

# THE FINANCING OF SPORTS ORGANISATIONS IN CROATIA AND A COMPARISON WITH SLOVENIA

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## FINANCIRANJE ŠPORTNIH ORGANIZACIJ V HRVAŠKI IN PRIMERJAVA S SLOVENIJO

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### Abstract

The principal aim of the article is to analyse the financing of sports organisations in Croatia and to draw a comparison with the financing of sports organisations in Slovenia. The analysis involved those sports organisations in Croatia and Slovenia which provided the final balances of their accounts for 1998.

Sports organisations in Croatia are mostly financed through their own activities. Accordingly, one can conclude that their model of financing resembles the European model of sports financing. The Slovenian and Croatian models of income and expenditure of sports organisations are very similar. Slovenian sports organisations are relatively more financed by private sources.

*Keywords: Croatia, Slovenia, financing, sports organisation, funding, expenditure*

### Izvleček

Glavni namen sestavka je analizirati financiranje športnih organizacij v Hrvaški in ga primerjati s financiranjem športnih organizacij v Sloveniji. Analiza je bila opravljena na športnih organizacijah na Hrvaškem in v Sloveniji, ki so v letu 1998 oddale zaključne račune.

Športne organizacije na Hrvaškem se financirajo pretežno z lastno dejavnostjo. Glede na to lahko zaključimo, da model financiranja športnih organizacij na Hrvaškem odgovarja evropskemu modelu financiranja športa. Slovenski in hrvaški model prihodkov in odhodkov športnih organizacij sta si zelo podobna. Slovenske športne organizacije se v večji meri financirajo iz privatnih virov.

*Ključne besede: Hrvaška, Slovenija, financiranje, športne organizacije, prihodek, odhodek*

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## INTRODUCTION

Croatia has recently been examining its attitudes towards sport, as have EU member-states and, above all, those countries in transition (Bednarik, Petrovič and Šugman, 1998; Šugman and Bednarik, 1998; Krawczyk, 1997). From that aspect, one might expect society's attitude towards sports to be more "responsible", reflected in a more widespread offer of this public positive source. Nevertheless, generally speaking each public service (meaning its creation or production) should be financed from public sources, which also applies to sports (Andrijašević, 1999). The problem then is one of how? The very same question has been asked for a long time already by European sports associations (Andreff, 1994; Coocke, 1993). Today, this is the core question of the societies in transition, including Croatia. It involves assessing which factors have given us the situation that we have today. Certainly, all societies are examining the current situation regarding sport. Here, we have to deal with various uncertainties, and at this level we lack the principles of good behaviour. This is especially true of the clubs or associations which emerged from the days of strictly state-financed sport and now wish to be oriented according to the new values and standards in sport (Krawczyk, 1997). This situation is mainly the consequence of insufficient scientific research in that area of public activity. Only a few up-to-date analyses exist at the moment which could be of help in drawing comparisons (Andreff, 1994; Bednarik, Petrovič and Šugman, 1998; Šugman and Bednarik, 1998; Cingiene, Kavaliauskas and Sukys, 1997; Davies, 1997; Kokolakis, 1997; Kolimpalis, 1999; 14<sup>th</sup> Informal Meeting of European Sports Ministers, 1994). Despite that, we are not in a position to outline the development of sports without first having answers to certain questions. On the brink of the transition period from the 80s to the 90s, it became clear that one of the main issues in dealing with sports is how to overcome the consequences of a situation in which we must deal with an increasing number of

participants and, on the other hand, the downturn in the availability of financial resources for funding sports activities. Certain analyses claim that the economic downturn (recession) of that period led the public finance situation into a crisis which even sport could not avoid. Such evaluations simplify the problem of public support of sport. The problem is much deeper and very complex. It is a result of the doctrinal point of view, and the economic and political pragmatism of Neo-liberalism against public services, which have been incorporated in European societies through the functioning of a social state over the last 60 years. The question therefore arises as to what source of public service support for Croatian sport should be established in the future. There are two alternative answers here: either we follow a Neo-liberal model oriented towards radical marketing, including sports activities (as in certain Western countries); alternatively sport should be handled by society, above all in the area of social values of special interest to youth and the sports recreation of older people, clubs or associations etc. With reference to the problems outlined above, the main aim of the article is to analyse sport organisations' financing in Croatia and to compare it with the European system, as well as the financing of sports organisations in Slovenia. Namely, we shall deal with two countries in transition which started the process at the beginning of the last decade from the same starting points.

## METHODS

The analysis of the annual accounts of sports organisations included all non-profit sports organisations (clubs, associations and public institutes) in Croatia (1675) and Slovenia (1984).

