

## Policy Department Structural and Cohesion Policies

# FINANCING THE ARTS AND CULTURE IN THE EUROPEAN UNION

CULTURE AND EDUCATION

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IN THE EUROPEAN UNION**

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**Policy Department Structural and Cohesion Policies**

**CULTURE AND EDUCATION**

## **FINANCING THE ARTS AND CULTURE IN THE EU**

### **STUDY**

**Content:**

The study describes the various sources of financing culture in Europe for the period 2000-2005, focusing on the State, the market and the non-profit sector. The analysis covers public direct financial support (subsidies, awards, and grants, as well as lottery funds provided by central and lower levels of governments); public indirect financial support (tax expenditures); private financial support from non-profit organisations, business organisations and individual donations.

**IP/B/CULT/ST/2005\_104**



## Executive Summary

### Foreword

This study provides an illustration of the various sources of financing culture in Europe for the period 2000-2005. The analysis is both qualitative and quantitative. To best illustrate how culture is financed, the study explains data (where possible) in a wide cultural policy frame, including the analysis of policy priorities, decision-making patterns and administrative organisation. The design, focus and implementation of European cultural policies manifest differently across countries. This calls for a constant survey of cultural policies as well as a continual collection of related data. Each country could greatly learn from the experience of others. This is particularly true for Europe, where different experiences in the cultural policy field, the exchange of knowledge about best practices, and interesting initiatives in the sector could stimulate the diffusion of information.

The study focuses on three main sources of funds for the arts: the government, the market, and the third sphere (non-profit sector). Each has its own rationale, and tends to generate its own institutions and organisations. Any cultural policy may need to take these sources and their consequences into account. The study tries to adhere to a differentiation of these three main sources of financing by grouping the data accordingly. More specifically, the analysis considers public direct financial support (subsidies, awards, and grants, as well as lottery funds provided by central and lower levels of governments); public indirect financial support (tax expenditures); private financial support from non-profit organisations, business organisations and individual donations for culture.

### Findings

Data are very important for cultural policies analysis. They illustrate the differences in how countries finance culture, which, in turn, correspond to differences in how cultural policies are organised. The adjustments in funds devoted to this sector, their sources (public or private), their distribution among different levels of governments and different art sectors – all are useful to detect the way cultural policies are actually implemented.

- The quantitative analysis proved to be very difficult as data for the period under consideration were frequently unavailable or not comparable. In most cases, the heading “state spending on culture” referred only to figures of the institutions responsible for culture at the central level (ministries, departments, etc.) and ignored data from other ministries. Moreover, the information was more often than not presented out of context, omitting constituents that lend a comprehensive understanding of how culture and the arts are financed. Finally, the focus on public financing omits other sources of funds (market and third sphere).
- In general, a process of decentralisation and *désétatisation* has taken place (and still is taking place). Most countries have started a process aiming toward the reorganisation of the administration responsible for cultural matters, turning to a more active involvement of lower levels of government and arm’s length bodies.
- National governments support cultural activities by means of direct and indirect subsidies. Public direct support to culture and the arts takes the forms of subsidies, grants and awards. A form of indirect support is tax expenditure. Although data for the latter are difficult if not

impossible to obtain, in some cases, this type of indirect support appears to be as important as direct support.

- In many countries, lottery funds for culture are important; in some cases, their distribution has allowed cultural interventions that were otherwise impossible. Their collection and redistribution varies from country to country.
- Indirect support for culture through taxes is developed differently among countries, although there is a general trend towards the introduction of legal measures for tax benefits for donations or sponsorships in the cultural sector. There are also initiatives to stimulate people's intervention in favour of third sphere (non-profit) organisations in the cultural sector.
- Acknowledging the potential of the private sector (third sphere and market) for the financing of the arts benefits the cultural sector as a whole. There is little explicit acknowledgement of the importance of the third sphere (non-profit). Even so, its role appears to be increasingly significant. Similarly, a shift toward a more positive attitude with respect to private business support is noticeable.
- Governments (local and central) still remain the largest supporters of culture in comparison to the other sector. Nevertheless, the three spheres – government, market and third (non profit) sphere – operate simultaneously and their intermingling is more the rule than the exception.

## Recommendations

The recommendations for decision makers operating at various levels (local, national, international) are presented in three parts. The first focuses on the importance of the availability of data and information on the financing of culture and arts; the second relates to the identification of additional sources of funding for culture and the arts; the third suggests ways to boost peoples' awareness of the importance of supporting the arts and culture.

- Applying a qualitative methodology to data collection would allow the contextualisation of the information available. Such contextualisation – presenting details on the distribution of financial resources to culture as well as the types of projects and initiatives undertaken – would provide a thorough and extensive picture of existing cultural policies, allowing for meaningful comparisons across countries.
- The scope of data collection should go beyond subsidies from ministries of culture and the like to include information on the direct expenditures from all levels of government (including other ministries involved in supporting culture) as well as the effects of indirect support through tax reductions.
- More coherent and complete information on the private financing of art and culture as it is generated through market-type transactions and through the third sphere (non-profit organizations) should be collected. Research on the effects of the different methods of financing cultural activities on their quality could help to clarify the potential of each method of financing.

- Governments can devise the right incentives to stimulate the market and, especially, third sphere (non-profit) participation in supporting culture. The challenge is to generate more widespread support for all kinds of arts through donations and sponsorship without diminishing public support.
- The introduction of fiscal incentives, the use of matching grants and the involvement of private companies in the management of cultural institutions are tools that could be adopted by governments. A strategic design of these tools would allow governments to direct private support towards specific objectives.
- The success of any initiative aiming to stimulate private intervention is very much connected to the tradition of contributing to the cultural sector, a tradition that is stronger in some countries than others. To encourage private involvement in supporting the arts and culture it could be useful to stimulate communication among stakeholders; similarly, cultural organizations need to build communication and management skills and adjust their organizations accordingly.
- When new laws on tax incentives for private donations are introduced, governments could announce their benefits and explain their prerequisites through communication campaigns (advertising, public relations tools). At the same time, private grant-making organizations dealing with the arts, which may benefit from this legislation, should publicly promote their programmes and missions to stimulate donors.
- Developing grant schemes to stimulate professionalisation of the marketing and communication strategies for grant-making and grant-taking organisations could stimulate better communication among all the stakeholders.

The arts exist by virtue of the people involved, interested and committed. The challenge is to increase the involvement and enlarge the circles of the worlds of art and culture. One way to do that is to develop alternative ways of financing the arts. In particular, an increase in private support – individual contributions, donations, sponsorship – is called for without its reducing government support. People should be aware that the arts are important and that they have good reasons to support them. To persuade people and organisations to contribute more to the arts, cultural organisations will have to adjust their structure, focusing more on community building and marketing. Governments could stimulate these adjustments by matching private support and by legislating fiscal incentives. The purpose of these policies is not to interfere with public support but to swell its value in the sector of the arts and culture.



## List of Tables

	Page
Table 1. Cultural policy priorities	8
Table 2. Organisation of the public administration responsible for culture	10
Table 3. Percentages of lottery funds to culture by type of funding	32
Table 4. Public expenditure for culture as a percentage of GDP and of total public expenditure	81
Table 5. Public expenditure for culture as total and per level of government	84
Table 6. Lottery financing as a percentage of state expenditure for culture	88
Table 7. Forms of public indirect interventions through tax measures	91
Table 8. Types of foundations	98
Table 9. Private support to the arts and culture	99

## List of Figures

	Page
Figure 1. Average annual public financing to culture as percentage of GDP	28
Figure 2. Percentages of public expenditure on culture by level of government	29
Figure 3. Lottery financing of culture as a percentage of state expenditure on culture	31
Figure 4. Central government expenditure for culture as percentage of its total budget	51
Figure 5. Percentages of public expenditure on culture in East and Central Europe	53
Figure 6. Advantages and disadvantages of the three spheres	61



## TABLE OF CONTENTS

	Page
<b>Executive Summary</b> .....	iii
<b>List of tables</b> .....	vii
<b>List of figures</b> .....	vii
<b>Introduction</b> .....	1
<b>PART I. FINANCING CULTURE: A REVIEW</b> .....	7
<b>1. Direct Public Intervention</b> .....	7
1.1. Cultural Policy Priorities .....	7
1.2. Organisation of the Public Administration Responsible for Culture .....	9
1.3. Public Expenditure for Culture .....	15
1.4. Financing Culture with Lottery Funds .....	30
<b>2. Indirect Public Intervention Through Tax Incentives</b> .....	33
2.1. Analysis of Indirect Public Intervention through Tax Incentives .....	33
2.2. Measures of Indirect Support through Tax Incentives .....	34
2.3. Concluding Remarks .....	35
<b>3. Private Intervention</b> .....	37
3.1. Non-Profit Support to Culture and the Arts .....	37
3.2. Business Support to Culture .....	41
3.3. Public-Private Cooperation in the Arts and Culture: Best Practices in the EU .....	43
<b>4. International Cultural Cooperation in Europe</b> .....	47
4.1. Intergovernmental Cultural Cooperation .....	47
4.2. European Cooperation .....	48
<b>5. Evolution of Financing to Culture in the Central and East European Countries</b> .....	49
5.1. Cultural Policy .....	49
5.2. Direct Public Expenditure for Culture .....	51
5.3. Indirect Public Intervention through Tax Incentives .....	54
5.4. Financial Support from the Business Sector .....	55
5.5. Support from Non-profit Organisations .....	55
5.6. Individual Donations .....	56
<b>PART II. CONCLUSIONS AND RECOMMENDATIONS</b> .....	57
<b>1. Conclusions</b> .....	57
<b>2. Recommendations</b> .....	63
<b>Bibliography</b> .....	66

<b>Annex 1. Direct Public Expenditure for Culture (2000-2005)</b> .....	81
<b>Annex 2. Public Indirect Intervention through Tax Incentives</b> .....	91
<b>Annex 3. Private Support to Culture</b> .....	98

*If we are to achieve a richer culture, rich in contrasting values, we must recognize the whole gamut of human potentialities, and so weave a less arbitrary social fabric, one in which each diverse human gift will find a fitting place.*

M. Mead

## **Introduction**

The Maastricht Treaty of 1992 which led to the creation of the European Union addresses the importance of culture. Article 128 of “Title IX Culture” urges the Community to bring to the fore “the common cultural heritage ... of the European peoples”. Cultural policy usually focuses on issues of identity, diversity, and the position of the arts and the media – topics that are situated well below finance and economics on the political agenda. But might we be seeing a change in perspective on the horizon? The commercial world, after all, is becoming increasingly aware of the importance of ephemeral factors such as culture and creativity for its bottom lines. And as politicians become more interested in creative cities and creative economies, they drift into the role of the arts in society at large. This new interest may add further momentum to calls for a coherent and effective European cultural policy, a requisite behind the common appeals for identity, diversity and cultural autonomy.

