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The different funding models for grassroots sports in the EU



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Outline

- Objectives of the study
- Scope – definition of « grassroots sport »
- The financing of grassroots sports in the EU: identification of key business models
- The future challenges of grassroots sport' financing

The three study objectives

- Describe the key sources of funding of grassroots sports
- Identify key business models in EU
- Analyse :
 - The efficiency of different business models
 - The sustainability of the « efficient » business models, given future changes such as:
 - ◆ Changes in the contribution of volunteers
 - ◆ The impact of the financial crisis on public sector budgets
 - ◆ The impact of the economic environment on sponsorship and corporate funding
 - The impact of the EU regulatory environment and of national policies with an impact on the sources of funding of grassroots sports

Scope

- Coverage : grassroots sports (amateur sport, or sport for all)
- Practiced by non-professionals
 - ▶ Where « professional » is meant to apply to individuals who spend a majority of their time practicing sport, and take the bulk of their revenue from this activity
- Within the scope of a federation
- Includes both **individual** sports and **collective** sports
- Excludes « sport in schools » and sport practiced outside the scope of federations : these will be taken into account on an ad hoc basis
- Sport practiced outside the scope of federations will be taken into account where relevant / possible

Organisation of the study

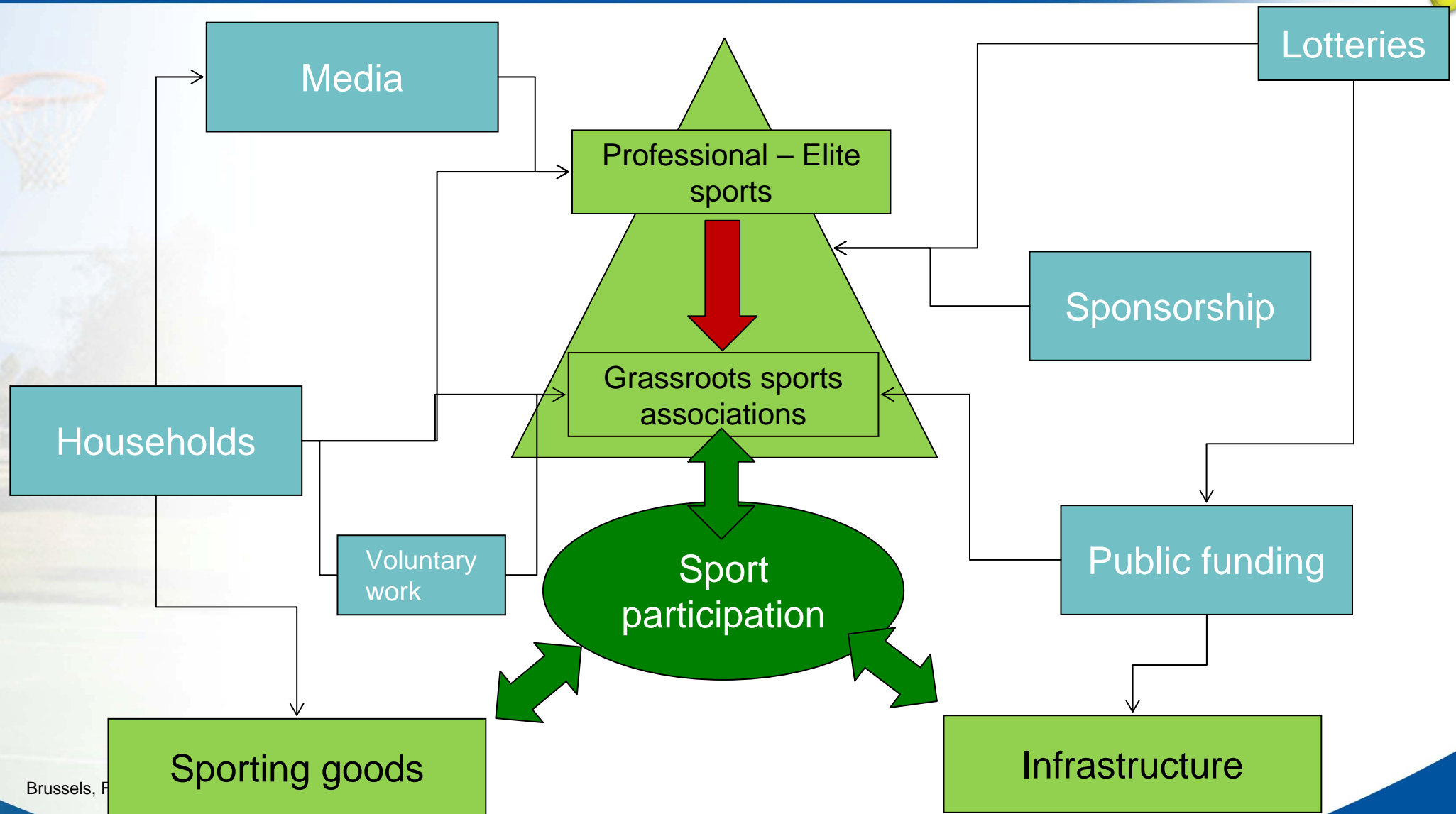
A study in four phases

- Phase 1: Data collection, identification of business models and preparation of country monographs
- Phase 2: Consultation of key stakeholders
- Phase 3: Detailed data collection for key disciplines in selected member states
- Phase 4: Analysis and conclusions

The financing of grassroots sports

- There are different financing models across the EU
 - ▶ Some rely primarily on private sources of finance
 - ▶ Others are highly dependent on voluntary contributions
 - ▶ Yet others are primarily financed through public funds
 - In that case, the resources made available to grassroots sports can either be :
 - ◆ Pre-channeled (targeted, dedicated resources)
 - ◆ The result of allocation choices between different expenditure categories
 - Resources from « public funds » or companies can involve
 - ◆ In-kind contributions (making available equipment, infrastructure,...)
 - ◆ Financial contributions

Main funding flows



Outline

- Objectives of the study
- Scope – definition of « grassroots sport »
- The financing of grassroots sports
 - ▶ Overview of the situation across the EU
 - ▶ Situation by country
 - ▶ Key financing models identified
- The future challenges of grassroots sports' financing

Overview of sport participation in Europe

Number of clubs affiliated to a federation

750 000 clubs

Sport participants with membership

- **Estimated : 78 million**
- **16% of the population**

Sport participants

- Eurobarometer :
 - 50% doing sport are not member of a club
 - 38% of the population do sport at least once a week
- Estimation : 150 – 175 million regular sport participant

Macro economic overview of public funding sources

State funding

- Sport ministry funding : €3.2 bn
- Other ministries (excluding sport teachers) : €0.5 bn
- Estimated allocation of funds (by the Sports' Ministries):
 - 25% to infrastructures
 - 25% to federations
 - 15% to local clubs and associations

Local authorities

- Estimation : €25 bn
- Estimated allocation :
 - 50% to infrastructures
 - 30% dedicated to local clubs and associations

Total estimate : €30 bn, of which:

