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## ARTICLES

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# THE VOUCHER SYSTEM AS AN ALTERNATIVE FOR ALLOCATING SPORTS GRANTS

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**Abstrakt:** *Sport funding at the municipal level has a long tradition, especially in Europe. Youth involvement in sport is usually an important aspect of grant policies. There are questions regarding how to allocate public resources more efficiently and how to increase youth participation in sport. We analyse sport vouchers as a tool for increasing transparency and efficiency as well as the involvement of young people and their parents in sport policy at the local level.*

**Vouchers typically transfer purchasing power directly to the target group. Using sport vouchers as a tool for allocating public resources is still quite rare. Some attempts with sport vouchers were made in Australia and the UK, and there are examples of sport vouchers in the Czech Republic.**

**The aim of this paper is to discuss the advantages of vouchers as an alternative method of sport funding at the municipal level. We also formulate recommendations for implementing a voucher system.**

**Keywords:** *sport; vouchers; transparency; grants*

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## INTRODUCTION

Funding of sport from public budgets has a long tradition at the municipal level, especially in Europe. Youth involvement in sport is usually an important aspect of European grant policies (Eurostrategies 2011a, Eurostrategies 2011b, European Commission 2007). Notwithstanding its popularity, there are questions of how best to allocate public resources so that their contribution to increasing youth participation becomes more efficient and effective. Many papers have been written about grant policy principles and the effectiveness and the advantages and disadvantages of sports grants policies, but few have taken the voucher system into consideration (Bemelmans-Videc et al. 2003). This article argues that vouchers may be a preferable tool because of their transparency, efficiency and effects on the involvement of young people and their parents in sport policy at the local level. This discussion is based on theoretical reasoning and on the analysis of empirical evidence. Several Czech municipalities have started experiments with vouchers as a tool for allocating funding for sport clubs. Their approach is different from standard grant policies (see Numerato, Flemr 2013, Slepíčková 2011)

The underlying problem is that municipal grant policies too often affect youth and parents only indirectly. Usually the latter have no idea about the quality, transparency, or effectiveness of the grant system. However, they can see if their municipality ‘does something for sport’ and they may receive some information from a sport club if their child is a member. Voucher systems may be a way to increase citizen involvement in sport policies among both adults and children because their approach towards youth and parents is more direct. However, increasing citizens’ involvement does not automatically lead to increasing sport participation. In short, there are two reasons: participation statistics are often missing or manipulated (sport clubs sometime declare more members than they have; nevertheless, vouchers also may create an illusion of higher participation, see Part 4).

For the purpose of this paper, we define sport vouchers as a tool for distributing funds from public budgets to sport clubs by giving individuals in the targeted age range a coupon enabling them to partake in sporting activities in such clubs without having to pay membership fees, or enabling membership

at a reduced rate. As such, vouchers are used for stimulating and increasing the opportunities to participate in sport activities across the young population. They are distributed by a municipality to eligible beneficiaries (voucher holders). The voucher holder redeems the voucher (or a part thereof) at the sport club where he/she becomes a member. The sport club submits the voucher to the municipality, claims funding and receives money based on the number of collected vouchers.

We seek to find out if vouchers may be an alternative to standard grant systems for financing sport clubs. The aim of this paper is to analyse existing theoretical considerations and practical experiences with sport vouchers, to identify the key variables as well as the strengths and weaknesses of voucher systems, and to recommend principles and conditions of implementation. We gathered theoretical sources and used available data on websites as well as the results of interviews conducted in spring 2013 with officials responsible for voucher management in three Czech municipalities.

## THEORETICAL CONSIDERATIONS

The question of how best to stimulate participation in sports, by subsidizing sports organizations or using a voucher system aimed directly at activating the target group, is within the discipline of public policy just a sub-question to the more general question of which policy instruments best achieve policy goals.

The assumption underlying the use of economic instruments such as subsidies, premiums, and relies on the view of utility-maximizing actors, the *homo economicus* who weighs alternatives based on costs and benefits, on the pros and cons of his behaviour. Reducing costs by economic instruments aims to make desirable behaviour more attractive and undesirable behaviour more costly (de Vries, 2002).

Notwithstanding the basic logic behind the use of economic instruments, many dilemmas are known. First, there is the so-called Matthew effect – “He who has shall be given” – pointing to the fact that the ones who profit most from governmental subsidies are often the ones who least need them. Secondly, there is the redundancy effect, namely that those who receive subsidies or grants often would have shown the desired behaviour anyway, even without the subsidy. Critics also point to the structural side of behaviour which would result in insensitivity to economic incentives.

Regina Birner pointed out that there are also feasibility dilemmas involved. Especially redistributive policy instruments are politically contested because they create – by definition – winners and losers (Birner 2009). Besides, there

are administrative challenges, especially if such instruments are transaction intensive. Third, there is the fiscal feasibility because policy instruments have to be financed from public budgets. The dilemma is that one often cannot simultaneously satisfy all three challenges in an optimal way and thus has to weigh off between the three. For instance, politicians are inclined to limit subsidies to situations that meet certain conditions in order to make them fair and to avoid problems like the Matthew effect. However, this immediately results in the need for inspections and hence more administrative work. Therefore, it is important to search for optimal ways of (re)distributing funds in order to achieve one's goals.

