RELEVANT GOVERNMENT BODIES: Ministry of Sports, National Sports Commission, National Institute for Sports
RELEVANT LAWS: National Institute for Sports Act, Social Development Act, Nigeria Football Association Act
CAF RANKING: 6
FIFA RANKING: 37
LEAGUES: Nigeria Premier League (NPL - 20 teams); Nigeria National League (2 groups of 16 teams); Nigeria Nationwide League Division One (4 groups of 10 teams); Nigeria Nationwide League Division Two (52 teams)
NPL organized by the League Management Company (LMC)
STATUS OF CLUB LICENSING REGULATIONS: NFF Club Licensing Regulations in force

TABLE 3 - NIGERIAN PREMIER LEAGUE CLUB STRUCTURES

CLUB	STRUCTURE	FOUNDED	MEMBERS/OWNERS	FACEBOOK
ABIA WARRIORS	State	2003	Abia State Government	371
AKWA UNITED FC	State	1996	Akwa Ibom State Government	473
BAYELSA UNITED	State	2000	Bayelsa State Government	218
CROWN FC	State	1994	Oyo State Government[32]	-
DOLPHINS FC	State	1988[33]	Rivers State Government	-
EL-KANEMI WARRIORS FC	State	1986	Borno State Government	-
ENYIMBA INTERNATIONAL FC	State	1976	Abia State Government	15,961
GIWA FC	Private	2012	Individual	641
GOMBE UNITED FC	State	1990	Gombe State Government	-
HEARTLAND FC	State	1976	Imo State Government[34]	-
KADUNA UNITED FC	State	2000	Kaduna State Government	529
KANO PILLARS	State[35]	1990[36]	Kano State Government	6,099
LOBI STARS FC	State	1981[37]	Lobi State Government	-
NASARAWA UNITED FC	State	2003	Nasarawa State Government	-
NEMBE CITY FC	Private	2011	Individual	-
RANGERS INTERNATIONAL FC (ENUGU RANGERS)	State[38]	1970	Enugu State Government	848
SHARKS FC	State	1972	Rivers State Government	-
SUNSHINE STARS	State	1995	Ondo State Government[39]	922
TARABA FC	State	2007[40]	Taraba State Government	-
WARRI WOLVES FC[41]	State	1998	Delta State Government	2,204

INFRASTRUCTURE

Sports clubs in Nigeria are almost exclusively reliant on state-owned sports infrastructure. Some of Nigeria's major stadia including the Lagos National Stadium have been left to dilapidate as maintenance of the facilities (and the high costs associated) has not been prioritised by state governments; and there have been some calls for such stadia to be privatised. Clubs taking a more prominent role in the ownership and management of stadia would certainly assist in maintaining them on a long-term basis (if the relevant funding and expertise could be demonstrated) but any privatisation process would need to be carefully managed in line with national procurement laws and international best practice.

SUPPORTERS

Other than in relation to the community clubs, which operate on a small scale, there is no real history of supporters taking a direct role in the ownership and management of clubs. The better-supported clubs (such as Enugu Rangers, Enyimba and Kano Pillars) do have a wide range of disparate supporters' groups and chapters. The reputation of these groups however is not always positive and this year the official Kaduna United Supporters Club was banned from league games for one year by the LMC following a breach of security[42].

National League club Stationery Stores FC have recently entered into an MOU with Sandlanders to develop a new co-operative entity to represent the interests of supporters. The process involves liaising with the various Stores supporters' groups and co-ordinating their activities for them to more effectively participate in decision-making at the club.

NPL

The NPL is administered by the LMC, an entity owned by the Premier League clubs themselves, and the NFF[43]. The National Football Association Act, 1990 gives sole power to organize football in Nigeria to the National Football Association (now known as the NFF) and the NFF has issued a licence to the LMC to manage the Premier League.

The league has been making progress commercially. In May 2013, telecommunications company Globacom announced a 3-year deal worth N1,896,000,000 (c.$11.5m) then in August 2013, SuperSport signed a 4-year TV deal with the NPL reportedly worth $34 million[44].

LICENSING

The NFF adopted the NFF Club Licensing Regulations as from 31 January 2014 and in March this year, the LMC initially prevented Giwa FC and Nembe City from taking part in the 2013/14 NPL for failure to comply with the minimum registration requirements. Both clubs were eventually reinstated but only after the start of the season.

