

Financing of Sport by Local Authorities in Portugal: Analysis from 1990 to 2016

Financiamento do Desporto por parte das Autarquias Locais em Portugal: Análise de 1990 A 2016

Financiación del Deporte por parte de las Autoridades Locales en Portugal: Análisis de 1990 A 2016

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Abstract

Two aspects have been absent from the analyses of public sports policies in Portugal: the participation of local authorities in a comparative way and the distribution of resources by type of expenditure. In this sense, the present study aimed to analyze the aggregate expenditure municipalities from the Portuguese mainland, considering their evolution, the type of expenditure and the regional issue. The descriptive study used the investments made by municipalities. Secondary data were obtained from the National Institute of Statistics of Portugal (INE). The main results were: there was an increase in the volume of resources; there was a change in the pattern of spending in relation to the type of expenditure; the regions were responsible for unequal shares of resources and showed a distinction in the spending pattern by type of expenditure.

Keywords: Sport. Investment. Local Authorities. Policy.

Resumo

Dois aspectos têm estado ausentes das análises sobre políticas públicas desportivas em Portugal, a participação das autarquias locais de forma comparada e a distribuição dos recursos por tipo de despesas. Nesse sentido, o presente trabalho teve por objetivo analisar o gasto agregado dos municípios do Continente português contemplando sua evolução, o tipo de despesa e a questão regional. O estudo de natureza descritiva utilizou-se dos investimentos realizados pelas câmaras municipais do Continente. Os dados secundários foram obtidos junto ao Instituto nacional de Estatística de Portugal (INE). Os principais resultados foram: há crescimento no volume de recursos, há uma mudança no padrão de gasto com relação ao tipo de despesa, as regiões são responsáveis por parcelas desiguais dos recursos e apresentam distinção no padrão de gasto por tipo de despesa.

Palavras-chave: Desporto. Investimento. Autarquias Locais. Política.

Resumén

Dos aspectos han estado ausentes de los análisis de las políticas deportivas públicas en Portugal, la participación de las autoridades locales de manera comparativa y la distribución de recursos por tipo de gasto. En este sentido, el presente estudio tuvo como objetivo analizar el gasto agregado de los municipios del continente portugués, considerando su evolución, el tipo de gasto y el tema regional. El estudio de carácter descriptivo utilizó inversiones realizadas por los consejos municipales del continente. Los datos secundarios se obtuvieron del Instituto Nacional de Estadística de Portugal (INE). Los principales resultados fueron: hay un aumento en el volumen de recursos, hay un cambio en el patrón de gasto en relación con el tipo de gasto, las regiones son responsables de porciones desiguales de los recursos y presentan una distinción en el patrón de gasto por tipo de gasto.

Palabras Clave: Deporte. Inversión. Autoridades Locales. Política.



Introduction

In Portugal, the promulgation of the right to sport in the Constitution of the Portuguese Republic of 1976 (CRP/76) was followed by a set of norms that sought to give greater effectiveness to this constitutional precept. The first important step was to ensure, in Decree-Law 100 of 29 March 1984 (Decree-Law 100/84), that the local power (local authorities/municipal councils) is the important and privileged locus of citizenship experimentation and of rights guarantee. The Law on the Attribution of Local Authorities, as it is in fact known, indicated the competences to which municipal councils are subject and which have become the backbone of the offer of public policies to the population (Bernardo, 1999).

In Article 2, number 1 and item "g" of Decree-Law 100/84, the text makes it clear that one of the tasks of local authorities is to guarantee the right to sport. In other words, the law that organizes the State structure in order to guarantee the offer of sports policies is very precisely defined in the Portuguese legal system (Constantino, 1994), there is the law and its operator. As it is the government entity closest to the citizen, it is up to it to meet their interests (Januário et al., 2009), conferring effectiveness to another constitutional provision provided for Article 235, number 2 of the CRP/76.