The possible side effects of economic instruments make for the necessity to think through the way they are applied and to consider the alternatives thoroughly. This also goes for grants to stimulate the participation in sports. One way is to give grants to sports organizations and help them get people to join their organization. This is without doubt the most popular method for subsidizing sports. Vouchers are not nearly as popular, although they have proven themselves in practice. The results of such practices, together with theoretical considerations, might shed light on the merits of providing vouchers directly to a target group, compared to subsidizing sports organizations. To make such a comparison is the main aim of this paper. According to the literature, the effect of economic instruments has to be viewed in terms of the so-called *homo economicus*. Might it be expected that vouchers respond more directly to this phenomenon than subsidies to sports organizations, and are thus more effective in making desirable behaviour by individuals more attractive or undesirable behaviour more costly? Are vouchers capable to counter the Matthew effect and the redundancy effect and would they, as incentives directly targeting citizens, be better able to overcome the structural determinants of their behaviour? Last but not least, are vouchers able to find an optimum in the feasibility dilemmas between political, administrative, and fiscal challenges?

In other words, the criteria to judge how the voucher system compares to subsidies to sports organizations include: their effectiveness in reaching the policy goal of more public participation in sports, the potential side effects economic instruments have in general, and their feasibility. In order to give an assessment in terms of these criteria, we first briefly outline the history of voucher systems and what previous research tells us about their effects; subsequently we present a theoretical argument regarding the criteria; and finally we communicate the outcomes of their application on a limited number of municipalities in the Czech Republic.

### *The background of the voucher system*

Vouchers as a method of public resource allocation were originally introduced in the education system. One of the earliest recommendations for the public use of vouchers was made by Milton Friedman in 1962. He proposed vouchers as a way to fund education without excessive government intervention in the market (Friedman, M., Friedman, R. 1982).

Valkama & Bailey (2001) gathered the following approaches to vouchers from the literature: (1) as a token that may be exchanged for goods or services, (2) as paper given instead of money, (3) as a document that controls and/or separates expenditures by authorizing and/or recording them separately, and (4) as a state benefit tied to a specifically defined purchase and funded from a source other than the beneficiary. Cave (2001) stated:

*'Voucher systems of distribution are defined as regimes in which individuals receive (pay for or are allocated) entitlements to a good or service which they may "cash in" at some specified set of suppliers, which then redeem them for cash or the equivalent from a funding body.'*

Cave also stated that the goal of vouchers in public services 'is not to facilitate market exchange but to redistribute income or guide consumption'. Vouchers have been tested for education (Barrow & Rouse 2008; Chumacero & Paredes 2012; Klitgaard 2008) as well as for housing (Agiro & Matusitz 2011; Park 2013), health care (Gorter, Sandiford, Rojas, Salvetto 2003; Wilson 1999; Peacock, Segal 2000) and social services (e.g., Vonotter & Tengvald 1992). However, vouchers for sport are still quite rare (Pavlík & de Vries 2013; Northern Territory Government 2013; Queensland Government 2013; Evening Times 2001; EU 2013).

The original idea of school vouchers was to transfer the purchasing power to the client in the form of free choice of schools. This transfer solves the 'private versus public school' problem. However, this kind of consumer sovereignty can be also illusory and may fail without the coordination role of state authorities (e.g., Lowery 1998, Warner, Gradus 2011). But the sport voucher as an alternative to the grant system is a rather different situation. There are not public versus private sport clubs. Sport clubs are usually non-profit and they provide desirable services, i.e. sport opportunities for youth or other citizens. There are no state sport clubs at the municipal level, so the role of the voucher is slightly different. By reducing the costs, vouchers help those in the target group who are not yet members participate in sports clubs and simultaneously fund sport clubs through subsidies allocated according to number of members.

Sport vouchers are still quite rare, although they have been used in Australia, the UK, Luxembourg, and the Czech Republic. While each municipality or jurisdiction has a different voucher system, the principle is always the same: to support youth participation in sport. Two Australian regions, Queensland and the Northern Territory, introduced sport vouchers for the youth (see Northern Territory Government 2013; Queensland Government 2013). The individuals eligible to receive a voucher in Queensland are children and young people between the ages of five and eighteen who are residents of Queensland (Queensland 2013) and (1) who hold or whose parent, carer, or guardian holds a Centrelink Health Care Card or Pensioner Concession Card or (2) who are identified by two referral agents. The voucher can only be redeemed at registered sport clubs operating as non-profit organizations, and there is a limit of one voucher per person per calendar year.

