



EU Work Plan
for Sport

2014-
2017

Expert Group on the Economic Dimension of Sport

Practical guidance on how to encourage transparent and long-term investment in sport, including EU funding, based inter alia on 2012 Recommendations on sustainable financing of sport, including state aid

Deliverable 3

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Considering:

- the recommendations of the Expert Group on Sustainable Financing of Sport published under the first EU Work Plan for Sport (2011-2014) ;¹
- the conclusions of the Council issued during the Italian Presidency in November 2014 on sport as a driver of innovation and economic growth ;²
- the recommendations from the current Expert Group on the Economic Dimension to measure the economic benefits of sport in the EU based on the ongoing work to promote the set-up of SSAs in the EU Member States ;³
- the 2013 Eurobarometer survey on sport and physical activity ;⁴
- the context of a slow economic recovery for most EU Member States after the economic crisis (2008-2010) which has had a strong impact on public finances ;

The Expert Group on the Economic Dimension suggests as practical guidance the following recommendations:

I - MAXIMIZE THE NET BENEFIT OF SPORT THROUGH INVESTMENT

1.1 Enhance the selectivity of public and private investments in sports through the development of infrastructures planning policies and specific knowledge on sport participation (Member States)

This recommendation can be supported by the Eurobarometer survey of March 2014. Indeed, it underlines the impact of the economic crisis on the participation rate. On one hand, the rate of people saying they never exercise or play sport has increased by three points since the 2009 survey (from 39% to 42%). On the other hand, 48% of European people are involved in other physical activities, for recreational or non-sport-related reasons, such as cycling from one place to another, dancing or gardening at least once a week, whereas 30% never do this kind of activity at all.

¹ Expert Group on Sustainable Financing of Sport, "Strengthening financial solidarity mechanisms within sport"

² Conclusions of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, on sport as a driver of innovation and economic growth (2014/C 436/02)

³ Recommendations to measure the economic benefits of sport in the EU based on the ongoing work to promote the set-up of SSAs in the Member States

⁴ Eurobarometer survey, March 2014 : http://europa.eu/rapid/press-release_MEMO-14-207_en.htm

These figures should clearly encourage EU Member States (MS) to pursue a coordinated policy of strong investments in sport facilities, notably towards grassroots sports. However, given the strong budget constraints faced by the majority of governments, those investments should be evaluated not only for their social utility but also by their ability to reduce sport facilities/services access inequities. MS may also develop planning policies and decision-making tools to strengthen the selectiveness of the projects (cost-utility / cost-benefit analysis, market analysis, geographical inequities, etc...).

1.2 Encourage the elaboration of best practices guidelines dealing with the sustainability of sports facilities along their life cycle, including programming, financing, exploitation and end of life phases (Member States)

Many national guides exist on this issue, in order to help and to support sport stakeholders to program their projects of sports facilities. Those guides are published either by public authorities at a national or local level or by private entities.⁵ If most MS have already issued guidelines in such areas, there is still some room to share good practices. Furthermore, MS could be encouraged to involve more actively the private sector, given the profitability of investment in sport facilities and/or sport services.

II - DIVERSIFY THE FINANCING OF SPORT RATE

Facing strengthened budget constraints, the majority of the MS are actually looking to control their public spending in the traditionally public sector areas such as sport, arts & culture, etc. Because of its impact on well-being and its educational role, sport policy can't be entirely financed by the private sector but, as what happens in other social policy areas, the willingness of governments to spend more efficiently may incite them to favour the contribution of the private sector for the promotion of sport activity.

The benefits of sport participation include the well-being (happiness) of individuals, improved health and education, a reduction in youth crime, environmental benefits, stimulating regeneration and community development, and benefits to the individual and wider society through volunteering. For all these reasons, sport activity does not only benefit the individual but also benefits the society as a whole and the private sector obviously gains in terms of efficiency through a better productivity (*see infra*).

⁵ For instance, the French Ministry of sports published a guide dedicated to the public and private sports stakeholders, to provide them with inputs in the process of building sport facilities, with an index of all existing rules, as sports federations regulations, AFNOR standards associations regulation about the international property, industrial and commercial standards, sustainable or accessibility regulation. Other practical guides are available, published by political representatives in charge of sport at a local level, for local authorities planning to build sport facilities. Those guides give advices for local public projects owners, regarding issues like legislation and regulation, contracts types, for realizing, programming and managing sport facilities. There are also samples in the UK, such a step-by-step guide for sports clubs, which aims to apply for planning authorization for new sports facilities.

