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Resourcing the Sustainability and Recovery of the Sport Sector during the Coronavirus Pandemic

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Executive Summary

This paper addresses the impacts of COVID-19 on the sport economies of Commonwealth member countries. The main policy ideas that emerge suggest that:

- Sport is very effective at increasing employment. Investment in sport can be used as a policy tool during recession (such as in the current crisis) to reverse the effects of economic decline.
- Additionally, research has demonstrated that that every £1 spent on sport generates £1.91 in health and social benefits.
- Many of the social benefits of sport relate to young people. This is especially important in many Commonwealth countries, where young people make up a large percentage of the population.
- According to existing economic assessments, the importance of sport in the national economies usually varies between 1 per cent and 2.3 per cent in terms of gross value added and employment.
- Sport is strongly associated with sectors such as tourism and accommodation, which the lockdown period hit hard. At the same time, sport organisations have to maintain their basic infrastructure, which has led to a decline in their surpluses.
- Strict lockdown measures were implemented in almost all Commonwealth countries, entailing an effective closure of the sport and tourism sectors. In fact, the effect of the lockdown on sport will be many times more severe than the effect on the overall economy.
- The human cost in developing countries will be increasingly high, given their dependence on informal labour and the limited capacities of the various health systems. According to the World Bank, informal employment in developing countries can be as high as 60 per cent of total employment.
- Diversified investment, innovative financial options and new partnerships are required to help stimulate the domestic sport market and industry.

1. Introduction

In recent years, many evaluations have been carried out that have considered the magnitude of sport economies. Economic studies in Fiji and Samoa (Amosa et al., 2018), for example, have shown that sport represents 1.7 per cent and 1.4 per cent of the respective national economies. In other countries, such as New Zealand and the UK, the value of sport is above 2 per cent (Angus & Associates, 2017, DCMS, 2018) of national gross domestic product (GDP). The current pandemic is likely to present new challenges to the sport industry in terms of maintaining existing participation rates as well as the state of future finances.

This paper addresses the first consequences of the COVID-19 pandemic and introduces policy options countries can consider in seeking to resource the positive contribution sport can make, in response to the pandemic, towards:

- economic and sustainable development;
- health cost savings;
- social well-being; and
- engaging and empowering young people to participate meaningfully in society.

These aims are consistent with both the Commonwealth Secretariat Strategic Plan (Commonwealth Secretariat, 2017a) and the United Nations 2030 Agenda for Sustainable Development.¹ The latter has been analysed in the context of the Commonwealth in general² and, within it, in the context of sport in particular (Commonwealth Secretariat, 2015). Recent studies (Commonwealth Secretariat, 2017b) have underlined the link between sport and sustainable development, which current research supports. A Sport Industry Research Centre (SIRC) report by Davies et al. (2016) provides a general context on the social and health contribution of sport. Several options for sport funding, especially at grassroots, can be sourced in *The Guide to Sport Funding* (Morris and Lernelius-Tonks, 2012).

During the lockdown, several studies on the effects of COVID-19 on the economy started to emerge slowly. These included surveys of the economy (ONS, 2020) or specific sectors (Philanthropy New Zealand, 2020). All of these point to the

disproportionate effect of the pandemic on sport. This paper seeks to further establish the effect of the pandemic on sport output; the general principles for this modelling are established in Section 3.8 and in the Appendix.

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Overall, this paper examines the positive contribution of sport to national economies and society and the impact of the pandemic on sport economies. It also offers preliminary suggestions for sport funding and resource mobilisation under the current unprecedented situation. Policy issues associated with human and labour rights will be explored in further research to be undertaken as part of this overall project.

2. The positive contribution of sport

2.1 Economic development and sustainable development

Many national and international studies have looked into the importance of sport in economic development. According to the European Commission (2018), in a study that developed a Sport Satellite Account (SSA) for the EU, in 2012 sport-related GDP was 2.12 per cent of total GDP within the EU. In addition, sport sustained 5.67 million employees, equivalent to a 2.72 per cent share in total employment.

These numbers indicate that sport is an employment-intensive economic activity, which generates a greater share in employment than in GDP. For an 'average' economic sector, we would

1 <https://sustainabledevelopment.un.org/post2015/transformingourworld>

2 <https://thecommonwealth.org/sustainable-development-goals>

Table 1: Contribution of top-10 related sectors to employment

Rank	CPA	Goods and services	Share of total employment
1	P	Education services	0.53%
2	R93_1	Sport services	0.36%
3	G47	Retail trade services, except of motor vehicles and motorcycles	0.28%
4	I	Accommodation and food services	0.28%
5	O	Public administration and defence services; compulsory social security services	0.24%
6	G46	Wholesale trade services, except motor vehicles	0.17%
7	R90-92	Creative, arts, entertainment, library, archive, museum, other cultural services; gambling and betting services	0.12%
8	F	Constructions and construction works	0.09%
9	Q86	Human health services	0.07%
10	C13-15	Textiles, wearing apparel, leather and related products	0.06%

Source: European Commission (2012)

expect a 1 per cent increase in GDP (in the form of investment) to lead to a 1 per cent increase in employment. However, in sport, an increase of 1 per cent in GDP is accompanied by an additional 1.35 per cent in employment, underlining the substantial role sport plays in countering unemployment. It is important to emphasise that this is an 'organic' characteristic of sport; policy does not have to be steered towards achieving this outcome.

Sport is effective in generating employment because it is community-based and depends on human interaction. As such, one policy implication is that investing in sport can be used as an economic tool to help a country reduce unemployment during a recession, which could be a valuable insight for the post COVID-19 period. According to the European Commission (2018), the most important sectors of the sport economy, in terms of generated employment, are education services, sport services, retail and accommodation and food services. This is illustrated in Table 1.

2.2 Health cost savings and social return on investment

All 'traditional' economic evaluations of sport have excluded the indirect savings on national health expenditure that can be attributed to sport. An economic evaluation takes into account spending

associated with sport injuries or manufacturing of sport supplements. However, a much bigger element is generated indirectly when the practice of sport reduces the prevalence rate of certain diseases among the population, leading to savings in the health budget of the country.

For example, in Australia over a 10-year period, it was estimated that there would be potential savings of AU\$88 billion in health and social care costs if obesity growth was curbed (Sport Australia, 2018). Inactivity is the fourth largest cause of chronic conditions in Australia, a country with a relatively high level of adult obesity globally (Sport Australia, 2018).³ Similarly, a 10 per cent increase in sport participation is likely to have a cost saving of AU\$55 million per year coupled with the prevention of premature deaths attributed to obesity and other poor health-induced diseases (Summers and Johnson-Morgan, 2005).

The valuation of such health outcomes can be achieved systematically via social return on investment methodologies, as Davies et al. (2016) carried out for England. Note that the evidence for the reduction in prevalence rate of diseases attributed to sport is international in character, which implies that the same result could be replicated in various cultural contexts.