Thereafter, other pieces of legislation were created, such as grassroots sports laws, which fulfilled an important regulatory function (Januário, 2010) and strengthened the municipalization of sport (Menezes et al., 2005). The first one took place in 1990 and helped structure sports policy in Portugal. The second and third ones took place in 2004 and 2007, respectively. The latter adds the expression "physical activity" to the title of the norm. All the norms understand that local authorities are the most decentralized structures of the Portuguese State and that this advantage allows them to be more responsive to the needs of citizens (Januário, 2010; Meirim & Carvalho, 2012). Among them is the guarantee of access to sport.

Since then, many studies, especially at university postgraduate level, have scrutinized the place of sports policies in local authorities. Whether in the focal analyses, in which the experience of a municipality is portrayed (Azevedo, 2012; Bernardo, 1999; Januário et al., 2009), or in studies that widen the observation in order to integrate a set of municipalities (Delgado, 2011; Matos, 2013; Tavares et al., 2017), it has become clear and explicit the commitment of authorities in seeking the implementation of the right to sport (Tavares et al., 2017). However, none of the studies evaluated comparatively the financial dimension of this phenomenon in the national level that allows, in good measure, to dimension the value of the agenda inside the governments (Carvalho, 1994; Januário, 2010). The local authorities are the main funders of sport in Portugal (Carvalho et al., 2009; Tavares et al., 2017), which justifies the scrutiny of their investments.

Considering that the budget for the implementation of these policies comes from the Local Governments' own resources, the allocation of the capital by the municipalities may show different or uneven patterns. The less economically developed regions may be affected by this reality pressing the Local Governments to increase their investment on sports policies. Therefore, this debate may help on the assessment of the local governments' possibilities of ensuring the effective



right to sport and identifying the boundaries of their performance on the balanced supply of resources within the national territory.

In this sense, this study aimed to analyze the aggregate expenditure of Portuguese municipalities based on 4 variables that allow an overall assessment of the participation of local authorities in the implementation of sports policies: (1) the evolution of expenditure from 1990 to 2016; (2) the distribution between current and capital expenditure; (3) the weight of regions in the distribution of resources by percentage of municipalities and population; (4) the behavior of regions in relation to the type of expenditure.

Methodology

This is a descriptive study that uses a quantitative approach to assess the aggregate expenditure of the 278 Portuguese municipalities located in the country's mainland (study population). The gathering of (secondary) data was carried out in October 2019 at the website of the National Institute of Statistics of Portugal (INE). Data from the Portuguese Statistical Yearbook of 2018 (year of edition 2019), available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpub_boui=381689773&PUBLICACOESmod_o=2, were used.

The analysis was based on the spreadsheet "II.3.10 - Expenditure by municipal councils on sports activities and equipment", which deals with expenditure on sports policies. The available data referring to the "Total expenditure on sports activities and equipment" from 1990 to 2016 of the municipalities in mainland Portugal were used.

The data were submitted to the statistical test Stata 12.0 software (descriptive statistics). The values were deflated by the Portuguese Consumer Price Index (IPC) rate of change calculated and published by the INE. The rate dealing with sectoral inflation in leisure, recreation and culture ("Leisure, Recreation and Culture"), calculated and published by the INE and one of the indicators that constitute the IPC, was used as a complement.

On the aggregate, we will review the variation of the investment on sports policies over the period, as well as the percentage distribution of running and capital expenditure. Another important aspect of analysis is the percentage distribution of the investment per region, and how regions behave in terms of current and capital expenditure.

Two types of expenditure were analyzed: current expenditure and capital expenditure. Current expenditure is that on staff, such as civil servants' salaries, and on the purchase of goods and services, such as the cost of facilities. Capital expenditures are those that are not repeated year after year, such as investments in infrastructure and purchase of equipment.

Findings and Discussion

One of the ways in which we look at the behavior of decision-makers in relation to a given agenda is by looking at investment in an area; in this case, sport. The cumulative growth in the period of total expenditure on sport was 316.12%, considering the CPI, and 419.05%, considering



sectoral inflation. These figures are much higher than the accumulated growth of the population, which was 103.43%.

As it can be seen in table 1, the variation in the rate of investment in sport obtained moments of investment combined with moments of disinvestment. However, the behavior of municipalities from 2010 to 2014 calls attention. In these five years, four were of fall in investments.