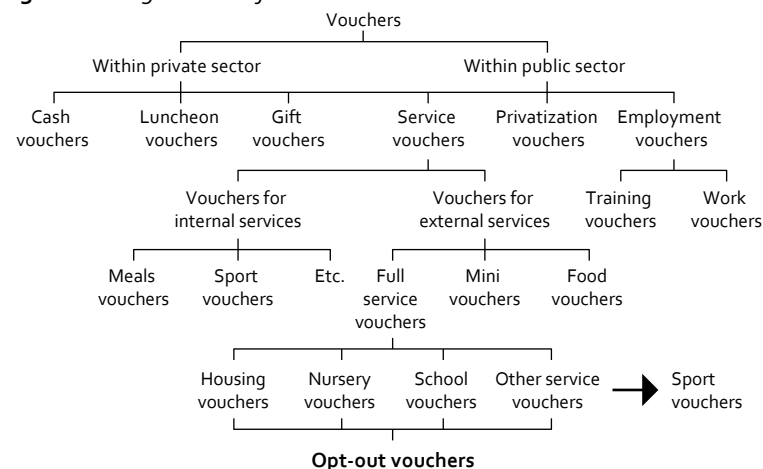
The Northern Territory defines as eligible all children enrolled in pre-school or school up to the age of 12 across the Northern Territory. As in Queensland, sport clubs have to be registered as approved voucher recipients (Northern Territory 2013). If a child lives in an area with limited access to registered clubs, his/her \$75 sport voucher can be allocated to his/her school to fund school council-endorsed sporting activities.

We noted one UK municipality (Evening Times 2001), East Renfrewshire, where the council launched a pilot voucher outreach programme. Youngsters could pick up a free voucher book to participate in activities on offer in two sport centres. The aim was to encourage children aged five to eighteen to partake in sport. However, this opportunity was only offered during one year's summer holidays (Evening Times 2001).

Luxembourg introduced voucher systems for childcare, sport, and music in 2009. Within that system, all children under the age of 13, regardless of household income, have access to a limited number of hours of free or subsidized childcare or after-school activities. Children in vulnerable situations benefit from additional free or reduced-cost hours. The system covers participation in music schools and sport clubs within the child's town or district of residence. The system also covers the 13–19 age group (see EU 2013).

### ***Different types of sport vouchers***

A general voucher classification is provided by Valkama & Bailey (2001). It is presented in Figure 1.

**Figure 1:** *Categorization of vouchers*

Source: Valkama & Bailey 2001; modified by author.

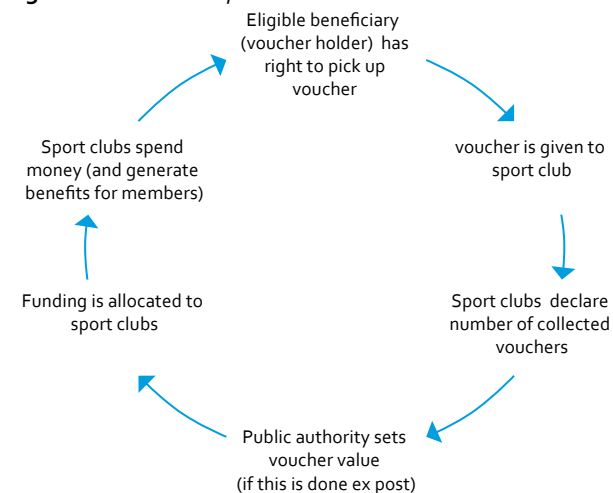
Although Valkama and Bailey do identify sport vouchers (see Figure 1), these are categorized in a peculiar context (similar to motivation tools for employees in the public service). Notwithstanding such peculiarities, based on this literature, one can classify sport vouchers (as an HRM tool) as internal service vouchers or as ‘other’ external service vouchers.

Using vouchers as a tool for allocating public financial resources to sport clubs requires the establishment of a relatively simple and understandable system. In order to be effective, the voucher system has to be clear and transparent, at least in the areas where the target group (i.e. voucher holders) are to be actively involved. Figure 2 represents the sport voucher cycles we witnessed in the mentioned municipalities.

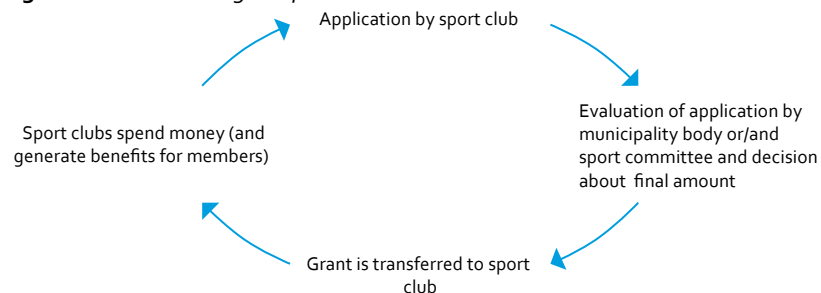
The following decisions must be considered: (1) Who is eligible for the voucher? The voucher eligibility can be determined by age, address, or other factors. (2) Which organizations can accept the vouchers, e.g., only non-profit organizations focused on sport, only organizations previously registered with the municipality, or anyone? (3) What are other conditions for accepting the voucher and redeeming it at the sport club? (4) What are the conditions for sport clubs when they claim money based on their collected vouchers? (i.e. list of members, deadlines, approved costs, etc.)?