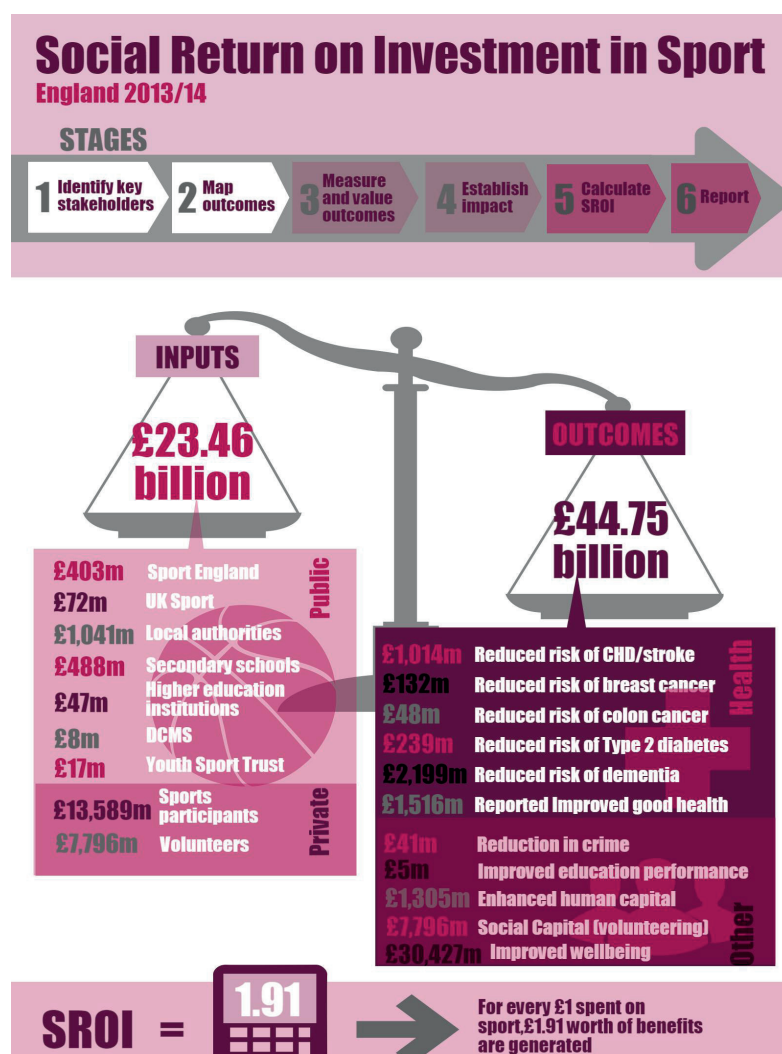
3 <https://obesity.procon.org/global-obesity-levels/> accessed 3 June 2020.

"Every £1 spent on sport generates £1.91 in health and social benefits"

Figure 1 illustrates that every £1 spent on sport generates £1.91 in health and social benefits. Benefits include reduced risks of congenital heart disease/stroke, breast cancer, colon cancer, type 2

diabetes and dementia, and overall generally better health. Other social benefits include reduced crime and improved education, personal development, social capital and well-being.

Figure 1: Health cost savings and social return on investment



Source: Davies et al. (2016)

2.3 Subjective well-being

One of the most recent areas of research on sport relates to the issue of happiness, life satisfaction or subjective well-being. Several econometric techniques have been developed to notionally monetise such an impact. In an Australian study, the monetised value of sport-related happiness ranged from AU\$4,000 to AU\$9,000 per participant per year, dependent on frequency of participation and the definition of happiness (Australian Sports Commission, 2017). A study by the Department

for Digital, Culture, Media and Sport (DCMS) (2014) also supports such outcomes. This 'excess' of life satisfaction and fulfilment can be considered a real asset for a country when levels of sport participation increase.

2.4 Engaging and empowering young people

Many of the social benefits in Section 2.2 relate to young people. This is especially important in many Commonwealth countries, where young people

make up a large percentage of the population. Table 2 illustrates the share of young people under the age of 15 in the 54 Commonwealth countries, which ranges from 15 per cent (in Singapore) to 47 per

cent (in Uganda). The Commonwealth countries in Africa have the highest average percentage of young people (38 per cent); the lowest average (16 per cent) is in Europe.

Table 2: Share of the population aged under 15 in Commonwealth countries

World		26%							
Commonwealth		27%							
Commonwealth countries in:									
Africa	38%	Asia	25%	Caribbean and America	23%	Europe	16%	Pacific	33%
Uganda	47%	Pakistan	36%	Belize	36%	UK	18%	Nauru	40%
Zambia	46%	Bangladesh	29%	Guyana	29%	Cyprus	17%	Solomon Islands	40%
Malawi	45%	India	27%	Jamaica	27%	Malta	14%	Vanuatu	39%
Mozambique	45%	Sri Lanka	25%	The Bahamas	23%			Samoa	38%
The Gambia	44%	Malaysia	24%	Grenada	23%			Papua New Guinea	36%
Nigeria	44%	Brunei Darussalam	22%	St Vincent and the Grenadines	23%			Tonga	36%
Tanzania	44%	Maldives	21%	Antigua and Barbuda	22%			Kiribati	35%
Cameroon	43%	Singapore	15%	Dominica	22%			Tuvalu	31%
Kenya	41%			Trinidad and Tobago	21%			Fiji	29%
Sierra Leone	41%			St Kitts and Nevis	20%			Australia	19%
Rwanda	40%			Saint Lucia	19%			New Zealand	19%
Ghana	38%			Barbados	18%				
Namibia	37%			Canada	16%				
eSwatini	35%								
Lesotho	33%								
Botswana	32%								
South Africa	29%								
Seychelles	23%								
Mauritius	18%								

Source: Population Reference Bureau (2019)

As one of the impacts of sport, young people are less likely to commit crime and more likely to have a better education. Sport also enriches young people's social capital, which can provide opportunities later on in life (Davies et al., 2016). It is worth pointing out that Germany has emphasised the process from sport activity (increased participation) towards the sport economy (economic growth) to the extent that sport clubs are called 'schools of democracy' on the basis of the benefits to young participants through their voluntary contribution within clubs in positions of management (Breuer, 2009). Encouraging clubs (using financial strings) to promote young people to positions of some responsibility is a policy tool that can increase their engagement and empowerment in society. This is an approach that may have value within other cultural contexts.

2.5 The economic importance of sport within national economies

There are several ways to present the size of the sport industry in terms of gross value added and employment. In some cases, the 'core' of sport is examined – that is, sport organisations and leisure facilities; in others, a much broader definition of sport is used that includes education, health spending, broadcasting, sport financial products, sport betting, etc.

Broad definitions of sport are derived usually from SSAs, such as those developed in the UK and Cyprus over a number of years. The Vilnius

Definition of Sport provides the framework of analysis in all European SSAs.⁴ In the cases of European countries that have developed an SSA, the economic significance of sport as a share of the economy is usually between 1 per cent and 2.3 per cent. Table 3 presents information relative to the size of national sport economies as a percentage of national GDP. It shows that the experience of the Commonwealth countries, for comparative evaluation, is very similar to the European experience.

