

FUNDING OF SLOVENIAN SPORT DURING TRANSITION

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FINANCIRANJE ŠPORTA V SLOVENIJI V OBDOBJU TRANZICIJE

ABSTRACT

Slovenia started its economic transition as the most developed, decentralised and market-oriented former socialist economy. Its model of organising and funding sports was also very different to typical centralised socialist systems. During the transition process, major changes have been needed due to the further commercialisation of sport, whilst the basic structure has remained the same. The aim of this paper is to analyse the financing of sport organisation in this transition period in Slovenia.

Detailed analysis of the financial reports of almost 2000 sports organisations in Slovenia in 1977 reveals important differences in the structure of expenditure among different sports. These findings reflect different levels of professionalism among various sports.

Slovenian sports organisations mainly finance themselves through their own activities. There are different levels of commercialisation among various sports. The final structure of the private financial sources will be known as soon as all private funding sources of Slovenian sport will be analysed.

Keywords: Financing, Sports organisation, Funding, Expenditure

IZVLEČEK

Slovenija je pričela proces ekonomske tranzicije kot najbolj razvita, decentralizirana in k tržni ekonomiji usmerjena država »Vzhodne Evrope«. Njen model organiziranosti in financiranja športa je bil precej drugačen od tipičnega socialističnega modela. Kljub temu pa bodo za komercializacijo športa potrebne spremembe. Namen pričujočega članka je, da v času teh sprememb ocenimo financiranje športnih organizacij v Sloveniji.

Analiza na skoraj 2000 športnih organizacij v Sloveniji je pokazala razlike v porabi med posameznimi športi. Posamezni športi imajo različen nivo profesionalizacije.

Športne organizacije v Sloveniji se financirajo pretežno z lastno dejavnostjo. Nivo komercializacije ni isti pri vseh športih. Končna ocena strukture privatnih virov bo možna, ko bomo v Sloveniji analizirali vse možne privatne finančne vire športa.

Ključne besede: financiranje, športne organizacije, prihodek, odhodek

Introduction

The Slovenian economy's transition involves two key processes that are continuing and cannot be ignored: the transition from a self-management style socialist economy into a free market economy and the transition from a regional into an autonomous national economy. If we were to focus only on the economic aspect of the transitional problems of sport we could, for example, find that prior to the beginning of the transitional period, sport activities had mostly been organised and supported by voluntary work, while the organisational system of sporting activities was generally unclear. All the same, it remains true that Slovenia currently follows a model of sports funding regulation characteristic of the states of the European Community. Sports organisations are mostly financed by private sources, whilst in relation to public funding sources at local levels predominate.

How does Slovenian sport's transition in the context of today's multi-party, parliamentary and market system compare to the former self-management and planning system? Primarily this is reflected in the changed system of sports funding, in the state's role in the sporting arena, in increased legal regulation and in significantly more sports-related actors especially in the private sector.

In this paper we evaluate one aspect of changes to the system of financing. For this purpose, we have analysed the funding and expenditure of sports organisations in Slovenia.

Methods

The analysis of the annual accounts (balances) of sports organisations included all possible forms of sports organisations - total 1948: small and big clubs, companies and public institutions (Table 2.). Analysis for 1997 encompassed 87.6% of sports organisations

registered under the new Law on Clubs, which is significantly more than in 1995 (about 35%) (2).

Clubs are obliged to follow a special accounting standard requiring, among other things, clubs to prepare annual reports based on account books and annual inventories. They contain a balance sheet, a profit and loss account, and disclosure of available finance. The annual accounts analysis is based on data from 1997. In this way, from a legal-formal viewpoint, the analysis should contain all (financially active) sports clubs.

It should be pointed out that the analysis does not contain all possible financial transactions such as those performed outside the legal financial-management framework and not shown in the sports organisations' accounts. We note that closing balances were mostly presented by the larger, financially more significant and more active sports organisations.