These decisions are made by the public authority, that is, in general by the municipal council. However, during the introduction of sport vouchers, gaining the funding of street level bureaucracy seems extremely important (Lip-

sky, 1980, and more specifically Kosar, 2011). We found through interviews with stakeholders that continued efforts and support from the head of the financial department was crucial for the first Czech municipality to start using sport vouchers.

**Figure 2:** *The voucher process*

The voucher system seems to involve more steps and actors than do standard grant policies (see Figure 3), but more steps does not necessarily mean greater inefficiency. As shown in Figure 2, the first phase is the definition of the sport grant policy by local government. Sometimes there is no formal sport policy; there is simply a tradition of giving some money to sport clubs. At the same time, there is often evidence of a non-transparent environment (e.g., Pavlík & de Vries 2013; Hobza, Novotný 2008).

**Figure 3:** *The standard grant process*

Public funding (in vouchers and grants) is based on the assumption that by supporting these sport clubs, the municipality enhances the supply of (by grants) and demand for (by vouchers) of sport opportunities. Such funding is backed by the EU's belief that 'in grassroots sport, equal opportunities and open access to sporting activities can only be guaranteed through strong public involvement' (Commission of the European Union 2007). We also agree with those (Stirton & Lodge 2001; Wolman & Spitzley 1999) who emphasize the role of transparency in the grant process and the important role of the target group of participants.

The theoretical idea behind the voucher system is that it approaches the target group directly, and directly alters their weighing of costs and benefits of sports participation, which should be advantageous compared to indirect funding through sports organizations. The latter could spend the subsidies on training facilities for a few elite athletes, instead of promoting recreational sports for mass participation. The argument of sports clubs to do so, could be that the success of their elite athletes would also induce grassroots sport participation, but this effect is not only uncertain – because success of their top athletes is uncertain – but can also be a disguise to keep on doing what the club prioritizes, despite different policy priorities of (local) government.

The second advantage of vouchers is that the Matthew effect is partly avoided because vouchers are not supply-based but demand-based. Most of the money does not, as usual, go to the largest sports organization with the most members, but to those sports the target group wants to participate in but may find too costly to join without being subsidized.

The redundancy effect, namely that economic instruments especially reach target groups that would have shown the desired behaviour also without the subsidy, is not addressed in the literature on vouchers. The problem is likely not solved by the voucher system. Vouchers could be used mainly by those groups that already participate, or intend to participate in sports organ-

izations. To tackle this problem by providing vouchers only to outsiders could result in the feasibility dilemma. In terms of political feasibility, the people already participating might object to such a reduction in costs they themselves would not benefit from. In terms of administrative feasibility, additional records and monitoring would be required to ensure that vouchers only reach the groups specified beforehand.

Therefore, in theory, vouchers have advantages compared to subsidies to sport organizations, yet they are not a panacea for all the problems involved in economic policy instruments. This makes it relevant to examine how vouchers operate in practice. The following sections address that question.

## THE ADVANTAGES OF SPORT VOUCHERS IN PRACTICE

Three Czech municipalities (Hodonín, Opava, and Poděbrady) have introduced sport vouchers (and another municipality, Prostějov, considered it). Opava and Poděbrady now have one year of experience, and Hodonín has four years of experience. All the cities use a similar voucher pattern (see Figure 2) with slight modifications (see Pavlík & de Vries 2013) in order to supplement their funding to sport clubs based on the number of members of selected age groups. In 2013, Hodonín made some inventive changes, introducing two different voucher values for two categories of activity: competitive sports and non-competitive sports. They also introduced restrictions for using the funds received based on collected vouchers (see Hodonín 2013). Participation in the voucher system vests on the clubs the right to apply for standard grants, namely (1) funding for coaches and (2) special grants. The new rules seem clear, although the voucher system makes future incomes for sports clubs more unpredictable, depending on the number of gathered vouchers.

Table 1 compares the main differences in applying the voucher system between the analysed cities and municipalities. Unfortunately, not all information was as easily accessible as we hoped it would be.

**Table 1:** Main differences between the voucher systems in analysed municipalities (2012)

City/region	Determination of voucher value	Expenditure per beneficiary in EUR	Target group	Number of voucher parts*	Number of beneficiaries
Hodonín	Floating (ex post)	85 (year 2012)	Age 6–18	2	875 (year 2009)
Opava	Floating (ex post)	40 (year 2012)	Age 6–19	2	966 (year 2012)
Poděbrady	Floating (ex post)	youth 36; seniors 12 (year 2012)	No age limit	3	N/A
Prostějov (proposal)	Fixed (ex ante)	–	Age 6–19	2	–
Queensland	Floating with fixed maximum	Max 120 (year 2013)	5–18 (only vulnerable groups)	1	12,000 (first round in 2012)
Northern Territory	Fixed (ex ante)	60 (year 2013)	5–12	1	45,000 (year 2012)
East Renfrewshire	Fixed	N/A	5–18	1	N/A
Luxembourg	N/A	N/A	0–19 (vulnerable groups get more)	1	N/A

\*) The voucher has 2 or 3 parts. Each part can be redeemed at a different sport club or all parts must be redeemed at one sport club.

