

Economic Role of Sport in Croatia – City of Osijek

Darko Dumancic¹ Zeljko Siric²

Abstract

The aim of this paper is to draw attention to the economic role of sport in Osijek and eastern Croatia, analyze the current situation, perceive some of the problems and offer possible solutions. The city of Osijek is the cradle of Croatian sport, where in the year 1784 Civil shooting association was founded, making it the first sports association in Croatia. It was founded almost a whole century before the time period which marked the establishment of modern sports as we know them today. The industrialization, as a European and world process, coincides with the establishment of modern sport in this region, therefore it is easy to note and follow the establishment and development of economic activities and corresponding sport activities in Osijek and surrounding places. Today Osijek is a city with 246 sports clubs, over 5000 active athletes and a vast number of amateur athletes, children and students; therefore we can state that 30% of the population is engaged in some form of sport. To make those possible necessary premises were created, sports infrastructure was built, co-financing of program content in nine areas regulated by law has been ensured, for which cca 5 million euro or 7.77% of the total city budget has been provided. Regarding to the city budget Sport funding raise up to 7.03% in the last 19 years. Sport in Osijek, as a recognizable brand, does not want to be a burden to the economy, on the contrary, it wants to and it can offer a partnership with a “win-win” system. Law regulations present a specific problem of sport financing, which to a large extend discourage investing in sport, as a result of repudiation of tax relieves and small amount of direct state budget for sport.

Keywords: Croatia, sport, economy, financing

¹ City of Osijek, Social Services Department, Sport Sub-department, Franje Kuhača 9, 31000 Osijek, Croatia, E-mail: darko.dumancic@osijek.hr

² University in Osijek, Faculty of Electrical Engineering

1. Sport in the Croatia – example the City of Osijek

Although the beginnings of sport activities in the area of eastern Slavonia date back to the period of Roman Mursa, the most significant year of sport history in Osijek and Slavonia is the year 1784 when the Civil shooting association Osijek was founded, making it the first sports association in Croatia. After the emancipation of Osijek from the Turkish reign in 1962, constant border tension and insecurity did not disappear, therefore the practical shooting training was of crucial importance. In those circumstances choosing shooting as the first organized sport activity was a logical choice. In Osijek and eastern Croatia we can also follow the beginnings of other sports, for example in Županja the first football game was played in the year 1880. Industrialization as a European and world process occurred at the same time as the emergence of modern sport in this area, therefore it is easy to note and follow the origination and the development of economic activities and accompanying sport activities in Osijek, Belišće, Županja, Vukovar. A look into the recent past brings us to extraordinary sport accomplishments and famous names like Matija Ljubek, Katica Ileš or Davor Šuker, who reached pinnacles in their sports and made Osijek and eastern Croatia recognized in the whole world.

Today Osijek is a city with 246 sports clubs, over 5000 active athletes and a vast number of amateur athletes, children and students; therefore we can state that 30% of the population is engaged in some form of sport. To make those possible necessary premises were created, sports infrastructure was built, co-financing of program content in nine areas regulated by law has been ensured, for which 38 457 200 kn (around 5 million euro) or 7.77 % of the total city budget has been provided. This amount is higher than in most of the cities and boroughs in the Republic of Croatia and especially by comparison with the percentage, which is extracted for sport from the state budget. Large potential for sport in Osijek presents the Josip Juraj Strossmayer University of Osijek, which can, together with all of its components, teachers and students, give immeasurable contribution to the development of sport. By completing the university campus construction, which will be equipped with necessary sports objects and possible reactivation of the Faculty of Physical Education (or department), requirements to carry out that potential will be acquired. Last and this year establishment and continuing activity anniversaries of some of the most significant sports associations in Osijek are celebrated. The Association of sports organizations in the City of Osijek marked 50 years of organized care of sports in our city by organizing a ceremonial session in the Croatian national theatre.

The best federation for sports recreation in Croatia "Sport for all" will celebrate 60 years, whereas the School sports association of the City of Osijek will mark 50 years of extremely successful functioning.