€13 bn for infrastructures

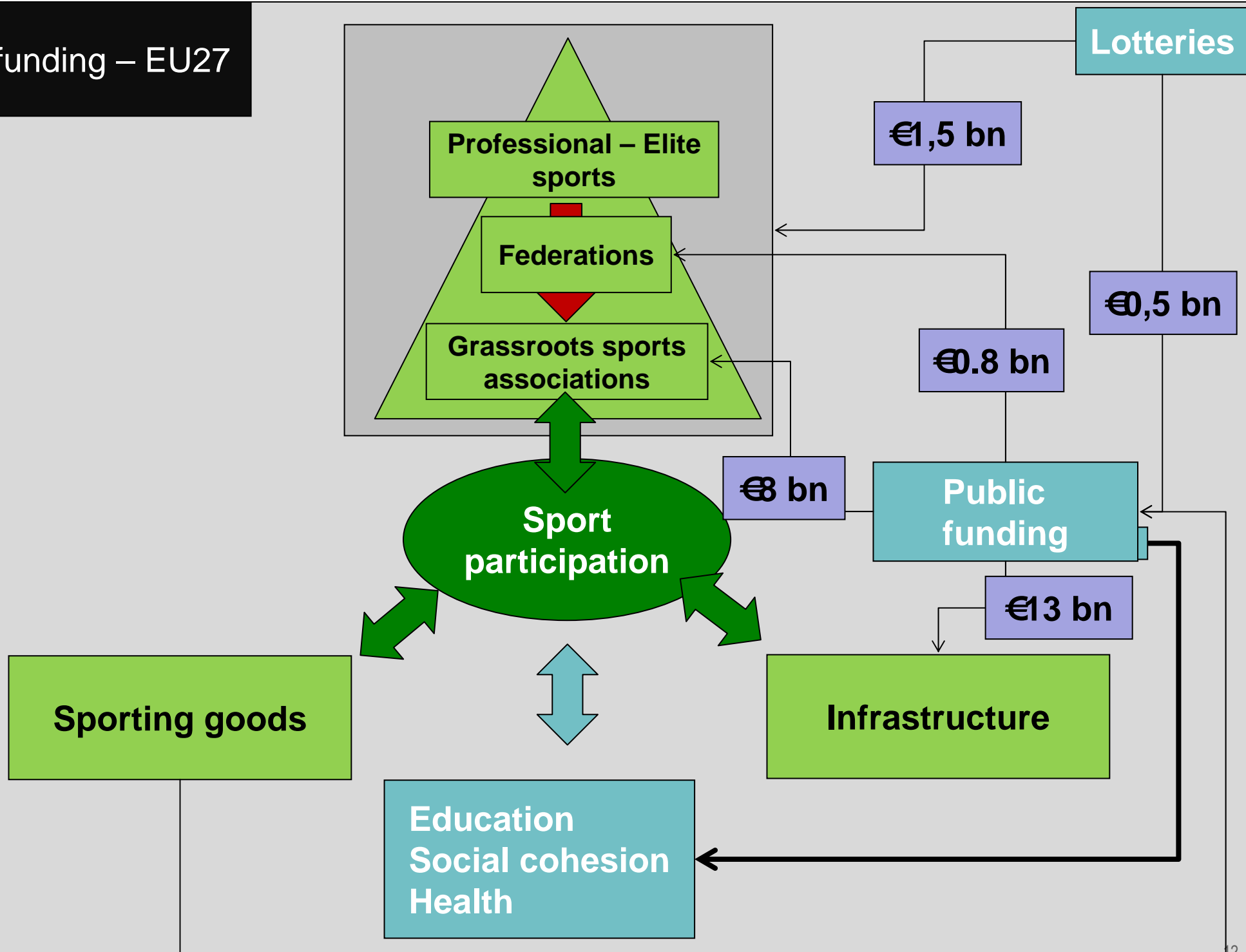
€ 8 bn for local clubs and associations

Macro economic overview

Lotteries

- 24 countries with redistribution of gambling and betting revenues to sport (regulated by Laws)
- Diversity of systems of redistribution
 - Ministry's budgets : Finland, Greece
 - Sport movement (via the ministry): Austria, Cyprus, Denmark, United Kingdom, Estonia
 - Dedicated fund : France, Poland, Slovenia, Lithuania,
 - Direct funding of federations or NOC : , Netherlands
 - Czech Republic : Sport federation are shareholders
 - Mixed : redistribution towards CCAA, Professional football league and NOC : Spain
- €2.2 bn per year (does not include sponsorship)
 - Mostly to grassroots sport Estimation of 70%
 - Countries with financing of « non grassroots » sport activities : Spain, United Kingdom, Estonia, Denmark,

Public funding – EU27



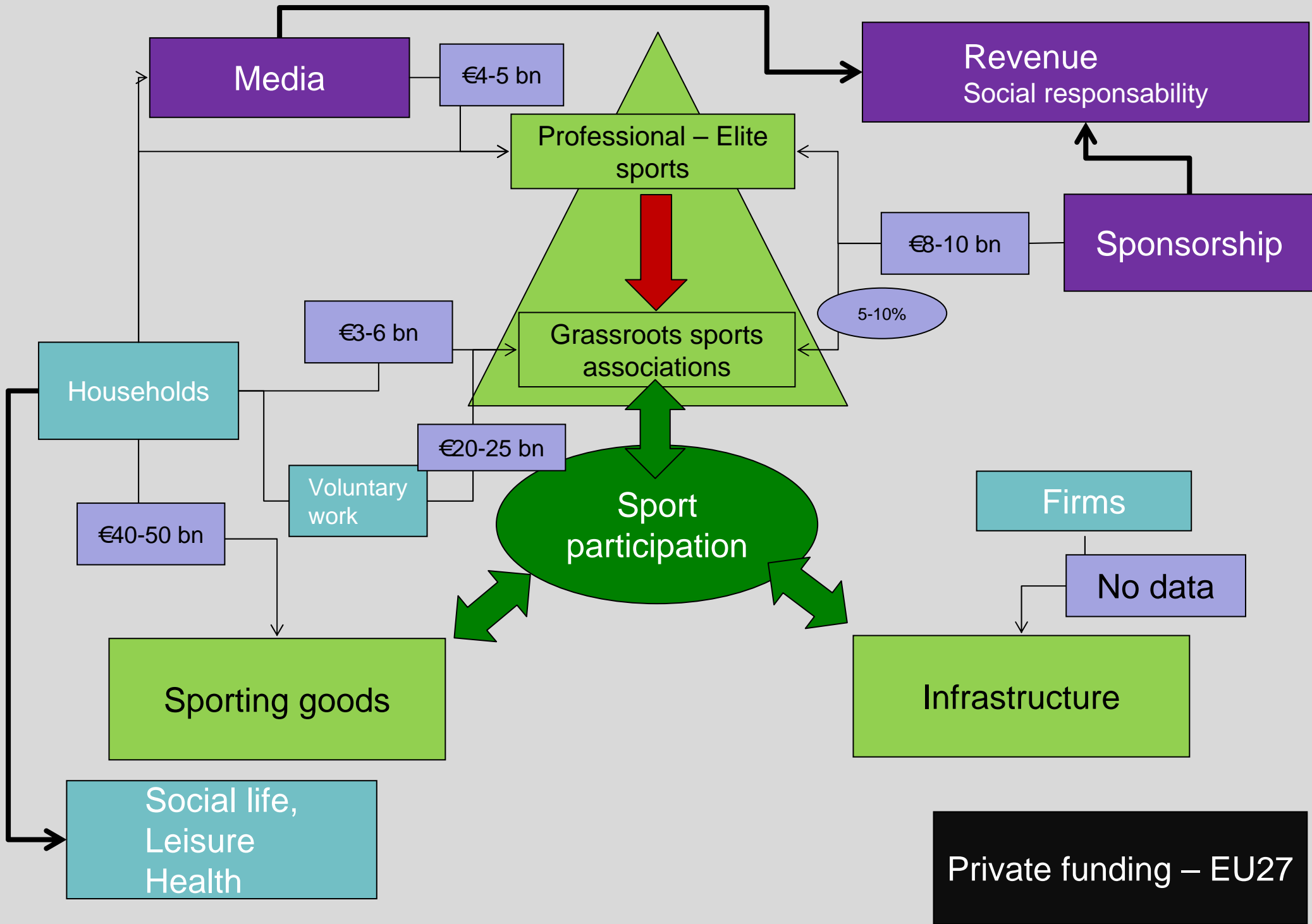
Macro economic overview of private funding sources

Households

- Estimation : € 90-110 bn
- Goods (equipment, sportswear...) : 40% (estimation)
- Services (participation/membership) : 8-12% (including fitness clubs)
- Other goods and services : 50% (media (TV, newspaper), admission...)
- Direct financing for grassroots sport : € 3-5 bn

Entreprises

- Sponsorship : 8-10 bn
- Media : € 4-5 bn (including rights for international competitions)
- Financing for grassroots sport : €1 – 1.5 bn (estimation of 10% of sponsorship and 5% of media rights)



Private funding – EU27

The role of solidarity mechanisms

- There are three types of « solidarity mechanisms »
 - ▶ Within a given discipline
 - From professional sport to grassroots sport
 - ▶ From professional disciplines to grassroots sports in general
 - Regulated
 - Voluntary schemes

Examples of solidarity mechanisms within the same discipline

Revenue breakdown

- Polish Professional Volleyball League
PLPS SA (Professional League) transfers 5% of its sales income from title sponsorship rights, television broadcasting rights and advertising rights to PZPS (Federation).
- Netherlands : revenues from professional football and sponsors of the National Team : €1 million per year is allocated to Grass Roots and €1 million per year is allocated to the Masterplan Youth Football to support amateur football infrastructure.
- Tennis : Roland Garros brings €65 M to the FFT, of which €25 M are directly used to fund the local development of tennis
- Golf : British open – Royal Ancient St Andrews
- IRB et FIBA : financing of youth championships by the « senior » world championships
- UEFA Champions League

Examples of solidarity mechanisms

Direct funding from TV rights

- Regulated by law (France) – TV rights of all professional sport
 - « Taxe Buffet » : all professional sports are concerned
 - 5% of the TV rights
- Reinvestment Principle in UK : voluntary code of conduct led by CCPR
 - minimum of 10% of television rights earned by sports is invested into grassroots sport
 - “Reinvestment principle” towards : youth programmes, community sport facilities, education and training, research and development, coach education, volunteer training, diversity programmes, grassroot communication

Key point :

- « exploitation right » for the sport organisation (French legislation)
- Collective approach can guarantee the solidarity among clubs, first step for the solidarity between professional clubs and grassroots sport

Laws impacting sport financing

Measures in favour of clubs

- Tax reduction for non profit organisations or activities serving the general interest: Germany, Finland, Italy
- Tax reduction : Lettonia, United Kingdom
- Reduced social contributions : France and Sweden
- Reduced VAT rate : Cyprus, Slovenia
- Payment to the sports organisations of the VAT on infrastructure improvement and equipment purchase: Malta
- Fiscal measures when buying cars and buildings : Portugal
- Sport clubs are allowed to provide a tax-free compensation) for their volunteers : Netherlands,
- Sports centers and other sports facilities may be exempt from land rental : Lithuania

Laws impacting sport financing

Measure to stimulate private funding

- Funding by individuals :
 - Tax incentive on donation : Pt, IRL, Germany
 - Tax incentive for volunteers : Dk ,
- Funding by companies :
 - Tax incentive on donation : IRL, Pt, Estonia, Germany, Latvia
 - Tax incentive for sponsorship : Dk, Cz, Gr, Slovénia,
 - Advertising is tax deductibles : Cyprus