The NFF Club Licensing Regulations[45] are stated to apply to all Premier League Clubs; all Pro-League Clubs; and Clubs that qualify for CAF Competitions notwithstanding the class or division they play in, in the National Leagues.

The NFF has also approved the statutory decision-making bodies, delegating the operation of the Club Licensing System under the NFF Club Licensing Regulations to the LMC, which shall constitute the First Instance Body (FIB) whilst the NFF shall constitute the Appeals Body (AB).

The Club Licensing System shall formally become operational in Nigeria as from 30 November 2014 and only clubs that meet the requirements will participate in any National/Confederation club competitions as from 2014/2015 season.

In terms of regulating club ownership, the NFF Club Licensing Regulations go beyond the minimum requirements prescribed by CAF and in Article 13 provide (as a mandatory Category A requirement) that the applicant club must submit a declaration as part of its application that it "shall carry out a restructuring over three consecutive licensing cycles, commencing with its first application for club licence, to ensure that no single person or entity holds in its registered share capital, more than 70% of its allotted shares at the end of the first licensing cycle; more than 50% of its allotted shares at the end of the second licensing cycle and; 30% of its allotted shares at the end of the third licensing cycle."

If enforced, this requirement would prompt a radical restructuring of clubs across Nigeria and require control of the clubs to move away from state governments. While the provision would force clubs to look for alternative sources of revenue in an effort to run sustainably, implementation would need to be managed carefully to ensure that the interests of the clubs and the communities they serve are protected and the owners who come in to fill the void are suitable.

To this end, we recommend that the NFF develop more detailed regulations to underpin the required restructuring including suitability requirements for prospective owners and preserving a certain level of ownership in every club for supporters who would acquire their share through a suitably established corporate vehicle. Restructuring on such a wide scale would provide a unique opportunity for Nigerian football to realign itself around the interests of its core stakeholders - i.e. the supporters and the communities which the clubs serve.

ISSUES

1. CLUB STRUCTURES
   a. Lack of formal structures limiting accountability, transparency and preventing access to finance/corporate sponsorship
   b. State interference[46]

2. CLUB FINANCE
   a. Clubs over-dependent on state funds
   b. Non-state clubs lacking in corporate backing

3. SECURITY
   Unsuitable stadia and lack of funds for security.

4. CONFLICTS OF INTEREST
   e.g. Abia State and Rivers State are both involved in the ownership of two clubs.

5. COMPLIANCE AND WHITE COLLAR ISSUES
   Lack of transparency and accountability at federation and club level

PART IV:
COUNTRY CASE STUDIES
KENYA

OVERVIEW

GOVERNING BODY: Football Kenya Federation (FKF). Founded in 2011, recognised by FIFA in 2012
RELEVANT GOVERNMENT BODIES: Sport Kenya, National Sports Fund
RELEVANT LAWS: Constitution of Kenya, 2010 and the Sports Act, 2013
LEAGUES: Kenya Premier League (KPL - 16 teams); National Super League (2 groups of 12 teams); FKF Division One (2 groups of 24 teams); Provincial Leagues
CAF RANKING: 30
FIFA RANKING: 111
STATUS OF CLUB LICENSING REGULATIONS: No national licensing regulations currently in place.

"Gor Mahia and AFC Leopards are incorporated as Societies (registered with the Registrar of Societies). These are by far the best supported clubs in Kenya."

BACKGROUND

In spite of on-going legal wrangling concerning Kenya's governing bodies in recent years, the Kenyan Premier League has been run successfully in its current form since the 2005/06 season (with work starting on the current structure back in 2003). Kenya's economy is the fourth largest in sub-Saharan Africa (after Nigeria, South Africa and Angola) and these conditions together with passionate and engaged local support provide the right conditions for the long-term development of the game.

CLUB STRUCTURES

Club structures in Kenya can broadly be summarised as follows:

1. COMMUNITY CLUBS

- Gor Mahia and AFC Leopards are incorporated as Societies (registered with the Registrar of Societies). These are by far the best supported clubs in Kenya.
- Thika United and Muhoroni Youth also operate as community-based organizations while Mathare United is run by the Mathare Youth Sports Association (MYSA), an NGO which has over 25,000 players on 1,800 teams in 140 youth leagues in the Mathare slums
- Muhoroni Youth has registered its own businesses - "Bethel Global Suppliers Limited" produces and supplies mineral water called "Bethel Sprinkles" to raise funds to support its participation in the league
- In 2014, Gor Mahia registered a co-operative society as an investment arm of the club – targeting 10,000 fans capable of contributing Sh1,000 monthly to bolster the clubs financial stability and minimise dependence on sponsors.

