# INNOVATIONS IN SPORT FINANCING IN THE SLOVAK REPUBLIC

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**Abstract:** Sport is an important social phenomenon that promotes social and cultural values such as peace, respect for human rights, solidarity, and mutual understanding between nations and cultures. At the same time, sport is also an important economic reality. Therefore, the funding of sports is an important priority, and, in addition to the above-discussed benefits, it also brings economic benefits. The basic goal of the present study is to provide an overview of the financial mechanism and to discuss the sources of funds for sporting events in the Slovak Republic. The funds from the State budget allocated for sporting activities in the form of contributions to recognised sports, subsidies and contributions to a national sports project are described in detail for its implementation. Furthermore, pre and post Covid-19 pandemic sports legislation in Slovak legislation were compared. At the same time, these new legal regulations were compared and interpreted from the context of the legal orders of the Slovak Republic.

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## Introduction

Sports events help to prevent diseases, thereby improving health and quality of life. At the same time, it is also an important economic reality.

The funding of sports is, therefore an important priority, and in addition to the above-mentioned societal effects, it also brings economic benefits. According to the European Parliament resolution Integrity and good governance in sport, "sport represents a significant and fast-growing sector of the EU economy and makes a valuable contribution to growth, jobs and society, including at local level, with value added and employment effects exceeding average growth rates; whereas sport-related employment has been estimated at equivalent to 3,51 % of total EU employment, and the share of sport-related gross value added at EUR 294 billion (2,98 % of total EU gross value added" (Official Journal of the European Union, 2017).

In 2009, the Lisbon Treaty entered into force; according to its Article 165, the European Union can coordinate sports policies supported by a specific budget line within the European Union budget. It develops international cooperation in sports field while respecting the autonomy of international and national sports organisations (Official Journal of the European Union, 2016).

The European Parliament regularly addresses the effective management of public funds for sports. For e.g., in 2013, the European Parliament was presented with a report by the European Union Expert Group on "the Principles for Good Governance in Sport in the European Union", and in 2016 it was presented with a report on the Grassroots Sport "Shaping Europe by the High-Level Group on Grassroots Sport", and in June 2016 it was presented with a report on the "Sports Diplomacy by the High-Level Group".

Sport is a priority in the Slovak Republic. The State budget predominantly funds it. The Sports Act has been in force since 2015, constituting the preconditions for an efficient, effective, and fair allocation of public funds to sports organisations. It is performance based quantitative indicator for the achievements of athletes in sports organisations.

The study aims to present an overview of the public funding of sports in the Slovak Republic, namely the the financial mechanism and public and private sources of funds. The sub-objective of the paper is to present the changes introduced in the sports legislation during the COVID-19 pandemic and to compare it with the legislation adopted prior to this period.

The hypothesis of the study is that during the outbreak of COVID-19 pandemic, the top-management approved the sports legislation using fast-track, and adopted measures in many cases had unsystematically developed content and are in conflict with other legislations of the Slovak Republic.

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The research problem of the study is to analysis of sport financing and the sports legislation in the Slovak Republic.

**Sources of Funding for Sports**

The public authorities finance the sports in the in the Slovak Republic from public funds earmarked for sports activities.

According to Act No 575/2001 Coll. on the organisation of government activities and the organisation of central state administration (Competence Act), the Ministry of Education, Science, Research and Sport of the Slovak Republic is the central state administration body for:

- nursery schools, primary schools, secondary schools, primary art schools, language schools and universities;
- school establishments;
- lifelong learning;
- science and technology; and
- state care for youth and sport.

According to Article 2 of Act No 523/2004 on the financial rules for the public administration and the amendment of certain laws, public funds include the funds of the State budget, the European Union, and the levies collected by the European Union. According to the generally binding legislation of the Slovak Republic, these public funds are subject to public control by specialised bodies of the State, and these funds are also subject to clearance by the State budget.