Measure to stimulate sport participation

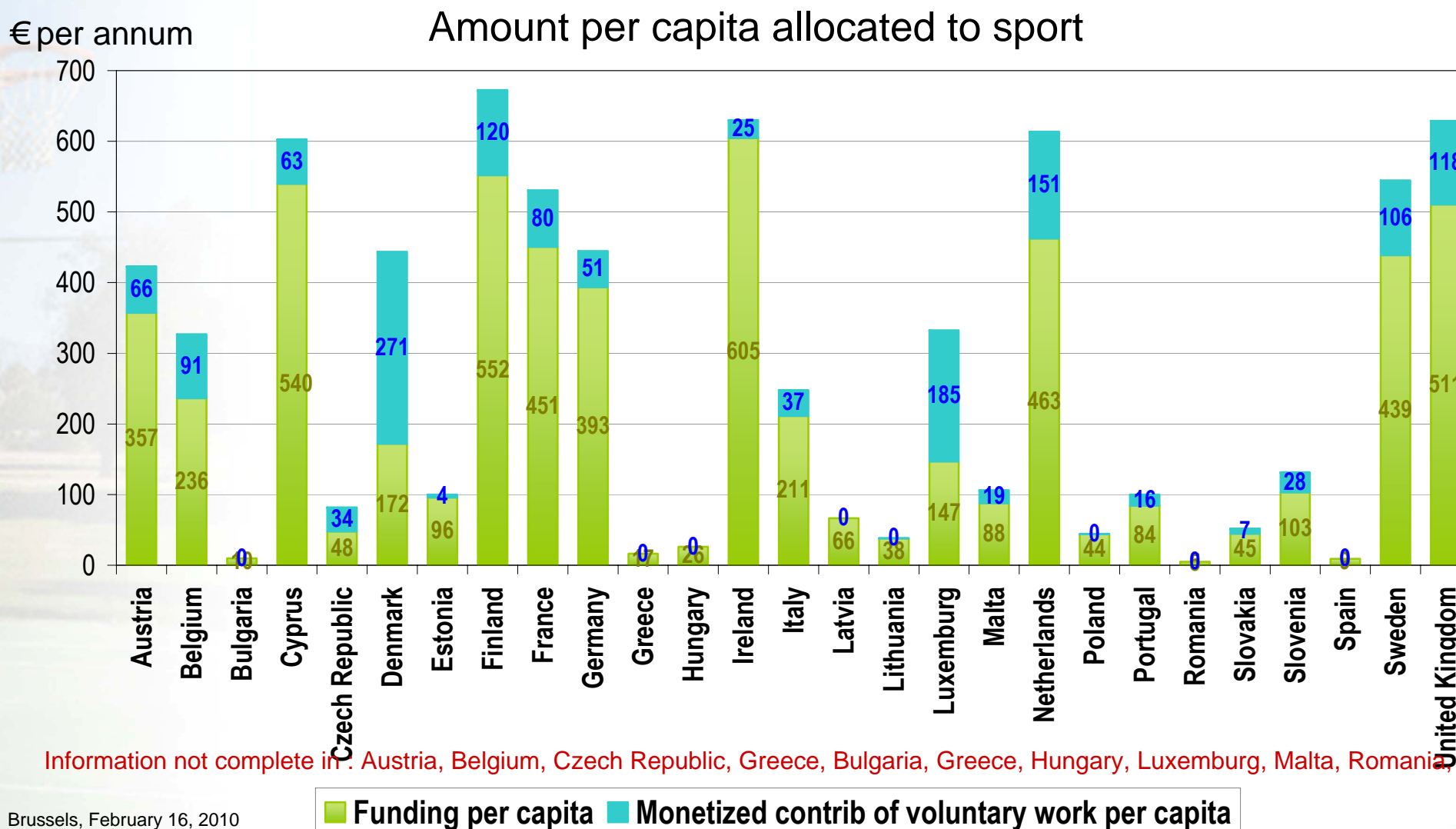
- Tax reductions to individuals pursuing sports activity : Lituania
- Tax incentive for employees who have a second activity in a sport club : Germany

Laws impacting sport financing

Restrictions

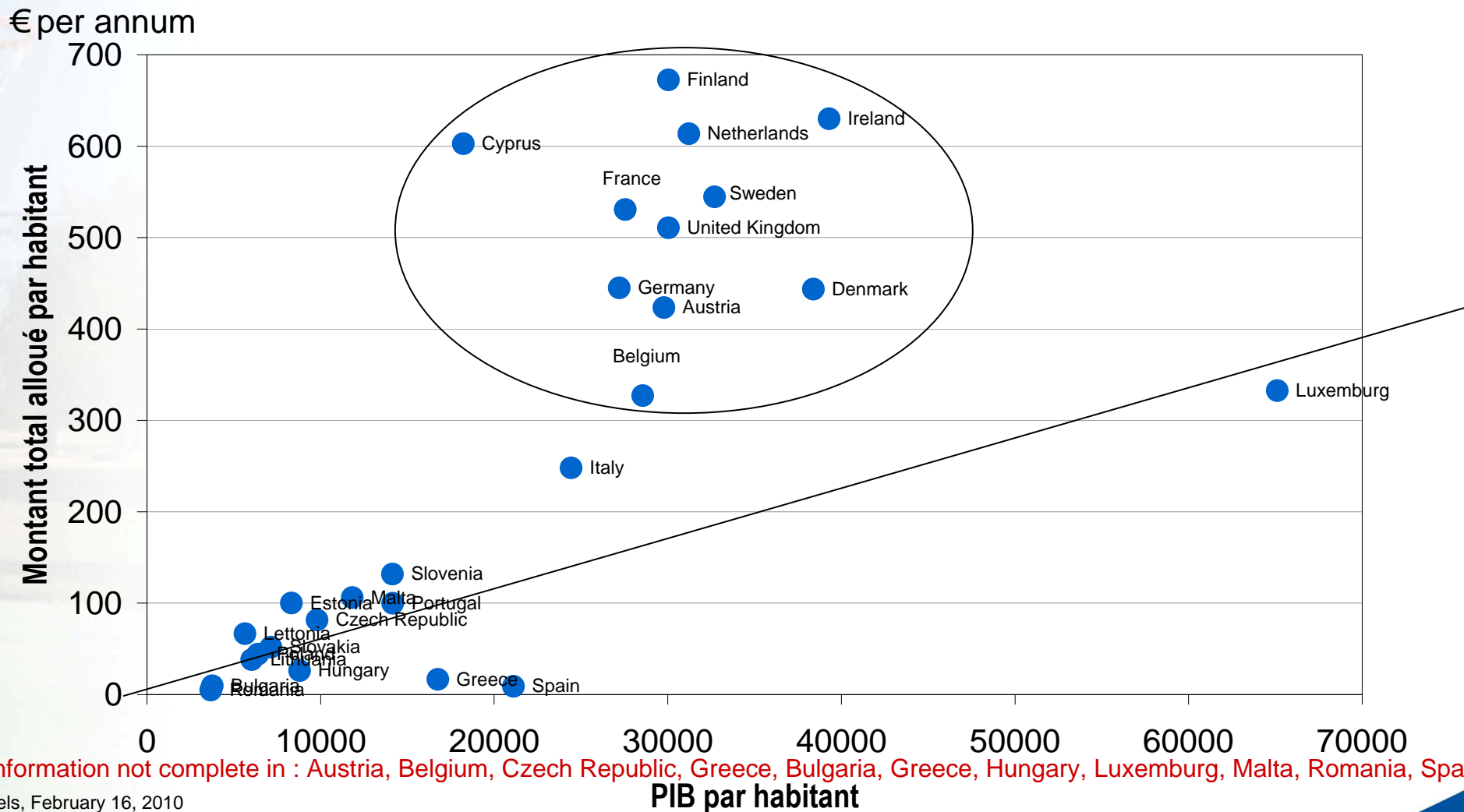
- Prohibition of sponsoring concerning :
 - Alcohol : examples follow
 - General prohibition in sport events: CZ, F,
 - Prohibition in Youth sport events : UK
 - Other restrictions : NL (on TV) ;
 - Tabacco
 - General prohibition in sport events: UK, CZ, NL, FR

The amounts of funding and the monetized contribution of volunteers vary significantly across Member States

