

## **SPORT FINANCING IN TIMES OF GLOBAL RECESSION**

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A European model of sport financing has been exhibited in a study achieved for the Council of Europe (Andreff *et al.*, 1994) by means of an inquiry covering twelve European countries for the base year 1990. It was found that a European model of sport financing was relying on four pillars: household expenditures, local authorities sport budgets, the government budget for sports, and enterprises (media and sponsors) finance. Although it is not a financial flow, another substantial resource was voluntary free work brought by volunteers involved into the sports sector of the economy.

For fifteen years, no update of this study was realised until last year when the French State Secretary for Sports opened a bid for a new study updating relevant information about sport financing in the 27 European Union member states (EU 27). A first part of our presentation will rely on major results obtained through this new study (Amnyos, 2008)<sup>2</sup>. The report was delivered to the French State Secretary for Sports in October 2008, that is during the worst of global financial crisis and when first signs of a forthcoming deep recession were emerging in Europe. From this report one can derive channels through which global financial crisis and recession are likely to affect sports finance.

### **1. A European model of public and private sports financing**

The update study basically confirms that the structure of sport finance in Europe in 2005 is still the same, in essence, as in 1990 though such result is reached with an improved methodology and an extended country sample. Data collection must be comparable from one country to the other. The main constraint was a rather short span of time available to achieve the whole study, from data collection to data treatment, then checking and analysing

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<sup>2</sup> Of which I was the scientific adviser. A summary of the report is available in two publications (Andreff, Dutoya & Montel, 2009a & 2009b) and on the web site of the French State Secretary for Sports where the full report will be posted as soon as extensively translated into English.

weaknesses, strengths and good practices in European sport financing<sup>3</sup>. A questionnaire was circulated to all sports ministries on mid-May 2008 and responses were requested on July 31<sup>st</sup> 2008 sharp. The questionnaire (Appendix 1) was encompassing 18 questions (with sub-questions), some quantitative, some qualitative, referring to the base year 2005 or the closest year available.

**Table 1: Data availability in the sample**

Provided / requested data	Provided by countries	Providing countries
Sport participation	25	All but Greece and Latvia
Overall sport finance	13	Bulgaria, Cyprus, Estonia, Finland, France, Germany, Lithuania, Netherlands, Portugal Slovakia, Slovenia, Sweden, U.K.
Complete for public & partial for private financing	7	Belgium (Flemish), Denmark, Hungary, Luxembourg, Malta, Poland, Sweden
Partial for public & private financing	7	Austria, Czech Republic, Greece, Ireland, Italy, Latvia, Spain
Public & private employment in the sports sector	7	Cyprus, Estonia, France, Greece, Hungary, Netherlands, Portugal
Only public employment	13	Bulgaria, Denmark, Finland, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania, Slovakia, Slovenia, Sweden, U.K.
Only private employment	2	Austria, Germany
No employment data	5	Belgium (Flemish), Czech Republic, Ireland, Italy, Spain

Nearly all the questionnaires addressed to 29 sports ministries<sup>4</sup> have been returned within the deadline. Eventually, only responses of the French and German communities in Belgium were missing. Therefore the country response rate is very high at 93.1%. However, this should not conceal serious limitations due to the short deadline fixed for returning the responses. The quantity and quality of responses are quite uneven in sampled countries (Table 1). From one question to the other, the number of available responses is between 13 and 25. As a consequence, data are not homogenous throughout the sample. Thus, the major interest of this study is to provide new descriptive knowledge and information about sport financing in

<sup>3</sup> The study started up in mid-May 2008 and had to be finished in September in order to be presented at a meeting of the 27 EU Directors for sports in October and a meeting of EU sports Ministers in November 2008.

<sup>4</sup> Instead of 27: there are three ministries in Belgium, one for the Flemish, one for the French and one for the German community.

Europe. Finally, some required macroeconomic data for EU27 countries were collected in the Eurostat data base.

### ***1.1. Sport participation to be financed***

In the questionnaire two concepts of sport participation were distinguished. The first one is *registered participation*, meaning that sport participants have subscribed some fee to join a sport club, association or federation membership. A second concept is larger and refers to all sport participants, including commercial sport participation and self-organised and self-financed sport practice. Basically here a sport participant is considered as anyone declaring that he/she is used to have some sport practice. For the second concept information is rather uneven and different across EU27, and respondents were asked to specify how *non registered sport participants* are identified and counted in the country. Due to non comparable definition of unregistered sport participation, we have only calculated a sport participation ratio for registered participation, defined as the ratio of registered sport participants to population (Table 2).

Running a simple regression of sport participation ratio over GDP per capita gives:

$$PR = 0.0006 \text{ GDP/capita} + 2.869$$

where independent variable coefficient is significant at a 1% threshold. Spearman coefficient of rank correlation between the two variables, defined as:

$$r_s = 1 - \frac{6 \sum_i d_i^2}{n(n^2 - 1)}$$

is  $r_s = 0.77$ .

*Sport participation in EU27 is significantly correlated with the level of economic development.*

On the other hand, the sample splits into three country groups. In a first one, at least one out of four inhabitant has registered sport practice since the ratio is higher than 24%: Austria, the Czech Republic, Denmark, France, Germany, Luxembourg, the Netherlands and Sweden. In this country group, sport participation ratio is rather stable. A second group encompasses countries where sport participation ratio happened to grow very fast in the past decade (before 2005): Belgium (Flemish), Bulgaria, Cyprus, Estonia, Lithuania, Portugal and Spain. Except for Belgium, sport participation ratio is lower than 12%. Obviously a *catching up* process in sport practice and economic development is at work in these countries (except Belgium), in

particular in Bulgaria, Estonia and Lithuania where, as in all post-communist transition countries, sport participation ratio had dramatically dropped during the early 1990s (Andreff, 1996; Andreff & Poupaux, 2007; Poupaux, 2006). A last group gathers countries with rather low sport participation ratio - lower than 15% - and a moderate growth rate in sport practice: Italy, Malta, Slovakia and Slovenia. Romania stands apart being the only country with a *decrease* in sport participation over the past decade.

**Table 2: Sport participation ratio in 2005 and evolution  
(in %)**

Country	Registered participation ratio		
	2005	growth from 2000 to 2005	growth from 1995 to 2005
Austria	40.3	2.7	5.2
Belgium (Flemish)	21.4	43.7	26.5
Bulgaria	1.1	58.6	66.7
Cyprus	11.1	7.8	23.9
Czech Republic	24.4	5.0	6.6
Denmark	55.4	(-3.2)	(-3.2)
Estonia	8.2	87.2	25.1
Finland	16.4	n.a.	11.3
France	25.2	7.6	12.5
Germany	33.0	1.5	5.1
Hungary	2.2	n.a.	n.a.
Ireland	19.5	n.a.	n.a.
Italy	6.4	8.9	10.1
Lithuania	2.7	88.3	58.9
Luxembourg	25.8	2.8	4.9
Malta	7.7	3.7	n.a.
Netherlands	28.5	n.a.	n.a.
Poland	0.3	n.a.	n.a.
Portugal	4.3	39.3	69.3
Romania	1.0	(-4.5)	(-36.7)
Slovakia	7.2	3.4	3.4
Slovenia	15.0	4.5	15.4
Spain	7.3	18.7	25.1
Sweden	26.6	9.1	60.0
United Kingdom*	11.2	n.a.	n.a.

Source: Amnyos (2008)

\*In 2002.

A final note is about post-communist transition countries (new EU members since 2004 or 2007): the Czech Republic has already recovered a sport participation ratio (24.4%) that corresponds to its level of economic development and Slovenia, though lagging behind the Czech Republic, is on the same path. On the other hand, no real sign of recovery in registered sport practice can be witnessed in Poland and Romania (where the ratio is still decreasing) whereas Bulgaria, Estonia and Lithuania exhibit a speedy pace of growth in sport participation so that they would probably catch up soon. Hungary and Slovakia have not yet recovered a participation ratio in tune with their level of economic development.