Most research into the economic aspects of sport use indirect methods to estimate funding sources and destinations (3, 4, 5, 6). The method applied in this study is direct because it analyses the annual accounts of sports organisation. The advantage of such an analysis is identifying the exact state of all legal financial sources and not only their estimation. On the other hand, there is a disadvantage of such an analysis. It is a limited report which excludes funding from the black economy in sport. At the same time, it does not enable us to determine the exact structure of the private sources that the sports organisations gain through their own activity.

Results

The combined total income of sports organisations in 1997 was almost 18 million SIT (Table 2) which is 0.619 % of GDP (table 1). Sports organisations' income stayed in the same ratio to GDP in 1997 as in 1995. (2).

Table 2: Overall funding and expenditures of sports clubs, companies and public institutions in 1995 and 1997

	in (000) SIT								structure in %								index of growth in %				
	COMPANIES		PUBLIC INSTITUTIONS		SPORTS CLUBS		TOTAL		COMPANIES		PUBLIC INSTITUTIONS		SPORTS CLUBS		TOTAL		comp	public instit	sports clubs	total	
	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997	1997 /95	1997 /95	1997 /95	1997 /95	
number of sports organisations	117		22		1809		1948														
I. OVERALL FUNDING (from 1.1 to 1.4)	1511652	1789983	1358494	1626421	12252730	14569902	15127376	17986306	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	118.4	119.7	118.9	118.8	
1.1 Private funding	1338797	1586973	1304784	1548896	8137152	9856768	9475949	11443741	88.6	88.7	96.0	95.2	66.4	67.7	68.8	70.0	118.5	118.7	121.1	120.8	
1.2 Other funding	35145	72046	25214	55516	2686153	3364267	2721298	3436313	2.3	4.0	1.9	3.4	21.9	23.1	19.8	21.0	205	220.2	125.2	126.3	
1.3 Public funding	137710	130964	28496	22009	748758	671417	886468	802381	9.1	7.3	2.1	1.4	6.1	4.6	6.4	4.9	95.1	77.2	89.7	90.5	
1.4 Transferred means	0	0	0	0	680667	677450	680667	677450	0.0	0.0	0.0	0.0	5.6	4.6	4.9	4.1	0.0	0.0	99.5	99.5	
II. OVERALL EXPENDITURES	1606334	1863039	1331956	1577150	11651051	13880601	14589341	17320790	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	116.0	118.4	119.1	118.7	

Table 1: Distribution of sports funding in Slovenia in 1995 and 1997

	SLO in 95	SLO in 97
State budget (%)	5.5	4.2
Local budget (%)	20.9	20.8
Total public funding (%)	26.4	25.0
Total private funding (%)	73.6	75.0
TOTAL (%)	100	100.0
Total funding GDP (%)	0.6	0.6
Public funding GDP (%)	0.16	0.15

According to analyses of the Ministry of Education and Sports performed on the basis of data collected in local communities and using our own data, Slovenian sports organisations received about 4.5 million SIT from local communities and the central government. This represents 25 % of all income of sports organisations and 0.155 % of GDP. According to this data, the share of public finances has not essentially changed compared to 1995 (2) and the ratio of public funding to GDP has also not changed.

Total income for all sports branches is not distributed as could be expected on the basis of the number of proposes. Most income is created by individual sports, followed by collective sports, sports unions at

