

ORIGINAL SCIENTIFIC PAPER

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,



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2004). Also, Forest and Simons (2015) examined the link between gambling and sports and showed that amateur, Olympic sports, and sports infrastructure made significant benefits from the funds obtained from the National Lottery of England.

In a vast number of countries, one of the problems of financing sport is a non-transparent distribution of funds from the state budget. In this regard, Considine, Crowley, Foley and O'Connor (2008) conclude that the procedures that enable the Minister of Sports of Ireland to make the final decision on the allocation of grants create the possibility that this decision will be based on the personal interests of the Minister rather than on the interests of the society as a whole. Therefore, it is necessary to limit the role of the Minister in the allocation procedure by establishing a system similar to the British, which includes the distribution boards.

The Austrian lottery is a public monopoly that allocates on average 16.3% of the income for sport development, which is a trend that's recording growth, given the growth of online gambling (Institute of Public Finance, 2012). Observing the period 2000-2009, the amount of funds allocated for sport based on this source doubled. In Sweden, the Law on Lotteries stipulates that the excess gambling assets have been used to finance the development of social activities, and in 2008, EUR 145 million were allocated to sport, which is an increase of 40% compared to 2005. In Germany, out of EUR 15.9 million from the 2009 lottery, 35% was allocated to the German Olympic Committee, 25% German Sport Aid Foundation and 40% regional sport confederations (Bundesministerium des Inneren, 2010).

One of the countries that, apart from England, stands out as an example of positive practice in the field of sport financing is Finland. The share of the national gambling company Veikkaus' support for the total sport budget in Finland is approximately 98% (Mäkinen, 2010; Suomi et al., 2012). It is interesting to notice that the government does not subsidize professional sports. However, the Ministry of Education and Culture promotes favourable conditions for competitive and performance sports. To this end, it intensifies coaching, develops coach training, awards grants to athletes, supports anti-doping work, and coordinates performance sports.

In Netherlands there are three different lotteries which support the sport sector: the Dutch Lottery, the Sponsor Bingo Lottery, and the Lotto. The total revenue returned sport from lotteries and games of chance was over EUR 100 million, while the most significant part was distributed to National Olympic Committee and National Sport Federations and, further, to the federations to uphold the organizational infrastructure of the sport federations, while a certain portion is allocated to elite sport, talent development, coach development, sport infrastructure, and grassroots sports (Hallmann & Petry, 2013).

Regarding countries from our region, a survey of the Economics Institute from Belgrade (2011) showed that financing sport from gambling in Serbia with EUR 0.3 per capita is lower than in selected EU countries (Slovenia, Hungary, Romania, Greece, Slovakia, France, Germany, Spain, Italy, Finland, Denmark, Sweden and Netherlands.). The problem of financing sport through revenues from games of chance is also present in Croatia, and in this regard, the Institute for Public Finance conducted a research project in 2012, with the aim of comparing systems of financing sport within the EU. The share of gambling allocations for organizations that encourage the development of sport ranged from 30-35% which shows that the share of sport financing from gambling in Croatia is con-

tinually increasing. The situation in Bosnia and Herzegovina is the following: in 2017, the sport received EUR 205 thousand from gambling revenues (Federal Ministry of Culture and Sports, 2017).

Even though idea of using gambling revenues as an additional source for sport financing is widely accepted, there are big differences among countries regarding implementation of this system. For that reason in this paper different countries were analyzed in order to learn from their practice and to understand the cultural and political circumstances of each nation involved. Finally, this paper analyzes current Montenegrin system of sport financing from gambling revenues and provides recommendations for its improvement.

Methods

Given the characteristics of the treated problem, the methods used in this paper are content analysis, as well as the comparative case study method. As noted earlier, the comparative method allows for the perception of similarities and differences in the systems of certain countries, and, in addition, it is possible to make relevant conclusions on the improvement of the existing system of financing sport in Montenegro.

Using the method of content analysis, the current level of investment in sports from the income from games of chance is determined. In addition, content analysis enables the ranking of sports in relation to the funds received, as well as the recognition of priority areas in sports. From this analysis, the conclusions are drawn about the cause-and-effect relationship between the level of allocated funds and the achieved sports results.

In the function of creating recommendations for improving the system of financing sport through revenues from games of chance in Montenegro, research of scientific and professional materials from the countries of the region as well as selected EU countries was carried out. Chosen countries are examples of positive practice for the treated problem. Given the fact that gambling revenues are constantly increasing with the development of electronic forms of betting, there is a clear tendency for the larger part of those revenues to be returned to sports. Therefore, the importance of this topic doesn't have to be specifically proven, but attention should be focused on creating an optimal model of financing sport from this source, which will contribute to the development of sport in Montenegro.

Results

The Montenegrin sport financing system includes financing from public funds - state and local budgets and resources from companies and citizens (membership fees, sponsorships, donations and other income). Amount of funds allocated to sport range from 0.2% to 0.3% of the Budget of Montenegro. The largest part of those funds is allocated to national sport federations and Montenegrin Olympic Committee, which equals to about 70%. The other 30% is distributed for programs of sport clubs, scholarships for promising athletes, and premiums for sporting results (National Sport Development Program, 2011).