Fourteen countries have provided data regarding unregistered sport practice, such data having been produced by earlier local (each country's) inquiries. Such data is neither homogenous nor directly comparable. We have calculated a ratio of unregistered to registered sport participation in these 14 EU countries: its variation is between 0.82 and 5.75. In a few countries, like Cyprus and the Czech Republic, the ratio is below 1, meaning that most sport participation is registered with clubs and federations, and some registered participants are coaches, referees and sport managers. The ratio is markedly higher than 1 for instance in Finland, France, Hungary, Ireland, Italy and the Netherlands which means that the number of unregistered sport participants is quite bigger than those registered and that, in some of them the definition of unregistered sport participation is quite loose.

### ***1.2. Overall sport financing***

The results about sport financing suffer from incomplete responses to the questionnaire. Only 13 sampled countries have provided comprehensive responses to questions about overall sport financing. It appears that the *average structure* of the European model of sport finance is: Household expenditures: **49.7%**; Local authorities' sport budget: **24.3%**; Enterprises sport finance: **14.1%**; Government sport budget: **11.9%**.

For instance, France is not far from this EU average structure of sport finance (Table 3). On the other hand, Cyprus and the U.K. (the highest share of household expenditures), Bulgaria and Slovakia (the highest local authorities share), Slovenia and Estonia (the highest enterprises share), and Bulgaria and Cyprus (the highest government share) are the furthest from average. Compared to EU average, some countries have a *high share of public funds* in their sport financing: Bulgaria, Estonia, Lithuania and Slovakia, clearly a legacy from the former communist regime. On the other hand, six countries have a *high share of private sport finance*: Cyprus, Finland, Germany, the Netherlands, Sweden and the United Kingdom which,

broadly speaking, confirms a trend toward ‘privatisation’ of sports finance in Western Europe already noticed in 1990 (Andreff *et al.*, 1994).

**Table 3: Overall sport financing: distribution by sources of finance**

Country	Overall sport finance € million	% of GDP	Govern- ment	Local authorities	Public finance	Household	Enterprise expenditures	Private finance
Bulgaria	59.7	0.21	34.8	42.7	77.5	19.4	3.1	22.5
Cyprus	212.9	1.56	19.8	0.1	19.9	78.9	1.2	80.1
Estonia	127.1	1.13	13.3	36.4	49.7	12.6	37.7	50.3
Finland	2450.0	1.56	8.7	15.0	23.7	73.4	2.9	76.3
France	30330.0	1.76	9.7	30.0	39.7	50.0	10.3	60.3
Germany	31932.6	1.42	0.7	15.3	16.0	76.5	7.5	84.0
Lithuania	79.3	0.38	17.5	35.1	52.6	20.3	27.1	47.4
Netherlands	8359.0	1.64	11.5	10.0	21.5	70.8	7.7	78.5
Portugal	1432.5	0.96	6.5	27.0	33.5	63.2	3.3	66.5
Slovakia	240.8	0.63	16.8	55.6	72.4	13.8	13.8	27.6
Slovenia	195.0	0.69	10.4	25.1	35.5	17.9	46.6	64.5
Sweden	3817.1	0.52	4.3	13.0	17.3	70.6	12.1	82.7
United Kingdom	30175.6	1.67	1.3	7.3	8.6	80.9	10.5	91.4
Average			<b>11.9</b>	<b>24.3</b>	<b>36.2</b>	<b>49.7</b>	<b>14.1</b>	<b>63.8</b>

Calculated from Appendix 2 in %.

In most EU incumbent members, household expenditures on sports goods and services is the major source of sport financing: Cyprus, Finland, France, Germany, the Netherlands, Portugal, Sweden and the U.K. while it is a small one in Bulgaria, Estonia, Lithuania, Slovakia and Slovenia. The share of public financing stands between 9% (U.K.) and 78% (Bulgaria) of overall sports finance and, more or less, diminishes when the level of GDP per capita increases. The share of local authorities is quite bigger than government’s share in sport funding; it is especially so in decentralised nation states such as Germany (96% of all public sports finance) and the U.K. However, government’s share is bigger than the one of local authorities in Cyprus (where there is practically no local government), the Netherlands and Bulgaria. On the other hand, Estonia, Lithuania and Slovakia still have a substantial government share in sports financing, again a legacy from the past.

Enterprises share in sport finance is rather surprisingly the highest in Slovenia, Estonia, Lithuania and Slovakia, but this is primarily due to a lower household expenditures’ share than in more developed countries where enterprise finance devoted to sport is not negligible either (France, Germany, the Netherlands, Sweden, and United Kingdom).

### ***1.3. Sport financing and economic development***

A correlation between sport practice development and the level of economic development has already been demonstrated some years ago on a different country sample (Andreff, 2001<sup>5</sup>). Thus, we have checked whether a relationship between sport financing and the level of economic development is relevant. Calculated per inhabitant, sport financing is very much scattered across European countries, from €8 per capita in Bulgaria up to €500 in the Netherlands. Compared to 1990 (Andreff *et al.*, 1994), average amount of sport finance per inhabitant has sharply increased in constant euros: in the six countries which are common to 1990 and 2005 samples<sup>6</sup>, average increase in sport financing is 37%, with a maximum increase in France and the U.K. (respectively +63% and +61%). The ratio between overall sport financing and GDP has risen on average from 1990 to 2005 (+24%). Albeit the two country samples are different, the share of sport financing in GDP was in the range of 0.26% in Denmark to 1.61% in Portugal in 1990 and from 0.21% of GDP in Bulgaria up to 1.76% in France in 2005. Increased variance is primarily due to accession of Central and Eastern European countries to the EU.

*The share of sport financing in GDP is correlated to the level of GDP per inhabitant* (Andreff, Dutoya & Montel, 2009b): the richer a country, the more significant is the share of its GDP devoted to sport finance. It is so with regards to private financing in particular. Figure 2 shows where the 13 countries which provided data are standing in this respect. From Figure 2 a threshold shows up in the relationship between GDP per inhabitant and a ratio of sport financing to GDP at about €18,000 GDP per capita in 2005. We have estimated, on the basis of this relationship, overall amounts of sport financing in those 14 countries that have not been able to provide all requested data, under the two following assumptions:

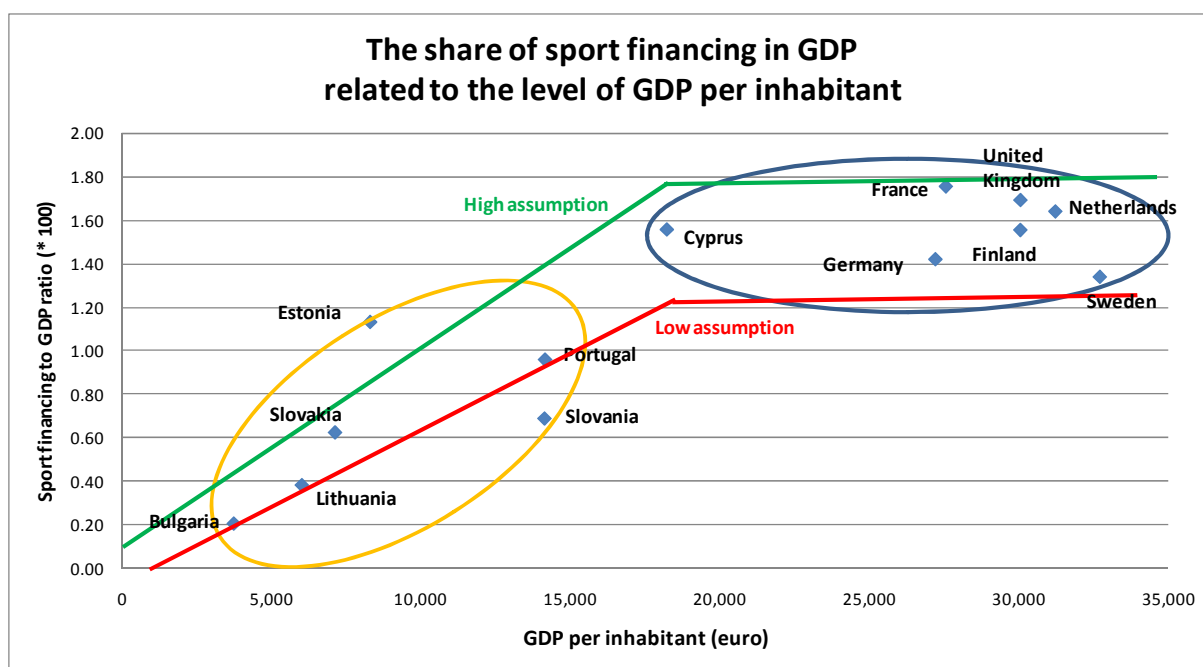
- a) Regarding countries with GDP below €18,000 per inhabitant, the ratio of sport financing to GDP is assumed to be exactly proportional to the level of GDP per capita, just like in the relationship that is observed on the left-hand side in Figure 2 (low assumption).
- b) As to countries with GDP per inhabitant higher than €18,000, the ratio is assumed to be practically constant, as on the right-hand side of Figure 2 (high assumption).

