

SPORTS LAW & THE GLOBAL ECONOMY: Millions in investments in Saudi football – Saudi Pro League: how do transfers of players in Saudi Arabia work?

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Millions in investments in Saudi football – Saudi Pro League: how do transfers of players in Saudi Arabia work?

Recently, we have witnessed spectacular transfers to clubs from the top-flight Saudi football league – the Saudi Pro League. Who among us has not heard of players contracted by Al-Hilal in the persons of Ruben Neves acquired for 55 million euros from Wolverhampton or Sergei Milinkovic-Savic from Lazio Rome, whose transfer cost 42 million euros?

Transfers of such famous names as Cristiano Ronaldo (Al-Nassr) or Karim Benzema (Ittihad Club), who are players acquired from the so-called free transfer (“free agent”).

On the other hand, the Polish fan is certainly interested in the transfers carried out by Abha FC Club, which acquired Czesław Michniewicz and Grzegorz Krychowiak. However, other transactions cannot be omitted, such as the transfer of Marcelo Brozovic, which, as reported by the media, was also interested in FC Barcelona. Clubs from the Saudi Pro League are already winning the competition with European clubs, although currently only in terms of signing players, tempted by extraordinary financial conditions, but soon this may change. As reported by “Calciomercato”: UEFA is considering granting selected clubs from the Saudi League the so-called “Wild Cards”

that will entitle Saudi clubs to participate in the Champions League! Therefore, sports rivalry may soon move from the offices of sports activists to stadiums.

Are you wondering where this trend of football development in Saudi Arabia comes from? Below is a brief analysis of this situation.

Why is the Kingdom of Saudi Arabia betting on football?

Investments in football in Saudi Arabia result from the implementation of the “Saudi Vision 2030” strategy, i.e. actions aimed at reducing Saudi Arabia’s dependence on oil and diversifying the national economy through investment and development of infrastructure as well as education, recreation and tourism, as well as increasing international exchange non-petroleum trade. Simply put, Saudi Arabia wants to be perceived as a trading partner not only in the area of fossil fuels. This will be made possible by improving the country’s international reputation, primarily through investing in sports, which is referred to as sportswashing. This is due, among other things, to the forecast that oil will cease to be the main raw material of the fuel industry in the next decade. Saudi Arabia is simply gearing up for a post-oil economy era. The transformation of the economy of the Kingdom of Saudi Arabia was initiated in 2016 by Crown Prince Mohammed bin Salman, who presented the assumptions of the “Vision of Saudi Arabia 2030” prepared by the Council of Economic and Development Affairs (CEDA). This strategy identifies and monitors the mechanisms and measures crucial to the implementation of the vision of changing the concept of the national economy of Saudi Arabia, which shows that project management is to become the basis for the success of the transformation. One of the tools used to achieve the set goals is to improve the image of the Saudis through sport. The transformation of the economy of the Kingdom of Saudi Arabia was initiated in 2016 by Crown Prince Mohammed bin Salman, who presented the assumptions of the “Vision of Saudi Arabia 2030” prepared by the Council of Economic and Development Affairs (CEDA). This strategy identifies and monitors the mechanisms and measures crucial to the implementation of the vision of changing the concept of the national economy of Saudi Arabia, which shows that project management is to become the basis for the success of the transformation.

It is worth noting that, as reported by The Guardian in 2021, despite the implementation of the “Saudi Vision 2030” strategy, the economy is still as much as 74% dependent on oil exports.

The dependence of the economy on oil trade, known as the “resource curse”, is common to other countries in the region that implement analogous policies: Kuwait Vision 2035, Egypt Vision 2030 and UAE Vision 2021.

Saudi Arabia bets on investments and tourism!

An expression of sportswashing in global terms is, for example, the campaign whose face is Leo Messi, as a result of which not only the image of Saudi Arabia is warmed up, but also the country is promoted as attractive in terms of tourism. As reported by the New York Times, which has reached the terms of the deal, the Argentine star is not only to share his image and “reach” on social media by publishing posts promoting Saudi Arabia, but he is to participate in a whole cycle of marketing activities that implement a broader strategy. As part of a considerable remuneration, estimated at even EUR 22.5 million, over three years for participating in several advertising campaigns, spending another fully paid holiday in the kingdom of Saudi Arabia with his family and children. Saudi Arabia’s rulers expect Leo Messi to share photos from these trips and promote the hashtag #VisitSaudi.

In addition, they carry out activities referred to as sportwashing, i.e. improving the reputation of the promoted entity through sport. The Argentinean also committed himself to refrain from negative statements about the Saudis, who are widely criticized, among others, for respecting human rights.