3. Impact of the coronavirus pandemic on sport financing

A part of the current research assesses the impact of the Coronavirus pandemic on sport financing and funding. Prior to the pandemic, it was established that many Commonwealth countries were experiencing challenges in mobilising resources in order to increase their sports participation and enhance the contribution successful athletes, sport events and sport programmes could make towards national identity and pride.

Since its outbreak, COVID-19 has spread to all corners of the globe, disrupting many aspects of day-to-day life. The pandemic has led nations to implement stringent social distancing measures to prevent the spread of the virus; these include stay-at-home advice, closures to schools and businesses and a pause to everyday social life to reduce close contact among people. Sport is no exception: livelihoods in the sector have

Table 3: Contribution of sport to national economies

Country	Percentage
New Zealand (Angus & Associates, 2017, 1.8% without volunteers)	2.3%
UK (DCMS, 2018)	2.1%
Australia (Hume and Richards, 2019)	2.0%
Jamaica (Azzedine, 2013)	2.0%
Barbados (Greaves, 2020)	2%-3%
Cyprus (European Commission, 2018)	1.8%
Malta (European Commission, 2018)	1.8%
Fiji (Amosa et al., 2018)	1.7%
South Africa (SRSA, 2009)	2.0%
Samoa (Amosa et al., 2018)	1.4%

4 See <https://ec.europa.eu/eurostat/web/sport/methodology>

been severely disrupted; gym, leisure, sport and recreational facilities have shut down; professional and community sport is suspended; and major events have been cancelled. This has had many economic and social repercussions. Headline research verified in almost all Commonwealth countries indicates that the strictest lockdown measures were implemented, with an effective closure of the sport and tourism sectors.

It is certain that the Coronavirus pandemic will have significant impacts on the sport policy agenda and the potential public and private funding of sport. The sport sector (together with arts and recreation) relies extensively on human contact and, as such, has been disproportionately affected by the pandemic. An example from the UK, which is likely applicable to other countries under lockdown,

is that, while 75 per cent of companies throughout the economy remained open, in the case of the wider sport and recreation sector this percentage was below 17 per cent (ONS, 2020).

This is apparent in Table 4, which shows that, during lockdown, business in sectors such as information and computing and professional scientific and technical activities remained largely unaffected, with over 94 per cent of them continuing to trade. The two economic sectors most affected were accommodation and food services; and, arts, entertainment and recreation, which saw only 18.4 per cent and 16.7 per cent of businesses remaining open, respectively. Sport is closely associated with both of these sectors, while the totality of sport and fitness organisations is included under recreation.

Table 4: Share of industries continuing to trade during lockdown

Question: What is the current trading status of your enterprise?	
Share of industries continuing to trade, broken down by industry, UK, 23 March–5 April 2020	
Industry	Continuing to trade
Professional, Scientific and Technical Activities	96.2%
Human Health and Social Work Activities	95.6%
Information and Communication	94.4%
Transportation and Storage	92.3%
Water Supply, Sewerage, Waste Management and Remediation Activities	92.0%
Administrative and Support Service Activities	89.7%
Education	85.8%
Manufacturing	77.2%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	72.8%
Construction	70.9%
Accommodation and Food Service Activities	18.4%
Arts, Entertainment and Recreation	16.7%
All Industries	75.4%

Source: ONS, UK

The problem for the sport sector can be identified as follows:

- Sport and leisure facilities close temporarily during lockdown generating no income.
- Sport facilities still have to pay maintenance and basic expenses despite the lockdown (e.g. golf courses).
- The sport sector is associated strongly with the accommodation, tourism and recreation sectors (see Table 1), which also suffer disproportionately during a lockdown.

This would imply that, over the year, the effect of COVID-19 on sport economies throughout the Commonwealth may be significantly worse than the average of the economies as a whole. The reallocation of resources to support sport will be important not only in terms of the sport agenda but also in terms of overall economic recovery.

3.1 The case of Fiji

The Reserve Bank of Fiji expects the country's economy to slide into a recession in 2020 after nearly 10 consecutive years of growth. The International Monetary Fund (IMF) (2020a) expects a recession of 5.8 per cent (see Table 5). Fiji Airways, the country's national airline, has grounded 95 per cent of flights amid travel restrictions and border closures around the world and the Fiji Hotel and Tourism Association says that 279 hotels and resorts have closed since the outbreak reached Fiji, with more than 25,000 people losing their jobs (Chanel, 2020).

Tourism contributes nearly 40 per cent to Fiji's GDP and directly or indirectly employs over 150,000 people in various industries (Chanel, 2020). Around 2 per cent of tourism is estimated to be associated with the organisation of sport events equivalent to just below 1 per cent of Fiji's GDP. It is estimated that sport GDP in Fiji is equivalent to 1.7 per cent of overall GDP (Amosa et al., 2018), emphasising the strength of developing sport tourism. It is interesting that Fiji has so far (at the time of writing) recorded 18 confirmed COVID-19 cases with no deaths. On paper this is one of the safest countries to visit. The government responded swiftly and firmly to the outbreak, closing the country's main airport in Nadi on 25 March, six days after Fiji announced its first confirmed case. Yet, even in a country with no COVID-19-related deaths, the collapse of tourism brought about the collapse of

its sport element, which on its own represents a 50 per cent reduction in the sport market over the lockdown period.

3.2 The case of Bangladesh

One of the most densely populated countries in the world, Bangladesh exemplifies the triple blow that many emerging market countries have suffered from COVID-19: domestic slowdown caused by the disease and the efforts to contain its spread; a sharp decline in exports, particularly in the ready-made garment sector (which represents 80 per cent of Bangladesh's overall exports: Latifee, 2016); and a drop in revenues.

Up until the crisis, the economy had been growing close to 7 per cent a year over the past decade. During the lockdown, exports declined by 83 per cent (Nazir, 2020), which is problematic when one considers that the export market of Bangladesh corresponds to about 14 per cent of generated GDP. The capacity of the health system is really being put to the test, and requires considerable support from development partners. It is estimated that the country needs \$250 million for clinical equipment, testing and contact tracing, just to respond to the initial impact (IMF, 2020b).

In terms of sport, these figures, according to SIRC calculations (see Section 3.8), imply that, as a result of the pandemic, the slowdown in the garment industry will have led to a 40 per cent decline in the sport market during the lockdown. From March, several stimulus measures were deployed to sustain economic activity and protect the most vulnerable in Bangladesh. A package of about \$600 million, to support the wages of workers in the ready-made garment sector, was provided in the form of subsidised loans to companies so that they could pay wages for three months (IMF, 2020b).