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<sup>5</sup> A preliminary version of this article was presented at Play the Game 1999 conference in Copenhagen.

<sup>6</sup> Finland, France, Germany, Portugal, Sweden, and the U.K., encompassed in the 1990 sample, have provided a comprehensive response to the question about overall sport financing in 2005.

**Figure 2: The relationship between sport financing and GDP per capita**



**Table 4: Regression assumptions for sport financing over GDP per capita**

	Countries with GDP lower than €18,000 per inhabitant	Countries with GDP higher than €18,000 per inhabitant
High assumption	Coefficient : $8 \cdot 10^{-5}$	1.7
Low assumption	Coefficient : $6 \cdot 10^{-5}$	1.4

Table 4 exhibits that sport financing is exactly proportional to the level of economic development (GDP per capita) in EU most developed economies, with a constant ratio of sport financing to GDP between 1.4% and 1.7% depending on low or high assumption. In less developed EU members (below €18,000 GDP per capita), sport financing is increasing with the level of economic development, the slope of regression line being more or less steep (between 6 and  $8 \cdot 10^{-5}$ ) depending on low or high assumption. Such assumptions enabled us to complete those amounts of sport financing missing in our data set and estimate overall amount of sport finance in all EU27 altogether to about €160-170 billion, *i.e.* nearly 1.5% of EU GDP.

#### **1.4. Public sport financing and its destination**

##### *A. Sport financing by government*

Sport financing by government encompasses the sports ministry budget and the share of different other ministries budgets devoted to sport. Table 5 provides an overall view of

public financing by sports ministries in EU27. Amounts involved go from €3.4 million in Malta up to €640 million in France. Taking into account all the 27 governments' sports budgets, they totalled up to €2,972 million in 2005, *i.e.* €6.11 per inhabitant. Government sports budget per inhabitant ranks Poland as the lowest with €0.11 and Luxembourg as the highest with €84.32. With regards to the share of sports budget in overall government budget, the ratio stands from 0.02% in the U.K. and 0.04% in Germany (decentralised sport administration) to 0.88% in Latvia and 0.83% in Cyprus (no local authority), with an average of 0.25% in EU27.

The questionnaire has been filled by 24 countries as regards to the destination of sports ministries expenditures. Sports ministry finance is used, on average, as follows:

- . Subsidies to sports federations make up for **26%** of the ministry's budget.
- . Financing sport infrastructures reaches **22%**.
- . High level sport attracts **15%**.
- . Sports clubs, associations and organisations receive **10%**.
- . Organising sports events is financed with **4%** and **23%** of the budget is spent on various purposes (school sport, sport event security, sport for all, anti-doping, research in the area of sport, handisport, coach teaching), including the ministry's functioning.

Though all sport ministries state that the main target of sport practice is health, good shape and well being, in 15 questionnaires high level sport is mentioned as a primary priority<sup>7</sup>, while 13 countries focus on sport for all and 11 mention building sport infrastructures as major requirement.

Nineteen respondent countries have declared that other ministries than the sports ministry take part in sports financing such as the Ministry for Education (9 countries), the Ministry for Defence (6 countries), the Ministry for Social Affairs (3 countries) and the Ministry of Interior (3 countries). This share goes from 0.58% of government's finance for sports in Bulgaria and 0.74% in Hungary up to 93.26% in the Netherlands and 96.79% in Poland.

We have checked that there is *no significant correlation between the ratio of governmental sport expenditures to overall government budget and GDP per capita*. Thus government financial involvement into sports is probably more related to the government sporting and economic policy rather than to the level of economic development.

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<sup>7</sup> This is confirmed by responses to specific questions about how are financed football and athletics federations, as well as the third most significant sport federation in each of EU 27.

**Table 5: Financing by the sports ministry budget**

Country	Amount (million 2005 euros)	Amount per inhabitant	Share of the sports ministry in overall government budget
Germany	144.2	1.75	0.04%
Austria	80.4	9.80	0.11%
Belgium (Flemish)	72.6	11.99	n.a.
Bulgaria	20.6	2.68	0.27%
Cyprus	42.0	56.12	0.83%
Denmark	116.8	21.58	0.17%
Spain	160.0	3.72	0.12%
Estonia	14.0	10.38	0.50%
Finland	93.0	17.76	0.23%
France	640.0	10.22	0.16%
Greece	183.3	16.54	0.31%
Hungary	70.0	6.93	0.24%
Ireland	116.2	28.28	0.26%
Italy	450.0	7.70	0.12%
Latvia	24.6	10.68	0.88%
Lithuania	13.5	3.94	0.31%
Luxembourg	38.9	84.32	0.44%
Malta	3.4	8.44	0.16%
Netherlands	64.6	3.96	0.05%
Poland	43.6	0.11	0.01%
Portugal	69.1	6.56	0.14%
Czech Republic	66.2	6.48	0.21%
Romania	60.3	2.79	0.39%
United Kingdom	174.8	2.91	0.02%
Slovakia	32.2	5.97	0.40%
Slovenia	20.2	10.11	0.24%
Sweden	157.6	17.49	0.17%
<b>Total/average</b>	<b>2972.1</b>	<b>6.11</b>	<b>0.25%</b>

Source: Amnyos (2008).

Besides sports financing properly speaking, sport benefits from *indirect public support* from government in different EU countries which pertains to:

- . Tax exemption for non-profit sport activities.
- . Tax cuts on sports clubs and organisations.
- . Sports clubs and organisations reduced social contribution.
- . A lower value added tax (VAT) rate on sport organisations.
- . Sports clubs and organisations free disposal of public sport infrastructures.

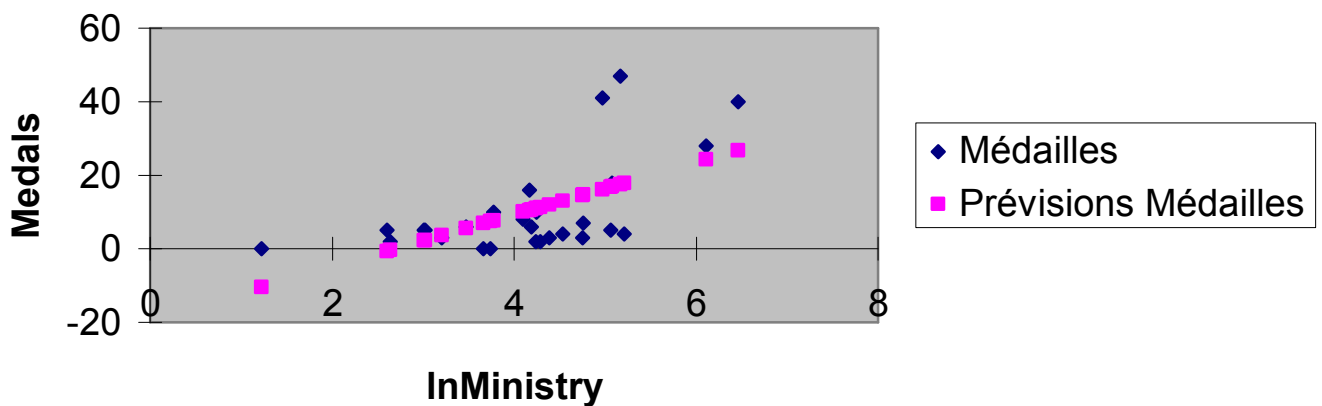
- . Tax exemption on household donations and legacies to sports organisations.
- . Coaches or sport participants or retired athletes or voluntary workers benefiting from tax cuts and/or expenditure reimbursement.
- . Tax cuts on sport sponsorship and sport patronage.

In all EU countries, *government sports budget*, even though its amount is limited, is assessed as *a major tool of a nation state's sporting policy*, in particular by means of subsidies delivered to sports federations.