Sports in the Slovak Republic are regulated by Act No 440/2015 Coll. on sports. The Act on Sports encourages the public interest in sport, which is "the promotion and development of youth sport, ensuring the preparation and participation of the Slovak National Sports Team in major competitions, the protection of the integrity of sport and the promotion of a healthy way of life for the population." (Ministry of Education, Science, Research and Sport of the Slovak Republic, 2015).

"Its comprehensiveness in the legal regulation of sport by defining the concepts and processes in sport marked a significant positive step for the future of Slovak sport and also the legal certainty of professional athletes and their "employers" – sports clubs. This Act also deals with the economic problems of sports in the country. The draft legislation defined the entry of other entities into the financing of sport, namely private sector entities" (Asványi et al., 2020).

The sources of funding for sports from the State budget are:

- Funds from the approved State budget in the budget chapter of the Ministry of Education;
- Funds from the tax levied on the operation of lottery games to the State budget each year;
- Funds from the State budget earmarked for a contribution to a national sports project;
- Funds from the approved State budget in the budget chapter of the Ministry of Defense;
- Funds from the approved State budget in the budget chapter of the Ministry of the Interior;
- Funds from the approved State budget provided through the Fund for the Support of Sports;
- Approved state funds provided through the Plenipotentiary of the Government of the Slovak Republic for Youth and Sport.

In addition to the funds of the State budget chapter of the Ministry of Education, Science, Research and Sport of the Slovak Republic, other sources include the revenue from lotteries to the State budget and the funds earmarked for sports projects. In addition to these State budget funds, sports entities may also have other direct and indirect sources of funds in the form of monetary or in-kind contributions to their budget.

According to the Sports Act (Ministry of Education, Science, Research and Sport of the Slovak Republic, 2015), a sports organisation, recipient of public funds is obliged to get its annual accounts and report audited under specified conditions. The eligibility conditions for funding under sports act comprise the receipt of public funds in the accounting year exceeding 250,000 € by the sports organisation, or the total income (public and private funds) of the sports organisation in the accounting year exceeding 800,000 €.

**Forms of Public Funding**

According to the Sports Act, public funding is provided from the State budget as per the established rules. Structural funds are mainly granted for sports infrastructure through projects. The recipient of

funds from the State budget is obliged to publish information on the receipt and use of the funds from the State budget on an ongoing basis within a specified time unless it keeps the receipts and expenditure of the funds from the State budget in a separate bank account. The State budget allocator verifies whether the applicant or the sports organisation is eligible to be a beneficiary of public funds, particularly whether it is a recognised sport.

A sport recognised by international sports organisations like International Olympic Committee, international sports organisation: SportAccord, International Paralympic Committee, International Committee of Sports for the Deaf or International Special Olympics Movement is considered as a recognised sport in Slovak Republic. A sports grant is a financial support for a sports activity recognised by the national sports federation eligible to receive public funds and has applied for the grant.

The State budget resources earmarked for sports activities shall be granted in the form of:

- a contribution to a recognised sport;
- subsidies;
- a contribution to a national sports project.

The percentage of financial support allocated to a recognised sport from the state budget is calculated on the basis of its performance, popularity (domestic and foreign), and the membership term up to 23 years. The Ministry of Education, Science, Research and Sport of the Slovak Republic shall annually publish the percentage of public funds allocated to the recognised sports for the following calendar year. The Government shall establish the percentage of the weights assigned to the sports achievement and the domestic and international popularity of the sport in the formula to calculate financial support. At the same time, it will also establish the methodology for calculating the contributions to the recognised sport, including the maximum possible year-on-year variations in the contribution, the maximum percentage of the contribution, and the minimum value of the contribution to the recognised sport (Ministry of Education, Science, Research and Sport of the Slovak Republic, 2015).

Subsidies for sports activities are funds provided through the budget of the Ministry of Education, Science, Research and Sport of the Slovak Republic (Table 1). Subsidies may be provided for the promotion and development of sport for all, top-level sport, and sport for the disabled, the construction, modernisation, and reconstruction of sports infrastructure, tourist routes, and the promotion of good governance in sport.