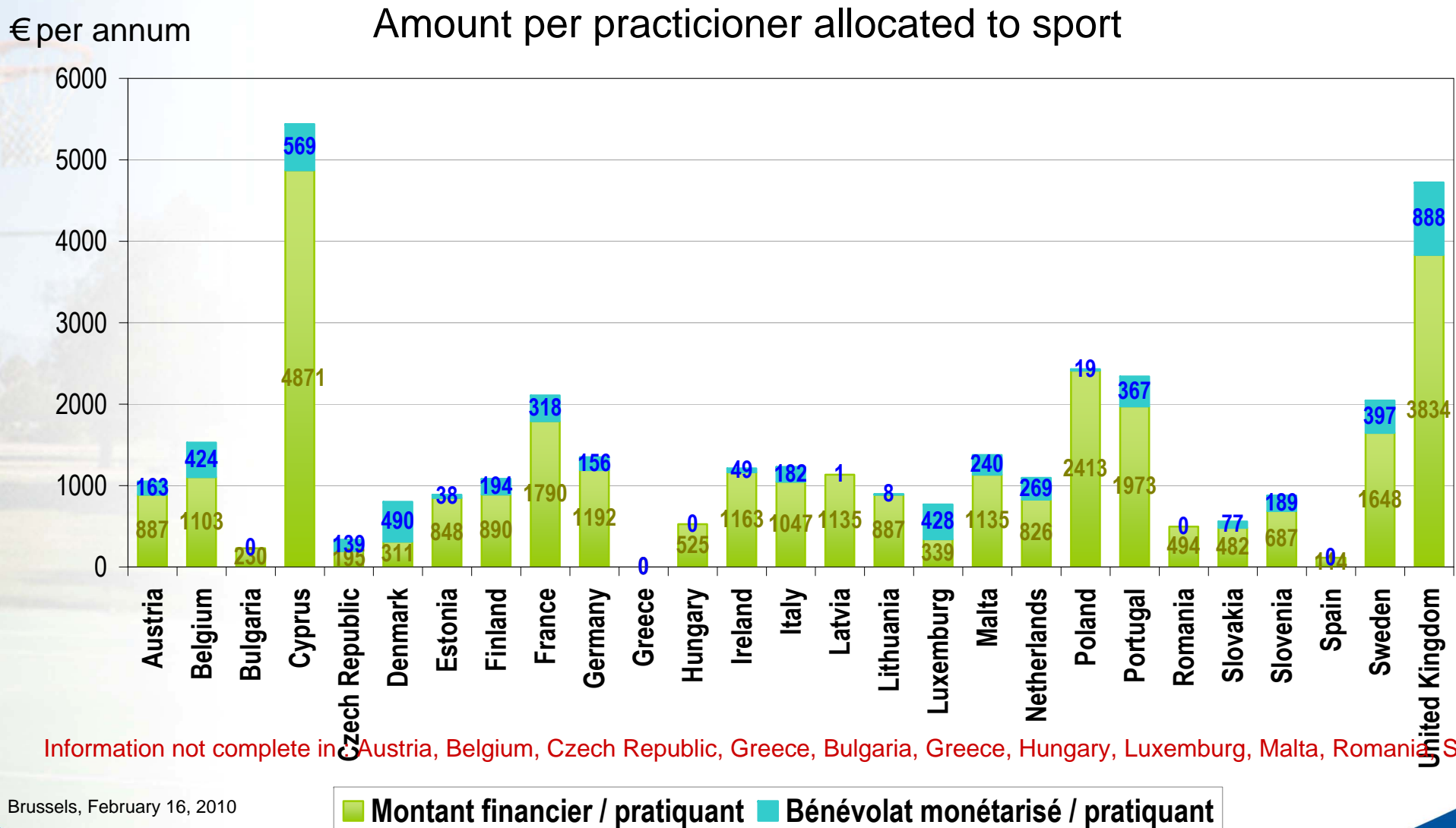


The level of wealth of a country is not the only factor explaining the amount of funding available to sport

Average amount of funding per capita, vs GDP per capita



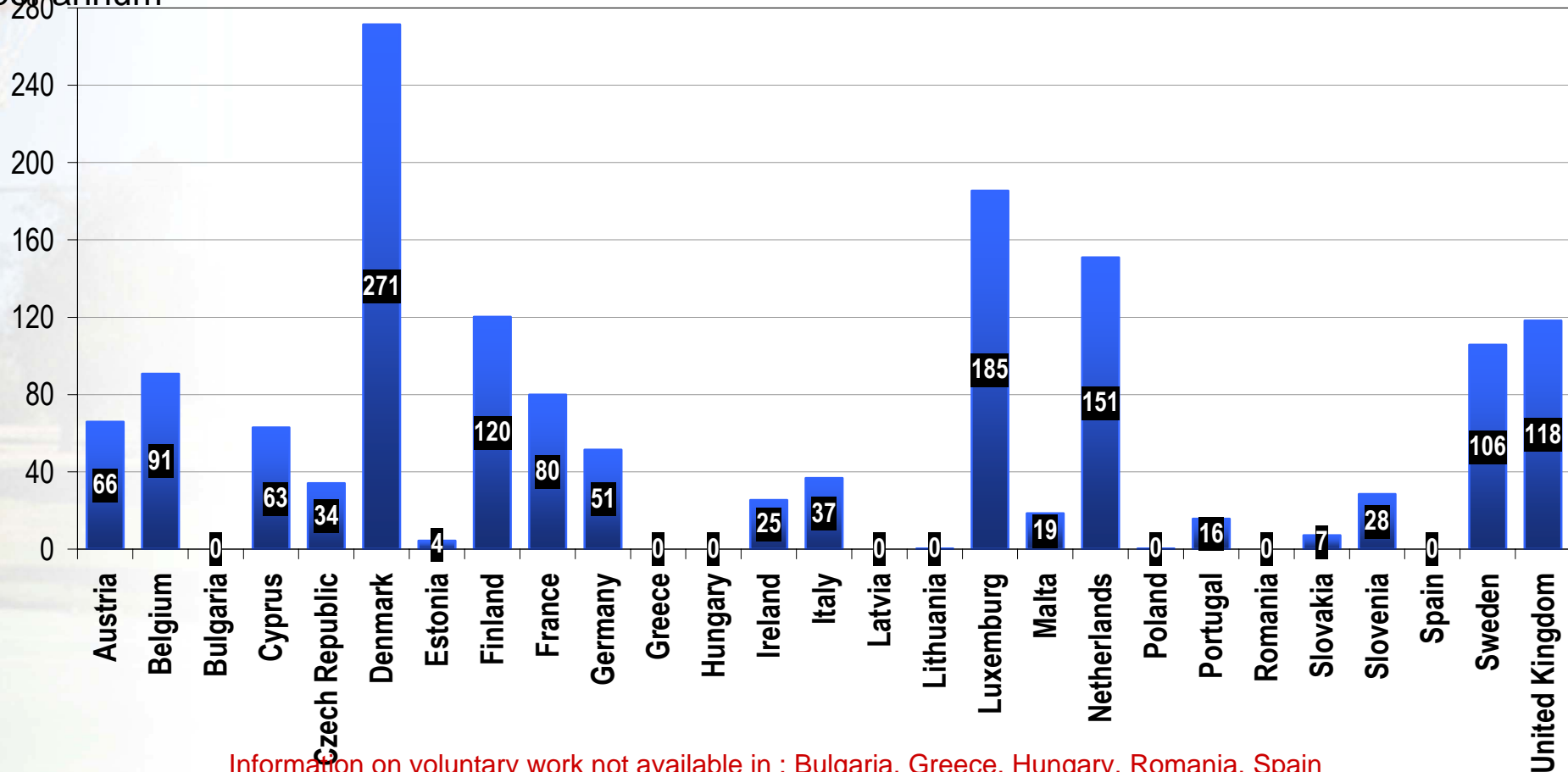
The average amount of funding per practitioner also varies across Member States



In Denmark, Finland, Luxembourg, the Netherlands, Sweden & the UK, volunteers pay a big role

Financial valuation of the contribution of voluntary work, per capita

€ per annum

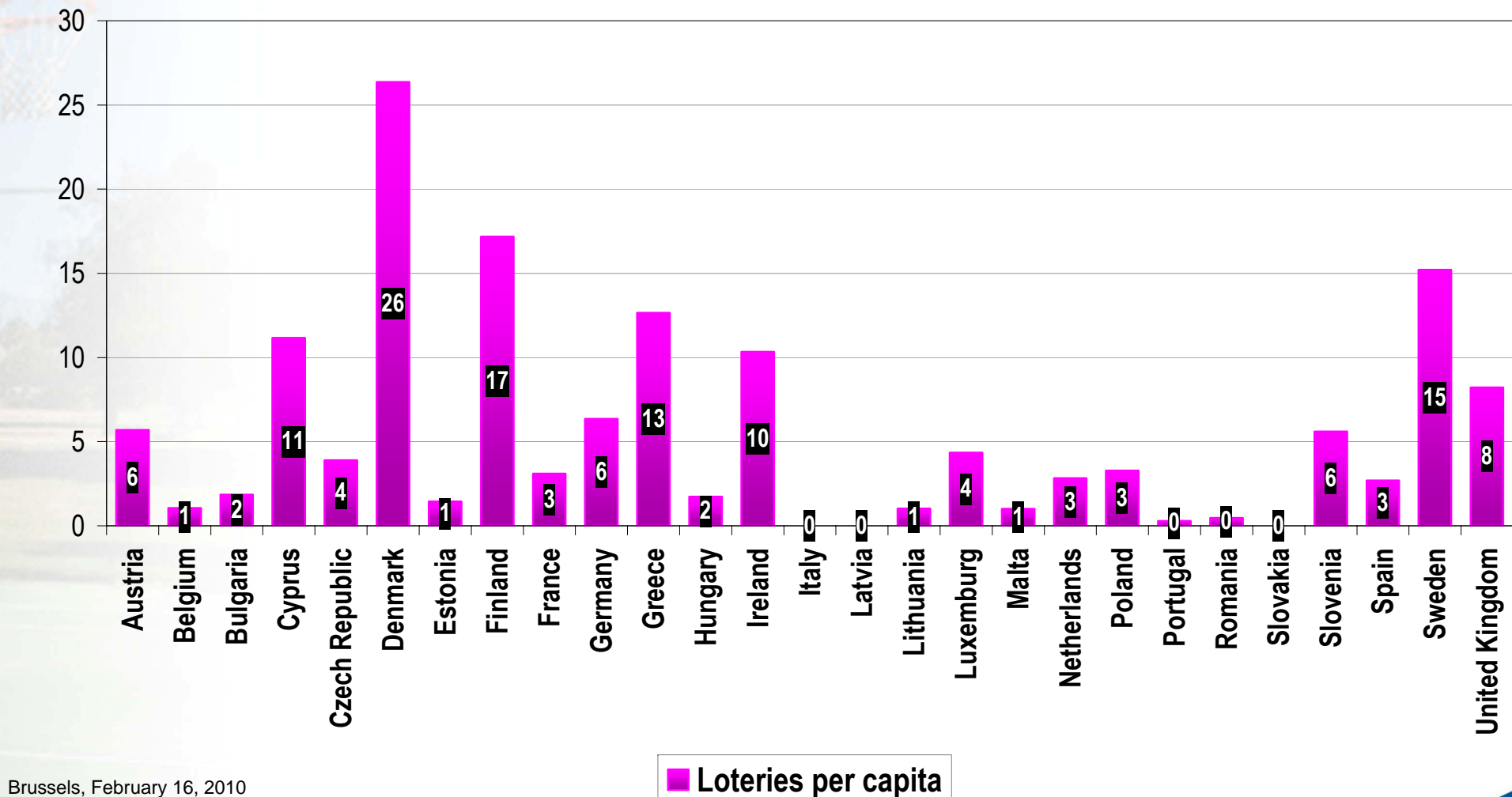


Information on voluntary work not available in : Bulgaria, Greece, Hungary, Romania, Spain