### *B. Olympic efficiency of sports ministry financing*

Various studies have attempted to explain sporting results of a nation, namely its medal gains at the Olympics, with socio-economic variables such as GDP, population or GDP per capita (Andreff, 2001; Bernard & Busse, 2004; Andreff *et al.*, 2008). Few studies have attempted to compare medals prediction based on economic variables with ex post real Olympic outcomes of participating countries. One such study has been recently achieved about Beijing Olympics in 2008 (Andreff, 2009a). We have tested whether sports ministries financing is to some extent efficient in view of winning international sports contests – which is one major sports ministry's target -, in particular at Beijing Olympic Games. We have run a semi-log regression of the number of medals won by European countries at Beijing Olympics on the logarithm of sports ministries budgets for all EU27 which is significant at a 1% threshold. We conclude that *sports ministries expenditures have significant impact on a country's Olympic performance*.

## Regression medals / In ministry



### C. Sport financing by local authorities

The significance of local authorities in sport financing is extremely scattered in EU27 (Table 6). In terms of sport expenditures, local authorities have spent between €0.23 per inhabitant in Cyprus and €1.24 in Malta up to €70.16 in Denmark and €145.12 in France, in 2005; EU average is €33.34. Local authorities are major sport financiers although unevenly throughout Europe. We have checked that there *is no significant correlation between the share of local authorities in sport public financing and GDP per capita*; this share, for example, is 0.08% in Luxembourg, 0.09% in Bulgaria and 0.12% in the U.K. whereas it is 0.41% in Estonia, 0.53% in France and 0.79% in Romania.

Fifteen countries have filled the questionnaire about the destination of local authorities sport funding. On average the distribution is:

- . Local authorities sport budget is spent for **44%** on sport infrastructures.
- . Sports clubs and organisations receive **25%**.
- . Sport events make up for **5%**.
- . High level sport attracts **5%** and **21%** of local sports budget is spent on various purposes, including the functioning of a municipal (regional) office for sports.

**Table 6: Average amount spent on sport by local authorities (in 2005 euros)**

Country	Euros per inhabitant	Country	Euros per inhabitant	Country	Euros per inhabitant
Cyprus	0.23	Slovakia	24.85	Sweden	54.99
Malta	1.24	Romania	29.13	Belgium(Flemish)	55.94
Bulgaria	3.33	Estonia	34.39	Germany	59.15
Lithuania	8.11	United Kingdom	36.51	Finland	70.08
Poland	9.77	Portugal	36.76	Denmark	70.16
Hungary	17.54	Netherlands	51.27	France	145.12
Slovenia	24.53	Luxembourg	54.20		

Source: Amnyos (2008).

The great bulk of public financing is devoted to sport infrastructures even though private (enterprise) finance is also heavily and increasingly invested in financing some major stadiums, sport halls and arenas<sup>8</sup>. In 16 respondent countries, public finance of sport infrastructures is €26.46 per inhabitant on average. Comparing the ratio of registered sport

<sup>8</sup> One finds in Amnyos study a survey of the ten most significant sport infrastructures built up in the past recent years in 23 sampled countries. For some major infrastructures a public-private co-financing is witnessed; the private share in these ten projects has been rather high on average.

participation and the amount of sport infrastructures public financing per inhabitant (Table 7), a significant correlation emerges.

**Table 7: A relationship between sport practice and public investment in infrastructures**

Country	Registered participation ratio	Sport infrastructures per inhabitant (amount in euros)
Belgium (Flemish)	21.42%	12.7
Bulgaria	1.12%	0.6
Cyprus	11.08%	25.7
Estonia	8.23%	22.2
Finland	16.37%	22.3
France	25.18%	68.5
Hungary	2.23%	9.2
Lithuania	2.67%	1.7
Luxembourg	25.78%	105.3
Malta	7.72%	2.3
Netherlands	28.46%	43.7
Poland	0.32%	7.0
Portugal	4.27%	22.9
Slovakia	7.20%	13.3
Slovenia	15.02%	16.0
Sweden	26.63%	42.1

Source: Amnyos (2008).

Spearman rank correlation coefficient between the two variables is high:  $r_s = 0.79$  and a regression of sport participation ratio over sport infrastructures per inhabitant is significant at a 1% threshold. It means that in the European model *public (government and local) authorities are determinant in triggering sport infrastructures development in response to social demand for sport practice.*

#### *D. Redistribution of betting and gambling revenues*

Betting and gambling revenues are very much significant in 25 EU countries out of 27 (all except Latvia and Slovakia) where they are used to collect public finance for sports through a redistribution of (sporting) betting and gambling revenues. A share of the latter is usually channelled to sport through the sports ministry. In most EU countries, betting and gambling companies are state monopolies, except in Cyprus, the Czech Republic, the Netherlands, Romania and the U.K. (where all bookmakers make a private industry). In Malta, national lottery has been privatised in 2004. From one country to the other, redistribution rules are quite different as well as those sports that much benefit from this source of finance (for instance, the professional football league in Spain). Redistribution of betting and gambling

revenues to sport makes up for between 3% and 30% of sport public financing in most EU countries, but it may be as big as 77% (in the case of Greece) or even more than the sports ministry's budget for sports (Poland, Denmark).

### ***1.5. Sport private financing and its destination***

#### *A. Sports financing by household expenditures*

A major share of private financing that flows into sports comes from household pockets. The corresponding question has been filled by 16 countries (Table 8). A part of household money is a *direct* sport financing when buying gate tickets in a stadium, entrance fee in a swimming pool, paying a fee to register as a sport club's member, purchasing a product with a club's brand on (merchandising), paying-per-viewing a TV sport broadcast, etc. Another part is an *indirect* finance for sports when households purchase sporting goods (since sport good producers are major sport sponsors) or bet on match outcomes (a share is redistributed to sport). It is not easy to distinguish both parts except with conducting a microeconomic inquiry geared towards household daily (monthly) expenditures.

**Table 8: Overall household sport expenditure in 2005 euros**

Country	Overall household expenditure	In euros per inhabitant	Household expenditure/GDP
Germany	24,442,083,900	296.26	1.09%
Belgium(Flemish)	105,165,000	17.35	0.06%
Bulgaria	11,634,970	1.50	0.02%
Cyprus	168,000,000	224.25	1.23%
Estonia	15,977,912	11.86	0.14%
Finland	1,800,000,000	343.73	1.14%
France	15,180,000,000	242.35	0.88%
Lithuania	16,091,288	4.70	0.08%
Malta	31,000,000	76.99	0.65%
Netherlands	5,922,000,000	363.19	1.16%
Portugal	905,387,736	85.99	0.61%
Romania	341,000,000	15.74	0.43%
United Kingdom	24,422,345,715	406.63	1.35%
Slovakia	33,300,000	6.18	0.09%
Slovenia	35,000,000	17.52	0.12%
Sweden	2,693,327,013	298.88	0.91%

Source: Amnyos (2008).

The ratio of all household expenditures for sport to GDP is between 0.02% in Bulgaria or 0.08% in Lithuania up to 1.23% in Cyprus and 1.35% in the U.K. The lowest household sport expenditure per capita is €1.50 in Bulgaria and €4.70 in Lithuania while the highest is €406.63 in the U.K. and €363.19 in the Netherlands.

The major destinations of household sport financing are: 1) health and leisure sport (through buying sport goods, joining sport organisations, being client of the sports commercial industry, and self-financed sport practice); 2) high level sport (paying for gate tickets and media sport); 3) to a smaller extent, amateur sport contests (in joining sport clubs involved in local and national sport contests). The rank correlation coefficient of household sport expenditures with GDP per capita is high and even higher between household sport expenditures per inhabitant and GDP per capita. A regression of household sport expenditures per inhabitant over GDP per capita is significant at a 1% threshold. *Household sport expenditures are strongly correlated with the level of economic development in EU27.*

#### *B. Sport financing by enterprises*

It is the poorest part of the questionnaire in terms of information (Table 9). Basically, enterprises finance sports through sponsorship (and patronage). However, media enterprises such as TV channels pour non negligible amounts of finance into sport as well. Data provided by sports ministries probably are underestimations of the reality since only domestic and resident sponsors are accounted for while, in times of sport economic globalisation (Andreff, 2008a), an increasing share of sport sponsorship is trans-border and multinational.

