Sport Financing Through the Gambling Revenues in Montenegro

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Abstract

Sport financing is of great national importance, having in mind that it’s recognized as an activity of public interest by the Law. Since most of sport organizations in Montenegro are publicly owned, they are dependent on public financing, which are often scarce and insufficient for fulfilling sport’s function in society. Therefore, new sources of financing must be introduced. One of the most common funding systems in Europe includes resources redirected from gambling industry profits – taxed by the government. Even though the idea isn’t exactly new, it’s implemented differently in various countries. This paper analyzes current Montenegrin system of sport financing from this source, compares it to other European countries and provides recommendations for its improvement. Taking into account that most gambling revenues come from sport betting, it would be beneficial for the society that most of these incomes find their way back to sport. The research results for Montenegro show considerable lagging behind other European countries in terms of sport funding from taxed gambling profits. With the share of only 14% of funds allocated to sport from this source there is a plenty of room for Montenegro to improve its sport financing system, which would lead to faster sport development. This share is considerably low, compared to neighboring EU countries such as Croatia’s 35% and Slovenia’s 80%. With certain improvements and taking into account other countries good practice examples, Montenegrin sport financing system can be considerably improved.

Key words: sport financing, gambling revenues, sport development

Introduction

Sport financing system consists of different sources of revenue, out of which the most important are state budget allocations. However, these financial resources are limited and scarce, therefore, gambling revenues are one of the possible ways to increase funds for sport. Importance of this problem is confirmed by a large number of studies and scientific papers which treated this topic since late 90s, based on sport financing systems in different countries. Main question which is addressed in these studies is how sport can gain certain financial advantage from a relationship with gambling.

When it comes to implementation of this system, England can be observed as a role model country. Introduction of sport financing through gambling revenues in England started in mid 90s, which together with requirements for National Governing Bodies (NGBs) to create planning documents in order to receive money from those funds, represent a set of structural changes which affected course of sport policy debates (Green, 2007). This topic was also treated by Oakley and Green (2001), by exploring two main issues – establishment and distribution policies of the National Lottery and elite sport initiatives. Their study showed that the period 1995-1998 was characterized as a period of selective reinvestment into the British sport, with traditional sports being favored. As an important area of interest for governments, the development of elite sports is emphasized, so today “winning medals are just as important as getting people to take part in sports” (UK Sport, 2002). Another reason for focusing on elite sports in this regard is the fact that volunteer sport clubs are often unable to meet the requirements for this type of funding (Garett,
the share of sport financing from gambling in Croatia is con-

In a vast number of countries, one of the problems of fi-

The Austrian lottery is a public monopoly that allocate son

One of the countries that, apart from England, stands out

In Netherlands there are three different lotteries which

In the function of creating recommendations for improv-

Results

The Montenegrin sport financing system includes financ-

Methods

Given the characteristics of the treated problem, the meth-

Additional, through the Decision on the allocation of part of

(of the envisaged 60%) are allocated by the Commission for the allocation of part of the income from games of chance, and according to the Decree on the criteria for determining the users and the manner of distribution of part of the income from games of chance (Official Gazette of the Republic of Montenegro, 2011). Distribution is carried out as follows: social protection and humanitarian activities 12%, satisfaction of the needs of persons with disabilities 40%, sport development - 14%, culture and technical culture - 12%, non-institutional education and education of children and youth - 10% and contribution to the fight against drugs and all forms of addiction - 12%.

For the period from 2011 to 2017, the average amount of funds distributed to sport from gambling revenues amounted to EUR 352,539.55. The following Figure 1 shows the amount allocated to sport for each year.

Although gambling revenue has a tendency to grow from year to year, with a significant increase expected in 2018 through the implementation of Information System for the Online Surveillance of the Games of Chance (ISONIS), allocations for sport remain at the same level. The ISONIS system collects all kinds of data from gaming devices and provides fiscal information to the competent authority - the Games of Chance Administration.