Non-profit sports organisations are obliged to follow special accounting standards requiring, among other things, non-profit sports organisations to prepare annual reports based on the accounting books and annual inventories. They contain a balance sheet, a pro-

Table 1: Expenditure of all public services' budgets in Croatia in 1997

Public service	total		Central government		Local government	
	million kuna	%	million kuna	%	million kuna	%
EDUCATION AND SCIENCE	5,316.5	39.2	4,495.4	49.2	821.1	18.6
HEALTH	253.1	1.9	180.1	2.0	73.0	1.7
SOCIAL SECURITY	4,244.7	31.4	981.8	43.6	262.9	6.0
HOUSING AND COMMUNAL INFRASTRUCTURE	2,296.8	17.0	25.1	0.3	2,271.7	51.4
CULTURE	1,084.4	8.0	396.9	4.3	687.5	15.6
SPORT	343.1	2.5	49.2	0.5	293.9	6.7
TOTAL	13,538.6	100.0	9,128.5	100.0	4,410.1	100.0

SOURCE: Annual Budgetary Report 1998

fit and loss account, and the disclosure of the finances available.

In Tables 2 and 4, the income and expenditure of the sports organisations analysed are shown according to the items included in the annual accounts. Some items in the accounts of Slovenia and Croatia are not the same, hence the tables have not been merged. Table 4 does not contain expenditures since public institutions in Slovenia do not show items within their expenditure breakdowns that are comparable to the accounting items of associations.

The analysis of annual accounts is based on data from 1998, while data for 1997 is mentioned only by way of comparison. From the legal viewpoint, the analysis should contain all (financially active) non-profit sports organisations in Slovenia and Croatia.

In the main, studies of the economic aspects of sport use indirect methods to estimate funding sources and destinations (Andreff, 1994; Cingiene, Kavaliauskas and Sukys, 1997; Davies, 1997; Kolimpalis, 1999). The method applied in this study is a direct one be-

Table 2: Income and expenditure of non-profit sports organisations in Croatia in 1997 and 1998 (in current prices)

income / expenditure	1997		1998	
	million kuna	structure %	million kuna	structure %
PROPOSING ENTITIES		1679		
TOTAL INCOME	671.5	100.0	738.2	100.0
– from the budget	247.7	36.9	242.9	32.9
– contributions	4.3	0.6	2.6	0.4
– membership fees	56.0	8.3	67.5	9.1
– own activities	115.7	17.3	192.7	26.1
– other	247.7	36.9	232.4	31.5
TOTAL EXPENDITURE	691.6	100.0	721.0	100.0
– material expenses	245.6	35.4	256.2	35.5
– salary of employed	96.0	13.9	117.4	16.3
– non-material expenses	141.8	20.5	156.0	21.6
– transfers	107.8	15.6	91.4	12.7
– investments	14.3	2.1	7.8	1.1
– other	86.2	12.5	92.3	12.8
% GDP	0.538%		0.533%	

Table 3: Public funds for sport in Slovenia in 1998

source of funds	total funds	funds received by sports organisations
Local communities	7,530,945,801 SIT	3,681,065,542 SIT
Ministry of Education and Sport - sports department	1,342,177,000 SIT	1,142,177,000 SIT
Other ministries	160,000,000 SIT	
Foundation for the Financing of Sports Organisations	171,215,150 SIT	171,215,150 SIT
Ministry of Education and Sport - sports classes	500,000,000 SIT	
TOTAL	9,704,337,951 SIT	4,994,457,692 SIT
% GDP	0.30%	0.15%

cause it analyses the annual accounts of sports organisations (Bednarik, Petrovič and Šugman, 1998; Šugman and Bednarik, 1998; Taks, De Jaeger, Laporte and De Knop, 1999).

Public funds allocated to sport in Slovenia in 1998 were evaluated on the basis of information from the Ministry of Education and Sport, local communities, the Foundation for the Financing of Sports Organisations, and those ministries employing athletes – defence, finance, and internal affairs.

## RESULTS

The total income of non-profit sports organisations in Slovenia in 1998 was 0.568 % of GDP (Table 4). In Croatia the total income of non-profit sports organisations in 1998 (Table 2) was 0.533 % of GDP (Table 2). It is clear (see Tables 2 and 4) that in relation to GDP in 1997 and 1998 non-profit sports organisations in both countries disposed of approximately the same amount of money. The difference in the proportion of GDP between the two countries is not big.

According to the analysis of the Ministry of Education and Sport (Trškan and Cankar, 1999), we can estimate that the sports organisations analysed in Slovenia were given some SIT 4.99 billion from public sources in 1998, which comprises 24.3 % of the total income of sports organisations or, in other terms, 0.15 % of GDP (Table 3). If these figures are compared to those on sports organisations in Croatia (Table 2), where the corresponding level is 0.18 % of GDP, we find that Slovenian sports organisations are financed with public funds to a smaller extent.