The cooperation of the government of Saudi Arabia with Leo Messi is only one of the elements carried out as part of the efforts to warm the image of the country from the Middle East, which has invested significant funds in similar initiatives in recent years. Investments in the leading clubs of the English Premier League, boxing championships, Formula 1 racing organizations and golf competitions should be remembered.

Nevertheless, the most visible from the observer's perspective are investments in the most popular sport in the world, which is football.

Saudi Pro League TOP transfers not only footballers

The actions taken by the government of Saudi Arabia do not seem to remain the fulfillment of whims in contracting stars to clubs of a league unknown to the average fan. Saudi Arabia implements the strategy and visions of development. There is no coincidence in these activities. Investments in the Saudi Pro League are not only transfers of players: Cristiano Ronaldo, Karim Benzema, Ruben Neves, Roberto Firmino, N'golo Kante or others known for their performances in top European clubs in the UEFA Champions League. Saudi Pro League clubs have also acquired top coaches. The Al-Hilal club was taken over by Jorge Jesus, a coach known from such clubs as Benfica, Sporting Lisbon or Fenerbache, Al-Nassr was taken over by Luis Castro, a coach known from the Shakhtar Donetsk club, Al-Ettifaq is currently trained by Steven Gerrard, Last year's national champion Ittihad Club is currently being trained by Nuno Espirito Santo, who was recently manager of Tottenham London and previously Wolverhampton, and Czesław Michniewicz, who during the last World Cup in Qatar achieved a historic result with the Polish national team, leaving the group after 36 years. In addition, Saudi Arabia is currently investing in sports infrastructure, i.e. modern stadiums and training centers where native players are to train, whose level is to be higher and higher, and ultimately they are to be able to compete with players from European countries. We can witness the rivalry between Saudi Pro League clubs and the best European clubs sooner than we think. After all, the "Saudi Vision 2030" transformation strategy is to be implemented in less than 7 years.

Saudi Arabia does not work in the short term. Currently, they are striving to build a foundation for the development of sport and professional football, and investments in transfers are to become a flywheel for this activity.

It is worth noting that an investment in coaches is simply an investment in knowledge and experience, coaches do not come to the league only as faces, but they organize entire coaching staffs, as shown by the example of Czesław Michniewicz. The Polish former coach took over Abha FC, organizing the entire coaching staff of the first team. Together

with Czesław Michniewicz, the coaching staff of Abha Football Club consists of Gerard Juraszek (assistant coach), Grzegorz Kurdziel (assistant coach), Paweł Primel (goalkeeping coach) and Vlad Taran (physical preparation coach). The same is true of other coaches from Saudi Pro League clubs: Jorge Jesus, Steven Gerrard, Slaven Bilic and Luis Castro.

Funding Saudi Pro League clubs

Due to the fact that sport is one of the pillars of the government's economic diversification plan "Saudi Vision 2030", which aims to build new industries and create jobs, this area remains under government control. The Public Investment Fund of Saudi Arabia (PIF – Public Investment Fund) holds a controlling stake in several football clubs in Saudi Pro League, such as: Al-Nassr or al-Ittihad, Al-Ahli, Al-Hilal. In addition, a club privatization plan is being implemented to enable companies to invest in other clubs. This process, with the support of the Jadwa Investment bank, has been taking place since 2017. Among other things, during this period, an oil tycoon known in Poland for its capital involvement in Rafineria Gdańska, a company established after the merger of Grupa Lotos and Orlen (formerly: PKN – Polski Koncern Naftowy ORLEN), took over the club Al-Qadsiah, currently playing in the background of the Saudi Pro League – Saudi First Division League. In the upcoming season, the coach of the club from Khobar will be Robbie Fowler, known to fans of English Football from his performances in Leeds, Manchester United or FC Liverpool. Anyway, the British direction is preferred by Saudi Arabia, which the prize of is the investment from October 2021 in Newcastle United. According to Reuters, the Kingdom of Saudi Arabia is aiming to increase the annual revenue of the Saudi Pro League to 1.8 billion riyals (about \$480 million) by 2030. This means a four-fold increase in revenue compared to 2022, when the league's revenue amounted to 450 million riyals (approximately \$120 million).

Sources of income for clubs in Saudi Arabia.

Clubs in Saudi Arabia are largely financed by subsidies provided by the Ministry of Sport. However, apart from the subsidy or financing from the private owner, the clubs

obtain funds from their members, as well as from income from sports activities, e.g. organization of matches, transfers of players, rental of sports infrastructure owned by them, provided that they obtain the prior consent of the Ministry of Sport for such activities, as well as from sponsorship agreements and other advertising or marketing activities and television rights.