Data in Table 9 are to be taken with a pinch of salt. They cover sponsorship of professional teams, sport federations and local sport clubs. TV finance always refers to sport broadcasting rights. Due to various underestimations, enterprise contribution to sports financing is below 0.2% of GDP, except in Estonia and Slovenia. Except in the Netherlands, sponsorship is a bigger source of money for sports than TV broadcasting rights overall<sup>9</sup>.

Through both sponsorship and media finance, enterprises are basically financing high level (professional) sport<sup>10</sup> and, to a lesser extent, amateur sport contests and clubs.

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<sup>9</sup> Of course, this conclusion is not relevant for any sport. In professional sports, namely European football, TV broadcasting rights represent a bigger share of sport financing than sponsorship (Andreff & Staudohar, 2000).

<sup>10</sup> The important role of enterprises in financing high level sport is confirmed by responses to specific questions about how are financed football, athletics and a third significant federation (see footnote 8).

**Table 9: Enterprise finance flowing into sport in 2005 euros**

Country	Media	Sponsorship	Overall enterprise finance	Enterprise finance/GDP
Germany		2,400,000,000	2,400,000,000	0.11%
Bulgaria		1,852,798	1,852,798	0.01%
Cyprus	850,000	1,710,000	2,560,000	0.02%
Spain	n.a.	31,550,000	31,550,000	0.00%
Estonia		47,933,736	47,933,736	0.43%
Finland		70,000,000	70,000,000	0.04%
France	1,410,000,000	1,720,000,000	3,130,000,000	0.18%
Italy	500,000,000	n.a.	500,000,000	0.04%
Latvia		8,991,636	8,991,636	0.07%
Lithuania		21,530,352	21,530,352	0.10%
Netherlands	324,000,000	318,000,000	642,000,000	0.13%
Portugal		47,360,000	47,360,000	0.03%
United Kingdom	965,194,501	2,193,623,867	3,158,818,368	0.18%
Slovakia		33,300,000	33,300,000	0.09%
Slovenia	9,000,000	81,800,000	90,800,000	0.32%
Sweden	0	463,252,246	463,252,246	0.16%

Source: Amnyos (2008).

Concluding on sport finance destination, we have witnessed that:

- . Government subsidies primarily finance sport federations and infrastructures, and high level sport.
- . Local authorities have a major share in financing sport infrastructures and grass root sport clubs.
- . Households finance their own sport practice first, then high level sport through sport events.
- . Enterprises basically finance professional and high level sport and connected sport events.

### ***1.7. Voluntary work***

Voluntary work obviously is not a source of sport financing properly speaking. However, it is a supply of resources – in free labour – without which European sport could not function and develop. It is one pillar of the European sport model. The questionnaire was responded by 14 countries about voluntary work. In this sub-sample, the number of sport volunteers per inhabitant is between 1.5% and 10.2% in most cases, but it is below 1.5% in Estonia, Lithuania, Malta, Poland and Slovakia. Voluntary work was underdeveloped in the Soviet model of state sport (Andreff, 1996), a legacy which has not yet definitely vanished in 2005. The ratio between the number of volunteers and the number of registered sport participants

stands in the range of 4.3% (Lithuania) or 6.4% (Malta) and 35% (Slovenia<sup>11</sup>) or 62.1% (Finland). On average, voluntary work is more significant the more one country is wealthy, *i.e.* has a higher level of economic development. In Table 10, the ratio of ‘monetised’ voluntary work to GDP is higher in most developed EU countries (with the Czech exception). In order to compare the contribution of voluntary work to other sources of finance in the European model, we have adopted two assumptions for assessing its monetary value. As to the first one, we have re-calculated all the time spent by volunteers in sport clubs and associations on the basis of a 40 hour full time working week (full time equivalent: FTE).

**Table 10: Monetary evaluation of voluntary work in sport in 2005 euros**

Country	FTE	Monetary equivalence (high)	Monetary equivalence (low)	Monetary equivalence (low) / GDP
Germany	210,000	3,965,430,000	1,982,715,000	0.18%
Austria	26,625	553,746,750	276,873,375	0.23%
Belgium (Flemish)	28,774	569,725,045	284,862,523	0.33%
Cyprus	2,552	40,910,751	20,455,376	0.30%
Denmark	42,000	1,036,140,000	518,070,000	0.50%
Finland	30,590	628,685,680	314,342,840	0.40%
France	271,000	5,088,567,000	2,544,283,500	0.29%
Italy	125,000	2,193,750,000	1,096,875,000	0.15%
Luxembourg	2,500	82,380,000	41,190,000	0.27%
Malta	750	7,135,500	3,567,750	0.15%
Netherlands	118,575	2,326,560,075	1,163,280,038	0.46%
Czech Republic	238,237	1,219,059,369	609,529,684	1.22%
Slovakia	8,750	28,376,250	14,188,125	0.07%
Slovenia	5,300	52,199,700	26,099,850	0.18%

Source : Amnyos (2008).

Now, regarding how to translate this working time into euros, we have adopted low and high evaluation hypotheses: according to the first (high) one, the value of voluntary work is taken as equal to domestic average wage; according to a second (low) assumption, voluntary work is accounted for at half the domestic average wage. Whatever the monetary evaluation, the contribution of voluntary work to sport is bigger than public financing. It is generally a multiple of government sports budget in most developed EU incumbent members: more than four times bigger in Germany (with the low monetary equivalence), three times bigger in

<sup>11</sup> It may be a possible legacy from the former self-management regime.

Denmark, twice bigger in Austria, Finland, France, even six times bigger in the Czech Republic and nine times bigger in the Netherlands.

### ***1.8. Solidarity (redistribution) mechanisms between professional and amateur sport***

In the sample, six countries exhibit an explicit system or mechanism for redistributing some finance from professional to amateur sport. They are France, Germany, Italy, the Netherlands, Spain and the United Kingdom. In France, since 2000, a so-called 'Buffet tax' is levied on all TV broadcasting rights obtained by (primarily football) professional sports which basically means a redistribution of professional football TV revenues to all sports. Moreover, professional football directly redistributed €28 million to amateur football in 2005. In the U.K., major sport federations have signed a code of conduct according to which, on a voluntary base, a minimum 10% of TV rights earned would be invested in less endowed fundamental sport disciplines. Both English football and tennis federations have specific mechanisms for redistributing money from professional to amateur sport organisations. In Spain, 1% of *Quinielas* (sport betting) is redistributed to amateur sport. In Italy, professional football clubs pay a fixed percentage of their revenues to non professional clubs. In Portugal, each professional league shares a contractually defined amount with its umbrella federation. Dutch football is used to finance, as a sponsor, a number of mass sports, sporting infrastructures for amateur football and mini-football playing fields in urban areas.

Nine EU countries declare to have some sort of non institutionalised mechanisms of financial redistribution towards amateur sport in specific sport disciplines - the Czech Republic, Denmark, Estonia, Hungary, Ireland, Latvia, Poland, Romania and Sweden – whereas 5 countries have absolutely non formalised solidarity: Austria, Bulgaria, Finland, Greece and Lithuania. Among the last six countries, four do not claim to have any solidarity mechanism at work: Cyprus, Luxembourg, Malta (where professional sport is not dragging that much money) and Slovakia. Belgium (Flemish) and Slovenia did not respond the question.

## **2. Uneven impact of global recession on European model of sports finance**

From the above study, it is rather easy to derive some expectations about how global crisis would hit the various channels of sport financing once admitted a few simple assumptions regarding how household, local authorities, governments, enterprises and volunteers will economically react to the crisis. Global crisis unevenly affects the sports sector through

different financing channels and sources identified in Figure 4 below and, possibly, through its impact on voluntary work.

### ***2.1. Strengths and weaknesses: the European sport model at bay?***

A first strength of the European sport model is its mix between public and private finance and voluntary work. This has secured the sports sector growth in the post-second world war era, in particular since the 1970s. Another specific characteristic of European sport model is a pyramidal structure with mass sport participation at its foundations and high level sport practice at its summit. A third specificity is that sport contests are ruled through a promotion-relegation system between higher and lower leagues (divisions) organised by national sport federations. A fourth feature is that all sport is structured around national federations and local clubs. A fifth one is voluntary work which is a pillar of a well functioning sport system. Is it going to last for ever? We have found some threats that may jeopardise its very existence in the medium and long term.