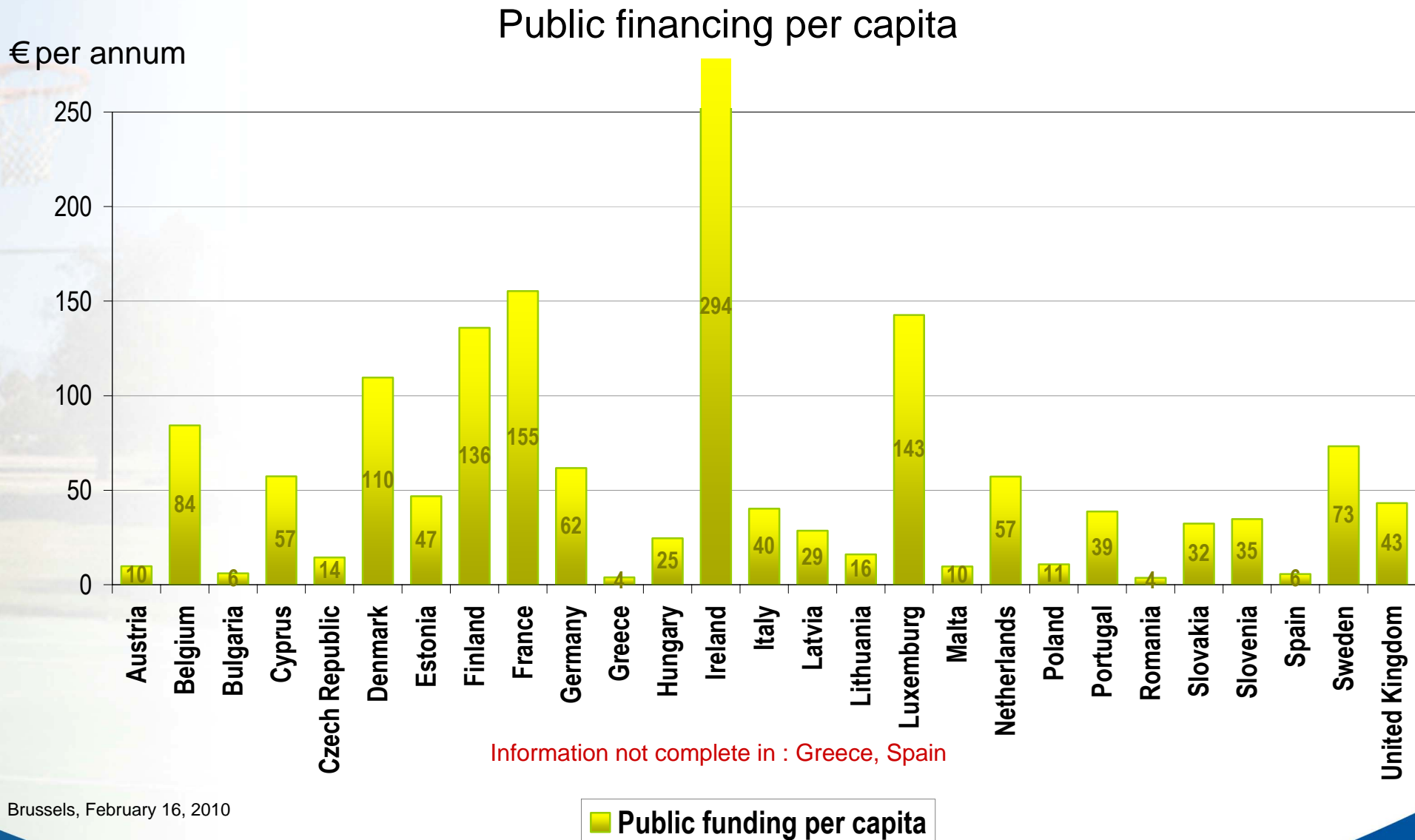
■ Monetized contrib of voluntary work per capita

Lotteries are important contributors in Denmark, Finland, Greece, Ireland and Sweden

Contribution of the lotteries to the financing of sports, per capita
€ per annum

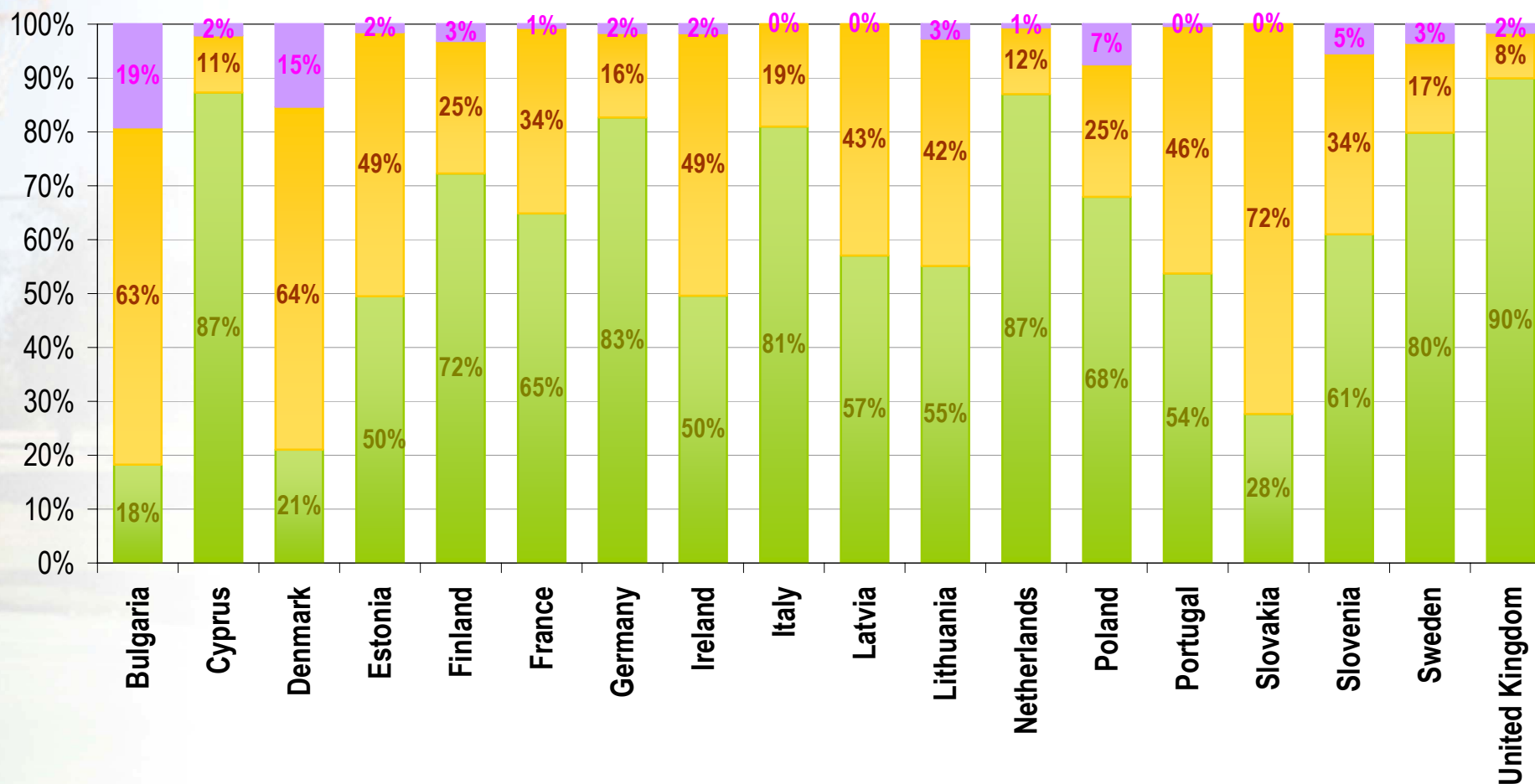


Public funding is an important source of revenue in Denmark, Finland, France, Ireland and Luxembourg