In this report we focus not so much on the need and content of a European cultural policy as on the conditions necessary to conduct such a policy. Our concern lies particularly in the availability of financial data. When money is directed at financing cultural projects in the EU, politicians need to know what is being spent by whom and on what projects. Are such data available? Do we know how much is spent on culture and who spends it?

### **1. The EU and Cultural Policy**

Brussels is bound by treaty to consider the rich cultural diversity of Europe. It is not authorised to harmonise legal and administrative regulations of the member states in the cultural sector, though it has had the effect of standardising policy formats across the EU in those areas in which it has become involved.

The design, focus and implementation of European cultural policies vary across countries. Some have a centralised, ministry-supervised structure; others are decentralised. In some countries, public intervention plays the “sovereign” of culture; others employ a combination of public and private interventions. “There is a great variety – limited only by the number of countries – in cultural policies and in the institutions set up to implement them. And this variety reflects not only differing national traditions in the organisation of public functions and the delivery of public services, but differing philosophies and objectives regarding the whole area of culture and the arts” (Cummings & Katz 1987: 4).

Cummings and Katz (ibid) point out that “policies evolved without reference to, and often in ignorance of, developments in other countries”. In light of that, we believe that each country could greatly learn from the experience of others. This is particularly true for Europe, where different experiences in the cultural policy field, the exchange of knowledge about best practices and interesting initiatives in the sector could stimulate the diffusion of information. The many different arrangements in the organisation of cultural policies and in the financing of the cultural sector in the European countries call for a constant survey of cultural policies in Europe as well as a constant collection of their respective data.

Data are very important for cultural policies analysis because they illustrate the differences in how countries finance culture, which, in turn, correspond to differences in how cultural policies are organised. The adjustments in funds devoted to this sector, their sources (public or private), their distribution among the different levels of government and different art sectors – all are useful to detect the way cultural policies are actually implemented. For instance, they allow an understanding of whether decentralisation of power to lower levels of government has been implemented in reality, or if it is merely a wishful statement in an official document.

The EU acknowledges the need for data and has shown substantial attention to it by financing several initiatives and institutes to survey cultural policies. These initiatives draw attention to the differences existing among various countries with respect to cultural policies and to the difficulties in collecting data in this sector. They point to the need of a harmonised system of indicators for monitoring and evaluating at the Community level, a redefinition of national statistics, and monitoring and evaluating individual member states (Fink-Hafner & Kustec-Lipicer 2003). *Eurostat*, the statistical office of the European Union, has been directly involved in the process of harmonising cultural statistics, and a cultural statistics Leadership Group (LEG) has been working toward standardising European statistics on cultural expenditure, employment, etc.. The *Statistical Requirements Compendium* provides reference information for European statistical production. The 2005 edition refers to the methodology and objectives of cultural statistics (*Eurostat* 2005).

As Madden (2005) and Schuster (2002) note, there has been a rise in international networks aiming to share information and develop comparative documentation and research about the cultural sector. The International Federation of Arts Councils and Culture Agencies (IFACCA) was established in December 2000 to “create an international resource and meeting ground for all those whose public responsibility it is to support excellence and diversity in artistic endeavour” (IFACCA 2006), and is an important and active example of this type of network.

## 2. The Design of the Study

### 2.1. Theoretical Background

This study provides an illustration of the financing of culture in Europe. The analysis is qualitative and quantitative. The latter was very difficult as data for the relevant period (2000-2005)<sup>1</sup> were frequently unobtainable or not comparable. The lack of data proved to be a formidable obstacle in our research; sometimes within a single nation the data conflicted. More importantly, the focus was generally on public financing, ignoring other possible sources of funds (market, third sphere) and hence other possible ways to develop cultural policies. In fact, funding can and often does involve private resources with market characteristics. Financing from the so-called third sphere (defined below) involves non-market and non-governmental contributions.

For our purposes it behoves us to stress a peculiar economic characteristic of culture: the likelihood that the way a cultural good is financed will matter to its valuation and its functioning (Frey 1997, Klamer 2002, Klamer & Zuidhof 1998, Throsby 2001). Is the income earned, government-subsidised, sponsored or donated? The mode of financing has bearing on the organisation of cultural institutions and especially affects the appraisal of cultural goods and their valorisation. Therefore, a thorough analysis of the financing of culture should take into consideration the combination of public, private, and non profit sector resources. In a critical

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<sup>1</sup> All figures and charts represent the 2000-2005 period or the most recent available data.

review of the state of cultural policy research, Ellis suggests that attention to such studies should focus on “the impact of changing funding criteria on the patterns of arts activity” (Ellis 2004: 3).

There are three main sources of funds for the arts. Each has its own rationale, and tends to generate its own institutions and organisations. Any cultural policy may need to take these sources and their consequences into account:

- Financing by means of the *government*: To qualify for government support, cultural institutions and artists have to demonstrate that their activities meet qualitative and quantitative standards stipulated by politicians and government agencies. They also have to account for their activities. If the government is the major source of finance, cultural institutions are more or less compelled to operate in the government circuit.
- Financing by means of the *market*: Alternatively, cultural institutions and artists can sell their work on the market. This includes the selling of their works to companies in so-called sponsored deals. In market type of arrangements *quid pro quo* prevails. Accordingly, cultural institutions have to supply something that the other party is willing to pay for. Needless to say, this type of financing requires an effort quite different from that necessary to apply for government funds.
- Financing by means of the *third sphere*: Cultural institutions can also generate funds by means of donations from individuals or private institutions. These donations come in the form of money, work or time. In European history the *maecenas* provided a form of financing that was typical of the third sphere. Nowadays, foundations assume that role. Financing by means of the third sphere prevails in the Anglo-Saxon tradition and appears to be on the rise in Europe. For this method of financing yet another approach is called for, one focusing on the idealistic and special character of the arts, and on its vulnerable character.

In practice, the financing of cultural activities tends to materialize from all three sources. However, when cultural organisations fail to acknowledge the differences between the various sources, they risk losing one source or another. When they rely too much on the government, gifts will dry up. Likewise, when market arrangements take over, government may see cause for withdrawing its support. Although each source appears to involve its own approaches and requires certain properties and characteristics from the (cultural) organisation, the effect on the quality of the art produced remains to be investigated. Anecdotal evidence of that effect is not difficult to come by, but systematic research is a different matter altogether.

An important and often overlooked form of government support is the indirect subsidy. It comes in various forms, such as tax reductions for cultural institutions or their supporters. It may allow a lower value-added tax, or cultural financiers may get generous tax deductions. Fiscalists usually do not like these indirect subsidies as they form an open-ended item on public budgets. The government cannot directly control how much tax revenue it will forsake. The cultural institutions and their supporters determine that amount, although the government can set ceilings. Analysts prefer to speak of *fiscal expenditures* to indicate that these lost tax revenues are a cost to the government. The advantage of subsidising by means of fiscal expenditure is that cultural support lies directly with those who care. In the case of direct subsidies, arts councils or civil servants tend to make the decisions.

In our approach we try to adhere to a differentiation of these three main sources of financing by grouping the data accordingly. We run into serious difficulties, though, due to data shortcomings. Especially the third sphere receives too little attention, but data for fiscal expenditures and private forms of financing like sponsorship are also lacking.

## 2.2. Methodology

### *Definition of the different financial sources to culture*

To avoid ambiguity, the study will clearly define (where possible) each type of financing to arts and culture.

#### *- Public direct financial support*

This includes subsidies, awards, and grants, as well as lottery funds provided by central and lower levels of governments<sup>2</sup> (Chapter 1).

#### *- Public indirect financial support*

The analysis of indirect financial support to culture will draw attention to tax expenditures, which refer to income that local and national governments forego because of tax reductions and exemptions granted to cultural institutions. This part of the study focuses on tax incentives for culture within the legislative system of each country, which provide extra funds for culture (Chapter 2).

#### *- Private financial support*

Indicators that comprise measurement of private financing sources include support from non-profit organisations, business organisations and individual donations for culture (Chapter 3).

## 2.3. Research Methods

The research comprises a bisectonal approach:

- (1) A quantitative examination of the indicators of different regimes to finance the cultural sector. The data for the investigation were collected from:
  - Official national reports, tax expenditure budgets;
  - Records of the national central statistics offices;
  - *Compendium of Cultural Policies and Trends* (Council of Europe/ ERICarts)<sup>3</sup>;
  - Documents regarding the financing of culture authored by the European Parliament, UNESCO, the Council of Europe, the European Commission, the National Arts Councils; and
  - Other relevant statistical analysis of the patterns of financing culture.
- (2) A qualitative examination of indicators of different modes to finance culture. This involved extensive studies of:
  - Member states' ministries websites regarding documents on objectives of government cultural policy and the organization of the administration of culture;
  - Member states' official documents on different sector policies;
  - Member states' official legislative documents on tax incentives, laws and decrees;
  - Other relevant research reports and experts' reviews on the investigated issues; and
  - *Compendium of Cultural Policies and Trends* (Council of Europe/ ERICarts).

## 3. Limits of the Study

The original objective of the study was to collate data about the financing of culture, using them to analyse cultural policies and draw some conclusions about cultural policies implementation, financial issues and perspectives in the field. The scope, however, has been strongly limited by the scarcity of data. Moreover, the study is based on statistical and analytical research done by other institutions and organisations (secondary data) on the national level (ministries, national statistics, research institutes and the like) and on the trans-national level (Council of

<sup>2</sup> Lower levels of governments include Länder (Austria, Germany), Communities (Belgium), Voivodship (Poland), Regions, Provinces, Counties, Municipalities.

<sup>3</sup> National country profiles are prepared by local cultural policy experts and data is derived from official sources.