2. STATE CLUBS

- Owned and managed by agencies of the state or state owned companies
- Some of these clubs have a multi-sports tradition (in common with many community-owned clubs) e.g. Ulinzi previously had basketball, volleyball and rugby teams

3. PRIVATE CLUBS (company owned or owned by individuals or a consortium)

- Company clubs e.g. Chemelil Sugar started as a social welfare for employees but developed into fully professional teams
- KCB is also a multi-sports club

As the table shows, nearly 50% of KPL clubs are privately owned (5 community; 4 state and 7 private clubs).

TABLE 4 - KENYAN PREMIER LEAGUE CLUB STRUCTURES

CLUB	STRUCTURE	FOUNDED	MEMBERS/OWNERS	FACEBOOK
GOR MAHIA	Community	1968	Registered members	158,279
AFC LEOPARDS	Community	1964	470 Registered members[47]	12,859
SOFAPAKA	Private	2004	Individual	1,150
TUSKER	Private (Company)	1970	East Africa Breweries Limited	1,073
CHEMELIL SUGAR	Private (Company)	1968	Chemelil Sugar Company	-
ULINZI STARS	State (military)	1995[48]	Kenyan Defence Forces	6,514
THIKA UNITED	Community[49]	1999	Community	4,054
MATHARE UNITED	Community	1994	MYSA	1,207
KENYA REVENUE AUTHORITY FC (CHANGED NAME TO USHURU FC)	State (revenue authority)	2006	Kenya Revenue Authority	54
WESTERN STIMA	State (power and electricity authority)	1997	Kenya Power and Lighting Company	-
MUHORONI YOUTH	Community	2002	Community	-
BANDARI	State (Kenya Ports Authority)	1985	Kenya Ports Authority	834
KENYA COMMERCIAL BANK SPORTS CLUB	Private (Company)	1993	Kenya Commercial Bank	-
NAIROBI CITY STARS	Private (NGO)	2009	Ambassadors in Sport Kenya[50]	580
SONY SUGAR	Private (Company)	1982	South Nyanza Sugar Company	951
NAKURU TOP FRY ALL STARS	Private	2010[51]	Consortium of private owners	2,410

INFRASTRUCTURE

Clubs in Kenya are reliant on crumbling state infrastructure such as Nairobi's Nyayo Stadium (owned by Kenya's Sports Stadia Management Board) and City Stadium (owned by Nairobi City Council) and facilities are generally in a poor state.

Gor Mahia have expressed their intention to construct a stadium at their Embaksai grounds and are seeking a strategic partner for the development.

SUPPORTERS

Member-owned clubs Gor Mahia and AFC Leopards have long dominated the football landscape in Kenya. Few other clubs have been able to develop a strong following and low gate receipts are a major issue affecting the sustainability of Kenyan clubs. Through 'branches' and now increasingly through other innovative schemes, supporters have independently been successful in raising funds for the clubs.

PREMIER LEAGUE

The Kenyan Premier League Ltd is a private company limited by shares incorporated in October 2003 under the Companies Act of Kenya. The Kenya Premier League is fully owned and managed by the sixteen Premier League clubs who each have an equal share in ownership. The KPL is affiliated to the FKF, which is also a KPL shareholder and voting member of the KPL Board of Directors.

Since its formation, the KPL has brought in central commercial sponsorship (via TV and league naming rights agreements). In November 2008, the KPL and SuperSport International signed a four-year partnership agreement. Under the agreement, SuperSport secured the TV broadcast and new media rights for the Kenyan Premier League for a total of US$5.5 million (KSh. 360 million)[52] for the duration of the agreement which was extended (reportedly for "close to double" the previous figure) in 2010[53]. In August 2012, KPL signed a 3-year naming rights deal worth KSh. 170 million (US$2.02 million) with East African Breweries Limited under which the league was rebranded as the Tusker Premier League[54]. Grants to KPL clubs were report to be KSh. 11.3 million in 2013.

"The KPL is fully owned and managed by the sixteen Premier League clubs who each have an equal share in ownership."

CLUB LICENSING

The authorities have said that they are currently developing Licensing Regulations, looking at the FIFA & CAF Licensing Regulations as well as those used in other leagues to find the right model for Kenya.

