

**Public financing of sports in the Czech Republic and the Slovak Republic: processes and their evaluation**Juraj Nemeč<sup>1</sup>, Miroslav Nemeč<sup>2</sup>, Marek Pavlík<sup>1</sup><sup>1</sup>Masaryk University, Faculty of Economics and Administration, Lipová 41a, Brno, 602 00, Czech Republic<sup>2</sup>Faculty of Arts, Matej Bel University, Tajovského 10, Banská Bystrica, 975 90, Slovakia

**Abstract.** Our paper investigates issues where sports management and public finance intersect. Both in the Czech Republic and Slovakia sports are significantly dependent on grants from different levels of public administration. But to access and use this money is not straightforward. In the first part of our paper we analyse the system of allocation of the public finance grants to sport organizations in both countries. The second part deals with two selected problems of resource allocation – transparency of allocation of public resources to sports and financial management problems connected with rigid rules regulating the use of public resources allocated to sport organizations (on the Slovak example). The results are interesting – the allocation of resources from central level is transparent, predictable, program and performance based, however this is not valid for local government grants. The obligation to use public grants to sport organizations in the same way as state budgetary organizations causes real problems form financial managers of sport bodies.

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**Introduction**

From the point of view of the theory of public finance [1, 2, 3] we may argue that sport is not a pure private good. Some sport activities have the character of mixed or almost public goods (e.g. sport education in schools). Sport is also connected with several positive externalities of a financial and non-financial character. It may help to improve health status, but it also directly or indirectly increases national income. For example a recent study [4] estimates that sports in Slovakia increase the national GDP by 2.1%. This suggests that some state support may be justified.

As the result a significant portion of public budgets in Europe are directed towards sports subsidies. The economic argument for such a trend are positive externalities, the institutional argument is the European Union's (EU) belief that "in grassroots sport, equal opportunities and open access to sporting activities can only be guaranteed through strong public involvement." [5]. The most recent available comparative figures show that in 2008, European national governments spent €10.7 billion on sports, i.e. €21.5 per person, per year. The funding of sports from government at the local level is estimated to be even 2.5 times as high (€26 bn) [6]. On the other hand, the transparency of this allocation process is one of key variable for achieving expected policy outcomes [7, 8].

Our article follows this line - in its first part of our paper we analyse the system of allocation of the public finance grants to sport organizations in the Czech Republic and the Slovak Republic. The second

part deals with two selected problems of resource allocation – transparency of allocation of public resources to sports and financial management problems connected with rigid rules regulating the use of public resources allocated to sport organizations (on the Slovak example).

**1. Public financing of sports in the Czech Republic**

The system of public financial support for sports in the Czech Republic involves three governmental levels:

a. The state budget – this focuses on professional sports and sports for all. The state grants are allocated to sport federations/associations or directly to primary/secondary schools providing extensive sport education. The most important role is given to the Ministry of Education, Youth and Sport, which allocates approximately 90% of state financial resources. The Ministry of Defense is responsible for armed forces sport, and many top athletes are members of army sports clubs. The Ministry of Interior is responsible for police and fire service sports. the Ministry annually announced grant programs which are divided into 2 main categories: the general sport activities and the sport representatives

b. Regional self-government budgets (fourteen regions) - each region's responsibilities are defined by law No. 219/2005. Regions should look after regional sport facilities, support sport activities and formulate their own sports policy. The regional grant systems for sports are different; resources are mainly allocated on the basis of grant requests.

c. The municipal budgets of the more than 6000 municipalities are determined by law Nr. 128/2000. Municipalities are responsible for the upkeep of local sport facilities, and should support local sports activities and organizations [9]. Each municipality makes its own allocation decisions based on its own preferences and economic situation.

Tab. 1. shows the level of public finance provided for sports by the different levels of government. The bulk of resources come from self-government budgets (regions and local municipalities taken together).