The investment expenses are relatively low (Tables 2, 4) and indicate the fact that non-profit sport organisations in Croatia and Slovenia do not spend money on the maintenance and reconstruction of sports facilities.

Labour costs in Slovenia (Table 4) represent 16.8 % of all expenses of sport associations and clubs. Accordingly, we can conclude that the rate of professionalisation in Slovenian sport is relatively high. A very si-

milar situation exists in Croatia, where labour costs represent 16.3 % of all expenses (Table 2).

## DISCUSSION

All the financial flows among sports organisations in Slovenia and Croatia are included in the incomes displayed in Tables 2 and 4. This involves not only the income that sports organisations get from other non-sports organisations, but also the income that sports organisations get from other sports organisations (Bednarik, Petrovič and Šugman, 1998). Therefore, the estimate of SIT 18.5 billion for Slovenia (Table 4) and kuna 738.2 billion for Croatia (Table 2) slightly overestimates the real funding available to sports organisations. On the other hand, it is true that certain financial flows in sport exist outside sports organisations, and probably a share of those involve the grey market (Bednarik, Petrovič and Šugman, 1998). From that aspect, the incomes in Tables 2 and 4 are underestimated. All in all, the analysis herein is currently the most objective in estimating the income of sports organisations in Slovenia and Croatia.

Sport as a public service is financed by public funds within the framework of public services. The offer of public services in sport depends on financial sources at the regional and local levels' public authorities. The kind of financing in Croatia (Table 1) is similar to that seen in EU countries (Andreff, 1994; 14th Informal Meeting of European Sports Ministers, 1994) where, in those countries with a federal constitution, the associations of sports federations function as an additional source of financing. Yet, regardless of the source

of funding, in relation to other social areas such as education, health, social welfare etc., sport is in an inferior position. Generally, this has become the case irrespective of levels of the offer and finances. The same relationships are also characteristic of the Croatian system of sports financing (Table 1).

In competing with other social activities (public service offers), sports activities in Croatia have been in a better financing position at the local level compared with others at the regional level (Table 1). The principal reason is that the local community authorities have a broader mandate and more responsibilities involving sport in comparison to the regional level budgets. Hence, the financial situation of Croatian sport is quite identical to the situation in most EU countries (Andreff, 1994; 14th Informal Meeting of European Sports Ministers, 1994). That is an important issue in conceiving the funding of Croatian sport for the next century. Nevertheless, the financial situation of sport can be evaluated by analysing the volume and structure of income and expenditure of sports organisations in Croatia.

The structure of sources of income for sport organisations in Croatia is in a way similar to those in other European countries (Andreff, 1994; 14th Informal Meeting of European Sports Ministers, 1994). However, the most important source of income – households' contributions – is hidden, as shown earlier in the analysis. And, what is even worse, methodologically speaking that source of funding is not included (except in the part representing membership fees and entrance ticket revenues). Nevertheless, it is worth mentioning that public sources (regional and local levels) have provided slightly more than 1/3 of all income

Table 4: Income of all non-profit sports organisations in Slovenia in 1997 and 1998 (sports clubs, sports associations and public institutes)

	In SIT, thousands						STRUCTURE IN %						INDEX of GROWTH %			
	Institute	institute	SPA	SPA	total	total	Institute	institute	SPA	SPA	total	total	institute	SPA	total	
	1997*	1998*	1997	1998	1997	1998	1997*	1998*	1997	1998	1997	1998	1997/98	1998/97	1998/97	
Number of proposing entities		25		1959												
<b>I. TOTAL INCOME</b>	1623638	2067230	14713361	16419034	16336999	18486264	100.0	100.0	100.0	100.0	100.0	100.0	127.3	111.6	113.2	
<b>1.1 Income from sales</b>	1546132	1940321	10018396	10994539	11564528	12934860	95.2	93.9	68.1	67.0	70.8	70.0	125.5	109.7	111.8	
1.2 Other income	55498	87298	3405601	4123611	3461099	4210909	3.4	4.2	23.1	25.1	21.2	22.8	157.3	121.1	121.7	
<b>1.3 Income from financing</b>	22008	39611	642362	512505	664370	552116	1.4	1.9	4.4	3.1	4.1	3.0	180.0	79.8	83.1	
<b>1.4 Transferred funds</b>	0	0	647002	788379	647002	788379	0.0	0.0	4.4	4.8	4.0	4.3	0.0	121.9	121.9	
<b>II. TOTAL EXPENDITURE</b>	1573852	2023952	14051709	15435316	15625561	17459268	100.0	100.0	100.0	100.0	100.0	100.0	128.6	109.8	111.7	
<b>2.1 Material expenses</b>			1927169	2153774					13.7	14.0				111.8		
<b>2.2 Service expenses</b>			6030842	6827855					42.9	44.2				113.2		
<b>2.3 Labour costs</b>			2226296	2588772					15.8	16.8				116.3		
<b>2.4 Amortisation and investments</b>			1144870	981350					8.1	6.4				85.7		
<b>2.5 Taxes</b>			123693	207376					0.9	1.3				167.7		
<b>2.6 Other expenses</b>			2432310	2506462					17.3	16.2				103.0		
<b>2.7 Financing expenses</b>			166529	169727					1.2	1.1				101.9		
<b>2.8 Unexpected expenditure</b>			0	0					0.0	0.0				0.0		
<b>% GDP</b>					0.562%	0.568%										