With regards to current weaknesses, one witnesses a sort of ambiguity in the sport financing strategy of most EU member states. There is a marked discrepancy, not to say a contradiction, between actual orientation of sport financing and advertised promotion of sport values. One side of the coin is that governments do push forward health and social objectives of sport, the latter being displayed as a well being and social integration factor, which is at odds with financing priorities. Indeed, the other side of the coin exhibits a government tendency to gear significant sports ministry finance toward elite sport (*via* sport federations targeting high level sport or *via* prioritising specific disciplines) and organising mega sport events (Andreff, Dutoya & Montel, 2009a). Such ambiguity could be resolved by assuming a snow ball effect as follows: the government finances high level sport with the idea that best sportsmen and women victories and their media exposure will act as an incentive for all population, namely the youth, to get involved into sport practice. However, there are two important prerequisites for such an assumed effect to be valid:

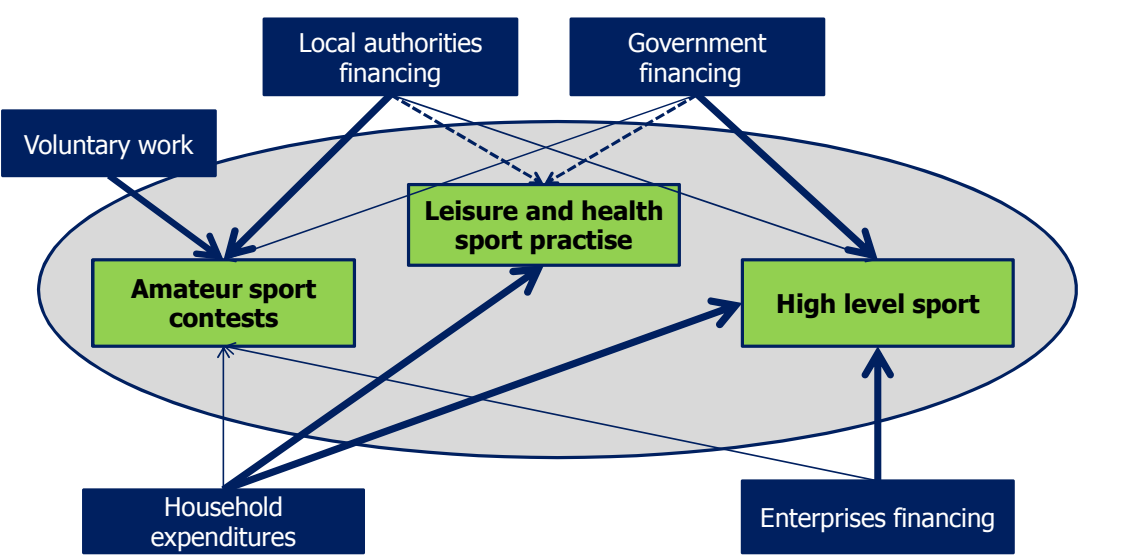
. In such a vision of sport, all sport participating bodies must be associated together in decision making, first of all major non governmental financiers supporting sport clubs and infrastructures (*i.e.* local authorities and enterprises), in order to ensure welcoming and training new sport participants.

. A peculiar attention must be drawn at access to sport participation; otherwise most poor people would have no way to accede.

Both prerequisites are far from being fulfilled in a number of EU countries and, consequently, government financing targeted to high level sport cannot, by itself, initiate or maintain a virtuous circle of sport participation.

Distinguishing three categories of sport participation, *i.e.* amateur sport contests, leisure and health sport practice, and high level sport, an analysis of sport finance allocation in Europe (Amnyos, 2008) shows that each source of finance tends to be geared towards one category of sport participation rather than the other two. Household expenditures are oriented in priority toward leisure and health sport practice and then to high level sport, through attending sport events. Enterprises are used to privilege high level sport with high media exposure in a limited number of sport disciplines. Local and territorial authorities first allocate their sport budgets to amateur sport contests. Government concentrates its financial allocation on to high level sport (Figure 4).

**Figure 4: The various channels of sports financing (from source to destination)**

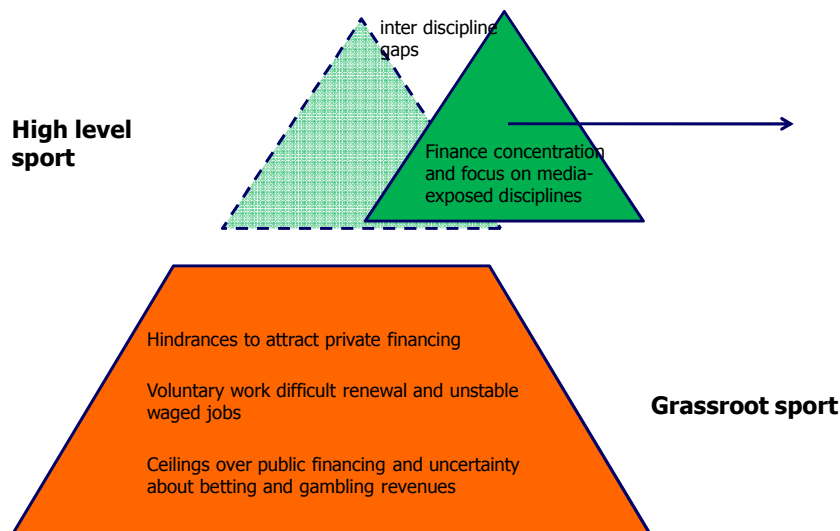


Source : Andreff, Dutoya & Montel (2009b).

All three categories of sport participation are unevenly under threat today as regards to their financing. One witnesses that a tendency for private finance to flow into media-exposed sports is reinforced by a majority of European governments giving priority to high level sport which, together, threat the pyramidal structure of being destroyed. The pyramid foundations are jeopardised by financing shortages and a slower momentum in voluntary work development while the summit tends to break up from the foundations (Figure 5). Deepening disparities between sport disciplines even affect high level sports. Moreover, when looking at

high level sport, convergence across EU member states is merely confined to competing in international sport contests and hosting and organising mega sport events.

**Figure 5: Increasing discrepancies between grass root and high level sport disciplines**



Finally, there is a risk that current systems of betting and gambling revenue paybacks to public extra-budgetary funds for sport will be challenged and this is a major concern for all EU governments. Both risk and concern have their roots in a rapid growth of sport betting and gambling on line the amount of which is uneasy to detect and, therefore, to tax. The financial godsend resulting from betting and gambling revenue paybacks to sport is increasingly challenged by EU competition policy and, by the same token, public monopolies in charge of managing betting and gambling activities are under threat of being dismantled. It is the most destabilising factor of sport financing that is identified by sports ministries.

## ***2.2. A first transmission channel: crisis and household sport expenditures***

Global crisis will affect household revenues downwards and thus, through a decreasing purchasing power, it must shrink household expenditures; this will all the more happen if, as usual in crisis times, households increase their propensity to save and reduce their propensity to consume. Overall, household consumption expenditures for goods and services will slow down for at least a couple of years or so.

A second question is: how much would this affect sport consumption expenditures? For sure, the impact will be downwards overall. Would it be more or less than average consumption

expenditures? The response depends on elasticity of sport consumption expenditures to any variation of household incomes which is practically unknown in all sampled countries. Let us imagine a 5% cut in household expenditures. If sports products and services are normal goods, considered as a usual part of European way of life, the decrease of sport expenditures would be about 5% as well for most households. If sports products and services had been Veblen (or luxury) goods, then the decrease would be higher than 5%. If sports products and services were felt as a basic need – which probably is not the case since nearly 50% of European population have no sport practice - sport expenditures would somewhat resist to a fall in household incomes. With a forecast of a 4% decrease in GDP rate of growth in Europe in 2009, on average, one can reasonably expect a drop of household sport expenditures in the range of 4 to 5% which means that sport financing would shrink by about 2 to 2.5% a year since household financing is half the finance flowing into the sports economy. Deep national disparities will occur around the average, depending on how hard each domestic economy will be hit by the crisis – for instance harder in the new EU members (Andreff, 2009b).