Sources: Pavlík & de Vries 2013 for Czech cities; UK and Australia added by the author according to Evening Times 2001, EU (2013); Northern Territory (2013b); Queensland (2013b).

The different voucher values are predominantly determined by the economic limitations of the cities and by the total portion of their budgets dedicated to sport (in other words, by its priority in relation to other policy areas).

Advantages of vouchers categorized from stakeholders' point of view may be seen in table 2. The table was modified according author's experience with standard grant system.

**Table 2:** Advantages of sport vouchers according to stakeholders with actual experience with voucher system

Group	Advantages (benefits)	Disadvantages (costs)
Eligible individuals (voucher holders)	Motivation to continue or take up sport Freedom of consumer choice –to support preferred sport clubs Indirect involvement in public affairs	Time (and cost) for collecting voucher from local government
Sport clubs/ organizations (voucher recipients)	Increased interest in services granted by voucher Guaranteed support independent from political decision-making (i.e. a more transparent environment)	Administrative burden (unclear if higher, lower, or the same as with a standard grant system) Risk of no public funding if no vouchers gathered (similar risk in case grant application is rejected) Same voucher value for all; cost differences not taken into consideration Number of collected vouchers fluctuates; total funding unpredictable
Municipality (voucher distributor and system administrator)	Transparent system based on inhabitants' revealed preferences instead of political favour No need to manage grant policy – consumer choice determines allocation	Costs of voucher distribution Increased administrative burden, especially if vouchers are used in combination with the previous system

Source: Pavlík and de Vries 2013 – modified

As presented in this table, the advantages of the voucher system are seen in effective targeting of the groups one wants to target directly, increasing the motivation for grassroots participation, increasing their interest, and giving them the freedom to choose their own kind of sport. Disadvantages are especially seen in the feasibility challenges facing all economic policy instruments. These involve the unpredictability of incomes on the part of sport organizations and the administrative costs on both the public administration and the sport organization. However, these costs may well be transitional, caused by changing the system. Interviews with municipal officers showed, for instance, that after initial scepticism, support for using sport vouchers increased, as expressed by the increasing number of accepted vouchers and the number of sport clubs participating in the voucher system. All interviewed municipalities reported difficulties introducing the new system, but all also subsequently

managed the new method and now consider the situation acceptable in terms of administration burden. The impact of such transition costs depends on the complexity of the previous grant system, the complexity of the new voucher system, and the level of active participation in these systems (their effectiveness).

Subjective satisfaction depends mainly on the amount of public money gained through the system. Most sport clubs profit from a more transparent context of subsidizing. Research (Pavlík 2013) among sport clubs showed that approximately 44% of Czech sport clubs considered grant decisions by municipalities to be mainly the result of informal relations with decision makers, and only 22% considered them to be the result of clear criteria of the process.

The voucher holders are confronted with some hurdles in order to obtain their benefit because they have to pick up the voucher and redeem it at the sport club. This hurdle is tiny compared to the benefits they receive, including the satisfaction of free choice and positive feelings about supporting their sport club for free or, as in some voucher systems, at a reduced rate.

### Factors affecting the voucher system

The advantages of the voucher system, compared to the subsidy system, do not only depend on the formal nature of the two systems, but also on the way they are implemented. Seven considerations seem to be important in this regard.

The first and most complex factor is the *mechanism to determine voucher value and its predictability*. Although many municipalities attempted to realize fixed voucher value – Prostějov (Bursa 2012); Northern Territory (Northern Territory Government 2013), and partly Queensland (Queensland Government 2013), in almost all of the implemented voucher systems the voucher value is derived ex post, based on the amount of available funds and the number of collected vouchers. Hence, all sport clubs have to face some level of uncertainty. The total amount of money dedicated for sport might be known beforehand, but the number of accepted vouchers is unknown and the number of vouchers that will be redeemed for sports activities is also unknown.

In order to address this problem, the municipality of Hodonín (Hodonín 2013) introduced two different voucher values for the categories of competitive and non-competitive sports in 2013. The value of the competitive sports voucher was twice that of the non-competitive one. The voucher declared as 'competitive' sports voucher has to correspond with evidence provided by the sport club that a child has become its member and participated in competitions. This new rule supported competitive activities but, in the end, made the

system even more unpredictable (nobody knew how many competitive vouchers would be collected by sport clubs).