\* public institutions do not keep data on expenditures

me over the last two years. This is much higher than in the 13 European countries analysed, where the maximum rate was 1/4 of the sources income (Andreff, 1994; 14<sup>th</sup> Informal Meeting of European Sports Ministers, 1994).

In Slovenia it is impossible to precisely identify the share of income from the state budget, i.e. public finances, and the share of income created through their own activities from the annual accounts of sports organisations. For that reason, the analysis was done on the basis of the expenditure of ministries and local communities (Table 3). We can estimate that the total public sports finances in Slovenia (direct and indirect) constitute 0.30 % of GDP (Table 3). Public funds for physical education within the education system are not included in the above figures. Sports organisations in Slovenia receive only a proportion of all public sports finances. We can estimate that direct and indirect public finance for sports organisations in Slovenia represents 0.15 % of GDP (Table 3), constituting 50 % of total public sports financing.

To simplify the situation in Slovenia, income from the sale of goods (Table 4) could be seen as an indicator of the commercialisation of the activities of sports organisations in Slovenia. We could even claim that the rate of commercialisation can be measured by the share of income from sales in the total structure of income of sports organisations in Slovenia. Table 4 indicates that the income from sales of all sports organisations represents 70.0 % of the total income structure of non profit sports organisations in Slovenia. Accordingly, the analysis of public financial sources makes us conclude that sports organisations acquire 27 % of all their income from that source (see above and table 3 and 4). Further, we can conclude that the share of income from sales gives an adequate measure of the rate of commercialisation. We also found that the estimate of the share of finances from public sources in Slovenia, using figures obtained from the ministries, is relatively reliable. The total income from sales (70 % – the sample of final accounts of sports organisations), plus the funds from public sources (the sample of the ministries, 27 %) gives us 97 %. The remaining 3 % of funds (Table 4) represents the transfer of funds in 1998. Considering these figures and Table 2 (lines 3 to 6), we can conclude that Slovenian sports organisations have a little higher rate of commercialisation than Croatian sports organisations.

## CONCLUSIONS

We can conclude that the Slovenian and Croatian models of income and expenditure of sports organisations are very much alike. Slovenian sports organisations are financed more from private sources (ap-

prox. 73 %). From that aspect, Slovenia's model of financing sports organisations is closer to the European model (on average, public funds in Europe represent 1/4 of all financial resources), than the Croatian model (public funds represent around 33 % of all funds). Nevertheless, we can say that both the Croatian and Slovenian models of financing sports organisations are very similar to the European model. Moreover, we have to bear in mind that the European analysis (Andreff, 1994) includes all possible sources of sports financing, from the state to local authorities, games of chance, companies (where TV rights can be included) and households. All of those funds are not allocated directly to sports organisations. Thus, household expenditure on sports products does not represent a financial source for sports organisations but is mostly for those companies dealing with the sale of such articles. It is the same situation with households' expenditure on leisure-time activities. Had we also analysed these expenditures in Slovenia and Croatia and included them, like in the EU methodology, among the private sources of sport, we would have identified a much higher share of sports financing coming from private sources. Yet that could not be considered within this analysis of the financing of sports organisations, which is of course the aim of this article.

In any event, the analysis of European sports financing (Andreff, 1994; 14<sup>th</sup> Informal Meeting of European Sports Ministers, 1994) has shown that the sports movement is logically closely linked to economic development levels, and consequently also to the structure of society (high rate of sports services consumption by households) in urban areas. At the same time, it proves that economic terms and conditions are highly relevant to the functioning of sport. Finally, the study implies that in Croatia, and to some extent also in Slovenia, the financing of sport will not in the long term be in position to be strictly oriented to marketing principles, like with the prevailing financing model in Europe. From that point of view, it is clear that the concept and strategy of the financing of sport should be developed on the relatively firm perception of sport as a public good. According to this, the financing of sport should continue to be supplied from a suitable public source.

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