

Economic Impact of the New Egyptian Sports Law

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The Egyptian Sports Law No. 71 of 2017 (the 'Sports Law') was among the package of laws promulgated during the last few years intended to re-invigorate the Egyptian economy. In fact, the Sports Law was issued on the same day as the New Investment Law, which jump-started foreign investment in Egypt. The goal of the Sports Law was to regulate basic sports activities that were left either unregulated or in the hands of independent authorities. Moreover, it was meant to open up the sports field to the rest of the economy and attract a broad range of potential investments.

Additionally, the Sports Law has formalised the process of seeking out talent. Talent is, above all, the bedrock of all sports. The identification and subsequent development of this asset – effectively a natural resource – is key to the growth and sustainability of a dynamic sports industry. Without talent, no investment, no matter how large, would fill the gap of talent. As such, the Sports Law has attempted to increase the economic impact of the sports industry with a two-pronged strategy: firstly, through establishing mechanisms and processes to actively seek out sporting talent; and secondly, through ensuring that investment can be made more easily available to support, develop and optimise assets in the industry.

Investment in Sports

Before the Sports Law, there was essentially no regulation or distinction between quasi-public entities, such as sporting clubs, and private entities that establish a sporting club, health club, gym or other type of entity that engages in providing or otherwise facilitating sports services. Private companies that established clubs or similar facilities found themselves in legal limbo. There was uncertainty as to whether

they were subject solely to the laws regulating companies conducting regular commercial activities, or whether they fell within the legal framework specifically governing 'sports entities.' Sports entities were previously subject to strict regulation by the Ministry. Private companies, on the other hand, remained largely subject to the broader body of Egyptian corporate, civil and commercial laws.

The legal uncertainty was most apparent in cases where private companies owned and operated a facility, such as a health club. Health clubs could reasonably be construed as coming within the paradigm of sport; nonetheless, they did not strictly fall within the framework governing sports entities. This problem was exacerbated by the increase in diversity to which the sports sector has been subjected globally. In recent years the proliferation of sports enterprises, such as football academies as well as rapid growth and demand for an ever-increasing range of sports services delivered by health and fitness clubs has been exponential. Thankfully, Articles 71 to 78 of the Sports Law have clarified some confusion by distinguishing between sports entities and companies that conduct sports services, establishing a guiding framework under which such companies may operate.

All companies that conduct sports services must be joint stock companies. Sports services are not exhaustively defined in the Sports Law and may include managing, marketing, or operating private clubs and academies, health clubs, and/or fitness centres. Accordingly, small sports-related businesses (such as spas and gyms) may be obligated to abide by this legal structure.

These companies, under the Sports Law, are entitled to issue shares through a public offering and ultimately list on the Egyptian Stock Exchange Market, with the proviso that such action should not affect its sports services. The Sports Law does not define specifically what those issues are which might affect a company's sports services. An individual interpreter may have discretionary power to determine whether a company may issue its shares through a public offering or be listed.

Additionally, sports entities have the flexibility to form joint stock companies with investors and members, or to set up branches established by joint stock companies. All such companies remain subject to approval by the competent authorities in terms of activities while remaining compliant with the provisions of the Sports Law. They are also subject to financial oversight, including such obligations as being required to submit financial statements to the competent authorities, adhering to standards for minimum and maximum fees for the provision of their services, as set by the Minister of Youth and Sports, etc.

Talent Discovery

Articles 63-65 of the Sports Law establish talent discovery centres across Egypt under the management of the Ministry of Youth and Sports. Moreover, the Sports Law also addresses talent discovery of special needs children. Undoubtedly, establishing a system whereby talent can be sought, identified and developed can be quite a driving force behind a field that has its core based on talent. There are numerous international examples, which have long established that investing in talented youth as they are growing can help take these talents to new heights. The economic impact of discovering such talents can be quite significant as well. For example, Egypt's foremost football player, Mohamed Salah, was discovered at a young age through unofficial scouts. If we imagine for a moment that Egyptian football would have established talent discovery programmes several decades ago, we would inevitably conclude that talent discovery can revolutionise the sports industry.

Conclusion

Although the newly formed talent discovery programmes are yet to bear substantial fruit, we can already see the potential economic impact that opening up the sports industry to investors can have. A small club called Al Assyouty was recently purchased by Saudi investor Turki El Sheikh. As the second part of his

investment plan, he renamed the club Pyramids FC and then signed several important and expensive players to rapidly put the team amongst the top teams in the Egyptian Premier League. In economic terms – and this is how investors should see the sports industry under the Sports Law – this is a case of prudent investment followed by solid practices in asset management. Such effects cannot go unnoticed, as the sports industry offers the potential to develop an entirely new asset class from a previously untapped sector. The power of opening up the economy as a whole to investments can have a massive impact on Egypt’s economic development and the sports sector is off the bench and ready to go.

Al Tamimi & Company’s [Sports & Events Management team](#) regularly advises on a wide array of national, regional and global Events. For further information please contact [Steve Bainbridge](#) (s.bainbridge@tamimi.com) and Youssef Sallam (y.sallam@tamimi.com).