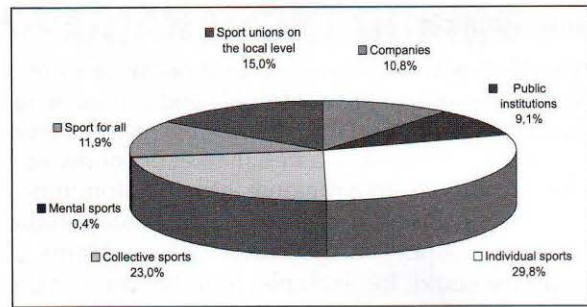


Figure 3: Overall expenditure of sports organisations in 1997

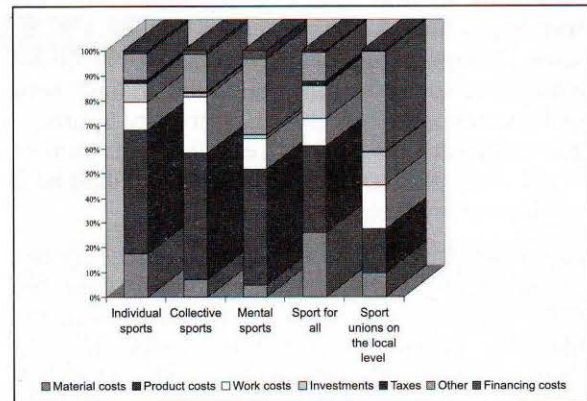


Figure 4: The structure of expenditure of sports organisations in 1997

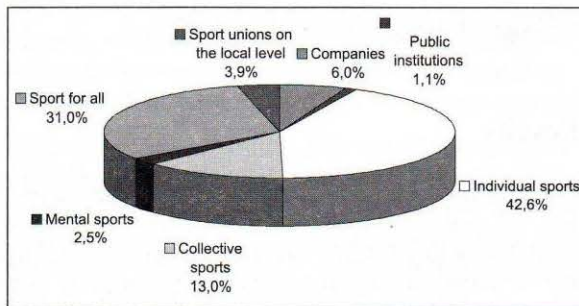


Figure 1: The structure of active sports organisations in 1997

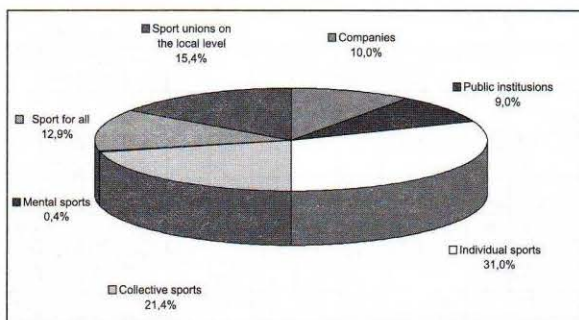


Figure 2: Overall funding of sports organisations in 1997

the local level and in 4th place is sports for all which is, by the number of organisations involved, the second most numerous group (Figure 2). By comparing Figures 1 and 2, it can be stated that the relatively »rich« sports organisations are sports unions at the local level, institutions and collective sports, the »poor« ones are organisations in the group of sports for all and mental sports. The fact that sports unions at the local level have a relatively large income shows that many of them still acquire funding from the state which they distribute among sports organisations in the local community.

The overall funding on particular groups are distributed similarly to overall expenditure (Figures 2 and 3). Obviously, most sports organisations spend their income in the current year (Table 2).

Regarding expenditure, we must point out that they include practically no amortisation of sports facilities and investment activities of sports organisations (Figures 4, 6, 9).

On the one hand, there are no clear methodological solutions regarding the following investments (distribution and control of expenditure in terms of efficiency and balance sheets), on the other, investment activities regarding sports facilities are regulated and supervised (followed) by other activities (e.g. education) and by forms of ownership (e.g. local