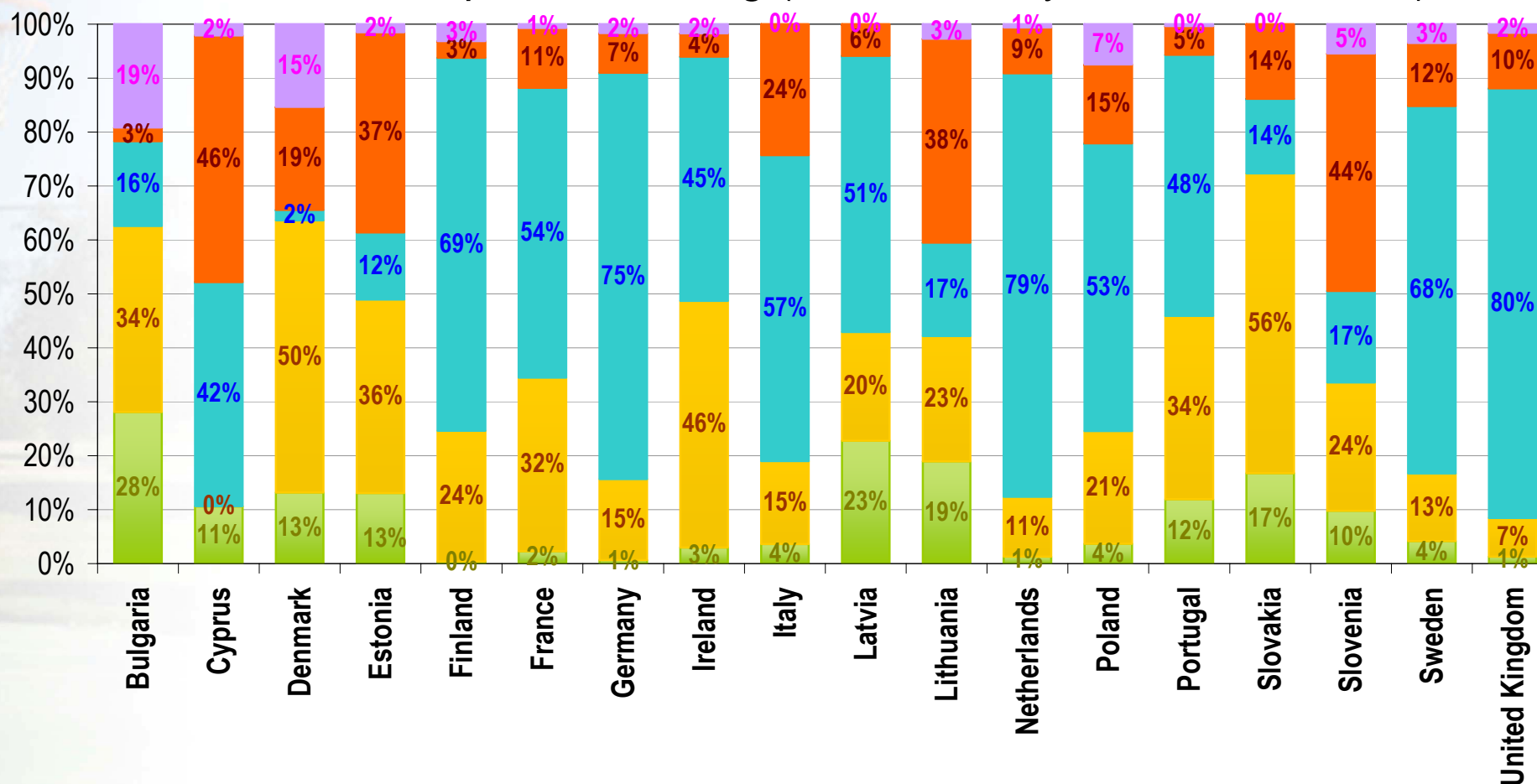
As a result, the share of funds from private and public sources varies significantly across Member States

The structure of monetary contributions to sports' funding (excl voluntary work)



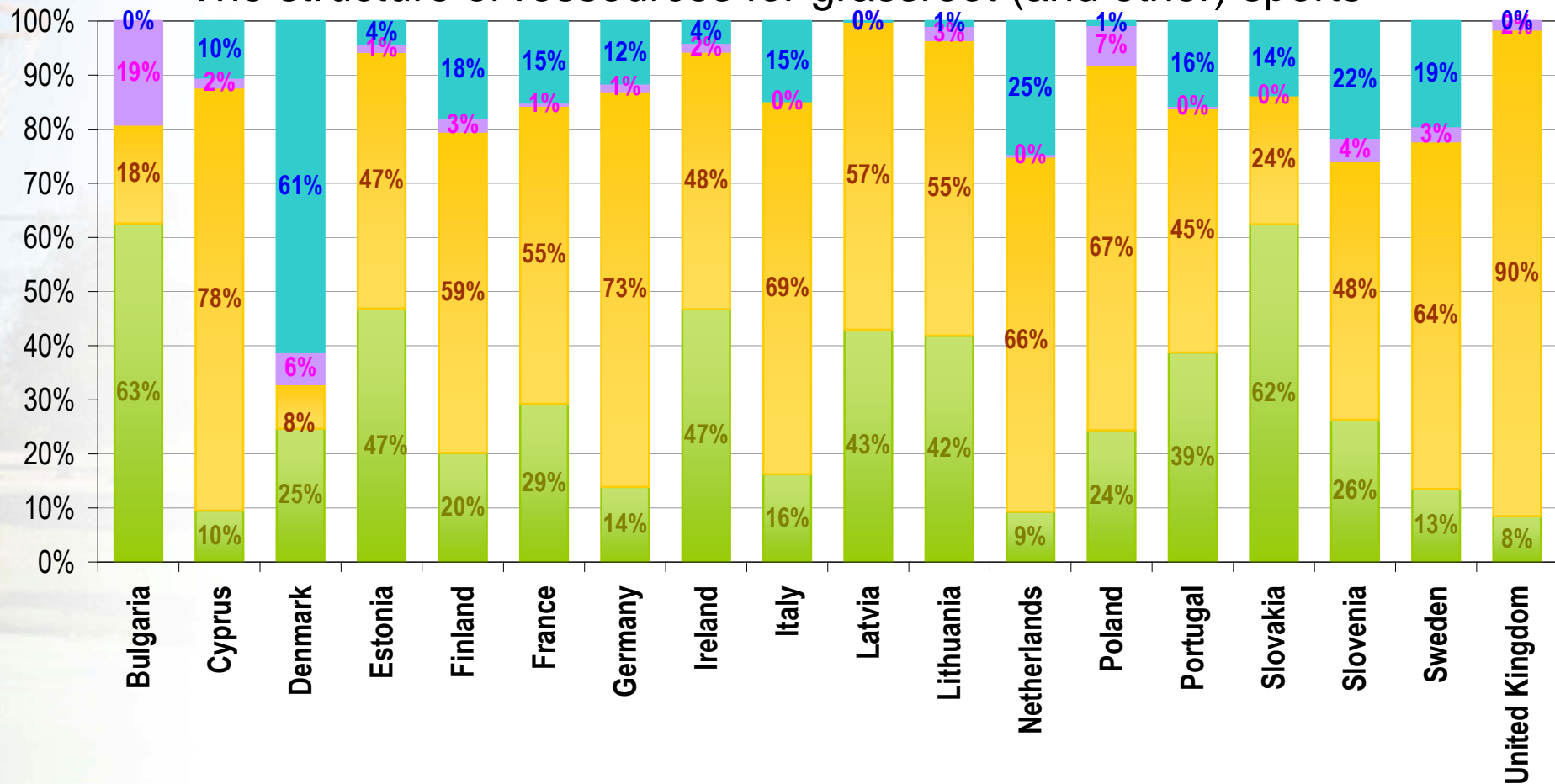
For many countries, the contribution of members represents more than half the total revenues

The structure of sports' financing (excl voluntary work contribution)



Voluntary work is an important resource in several countries, notably in Northern Europe

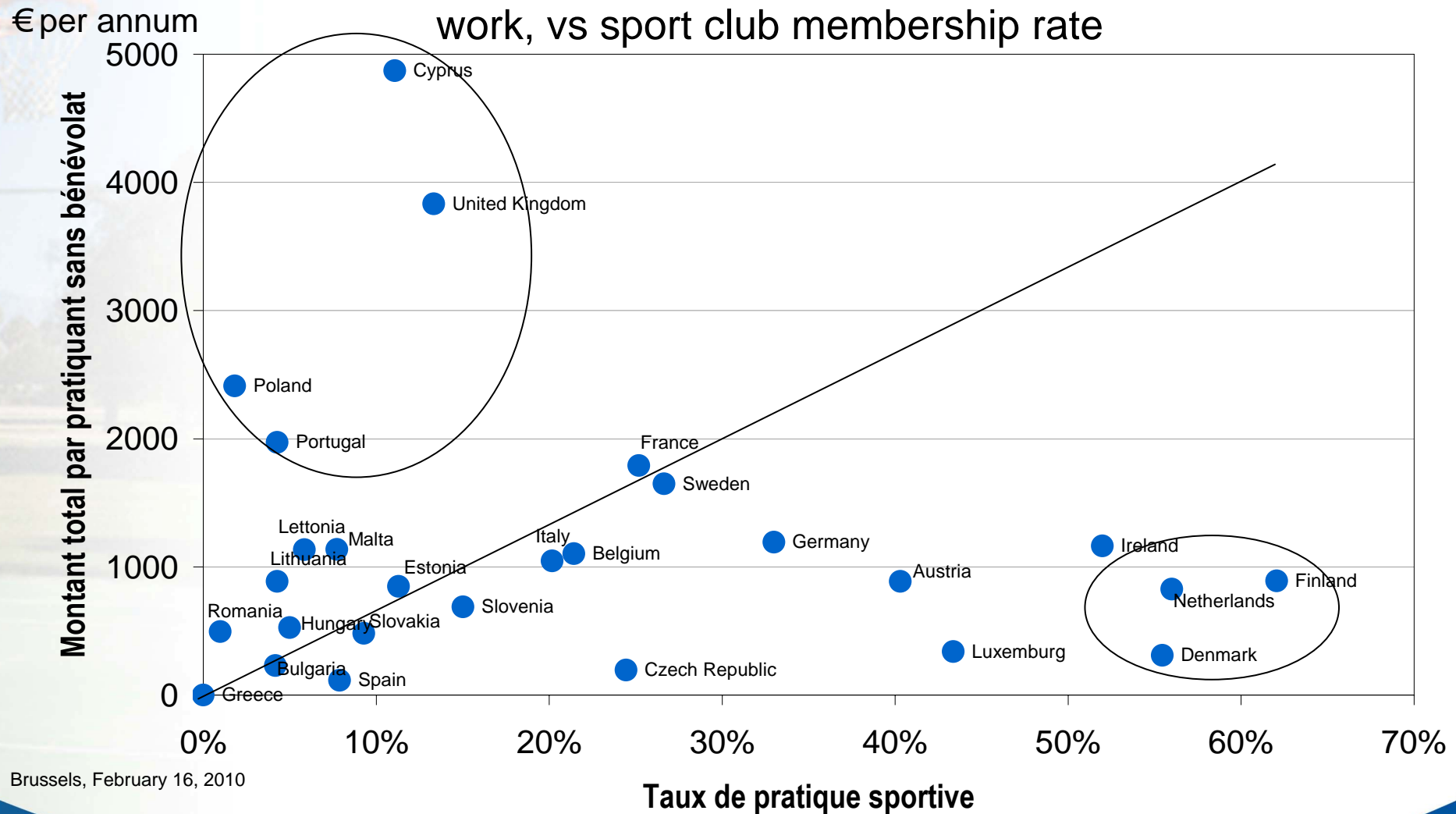
The structure of resources for grassroots (and other) sports



