

## **THE PROBLEM OF STATE FINANCING OF SPORTS IN BULGARIA**

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### **ABSTRACT**

*The problem of financial support is one of the most significant issues of the Bulgarian sports organizations nowadays. Without underestimating other factors as staff, informational, scientific, medical and all other kinds of support, it should be stressed that good financing is the base on which the system of sports can build and develop effectively, so that it can satisfy the needs of society.*

*The economic significance of sports for the citizens of any developed country is in direct connection to the sources and mechanisms of its financing. In such countries financing is executed mainly by: tied financing from the state, including municipality budgets; sponsorship and donation; television and advertising rights; prizes for participation in competitions; transfer of players, trainers and sports methodology (know-how); ticket sale; renting sports facilities and organizing sports events; sports services; membership fees; fines and sanctions; participations in programs and development of projects; investments and interest from deposits; stocks and trade activity of the professional sports clubs – joint-stock companies.*

*Undoubtedly, one of the most significant sources of financing relies on state support. In our country there are some serious problems with that type of support.*

*State support aiming at sports financing in Bulgaria is oriented in three main directions.*

*The first direction consists of the tied support for physical education and sports from the republican budget which is spent through the budget of the state institution for sports management. These resources include finances from its own incomes together with money from its collecting accounts.*

*Keywords:* sport, sports financing, program “Sports for students”.

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### **INTRODUCTION**

The problem of financial support is one of the most significant issues of the Bulgarian sports organizations nowadays. Without underestimating other factors as staff, informational, scientific, medical and all other kinds of support, it should be stressed that good financing is the base on which the system of sports can build and develop effectively, so that it can satisfy the needs of society.

The economic significance of sports for the citizens of any developed country is in direct connection to the sources and mechanisms of its financing. In such countries financing is executed mainly by: tied financing from the state, including municipality budgets; sponsorship and donation; television and advertising rights; prizes for participation in competitions; transfer of players, trainers and sports methodology (know-how); ticket sale; renting sports facilities and organizing sports events; sports services; membership fees; fines and sanctions;

participations in programs and development of projects; investments and interests from deposits; stocks and trade activity of the professional sports clubs – joint-stock companies.

## **DISCUSSION**

Undoubtedly, one of the most significant sources of financing relies on state support. In our country there are some serious problems with that type of support.

State support aiming at sports financing in Bulgaria is oriented in three main directions.

The first line consists of the tied support for physical education and sports from the republican budget which is spent through the budget of the state institution for sports management. These resources include finances from its own incomes together with money from its collecting account.

In accordance with article 58 of the Law for Physical Education and Sports [3] the sources from the state's budget are meant to finance activities related to: development and modernization of sports facilities of national interest; scientific and applied activities in the area of sports; medical and doping testing; activities from the national program for development of physical education and sports, etc. Article 59a states that the budget of the state's institution for sports management (SISM) finances some additional activities such as: its own maintenance; oriented programs and projects in school and university sports; sports for everyone; support for medalists in international forums; support of gifted children and youth, etc. In addition, these funds together with the income from the Bulgarian sports lottery assist (according to article 59a, line 2 from the Law for Physical Education and Sports): activities of licensed sports organizations; preparation and participation of Bulgarian sportsmen in international competitions and Olympic games; ensuring monthly support for Olympic medalists, who have finished their active sports career; organization of competitions, etc.

A serious line of financing from the budget of SISM in Bulgaria is the program for Olympic preparation. An indicative example for this is the financing of our sportsmen for participation in the Athens 2004 Olympic games. In 2001 SISM planned its budget so that it would be possible to direct a significant financial

amount for individually oriented Olympic preparation. A large part of these resources have been granted to 114 sportsmen and their trainers who have professional status and salaries of about 200 to 500 BGN. Twelve sports federations – those of wrestling, track-and-field athletics, boxing, biathlon, rowing, judo, weight lifting, short-track, kanu-kayak, sports shooting, and sports and rhythmic gymnastics, received 5 million BGN by the Olympic program plus another 2 million BGN for development of each sport. The other 64 federations and unions received a total of 4 million BGN, and 1153 licensed sports clubs were given 4.7 million BGN [13, 14].