Europe/ERICarts, OECD). As such, the data collected in those studies have inherited the several limits of that work. Few countries square with each other in qualifying – and respectively quantifying – culture at national and regional levels. Classification of culture (by sector and so on), and research methodologies varied considerably. Furthermore, gross versus net cultural expenditure, and capital versus current expenditure were rarely distinguishable in the available data. It was difficult to avoid double-counting transfers to lower levels of government and to different public financing bodies. Often the data were presented without (or with limited) context, offering multiple – and considerably different – interpretations.

To increase the accuracy of superficial, lump totals of public expenditure, we computed ratios (percentages of GDP, total expenditure and the like) and then used increases (decreases) over the period as trend data. Similarly, we did not consider cultural expenditure per capita, as any indicator based on population leads to an over- or under-evaluation of public intervention (IFACCA 2005, Schuster 2002). Where possible, we explained data in a wider cultural policy frame, including analysis of policy priorities, decision-making patterns and administrative organisation. Cross-country comparisons were considered only when the abovementioned criteria were adjusted.



## PART I. Financing Culture: A Review

### 1. DIRECT PUBLIC INTERVENTION

The description of how cultural policies are organised and managed in the 27 countries is an important part of the analysis. In particular, section 1 describes cultural priorities; section 2 provides an illustration of the administrative organisation in place; section 3 compares government expenditures on culture, highlighting similarities and differences. Section 4 focuses on the impact of lottery funds on the financing of culture.

#### 1.1. Cultural Policy Priorities

The analysis of the 27 countries evidenced a wide array of policy priorities.<sup>4</sup> Some countries focus on cultural heritage; others have, at the core of their cultural policy, issues such as social inclusion and cultural diversity, following a path that characterises the EU interest regarding the cultural sector. Notably, the creative industries have become increasingly important economic factors within national cultural policies. Looking at the cultural priorities of the 27 countries (Table 1), we can detect some common features as well as some peculiarities. In line with European Community objectives, support for creativity, heritage protection and promotion, and a focus on creative industries is nearly universal, followed by recognition and promotion of national identity, cultural pluralism, internationalisation and decentralisation of responsibilities. There is widespread attention to the issue of identity and pluralism, one with growing importance because of ever-increasing immigration and globalisation. This calls for preserving national identity while at once recognising the cultural diversity of newcomers.

Other objectives belong only to a few countries. Supporting artists is a main objective of cultural policy in the Nordic countries, Austria, the Netherlands, and Luxembourg. The importance of art education and social cohesion is particularly prioritized in Sweden, Denmark, Finland, some Baltic countries, the United Kingdom, France, and the Netherlands. The protection and development of heritage remains highly important for Italy, Greece, Cyprus, and Malta. A trend indicates that the economic effect of culture is becoming more of an objective in shaping cultural policies. This is strongly emphasized and implemented in the United Kingdom, Denmark, Austria, Germany, and the Netherlands. Very recently this priority has gained policy attention in the Central and Eastern European countries, but it remains more of a target than a substantive policy change. The same partially holds for the involvement of the private sector (business and non-profit organisations) in the implementation of cultural policies; only a few countries have taken significant measures to allow their involvement. The development of the creative industries has effectively allotted a larger market share to these organisations within the sector, although that was not foreseen. Even states where public intervention has traditionally been dominant have begun to open up to the business and the third sectors in search of new sources of funds to finance culture and the arts (McIlroy 2001, European Parliament 2003).

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<sup>4</sup> When not otherwise stated data refer to national cultural profiles in the Council of Europe/ERICarts 2006. Cyprus: Council of Europe 2004; Czech Republic: Culturelink 2000; Denmark: Ministry of Culture 2002; France: Ministry of Culture and Communication 2005; Luxembourg: Ministry of Culture, Higher Education and Research 2004; Malta: Council of Europe 2002; Romania: Ministry of Culture and Religious Affairs, *Centre for Cultural Studies and Research* (forthcoming); Slovakia: Council of Europe 2003.

**Table 1. Cultural policy priorities**

<b>POLICY PRIORITY</b>	<b>COUNTRIES</b>
Art freedom	Austria, Bulgaria, Czech Republic, Denmark, Italy
Pluralism	Austria, Denmark, France, Germany, Greece, Ireland, Lithuania, the Netherlands, Portugal, Romania, Slovenia, Spain
Quality of art	Austria, Belgium, Demark, Greece, Sweden, the United Kingdom (England, Scotland, Wales)
Creativity – Innovation	Austria, Belgium (all communities), Czech Republic, Estonia, Finland, Greece, Ireland, Italy, Latvia, Luxembourg, Lithuania, Malta, Poland, Spain, the United Kingdom (England, Scotland, Northern Ireland)
Identity	Austria; Belgium (German community), Czech Republic, Estonia, Germany, Greece, Hungary, Ireland, Latvia, Luxembourg, Romania, Slovenia, the United Kingdom (Scotland, Wales)
Internationalisation	Austria, Belgium (French Community), Bulgaria, Cyprus, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, Poland, Portugal
Support to artists	Austria, Belgium (French Community), Finland, Germany, Ireland, Luxembourg, Malta, Sweden
Digitalisation	Austria, France, Ireland, Luxembourg
Reorganisation of the administrative organisation	Austria, Belgium, Bulgaria, Finland, France, Germany, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Spain
Decentralisation	Austria, Bulgaria, Cyprus, Denmark, Finland, France, Latvia, Luxembourg, Malta, Poland, Portugal, Slovakia, the United Kingdom (Wales)
Education	France, Ireland, Italy, Latvia, Luxembourg, Poland, Spain, Slovenia, the United Kingdom (Scotland, Northern Ireland).
Participation (social focus)	Austria, Belgium (French, Flemish communities); Cyprus, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Spain, the United Kingdom (all)
Economic effect of culture	Austria, Hungary, the Netherlands, the United Kingdom (England, Northern Ireland)
Cultural heritage	Belgium (all), Cyprus, Czech Republic, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Spain, the United Kingdom (Scotland)
Change in the laws	Belgium (all), Bulgaria, France, Germany, Ireland
Involvement of non-profit and/or business	Bulgaria, Germany, Ireland, Luxembourg, Malta, the Netherlands, Slovakia, Slovenia, Spain
Creative industries	Austria, Belgium (all), Estonia, Finland, France, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, the United Kingdom (all)

*Sources: When not otherwise stated data refer to national cultural profiles in the Council of Europe/ERICarts 2006. Cyprus: Council of Europe 2004; Czech Republic: Culturelink 2000; Denmark: Ministry of Culture 2002; France: Ministry of Culture and Communication 2005; Luxembourg: Ministry of Culture, Higher Education and Research 2004; Malta: Council of Europe 2002; Romania: Ministry of Culture and Religious Affairs, Centre for Cultural Studies and Research (forthcoming); Slovakia: Council of Europe 2003.*

## 1.2. Organisation of the Public Administration Responsible for Culture

Like cultural policy priorities, the analysis of the administrative organisations responsible for culture in the 27 countries shows some similarities.<sup>5</sup> To better articulate these common features, we propose a country classification.<sup>6</sup> A first partition simply separates countries with centralised organisations from those with decentralised ones. Most countries have a centralised structure with a central ministry bearing most responsibility; some authority is devolved to lower levels of government which, in general, operate under the control of the minister. Countries like Cyprus, France, Ireland, Italy, and Luxembourg belong to this group. Countries like Austria, Belgium, and Germany, instead, have a federal organisation; in these cases, a central ministry sometimes does not even exist (Germany, for example, is a case of almost complete devolution) and lower levels of government (Länder, counties, municipalities) are responsible for most cultural matters. If we imagine a line joining the two extremes, Ireland would rest on one end as the most centralised system (alongside with most of the Central and Eastern European countries); Germany, Denmark and Poland – as most decentralised – would occupy positions at the other end of the spectrum.

The Eastern European countries can be considered a cluster. They are interesting examples of an attempt to introduce new systems by looking at Europe's best practices. As we will see later, several patterns are being followed and different models are being introduced in these countries.

The third group comprises the Nordic countries. Various studies (Arts Council of Finland 2002, Heikkinen 2003, 2004) point to a "Nordic model" of cultural policy. The policy resemblance in these countries stems from the following commonalities: (1) the link with the welfare systems, (2) the emphasis on cooperation, (3) the importance of equality, (4) generous support to individual artists, and (5) the importance of artistic quality as the decisive criterion for granting support (Wiesand 2004). This approach, however, is not without criticism and has been defined "a matter of perspective" (Wiesand *ibid.*: 1). In fact, there are some common ideas at the base of specific policies and policy instruments, but several differences put into question the attention paid to the similarities.

In general, however, a process of decentralisation and *désétatisation* has decidedly taken place (and still is taking place) in accordance with what could be seen as the ideals of society that have developed in Europe over the last ten years. "The idea is that the state has to hand over much of its responsibility to the second and third sectors, (i.e. to the market and civil society), especially in the cultural field" (Inkei 2001: 5). In fact, another feature common to most countries is the increasing opportunity for private individuals, companies and non-profit organisations to take an active part in cultural policy, not only supporting the cultural sector but operating within it. A case in point is Italy which, breaking from its long tradition of public dominion of the cultural sector, has in the last ten years introduced laws to directly involve the private sector in activities connected to heritage preservation and even management of cultural sites. This trend, common to other countries, corresponds to the increased awareness of the need for new sources of support for the arts and culture.

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<sup>5</sup> Council of Europe/ERICarts 2006, national reports of the institutions responsible for culture at the central level (ministries, department, etc.), European Commission 2006, Culturelink, Mignosa 2005.

<sup>6</sup> Please note that this is proposed for sake of clarity and is not considered the only classification possible. We use this grouping as it allows a slightly clearer picture of how the organisations that decide on cultural policies in Europe are organised.