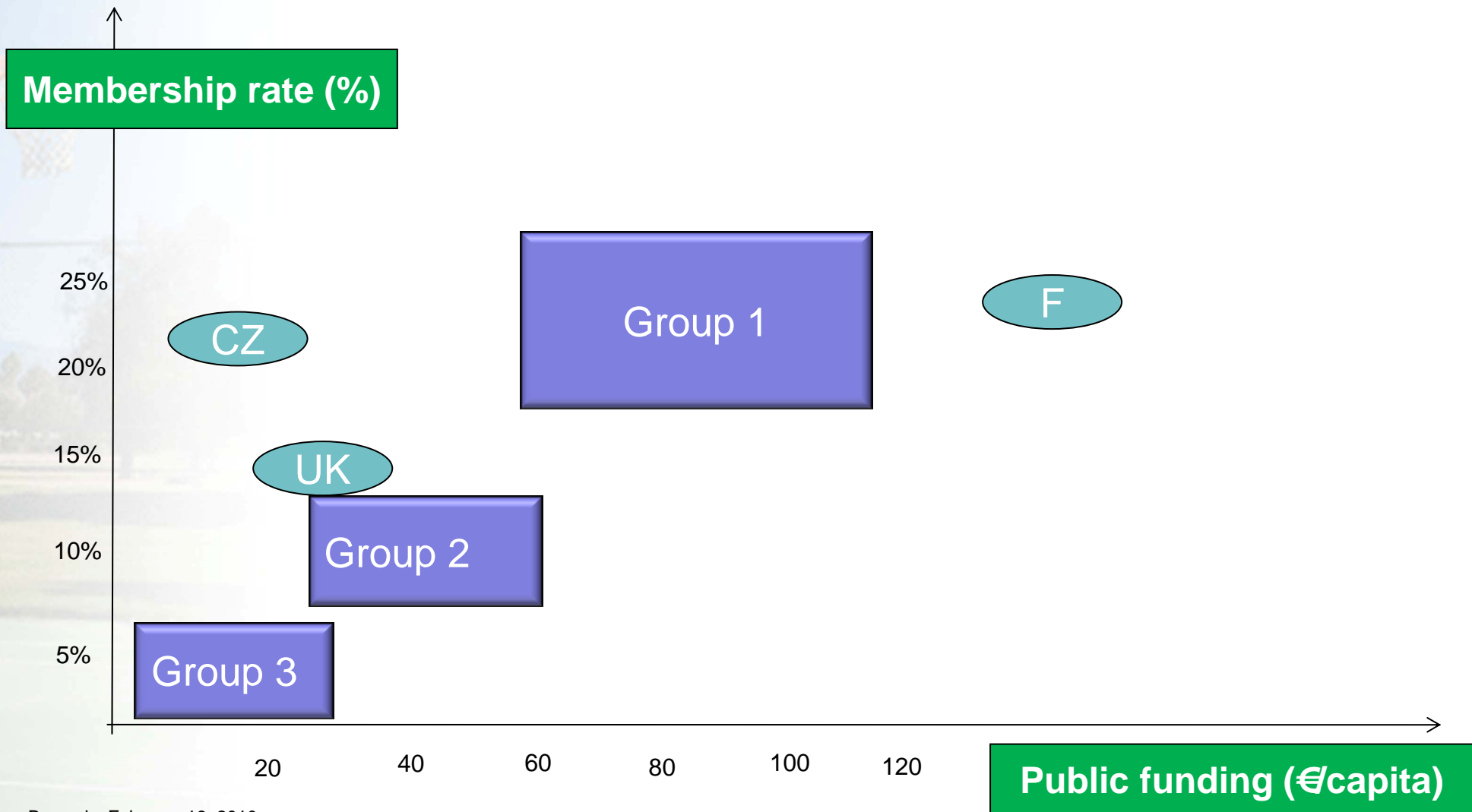
■ % public y/c bénévolat
 ■ % privé y/c bénévolat
 ■ % loteries y/c bénévolat
 ■ % bénévolat

The link between the amount of funding per practitioner and the practice rate is weak

Average amount of funding per practitioner, excl. the monetized value of voluntary work, vs sport club membership rate



Three key funding models, plus a few outliers, can be identified, based on the level of public funding and the practice rate



The Northern European model (Scandinavia-Germany-The Netherlands)

High level of public funding
• More than €70 € per capita
• High share of grassroots sports & infrastructure funding

Household expenditures on sport > € 200 per capita

Decisive role of the lotteries in the Scandinavian countries (€15 per capita)

Less in The Netherlands and Luxembourg

Key contribution of volunteers
• More than 6 volunteers per 100 inhabitants
• Equivalent to more than €100 per capita

High sport participation (>25%)

**100 members or more / club
25 volunteers/club**

The Southern European model (Italy, Portugal, Spain)

Public financing :

- About €40 per capita

Significant funding for professional and elite sport :

- part of lottery funding to Professional league in Spain,
- important share of State funding to high level in Portugal and Spain

Average level of income → average expenditure on sport

Voluntary work : less than 2% among population

Low rate of sports participants (with membership) in the population (around 10%)

30-50 members/clubs

The Eastern countries' model

Low public financing : (<€20 per capita) but more important than private

Funding of federations and elite sport as the main destinations of public funding

Low level of income → low households sport expenditure (less than €10 euros per capita)

Less than 1% of the population involved in volunteering

Internal systems of solidarity :

- among the multisports clubs
- in the professional leagues

Less than 3% of sport participants

Less than 30 participants per club
5 volunteer or less / club

Other specific models : UK

Average public direct financing : € 40 / inhabitant, mainly private funding, low State participation

High sport expenditure of household : €400 / inhabitant, including 50€ for participation

National Lottery support based on project funding

- €500 mil per year (annual average) for sport,
- 76% dedicated to grassroots sport (but the share is decreasing)

Umbrella organization dedicated to recreation sport (CCPR)

Financing by professional sport :

- Football foundation : €44 mil/year (about €7 mil by Premiership)
- Premier League 4 Sport : €4.2 mil for tennis table, badminton, judo and volleyball

16% of sport participants in clubs

Other specific models : France

High public direct financing : €155 / inhabitant

Sport expenditure of household : €240 / inhabitant, less than in Scandinavia

Dedicated structure (CNDS) to manage funds from Lotteries and from professional sport (financing defined by the Law) : €240 mil