3.3 The case of Singapore

In recent years, the sport economy of Singapore has been growing on the back of marquee events such as the Formula One Singapore Grand Prix, the Women's Tennis Association Finals and the HSBC Singapore Rugby Sevens (The Strait Times, 2017). All such live events were postponed or cancelled during the lockdown: empty stadiums and the cancellation and postponement of events have been the order of the day ever since the pandemic struck. For its part, the government has announced a new S\$2 million grant to the sport industry to

create digital content and virtual activities to help Singaporeans stay active at home, among other initiatives, according to Sport Singapore.⁵ Employers in the sport sector, including National Sports Associations, will also be eligible for the enhanced Job Support Scheme announced by the government; there will also be support for sport freelancers like coaches who intend to continue their education during this period.

The economic damage to the sport industry will have knock-on effects on the broader economy, as businesses that provide peripheral services like event management, public relations and other services will also experience negative impacts. It is expected that over 2020, the sport industry in Singapore will decline by 12 per cent (Table 5). The government has announced a plan for a gradual return to normality following the lockdown⁶. During Phase 1 of this ('safe reopening'), public and private sector and recreational facilities remained closed. Masks must be worn when going outdoors for physical exercise. At the same time, fitness operators were encouraged to provide online training content (as in the policy applied in the UK) and stay in touch with their local communities.

3.4 The case of Canada

Reports on the economic importance of sport in Canada relate the core element of sport. Sport industries contribute \$49 million (or 0.2 per cent) to total GDP, led by sport-related education and training (\$19 million) and governance, funding and professional support (\$11 million) (Statistics Canada, 2014). Similarly, the core of the sport industry contributes 0.4 per cent of total jobs in Canada. Most of these jobs are in education and training and in organised sport. It is worth pointing out that, according to the EU SSA, the education sector is the biggest sector overall in European countries; it is invariably one of the most important sport subsectors globally. The virtual closure of the education sector during the lockdown had a strong effect on sport.

According to its advisory on COVID-19 (Government of Canada, 2020), Canada closed all sport institutes and sport training facilities. Athletes were encouraged to work online with their coaches

and discouraged from attempting to reach peak performance this summer. The Canadian policy emphasised that teams or sports should work together with local health officials to develop a risk assessment process and planning for the safety of their athletes, coaches and the larger population when the return to normal training is possible.

3.5 The case of the UK

The size of the sport industry in the UK corresponds to 2.2 per cent of the whole economy's GDP (European Commission, 2018). Sport will suffer much more than the average economic sector. A lockdown was imposed, with all sport events cancelled or postponed. The government eventually subsidised 80 per cent of the wage bill for private companies to survive the lockdown. This temporarily prevented an employment decline in line with levels seen in GDP. According to the IMF forecast, during 2020 the UK economy will decline by 6.5 per cent. However, based on the UK's SSA, the recession in sport may reach 23 per cent over 2020.

Evidence from company reports and accounts shows that some sport sectors boomed during the lockdown: for example, cycling has doubled in terms of sales and maintenance. Online sales in sport equipment for home use have also increased. The biggest challenge for sport organisations relates to maintaining safety and social distancing regulations once gyms and indoor sport facilities are allowed to reopen, and later on to reintroducing spectators to sport events. According to the latest government advice, from Saturday 11 July outdoor pools can reopen, while from Saturday 25 July indoor facilities such as gyms, leisure centres and pools will also be allowed to reopen, provided operators follow government guidelines.⁷ Team sports can also restart when each sport's national governing body has published a government-approved action plan and related guidance on playing safely.

3.6 The case of South Africa

Sport in South Africa represents 2.0 per cent of the national economy's GDP (SRSA, 2009). According to the IMF, during 2020, the economic output in South Africa will decline by 6 per cent.

5 Applications for the programme are now closed. Details can still be found at: <https://mccygrants.gov.sg/grants/aep2/instruction>

6 <https://www.sportsingapore.gov.sg/Partner-with-Us/Support-for-Sport-Businesses>

7 <https://www.sportengland.org/how-we-can-help/coronavirus>

According to SIRC, the associated recession in the sport industry over the year will be much higher, reaching 20 per cent in real terms. A lockdown in South Africa was imposed on 27 March. Although it was very successful in preventing the spread of the pandemic, it incurred disproportionate consequences on the sport industry. For example, a recent independent sport survey showed that 84 per cent of sport federations believe they will be out of business in the six months after the initial lockdown (Ray, 2020).

3.7 The case of New Zealand

According to Angus & Associates (2017), the economic value of the wider sport and recreation sector in New Zealand is estimated at NZ\$4.9 billion per annum, equivalent to a 2.3 per cent contribution to overall GDP, including a monetisation of work by volunteers (1.8 per cent without). In the period 2006-2017, sport and recreation workforce grew by 11.5 per cent, whereas adult sport volunteers contribute in excess of 67 million hours of time over a year. The Angus & Associates report underlines that sport and outdoor recreation are also important aspects of the experience of international tourists. According to Table 5, a recession of 7 per cent in 2020 will be accompanied by a drop in sport output of 25 per cent.

The New Zealand government has announced a three-stage support package for sport (King, 2020). An initial fund of NZ\$83 million will provide short-term support to organisations in a bid to save jobs and help them through the initial impact of the pandemic. In a second phase, NZ\$104 million will be spent to help the sector rebuild in the medium term, to facilitate changes required in the post-pandemic environment. Finally, in a third phase, a NZ\$78 million package will be available for innovative approaches to delivering play, active recreation and sport, through the use of new technology and research. Under Sport New Zealand's latest advice (2020), contact team sports and physical activities can resume only if good contact tracing and hygiene measures are possible.

3.8 World outlook

According to the World Bank's Global Economic Prospects (2020), 'COVID-19 is the most adverse peacetime shock to the global economy in a century.' The discussion around the experience

in Fiji shows that the number of COVID-19-related deaths or cases is not the critical factor underpinning a country's prospects. What is important is how a government reacts to the threat and what its trade partners plan to do. In the case of Fiji, even if the country had not gone into lockdown, it would have suffered a recession because of the lockdowns of Australia and New Zealand and its close links with those two countries.⁸

The human cost in developing countries will be increasingly high, given their dependence on informal labour and the limited capacities of the various health systems. According to the World Bank, the informal output in developing countries ranges from 20 per cent to 35 per cent of GDP, but informal employment can be as high as 60 per cent of total employment.

" Sport would experience a recession several times worse than the average sector of any economy "

Table 5 shows the IMF forecasts of the size of recession in Commonwealth countries. These forecasts have been 'verified' by the World Bank (2020) although the latter does not include in its forecasts most developed economies. SIRC has modelled the effect on sport over 2020 on the basis of the existing SSAs. In all cases, we assume a sharp decline in output during the lockdown period and a recovery phase that will last possibly until September. Consequently, we expect that economic activity will return to its normal levels in September. The modelling was based on the effect of a lockdown on sport through the structure of an SSA (see Annex: Note on methodology). Throughout, we assumed that the 'core' of sport organisations almost stopped operating; the same was assumed for the links between sport and tourism, recreation, education (outside schools) and accommodation. The remaining economic sectors, which are linked to sport, were reduced in line with economic expectations.