ISSUES

1. FINANCE
   a. Lack of sustainable revenue streams – low gate receipts and lack of corporate support
   b. Tax issues – huge accumulated liabilities now being chased by the KRA.
2. FAN ENGAGEMENT
   a. Private and company clubs run by individuals or brands have few roots in a community and struggle to build a fanbase as a result. Even multiple KPL winners Tusker have few regular supporters.
   b. Challenge of competing with televised European leagues. There are local supporters' clubs but also numerous supporters' clubs for foreign teams.
3. ORGANISATION
   a. Lack of transparency/accountability in poorly implemented member-owned structures.
   b. No transparency/accountability to supporters for state/private companies.
   c. Lack of club licensing structures prevents standards from being raised and deters further corporate involvement.

PART IV:
COUNTRY CASE STUDIES
SOUTH AFRICA

SOUTH AFRICAN FOOTBALL ASSOCIATION

"The 2010 World Cup was also the catalyst for major investments in stadia and supporting infrastructure and as a consequence the clubs have access to some of the best infrastructure on the continent."

BACKGROUND

South Africa's PSL is the richest club football league in Africa and the additional funds in the system ensure that its clubs are among the best organised. In contrast with many other leagues in Africa, each of the PSL clubs has a clear corporate structure and the SAFA was an early adopter of club licensing regulations in 2012. The 2010 World Cup was also the catalyst for major investments in stadia and supporting infrastructure and as a consequence the clubs have access to some of the best infrastructure on the continent.

CLUB STRUCTURES

There is no specific limitation on club structures contained in the SAFA or PSL regulations but all of the PSL clubs are privately owned. In contrast to our other country examples (Egypt, Nigeria and Kenya), this more homogenous structure can be attributed to a number of factors including the relative development of the league system and wider economy meaning that there is a wider range of potential private owners and more money in the game in general so clubs are less reliant on government support.

OVERVIEW

GOVERNING BODY: South Africa Football Association (SAFA). Founded 1991, FIFA affiliated 1992
RELEVANT GOVERNMENT BODIES: Department for Sport and Recreation
RELEVANT LAWS: National Sport and Recreation Act
LEAGUES: Premier Soccer League (PSL - 16 teams); National First Division (16 teams); SAFA Second Division (144 teams); U-21 SAB Regional League (832 teams). PSL and National First Division administered by the National Soccer League (NSL) rather than by SAFA.
CAF RANKING: 14
FIFA RANKING: 67
STATUS OF CLUB LICENSING REGULATIONS: SAFA Club Licensing Regulations (2012) in effect

Much greater corporate support for the game in South Africa ensures that clubs have a more typical diverse revenue stream (outside of the contributions of their owners) and the ability to freely transfer a Premier League 'franchise' means the clubs are a more viable commercial proposition for prospective owners.

In terms of who the club owners are (Table 5, right), the majority are successful individuals from other industries and other corporate groups with a few exceptions including Platinum Stars. Platinum Stars is an interesting example of a club with some degree of 'community' involvement. The club is owned by the Royal Boafeng Nation (RBN, monarchy of the Bafokeng tribe). The RBN has established a sovereign wealth fund to invest income streams from huge platinum operations undertaken on its land. The fund invests in various civic and social services including the building of the 45,000 Royal Bafokeng Sports Palace used by the Platinum Stars.

TABLE 5 - SOUTH AFRICA'S PREMIER LEAGUE CLUB STRUCTURES

CLUB	STRUCTURE	FOUNDED	MEMBERS/OWNERS	FACEBOOK
KAIZER CHIEFS	Private	1970	Kaizer Motaung	1,866,495
AJAX CAPE TOWN	Private	1998[55]	51% Ajax Cape Town, 49% Cape Town Stars (privately owned)	9,316
BIDVEST WITS[56]	Private	1921	Bidvest Group	5,758
MAMELODI SUNDOWNS	Private	1970	Patrice Motsepe	254,784
ORLANDO PIRATES	Private	1937	Irvin Khoza	481,387
FREE STATE STARS FC	Private	1977	Mike Mokoena[57]	8,312
CHIPPA UNITED	Private	2010	Chippa Investment Holdings	6,064
MARITZBURG	Private	1981	Farook/Imraan Kadodia[58]	2,549
SUPERSPORT UNITED	Private	1994[59]	M-Net	10,163
MPUMALANGA BLACK ACES	Private	1937[60]	George and Mario Morfou[61]	221,115
MOROKOA SWALLOWS	Private[62]	1947	90% by FB Soccer Investment Ltd, remaining 10% by various shareholders[63]	6,582
PLATINUM STARS	Private	1988	Royal Bafokeng Nation[64]	7,260
UNIVERSITY OF PRETORIA FC (TUKS FC)	Private	2003[65]	TS Soccer (Pty) Limited[66]	2,167
BLOEMFONTEIN CELTIC	Private	1969[67]	Max Tshabalala[68]	7,095
POLOKWANE CITY FC	Private	2012[69]	Mogaladi family[70]	1,795
AMAZULU FC	Private	1932[71]	Patrick Sokhela[72]	5,482