**Table 2. Organisation of the public administration responsible for culture**

Country	Centralised/ Decentralised System	Central Ministry with Cultural Competence	Local Level of Government	Other Ministries	Arms Length Bodies/National Cultural Funds or Foundations	Representatives of Different Levels of Government
<b>Austria</b>	Federal system (decentralised structure)	State Secretary for Arts and Media	<i>Bundesländer</i>	· Foreign Affairs · Economic Affairs and Labour · Interior	Advisory bodies responsible for funds redistribution	<i>Landeskultur- referentenkonferenz:</i> Meeting of representatives of the <i>Bundesländer</i> and the federal government
<b>Belgium</b>	Federal system (Subsidiary principle)	No central ministry	· Flemish · French · German Communities	· Foreign affairs · Education · Employment · Environment · Media · Mobility · Tourism	· Literature Fund · Flemish Audiovisual Fund	Federal level
<b>Bulgaria</b>	Centralised structure moving towards decentralisation	Ministry of Culture	Councils on culture (municipal level)	· Finance	· National Culture Fund (2000)	Inter-departmental commissions
<b>Cyprus</b>	Centralised	Ministry of Education and Culture	Municipalities (festivals, libraries)	· Communication and Public Work · Foreign Affairs		Union of Cyprus Municipalities
<b>Czech Republic</b>	Centralised	Ministry of Culture	Municipalities	· Foreign Affairs		
<b>Denmark</b>	Very decentralised	Ministry of Culture (mainly set the framework)	Municipal County Councils	· Environment · Education	· State Art Foundation · Film Subsidy Authority · Danish Arts Council	
<b>Estonia</b>	Centralised state structure, independent municipal policies	Ministry of Culture	Municipalities	· Education · Interior · Economy · Finances	· Estonian Cultural Foundation (ECF) · Estonian Film Foundation	Cooperation among different ministries

Country	Centralised/ Decentralised System	Central Ministry with Cultural Competence	Local Level of Government	Other Ministries	Arms Length Bodies/National Cultural Funds or Foundations	Representatives of Different Levels of Government
<b>Finland</b>	Bi-polar centralised system: state and municipalities. Vertical decentralisation	Ministry of Education and Culture	Municipalities	<ul style="list-style-type: none"> <li>· Finance</li> <li>· Interior</li> <li>· Transport and Communications</li> <li>· Trade and Industry</li> </ul>	<ul style="list-style-type: none"> <li>· Arts Council of Finland (Central Arts Council and the State Artform Councils)</li> <li>· Regional Arts Councils</li> </ul>	Council of State
<b>France</b>	Centralised structure with regional trends and growing local government role	Ministry of Culture and Communication	<ul style="list-style-type: none"> <li>· Départements</li> <li>· Municipalities</li> <li>· Regions</li> </ul>	<ul style="list-style-type: none"> <li>· Youth, Education and Research</li> <li>· Foreign Affairs</li> </ul>	<ul style="list-style-type: none"> <li>· Fonds régionaux d'acquisition des musées (FRAM)</li> <li>· Fonds régionaux d'acquisition des bibliothèques (FRAB)</li> <li>· Fonds régionaux d'art contemporain (FRAC)</li> </ul>	Inter-municipal cooperation
<b>Germany</b>	Federal system Complete devolution	No Ministry	Länder	German Federal Ministry for Foreign Affairs	Prussian Cultural Heritage Foundation	Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany
<b>Greece</b>	Centralised system	Ministry of Culture	Local government	<ul style="list-style-type: none"> <li>· Press and Mass Media</li> <li>· Environment;</li> <li>· Planning and Public Works;</li> <li>· Foreign Affairs;</li> <li>· Education and Religious Affairs;</li> <li>· Development</li> </ul>	<ul style="list-style-type: none"> <li>· National Book Centre</li> <li>· Greek Cinema Centre</li> <li>· Fund of Credits Management for Archaeological Work</li> <li>· Unification of the Archaeological Sites of Athens</li> <li>· Hellenic Culture Organisation</li> </ul>	Interministerial committees
<b>Hungary</b>	Decentralised with re-centralising tendencies	Ministry of National Cultural Heritage	Local Authorities	<ul style="list-style-type: none"> <li>· Interior;</li> <li>· Transport and Telecommunication</li> </ul>	<ul style="list-style-type: none"> <li>· National Cultural Fund</li> <li>· The Hungarian Public Foundation for Motion Pictures</li> </ul>	National Development Office
<b>Ireland</b>	Very centralised system	<ul style="list-style-type: none"> <li>· Department of Arts, Sport and Tourism</li> <li>· Department of Environment, Heritage and Local Government</li> </ul>	Local government (but less than other EU countries)	<ul style="list-style-type: none"> <li>· Communications</li> <li>· Marine and Natural Resources</li> <li>· Finance</li> <li>· Education and Science</li> <li>· Foreign Affairs</li> <li>· Enterprise, Trade and Employment</li> </ul>	<ul style="list-style-type: none"> <li>· Arts Council</li> <li>· National Gallery</li> <li>· National Museum</li> <li>· Etc.</li> </ul>	Arts and Culture Enhancement Support Scheme (ACCESS)

Country	Centralised/ Decentralised System	Central Ministry with Cultural Competence	Local Level of Government	Other Ministries	Arms Length Bodies/National Cultural Funds or Foundations	Representatives of Different Levels of Government
<b>Italy</b>	Developing a federal approach	Ministry of Heritage and Cultural activities	· Regions · Provinces · Municipalities	· Foreign Affairs · Internal Affairs	· Venice Biennale · Fondo Unico per lo Spettacolo	· Inter-ministerial Committee for Economic Planning · State-Regions Conference
<b>Latvia</b>	Centralised structure, tendency to decentralisation	Ministry of Culture	· Municipalities · Counties · Cities	· Defence · Environment · Foreign Affairs	· State Cultural Capital Foundation	
<b>Lithuania</b>	Centralised structure moving towards decentralisation	Ministry of Culture	· Municipalities · Counties		· Media Support Foundation · Culture and Sport Support Fund · Lithuanian Culture and Arts Council	
<b>Luxem- bourg</b>	Centralised	Ministry of Culture, Higher Education and Research		· Foreign Affairs · Education · Youth Affairs	· National Cultural Fund	
<b>Malta</b>	Decentralisation of culture has become a priority	Ministry for Tourism and Culture, Youth and the Arts	Legislation for local authorities	Internal Affairs	· Malta Council for Culture and the Arts · Heritage Malta · Fondazzjoni Patrimonju Malti · National Orchestra · Etc.	
<b>Nether- lands</b>	Centralised structure with strong tendency towards decentralisation	Ministry of Education, Culture and Science	Provincial and municipal governments	· Housing, Spatial Planning and the Environment · Agriculture, Nature and Food Quality	· National Fund · Mondriaan Foundation · Netherlands Architecture Fund · Netherlands Foundation for Visual Arts, Design and Architecture · Dutch Foundation for Literature · Dutch Film Fund	Committees for interdepartmental co- operation
<b>Poland</b>	Decentralisation of management and financing of culture is ongoing; strong emphasis on local level authorities	Ministry of Culture	· Regional (voivodship) · Provincial (poviat) · Municipal (gmina) level	Foreign Affairs	Creativity Promotion Fund	Inter-ministerial co- operation in the field of culture

Country	Centralised/ Decentralised System	Central Ministry with Cultural Competence	Local Level of Government	Other Ministries	Arms Length Bodies/National Cultural Funds or Foundations	Representatives of Different Levels of Government
<b>Portugal</b>	Some areas of devolution but hardly decentralisation	Ministry of Culture	Independence of municipalities	<ul style="list-style-type: none"> <li>· Education</li> <li>· Labour and Solidarity</li> <li>· Environment, Planning and Regional Development</li> <li>· Foreign Affairs</li> </ul>		Protocols with various ministries
<b>Romania</b>	Centralised system	Ministry of Culture and Religious Affairs	Some power to municipalities	<ul style="list-style-type: none"> <li>· Foreign Affairs</li> <li>· Research and Educ.</li> </ul>	National Fund	Interministerial and intergovernmental coop.
<b>Slovakia</b>	Centralised system	Ministry of Culture	Attempt to decentralise	Foreign Affairs	<ul style="list-style-type: none"> <li>· Pro Slovakia State Cultural Fund</li> </ul>	
<b>Slovenia</b>	Centralised system; municipalities played an important role	Ministry of Culture	Municipalities	<ul style="list-style-type: none"> <li>· Higher Education, Science &amp; Technology</li> <li>· Economy</li> <li>· Environment, Spatial Planning and Energy</li> <li>· Agriculture</li> <li>· Foreign Affairs</li> </ul>	<ul style="list-style-type: none"> <li>· Film Fund</li> <li>· Cultural Fund for Cultural Activities</li> </ul>	
<b>Spain</b>	Decentralised	Ministry of Culture and Education	<ul style="list-style-type: none"> <li>· Comunidades Autónomas (CCAA)</li> <li>· Municipalities</li> </ul>	<ul style="list-style-type: none"> <li>· Foreign Affairs</li> <li>· Environment</li> </ul>	<ul style="list-style-type: none"> <li>· Instituto Nacional de las Artes Escénicas y de la Música</li> <li>· Instituto de la Cinematografía y de las Artes Audiovisuales</li> </ul>	<i>Comisión Delegada del Gobierno para Asuntos Culturales</i>
<b>Sweden</b>	Centralised system; central level dialogue with autonomous regional and local levels	Ministry of Education, Research and Culture	<ul style="list-style-type: none"> <li>· Municipalities;</li> <li>· Counties</li> </ul>	<ul style="list-style-type: none"> <li>· Environment and Industry</li> <li>· Employment and Communications</li> <li>· Finance</li> <li>· Social Affairs</li> <li>· Legal Affairs</li> </ul>	National Council for Cultural Affairs	
<b>United Kingdom</b>	Centralised but with regional decentralisation trends and important local government role	<ul style="list-style-type: none"> <li>· Dept. of Culture Media and Sport (England)</li> <li>· Scottish Minister for Tourism Culture, &amp; Sport</li> <li>· Scottish Executive Education Dept</li> <li>· National Assembly for Wales</li> <li>· DCAL – Northern Ireland</li> </ul>	Local Authorities (strong role)	Foreign Affairs	<ul style="list-style-type: none"> <li>· Arts Councils</li> <li>· English Heritage</li> <li>· Historic Scotland</li> <li>· Non Governmental Public Bodies</li> </ul>	

Sources: Council of Europe/ERICarts 2006, national reports of the institutions responsible for culture at the central level (ministries, department, etc.), European Commission (2006a), Culturelink, Policy for Culture.

### 1.2.1. Arm's length bodies

Research into the cultural administrative organisations of the 27 countries reveals the presence or absence of a specific feature known as an “arm's length body”. It is possible to discern three (more or less) distinct systems of these bodies (Ploeg 2005).