Table 1. Variation in spending on sport and percentage of current and capital expenditure

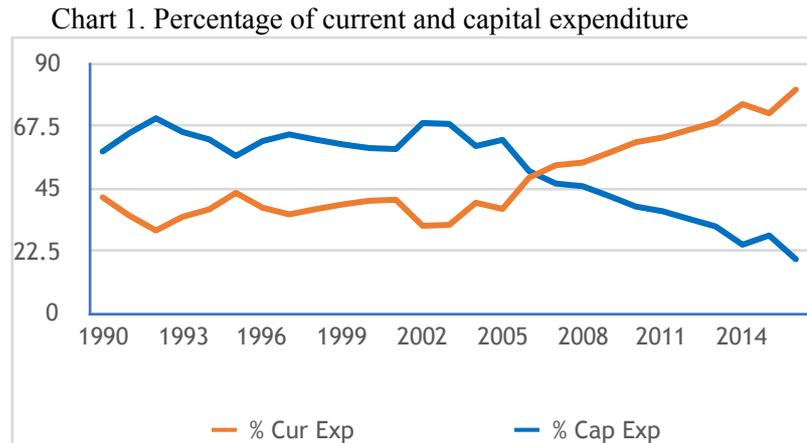
Year	IPC	Sector Inflation	% Expenditure	
	Variation (%)		Current	Capital
1990	-	-	41,74	58,26
1991	38,89	42,33	35,16	64,84
1992	25,48	30,61	29,79	70,21
1993	13,50	10,70	34,73	65,27
1994	-8,17	-6,93	37,41	62,59
1995	3,04	2,35	43,35	56,65
1996	23,84	21,02	37,99	62,01
1997	23,72	23,96	35,60	64,40
1998	6,79	9,03	37,49	62,51
1999	20,57	22,48	39,18	60,82
2000	-0,87	1,09	40,51	59,49
2001	17,64	20,17	40,87	59,13
2002	29,12	30,76	31,49	68,51
2003	4,01	5,85	31,81	68,19
2004	-15,87	-16,20	39,79	60,21
2005	13,21	13,99	37,56	62,44
2006	-25,12	-23,71	48,85	51,15
2007	-1,53	0,53	53,31	46,69
2008	9,14	11,31	54,25	45,75
2009	3,83	4,67	57,80	42,20
2010	-18,61	-17,30	61,59	38,41
2011	-8,47	-6,02	63,27	36,73
2012	-18,07	-16,52	66,05	33,95
2013	11,66	11,55	68,77	31,23
2014	-15,95	-14,92	75,33	24,67
2015	13,72	14,98	72,00	28,00



2016	5,42	5,01	80,54	19,46
Total	150,95	180,8	-	-

Source: INE

Chart 1 below shows the percentage of current and capital expenditure. It is possible to observe a change in the allocative behavior of municipalities regarding current and capital expenditure. Despite not being a linear behavior, capital investments dominated the governments' agenda until 2005. After this period, there was a constant decline in resources, while those destined for current investment grew in the same proportion.



The regions have different compositions regarding the number of municipalities and size of their population. As it can be seen in table 2, there is no correspondence between the distribution of resources by region and the number of municipalities or population size. For the Northern region, there is a relative correspondence with the size of the population, but not with the number of municipalities. The Metropolitan Region of Lisbon, despite having only 12.81% of the resources and the second smallest percentage of municipalities, absorbs almost 1/3 of the population. That is the only region where the percentage of the population is higher than the percentage of resources it absorbs for the development of sports policies.

The region of Algarves has the greatest availability of resources, because it has only 4.54% of the population and it handles 8.44% of the resources. In other words, it has differentiated conditions to the implementation of the policy.