INFRASTRUCTURE

Despite the additional finance available in South African football, even the bigger clubs are still reliant on local government for use of infrastructure). Kaizer Chiefs for instance play at the FNB Stadium (Soccer City) owned by the City of Johannesburg and operated by Stadium Management South Africa with Chiefs as a key tenant. Orlando Pirates do have a share in ownership of Ellis Park in Johannesburg.

As a recent Guardian article by former Bafana Bafana star Quinton Fortune noted, the absence of fans has given several municipalities a headache as they battle to ensure the financial sustainability of the venues. A prime example is the 54,000-seat Cape Town Stadium where maintenance costs have drained the city council's coffers by R42m (£2.4m) a year with very little income to offset that expenditure. Ajax Cape Town, the city's only Premiership side, battles to attract crowds of more than 5,000 to their league games and find the cost of hiring the stadium too high.

Other municipalities like those in Port Elizabeth, Nelspruit and Polokwane have resorted to paying teams like Chiefs, Pirates and newly promoted Chippa United to play at their stadiums in the hope of marketing their respective cities and bringing in tourist spend. Chippa United, for example, have just concluded a R36m (c.$3.2m) deal to base themselves in Port Elizabeth so that the Nelson Mandela Bay Stadium could host football matches[73].

SUPPORTERS

There are currently no formal structures through which supporters can become involved in ownership or control over football clubs in South Africa. Vehicles for supporters to engage with their clubs are limited to informal supporters groups though there are also numerous supporters groups devoted to European club sides which limits the ability of South African clubs to build a more engaged fan base.

"There are currently no formal structures through which supporters can become involved in ownership or control over football clubs in South Africa. "

PSL

The PSL is a trading name of the National Soccer League (NSL) which is a special member of SAFA and has 32 members – the 16 Premier League and First Division clubs who together make up the Board of Governors which elects the Chairman and Executive Committee. The league, founded in 1996, is certainly the richest league in Africa in terms of its ability to generate revenue.

Headline sponsor Absa agreed a 500 million rand (c.$45m) 5 year-deal in 2007 and extended this in 2012 for a further 5 years. This is supplemented by SuperSport's R2bn (c.$180m) payment over five years for the TV rights which alone allows the league to pay its 16 clubs a monthly grant of R1.3m (c.$117,000)[74].

LICENSING

SAFA was an early-adopter of club licensing, introducing the SAFA Club Licensing Regulations in 2012 based on the FIFA/CAF standard form.

ISSUES

1. General lack of supporter engagement limiting ability to increase commercial and match day revenue:
   a. Poor attendances ranging between 500 and 5,000 spectators for league matches not involving Chiefs and Pirates
   b. Competition with foreign leagues shown extensively on television
   c. Free-trading of franchises with no controls protecting community interests can limit long-term engagement e.g. 2002 when the PSL bought and dissolved two licences to reduce the number of fixtures and costs
   d. Teams without roots in a community will usually struggle to attract and retain support

2. Lack of ownership of infrastructure leaving clubs with weak financial foundations and lack of a physical presence in their respective communities

3. Uneven distribution of sponsorship revenue - Chiefs and Pirates receive disproportionate support on account of their popularity, which affects financial sustainability and competitive balance.