2. Social Role of Sport

Sport, as a special social value, is emphasized and protected by the Constitution of the Republic of Croatia. In such a manner the duty of the state to encourage and assist the physical culture care is regulated by article 68, whereas article 134 of the Constitution regulates business affairs of local authorities, among which physical education and sport belong. System of sport and sports activity, expert jobs in sport, sports competitions, sport financing, supervision and other issues significant for sport are regulated by the Sports Act, which has, after its entry into force in July 2006, additionally positioned sports activities as the activities of interest for the Republic of Croatia, determined access to sports for everyone by principle of non-discrimination and willingness, enabled new forms of performing sports activities (sports join-stock companies...) or regulated expert criteria for work in sports. Unfortunately to date, and almost six years have passed since it has entries into force, a whole variety of subordinate regulations, for which clear deadlines have been assigned, have not been adopted. The National program of sport, which is the basic systematic document in the area of sports on the national level and should have been delivered to the Parliament by the Government of the Republic of Croatia nine months after the Law has been adopted, still has not been created.

The meaning of sport as the social and economic phenomena is also emphasized in the White Paper on Sports, which stresses sport as ever growing social and economic phenomena, which encourages strategic goals of solidarity and prosperity of the European union, attracts European citizens to participate regularly in sports activities, creates important values like team spirit, solidarity, tolerance and fair play, and contributes to personal growth and fulfillment. According to the opinion poll of the Eurobarometer³ in November 2004 approximately 60% of European citizens participate regularly in sports activities inside or outside approximately 700 000 clubs, which are members of a vast number of associations and federations.

³ Special Eurobarometer (2004): The Citizens of the European Union and Sport.

3. Economic Dimension of Sport

The study, which was presented during the Austrian chairmanship in 2006, talked about the fact that sport has in 2004 created in a wider sense the value of 407 billion euro, which made 3.7% of GDP of the European Union, and has formed work places for 15 million people or 5.4% of labor force. Sport is an ideal area for creating positive brand recognition, which is growingly present with us, and that has made partnership of top athletes and powerful firms in Croatia a standard. Top scores of Croatian athletes have become of interest to economy, especially when the money directed in that way is seen as an investment for which a faster and bigger return on investment is expected. Some examples in our practice show that this relationship gets around 1:6, expressed in the value of media manifestation. (Basic, 2012) When we are talking about the area of eastern Slavonia these possibilities are insufficiently used.

The reason behind it is an entire variety of objective circumstances, such as insufficiently strong regional economy, but also marketing insufficiently attractive athletes and results they accomplish. Specific problem is the fact that a vast number of companies, which are doing business in this area, have their head offices in other cities in Croatia or abroad, and possibly invest in sports programs there. This is specifically emphasized in companies under state ownership, which usually sponsor programs of national sections and top athletes from clubs from big cities. Sport in Osijek, as a recognizable brand, does not want to be a burden to the economy, on the contrary, it wants to and it can offer a partnership with a "win-win" system, for which we have positive examples of company Saponia and VK Iktus (rowing), or company Žito and clubs for so called "basic" sports: AK Slavonija (athletics), GD Osijek (gymnastics), PK Osijek (swimming), which in their titles accent also the name of the company Žito.

Of course that this way successful economic and sports collectives reach their joint and also their specific goals. Through the partner relationship of the company Žito and GD Osijek-Žito, with the support of the City of Osijek and Osijek-Baranja County, the organization of the Gymnastics World Cup, is financed. The Cup is held in Osijek for the last four years in a row and it represents one of the biggest sporting events in Croatia. Sport is, without a doubt, an initiator of economy.

Examples for this claim can also be found in organization of large sporting events, which were hosted in Croatia and which have provoked the construction of whole infrastructure, sports buildings, hotels, student villages and have changed the overall picture and urban identity of specific cities (Split – The Mediterranean Games, Zagreb – Universiade, Zagreb, Osijek, Split, Zadar, Varaždin, Poreč – Handball World Cup, Osijek – European Shooting Championship, etc.).

4. Sport Financing

Sport, in the context of financing, can be classified as the so-called “impure public need”, and it is definitely public because of its educational, social, health and cultural role in the society. The analysis of the way sport in Europe is financed shows an absence of one unique and best way of financing. There are few ways – models of financing, such as: market financing (private resources over 60% - Switzerland, England, Italy, Sweden, Germany, Belgium...), mostly market financing (private resources 50-60% - France, Denmark, Hungary...), public financing (lately the deviation toward mostly market financing and public financing has been noted – Croatia, Spain...). In the Republic of Croatia the problem of sport financing is regulated by the Sports Act in Chapter X – Sport financing, by the provisions of Articles 74 – 76. According to the mentioned provision sport is financed from four main incomes:

1. from performing sports business,
2. from membership fees,
3. from games of chance and
4. from budget funds (state and local)

Besides financing sources, which are stated in the Law, significant source are incomes from donations and sponsorships. Making a more significant analysis of sport financing at state level is almost impossible. There are more reasons for it and here are some of the most significant:

- There is no (neither at local nor at state level) central place which would have a legal obligation to follow financial business of sports federations or associations. For that reason it is impossible to even estimate how much funds are annually spent on sport.