The first includes countries like Italy and France where, in a top-down and state-driven system, bureaucrats and politicians decide how to distribute public funds. There are disadvantages: The system is not very transparent, there is room for lobbying, prestigious projects have better chances, and the arts may be influenced by the state.

The second is the British system. The Secretary of State allocates funds to Non-Departmental Public Bodies (60 NDPBs exist in England) which, in turn, distribute them among various projects and applicants. Even though funded by the state, NDPBs are not part of the state apparatus but autonomous bodies that enjoy a degree of independence from political control. Although they have the freedom to decide on the use of resources, they remain accountable to the Secretary. The “arm's length principle” – a very British device (Hillman Chartrand & McCaughey 1989) – regulates the way these bodies operate, their organisation and their interaction with the government. The idea behind the principle is to prevent political interference in decision making. The government finances culture and heritage, but “at arm's length”, i.e., through the intervention of different institutions and bodies that act to filter government influence. Such a system has advantages: less room for lobbying, no danger of state influence on the cultural sector. The disadvantage is that, even though it is the Secretary of State who sets the strategic objectives of cultural policies, the State cannot influence the direction of cultural policy. Arm's length bodies are responsible for the distribution of resources to the various art sectors in the Nordic countries. According to Heikkinen (2005), this model could be considered a “corporate version of the British arm's length principle”. The reason behind this definition lies in the major role given to artists' organisations within the arm's length bodies.

In the third system, an independent arts council gives expert advice about artistic quality and the way funds should be distributed. It has only an advisory task; the government, i.e., the Minister of Culture, makes the final decision and thus actually allocates the public resources. The advantage is that the government can shape cultural policy without making judgement on artistic quality. Once again, however, there is room for lobbying with the risk that funds always go to the same cultural institutions, leaving little space for new entrants: “[I]n any system it is important to keep the cultural sector on the ball by ensuring a competitive field with free entry” (Ploeg 2005: 31). Moreover, as van der Ploeg warned: “One should not forget that supply subsidies allocated by committees of experts might lead to high culture for a small elite” (Ploeg 2002: 349); the experts who judge art are often part of the art world themselves, and their survival is linked to the survival of that sector. In both the second and third systems, it is crucial for the government to set clear strategies in cultural policies and clear rules for the distribution of funds to avoid the risk of lobbying. It is also important to introduce the right incentives to sit on committees of arts councils – keeping them rather small to avoid conflicts that may impede reaching an agreement – and to clearly set tasks and priorities.

### 1.3. Public Expenditure for Culture

#### 1.3.1. Total government expenditure for culture<sup>7</sup>

The analysis of public spending (central and lower level government expenditure) for culture is based on available data. When not otherwise stated the report refers to data from the national country profiles published in the Council of Europe/ERICarts, 2006. Profiles are prepared by local cultural policy experts and data is derived from official sources. It is important to note that when referring to national reports it was not clear whether the general price index (or rate of inflation) was considered.<sup>8</sup> Additional information about the total amounts of cultural expenditure is presented in annex 1, Table 4.

*Austria.*<sup>9</sup> In 2001, approximately 1.27% of all public expenditure was spent on culture and the arts by the federal, provincial and local governments; in 2002 this amount increased to 1.29% of all public expenditure and the share of GDP was 0.88%. On the provincial level, subsidies for art education represent about 50% (in most cases) of the total cultural budget.

*Belgium.*<sup>10</sup> Cultural activities are supported by the federal government, the three Communities, the three Regions, the Provinces, the French and Flemish Community Commission of the Brussels Region, and the municipalities. For the period 1999-2002, total public cultural expenditures in Belgium increased by 25%, federal government cultural expenditure increased by 29%.

*Bulgaria.* For the period 2000-2004, public cultural expenditure increased by 25% due to the increase of central government cultural expenditure (56%). The GDP percentage of cultural expenditure has stabilised at around 0.65 %. The state expenditure for culture as a share of the total state budget stabilised at 1.6% for the period 2000-2003 and decreased to 1.3% in 2004. Relative growth of support for cultural projects is noticeable.

*Cyprus.*<sup>11</sup> Culture is largely supported by the state (central government), which devotes 1.6-1.7% of its annual budget to the sector. The major change in state support occurred in 1999-2002, when the percentage of investment in the development of culture increased by nearly a factor of three. Overall, state spending on culture more than doubled.

*Czech Republic.*<sup>12</sup> In 2005 the Ministry of Culture had 0.5% of the state budget at its disposal.

*Denmark.*<sup>13</sup> Public expenditure for culture represents around 2.5% of total public expenditure. The state budget for culture represents almost 0.5% of the total state budget. The GDP percentage of cultural expenditure was about 0.94 % in 2002.

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<sup>7</sup> Public expenditure for culture includes expenditure by both central and lower level of governments. State expenditure and central government expenditure are treated synonymously in the text. Data for Romania are unavailable.

<sup>8</sup> For instance, in Germany, data from two different reports show different amounts of government subsidies because only one of them takes into consideration the rate of inflation.

<sup>9</sup> Council of Europe/ERICarts 2006; Statistic Austria 2006.

<sup>10</sup> Council of Europe/ERICarts 2006; Cultural Statistic Flanders 2006. Data for total cultural expenditure in Belgium is not disaggregated by sector. The data include expenditure for media and sport. Incomplete data on different government levels introduced difficulties in quantification.

<sup>11</sup> Council of Europe 2004.

<sup>12</sup> Czech Council of Art Communities 2005.

<sup>13</sup> Danish Ministry of Culture 2002.

*Estonia.*<sup>14</sup> In 2003, total public expenditure for culture represented 1.9% of the GDP. State expenditure on culture increased more than 60% for the 2000-2005 period. Relatively, however, there were decreases in its share of the total state budget (from 3.6% in 2000 to 3.2% in 2004) and GDP (from 1.2% in 2000 to 1.03% in 2005). In 2005, 39.6% of the state cultural budget was allocated to cultural institutions. The state budget additionally includes expenditures for sports (the percentage of which is impossible to extract), the Estonian Cultural Endowment (11%, on average) and cultural investment (11%).

*Finland.*<sup>15</sup> For the period 2000-2005, the central government budget for culture increased over 17%, making up for the nearly 16% decrease in the lottery share. (The latter was 70% of the state budget for culture in 2001 and 54% in 2005.) Excluding art education, archives, scientific libraries and media, the share of the total state budget for culture increased from 0.85% in 2002 to 0.91% in 2005. In 2001, public expenditure on culture (excluding media and education) as a percentage of GDP was 0.71%. State funds are predominantly allocated to state subsidies and grants (52% in 2002), which decreased by 6% by 2005. Cultural institutions received an average of 34% of the state budget for culture annually.

*France.*<sup>16</sup> Except for 2003, the resources that the Ministry of Culture and Communication diverted to culture slightly increased (on average by 0.04%). The 2003 distribution of funds was for intervention (34.6%), personnel costs (26.6%), subsidies to public institutions (25.9%), subsidies to investments (10.6%), and investments of the state (2.2%).

*Germany.*<sup>17</sup> According to the survey conducted by Michael Söndermann (Cultural Policy Yearbook 2000, 2002/2003 in Council of Europe/ERICarts 2006), “[P]ublic cultural expenditure increased by 3.8% between 1995 and 2002. When considering the increase of the general price index by 6.9 %, the percentage of overall public cultural expenditure thus declined from 1.32% to 1.30%”. A report published in “Kulturfinanzbericht 2003” (Federal Statistical Office 2003 in Council of Europe/ERICarts 2006) stated that public cultural expenditure increased by 10% on average until 2002, and it slightly diminished in 2003. The share of public cultural expenditure from GDP decreased slightly from 0.43% to 0.39%.

*Greece.* Although the Ministry of Culture’s budget is only 0.35%<sup>18</sup> of the total state budget, significant funds are added by the state lottery (€85 million in 2001) and EU structural funds (€120 million in 2001). State funds allocated to the Ministry of Culture were 0.32% of GDP.

*Hungary.*<sup>19</sup> State support to culture increased by about 23% for the period 2000-2005; however, as percentages of GDP and total central government budget, this represented decreases of 0.55% to 0.50% and 1.88% to 1.53%, respectively. A report on central government spending on culture emphasises the importance of measuring support coming from other ministries (such as the

<sup>14</sup> Council of Europe/ERICarts 2006; Estonian Ministry of Culture 2004a, 2004b.

<sup>15</sup> Council of Europe/ERICarts 2006; Statistics Finland 2006.

<sup>16</sup> French Ministry of Culture and Communication 2003, 2005; Ministry of Economics, Finance and Industry 2004.

<sup>17</sup> According to the authors of the reports, the Länder and the Federal Government operate on the basis of rather different definitions of the term “culture”. As a result, public cultural expenditure statistics often vary considerably, in some cases by billions of euros. It has to be noted that this distribution, which is taken from the Council of Europe/ERICarts (2006) does not correspond to the redistribution indicated in *Federal Statistic Office Germany* (2006).

<sup>18</sup> This does not include spending on cultural activities channelled through the budget of the Ministry of Education and Religious Affairs, local government, the public Radio and Television Corporation, and other agencies which are not under the authority of the Ministry of Culture.

<sup>19</sup> Budapest Observatory 2002.

Ministry of Interior and the Ministry of Transport and Telecommunication) as well as the expenditures of the Ministry of National Cultural Heritage on non-cultural affairs, such as religious activities. This ministry's budget includes financing the National Cultural Fund (6.3% in 2000, 8-9% in 2005) and other arm's length bodies; public benefit companies such as the Budapest Theatre and National Cinema (6.2%), and support to building the Palace of the Arts (11.8%). This is exclusive of support to public media.

*Ireland.*<sup>20</sup> Public spending for culture in Ireland comes from different departments: in 2000/2001, the Department of Environment and Local Authorities and Department of Arts, Heritage, Gaeltacht and the Islands; and since 2002, Department of Environment Heritage and Local Government and Department of Arts, Sport and Tourism. The sums devoted to arts and culture increased in the period under consideration. They correspond to 0.45% of total public spending and 1.6% of GDP. It has to be noted that these sums include expenditures for sport (it alone absorbs 30% of these resources) and for film and broadcasting.