A third question is to know whether household sport expenditures will shrink more as regards to financing their own sport practice (in health and leisure sport or amateur sport contests) or their expenditures for attending sport shows and events. One can assume that sport practice is more a component of today's way of life (for this part of population with sport participation) than attending high level sport contests. Under such assumption markets for sport goods, commercial sport practices and even clubs' membership fees will less suffer than the market for sport shows and events, with regards to household sport financing. A last assumption must be examined carefully: would it be a *substitution effect* in household expenditures between sport practice (and paying ticketed sport events) on the one hand and, on the other hand, sport events that can be watched for free or at a reasonably low price (sport TV broadcasts, some are free, some require a subscription to a toll or pay-per-view TV channel)? The harsher the crisis, the greater the proportion of population that may be switching to free sport shows watched on TV.

Sales of consumer goods have dropped in most EU27 countries after September 2008. Sports goods are a case in point of dropping household consumption expenditures although many sports goods producers and stores have not yet published the exact impact of demand fall on their sales in the last months. Adidas sales worldwide have dropped by 6% in the first trimester of 2009 and its profit by 97% (Puma's profit fell by 94%), Nike's global sales have decreased by 2% in the same trimester and the company has cut 1,400 out of its 35,000 jobs

(4%). Shrinking household purchasing power is also a threat for professional sports clubs. In September 2008, Olympique Lyonnais merchandising sales have dropped by 10% in a month. Stadium (arena) attendance has dropped in various sports in the past months, but not that much in European football where attendances have still increased in English Premier League and German *Bundesliga* while they are stagnating in French *Ligue 1* and decreasing in Italian *Lega Calcio*. Probably, there is some sort of *ratchet effect* for this kind of fans' expenditures that must be explained by different factors. For the one, fan addiction is somewhat higher in football than in most other European professional sports. A number of fans have bought their season ticket before global financial collapse of September 2008 and would not reduce their attendance this year. Moreover, football championship was particularly uncertain in England, Germany and France this year, contrarily to Italy and Spain. Another slight crisis index is that the sports specialised newspaper *L'Equipe* in France is facing a dramatic fall in its sales.

### ***2.3. A second transmission channel: local authority sport expenditures***

The second most important channel of sport financing is from local authorities to amateur sport. In most EU27 member countries, local authorities have financed local clubs, athletes and infrastructures on the basis of money borrowing from the banking system. As a result, a number of local authorities are now indebted to banks. It is obviously a bad news for amateur sport financing. Local authorities have to reduce their banking debt while those banks which suffer from the sub-prime crisis and its aftermath (*i.e.* most banks in some way) are less willing to lend money to any indebted entity, including local authorities. The latter are facing a *credit crunch*. On the other hand, it would be difficult to increase local tax burden on households stuck in crisis and hit by decreasing purchasing power. Thus, since overall local authorities' budgets will reduce in a foreseeable future, local authorities will not be able to maintain existing amounts of sport finance or, at least, will select the most significant clubs, athletes, sport events and infrastructures. One could expect that the financing channel from local authorities to amateur sport would shrink in the years to come.

### ***2.4. A double-way avenue: from government recovery policy to austerity policy***

Global economic crisis has obviously an impact on EU27 governments' budgets. Many of them are no longer maintained within the limits of the Stability pact (Maastricht) criteria, *i.e.* a fiscal deficit below 3% of GDP. Some new EU members have already obtained a financial

aid from the International Monetary Fund - Hungary, Latvia, Romania and Poland. The great bulk of fiscal deficit is simply due to the recession crisis itself which lowers tax receipts while it increases public expenditures (unemployment, social protection). In several Western European countries, a part of fiscal deficit is fuelled by a recovery policy based on public investment. So far governments have poured money into the economy to save nearly bankrupt banks and to push forward a recovery policy against deepening recession. In principle, a recovery policy is a springboard for rapid public investment growth and infrastructures are those investments which trigger a lot of expenditures. A Keynesian recipe against the crisis precisely was to invest in infrastructures. Sport infrastructures, as a principle, may benefit from recovery policy. However, this would pertain more to those EU countries on the brink of hosting mega sport events such as Olympics (London 2012) or the football Euro (Poland 2012). So far the crisis has rather put London Olympic project in financial disarray than the other way round. The financial agenda of London Olympics is even jeopardised since the budget has skyrocketed from £2.4 billion in 2005 up to £9.35 billion in 2008. The most crucial issue now is to find a way to finance the Olympic village which was supposed to be financed by private funds and sponsors. However, Nortel which was supposed to bring in €45 million as an Olympics partner went bankrupt in January 2009.

On the other hand, increasing public debt will have to be reimbursed soon and this will trigger an austerity budgetary policy as soon as the deepest of recession will be over. With 0.01% to 0.88% of government budget in European countries (Table 5), sports ministries can hardly be regarded as a high budgetary priority whatever we consider the recovery or the austerity policy. They will neither suffer more than other ministries from budgetary cuts – otherwise their budget will become definitely insignificant – nor less, because of their low priority. This pertains to the current year recovery policies and even more to the coming years when an austerity policy will be required.

### ***2.5. The most representative channel: sponsorship and media sport finance***

Enterprise money is obviously the most volatile and mobile source of financing in times of crisis. Here we have to distinguish sponsors on the one hand and media on the other hand.

Except in a few industries, a number of industrial and commercial enterprises are seriously hit by economic recession in Europe since the last trimester 2008, and some of them have gone bankrupt. Since their sales and profits are down they reduce their ‘less useful’ expenditures, including advertising and sponsorship. Of course, we have to expect a reduction in sport

sponsorship as a source of finance. The whole thing is even more serious in so far as many enterprises are hit twice by the crisis when they are also facing a credit crunch generated by banks cleaning bad loans from their accounts. Enterprises are not likely to invest in sport sponsorship if they are short of credit for financing their own business activity. A significant drop in sport sponsors finance is to be expected in the months to come and it has started to appear.

Sponsors are changing their strategy towards sports with the crisis. A first behaviour is simply to quit sport sponsorship. A number of cases have been witnessed since September 2008 such as Honda abandoning its Formula 1 team. In addition to Honda, Formula 1 has been left by ING, Royal Bank of Scotland (which has also left golf and tennis sponsorship) and Crédit Suisse. Abbey, a Santander bank subsidiary has left McLaren (and Lewis Hamilton) to the benefit of a less demanding contract with Ferrari. In the face of these defections, the president of International Automobile Federation (IAF) launched a plan of cost reduction with a €45 million budgetary cap per racing team per year as a counterpart for total technological freedom (likely to attract new car producers to F1 circuits). Ferrari's racing budget this year is about €500 million and Williams' €150 million. In conflict with IAF, Ferrari has decided to leave F1 circuits in 2010 as well as Red Bull, Toro Rosso and Renault which has already made 80 workers redundant out of 550 working at Renault F1. Financial crisis transforms into a sporting crisis in the case of Formula 1.

Kawasaki has abandoned its Moto GP team, banks (one third of all sponsors) have left the golf PGA Tour, Kodak has given up Nascar, Nomura the Japan Olympic team, and Air Astana (Kazakhstan) stopped financing the Astana cycling team (Lance Armstrong's team) which suspended paying wages to its riders. Vodafone has withdrawn from UK cricket and horse racing and breached Tiger Woods' sponsorship contract one year in advance (€5 million).

A second strategy is to reduce the amount of sport sponsorship without giving up all sport support. AIG, Northern Rock and XL charter bankruptcies have shortened sponsorship support respectively to Manchester United, Newcastle and West Ham football clubs. Fortis and Dexia financial failures have restricted their 20% share in Anderlecht's sponsorship revenues. Sponsors also diminish wages of sponsored athletes. Rossignol is bargaining on half the previous wage with skiers Jean-Baptiste Grange, Lindsey Vonn, Julien Lizeroux, Marie Marchand-Arvier and others. The International Association of Professional Cycling Groups has refused to increase rider's minimum wage in 2010. Professional and high level sportsmen and women will have to take their share of the crisis burden. In France, Team Lagardère, a

private company dedicated to supporting high level sport has cut 30% of its supported professional players and coaches in tennis and athletics.

Other sport sponsors – like Lacoste for example - do prefer concentrating reduced finance on a few very much exposed professional athletes and clubs, and on sport mega-events. This means that amateur sport clubs and events which benefited from sponsorship so far will suffer more from financial shortages than professional sports. However, even some professional football clubs have not been able to find a sponsor for 2008-09 like Aston Villa, Sheffield Wednesday and Leicester City. Cowes regatta and Epsom derby are left without sponsors this year.