- Associations are not of interest for the state budget, namely for the tax policy of income collection. That leads to weak tax supervision, absence of financial records, which could be a good outset for assessment of the current situation in sport and for identification of key issues.
- Non-stimulating tax policy leads to the situation that the economic subjects invest only into those clubs or associations from which they can benefit in the form of media presentation of their company. That leads to the fact that the associations are often financed in a non-transparent way, which again leads to a situation in which it is impossible to determine how much the economy at a specific level invests into sport.

-

From the four above mentioned sport financing resources according to the Law only the incomes from the games of chance can be followed in their total amount. All other resources (if we want the information at state level) can only be estimated. Adoption of quality resolutions based on defective information and assessments is not a way to recovery of sport in the Republic of Croatia. As a necessity in solving problems of sport financing at all levels in Croatia the issue of forming a unique register of sports clubs – associations, which would include all of the information connected with financial business of sports clubs, is imposed. This, of course, includes at the state level Ministry of Sports, Ministry of Finances, Ministry of Public Administration, Croatian Olympic Committee and other national authorities. At the local level this process is transmitted to counties, cities and boroughs, and to sports associations of cities and counties. In Article 77 of the Sports Act the establishment of informational system in sports is defined. This system should collect and update information on activities of people who perform sports activities, expenditures of funds, planning and constructing sports building and other activities in the area of sports.

4.1. Sport Financing – the City of Osijek

Sport financing at the local level is defined in the Article 76 of the Sports Act. It states that the public necessities in sport are financed from the local and regional authority budget, that the funds are disposed by the sports associations and that the supervision on the fulfillment of the program is performed by the bodies of local authorities, which are authorized for the business of sports. Sports sub-department within the Administrative department for sports activities in the City of Osijek performs duties related to sport.

Program of public needs in sport in the area of the City of Osijek is the key document which defines program areas and the financial plan of sport in the area of the City. In accordance with the law it is divided into 2 program areas: Program area "A", which is managed by the Association of sports organizations in the City of Osijek, and program area "B", which is managed by the Sports sub-department.

Table 1: Share of specific program areas in total funds for sport in the year 2011

Program Area	Amount	%
Program area „A“	9 881 000 kn	26.45
Encouragement and promotion of sport	320 000 kn	0.86
Sport for children and youth	1 780 000 kn	4.76
System of sports preparations of competitions	801 000 kn	2.14
Activities of sports associations - clubs	3 600 000 kn	9.64
Sports recreation and sports activities for disabled persons	450 000 kn	1.20
Sports associations and federations	2 930 000 kn	7.84
Program area „B“	27 482 000 kn	73.55
Joint programs	4 386 000 kn	11.74
Management, usage, construction and equipment of sports facilities	23 096 000 kn	61.82
Total	37 363 000 kn	100