The above assumptions (which form the basis of any lockdown policy) imply that sport would experience a recession several times worse than the average sector of any economy. In Fiji, for example, where the economy is expected to contract by 6 per cent, the sport economy,

according to Table 5, is likely to decrease in real terms by 20 per cent over 2020 (the Annex gives an explanation of the methodology used). The recession throughout the developing world has a pattern of falling commodity prices, remittances, tourism and foreign trade. As the World Bank notes, recessions of this magnitude can bring about a permanent decline in output. Expectations of weak growth and low capacity levels can become self-fulfilling, deterring private investment.

Such characteristics, coupled with the fiscal problems in many developing countries, raise the possibility of bankruptcies not just of companies but also of states. Financing from sources such as

the IMF's Rapid Credit Facility and Rapid Financing Instrument may become a common practice. In the case of Bangladesh, the government channelled such loans directly through the budget to meet its needs on health and social protection. International aid will also become a crucial parameter of the recovery, with the UN Country-Based Pooled Funds (CBPFs) and Central Emergency Response Fund (CERF) providing some help in this direction.⁹ For example, CERF has allocated \$3.5 million in emergency funding to Bangladesh, whereas Pakistan has an allocation of \$2.9 million from CBPF and \$1.3 million from CERF.

Table 5: Changes in GDP and sport GDP, 2020 forecasts, constant prices

Country	GDP (%)	Sport GDP (%)	Country	GDP (%)	Sport GDP (%)
Antigua and Barbuda	-10.0	-35	Mauritius	-6.8	-24
Australia	-6.7	-23	Mozambique	2.2	-4
Bahamas	-8.3	-29	Namibia	-2.5	-9
Bangladesh	2.0	-10	Nauru	-1.7	-6
Barbados	-7.6	-27	New Zealand	-7.2	-25
Belize	-12.0	-42	Nigeria	-3.4	-12
Botswana	-5.4	-19	Pakistan	-1.5	-5
Brunei	1.3	-7	Papua New Guinea	-1.0	-3
Cameroon	-1.2	-4	Rwanda	3.5	-5
Canada	-6.2	-22	St Kitts and Nevis	-8.1	-30
Cyprus	-6.5	-23	Saint Lucia	-8.5	-28
Dominica	-4.7	-16	St Vincent and the Grenadines	-4.5	-16
eSwatini	-0.9	-3	Samoa	-3.7	-13
Fiji	-5.8	-20	Seychelles	-10.8	-38
Gambia	2.5	-6	Sierra Leone	-2.3	-8
Ghana	1.5	-6	Singapore	-3.5	-12
Grenada	-8.0	-28	Solomon	-2.1	-7
Guyana	5.3	-2	South Africa	-5.8	-20
India	1.9	-10	Sri Lanka	-0.5	-2
Jamaica	-5.6	-20	Tanzania	2.0	-1
Kenya	1.0	-4	Tonga	-1.2	-4

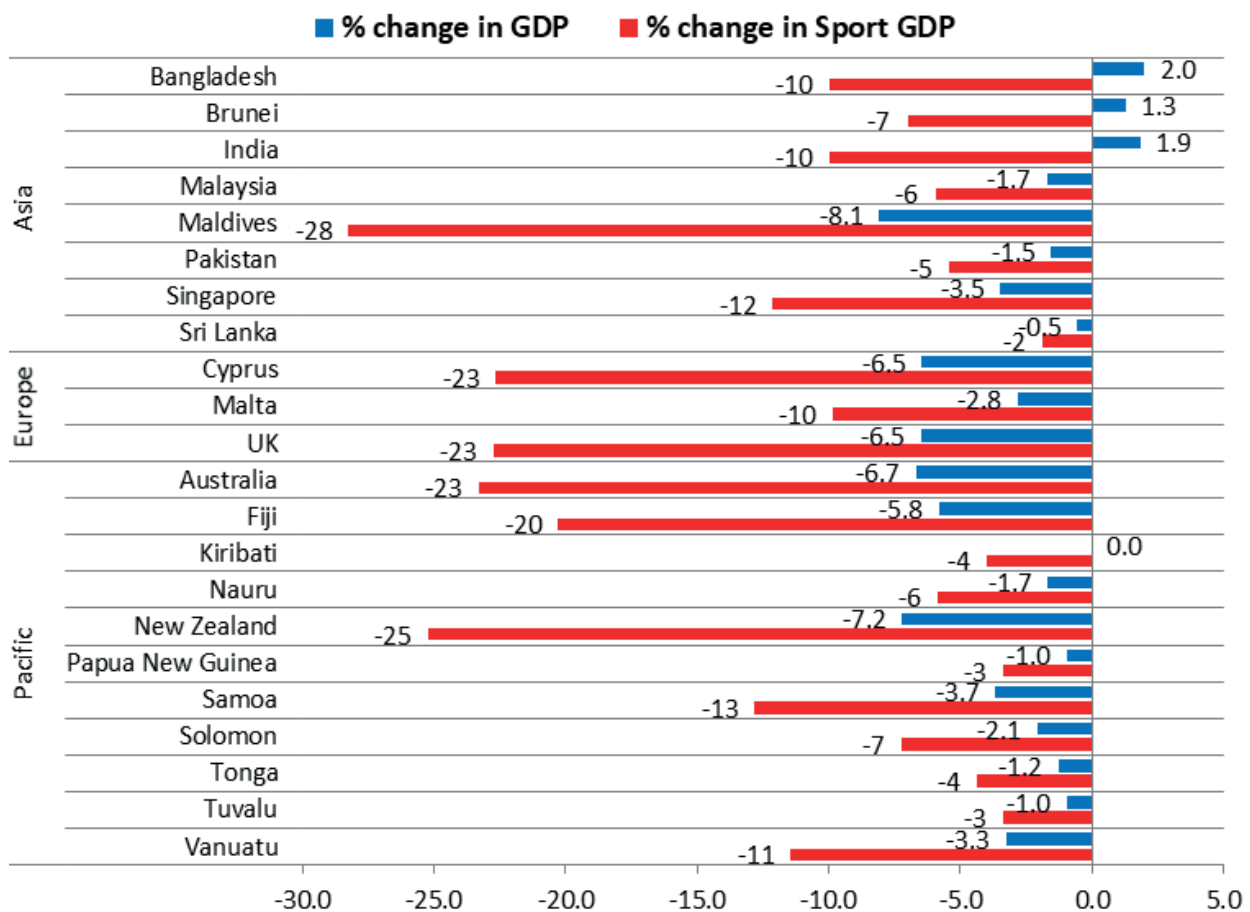
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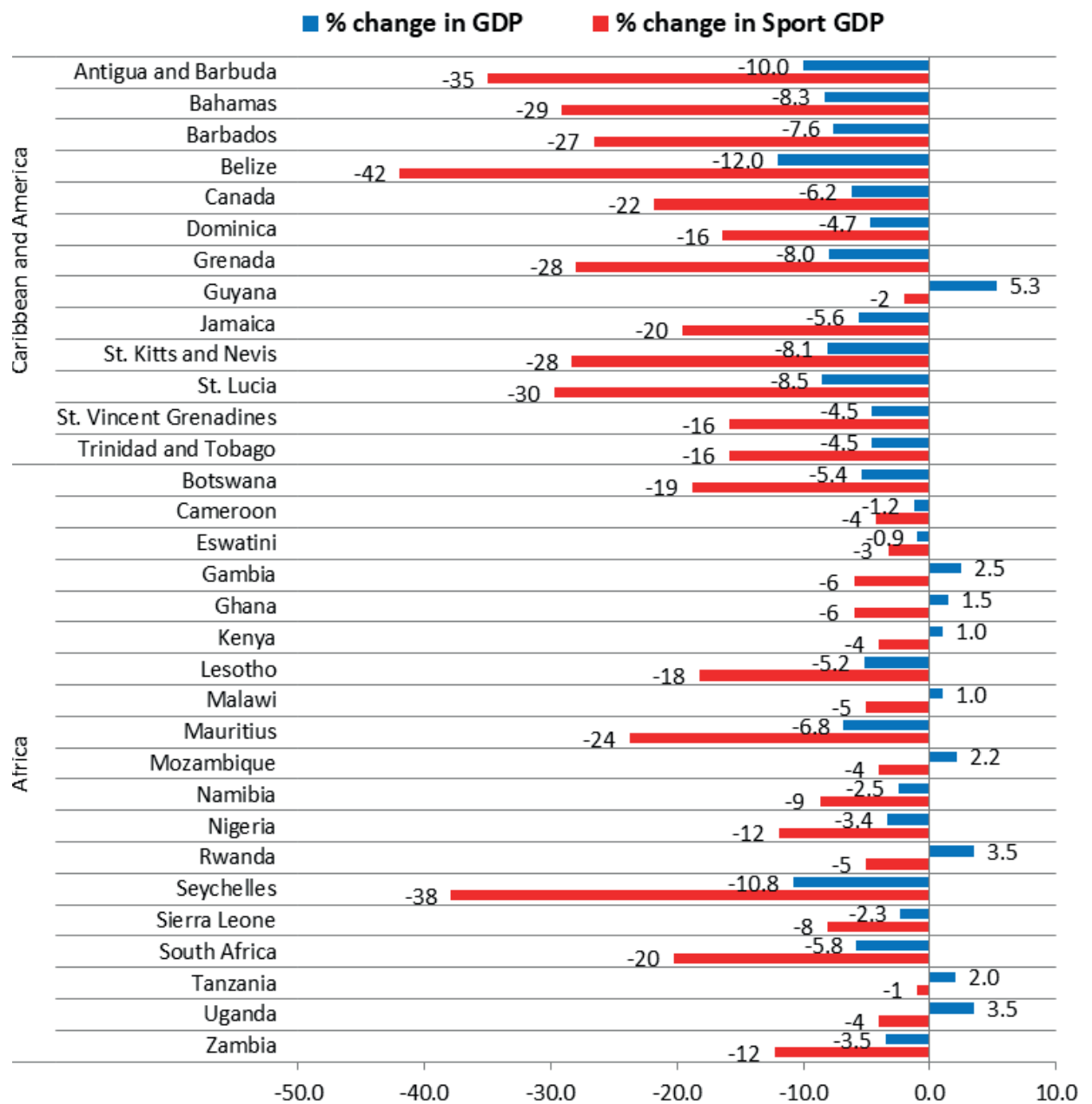
Country	GDP (%)	Sport GDP (%)	Country	GDP (%)	Sport GDP (%)
Kiribati	0.0	-4	Trinidad and Tobago	-4.5	-16
Lesotho	-5.2	-18	Tuvalu	-1.0	-3
Malawi	1.0	-5	Uganda	3.5	-4
Malaysia	-1.7	-6	UK	-6.5	-23
Maldives	-8.1	-28	Vanuatu	-3.3	-11
Malta	-2.8	-10	Zambia	-3.5	-12