Because investing in sport facilities and services can benefit companies in many different ways (better reputation, enhanced productivity...), the public sector might consider the use of a large range of tools to boost private sector investment in sport facilities and sport services. To help MS to reach this objective, the expert group considers that the following recommendations could be useful range in several ways:

2.1 Stimulate the contribution of the private sector for promoting sport activity (Member States)

Because MS are now aware of the economic benefits surrounding the quality of their public finance, and moreover, because of the positive spillover effects of sports and physical activity on economy and society as a whole, the financing of sport facilities did not aim to be the sole privilege of public sector. The private sector could be legitimately stimulated to take a larger part in the financing and management of sport facilities, especially in the framework of grassroots sports, which growth has been resilient throughout the EU over the past decade.

MS may also refer to the recently published EU study about *The funding of grassroots sports in the EU* that focuses on the internal market aspects concerning legislation frameworks and systems of financing to provide public policy keytools.⁶

2.2 Create – or enhance, a legal and fiscal framework, that could help private agents (companies) to invest in sport facilities and services (Member States)

If the rewards of sport and physical activity among employees are obvious for the productivity of companies (reduced levels of stress, better physical and mental health, better concentration, etc.) the direct costs of investing in sport facilities and sport services are generally a barrier that too little companies (especially the larger one) cannot afford without an adequate policy, including financial incentives. The expert group also suggests that a legal and fiscal framework aimed at stimulating such participation may lead the private sector to invest more in sport than it currently does.

A more consistent and a better designed framework would aim to set the optimal level of fiscal incentives, based on the externalities of sport and the ROI it could generate. However, this renovated framework needs to take fully into account the larger context of public finances sustainability.

In addition to fiscal incentives (also penalties) that may invite private sector to invest more in sport facilities and services, legal provisions aiming at promoting good governance principles and guidance in sport facilities and services management may create a positive environment that makes the sport sector attractive for private agents.

⁶*The funding of grassroots sports in the EU*. Eurostrategies, June 2011.
http://ec.europa.eu/internal_market/top_layer/docs/Executive-summary_en.pdf

2.3 Encourage new actors to invest in sport facilities and services such as health promotion agencies (Member States)

In most MS, sedentarity and physical inactivity have become a major concern for national public health authorities since it has been identified as one of the prime factor risks associates with cardiovascular diseases (coronary heart disease, strokes), diabetes, obesity, a lot of cancers and mental health. Yet, the expert group believes that an innovative way for national health promotion agencies to promote sport and physical activity may take the form of a financial participation in sport facilities rather than promoting sport through campaigns and informational approaches whose efficiency is questionable. The results of the recent 2014 EU barometer shows for example that the number of people saying they never exercise or play sport has increased by three points since the 2009 survey although national policies encourage physical activity.

2.4 Promote and safeguard the role of national Lotteries in terms of the sustainable financing of grassroots sport, the creation of sport facilities and the increase of participation in sport (Member States)

As recognised by the Council Conclusions of 10 December 2010, the contribution of state Lotteries play an important role for society.⁷ Indeed, Lotteries, driven by their core values, have been for decades a sustainable pillar of financing of grassroots sport. Their contribution to sport exceeds the amount of 2 billion € per year and according to a study, this contribution has a further impact on the economy and employment, with more than 40 000 jobs secured every year thanks to the contribution of Lotteries to sport.⁸ Many national Lotteries have been also contributing to the financing of sport facilities, including the creation of accessible facilities for people of all abilities, as well as to the increase of sport participation, through various initiatives, including the active promotion of the European Week of Sport by many Lotteries in many countries.

2.5 Support the share of best practices between EU Member States in terms of promoting guidelines – examples of good practices to develop corporate sport (Member States)

If lack of time is by far the main reason given for not practicing sport more regularly among MS (42%), then transnational initiatives in form of the sharing of good practices, studies, networks and projects may be promoted to develop sport participation in the professional environment all across Europe.