*Italy.* Data on public spending for culture in Italy are still not regularly collected. According to the last survey (Bodo & Spada, 2005), public spending increased over the course of the 1990s. This is quite surprising, given the heavy constraints on public budgets that characterised the same period. Such a result was mainly due to a particularly dynamic trend in cultural policies. In 2000, cultural goods represented 1.3% of total public expenditure and 0.57% of GDP.

*Latvia.*<sup>21</sup> The GDP percentage of public cultural expenditure was about 0.87% in 2004. For the period 2000-2005, central government support for culture increased by a factor of 1.1. As a percentage of GDP, public expenditure for culture increased over the same period from 0.37% to 0.56%. As a percentage of the total central government budget, support to culture has high average rates: from 2.31% in 2000 to 2.99% in 2003. After 2003 this figure began to decrease, ending at 2.16% in 2005.

*Lithuania.* For the period 2000-2003, total state and local spending increased by an average of 60%, reflected in a larger share of GDP (from 0.60% in 2000 to 0.70% in 2003). The Ministry of Culture's budget represented between 1.7-2.0% (2002-2003) of the total state budget. The funds were distributed primarily to national cultural institutions (48.5%). The Ministry of Culture does not finance art education.

*Luxembourg.*<sup>22</sup> During the period 2000-2004, the budget of the Ministry of Culture, Higher Education and Research increased by 34%. In the same period the expenditures for culture corresponded to 1.7% of the total public budget. Most of the budget of the ministry goes to national cultural institutions (e.g., *Musée National d'Histoire et d'Art*, *Service des Sites et des Monuments Nationaux*).

*Malta.*<sup>23</sup> State expenditure on culture (including contributions by the Ministry of Education and the Ministry of Tourism and Culture) ranged between 0.38% (2000) and 0.71% (2005) of GDP, or 0.70% and 1.80% of the total state budget for the same years; i.e., state spending has

<sup>20</sup> Irish Department of Environment and Local Government 2000, 2001; Department of Arts, Heritage, Gaeltacht and the Islands 2000, 2001; Department of Environment Heritage and Local Government 2002, 2003, 2004; and Department of Arts, Sport and Tourism 2002, 2004.

<sup>21</sup> Council of Europe/ERICarts 2006; Starkeviciute 2002.

<sup>22</sup> Luxembourg Ministry of Culture, Higher Education and Research 2003-2004.

<sup>23</sup> Ministry of Finance of Malta 2000-2005.

sufficiently increased (about 2.5 times, including 14% to tourism) due to the large investment in cultural development.

*Netherlands.*<sup>24</sup> For the period 1999-2002, average growth in public cultural expenditure was 32%. The increase is partly due to the abolishment of TV licence fees in 2000 (media expenditures are almost half the state cultural expenditure), and partly due to increases among the other cultural sectors. Its share of GDP decreased from 0.60% in 2001 to 0.5% in 2003 (excluding expenditure on broadcasting, art education, cultural relations abroad and other interdisciplinary items). In 2004, the state announced a decrease in the direct support to culture, mainly in the area of broadcasting and support to institutions. Government allocates an average of 5% of its annual budget to National Cultural Funds.

*Poland.* Total public expenditure for culture increased from 0.38 to 0.41% (2000-2004) of GDP and state cultural financing increased from 0.44 to 0.54% (2002-2004). At the beginning of 2002 the rates increased, due primarily to the introduction of national lottery support.

*Portugal.*<sup>25</sup> Total public expenditure on culture increased from 0.34 to 0.45% (2000-2004) of GDP, and state cultural financing decreased from 0.57 to 0.35% (2002-2004) of its total budget.

*Slovakia.*<sup>26</sup> Total public expenditure for culture represents 0.90% of the GDP (which includes funds for churches and religious communities).

*Slovenia.*<sup>27</sup> The Ministry of Culture's budget increased for the period 2000-2005 by 21%, primarily due to an increase in investment in cultural infrastructure which, for 2001-2003, was an average of 7%. The Ministry of Culture's share of total central government expenditure decreased from 2.14% in 2000 to 1.92% in 2005. Total cultural expenditure (local and central) as a percentage of GDP decreased from 0.85% in 2000 to 0.82% in 2005. In 2003, approximately two-thirds of the budget was distributed to public institutions, 4.8% to NGOs, 1.7% to commercial organizations and 12.8% to investments and transfers.

*Spain.*<sup>28</sup> Direct public support to culture increased in Spain. The budget that the Ministry of Culture devoted to culture represented 0.09 % of GDP in 2000, rising to 0.11% in 2003. In 2000, it corresponded to 0.35% of total public expenditure; this also rose in 2003 to 0.51%. Because of Spain's administrative organisation, support from the central administration (the Ministry of Culture) is a small percentage; on average it corresponds only to 17% of government spending.

*Sweden.*<sup>29</sup> Public support to culture averages 0.83% of GDP. The state spends an average of 1% of its total budget on culture (including media and popular education) annually. Of this, it allocates an average of 16% to the Swedish National Council for Cultural Affairs.

*United Kingdom.* Direct public support to culture in the United Kingdom is composed of the sum of public spending from the Department for Culture, Media and Sport (DCMS) for

<sup>24</sup> Dutch Ministry of Education, Culture and Science (OCW) 2005; Statistics Netherlands 2003,2004.

<sup>25</sup> Portuguese Ministry of Culture 2000-2004; National Statistic 2005, 2006. The budget does not include state support from other ministries and funds.

<sup>26</sup> Council of Europe 2003; Slovakian Ministry of Culture 2005.

<sup>27</sup> Ministry of Culture of the Republic of Slovenia 2005.

<sup>28</sup> Spanish Ministry of Culture 2004; Council of Europe/ERICarts 2006.

<sup>29</sup> Swedish Ministry of Education, Research and Culture 2002, 2006a, 2006b.

England, from the Scottish Executive, the Welsh Assembly, and the Department of Culture, Arts and Leisure (DCAL) in Northern Ireland. One of the obstacles to a united vision of the financing of culture in the United Kingdom is that the way data are gathered often differs making it very difficult to have a single picture.

### 1.3.2. Cultural expenditure by level of government<sup>30</sup>

There are various levels of government in the countries analysed: Länder (Austria, Germany), Communities (Belgium), Voivodship (Poland), Regions, Provinces, Counties, Municipalities. In this report, state spending on culture refers to its share of central government spending. Additional information on cultural expenditure by level of government (including total amounts and trends) is presented in annex 1, Table 5.

*Austria.* In 2001, an average of 38% of the public cultural budget was spent by the federal government, while the remainder was divided among the Länder governments, including Vienna (38%) and the municipalities (23%). The shares slightly fluctuated in 2002. For the period 2000-2003, public expenditure for the arts and culture decreased at the federal level by 1.7% but increased at the provincial level by 21.3%.

*Belgium.* The federal government provides only 3.2% of the total public expenditure for culture. In 2002, the Flemish and French Communities respectively provided 28.1% and 17.7% of the total public support to the arts and culture in Belgium. The Regions of Flanders and Wallonia provided the greatest financing to the arts and culture, followed by the municipalities. In the Flemish Community the share of central government expenditure is estimated to be 47.7% of the total; provinces contribute 10.8 % and municipalities 41.5 %.

*Bulgaria.* Major spending on culture is realised on the state level, representing 75-80% of the total public expenditure. Local government spending is 20-25%. A positive change towards the involvement of municipalities (in Shumen and Sofia) to support local projects and cultural institutions is noticeable.

*Cyprus.*<sup>31</sup> Financing to culture is highly centralised. Specific data are unavailable.

*Denmark.* Regional and local government expenditure for culture (61% in 2002) is higher than central government expenditure (39% in 2002).

*Estonia.* Local government contributes about 37-38% of all public expenditure on culture; it peaked in 2002 at 38.7% and has since begun a downward trend.

*France.* Data on cultural expenditure by lower levels of government in France were difficult to collect. The Ministry of Economics indicates that expenditures are divided among municipalities (with more than 10,000 people), departments and regions, but they refer to 1996.

*Finland.* The share of the central government cultural support (which excludes art education, archives and scientific libraries) is 58.3% of total public expenditure. Central and local governments spend equally on culture when the categories above are included.

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<sup>30</sup> When not otherwise stated, the references are the same as in section 1.3.1. Data for Greece and the Czech Republic are unavailable.

<sup>31</sup> The available reports do not provide data on local spending for arts and culture.

*Germany.* As broken down in “Jahrbuch für Kulturpolitik 2000 and 2002/03” in the Council of Europe/ERICarts (2006), the federal government contribution to culture was 8.7% (2000) and 10.04% (2002) of total public spending. Länders’ spending on culture was 47% of total public expenditure, of which Municipalities contributed 44%. As broken down in “Kulturfinanzbericht 2000” (ibid.), the federal government share was 6.3% in 2000. The share from local levels was 94.5%.

*Hungary.* Local governments provide about 55% of total public support to culture; the state provides 45%.

*Ireland.* Lower levels of governments play a minor role in the financing of the arts and culture in Ireland. Between 2000 and 2004, local authorities’ expenditure was generally 9.3% of total government expenditure. Between 1996 and 2004, local government spending for arts and culture increased by 400% (Indecon 2005). It is however, impossible to collate the total amount that local authorities devoted to the cultural sector as data are fragmented and refer to wide sectors such as art galleries, museums, and entertainment.

*Italy.* Public cultural expenditure in Italy is still much centralised; the state provides 50% or more of total public spending. However, since 1990, local expenditures have significantly increased, now accounting for more than one-third of the total. The municipalities pay the lion’s share among local authorities. Regional expenditure, however, has not increased and remains at about 17% of the total in 2000.

*Latvia.* In 2004, 60% of financial support to culture came from the central government and 40% from the regional government. At present, a few municipalities directly subsidise professional theatres through two- and three-sided agreements to cover management and administration expenses.

*Lithuania.* Central government is responsible for more than two-thirds of total public expenditure on culture. The central government’s support to culture increased from 53% in 2000 to 56.7% in 2003.

*Luxembourg.* Local levels of government obtain financial resources to preserve heritage and to realise their cultural projects. In the course of cultural decentralization, the Ministry has set up three centres for regional culture in various local communities (in 1992, the North and South; in 1998 the East). The main task of these centres is to develop and implement a regional cultural policy in cooperation with local communities.

*Malta.* The central government’s contribution is above 85%, but its distribution is highly decentralised by the involvement of arm’s length bodies. Local government contributions increased by 40%; the state’s increased by a factor of 2.5.