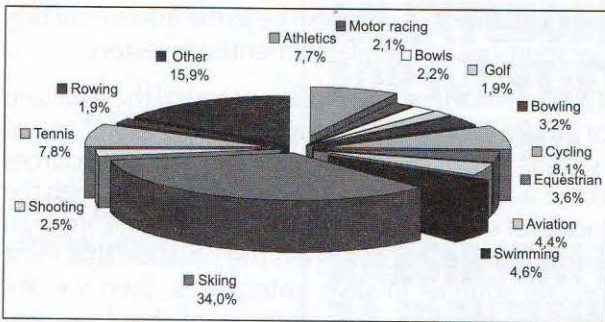


Figure 5: Overall funding of individual sports organisations in 1997

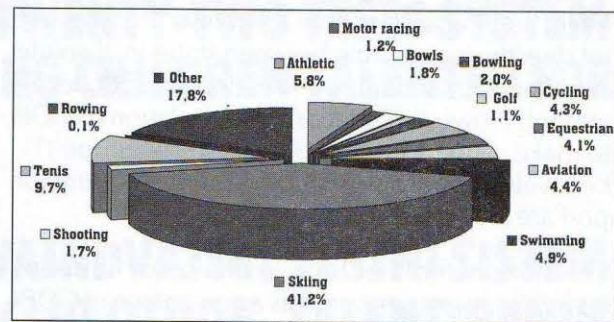


Figure 7: Work expenditure of individual sports organisations in 1997

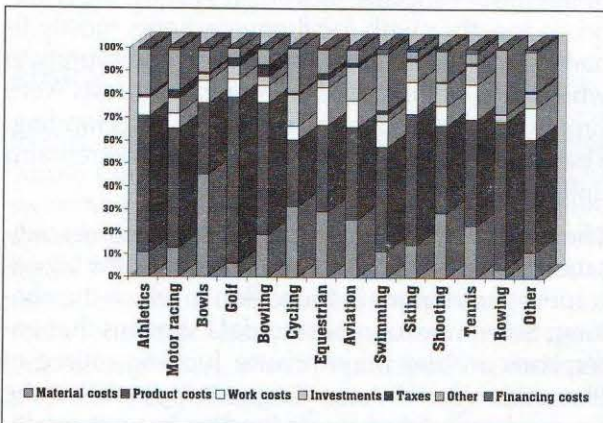


Figure 6: The structure of expenditure of individual sports organisations in 1997

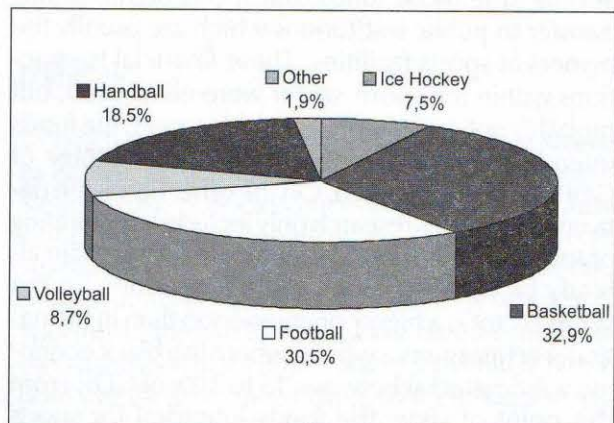


Figure 8: Overall funding of collective sports organisations in 1997

communities). Examples include branches of collective sports requiring larger and more expensive facilities, but which show almost no amortisation or investment funds (in total only about 1% of total expenditure) (Figure 4, 9).

Analysing the income and expenditure of individual sports branches, alpine skiing significantly stands out regarding its importance, representing up to 34% of the income of all branches (Figure 5), among collective sports this position is held by basketball and football (soccer) with 32.9% and 30.5% respectively of all collective sports income (Figure 8).

If we consider the share of work costs within total expenditure to evaluate the level of professionalism of a given sports branch, the following can be noted:

- among significant individual sports branches, the level of professionalism is highest in alpine skiing and tennis (Figures 6 and 7)
- among the collective sports, the level of professionalism is highest in football (soccer) and basketball (Figures 9 and 10).

The ratio of central government to local government funding of Slovenian sports organisations is 1:4.9 (Table 1). Slovenian sports organisations mostly fund themselves through their own activities (table 1).