**Table 1. Public expenditures on sports, Czech Republic, 2007- 2011 (thousand EUR)**

	2007	2008	2009	2010	2011
Ministry of Education	132 080	104 200	84 520	82 360	91 440
Other ministries	60 040	69 120	54 120	26 800	27 960
Municipalities	414 560	440 000	514 280	540 320	399 040
Regions	45 320	50 840	51 640	48 360	54 040
Regional councils	0	800	16 360	16 280	14 120
Total	652 000	664 960	720 920	714 120	586 600
% of GDP	0,45	0,43	0,48	0,47	0,38

Source: [10], own calculations (1EUR=25CZK)

Tab. 2., which uses Czech Statistical Office data, allows us to divide the expenditures for 2011 between “performance” and “leisure” activities. This data and the KPMG data are basically consistent.

**Table 2. Public expenditures on sports, Czech Republic, 2011 (thousand EUR)**

	State budget - expenditure	Self-government budgets - expenditure	Total
“Performance sport”	105760	326 840	432 600
Leisure activities & recreation	10 880	140 400	151 280

Source: [11]. (1EUR=25CZK)

### System of allocation of public grants to sports in the Czech Republic

On the central level the Czech Ministry of Education, Youth and Sport currently runs four public programs to allocate resources for sports - covering national sports teams; talented youth sport; high schools with special sports classes; and general sports activities. Each program defines its goals and uses a publicly known methodology of performance criteria which determine how the resources are allocated (we do not describe all used performance indicators in details in this article). This performance based system is fully transparent and allocations predictable.

However, the same is not true for the major public “donor” to sports – local governments. Tab.3. shows that most municipalities lack explicit principles

underlying their funding and that explicit criteria are incomplete or absent in most municipalities. This indicates a mostly non-transparent funding system for sport organizations.

**Table 3. Transparency, predictability and reliability of providing municipal grants for sports – the Czech Republic (selected cities), 2013**

	yes	partly yes	no
Availability of principles of the sport granting policy: total	13.3	26.7	60.00
Availability of principles of the sport granting policy: regional capitals	100.0	0.00	0.00
The grant scheme is available from municipal webpage and sets criteria: total	33.3	46.7	20.0
The grant scheme is available from municipal webpage and sets criteria: regional capitals	25.0	75.0	0.0

Source: [9]

One might expect the problem of non-transparency to be seen more often in small municipalities, but this was not the case. Most municipalities stated that they use certain criteria. However these criteria are not specified by the decision makers for most municipalities, regardless of their size. For instance, sports clubs with more youth members – a possible target group for sports club funding – do not know if they are in a better situation for funding than sports clubs with more medal winners. Such criteria, sufficiently specified for transparent decision making, are available in only one-third of the municipalities.

More important than the lack of scholarly knowledge is the fact that sport organizations themselves are also often unsure how municipalities arrive at the decision of whether to allocate subsidies. We used a questionnaire and compared interviewee expectations to their descriptions of reality. The respondents expect their applications to follow a transparent process, i.e., that clear criteria crucial for grants allocations are available. However, when asking how such decisions are made in reality, only 22% could identify clear criteria, with another 22% identifying membership rates as important. More than 50% stated that the decision is made in some other way, of which 44% stated that local government decisions in this regard are especially based on informal relationships between the representatives of the sport organizations and the decision makers (Tab. 4).

**Table 4. How are grants allocated in reality?**

Based on definite criteria of the examination process	21.71
Based on the number of members (more members= more money)	22.23
Based on informal relationship with decision-makers	43.37
Based on the popularity of the sport (higher popularity=more money)	3.31
Other	9.38

Source: [9]

Based on these figures we can conclude that in the Czech Republic having friendly relations with the local subsidiser seems more important for receiving money than any formal criteria. Sports organizations have to provide a lot of information about their organization and about the purpose of the request, but in most cases they have no information about the examination criteria and preferred allocation alternatives.

Does this imply something like corruption in relation to the local grants to sport organizations? Not necessarily, but the lack of transparency is seen as a cause of corruption.