*Netherlands.* Local cultural expenditure prevails at 62% of total support if we do not consider broadcasting expenditure. The increase in state cultural expenditure (without broadcasting) was 13% from 2001 to 2005. Local government (municipalities) support to the arts increased by 10% in the 2001 to 2003 period. In the same interval, support from the regions increased by 27%.

*Poland.* The share of local cultural spending (*voivodship*, provincial and municipal) of total public cultural spending remained nearly static for the 2000-2004 period at about 80%; the

central government increase was 22%. For the period 2000-2004, total public cultural expenditure increased by 24%.

*Portugal.* For the period 2000-2004, the share of the local expenditure on culture increased on average by 35% and corresponded to about 60% of total public expenditure on culture; the share of central government expenditure increased by 10%.

*Romania.*<sup>32</sup> In 2005, the central government contribution to the arts and culture was 44% of total public support; local governments provided the remaining 56%.

*Slovakia.* Central government support to culture remains quite high (around 70%). Support granted from the state to NGOs and private entities is about 32.85% of the expenditure of the Ministry of Culture, as the latter directs almost 65% of its funds to churches and religious communities.

*Slovenia.* Slovenia remains quite centralised, with its share of central spending vis-à-vis local averaging 61-65% for recent years. The state budget for culture increased by 34% during the 2000-2005 period, the local by 12%.

*Spain.* Public financing of culture is highly decentralised in Spain. Indeed, the central government covers only a small percentage of total public spending (17%). The lower levels of government are more active. In particular, the Administración Autónoma (Autonomous Administration) – comprising 17 Comunidades Autonomas (Autonomous Communities) and two autonomous towns – provided, on average, 27.5% of total public support to culture. The Administración Local (local administration) – comprising 8108 municipalities, the provinces and other local authorities – contributed 54% of total public expenditure for culture.

*Sweden.* Local and central governments spend almost equally on culture; the average share of central government is 46-47%. For the period 2000-2005, the share of the state expenditure on culture increased on average by 10%, corresponding to 1.1% of total state expenditure.

*United Kingdom.* The distribution of resources in 2003 in the four nation states forming Great Britain is characterised by a dominance of local government funding in England (65% of total public expenditure), and Scotland (63%); the Welsh central government covered 78% of public financing for culture. Data are not available for Northern Ireland.

### 1.3.3. Cultural expenditure by sector<sup>33</sup>

*Austria.* Approximately 50% of federal expenditure on culture is directed to the maintenance of large-scale projects and institutions such as federal theatres and museums, and to activities in the performing arts. The share of arts education expenditure in the total public expenditure for culture represents up to 21.4% (2001) and 22.17% (2002). The majority of local resources is spent on education, followed by the performing arts. Funds for arts education in most of the provinces represent a huge share of total cultural expenditure, in most cases around 50%.

*Belgium.* In the French Community state expenditure is directed to radio and TV/other media (35%), arts education (22 %), and the performing arts (12 %). The state cultural budget includes

<sup>32</sup> Romanian Ministry of Culture and Religious Affairs, *Centre for Cultural Studies and Research* (forthcoming).

<sup>33</sup> When not otherwise stated, the references are the same as in section 1.3.1. Data for the Czech Republic, Romania and Slovakia are unavailable.

expenditure for sport in the Flemish Community (up to 12%) and for broadcasting in the German Community (up to 37%).

*Bulgaria.* The largest shares are directed to Bulgarian National Radio/Television (44.2%) and the Performing Arts (15-16%); much less goes toward museums and archives (3.8-4.5%). Cinema and literature have no state-subsidised structures; they receive grants for individual projects on the basis of competitive bidding.

*Cyprus.* The state spends an average of 3.8% on literature and 17-18% on the performing arts (which includes festivals).

*Denmark.* Good portions of total public expenditure are devoted to sports (26%) and libraries (24%), followed by the performing arts (13%), museums and archives (9%), and art education (6%). Broadcasting is financed by licensing fees and is not included in public expenditure calculations. The largest shares of the state budget are for theatres (13%), art education (16%), museums and archives (16%), libraries (13%) and sports (13%). The state allocates 6.5% of its budget to the creative arts, including support to individual artists. When considering the total public budget for culture, figures show that state supports 100% of education expenditures followed by film (97%), theatres (70%), museums (60%), libraries (21%) and sports (20%). Municipalities spend a good deal of their annual budgets on local libraries (33%) and sports (36%). Additionally they allocate 6% of their budget for music, which is equal to 56% of the total public budget for music. County budgets go toward the performing arts (52%) and museums (26%).

*Estonia.* In the 2000-2004 period, state expenditures were allocated primarily to performing arts, which increased from 22% to 26%, and radio and TV, which increased from 18% to 20%. Museums and archive expenditure increased from 8% in 2000 to 9.4% in 2004. Support to libraries and literature decreased from 14% (2000) to 8.6% (2004). The state additionally allocates about 0.34% for grants and awards.

*Finland.* Public expenditure on culture is strongly directed to libraries and literature (37.5% and 30.5% in 2000 and 2001, respectively), followed by the performing arts (18.8% in 2000 and 30% in 2001) and museums and archives (11.8% and 16.9%). Cultural industry sectors are barely supported, with the exception of the domestic film production, which received 5.5% of government expenditure in 2001. Broadcasting is financed by licensing fees and is not included in public expenditure calculations.

*France.* For the period 2001-2003, data from the Ministry of Culture show that the central public expenditure for culture was devoted mainly to the performing arts (25% of total cultural spending), cultural heritage (14%), museums (10%), libraries (10%) and the visual arts (7%).

*Germany.*<sup>34</sup> The state prioritised the performing arts (44.4% in 2000), museums (16.2%), and cultural heritage (22 %).

*Greece.* The budget to museums and monuments represents an average of 65% of the state cultural expenditure. State spending favours the performing arts (18%), with some allocations for literature (2%) and the visual arts (1.7%).

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<sup>34</sup> Council of Europe/ERICarts 2006; ZfKf 2003.

*Hungary.* Public cultural expenditures are distributed to museums and archives (27%), the performing arts (24%), libraries (17%), and music (7%). When we consider total public expenditure for culture, the state provides the largest share to museums and archives (56% of the latter's total budget) and music (96% of its total budget). Of other cultural budgets by sectors, local authorities provided 85% of their own budget (performing arts), 54% (libraries) and 77% (socio-cultural activities). In 2004, entrance to the permanent exhibitions of the 24 state museums was made free; as a result, the government's museum budget share increased. The 2000-2004 period showed a noticeable increase in support for the protection of monuments and for film production (by about a factor of 5), but decreased in 2005 by over 30%.

*Ireland.* Looking at the distribution of resources within the departments responsible for cultural matters, arts and culture attract, on average, 15% of the total budget of the Department of Arts Sport and Tourism. The same department designates 30% of its budget to sport and the same percentage to tourism. The Department of Environment, Heritage and Local Government diverts only a small percentage of its budget to heritage.

*Italy.* Distribution of public resources among various cultural sectors is aligned with the priorities characterising Italian cultural policy in general. Expenditures for heritage are still dominant (41% in 2000). The "bel canto" homeland contributes only 13% of its budget to performing arts, 14% to books and press, 19% to media, 5.6% to audiovisual, 14% to foreign relations, administration and cultural institutions, and only 0.1% to visual arts and architecture. The recent reforms in the organisation of the ministry with the creation of a Directorate for Modern Art imply a change but data are not yet available.

*Latvia.* In 2003, the government (central and local) prioritised the performing arts (18.6%), followed by Radio and TV (14%), museums and archives (13%) and libraries (12%). It slightly supported the film industry (3.3%) and the visual arts (1.6%).

*Lithuania.* State funds were distributed primarily to libraries (23-27% for 2000-2003) and museums (4.8-12% for 2000-2003). Less support was given to the performing arts (about 17%), film (1.1%), and the visual arts (about 0.3%). The distribution proportions for local governments were similar.

*Luxembourg.* Most of the budget of the Ministry of Culture goes to the National Cultural Institutions (about 12%). The focal point of the ministry at the moment is the project *Luxembourg et Grand Région cultural capital of Europe 2007*. Other sectors attracting funds relate to radio broadcasting of socio-cultural programs and cultural vitality in general. It is important to note that the Ministry of Culture devotes to 28% of its budget to research and innovation, and 21% to the University of Luxembourg.

*Malta.* Heritage (and consequently, financial investment in Malta) is the major area of cultural activity, followed by the performing arts, libraries and literature. Their shares fluctuated considerably during the period 2000-2005.

*Netherlands.* Public cultural expenditure for the period 2000-2004 is distributed primarily among the performing arts (36-37%) and broadcasting (29%), followed by museums and archives (20-21%) and libraries (14%). When we consider only the state budget, it supports broadcasting (58-51%), museums (11.3-9%), performing arts (about 10-11%), visual arts, architecture and design (3-4%) and libraries (2.9-2.3%). Local governments primarily spend on libraries and the performing arts. The state budget plan for the coming period (through 2008)

includes an increase in the budget for cultural heritage and arts education. In 2004, the state announced a decrease in the direct support to culture, mainly in the area of broadcasting and support institutions.

*Poland.* State funds for culture are mainly allocated to museums and cultural heritage (about 20-25% for the period 2002-2004), followed by theatre (15-16%). Local government expenditure favours development of local cultural centres (about 27%) and libraries (24-27%). Direct support to individual artists is quite limited.

*Portugal.* Local governments primarily support museums (18-20%), libraries and literature (14-17%), and the performing arts (11%). Since 2002, spending on literature and libraries has increased an average of 3% due to policy priorities towards the development of national literature. Support to the performing arts remains rather steady.

*Slovenia.* Government spending favours the performing arts (33%) and museums and archives (18%).

*Spain.* The central government focuses mainly on cultural goods and services (i.e., cultural heritage, museums, libraries, archives) which, in 2003, attracted 59.4% of the total cultural budget of the central administration. Also in 2003, 15.6% of the central government budget for culture went to the visual and performing arts, 14.3% to various general areas (promotion and diffusion of culture, cultural cooperation, and general services); 10.7% was devoted to libraries and audiovisual works<sup>35</sup>. The autonomous administrations' distribution of resources showed some differences: Cultural goods and services obtained the highest percentage (40.1%), followed by general areas (32.2%), the visual and performing arts (21.5%), and books and audiovisual (only 4.9%). The distribution among different cultural sectors changed completely when considering local administrations, as they focused mainly on the promotion of culture (91.2%), devoting only 8.8% of their funds to cultural heritage.