One obvious solution to the unpredictability of voucher values is to set a fixed voucher value dependent on the maximum usage thereof and the available budget. This solution is transparent for beneficiaries as well as sport clubs, but presents obstacles for the municipalities which prepare their annual budget and dedicate an amount of money to sport support. Because not all vouchers are collected, a fixed voucher value might result in under-consumption of the available funds. The remaining budget (the savings from unused vouchers) could be spent through traditional grant systems or provided as a direct subsidy to schools or municipality-owned sport facilities. Fixed voucher values thus shift the uncertainty from sport clubs to the municipality.

The uncertainty induced by ex-post value setting can be identified as a disadvantage of the voucher system. If a club cannot predict the value then it cannot predict its income even if it is able to estimate the number of collected vouchers. Hence the voucher system can be viewed as a lottery. This increases the risk that the money will not be spent effectively. One factor limiting the prediction is the return rate (the percentage of vouchers collected by sport clubs from beneficiaries). In Crompton's (1983) study, the return rate increased approximately 6% per year (not proportionally), at least during the first six years, from the initial 16% to 53%. Only Hodonín has more than one year of experience, and their results confirm the tendency to a 6% annual return rate increase. The Northern Territory had an 85% return rate (Northern Territory 2013b).

The second factor is the *degree of transparency of the voucher rules*. The rules of the voucher system determined by public authority can be complicated or simple, e.g., the voucher can be picked up only on specific dates by the beneficiary at the municipal office, or it can be downloaded, printed out and officially validated ex post (when submitted by the sport club). Another example of voucher rule transparency is related to the number of obligations for sport clubs – how many documents they need, how many administrative steps have to be taken before they receive money, etc. The stability of rules over time is also an important factor. Annually announced significant changes in the system will increase uncertainty, make the system less transparent, and probably decrease its popularity.

The third factor is the *level of cost freedom* for sport clubs, that is, the extent to which they can freely spend the money received through the voucher system. The rules of standard grant provision usually contain lists of approved expenditures and require that all money be spent before the end of the fiscal year.

Regarding this problem, two positions are possible: (1) There should be no restrictions. The money could be spent on anything in accordance with the

mission of the sport club (including trainers' salaries) and regardless of fiscal year. The obligation to spend all the money within a given time frame usually creates obstacles for sport clubs at the beginning of the fiscal year (before the grants are allocated). (2) Cost restrictions should exist to enforce the desired effects, i.e. youth sport participation. An extreme version of the voucher system is the obligation to decrease the level of membership fees according to the voucher value received. This would not be useful in situations when one wants to attract more youth and avoid or decrease any social obstacles (i.e. for low-income families).

Two cities (Hodonín 2013 and Opava 2013) determined the spectrum of approved costs as follows: material and overhead costs plus, promotion, investments, events for youth, entry fees, etc. The revenues for employees were not included as approved costs. One city (Poděbrady 2013) did not explicitly list the approved costs and just maintained the right to perform accounting checks. It seems that some level of control by local administration, but strict limitations decrease the benefits of the voucher system in comparison with standard grants, for instance regarding the administrative burden.

The fourth factor concerns the role of *beneficiary domicile*. This variable influences the predictability. Each of the analysed cities chose a slightly different approach in this regard (see Table 3). This variable may affect the sum of vouchers that are picked up and the subsequent return rate. An important element is that under specific circumstances municipalities could cooperate, as was the case in Hodonín. A non-resident (someone from another municipality) was allowed to use a voucher, but its value was decreased and it could be compensated directly to the sport club only from the budget of the other municipality.

**Table 3:** Approach to resident and non-resident members of sport clubs

City	Approach
Hodonín	Primarily dedicated to beneficiaries residing within the city, but sport club members from different municipalities may also use the voucher. The voucher value for non-residents is 1/3 and the municipality where the non-resident is domiciled may provide the outstanding amount to the sport club.
Opava	The voucher may be used by registered members of a sport club. The role of domicile is not emphasized.
Poděbrady	The voucher is for residents, but children and youth who are members of a local sport club and at the same time attend nursery, preschool, primary, or secondary school may also use the voucher.

Source: The author based on Hodonín 2013, Opava 2013; Poděbrady 2013.

What should a municipality do when non-resident children visit local sport clubs? Should they receive vouchers, too? What if resident children visit non-local sport clubs? Should those clubs be compensated? This problem arises in big cities with two levels of local government where each district has its own municipal council (and decision-making about local grants) and own sport clubs. The answer depends on the aims of the sport policy, whether a city wants to support its own inhabitants or its own sport clubs, or whether it wants to pursue any segregation policy. The strategy of one city may affect the strategy of a neighbouring city.