A significant number of respondents from the sports clubs in the survey have observed corruption, although its occurrence is less noted than the lack of transparency. Experience with direct forms of corruption was reported by 13.3% of the sports clubs. In combination with the reported occurrence of symbolic corruption, this means that 30.7% of the respondents reported that the decision-making process involved corruption [8].

## 2. Public financing of sports in the Slovak Republic

The basic features of public financing of sports in Slovakia are very similar to the Czech Republic, so we do not discuss them further. Tab.6 presents the KPMG financial data about public expenditures on sports in the country.

**Table 6. Public expenditures on sports 2007-2011, Slovakia (thousands EUR)**

	2007	2008	2009	2010	2011
Ministry of Education	33 770	36 039	40 075	75 216	27 458
Other ministries	7 935	7 488	7 809	9 233	7 300
Office of Government	-	1 952	10 079	8 381	-
Regions	165	196	196	154	168
Municipalities	97 950	120 857	143 672	200 518	97 541
Others	546	581	-	-	563
Total	140 366	167 113	201 831	293 501	133 029
% of the GDP	0,26	0,25	0,32	0,39	0,16

Source: [4], own calculations

The Slovak Ministry of Education, Science, Research and Sport is responsible for the allocation of most of the central state budget resources for sports, but similarly as in the Czech Republic, the main “donor” are municipalities.

From 2005 the Slovak state budget is medium term program and performance based document (Slovakia is one of first Central European countries applying this method of budgeting, recommended by the European Union. The resources after 2005 were budgeted within the following framework:

Program 026 – National program of development of sports in Slovakia:

- Subprogram 02601 – Sport for all
- Subprogram 02602 – State sport representation and development of sport branches
- Subprogram 02603 – Talented youth
- Subprogram 02604 – Investments (capital expenditures)
  - Subprogram 02605 – Coordinating activities of the Ministry of Education, financing of organizations directly managed by the Ministry of Education
- The allocation of resources for actual sports was set out, for the main subprograms and expenditure items, on the basis of transparent and published performance allocation criteria. This solution was replaced from 2010 by combination of program and performance elements. The responsible Ministry has switched to specific calls for bids – inviting all eligible bodies to apply for grants within an announced scheme (for example in 2012 the Ministry announced 20 different calls). Some calls involve massive amounts of money and have regular character, e.g. the call for sport branches, and the call for capital investments for sports. Many others are very specific. All calls include programme goals and allocation criteria. In some cases the allocation criteria have a purely performance character, but in others historical data are also used. We may again state, as for the Czech Republic that the central system of allocation of public grants to sports is fully transparent and allocations (at least for main calls) predictable.
- The situation on the municipal level is not so positive (similarly to the Czech Republic). Already in 2007 one of co-authors [12] analysed the transparency of allocation of municipal grants in Slovakia – by investigating web pages of seven cities that were seats of regional self-government. The results are summarised in Tab. 7.

**Table 7. Transparency, predictability and reliability of providing municipal grants for sports – Slovakia, 2007**

	The grant scheme is available from city webpage and sets out criteria.	The grant scheme is available from city webpage but does not set out criteria.	The grant scheme is not available from the city webpage.
City	Banska Bystrica	Kosice, Presov, Zilina, Trnava	Bratislava, Nitra

Source: [12]

These first findings suggest that not all cities had established transparent rules on financing non-governmental sports bodies involved in delivering

public functions in sports. Only one city produced a “real document” which could have been a rulebook guaranteeing impartial, transparent, effective, predictable, reliable and accountable decision making process for allocating municipal resources.

To achieve continuity we repeated the same exercise for Slovakia in 2013. Results shown in Tab. 8. do not show real positive improvements, especially when we consider that general public finance rules require the existence of transparent, predictable and reliable schemes.