The contribution to the national sports projects comprises the funds provided through the budget of the Ministry of Education, Science, Research and Sport of the Slovak Republic.

The national sports projects under the Sports Act (Ministry of Education, Science, Research and Sport of the Slovak Republic, 2015) include the projects for the construction, modernisation, and reconstruction of the sports infrastructure of national importance, projects for the sport for all focusing youth, projects for the organisation of a major sports competition or participation in a major sports competition, covering preparation for such a competition, tasks of public interest, and mitigation of the consequences of any emergency for the entire territory of the Slovak Republic.

Table 1: Allocation of funds in sport 2017/22 (in thousands euro)

| National program for the development of sports in the Slovak Republic | | | | | Sports Support Fund |
|---|---|---|---|---|---|
| year | recognized sports[a] | national sports projects[a] | others | Total | Total |
| 2017 | 35597 | 10032 | 56264 | 101893 | - |
| 2018 | 43774 | 12582 | 11929 | 68285 | - |
| 2019 | 55465 | 12877 | 30894 | 99236 | - |
| 2020 | 55238 | 14367 | 9256 | 78861 | 32000 |
| 2021 | 55239 | 14601 | 10394 | 80234 | 55200 |
| 2022 | 57400 | 13000 | 8600 | 79000 | 31500 |

Note: [a] – non-capital expenditure

Reference: Ministry of Education, Science, Research and Sport of the Slovak Republic (2022).

The Ministry of Defense and the Ministry of the Interior of the Slovak Republic fund the sports activities of top training centres running under these ministries for e.g., DUKLA Military Sports Center in Banská Bystrica and the Police Sports Center.

The Sports Support Fund are earmarked for the support and development of youth sports, elite sports, sports representation of the Slovak Republic, sports for all, sports for the disabled, and especially for sports infrastructure of national importance.

The activities financed by the Plenipotentiary, Government of the Slovak Republic for Youth and Sport, focus primarily on training the Coaches for Schools project.

**Management of Sports Organisations**

Sports organisations shall have the following public and private sources of funding for their management:

- Funding from public sources;
- A membership fees;
- Sponsorship funds under a sports sponsorship agreement. Sponsorship may take the form of direct and indirect monetary or non-monetary benefits, not only for the sports organisation but also for an athlete and a sports professional;
- Other income of a sports organisation from other sports activities .

Membership fee is monthly or annual contributions from the members of the members of a sports organisation for using its sports facilities. Membership to a sports organisation is based on a contract for the professional perfomrance of sport. Performance of sports sport for the sports organisation as a self-employed person or anamateur player do not pay a membership fee. Suppose a member is associated with several sports organisations for one sport, in that case, he or she shall pay membership fees only to the one sports organisation to which he or she belongs and to the national sports federation.

A sports sponsorship agreement is one of the sources of funds for the sports organisation. A sponsor, who is a natural or legal person, undertakes a sponsorship agreement to provide direct or indirect monetary or non-monetary benefits to an athlete, sports professional, or sports organisation. These sponsored categories must be the members of a national sports federation or a national or an international sports organisation. The sponsored entities must use monetary or non-monetary support for a sporting activity according to the agreed purpose. If the sponsored person is an athlete or a sports professional who is a member of a national sports federation a national or an international sports organisation, the purpose of the sponsorship may not be their salary or remuneration for the pursuit of sport, nor reimbursement of their personal expenses other than their sport related expenses. The state should consider introducing an incentive system in the future, in which, the private sector would also make an increased contribution to Slovak sport in addition to resources from the state budget. Such new sources of funds through the mobilisation of private resources would significantly help in sports development. Sports funding can offer tax benefits to the private sector like it is already applicable for investments in science, the TAO system applied abroad, or other forms of effective tax regulations can also serve as a model.

Other income of a sports organisation includes income generated from activities like organisation of sports events, sports consultancy and other sports activities for the professionals and general public.

Funds from local government budgets are an important source of funding for sports in the Slovak Republic.