In the case of media (basically TV channels) which basically finance sport through broadcasting rights, the crisis impact is less crystal clear. Recession affects advertising budgets of numerous enterprises, and this would reduce the TV godsend offered for broadcasting sport events, in general. A countervailing tendency may be the following: if the number of TV watchers were to augment during the crisis, the audience rates of TV channels would increase and TV attraction for advertisers (enterprises) would skyrocket since, in a period of crisis, what enterprises would like is to reach more and more potential consumers for their products (in order to maintain their sales). On the other hand, the number of (sport) TV watchers might well increase during the crisis due to shorter purchasing power available for paying leisure and sport. Moreover, the crisis may keep unemployed people at home watching the TV. More specifically, the number of sport TV watchers would increase if the above mentioned substitution effect of free sport TV broadcasts to sport practice (and paid sport shows) materialised. Testing this substitution effect is crucial nowadays. The stronger such effect the greater increase in the number of sport TV watchers, the less TV channels will be affected by the crisis and the smaller its effect on sport financing by the media. The latter is the only good news for sport financing in the short term.

Nevertheless, it seems that TV channels will take the opportunity – or the excuse – of crisis to lower broadcasting rights paid to professional sports. We have already two examples in French football. In December 2008, TF1 and Canal+ channels have renewed their contract with UEFA to broadcast Champions League matches but at lower price: €25 million per season (for TF1) until 2012 instead of €35 million in 2009. Sky Italia (under Rupert Murdoch control) and RAI are known to have halved the rights paid for broadcasting the Champions League in Italy. Similar contracts had been renewed before the financial crash in the U.K., Germany and Spain with a rising price, but it remains to be seen what will occur in the aftermath of crisis. In France, football *Coupe de la Ligue*, a contest preserved to professional

clubs, has not found a way to prolong its €12 million contract with the public channel France Télévisions, and the private channel TF1, eventually has not stepped in since it is now reducing its overall TV rights budget from €34 million to €25 million.

## ***2.6. Financial crisis will last in professional sports***

European football entered a financial crisis in the late 1990s – early 2000s, see special issues of the *Journal of Sports Economics*, 7(1), 2006 & 8(6), 2007. The problem is that with the MCMMG model of professional sport finance<sup>12</sup> professional clubs can afford pushing wages and transfer fees up to acquire superstar players, and must do it in a sort of arms race (Andreff, 2009c), whereas nobody impose on them a hard budget constraint and good corporate governance, even in the French and German cases where football clubs are more tightly supervised by auditing bodies than elsewhere in Europe. Clubs are often stuck in a vicious circle between increasing broadcasting rights negotiated with TV channels in order to cover their wage increases, which in turn require a new negotiation for higher TV rights later on and so on and so forth, which derails into clubs' deficits (Andreff, 2008b). Due to such TV dependence, a creeping financial crisis affects European football, and other professional sports to a lesser extent, while the crisis has become pandemic in Italian *Lega Calcio* or in some big Spanish clubs.

Global financial crisis is not good news in such context. Overall English Premier League deficit has reached €3.8 billion in October 2008, Arsenal, Chelsea, Liverpool and Manchester United being accountable for two thirds of it. As several Russian oligarchs, Roman Abramovich has lost a substantial part of his fortune and has cut in Chelsea expenditures without bad sport performance consequences so far since the team had recruited plenty of players before financial crash. The deficit of Spanish *Liga de Futbol* was up to €2.8 billion in December 2008, Real Madrid, FC Barcelona, Atletico Madrid and Valencia being the most substantially in the red. A salary cap is now in the heat of the debate in various European leagues. The *mercato* transfer market collapsed in winter 2009 due to sponsorship shortage in French *Ligue 1*, German *Bundesliga*, Italian *Lega Calcio* and a bit less in Spanish *Liga de Futbol*, to the exception of English Premier League.

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<sup>12</sup> Primarily based on media finance (TV broadcasting rights), then on corporate finance, merchandising, labour market (players transfers) and capital market (flotation of clubs' shares at the stock exchange), see Andreff & Staudohar (2000).

On the other hand, clubs floated value which was already decreasing before financial crisis (Aglietta *et al.*, 2008), dramatically dropped with stock exchange collapses since September 2008. The Dow Jones index of 27 European floated football clubs had lost 9.89% simply in September 2008. In February 2009, Olympique Lyonnais' share was 66% lower than two years ago when it was introduced at the stock exchange. Malcolm Glazer was unable to repay the loans he got to buy Manchester United in 2005 and, eventually, sold the club to Suleiman Al-Fahim (Abu Dhabi United Group). Bear Stearns bankruptcy implied a €1 billion cost to Joe Lewis, the major Tottenham Hotspur shareholder.

We have a comparable picture in the USA, NBA has fired 80 employees by end of 2008, in February it asked a \$200 million loan from Bank of America and JP Morgan in order to bail out 15 (out of 30) franchises in financial disarray. Attendances and gate receipts have diminished in these teams, namely in Orlando, Memphis, Chicago. Most NBA franchises have already warned that ticket prices will be frozen until the next season.

### ***2.7. Crisis ambiguous impact on voluntary work***

Voluntary work is supplied by households. Here overall crisis effect is rather unpredictable so far. On the one hand, impoverished households may have to work more for salaries, then reducing their supply of free labour as sport volunteers. On the other hand, those households whose members will be fired from their jobs may use a part of their unemployed time to participate into sport as volunteers. A last effect may interplay: recently unemployed people may spend all their time in looking for a new job or in working in the informal economy, or they may be so much demoralised and discriminated that they restrain from participating in sport and may become socially marginalised, which would leave no room for their voluntary work in sport. More studies are required on the (complementary or substitutive) relationship between voluntary work in sport and unemployment.

### **Conclusion**

Studying sport financing in Europe is useful *per se*. It is even more crucial for detecting weaknesses and threats that are likely to alter the European model of sport (finance) in the coming years. Finally, in times of global recession, it is actually a must since knowing the relative significance of different sport financing channels enables us to estimate how non professional and professional sports would be hit by the crisis, though unevenly.

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## Appendix 1

### Questionnaire

Q1: General sport organisation in the country (different ministries, local authorities).

Q2: Overall distribution of major sport financing sources (public/private, government, local authorities, households, enterprises).

Q3: Volume of sport participation (number of registered sport participants, overall number including unregistered participants, the five most significant sport disciplines according to the number of registered participants, evolution in sport participation).

Q4: Government contribution to sport financing: evolution, financing used to subsidy sport federations, clubs, high level sport, sport infrastructures, sport events, other; political and budgetary priorities, is the government role determinant?

Q5: Local authorities (municipalities, districts, regions, *Länder*, provinces, etc.) contribution to sport financing: evolution, finance used to subsidy sport federations, clubs, high level sport, sport infrastructures, sport events, other.

Q6: Are there indirect forms of government support to sport (tax relief, alleviated social expenditures, etc.)? If not, are they foreseen to be implemented in a near future?

Q7: Private sport financing: household expenditures, media, TV broadcasting rights, sponsorship. Are there incentive mechanisms to attract enterprise financing?

Q8: Which is the contribution of betting and gambling to sport financing? What would be the most likely consequences of on line betting?

Q9: Is there a financial solidarity system between professional sport and amateur sport?

Q10: How sport federations are financed? Does such structure of finance fit with the number of sport participants? Describe the financial structure of football, athletics and a third most significant sport discipline in your country.

Q11: How high level sport is financed? Take the example of 2004 Olympics and Paralympics in Athens: finance from Olympic Committee, federations, the government, other public finance, private finance, how many athletes were sent to Athens? What was the overall size of the country's delegation, including non athletes?

Q12: How job creation is financed in the sports sector? Sport teachers, civil servants, waged employment in the private sector (coaches, managers, etc.).

Q13: How is financed the realisation of sport infrastructures? Take two examples of significant sport infrastructures built up in the past five years in your country.

Q14: How the organisation of major sport events is financed? Take two examples of significant sport events in the past five years.

Q15: Does the structure of sport finance in your country seem stable and sustainable? If not, which are those destabilising factors?

Q16: Which are the policy tools and levers most likely to stabilise and perpetuate the structure of sport finance in your country?

Q17: Have you met some difficulties in providing responses to this questionnaire? Do precise for which questions in particular.

Q18: Have you any other observation about public and private sport financing in Europe?