Source: IMF (2020), SIRC

The information in Table 5 is also presented in Figure 2:

Figure 2: Changes in GDP and sport GDP in Commonwealth countries, 2020 forecasts, constant prices





4. Innovative financing options to stimulate the domestic market

The importance of sport is acknowledged among the international community; the 2030 Agenda for Sustainable Development sets out 17 Sustainable Development Goals and 169 targets that 'balance the three dimensions of sustainable development: economic, social and environmental'. The Agenda also recognises sport as 'an important enabler of sustainable development' and highlights its impact on health, education, social inclusion, women's empowerment and youth development. The current pandemic has introduced additional challenges to achieving all of these goals.

"Strategies for growing the industry include public investment in sporting infrastructure; public-private partnership financing arrangements; tax breaks for events; and structured, formal skills training suitable for those who want to work in the industry"

Part of the response to this challenge of resource mobilisation includes potential innovative financial options to stimulate the domestic sports markets, with particular emphasis on the role of public-private financial initiatives. Given the considerable pressure on public finances in many Commonwealth countries, mobilising non-state financing to support sport policies is becoming increasingly important. Examples of action areas of financing for development can be found in the United Nations Addis Ababa Action Agenda.

Strategies for growing the industry include public investment in sporting infrastructure; public-private partnership financing arrangements; tax breaks for events; and structured, formal skills training suitable for those who want to work in the industry. Examples include 'incentives to invest in social or environmental credit schemes, policies providing guarantees or risk insurance for specific projects and partnering arrangements, such as public-

private sector partnerships, that mitigate the risk and adjust the rates of return of social investment funds' (Commonwealth Secretariat, 2015b).

Countries have taken various measures to ensure the sustainability of sport during the pandemic:

- Cutting costs: In Fiji's rugby, staff, players, coaches and consultants have reduced work days (RNZ, 2020).
- Sport funding by various means: In South Africa, R150 million of relief funds became available to athletes and art practitioners.¹⁰ In the UK, £195 million of funding was provided by the government and the National Lottery for immediate and long-term support to the sport and physical activity sector, ranging from financial support for local sports clubs to funding new and innovative ways to keep people active and getting back to business after the pandemic (Sport England, 2020).
- In Brunei Darussalam and Malaysia, the United Nations Educational, Scientific and Cultural Organization (UNESCO) is offering smaller funds of up to US\$3,000 per proposal to non-profit youth/sport organizations (UNESCO, 2020).

Some suggestions, detailed below, for policy options to help resource the contribution sport can make to economic growth in response to COVID-19 come from three sources:

- Interviews conducted for the benefit of this project;
- A conference of sport stakeholders on investment (Erasmus-funded, project isport); and
- An adaptation of some proposals in the Addis Ababa Action Agenda.

Please note that some of the recommendations are medium to long term in character and will be elucidated further in an upcoming paper on longer-term recovery and rebuild.