In addition, clubs may accept donations and other financial grants, as long as they comply with the requirements of the Ministry of Sport, and be financed from loans granted by the Ministry of Sport.

It should be noted that any expenditure made by the club must comply with a spending policy approved by the Board of Directors and approved by the Ministry.

The governing bodies of the clubs are obliged to enable the representatives of the Ministry of Sport and the external auditor to inspect all documents of the club, in particular financial documents, which is to ensure control of the club's expenses, and at the same time does not exclude the reporting obligations, which include submitting quarterly financial statements subject to audit by the auditor.

The host of the league watches over everything, he will not hurt anyone, he will always help, i.e. who supervises sports in Saudi Arabia?

The central entity in the organizational structure of sport in the Kingdom of Saudi Arabia is the Ministry of Sport. Although both sports federations in individual sports disciplines and sports clubs have legal personality, they are dependent on state authorities. In the case of sports federations, they are almost exclusively state-funded to achieve their objectives and, like sports clubs, they are supervised and monitored in administrative and financial terms by the Ministry of Sport. What's more, sports clubs, apart from membership in sports federations, are subject to the licensing process conducted by the Ministry of Sport. For this purpose, the Ministry of Sport has implemented an electronic platform, which is a digital portal run under the supervision of the Ministry of Sport, which regulates the procedures and licensing process, including the selection of federation and club bodies, i.e. the election of the president and the composition of the

board. The adopted rules for licensing clubs and federations, which include the organizational structure, identification (name and logo requirements), media activities (Club Media Centre) and financial discipline, which are to guarantee the achievement of the goals set by the Saudi authorities for the sports industry. The aim of the club is to organize the practice and dissemination of sport and to provide the necessary resources and services to achieve its goals for the benefit of the club. According to the announcements of the Ministry of Sport, all members and society, as part of the general policy of the state and the club, can take all possible measures in accordance with the possibilities available to it to achieve its goals.

- encouraging all social groups to practice and practice various sports,
- participating in the dissemination of competitive sports and participating in local sports programs in a way that promotes the health of citizens and the level of competitiveness,
- discovering and developing sports talents.
- participating in public events and social initiatives,
- organization of courses, seminars and sports activities that contribute to social work, the development of sport,
- encouraging and strengthening bonds and relationships with other clubs through the exchange of experiences and participation in its public activities,
- working with the government and the private sector on anything that would raise the level of sport and activate society.

In connection with state funding and the implementation of the “Saudi Vision 2030” strategy, sports clubs are to operate efficiently and professionally and contribute to the achievement of the goals of the sports sector, which entails a number of obligations, including:

- participation in at least 6 disciplines (3 team and 3 individual),
- organization of common sport, as well as children and youth, including sports activation of the society,
- organization of sports camps, programs and activities for all social groups,
- registering players of all age groups in competitions in accordance with the regulations issued by sports federations.
- creating sports teams in accordance with the regulations issued by sports federations,

- developing training programs for club employees and volunteers in sports.

An interesting issue is the requirement that members of the Board of Directors of clubs in Saudi Arabia must be citizens of this country, or have the appropriate approval of the ministry, have the appropriate education and be aged 25-65, the club employs only on an employment contract.

However, the actual supervision over the transfers of state clubs, authorized by the Ministry of Sport, is exercised by the league authorities. In order to ensure increased competitiveness, supporting young talents along with the best international players, The Saudi Pro League has hired a director of football in the person of Michael Emenalo, former coach and sports director of, among others, Chelsea London or AS Monaco.

Transfers of football clubs in Saudi Arabia.

Transfers of players, as in other countries, are regulated by the FIFA football law: Regulations on the Status and Transfer of Players. These transfers, as in other cases, are carried out using the TMS (Transfer Matching System). The transfer market is also regulated by the regulations of the SAFF – The Saudi Arabian Football Federation (الاتحاد العربي لكرة القدم السعودي). Nevertheless, in accordance with the regulations of the Ministry of Sport, in the case of state clubs or those under the supervision of the Ministry of Sport, the bodies of football clubs are each time obliged to obtain the prior consent of the Ministry to conclude player or coaching contracts, as well as other agreements in this regard, unless they result from an already concluded contract (agreement).