The recommendation for economic policy makers is precisely referring to directing a larger annual volume of gambling revenues to sport. In Croatia, for example, it has been noted that the share of sport financing from games of chance is continuously growing. Currently, the allocation of revenue from games of chance for organizations that encourage the development of sport in Croatia is 35% of the generated revenues, which is significantly higher than the amount that is allocated in Montenegro (14%). Isolated data on the share of sport in total funds for Bosnia and Herzegovina are not available, however, it is known that only 10% of gambling revenues is allocated for financing programs and projects of culture and sport.

On the other hand, Slovenian system can be taken as an example of good practice in the region and guide in the development of domestic regulations, as this domain is well-regulated. For the financing of sport organizations, 20% of the funds are collected from paid concessions for permanent lottery, lottery with the currently known gain and lotto, and 80% of funds are collected from paid concessions for organizing sport forecasts, other sport games and lottery quizzes (Centres for Civil Initiatives, 2005).

Expressing the financing of sport from gambling in EUR per capita, the following chart is given (Figure 2).

Considering the inaccessibility of recent data, this graph shows the amounts for 2011. However, taking into account recent data for Montenegro, significant progress can be noticed in relation to the previously observed period. During 2017, the per capita amount allocated to the sport from gambling revenues amounted to EUR 5.66.

If we observe isolated data for 2017 for funds allocated for the sport, it is concluded that the total amount of funds is distributed almost equally to sport clubs on one, and other associations and NGOs, on the other hand (Figure 3). It is im-
important to note that among the sports clubs that receive funds from these sources there are no big successful clubs (e.g. basketball club Budućnost and Sutjeska, karate club Budućnost, handball club Budućnost, etc.), but mostly funds are given to smaller clubs, whose achievements are not so well known to the public.

While observing the data for the same year, after grouping clubs based on the sport they belong to, the following sports stand out: football, judo and karate. They have the greatest number of clubs that have applied for the funding and consequently, they received the largest amounts (in total), as it's shown on the graph below (Figure 4). Football, judo and karate clubs have received EUR 68,849 in total, which amounts to 52.84% of the amount distributed to sport clubs.

These funds are divided into ten football clubs, nine judo clubs and six karate clubs, which points to the popularity and importance of these sports in Montenegro. However, among these football clubs there are no first league clubs, but funds are allocated exclusively to smaller clubs in order to develop and improve younger selections.

Discussion

Over the last six years, state budget received about EUR 42 million from gambling, of which 10.85 million was achieved in 2016 (Games of Chance Administration, 2017). Even though the certain amount of gambling profits is given back to sport, and, in a broader sense, to society in general, there are ways to improve this system, having in mind the total amount of the revenue generated through gambling. Also, stated figure is only just a part of the actual gambling revenue, since there is no efficient control mechanisms, and the Government mostly relies on the reports provided by the gambling companies. However, during 2017, the Ministry of Finance started implementing the ISONIS (Information System for the Online Surveillance of the Games of Chance), expecting to improve the tax collection in this industry. The Law on Games of Chance prescribes obligations for betting, gambling and automotive gamblers on the Internet to connect to the online surveillance system of the competent authority. The ISONIS system collects all kinds of data from gaming devices and provides fiscal information to the competent authority - the Games of Chance Administration. Therefore, it is expected that ISONIS can bring more relevant data on gambling revenues in the future.

Considering the fact that Montenegro has opened the chapter on EU accession negotiations, it has taken on the obligation of selective alignment with secondary sources of law, which will be of importance in the eventual adoption of the new Law on Games of Chance. The authors’ recommendation is that the new Law should define a higher percentage of gambling revenues for sport financing, since 14% of the allocations are at a significantly lower level than the countries in the region, such as Croatia and Slovenia.

As noted in the previous section, these funds are mainly allocated to smaller clubs, while large clubs do not even compete for these funding sources. If the available amount for the development of sport were to increase, large clubs would be encouraged to participate in this distribution, which would
significantly contribute to their development, better sport achievements, and the development of younger categories.

Improved model of sport financing should lead to sport development and consequently to economic development by creating additional sources of revenue, including the production of sport equipment, the development of sport through services and infrastructure, or the organization of sporting events. It opens up the possibility of building social entrepreneurship as a catalyst for social change through the creation of new jobs in the private sector and non-governmental organizations. This is of great importance for Montenegro, as besides tourism, sport is recognized as one of key trump cards for the future development.

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Conflict of Interest
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