Note: exchange rate 1€=7,5 kn

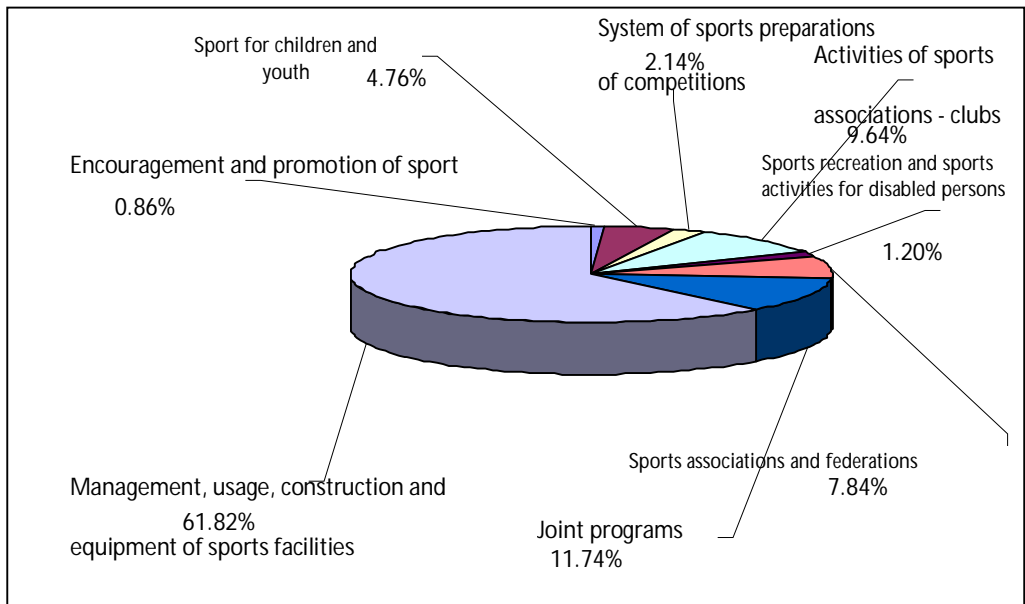


Chart 1: Structure of the financial plan of the program for public needs by program areas for the year 2011

The City of Osijek allocates on average 7.03%. In comparison with the State budget for the year 2012, 0.17% or 191,223,260 kn is allocated. The stated amount of investments from the state budget includes 43 million kunas, which is paid by the state on the name of rent for sports halls in Split, Zagren and Varaždin, but it does not include the investments in the sports infrastructure.

Table 2: The amount of sports funds in total budget funds

YEAR	BUDGET	SPORT	%
1994.	46 705 989 kn	4 762 315 kn	10.20
1995.	101 058 085 kn	9 423 451 kn	9.33
1996.	120 060 225 kn	7 797 730 kn	6.50
1997.	162 038 661 kn	15 741 863 kn	9.72
1998.	176 769 570 kn	13 348 519 kn	7.56
1999.	186 307 142 kn	12 491 710 kn	6.71
2000.	241 000 000 kn	12 336 205 kn	5.12
2001.	211 670 900 kn	12 875 100 kn	6.09
2002.	249 184 750 kn	14 984 957 kn	6.02
2003.	291 872 668 kn	17 843 080 kn	6.13
2004.	379 691 320 kn	24 224 000 kn	6.38
2005.	397 326 303 kn	24 947 200 kn	6.28
2006.	447 073 740 kn	35 035 700 kn	7.83
2007.	442 822 180 kn	29 727 800 kn	6.71
2008.	548 658 000 kn	34 580 000 kn	6.30
2009.	560 900 000 kn	40 704 100 kn	7.26
2010.	498 098 300 kn	35 517 000 kn	7.13
2011.	447 334 690 kn	37 363 000 kn	8.35
2012.	494 885 000 kn	38 457 200 kn	7.77