**Table 8. Transparency, predictability and reliability of providing municipal grants for sports – Slovakia, 2013**

The grant scheme is available from city webpages and sets out criteria.	The grant scheme is available from city webpages but does not set out criteria.
<p>Kosice - partly (the “public” scheme covers only support for youth sport (66% of allocated funds) and the organising of sport activities (34 %). Financing of senior sport is not part of the “public” scheme.</p> <p>Presov - partly (the total sports grant is distributed as follows – 55 % core senior sports (football, ice-hockey and handball), 35% other senior sports, 7 % organising of youth sports activities, and 3 % the rest). Concrete criteria cover only youth sport activities.</p> <p>Zilina – partly. Applicants are ranked on the basis of the number of members and specific coefficients. However, this ranking is used mainly for an eligibility check – minimum is 15 points.</p>	<p>Banska Bystrica: grant applications are evaluated by Lord Mayor or the sport committee of the municipal assembly, depending on the amount requested. Lord Mayor or municipal assembly approves grants, depending on sum.</p> <p>Trnava: all applications are evaluated by the municipal assembly committee. Municipal assembly approves all grants.</p> <p>Bratislava: all applications are evaluated by the special grant commission, nominated by the Lord Mayor. The Lord Mayor decides.</p> <p>Nitra: all applications are evaluated by the municipal assembly committee. Lord Mayor or municipal assembly approves grants, depending on the amount requested.</p>

Source: own research

### Conditions to use central state budget grants (Slovak example)

The most specific aspect connected with state budget grants to sport federations is the conditions for the use of these grants. The rules are very strict and sport federations have first to sign an allocation contract with the Ministry of Education and then manage all provided grants in the same way as public budgetary organizations. We are able to identify following problems

- Transferred money has to be kept on specific account and used according to the (old-fashioned and bureaucratic. Moreover, the budgeting period is one year.
- Sports federations may receive information about the level of allocation very late. For example in 2011 in Slovakia the first grant decisions were only published in June. In the meantime sport federations received some advance payments based on past data, but without knowing what the final allocation would be.
- At the end of the year all non-used resources must be returned to the state budget.

Such a system creates extra transaction costs to cope with the bureaucratic public requirements, but especially causes large problems connected with the management of commitments. Profiling budgets and planning of commitments represent the important part

of modern budget management in all types of organizations, including the non-profit sector. Their concepts are well defined in the standard literature [13, 14].

In the sports system a typical type of commitment involves participation in major sporting events. This involves participation in unavoidable training camps that must be held in the given period and for more or less a given sum of money: paid in most cases before the event.

We can illustrate this problem in more detail. As indicated, the system of public grants is characterized by the one year closed budgeting period. This means that expenditures for say a 2014 event can only be covered from 2014 allocations. In this situation, when the first installment of the expected grant arrives in the account of the sports federation at the end of January or the beginning of February, and the final grant total is known perhaps only in April, financial managers are in a very difficult situation. The most difficult problems could be:

- For most international championships the fee and related costs need to be paid one or two months in advance. If the event is in January 2014, it is impermissible to pay these costs from the current 2013 allocation, even though the 2014 allocation is not yet available.



- Economical flights need to be booked and paid for well in advance. Again, with events in January or February, this is impossible from central budget public grants. Similar situations may occur for other related costs, such as accommodation or other services offered with special discounts.

- If the above mentioned or other costs have been paid from a federation's "private" account in the previous year for activities in the current year, these costs will never be reimbursable from a central budget public grant and the problem of how to settle the balance in the separate "state account" can occur. If the balance is not achieved by the year end all unspent monies must be returned.

### Conclusions

Our paper investigated issues where sports management and public finance intersect. In the first part of our paper we briefly introduced the structure of public grants in financing sports in the Czech Republic and in the Slovak Republic and examined the rules for their allocation. At the central level, performance calculated grants are distributed to sport federations and other bodies in transparent and predictable way, but under rigid public budgetary rules that make life really difficult for sports' managers. At the self-government level there are still no fully transparent and predictable allocation rules, though at least transparency is now almost assured.

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