Table 2. Distribution of resources in sports, municipalities and population by region of Portugal

Regions	% resources	% municipalities	% population
North	42,57	30,94	36,87
Center	25,44	35,97	22,18
A. M. Lisboa	12,81	6,47	29,02
Alentejo	10,75	20,86	7,39
Algarve	8,44	5,76	4,54

Source: Research data



In accumulated terms, regions exhibit different behaviors in relation to the type of expenditure, as it can be seen in table 3. The Northern Region accounts for more than half of capital investments. On the other hand, its investment in current expenditure follows its population rate. These investments are the ones associated with services to the population. In the Alentejo and Algarves regions, capital expenditure also exceeds the percentage of current expenditure. In the metropolitan regions of Lisbon and Alentejo it is already possible to observe the change in allocative behavior presented in table 1.

Table 3. Distribution of resources by type of expenditure (current and capital) among the regions of Portugal

Regions	Current	Capital
North	39,63	50,70
Center	27,50	19,70
A. M. Lisboa	13,31	11,40
Alentejo	11,52	8,61
Algarve	8,03	9,59

Source: Research data

The first, and perhaps the most important, observation concerns the role that local authorities have been playing in terms of investment in sports policies. Whether one looks at the result through the CPI or the sectoral inflation index, it is possible to see that there has been substantial resource growth over the period, much higher than the accumulated rate of population growth. This means that investments have been expanding in order to increase per capita investment. This result is in line with the analyzes that local authorities play an important role in the funding of sport in Portugal (Carvalho et al., 2009; Tavares et al., 2017).

As there was no linear growth of investments throughout the period, other variables pressed, changing the intensity of resource growth and of its retraction. Considering that the funding of sport depends on its own resources, the fiscal capacity of each municipal council has a different impact on investment. Therefore, diversity is a behavior compatible with the fiscal model.

However, the strong retraction observed in four years (2010, 2011, 2012 and 2014) may be associated with the impacts of the financial crisis after 2008. There is an important retraction in investments from 2008 to 2009, and in 2010 there was a significant drop.

The disinvestment of municipalities is associated to the fiscal crisis that has hit the Portuguese government and that required the seeking of help from international bodies to ensure solidity in public accounts. To this end, the agreement around the Memorandum of Understanding (Troika Memorandum) imposed fiscal measures to retract investments and reduce debt, including the municipal councils (Rocha, 2011).

The fall which occurred in the four years was not enough to promote deceleration of investment in sport in the period. If we consider the inflation of leisure, recreation and culture as the one that best reflects the costs of the sector, there was an accumulated growth of around 419.05% (CPI: 316.12%). The years that followed from the beginning of the series until the crisis, that impacted the expenses after 2010, allowed the increase of resources, which reduced the size of the crisis in the sector.

When we compare the average of investments between the first five years and the last five, we find a growth of 67.56%. Considering that this value was corrected by inflation (IPC), there was an important expansion of resources; higher, using the same calculations, than population growth, 4.42%.

The last three years have been marked by linear growth in investments and we still do not know if we are close to saturation, which is a powerful indicator of the value of the agenda (Carvalho, 1994). Another important detail is that the positive balance may be even greater, considering that other investments are made by departments such as education and tourism (Graça, 1998).

This allocative behavior of the municipal councils can be associated with two factors. One, the retraction of Central Government investments observed by Graça (1998). The other is the need to be responsive to the demands for infrastructure and services in the sport area by the local government, an aspect valued by different studies (Bernardo, 1999; Carvalho, 1994; Januário et al., 2009; Tavares et al., 2017).

Another important result of the study was to observe a change in the behavior of decision-makers in relation to the type of expenditure realized. As shown in table 1, capital expenditures (infrastructure and equipment) reached a saturation point around 62.84% of resources (average of the first 16 years), until they started a linear trend of disinvestment in capital. In the last five years of the series, the average was around 27.46%. This is not a type of expenditure that can be considered as permanent, especially when we consider the rate of population growth, which puts strong pressure for the increase of the urban area, in order to create new sport spaces.

There was a first moment of expansion of the infrastructure to adapt to the requirements of the sports policy for all the Portuguese State in the offer of pure public goods. As this demand is accommodated, resources are being invested in the offer of sports services, which will consume most of them, until a new wave is proposed for the requalification of these environments. After the construction of the equipment, they maintain the maximum service capacity for a long time, even if there are no new investments.