4. A lack of transparency/accountability to members at privately-owned clubs prevents controls on prudent use of funds

5. The above factors limit the clubs from being able to capitalise financially on strong core income from centralised TV and sponsorship deals. This poses a threat to the long term sustainability of the clubs (compromising their ability to invest in effective youth development programmes amongst other things) and in the short term means less disposable income to retain the best players and improve the on-field product for supporters

PART IV: CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

1. African sports club structures have evolved over time and developed differently from one jurisdiction to the next based on a variety of social, political and economic factors.
2. African sports clubs are influential social and cultural institutions which can contribute effectively to the economic and social life of the community in which they are based.
3. Community ownership of clubs is already embedded in African sports from grassroots level all the way up to the continent's strongest clubs.
4. The benefits of well-regulated community ownership of sports clubs has been demonstrated elsewhere e.g. Germany.
5. Defective club structures are at the root of many issues impeding the development of African football - the consequences of weak club structures include:
   a. lack of transparency, democracy and accountability;
   b. vulnerability to political interference and undue influence;
   c. Lack of access to finance from commercial lenders or corporate sponsors; and
   d. disengaged supporters.
6. In general, there is a lack of formality in the registration and management of legal structures for each of the three major forms of ownership (private, state and community) and in this environment, community-owned clubs may fail to meet the criteria for true community-ownership (as defined in this report).
7. African football clubs lack the diverse revenue streams that top level sports clubs are usually reliant upon - a model being to derive a third of revenue each from television, commercial activities (including sponsorships and merchandising) and gate receipts. In an environment where corporate support for sports is yet to fully mature, an engaged fan base (to maximise gate receipts, income from commercial activities and provide greater appeal to sponsors) should be even more important to clubs.
8. Effective implementation of CAF's Club Licensing Regulations would have a transformative effect on African football but there will be challenges in implementing these regulations at national level related to a lack of available funds and expertise.
9. As licensing is introduced across Africa, there will be a renewed focus on club structures and an opportunity for clubs to review their operations to run more sustainably and maximise their contribution to the economic and social life of the communities in which they are based.

RECOMMENDATIONS

1. Implementation and sustained enforcement of CAF's Club Licensing Regulations in line with our recommendations in Part II of this report.
2. Any public/state funding for clubs should be conditional on compliance with applicable licensing criteria.
3. MAs to augment CAF's Club Licensing Regulations with a requirement for clubs to produce forward financial planning and comprehensive in-season monitoring as part of the license application process, as is done in Germany.
4. MAs (particularly in countries with a high number of community-owned clubs evidencing a strong cultural norm) should consider adopting principles from the German model outlined in this report as part of their own licensing system to maximise the benefits of community-ownership and limit the opportunities for abuse.
5. Clubs to focus on greater structural linkages with major corporate sponsors (following the German model where clubs including Bayern Munich and Borussia Dortmund have received equity investments covering core projects from their main sponsors), balanced with structured supporter involvement where representative groups exist.
6. CAF and MAs should work with independent consultants to provide support to their member clubs to implement club licensing effectively and to maximise the benefits of community-ownership in African sports.

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7. Founded by Benedictine monks. Englebert tire company an early sponsor
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9. 17 December 1976 adopted omnisports club structure with football, basketball, volleyball, handball, judo sections
10. Also known as Al Hilal Educational Club
11. Exact structure to be confirmed
12. The club has football, basketball, volleyball, rugby, weightlifting, boxing and judo sections
13. In September 2007, a group of supporters of CSS established "Socios CSS" to make a more direct contribution inspired by the fans of Servette Geneva, Benfica and the socios of FC Barcelona. Socios CSS are recognised by the club office and they contribute a sustainable source of revenue to the club. http://socios-css.org/Historique-Socios
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32. Founded by Rev. Prof. Yusuf Ameh Obaje (Pastor and former Presidential Chaplain)
33. As Eagle Cement FC (a private club). The State Government assumed control when the company could no longer afford to run the club.
34. 2006: Imo State Government re-acquire ownership of the club on February 7 from chief Emmanuel Iwuanyanwu, renaming it Heartland FC
35. Limited liability company
36. By Alhaji Ibrahim Galadima former Chairman Nigeria Football Association and former sport commissioner of Kano, from the combination of WRECA FC, Kano Golden Stars and Bank of the North FC
37. Founded as Hawks of Makurdi in 1981 by the Benue State Sports Council, the club was renamed Benue Breweries Limited (BBL) Hawks FC, when the state-owned brewery acquired the club in 1985. State-owned Lobi Bank then acquired the club in 1990 and renamed it Lobi Bank FC. In August 2009, the Benue State government announced that the club would be leased to private ownership, ending direct support from the state but this arrangement does not yet appear to have been realised.
38. In 2008 became a public company and sought to sell ownership stock in the company but the deal fell through and club began 2009 season in debt
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40. Previously named SEC (Securities and Exchange Commission) Football Club
41. Formerly NPA FC (Nigeria Port Authority)
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58. Reacquired in 1997, club website
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