10 <https://en.unesco.org/creativity/covid-19/relief-fund-south-african-artists-athletes>

4.1 Proposals on public investment

1. Public investment in sporting infrastructure: This would enable the growth of both sport services and construction. Both activities have very high employment multipliers, benefiting the economic recovery. Furthermore, small and low-labour productivity economies benefit the most from sport investment in terms of employment growth. There is a set of emerging data supporting this thesis, which will be explored in further research.
2. Public-private partnership financing arrangements, reducing the risk of investment for private operators. The public sector may provide guarantees or risk insurance for sport-specific projects and partnering arrangements that mitigate risks and adjust the rates of return from social investment funds.
3. Matched funding from government for important sport-based interventions by private or civil society stakeholders. For example, Sport England's Sportsmatch programme is providing matched funding to not-for-profit organisations, to help deliver new community projects for adults and young people aged 14 and over (Sport + Recreation Association, 2012). Several ideas of matched funding policies can be found in *The Guide to Sport Funding* (Morris and Lernelius-Tonks, 2012).

4.2 Proposals on taxation

4. Tax breaks for events that would be major attractions for tourism, increasing the tax revenues indirectly. A growing element of the sport industry in many small island developing states, for example, is around the organisation of sport and mass participation events attracting significant tourism from regional and international visitors.
5. Tax breaks for sport organisations. An example is giving Community Amateur Sport Club status (a UK initiative) to clubs or initiatives that pursue charitable objectives in line with government policy.

6. Tax breaks for businesses investing in sport. In India, the Companies Act (Section 135) affords tax breaks to companies investing in sport (among other areas), in a drive to increase corporate social responsibility.¹¹ The latter has become more apparent within the sport industry because of the important role, impact and visibility of sport in society and its ability to tackle social issues (Filizöz and Fişne, 2011). For example, Sport England offers tax reliefs to sports clubs seeking finance; investors who receive the reliefs are able to claim a percentage of the amount they have invested against their income tax liability.¹²

4.3 Proposals on funding

7. The development of national lotteries that direct some or all of the proceeds to sport.
8. Access to loans on favourable terms for sporting bodies.
9. Imposing a planning levy, for example, to build a new commercial building or housing estate a company might have to provide funds for community sport projects.

4.4 Proposals on long-term sustainability (from Addis Ababa Action Agenda)

10. In all countries, the problem in relation to COVID-19 will be one of general finance. The public borrowing required may increase total debt, as a percentage of GDP, to levels that would affect the interest rates, making it extremely expensive to borrow in the open market. This is particularly pertinent in least developed and middle-income countries as opposed to in more developed economies. To meet longer-term financing needs, countries should consider developing long-term bond markets where typical borrowing bears smaller interest rates.
11. All companies, including multinationals and those in the sport industry, should pay taxes to the governments of countries where economic activity occurs and value is created, in accordance with national and international laws and policies.

11 <https://cleartax.in/s/corporate-social-responsibility>

12 <https://direct.sportengland.org/funding/other-sources-of-funding/sources-of-funding-you-can-generate-yourself/investment-tax-reliefs/>

4.5 Proposals on operational planning

12. Structured formal skills training suitable for those that want to work in the industry. In a developed sport economy, education is usually the number one subsector; hence this element must be taken very seriously for sport economies to develop.
13. Enhance disclosure practices and transparency in both source and destination countries, by seeking to ensure transparency in all financial transactions between governments and companies to relevant tax authorities (Addis Ababa Action Agenda). For example, in Bangladesh the government is committed to using the crisis resources transparently and effectively, and to carry out an audit of COVID-19 related expenditures within 12 months of the end of the crisis.
14. As well as examining the supply and demand conditions for investment, consider the operational aspects, especially the availability of coaching and the cost of future maintenance, which is likely to be considerable. The assessment must take into account that, if an investment can help increase sport participation (from the field of non-participants), the generated income for the central government (e.g. in terms of VAT) could partially offset such costs. This has been demonstrated in all the economic assessments of the UK nations since the mid-1980s (e.g. Sportscotland, 2016).
15. Fund clubs and programmes that promote youth into some managerial positions of responsibility as a policy tool to increase the empowerment of young people and the social benefits of sport.
16. Consult athletes, sporting organisations, partners and other stakeholders. The sporting community can help with the response to the crisis now and during the rebuilding process. It is important to ask for their input on what they need and how they can help.

4.6 Proposals on grassroots funding

17. Equitable distribution of funding away from elite leagues and into the lower tiers and the grassroots to support sports participation.

18. Reinvestment in grassroots sport: A considerable part of net broadcasting revenue should be directed into grassroots development within that sport. Governments should encourage rights-holders to fulfil their obligation to grassroots sport, for example by signing up to the reinvestment principle.

4.7 Proposals on communities

19. In the case of more developed countries, enable a more important role in the recovery and post-COVID-19 landscape for the voluntary sector. Volunteering has always addressed issues of market failure where the market cannot address the needs of the community and the desire to organise events and participate. The mobilisation of the sport sector through volunteering will increase in importance in countries where such a tradition exists.
20. Construction of small inclusive and family-friendly facilities that would give confidence to non-participants to take part in sport. By inclusive, we mean primarily that a person who is not active feels comfortable enough to walk into a facility. Research has shown that inactive people are the hardest to reach. Most current investment is used by existing participants, and the focus must shift to the inactive population. This would also maximise economic and social returns. Such investments would be relatively cheaper (aiding in a post-COVID-19 environment) and more effective in growing sport participation.
21. Planning for investment to keep the community in mind. Sometimes, what a community requires is not big projects that generate large gross value added but small projects that cater for families and communities, even in an informal way. If a project is built with the community in mind it is more likely to be used.
22. Invest in digital sport content to help people stay active at home, if required. The long-term key to the recovery of the domestic sport markets is the maintenance of sport participation rates. In addition, investing in eSports may lead, under the current circumstances, to further economic benefits. While sports in their traditional formats have been cancelled, postponed or played without spectators to prevent the spread of the

virus, growth in eSports and the gaming industry has accelerated as a result of stay at home advice (Gaskell, 2020). For example, Twitch, one of the world's biggest streaming platforms for gamers, is estimated to have grown its audience by up to a third in March 2020 alone (Scott, 2020). In terms of economic recovery, eSports presents the opportunity for sport organisations and clubs to leverage services away from their traditional offer to broaden audiences and provide new revenue streams. According to eSports Academy director Patrick Chye, the demand for amateur and grassroots eSports

in Australia has tripled since the outbreak of coronavirus; he suggested that clubs that have an eSports team engage with their supporters (Smith, 2020).

23. Help sport organisations support their communities. As social distancing measures increase, so too will the risk of social isolation. Professional and community sport organisations can help maintain social connections even when there is no sport going on. This can be as simple as a sport club phoning its members for a chat, or offering live stream activities.

5. Conclusions

This paper has illustrated the value of sport for the economy and a nation's, health and well-being. The internal characteristics of the sport economy imply that investing in sport can boost economic recovery and increase employment. However, the same characteristics also imply that sport is much more vulnerable during the pandemic/lockdown period compared with an average economic sector. In all Commonwealth countries, it is expected that sport will decline (in terms of output and employment) much more than the economy as a whole.