Above average voluntary work : 4.3 volunteer for 100 inhabitants, 16/clubs

25% of sport participants

Other specific models : Czech Republic

Low public direct financing : €20 / inhabitant

Low sport expenditure of household : €30 / inhabitant,

Lottery owned by sport federation

High voluntary work : 4.4 volunteer for 100 inhabitants, 30/clubs

24% of sport participants in clubs

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The future challenges

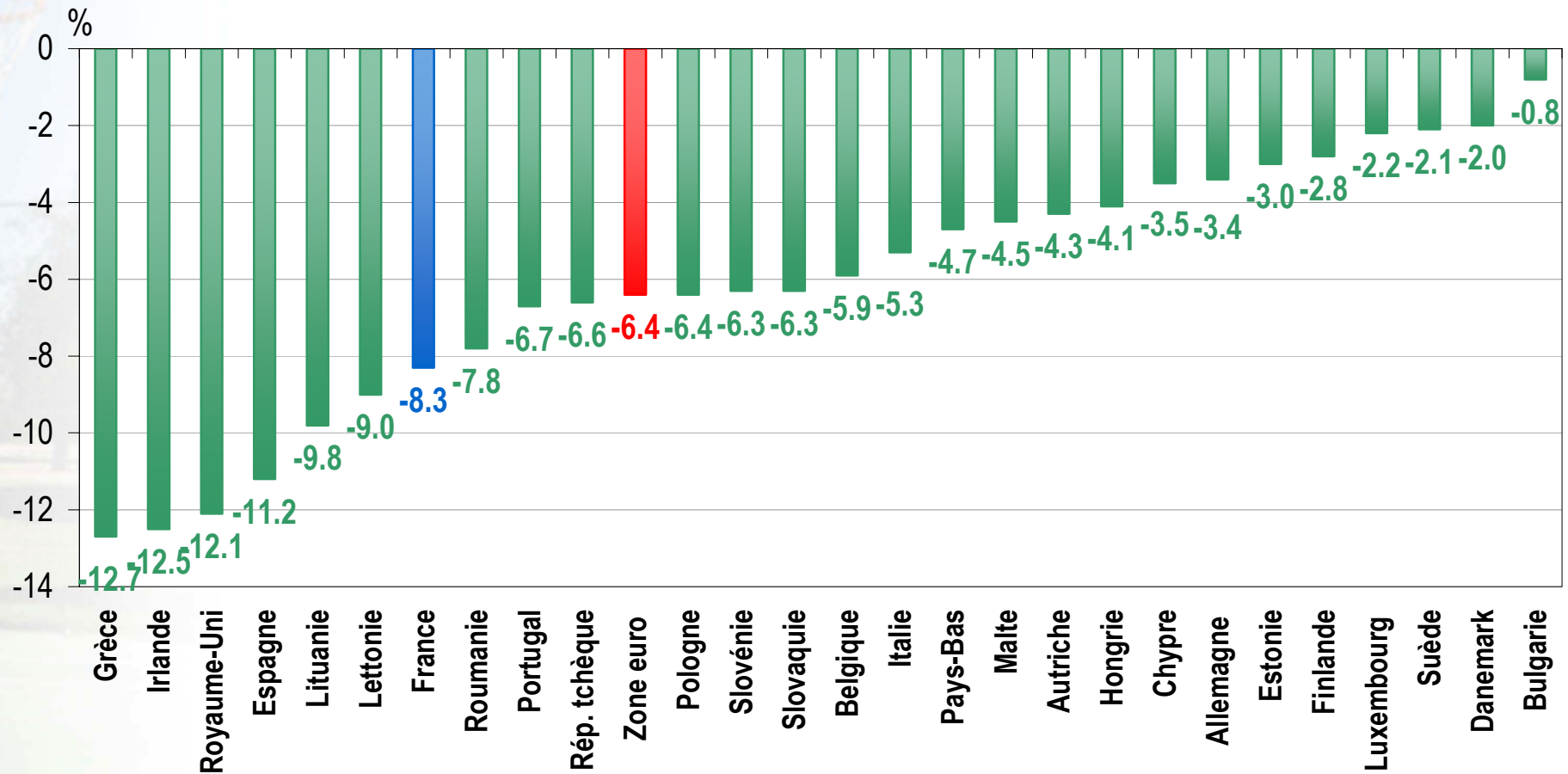
- Demographic trends and their impact on volunteer work
- The public sector financial situation in the EU
- The regulatory framework and the future orientation of public policies
- Future trends in sponsorship and other private revenue sources
- The impact of rising environmental concerns
- Need to reinforce the link between grassroots sport, high level sport and « high visibility » sports

Demographic trends and their consequences on voluntary work

- The ageing process will put a burden on social security and health budgets; the practice of sports by all age groups can help to limit the rise in costs, by ensuring that quality of life remains high through old age
- Ageing and low demographic growth in Europe, along with the rise in the average retirement age, may also reduce the amount of hours available for voluntary work in sports' activities
- The same effect would result from an upward trend in the average work-week, in a break from past trends
- Yet, ageing may not necessarily have a negative: a greater proportion of professionally inactive (retired) people might become volunteers. Furthermore, there is a gender dimension in the practice of volunteer work in the sports' area
- The public sector will not be able to convert the hours offered by voluntary workers into salaried work
- In countries where voluntary work is widespread, will the next generations have the same level of civil engagement as their elders ?

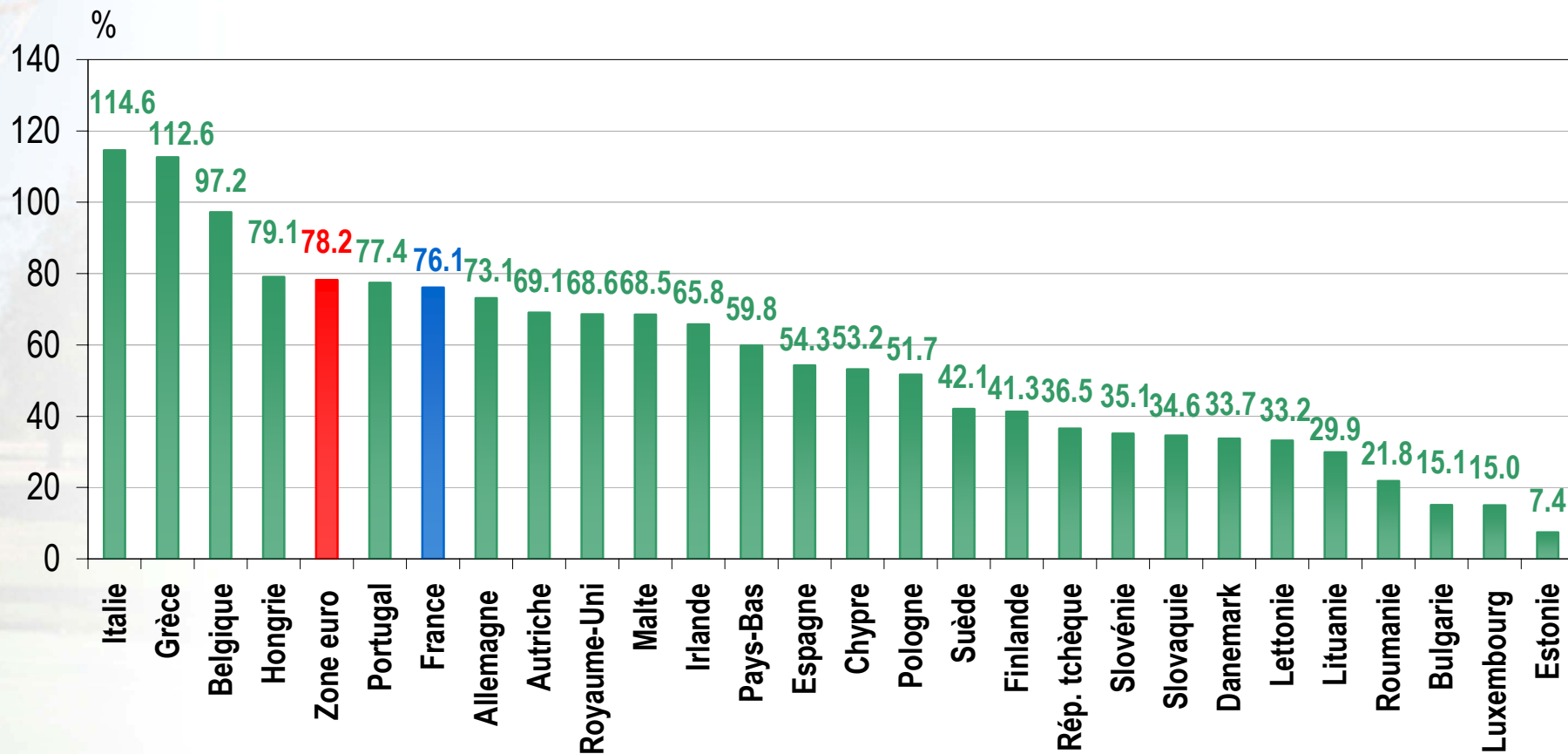
Budget resources will be limited in the coming years. The huge deficits will need to be corrected ...

Déficit public en 2009 (en % du PIB)



In several EU Member States, the share of the public debt in GDP is a major source of concern

Dette publique brute en 2009 (en % du PIB)



Future orientation of grassroots sports' policies

- The allocation of public funding will need to take into account the key sources of financing, and at the same time ensure a balance between :
 - ▶ National programmes aimed at developing grassroots sports
 - ▶ Funding by sport discipline, aimed at impacting the development of the discipline (mainly through the funding of federations)
 - ▶ Local funding, dealing with public policies issues: social, economic or environmental aims : social inclusion, health, spatial planning
- There are two ways of implementing public funding:
 - ▶ Calls for proposals (United Kingdom, development in Finland, Lithuania for dedicated funds)
 - ▶ Subsidies, mixing competitive and social objectives

With public sources of financing becoming scarcer, there is a risk to a « fair » allocation of funds

- Private financing sources tend to privilege certain disciplines
- There is also a risk of privileging certain countries
- The regulatory environment can itself be a cause of distortion
- One should assess the risk of creating « orphan » sports, and under-funded member states

The future challenges

- Demographic trends and their impact on volunteer work
- The public sector financial situation in the EU
- The regulatory framework and future orientation of sports' policies
- Future trends in sponsorship and private revenue sources (including households)
- The impact of rising environmental concerns
- Need to reinforce the link between grassroots sport, high level sport and « high visibility » sports

Key issues for individuals / sports practitioners

For individuals, key issues are :

- The conditions of access to sports' practice
 - Depends on the level of income, and cost per practitioner
- The importance of voluntary work : will the trend continue ?
- How should one value the contribution of sports to health ?
 - ▶ One already finds interesting practices such as the financing of sport by health insurance companies in some countries

The impact of rising concern for the environment ?

- The impact of sports on the environment and on climate change needs to be acknowledged, and taken into account where needed :
 - ▶ Increase in the cost of transport and mobility related to the rise in fuel prices, and the prospect of carbon taxes
 - ▶ Should the competition programmes change in order to reduce the length and frequency of travel ?
 - ▶ Should the federations systematically calculate their carbon effect in order to anticipate future costs (as presently do the fencing and football federations) ?

Other issues

- Future trends in sponsorship
- Need to reinforce the link between grassroots sport, high level sport and « high visibility », popular, sport (« sport events »)
 - ▶ The high rates of practice allow to discover talents for high level sports, but also induces a higher interest for sports events, and raises consumption of sporting goods

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Thank You