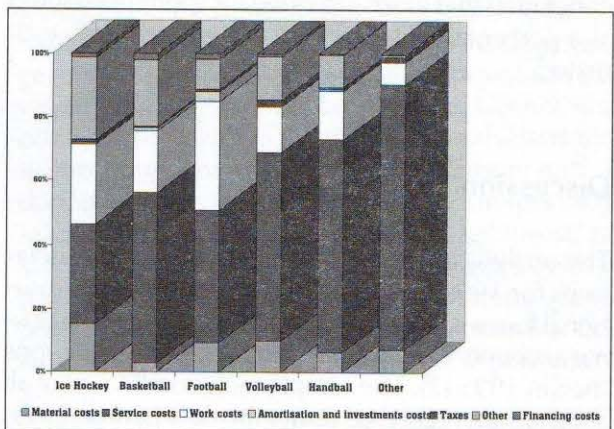


Figure 9: The structure of expenditure of collective sports organisations in 1997

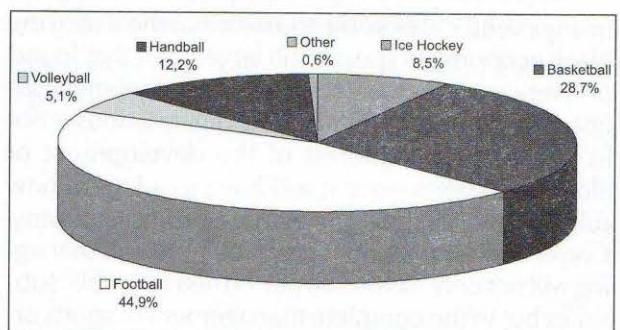


Figure 10: Work expenditure of collective sports organisations in 1997

Public funding and income from own activities are not directly comparable between states in absolute sums due to their different sizes and levels of development. However, comparisons in relation to GDP do make sense. Compared to Western Europe (1), the levels of all funds including public funding for sport are lower in Slovenia.

It must be noted that the calculation of funds intended for sport (measured as a percentage of GDP) from our data could be methodically questionable. The financial reports of sports organisations relied on also include those funds that sports organisations transfer to public institutions which are usually the owners of sports facilities. These financial transactions within the sports sector were eliminated, but probably not completely. From this aspect, the funds intended for sport (measured as a percentage of GDP) are overestimated. On the other hand, the data underlying this research only include legal funding of sports organisations. From existing data, it can already be inferred that the black economy in the sports sector is a bigger phenomenon than in the national economy as a whole, where the black economy is estimated at between 15 to 30% of GDP. From this point of view, the funds intended for sports (measured as a percentage of GDP) are underestimated. Taking into account both effects, it can be concluded that funds intended for sports (measured as a percentage of GDP) are quite objectively estimated.

Discussion

The analysis of the final accounts of sports associations for 1997 encompassed all possible organisational forms of sports organisations. In 1997 more final accounts were prepared by sports organisations than in 1995 (2). The sample included 87.6 % of all associations registered under the new Law on Clubs and, accordingly, we conclude that financial discipline has significantly improved since 1995 (2).

In any event, it is possible to assert that the size of the black economy in sport is still larger than that found on average across the whole national economy. Such financial management of sports organisations is not in the long-term interest of the development of Slovenian sports since it will have to adapt to new rules of a legal state and a free-market economy. Correct and transparent (control) financial management will not only have to be performed for public subsidies but in the complete management of sports organisations. Management that is in accordance with financial regulations will, with the increased com-

mercialisation of sport, also be in the interests of bigger sponsors and similarly oriented investors.

The final financial reports do not reveal the structure of private sources financing Slovenian sports organisations. If it were the case that most private sources come from households, then we are dealing with the model of sports funding that is common in European Community countries. If it is the situation that most private sources involve enterprises, then we are dealing with the characteristics of the American model of sports funding.

In the former socialist Slovenian system, big enterprises together with local governments mostly financed the public good of the local community to which they belonged. Commercial interests were simply not involved in this model of sports funding. That is why the Slovenian model was and remains unlike the American one.

The fact is that Slovenian enterprises' commercialisation has not yet finished and that only a few big enterprises fund sports in the region to which they belong. Some new unreported data show us that enterprises are the main private funding source of Slovenian sports. Accordingly, it appears that the Slovenian model of sports funding has not fundamentally changed during the time of transition. The Slovenian model is also not that close to the European model either. The final answer will be known as soon as all private funding sources of Slovenian sports are analysed.

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