The funds that our state disposes for development of sports are in general not sufficient for accomplishing its social mission. The amounts planned in the budget of SISM through the years are dozens of times less than in other European countries when compared to the gross domestic product.

For instance, in 2005 the Ministry of Youth and Sports planned to spend 33 009 400 BGN (state budget plus collecting account) which amounts to 0.08 % of the gross domestic product. Or, as inaccurate as this can be, this was 4.23 BGN per capita per year. That indicates a strong misunderstanding and underestimating of the role of sports in the modern Bulgarian society.

Table 1 demonstrates that in 2005 the ministry planned to execute expenses in four main lines, called "policies" ([10; 13]). For "Policy in the area of sports and social tourism" 9 873 600 BGN were planned which is 66.3 % of the value planned for "Policy in the area of high sports achievements" (14 896 400 BGN). A more detailed analysis shows that these 9 873 600 BGN were planned to cover two sub-lines, called "programs": "Child-youth sports" – 9 390 800 BGN and "Sports for everyone" – 482 766 BGN. However, 3 120 566 BGN (or 31.6 %) were administrative expenses of the state's organ and the other 6 753 034 BGN (68.4 %) – for basic activity. That equals to 0.87 BGN per capita per year.

What concerns "Policy in the area of high sports achievements", the amount for administrative expense of the state regulator sustained is a significantly smaller amount, 742 430 BGN (5 %) of the total sum, as 14 126 970 BGN were planned for basic activity (95 %). A comparison of the amounts for basic activity shows that the money for sports for everyone and social tourism was 47.8 % of the amount for the elite sports.

Table 1. Review of the sources of financing divided into policies for 2005 (in thousand BGN).

Policies and programmes	Total financing	Republican budget support	Own income	Collecting account
Total expenses	33 009.4	11 609.4	1 400.0	20 000.0
1. Youth directed policy	1 587.9	1 587.9	-	-
2. Sports and social tourism directed policy	9 873.6	3 981.6	150.0	5 742.0
2.1. Program “Child and youth sports”	9 390.8			
2.2. Program “Sports for everyone”	482.8			
3. High sports achievements policy	14 869.4	3 362.4	249.0	11 258.0
3.1. Olympic preparation	5 148.6			
3.2. High sports achievements	9 720.8			
4. Policy for setting sports locations and facilities to the international standards	4 315.6	580.6	735.0	3 000.0
5. Administration	2 363.0	2 097.0	266.0	-

The government's misunderstanding and underestimation of the sports for everyone, and particularly children and youth sports, is demonstrated by another example. For the Athens 2004 summer Olympic games, the ministry of sports confirmed a state grant of 100 thousand BGN for gold medal achievement. The problem of the system of sports, however, is clearly seen when analyzing the government decision No 129 in validity from January, 1<sup>st</sup> 2001. In accordance with it, the minimum differentiated amounts of money for physical education and sports from the state and municipality budgets were estimated to 1 BGN per child from the kindergarten and 1.5 BGN per student in school or university, and serviceman, per year. In this way, the state equalized a golden Olympic medal (without taking into account the resources for its achievement) to the funds needed for the physical education and sports of 100 000 children from the kindergartens or 66 667 school or university students or the same number of servicemen. Although at the beginning of 2006 this governmental decision was actualized and the amounts were doubled, they still were highly insufficient.

As a matter of fact, a misbalance of this kind concerning the state financing of the sports for students and everyone in comparison to the elite sports in Bulgaria, is also evident in the expenses of SISM made in 2009 – the former sustain about 50 % of the money for high sports achievements (Table 2), [4]. The situation in 2010 is even worse, as this will not allow the aim of

the physical education and sports in the Republic of Bulgaria stated under article 2, line 1 in the Law of Physical Education and Sports, to be even partially fulfilled, namely “The aim of physical education and sports is to improve the health and physical development of the nation via systematic activities with physical exercises and sports for all ages”.