The retraction of resources in capital expenditure, observed mainly after 2005, is mostly associated with the withdrawal from the cost center of expenditure with sports infrastructure. The disinvestment is not characterized because there was growth in the volume of resources and the consequent expansion of the participation of current expenses.

Data disaggregated by region indicate that this distribution of resources does not occur in a balanced manner. The Northern Region consumes most of the resources and is responsible for the largest percentage of the Portuguese population. The Metropolitan Region of Lisbon has 1/3 of the population, but absorbs only 12.81% of the resources. This is an important evidence that there are regional differences that can be impacted by intraregional differences, at the level of local authorities (Tavares et al., 2017).

The spending profile for both current and capital expenditure between regions also does not allow for evidence that could justify the result. The Northern Region has a larger population and greater investment in capital. The same cannot be said of the Lisbon Metropolitan Region. In the Central, Metropolitan Lisbon and Alentejo Regions it is already possible to observe the shift in the allocation behavior with respect to the type of expenditure.



As it is a semi-public expenditure, current expenditure presents difficulties in ensuring an optimal allocation behavior (to meet the sports interests of all). There is no way to guarantee that all sports interests can be covered and that their offer guarantees that everyone can be served. Therefore, there is a strong possibility that this investment will be less efficient than infrastructure expenditures that allow for various sports possibilities, even if the equipment is not built according to international standards. In any space of a park, people can gather to play football, volleyball, badminton or to perform their jogging, which is the universal tonic of sport for everyone.

In all grassroots laws, the issue of infrastructure was central. Be it demanding balanced distribution within cities (Art. 37 of LB/1990), with the concern with the environment (Art. 78 of LB/2004) and with the construction of a diversified sports park (Art. 8 of LB/2007), among other concerns. Considering that the investments for this function are running out, it remains to be seen if the equipment meets the requirements imposed by the different grassroots laws with respect to the balance of their distribution and quality of equipment.

The variation of the allocative behavior may be explained by historic conditions that push towards a specific direction or by uneven investments capacities of the Local Governments. In the latter case, the Central Government should be able of allocating more resources and/of policies to level the political supply capacity within the national territory.

Final Considerations

The inexistence of comparative studies within the scope of sports investment by municipal councils in mainland Portugal gives the study proposed here a certain scrutiny of the value of the agenda in the Portuguese State. Municipalities were elected by the constitutional system and by infra-constitutional laws as the privileged space to meet the needs of citizens from the sports point of view.

Even without knowing the initial adjustment between the starting point of investments and services provided (current and capital expenditure), the evolution of resources, especially when we observe the inflation of the sector, clearly demonstrates that there is an important effort of local authorities in guaranteeing the right and, therefore, in respect for the prerogatives imposed on it by the legal system. Therefore, local authorities are fulfilling their role in the provision of sports policies, including ensuring the increase of investments.

The allocative behavior in terms of the distribution of current and capital expenditure shows a saturation point of the latter (2005) and the growing offer of sports services to the population by the municipalities (current expenditure). Therefore, we must breakdown this information to provide more detail on what current and capital expenditure are part of the portfolio of the managers' shares. In future studies this refinement would provide for a better understanding on what actually happens on the usage of public resources.

The participation of the regions in the distribution of resources and the behavior in terms of type of expenditure signals the need to understand how this distribution occurs at the level of the microregions and municipal councils. The positive balance in the aggregate analyzed here may hide imbalances in the distribution of resources at the level of local authorities, which may hinder the development of sport in the Portuguese State. On the other hand, future analyses will need to



aggregate the investments made by the Central Government in order to have a more complete view of the public investments which, unfortunately, were not available in the 2018 Statistical Yearbook of Portugal.

This research line opens a relevant range of subjects that can be deepened, not just in terms of description, but also in terms of knowing how the variables in question affect those results. Therefore, that research line may help the Portuguese Government to create sport policies based on the allocative behavior by the municipalities in order to ensure the national unity.



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Recebido em: 12/02/2020

Aceito em: 30/03/2020

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