As in the case of concluding contracts, also their termination requires de facto “countersignature” from the Ministry of Sport. In addition, the termination of contracts of players or coaches and persons with a similar status – is to be made taking into account the provisions contained in the content of concluded contracts (contractual provisions) – in a manner that takes into account the impact of termination of the contract on the club’s budget and the effects of terminating the contract, unless this solution leads to reduce the club’s financial obligations. Such regulation leads to the conclusion that the implementation of the development strategy – “Saudi Vision 2030” – is the overriding

goal, but it is to be carried out in a rational and well-thought-out manner, and expenditures are to be rational.

Regulations of sports law: football law in Saudi Arabia

The Ministry of Sport is responsible for legal regulations in the legal area in the legal system of the Kingdom of Saudi Arabia. The established regulations are aimed at ensuring the implementation of the objectives of the adopted strategy and include such aspects as:

- 2023: Articles of Association for Club Member Organizations (Non-Profit Institutions) /Statute of Club Member Organizations (Non-Profit Institutions),
- 2023: Basic regulations for sports clubs /Basic regulations for sports clubs,
- 2023: Regulations governing the institutions of sports club members (Non-Profit Institutions) /Regulations of institutions of sports club members (Non-Profit Institutions),
- 2023: List of review committees for sports clubs /List of audit committees for sports clubs,
- 2020: Regulations of Financial Efficiency for Sports Clubs / Regulations of Financial Efficiency for Sports Clubs,
- 2020: Clubs sponsorships regulations / Club sponsorship regulations,
- 2020: Rules and Regulations for MOS (Ministry of Sport),
- 2019: The regulation to invest land allocated to sports clubs / Regulation on investing land allocated to sports clubs.

Legal regulations, in particular sports law, in force in Saudi Arabia are constantly changed in order to adapt them to changing conditions. Nevertheless, it should be emphasized that sports law – contract law in the Kingdom of Saudi Arabia is concluded on the basis of contractual provisions, which are practically not limited by the principle of freedom to conclude contracts in the legal sense, but are only subject to the actual control of the Ministry of Sport and the football league authorities: Pro Saudi League and the Saudi Football Federation. Saudi Arabic sports law in football call as football law is based on different conception than sports law in Europe, especially than sports law in Poland. The issue of organizing football in Saudi Arabia is interesting, because from the

point of view of sports law in sports management, the adopted solution outside the central supervision is a kind of hybrid solution, combining solutions of European sports law (football law) and solutions known from the United States, in particular from MLS – Major League Soccer (Soccer League in the United States) or basketball NBA (National Basketball Association), and thus sports law in the United States. It is worth emphasizing that the contract law (law of contracts) in Saudi Arabia is based on Sharia law, which was not codified until 2010, and the practice of its application largely results from the provisions of counter-contract (Ijma, consensus) and interpretative principles (Qiyas) as long as they are not contrary to the principles of Koran and the customs of applying the principles of the Koran – the Sunnah (customary practice), which includes the explanations and statements and accepted practices of applying the Koran in accordance with the teachings of the Prophet Muhammad.

From the point of view of sports law, interpretation issues related to the clash of legal cultures, i.e. Sharia law and FIFA regulations, will be very interesting in the event of legal disputes that will be considered by the FIFA Tribunal or CAS/TAS (CAS – *Court of Arbitration for Sport*, TAS -Tribunal Arbitral du Sport).

Business etiquette in the cultural setting of Saudi Arabia

It should be remembered that the activities undertaken by the Kingdom of Saudi Arabia also result from cultural differences, which are particularly interesting and important in the context of negotiating and concluding agreements. A long-term approach to business and building very good relationships are the principles of the adopted strategy “Saudi Vision 2030”. It should be emphasized that business relationships in this case are based on very good personal relationships that only evolve into commercial relationships over time. The key in this case is the Arab approach to business, which is based on trust, patience and personal contact. It is also important that the Saudis use the phrase “no” very sparingly, which, when building personal relationships for a long time, requires reading the context of the situation and paying attention to additional information or comments expressed by the partner, because in the event of refusal, he will not express his will directly, but in a more veiled way. In a word, when establishing relations with Saudi

partners, one should adopt a very diplomatic attitude while at the same time being open to establishing a personal relationship.

In the case of undertaking business activity in international trade, in particular in the case of countries with a different legal culture, issues related to intercultural communication cannot be ignored. In any case, I strongly recommend that you read the guides that discuss from a commercial point of view the practices, customs and philosophies that you cannot afford in a new business environment. For example, gifts given on the occasion of personal or business meetings, which are very welcome in Saudi Arabia. However, it should be remembered that such a gift cannot be either alcohol or pork products. Nevertheless, amber products, albums about our country or sweets are already very welcome.

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