In comparison, according to data from 1999, in Austria the ratio of financing on federal level was 50.1 % for high sports achievements and 49.9 % for mass sports [2]. In the Cyprus state financing of high sports achievements sustains 11.8 %, in Poland – 27 %, in Romania – 58.7 %, in the Czech Republic – 48.5 %, in Spain – 49 % and in Slovenia – 30 %. In Switzerland the high sports achievements are not financed by the government.

As a matter of fact “The program format of the SISM 2010 budget” [11] provides state financing directed towards the following policies and programs:

- Policy in the area of student sports and free-time sports
  - Program “Sports for students”*
  - Program “Free-time sports”*
- Policy in the area of high sports achievements
  - Program “Olympic preparation”*
  - Program “High sports achievements”*
- Policy for setting sports locations and facilities in accordance with the modern international standards
  - Program “Sports locations and facilities”*

Table 2. State Agency of Youth and Sports budget expenses made on programmes in the frame of the supported expenses divided into policies as listed in the Law of the State Budget of the Republic of Bulgaria for 2009.

Program No	Name of the programme	Amount (in BGN)
	Young people policy	2 378 755
Program 1	“Young people in action”	2 378 755
	Students sports and sports for everyone policy	5 209 682
Program 2	“Students sports” and “Sports for everyone”	5 209 682
	High sports achievements policy	12 374 759
Program 3	Olympic preparation	6 108 769
Program 4	High sports achievements	5 169 382
Program 5	“Child and youth sports”	1 096 608
	Policy for setting sports locations and facilities in accordance with the modern international standards	1 774 147
Program 6	“Sports locations and facilities”	1 774 147
	Policy in the area of European coordination and programming in youth and sports	346 034
Program 7	“Establishment of high-efficient capacity for integration of the project-programming approach in the system of youth and sports”	346 034
Program 8	“Administration”	1 787 923
	Total:	23 871 300

- Policy for integration of good practices, media support and electronic services in sports

*Program “Establishment of high effective capacity for informational services in the area of physical education, sports and social tourism”*

*Program “Administration”.*

For the execution of these programs the state budget provides 41 761 900 BGN which is significantly more than it has been in the previous years. Taking into account that SISM will ensure some own incomes and the money from the collecting account, it is clear that in 2010 Bulgarian sports could rely on at least 62-63 million BGN (Table 4). The most significant increase is on the expense of “Policy in the area of high sports achievements” (Table 3). It was planned that in 2010 all 35 sports federations to apply for program “Olympic preparation”, as about 15 million BGN were ensured in contrast to the previous year, when only 14 federations were financially supported. A serious increase is also observed in the funds for stimulation of champions of Olympic, international and European championships. The ministry has confirmed doubled monthly amounts for the medalists. The highest salary is for the Olympic champions and is 2500 BGN. International champions would get 2000 BGN and European champions – 1000

BGN. The state prize for Olympic gold in London 2012 is planned to be 200 thousand BGN.

The second line of financing is aimed to support physical education and sports from the budgets of the municipalities. According to the Law of Physical Education and Sports (article 59) municipalities are obliged to support financially: student physical education, sports and social tourism; sports for everyone; establishment and development of the municipal sports locations and facilities, etc. The municipalities may support sports clubs the governing bodies of which are located on the territory of the municipality.

If we, however, try to compare the effectiveness of the municipalities in Bulgaria to the experience of leading European countries, it is evident that the management of this financial resource is still quite underestimated and undeveloped in our country. According to the studies of V. Lilkov and B Tzolov in 2005 [14], the expenses made by the municipalities for sports are too scarce – varying from 0.40 BGN (in Sofia) to 1.96 BGN (in Pazardjik) per capita per year (Table 5). For example the budget for sports in Sofia through the years was: 2002 – 462 000 BGN; 2003 – 526 000 BGN; 2004 – 411 577 BGN; 2005 – 512 300 BGN. An yearly average of 13 % of those amounts were directed for the support of a sports administrative department at the municipality and the other 87 % - for

Table 3. Total planned expenses as divided into programmes for 2010 (project).