**Control Mechanisms**

The legislation in the Slovak Republic (Ministry of Education, Science, Research and Sport of the Slovak Republic, 2015) defines the obligations for the sports entities eligible for funding from the State budget. The Constitutional Law requires the efficient and transparent use of state funds on all state expenditures, including sports. The rules of budgetary accountability and budgetary transparency are regulated by law to fulfill this constitutional requirement.

The Slovak legislation regulates the provision of state funds in the field of sport and the control mechanism for these public funds. The sports act requires the authorised persons to provide details on the maintenance of bank accounts for these funds and on their settlement with the State budget.

Providers of public funds intended for sporting activities, including the state and local government bodies, are obliged to publish information on the provision of such funds. The recipient of these public funds is, in turn, obliged to publish information on the receipt and use of these funds on an ongoing basis. Therefore, the legislation in force consistently ensures that the recipient and the provider of the public fund must maintain the records of public funds.

The chief sports controller is the designated authority appointed by the state to verify the legal facts in the provision of sports funding and its control. The Chief Sports Controller shall monitor the economical, efficient, and effective utilisation of public funds allocated for sports activities. In addition to maintaining public funds for sports in a separate bank account, an overview of the movement of transactions must be provided. The information on public funds must, among other things, be accessible free of charge, remotely and continuously to third parties.

**Sport Project Allowance and its Legal Regulation**

The sports project allowance is provided from public funds, and its provision is specific in nature. The public authorities and their advisory bodies assess its purpose and decide the amount of the funds to be granted. The details of its provision and other requirements are regulated by Act No. 310/2019 Coll. on the Sports Promotion Fund and the amendment to certain laws, and amending Act No. 440/2015 Coll. on Sport and on the amendment to certain laws, as amended.

The Act on the Sport Promotion Fund intends to support and develop youth sport, top-level sport, the sports representation of the Slovak Republic, sport for all, sport for the disabled and the construction, modernisation and reconstruction of the sports infrastructure of the national importance, and other sports infrastructure. The Sports Promotion Fund financially supports and monitors sports projects and keeps control over the fulfillment of its contractual obligations by the recipients. It also recovers debts in the event of non-compliance with contractual obligations.

The funding from the Sports Promotion Fund is subject to some terms and conditions, not just for the Fund but also for the applicant. The Chief Sports Controller is authorised to control the utilisation of funds for a sports project, its compliance and the terms and conditions of the contract between the provider and the recipient.

To grant a fund to a project, the Sports Promotion Fund must carry out the following procedure:

- Invite a tender for the grant for the sports project;
- Verify the registration of the applicant from the sports information system;
- Determine the conditions for the applicant for its contribution to a sports project;
- Draft and sign a contract between the provider and the recipient of public funds for a sports project;
- Control the use, compliance, and conditions of the funding to the sports project through the Chief Sports Controller;
- Control and compliance with the deadline for the settlement of the contribution to the sports project.

In the Slovak law, the funding to a sports project takes the form of a subsidy, which means that the provider of sport subsidy is obliged to clearly define in writing its purpose. Furthermore, such a subsidy is subject to compulsory clearance from the State budget.

**Exceptional Legislation on Supporting a Sports Project after 2020**

In 2019, due to the COVID-19 pandemic, individual states took preventive measures to prevent its spread. These preventive measures in the Slovak Republic included some restrictions on sports activities.

“Sporting events during the COVID-19 pandemic could outbreak the disease posing a risk to the health and life of athletes, and thus would not only bring about devaluation of the sports results as well as of their several years of personal efforts during the preparation for the sports representation, but also negate the principle of healthy competition” (Siekel et al., 2020).

In this regard, the Government of the Slovak Republic declared a state of emergency in the Slovak Republic from 2019 to 2022, it was the longest of all in all the countries worldwide.

In 2020, a new legislation was approved under the Sports act for funding a sports project to mitigate the consequences of an emergency, state of emergency or state of exception declared for the entire territory of the Slovak Republic.