Additionally, through the Decision on the allocation of part of the gambling revenue, sport subjects can obtain further funding for their activities. Concession fees from games of chance go to the Montenegrin budget, while 60% of these funds are allocated to financing plans and programs of organizations in different areas. Earnings at a level of at least 75%

(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 develop-

ment - 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.

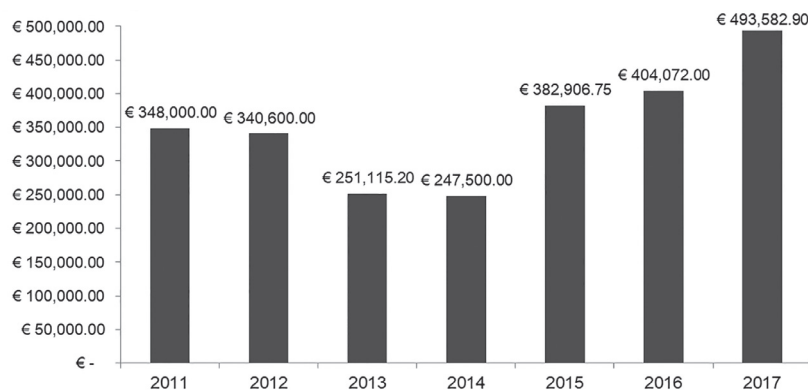


Figure 1. Amount of funds allocated to sport from income from games of chance in the period 2011-2017

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).

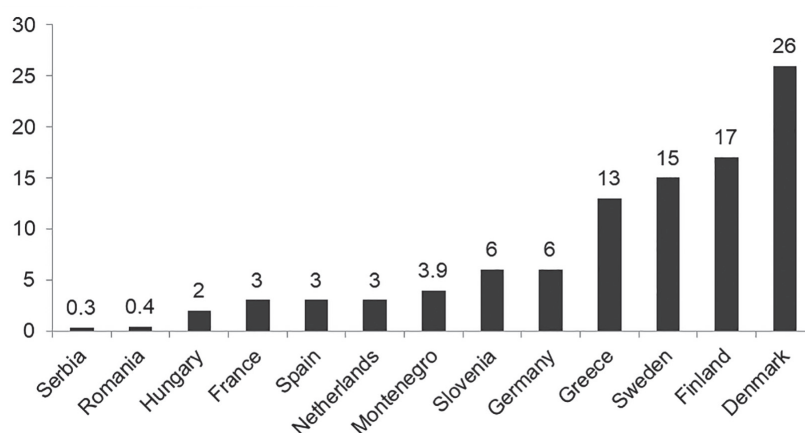


Figure 2. Amount of funds per capita allocated to sport from gambling revenues in selected countries for 2011

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 reve-

nues 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-

portant 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.

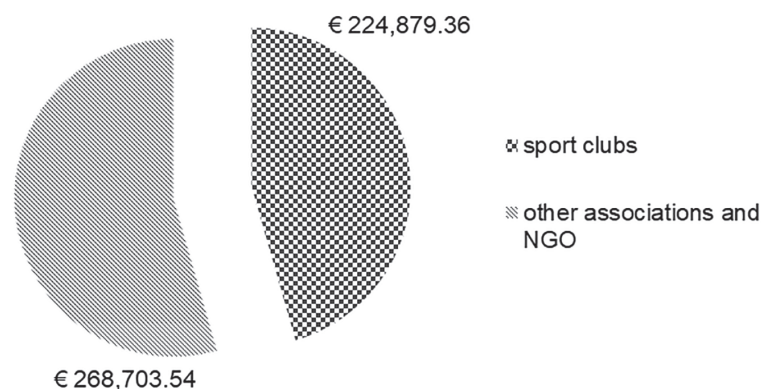


Figure 3. Participation of the amount of funds allocated to sport clubs in relation to other associations and NGOs

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 con-

sequently, 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.

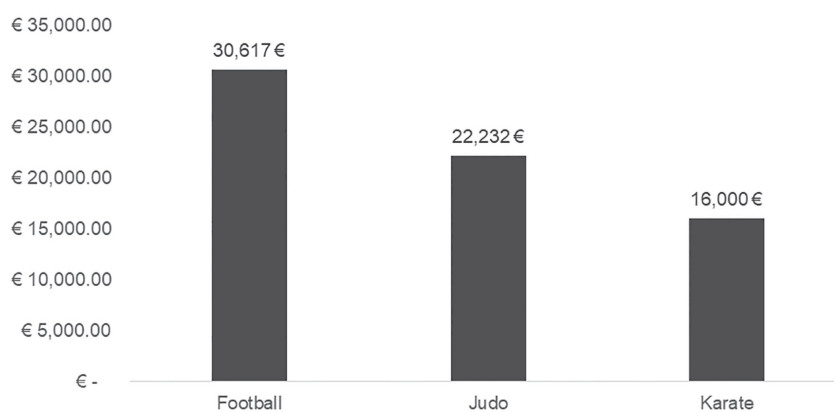


Figure 4. Sports with the largest amount of allocated funds

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

The authors declare that there are no conflict of interest.

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