⁷ *Conclusions on the framework for gambling and betting in the EU Member States*. Council of the European Union, 3057th Competitiveness (Internal Market, Industry, Research and Space) Council meeting Brussels, 10 December 2010.

https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/118398.pdf

⁸ *The Impact of Lotteries as a Funding Source for European Sport*. *SportsEconAustria, Institute of Sports Economics*. November 2015. <https://www.european-lotteries.org/system/files/document/3491/files/151113ellotteriesfundingsourcesportfullreport.pdf>

For example, national studies have recently been carried out through some MS to measure the impact of sport on work productivity. In England, the costs of lost productivity due to physical inactivity have been estimated at 7 billion € per year from sickness absence and 1.25 billion € per year from the premature death of people of working age.⁹ Moreover, a Swedish study found that physical activity increases significantly self-rated productivity.¹⁰

A recent survey, carried out in France, shows an increase of companies' profitability from 1% to 14% (depending on the intensity and the number of employees concerned) mainly because of a lowered level of stress at work¹¹. More than the results, those kinds of studies show the potential and the relevance of developing corporate sport. To facilitate the sharing of national recommendations and/or national policies that aims to develop corporate sport, it may be useful to work together with the European Federation for Company Sport (EFCS) which is present in 38 countries of which 22 are EU Member States. These national members are referent associations in their own countries to organize activities related to company sport. This association may be a strong network to find and implement an optimal policy unified among MS.

2.6 Encourage EU Member States to share information and performance indicators about sport facilities property management to identify best practices in terms of management and financing (Member States)

As the renewal of sport facilities is a recurrent issue among MS, in a context of deprived public finances, best practices and experiences about property management should be shared to help public and local authorities to minimize financial risks associated with innovative management mechanisms.

As such, Public-Private Partnerships (PPPs) have been widely used among MS although some countries seem to have a limited trust on such agreements. The complex technical nature of *PPPs* may raise doubts on their benefits and the rationale for their use, such as the acceptability of the private sector generating profits from the provision of public services. Given the significant and long-term commitments involved, it is difficult to pursue a *PPP* program without strong and stable political commitment and both the public and private sector partners are to be expected to spend significant time and money preparing, investing in and implementing projects.

⁹ *Start active, stay active: report on physical activity in the UK*. Department of health, July 2011.
http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_128210.pdf

¹⁰ Employee Self-rated Productivity and Objective Organizational Production Levels: Effects of Worksite Health Interventions Involving Reduced Work Hours and Physical Exercise. *Journal of Occupational & Environmental Medicine*. August 2011 - Volume 53 - Issue 8 - p 838–844.

¹¹ *Etude de l'impact économique de l'Activité Physique et Sportive (APS) sur l'entreprise, le salarié et la société civile*. Goodwill Management, September 2015.
<https://medefsport.files.wordpress.com/2015/09/etude-goodwill-complc3a8te-2015.pdf>

Last but not least, *PPP* projects require a supportive and effective legal framework due to the public procurement processes involved and the heavy dependence of *PPPs* on the use of contracts amongst the various parties. Such legal framework has recently been strengthened by European authorities through the Directive 2014/23/EU¹² and could usefully be applied to sport facilities.

To support policy-makers in the MS conducting successful *PPP* policies, the expertise of the European PPP Expertise Centre (EPEC) would be valuable to gain more insight into the relevance and conditions of successful *PPPs* applied to sport facilities.

Moreover, the release of indicators in the following fields appears notably of particular interest:

- Indicators of efficiency in terms of inputs;
- Indicators of results (affluence, population coverage, etc.);
- Quality indicators;
- Financial efficiency indicators;
- Process and revenues indicators.

Again, the support of the European PPP Expertise Centre (EPEC) may be useful to set such indicators, collect data and draft good practices among MS.

2.7 Urge the EU Member States to stimulate crowdfunding initiatives (all kind of participative financing generally) for financing sport-for-all projects by securing them through an appropriate legal framework (Member States)

As a social and educational policy, sport services are faced with significant strains in terms of public spending both at central and local government levels. This is driving force to make business models evolve and to develop new sources of revenues in order to build organizations more able to sustain themselves. Social investment may be able to support organisations undergoing this transition. The main opportunities identified are in relation to investment in facilities, growth capital and working capital to develop new revenue streams and expansion, finance for the transfer of assets to the community and innovative approaches to fundraising such as crowd-funding and community shares. Boosted by internet and social networks, crowdfunding has shown its efficiency through projects limited in terms of social benefit. Yet the challenge for policy makers is to create a secured environment to help crowdfunding having a larger place within the supply of sport facilities and services by supervising the fund-raising and the budget management, for example, within a unified legal framework and the implementation of EU norms.

¹² Directive 2014/23/EU of the European OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014 on the award of concession contracts.

The projects may also be rated based on criteria such as transparency, respect of sustainable development criteria and/or their social utility towards minorities (disabled people, abandoned suburbs, etc.).