At the same time, new legislation was approved under the Act on Sports Promotion Fund to provide extraordinary support based on a special invite by the Sports Promotion Fund. According to this new legislation, the Sports Promotion Fund may, based on a special call, provide funds to mitigate the consequences of an emergency, a state of emergency or a state of exception declared for the entire territory of the Slovak Republic. However, this legislation does not specify the purpose for which the funds are provided.

This legislation states that it is a special invite published by the Sports Promotion Fund as a public organisation, containing, in particular, the purpose, the conditions for the grant, and the amount of the extraordinary support. The invite also modifies the application process, the delivery deadline, and the documents required from the group of eligible applicants for extraordinary support.The Board of Directors decides about the grant of exceptional support without any contract. The decision is final and not subject to appeal and shall not give rise to a legal claim of exceptional support.

The efficiency and effectiveness of u State tilisingbudget funds shall be verified in the national register of contracts and the clearance of accounts with the State budget. However, in the case of funds granted under exceptional conditions, it will only be possible in the future audits to assess the efficiency and effectiveness of the exceptional support as per the conditions for the grant of exceptional support.

**Conclusion**

After synthesising the previous studies on legal provisions supporting sports projects, the study concludes that in the Slovak Republic, as per the new legislation, public funding of national sports projects is done under two conditions: under the state of emergency and normal conditions. Under normal circumstances, the applicant must fulfill a number of conditions, in particular, registration in the Sports Information System. On the other hand, while providing emergency support during a state of emergency, the law does not specify any conditions to be fulfilled by the beneficiary.

Under normal conditions, the fund provider, represented by the state organisation, concludes a contract with the beneficiary who fulfill certain conditionsto be eligible for the grant. Under the new legislation 2020, no such contract was concluded between the provider and the beneficiary when an emergency support is granted.

As per the previous legislation, when a fund was granted to a national sports project under normal circumstances, the sports project is subject to purposeful and effective utilisation of the fund as per the contractual agreement between the provider and the beneficiary. However, for funding a sports project during a state of emergency, the law does not require fulfillment of any conditions.

The current unfavourable social and economic circumstances in the Slovak Republic with high state debt over the last two years, which is the highest in the history of the Slovak Republic since its establishment in 1993, emphasises the requirement of transparency in the utilisation of public funds for financing sports in the future. Therefore, all interested sports professionals must work together towards increasing the efficiency and transparency of their spending on the sports activities to positively influence the future of sports in the Slovak Republic.

As per a 2016 resolution of the European Parliament, “Integrity and Good Governance in Sport”, the European Parliament invites international, European, and national sports organisations to commit to good governance practices, and to develop a culture of transparency and sustainable financing, by making financial records and activity accounts, including disclosure obligations as to the compensation of top executives and term limits publicly available (Official Journal of the European Union, 2017).

At the same time, the European Parliament has expressed that increasing transparency in the provision of public sports funds needs to be complemented by an internal system to detect illegal sports activities in the governing sphere, and in sports organisations. This also requires an effective distribution of management competencies between the government and the sports organisations.

Transparency and efficiency in utilising public funds in all parts of society is a constitutional requirement and a fundamental prerequisite for the prosperity of the State, its citizens, and all its legal entities, particularly the state bodies responsible for managing the public funds.

This paper provided an overview of the financial mechanism and sources of funds for sports in the Slovak Republic. The paper also presents the country's sports legislation before the COVID-19 pandemic and during the pandemic when the Government of the Slovak Republic declared a state of emergency. At the same time, these legislations have been compared and interpreted from the perspective of the legal orders of the Slovak Republic.

The set hypothesis was confirmed. From the outbreak of the COVID-19 pandemic in 2019 until now, the top management of the state administration haphazardly approved sports legislation and sometimes comprising contradictions with other legislation in the legal order of the Slovak Republic. It was probably due to the fast-track procedures for drafting and approving legislation by the competent state institutions and probably also for other reasons that need to be verified in the future studies. An analysis of the sport financing system and the sports regulations in the Slovak Republic represents a research problem.

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