The fifth important variable is the *legal status of sport clubs* that are approved for the voucher system. Most of the cities only fund non-profit sport clubs. Although the actual activity of for-profit sport clubs may be almost the same, they are nevertheless often excluded. Typical examples include small sport clubs operating on their owner's name or big football clubs set up as joint-stock companies. Generally we can identify two stands regarding this problem. Opponents argue that grants should be given only to non-profit clubs because public money should not generate private profit. Proponents hold that it is not the legal form, but only the activity organized by the sport club that is important, and youth members should be supported regardless of the legal status of the sport club. Proponents also posit that non-profit organizations may misuse public resources or generate hidden profits. All three Czech cities follow the traditional approach, enabling vouchers only for non-profit sport clubs.

The sixth factor pertains to the *aim of the sport policy*. Aside from a complex debate about the role of the sport policy at the municipal level there is a simple question: Do we want to support sport clubs and their current membership or do we want to increase sport participation of youth? Different answers imply different strategies. If the goal is to support existing clubs and members, the emphasis is on a transparent environment as an alternative to the grant system. If the goal is to increase the number of participants, the emphasis is on better regulation of voucher recipients (sport clubs). For example, the voucher could enable free access to a given number of training hours or lessons, or to demonstrably lower member fees for those who redeem the voucher to their sport club. Encouraging the youth to try some sport means removing barriers. Some barriers can be economic (e.g., for low-income families) and others are psychological (e.g., greater willingness to try a sport if it is for free).

The seventh factor is the *promotion and public discussion* of the idea of sport vouchers during the introduction and implementation of the voucher system. Based on the experiences of the analysed municipalities, we can expect a cautious, if not to say negative, opinion towards sport vouchers from beneficiaries and sport clubs. Preliminary research suggests that support and sat-



isfaction with the voucher system increases over time. Voucher holders, sport clubs, and government officials all become familiar with the system. However, satisfaction only seems to increase if the voucher system does not change significantly from year to year so as to preserve the advantage of transparency.

The list of factors is far from exhaustive. Obviously, varying circumstances in different countries may strengthen or weaken the impact of these factors. With respect to the role of system factors, it seems that the effects of a voucher system depend especially on the goals one wants to achieve. A major problem is that sport policies are mostly implicit and do not translate into nice policy plans. Instead of well-justified aims, often there is a self-evident tradition of continued and ad-hoc sport grants occasionally accompanied by a vaguely formulated sport policy.

## DISCUSSION OF THE VOUCHER SYSTEM AND RECOMMENDATIONS FOR IMPLEMENTATION

What does the above tell us about the advantages of the voucher system compared to those of the traditional grant system? First of all, vouchers are not to be seen as a panacea. They do not remove corruption because they, too, can be abused. However, they do diminish cronyism. The amount of subsidy is no longer determined by local officials' friendly relations with board members of sport clubs or personal sympathies for a specific kind of sports, but by the decisions made by individuals in the target group. The latter decide which sports club they will participate in.

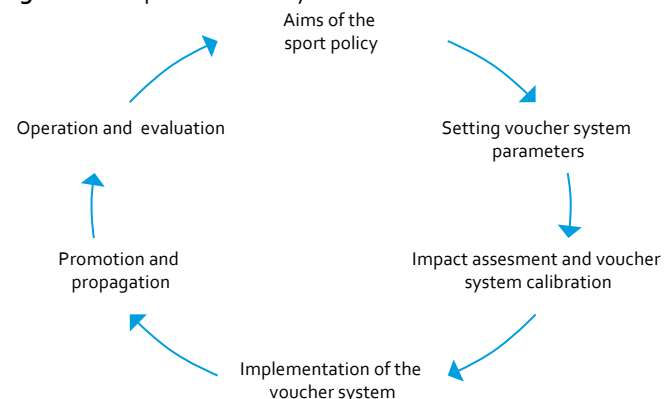
Second, the voucher system has problems assuring the predictability of incomes for sport clubs and differentiating between expensive and cheap kinds of sports.

Thirdly, vouchers are not a solution to the dilemmas of political, administrative and fiscal feasibility. However, they put the responsibility for these dilemmas where it belongs, namely in the hands of political representatives. They determine which conditions apply, which administrative burdens are accepted, and what the value of the vouchers and thus their fiscal burden will be.

The advantages are more evident. If applied in a smart way, the voucher system avoids the Matthew effect as well as the redundancy effect which hinder the effectiveness of so many other subsidies. This is caused firstly by their specific *power purchase transfer*. Vouchers in sport stimulate the public (eligible individuals) to choose their favourite sport club to support. This public involvement may induce positive effects in all areas of local policy (Potůček 1997). Secondly, voucher systems are relatively *transparent*. The process of

money allocation is clear and transparent to all participants in the voucher system, including sport clubs, inhabitants, and any other groups concerned. Standard grant provision is based on a financial application and a decision about allocation (approving the requested amount, reducing the requested amount, or rejecting of the request). The process of evaluating grant requests is often perceived as non-transparent (Pavlík & de Vries 2013). The actual transparency is of course conditioned by the restrictions and administration required. Thirdly, voucher systems seem effective in increasing *youth demand for vouchers and consequently may increase youth participation in sports*. All of the analysed cities in the Czech Republic emphasized the youth as their target group, although one can also imagine, e.g., pensioners as a target group. The voucher system increases the motivation to choose a sport as a leisure activity. Vouchers do motivate eligible individuals to take up sporting activities. Nonetheless, their impact on behaviour will be strongly affected by the system's rules and sport clubs' behaviour. Compared to the standard grant system, the inflation risk with voucher systems is much less an issue. Grant applicants often overstate their needs. This creates pressure on spending and the illusion of a lack of resources. The voucher system may experience a similar kind of 'inflation' in the first few years as the number of voucher holders increases (in the case of ex-post value setting); however, the number of young people in the municipality is limited and well predictable. We have to assume that not all local children are sport club members, hence there are 'free vouchers' in the system (and possible fictitious members).