III – ENCOURAGE THE DEVELOPMENT OF DECISION-MAKING TOOLS

3.1 On the basis of the recommendations of the expert group on the promotion of SSAs, encouraging EU Member States to build scoreboards focused on the sport economics, as a supplement to work in progress led by Eurostat (Commission, Member States)

The harmonized production of decision making tools decision and measuring instruments in the field of sport is necessary. Accurate data on employment in sport, as well as on the weight of the sports economy in the global GDP and its components are often missing. For this reason the work in progress led by Eurostat aiming at developing harmonized indicators on sports volunteering, participation in sport events, sports balance on goods and services is essential. This work could be complemented by more qualitative studies developed by MS on the same issues.

3.2 Encourage EU Member States to lead a study on the externalities of sport, considering the interactions between the practice of sport/physical activities and public finances (Member States)

While it is now established that sport has benefits on health (both mental and physical) both at the individual level and at the collective level, it is far more difficult to value those benefits in monetary terms. Valuing those benefits seems however critical in a public policy choices perspective, whereas all MS face strengthened public constraints budget.

Macroeconomic impact of higher participation in physical activity range in two ways. First, it lowers publicly (and/or collectively) financed expenditures associated with sedentarity such as health care and elder care costs (direct costs) and absenteeism costs (indirect costs). Regardless of the welfare model (beveridgian / bismarckian) and the way those expenditures are financed, a higher level of physical activity participation may lower those costs and release as a consequence pressure on public spending and/or activity revenues (wages). Secondly, a higher participation in physical activity among workers increases productivity directly by enhancing their performances (better concentration, reduces level of stress, strengthens team spirit, etc.) and also indirectly by lowering lost production through sickness and illness.

Although the rewards associated with public policies encouraging physical activity may be potentially huge for MS (a recent study estimated physical inactivity to costs nearly 80 billion €¹³) this impact is rarely taken into account by current governments.

As such, it is of particular interest that MS investigate the valuation of the economic impact of physical activity to estimate the cost-effectiveness of public spending. Such recommendation also clearly matches the recommendations of the European working group on Quality of public finances.

This field of research could be one to promote in the next EU Work Plan for Sport.

3.3 Encourage EU Member States to exchange best practices on the policies targeting territories in lack of sports facilities (Member States)

The existence of sports facilities is vital for sport participation. MS would by far benefit from best practices exchanges on methods and tools related to sports investments (geolocation tools equipment, social, territorial, sports needs assessment and planning methods)¹⁴.

3.4 Encourage the European Commission to lead a study on the clusters in the field of sport to identify financial opportunities in the current EU programming and policies (like COSME for smart and medium size companies) (Commission)

The European Union has set up, in its 2014-2020 program, financial instruments such as ERDF, ESF, Erasmus Program which may play a leverage effect on the development of sports participation, employment or tourism. In addition to the best practices already identified by the Commission and some MS in the previous or current EU structural fund program, programs like HORIZON 2020 or the COSME fund, allows SMEs to access new sources funding, develop new market shares and the entrepreneurial spirit and business creation. This fund also favors the internationalization of clusters¹⁵ through dedicated calls for proposals.

¹³ *The economic cost of physical inactivity in Europe*. International Sport and Culture Association and Centre for Economic and Business Research. June 2015

¹⁴ France set up a public IT tool referenced as RES (Recensement Equipement Sportif) which can help geolocalizing the whole sport infrastructures and differentiate the different types of sports infrastructures. **Spain, France and Portugal had set up a dedicated working group on best practices sharing in 2009.**

¹⁵ Defined as a business combination and institutions belonging to the same sector (same field of expertise) and which are anchored in a territory or localized geographically. This grouping allows actors a cluster benefit from competitive advantages thanks to the "externalities" they generate.

Clusters in sports undoubtedly tend to develop rapidly, as stressed by the survey realized in the framework of this expert group¹⁶. Consequently it would be of major interest for public and private sports actors if the Commission could launch a study aiming at identifying existing clusters and their specialization in order to foster partnerships between EU clusters in sport.

3.5 Encourage the European Commission to lead a study on the forward-looking needs in terms of investments in the sports facilities; this quantification is a prerequisite to foster the use of EU financial tools, such as the EIB (European Investment Bank) (Commission)

The EIB has developed financial tools, such as the EIF (European Investment Fund) to support strategic infrastructure (digital networks, transport and energy), education, research and development, innovation, renewable energy and energy efficiency, beneficial to all sizes entities.

New sports facilities - whether for sports practices or for hosting major sporting events - could potentially benefit from EIB financial instruments. The achievement by the Commission of public studies aiming at quantifying sports equipments needs on all or parts of EU territory may have a positive effect on the decisions and investment choices by private / public investors and support any decisions of the EIB in favor of sports facilities.

¹⁶ See the document attached