Name of the programmes	Total planned expenses (in thousand BGN)
Program 1. Students sports	2 803.2
Program 2. Free-time sports	3 944.8
Program 3. Olympic preparation	18 343.5
Program 4. High sports achievements	33 498.4
Program 5. Sports locations and facilities	2 117.0
Program 6. Establishment of high effective capacity for informational services in the area of physical education, sports and social tourism	619.0
Program 7. Administration	1 435.7

Table 4. Description of the financial sources in the Program format of the Ministry of Youth and Sports 2010 budget.

Sources of financing of the consolidated expenses	Annual report 2008 (thousand BGN)	Law 2009 (thousand BGN)	Revised budget 2009 (thousand BGN)	Project 2010 (thousand BGN)	Prognosis 2011 (thousand BGN)	Prognosis 2012 (thousand BGN)
Total expenses:	68 368.6	44 871.3	40 727.8	62 761.9	64 376.0	69 191.2
Total financing:	68 368.6	44 871.3	40 727.8	62 761.9	64 376.0	69 191.2
Own income	555.9	777.2	777.2	777.2	651.6	647.6
Republican budget support	42 238.1	23 094.1	18 950.6	40 984.7	42 724.4	47 543.6
Collecting account	25 305.4	21 000.0	21 000.0	21 000.0	21 000.0	21 000.0
Transfers between budget accounts	- 3 834.2					
Non-recourse finance	4 291.7					
Deposits and accounts – net value	- 188.3					

financing of projects for sports, youth activities and tourism. Between 2000 and 2004 420 000 BGN of these resources were used for renovation of sports playgrounds.

In many of the municipalities in Bulgaria the local government has not precised the terms of sports financing because of the lack of developed programs. This is in a conflict with the national strategies and programs for development of the physical education and sports in the Republic of Bulgaria [8, 9]. According to these documents it is clear that the municipalities and the regional administrations are among the main subjects of the national system of sports.

For example, in countries such as Spain, Italy, Germany and France the sports budget of the local administrations is over 1 billion USD according to 1990 data [5]. In these countries the ratio of resources for

physical education and sports, acquired from the municipalities and as oriented funds from the state budgets is from 3.2 to 1 to 1.2 to 1 [5, 7]. An average of over 40 % of the budgets of the sports clubs are accumulated from the municipalities, 20 % - from the state, 30 % - from other sources and 7 % from sponsors.

In these countries volunteer work is highly developed, which in fact is an indirect investment in sports and saves a large amount of money.

The third line of financing encompasses the resources from the budgets of the different ministries and administration units. They are mainly oriented towards stimulation of physical education and sports inside the structure in question. The funds from external sources, such as international sports organizations, international contracts, projects and programs, also fall

Table 5. Sports-directed finances of some Bulgaria municipalities for 2005.

Municipality	Number of citizens	Sports finances (BGN)	Sports finance as a fraction of the total budget (%)	Staff support (number of employees)	Sports program
Sofia	1 250 000	512 300	0.11	6 permanent staff + experts	Yes
Pazardjik	127 287	250 000	0.68	3 permanent staff	Yes
Sevlievo	42 728	76 570	0.75	-	Yes
Targovishte	64 762	78 353	0.51	2 permanent staff	Yes
Ruse	180 344	240 000	0.45	-	Yes
Dupnitsa	51 161	63 580	0.60	1 permanent staff + 3 temporarily employed	Yes
Kotel	21 492	29 855	0.50	2 permanent staff	No
Suhindol	3 250	6 694	0.49	1 permanent staff	No
Hadjidimovo	10 830	none	-	none	No

into this line of financing, as well as resources from the European Union structural projects which, however, we put in use at a very slow rate.

Note. In 2005 the Ministry of Youth and Sports was restructured into State Agency for Youth and Sports. In 2009 the latter was again restructured into a ministry – the Ministry of Physical Education and Sports (MPES).

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