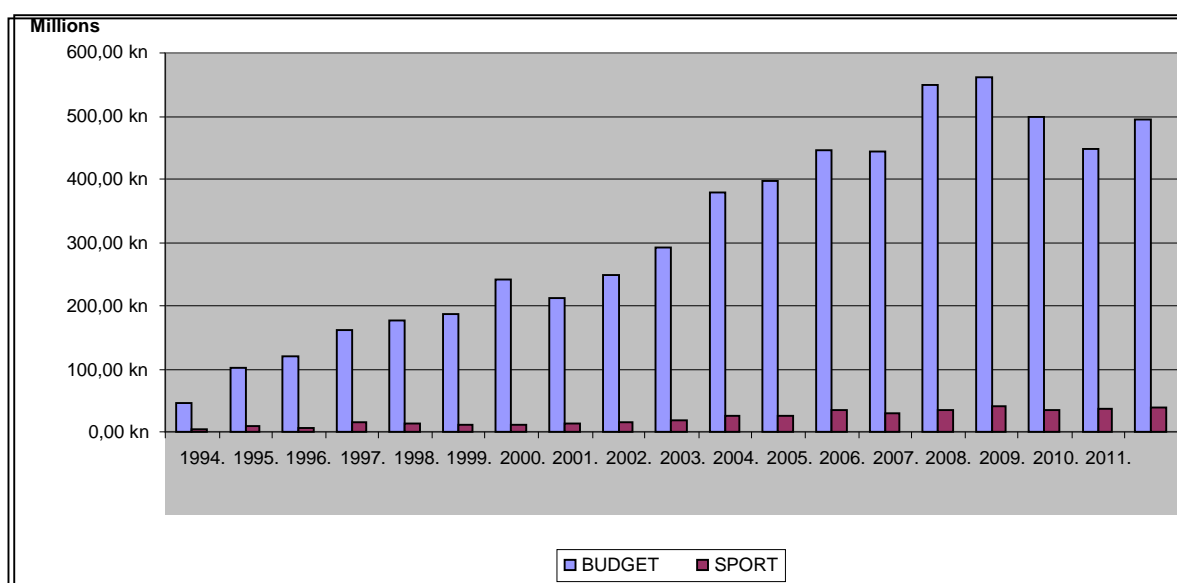


Chart 2: Comparison of sports funds and total budget by years

Apart from the above mentioned data it is also necessary to emphasize the funds which are planned and realized in the State budget in other budget items (construction programs which are realized through the Administrative department for construction, urbanization and environmental protection). This way in the last period ice rink, Sports hall "Jug", swimming pools "Gradski bazeni" and sports hall "Gradski vrt" have been built. The growth of the local authority budget is in direct correlation with the economic growth of a specific region, as well as of the City of Osijek. Negative rates of economic activities in the region imply that there will be no significant growth of the total budget in the following period. If we follow the development pattern of the total budget and if we take into consideration the fact that more than 60% of the sports budget is allocated for management, usage, construction and equipment of sports facilities, we can conclude that the local budgets are "drained out" to the maximum and it is not realistic to expect a significant increase of funds allocation for sports activities, namely programs in sport. High unemployment rates and the growth of life costs also decrease the incomes, which the clubs received through membership fees. All of this leads to a conclusion that it is necessary to create sports strategy (national and local), which would define the principles of inner redistribution, namely defining key basic points that will, in the time of crisis, maintain quality and quantity at the national level. Economists say that the crisis is an opportunity to solve accumulated structural issues. Sport is going through a financing crisis and that should be used to set new foundations and new rules for sport financing, before we reach a more serious crisis of sports results.

5. Conclusion

It is indisputable that the sport is an activity of exceptional significance for the society and it is equally clear that the investment into sport in Croatia is not proportional to that significance and top scores, which are achieved by the Croatian athletes. Sport can be in a partner relationship with the economy and the promoter of social changes and habits, but in order to become and remain that, general public has to be truthfully interested into sports. We are the witnesses of globalization as a world process by admission of Croatia in the European Union and total opening of capital and labor force market. It is a challenge and an opportunity to adjust the legislation, our habits and relationships in order to create predispositions for progress of sport in Croatia, Slavonia and Baranja and Osijek and it should not be missed out.

References

- Zivaković-Kerze, Z. et al. (1998). *Povijest sporta grada Osijeka*, Gradsko poglavarstvo, Osijek
- Jajcevic, Z. (2010). *225 godina sporta u Hrvatskoj*, Streljački savez Osječko-baranjske županije, Osijek
- Zuber, M. et al. (2007). *Novi zakon o sportu i aktualna praksa iz područja sporta i sportskih djelatnosti*, Inženjerski biro d.d., Zagreb
- Kacer, H. et al. (2009). *Uvod u sportsko pravo*, Inženjerski biro d.d., Zagreb
- The Committee on the Constitution, Standing Orders and Political System of the Croatian Parliament (2010). *Constitution of the Republic of Croatia*, Narodne novine (56/90, 135/97, 113/00, 28/01, 76/10.), Zagreb
- Republic of Croatia. Ministry of Science, Education and Sports (2007). *Sports Act*, Narodne novine (71/06, 150/08, 124/10, 124/11), Zagreb.
- Skoric, S. and Z. Hodak (2011). *The system of sports financing and management in the Republic of Croatia*, in: Zbornik radova Ekonomskog fakulteta u Rijeci, 2011, vol. 29, sv. 2, pp. 443-464, Rijeka
- Commission of the European Communities (2007). *White Paper: White Paper on Sports*, Brussels
- Government of the Republic of Croatia (2012). *Uredba o kriterijima za utvrđivanje korisnika i načinu raspodjele dijela prihoda od igara na sreću za 2012. godinu*, Narodne novine (31/12), Zagreb
- Basic, T. (2012). *Na uloženu kunu u sponzoriranje sporta povrat iznosi oko šest kuna*. In: Poslovni dnevnik (2012). <http://www.poslovni.hr/vijesti/na-ulozenu-kunu-u-sponzoriranje-sporta-povrat-iznosi-oko-sest-kuna-197777.aspx>