The crucial caveat is, "if applied in a smart way". Based on previously gathered information, we may suggest some recommendations, which are visualized in Figure 4.

**Figure 4:** Implementation system

- *Keep the system simple and clear.* Use only one voucher value or set two separate budgets for two different voucher values (e.g., non-competitive and competitive). Do not maintain or implement time restrictions for spending the money gained from vouchers, thus eliminating the problem of ‘uncovered’ periods of the year.
- *Set long-term support for sport clubs* through vouchers as an annual percentage of the municipal budget to valorise funding, make the system more predictable for clubs and fix the ‘lottery’ problem.
- *Keep the system transparent.* Implement control mechanisms in relation to sport clubs and transfer the bulk of the administrative responsibility to the municipality. Publish the results of the system.
- *Promote the idea of vouchers* among inhabitants, especially among the youth, and do this together with the clubs.
- Especially in the Czech municipalities, most promotion effort seems aimed at sport clubs rather than at eligible individuals. The effort is hardly evaluated because we are not able to capture informal flow of information (i.e. in schools, local newspapers, local radio, etc.). Queensland estimates that more than 20% of those who received the vouchers had not played club sport before Queensland (2013b).
- *Make voucher redeemable in commercial or municipal sport facilities* as well as sport clubs. Thus vouchers would serve not only as an alternative to the grant system of funding sport clubs, but also as a tool for increasing participation in sport.
- *Support young people’s free choice.* We suggest setting up two different regimes for voucher holders according to age group. Children over 15 could be allowed to spend the voucher without parental supervision. If we want

to support youth involvement in sport, we have to consider economic and social obstacles, including the fact that parents may ignore the voucher system even though the child is interested in sport. The voucher system can be promoted with the help of primary and secondary schools.

From the discussion of implementation issues arises the question of transferability of voucher systems from one city or country to another. We assume that vouchers may be used in any democratic state; however, they have to be adapted to local conditions. General differences between countries depend on their traditions of how (and if) sport clubs are supported from local budgets. Even if there is no tradition of grants for sport clubs there can be the will to support a selected group of inhabitants (usually youth) in sport. Hence vouchers may be an additional method in European countries with extensive systems of grants for sport clubs as well as the only method of supporting sport participation. In either circumstance, the voucher system remains the same in its main principles: transparency, predictability, and simplicity.

## CONCLUSIONS

This article addressed the use of vouchers as an alternative method of financial support to stimulate sport participation at the municipal level. It first identified the main strengths and weaknesses of this instrument within the more general context of the advantages of economic policy instruments. This discussion concluded that it is extremely necessary to consider different alternatives of financial instruments. Unfortunately the voucher system is only rarely seen as an alternative. This article argued that this is deplorable because vouchers might be a much more effective means to achieve policy goals than other financial instruments. It compared the two economic instruments – vouchers for a target group and subsidies for sports organizations – on three criteria, namely the policy goal of more public participation in sports, the potential side effects economic instruments have in general, and feasibility.

Theoretical arguments as well as the opinions of stakeholders in Czech municipalities in which the voucher system was already introduced point to its main advantage in terms of effectiveness. It seems superior in promoting grassroots participation in sports. Although we deem effectiveness to be the most important criterion to judge a policy instrument, this comes at a cost, mainly in terms of administrative burden for the municipality and sports organization. The voucher system as such is not a panacea for all problems involved in using economic policy instruments, and it fails to solve cer-

tain dilemmas in economic policy instruments. However, as far as such issues do become apparent, our research suggests that these mainly take the form of transition costs. The public administrators and sports organizations interviewed found the side effects manageable after they got accustomed to the new system. Furthermore, the problems and advantages depend on the way vouchers are introduced. They need not fully replace the standard grant system, as both can be combined.

The challenge for future research is twofold. Firstly, it is necessary to focus on modelling the impacts of voucher systems and defining the necessary conditions of success. Secondly, more examples of practical application are needed because experiences from cities, sport clubs, and inhabitants with sport vouchers are still scarce. Evaluation of such practices could identify optimal system settings in terms of characteristics of the context, policy goals and policy implementation. This could be determinative for the extent to which the voucher system can be simple, clear, and transparent, or requires more specifications, promotion, and propagation of grassroots participation in sports.

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