It is imperative that basic infrastructure and sport participation are maintained. This paper has proposed some ways to achieve this aim, through a diversified policy of investment and innovative solutions. It is vital that sport clubs and fitness operators remain connected with communities and that governments nationally and internationally remain engaged with the maintenance of sport infrastructure and sport business networks. Eventually, the recovery of sport will depend on the recovery of other sectors such as tourism and accommodation, as well as the ability of sport organisations to process health guidelines for health safety and social distancing.

This is the first of two discussion papers. The second paper will focus on:

- Policies and initiatives applied to overcome the current crisis as sport is slowly reintroduced in many countries;
- Exploring policy suggestions that link sport to economic convergence among countries;
- Updating current forecasts in line with any new figures from the IMF and/or World Bank or replies to our survey;
- Incorporating survey replies from Commonwealth sport stakeholders on the impact of the pandemic on the sport economy;
- Analysing the suggestions of the Addis Ababa Action Agenda into a sporting framework, if this is possible, in order to suggest ways of attracting sources of funding and investment for the sport sector in Commonwealth countries, with varying social and economic contexts, with a view to grow domestic markets post COVID-19;
- Exploring options for the funding of elite and community sport;
- Exploring new digital sport markets;
- Considering policy options interlinked with areas of human and labour rights; and
- Further analysing the types of sport infrastructure for investment.

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Annex: Note on methodology

The estimation of the sport output decline during 2020 is based on:

- An estimation of the lockdown effect on sport output;
- An easing-out period following the lockdown where the extreme effects of the lockdown are gradually reversed; and
- An assumption that normal business operations resume by next September (conservative principle).

The central point of the methodology is to understand what happens with sport during the lockdown. For this, we can use both the structure of the available SSAs and business surveys (such as ONS, 2020), confirming that the number of temporary closures of sport business is much greater than the economy as a whole. Table A1 presents a breakdown of the sport industry in the UK, and Table A2 presents reduction in some typical

sport-related sectors. Note that, in the case of sport operators, a policy of postponed subscriptions (moving current subscriptions into the future) is treated as no income for the lockdown period.

During the lockdown period the sport clubs and leisure centres have a reduction of GDP by 80%. Other sectors such as accommodation have a total elimination of sport GDP. The second numerical column of Table A1 shows the normal annual GDP of the presented sport sectors (a year without COVID-19). The third column is the equivalent GDP during the 11 weeks (the duration of a lockdown in the UK) under normal conditions; on this column we apply the reductions from the pandemic, which total £5,470m. This, compared with the normal level of economic activity implies a reduction of GDP during the lockdown by 66%. A further reduction of £3,555m is expected for a transition period of 14 weeks. The last column is the new GDP figure after the reductions from the lockdown and the transition are taken into account, showing an annual reduction of sport GDP of 23%.

Table A1: Lockdown effects on sport, UK, £m, %

Industry	Lockdown reduction in sport (%)	sport GDP, year	sport, 11 weeks	Lockdown GDP reduction	Transition 14 weeks	New GDP
Sport clubs, leisure centres	80%	6,316	1,326	1,061	690	4,565
Accommodation – sport tourism	100%	2,768	581	581	378	1,809
Sport construction	65%	1,319	277	180	117	1,022
Food and services	100%	1,705	358	358	233	1,114
Retail trade	60%	4,329	909	545	355	3,429
Management and administration	45%	1,696	356	160	104	1,432
Sport betting	100%	3,669	770	770	501	2,398
Wholesales	70%	1,747	367	257	167	1,323
Travel agencies	100%	576	121	121	79	376
Services (advertising, IT, insurance, etc.)	45%	1,046	220	99	64	883
Media	45%	2,253	473	213	138	1,902
Sport education	25%	4733	994	248	162	4,323
Sport manufacturing	35%	3579	752	263	171	3,145
Other	75%	3,886	816	612	398	2,876
Sums		39622	8,321	5,470	3,555	30,597
GDP reduction during Lockdown	66%					
GDP reduction during year	23%					

Source: SIRC estimates

Table A2: Estimates on lockdown effects on sport

Industry	Lockdown reduction in sport (%)
Sport clubs	70%
Accommodation – sport tourism	100%
Sport construction	60%
Food and services	100%
Retail of equipment (online)	50%
Management and administration	40%
Sport betting	100%
Domestic sport holidays	100%
International sport holidays	100%
Services (advertising, IT, insurance, etc.)	40%
Associations/charities	40%
Media	40%
Sport education	15%
Sport manufacturing	30%
Overall sport reduction during lockdown	65%-70%

Source: SIRC estimates

Glossary

Bond markets – a marketplace where investors buy debt securities that are brought to the market by either governmental entities or publicly traded corporations.

Domestic liquidity – Amount of cash and cash-equivalent securities circulating within a nation's economy. This may include time and demand deposits along with currency circulating outside banks.

Gross domestic product – the monetary value of all finished goods and services made within a country during a specific period.

Income elasticity – the relationship between a change in quantity demanded for good X and a change in real income. The formula for calculating income elasticity is **% change in demand divided by % change in income**.

National economy – the goods and services that a country is able to produce at any given time using all the natural, human and capital resources available to it.

Recession – a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.

Remittances – money sent or transferred to another party, often by a foreign worker to an individual in their home country.

Social return on investment – an outcomes-based measurement tool that helps organisations understand and quantify the social, environmental and economic value they are creating.

Sport satellite account – a robust statistical framework for measuring the economic importance of the sport sector within the national economy. This includes a core definition (mainly sport organisations and leisure facilities) and a broader evaluation that includes education, sport broadcasting, sport gambling, etc. The Vilnius Definition is a detailed exposition of the accepted economic activities underpinning most SSAs.

Stimulus measures – a package of economic measures put together by a government to stimulate a struggling economy to reinvigorate the economy and prevent or reverse a recession by boosting employment and spending.

About this Paper

This paper was commissioned to support Commonwealth countries to effectively translate global learning into effective policy responses to COVID 19. The current pandemic has adversely impacted national economies across the Commonwealth, and has highlighted the vulnerability of the sport sector in particular. However, available research underscores the positive contribution sport can make to the economy, health and wellbeing and employment, at the national level. Maintaining such contribution would help the overall response to the pandemic, and would require diversified and innovative approach to investment.

The Sport Industry Research Centre (SIRC) is one of three sport-related research centres in the College of Health, Wellbeing and Life Sciences at the Sheffield Hallam University, United Kingdom. The main focus of the Centre's work is the use of applied economic techniques to solve the specific research requirements of our clients and to generate new knowledge about the sport and leisure industries.

The Sport for Development and Peace team at the Commonwealth Secretariat advocates for the use of sport as a vehicle for development and peace building. Their work focuses on how sport can be used to contribute to national development objectives and the Sustainable Development Goals.



Commonwealth Moves

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