*Sweden.* Central government devotes up to 31% of its budget for culture to arts education. It also favours the performing arts (19%) and museums and archives (18%). Local authorities, on the other hand, spend mainly on public libraries (40%), various cultural activities (30%), art education (9%), and popular education (8%). Support to museums is expected to increase as the museums introduced free entrance in 2005. The government tends to spend more on music and visual art events, as well as touring theatre, dance and music groups.

*United Kingdom.* England seems to have a rather homogeneous distribution of resources among the various cultural sectors. The greatest amount of public resources in Scotland goes to Historic Scotland and the Scottish Arts Council. Welsh public resources are primarily diverted to the National Museums and Galleries and the Culture Fund. The distribution of funds in Northern Ireland appears to favour libraries.

#### **1.3.4. Arm's length and other funding bodies<sup>36</sup>**

*Bulgaria.* The National Cultural Fund is heavily subsidised (up to 85% of its budget) by state earmarked taxes, which in 2004 represented 0.2% of the state budget for culture (€200,000). For

<sup>35</sup> N.B.: This distribution, which is taken from the Ministry of Culture (2004), does not correspond to the redistribution indicated in the Council of Europe/ERICarts 2006.

<sup>36</sup> When not otherwise stated, the references are the same as in section 1.3.1. Data for Austria, Belgium, Cyprus, Czech Republic, Poland, Portugal, Romania and Spain are unavailable.

the period 2001–2003, the Fund doubled its budget but then decreased by 30% in 2004, mainly due to difficulties collecting the taxes.

*Denmark.*<sup>37</sup> The Danish Arts Foundation distributes grants averaging 1.8% of the state budget for culture. Of that, the largest shares are distributed as grants to artists (30%), the visual arts (24%), environmental-public art (13%), literature (13%), and crafts and design (14.1%). The Danish Arts Council distributes an average of about 8% of the state budget for culture, showing preference for music and the performing arts.

*Estonia.* Support for creative activity (both projects and individual grants) has mainly been channelled through the Estonian Cultural Foundation (ECF) and the Council for Gambling and Taxes. In 2005, the ECF received 13.8% of all governmental expenditure on culture (including gambling, alcohol and tobacco excise taxes) to support various projects in culture and sports. The ECF share of government expenditure has increased slightly; for the years 2000 to 2005, the consecutive amounts were 10.7%, 7.3%, 11.4%, and 13.8%. Its recent growth is due to an increase in gambling taxes and change in the ECF functions. Since 2002 the ECF also began to finance the regular activities of cultural institutions. Another arm's length body is the Gambling Tax Council, which grants money for cultural and social purposes. Since 2002, the Council has reduced its support to projects and individual artists to finance the construction of the new Museum of Arts. The Estonian Film Foundation's 2004 budget was 2% of the cultural ministry's total.

*Finland.*<sup>38</sup> Support from the Arts Council of Finland for artistic activities increased by 23.5% between 2000 and 2005, an average annual increase of 5%.<sup>39</sup> Annual support from the Council is about 5.5% of the state budget for culture. Additionally, the Regional Arts Councils redistribution was about €4 million in 2005, corresponding to an 8% increase from 2004. The greatest share of support is granted to the visual arts (27%), music (16%), and theatre (13%). Annual allocations (excluding operational expenditure covered by the central government) of the state budget to the Arts Council (central and regional) represents about 5% of the total government budget on culture and the arts (Fischer et al. 2004). The Arts Council of Finland (comprising the Central Arts Council and the State Artform Councils) predominantly provides grants for individuals and projects. In 2003, the share of grants to artists was 43%; other shares were channelled to compensation grants for public display of artists' work (20.4%), support for travel, residence grants and projects facilities (6.2%), support for new products (11.5%), theatre and orchestra (6.4%), and amateur arts (4.6%). According to various forms of art, support is redistributed predominantly to literature (27%), fine arts (about 20%), music (14%), crafts and design (about 5%), and architecture (2%). Average annual growth in support for the period 2000–2004 was highest for theatre (11%), followed by dance (12%) and cinema (7%).

*France.* The Ministry of Culture and the regions support two funds: the *Fonds régionaux d'acquisition des musées* (FRAM) and the *Fonds régionaux d'acquisition des bibliothèques* (FRAB). These funds have been introduced for the acquisition of art works and the enlargement of the collections of museums and libraries under the control of local and regional authorities. Moreover, the funding association *Fonds régionaux d'art contemporain* (FRAC) was created to

<sup>37</sup> Adams et al. 2004; The Danish Arts Foundation 2006a, 2006b; The Danish Arts Council 2006.

<sup>38</sup> Karhunen 2005a, 2005b.

<sup>39</sup> Statistical data includes support allocated by the Arts Council of Finland and its subcommittees, art-form-based national councils, boards for public lending rights, and public display grants. The support does not include budgets of the regional arts councils.

set up contemporary art collections in each region and to raise the awareness and appreciation of contemporary art.

*Hungary.* The National Cultural Fund's budget<sup>40</sup> increased by an average of 35% from 2000 to 2005, representing 8-9% of the Ministry for Culture's budget. It distributed grants to projects in film (8%), theatre (6.5%), music (8%), arts (13.6%), libraries (7.8%), and museums (6.3%). The Hungarian Public Foundation for Motion Pictures received 4% of the state budget in 2005, a 20% decrease from the preceding year.

*Italy.* The *Fondo Unico per lo Spettacolo* (FUS or Fund for the Performing Arts) was set in 1985 (law no. 163) with the aim of reorganising public support to the performing arts sector and giving it a united organisation. The funds assigned by the ministry were redistributed among theatres, opera houses, cinemas, music and dance, and circuses. The quotas of distribution were set by the same law that introduced the Fund, but they have been revised several times. The distribution shows some imbalance between the north (more than 50% of resources) and south (22%). The introduction of the fund was welcome as it was seen as an instrument to increase transparency in the distribution of resources from the ministry. The model, however, has not been adopted in any other cultural sector.

*Latvia.* The State Cultural Capital Foundation (CCF) support is about 13% of the Ministry of Culture's budget. Until 2003, it was financed by taxes earmarked from alcohol, tobacco and gambling lottery funds; since 2004, it has been financed directly from the Ministry of Culture. Its priorities are to support creative work projects, the preservation of cultural heritage, and to provide travel grants and lifelong scholarships. In recent years, the CCF has established target programmes to support cultural industries; in 2005, this accounted for 5.3% of its annual budget.

*Lithuania.* The Culture and Sport Fund supports the international participation of local artists, projects in literature, and young artists' projects. The Media Support Foundation, among others, allocates funds to Internet projects.<sup>41</sup>

*Luxembourg.* A National Cultural Fund was set up in 1982 and charged with the task of receiving, administering and using grants and gifts on behalf of public and private beneficiary institutions. In 2004 the fund's expenditures amounted to more than €1.3 million and its income was equal to about €1.19 million. It is interesting that 37% of its resources came from maecenas. As for the distribution of these resources, in 2004 the fund focused on theatre, folklore, and animation (36.93%), music (30.78%), literature (17.63%), and visual arts and cultural heritage (13.10%).

*Malta.* The state budget is redistributed by arm's length bodies such as Heritage Malta, the Malta Council for Culture and the Arts, *Fondazzjoni Patrimonju Malti*, Manoel Theatre Management Committee, National Orchestra, St. James Cavalier Centre for Creativity, and the Superintendence of Cultural Heritage. The Malta Council for Culture and the Arts (MCCA, established in 2002) is the main arm's length body, which distributed grants to artists and projects. Its redistributed funds represent about 11%-14% of the state cultural budget.

*The Netherlands.* The government allocates an average of 5.2% of its annual budget to the various Funds; its largest share (up to 68.4% in 2004) goes to the arts, followed by literature and libraries (up to 8.3% in 2004) and heritage (up to 0.4% in 2004). Each Fund allocates money to

<sup>40</sup> Hungarian National Cultural Fund 2000-2005.

<sup>41</sup> Information about annual budgets for culture is unavailable.

cultural institutions or individual artists according to its respective aim. These are, namely, the Press Fund, Dutch Foundation for Literature, Music Composers Fund, Netherlands Foundation for Visual Arts, Design and Architecture, Dutch Cultural Broadcasting Promotion Fund, Fund for Special Journalistic Projects, Netherlands Fund for Literary Production and Translation, Netherlands Fund for the Amateur Arts and Performing Arts, National Fund for Performing Arts Programming and Marketing Support, Netherlands Architecture Fund, National Restoration Fund, Dutch Film Fund, Mondriaan Foundation, and National Fund.

*Slovakia.* The share of the Pro Slovakia State Cultural Fund from total state spending on culture declined by 80% from 2000 to 2003. In 2001, its priorities of support were directed to local and regional culture (30.6%), protection of historical monuments (29.67%) and cinematography and video (15.39%).

*Slovenia.*<sup>42</sup> The Fund for Cultural Activities (JSKD) had in 2002 an annual budget of €4.6 million, within which the state allocated €3.5 million (76% of the total JSKD budget). Cultural projects received €0.4 million (8.6%).

*Sweden.* Support to individual artists is extensive in Sweden, about 16% of the total state budget for culture. The state allocates 20% of that (on average) to the Swedish National Council for Cultural Affairs. More than half is received by writers and visual artists. A large share is given as library compensation based on the Public Lending Right (about 45%); other shares go to exhibition rights (20%) and grants allocated as income guarantees (7%).<sup>43</sup> Additionally the state buys and displays visual art for about €37 million annually.

*United Kingdom.* The distribution of resources in the United Kingdom takes mainly place through arm's length bodies. To avoid government interference in the financing of culture, resources are distributed through agencies and Non-Departmental Public Bodies. The Arts Council of England data for the period 2000-2003 show an annual increase of 15%. In the same interval, resources for the Scottish Arts Council increased by about 10%. Data for the Arts Council of Wales refer only to 2000-2001 and 2004-2005; an increase, however, is also evident, especially in the recent years (88% or €21 million). The Arts Council of Northern Ireland shows a different trend: Funds diminished in 2000 to 2004 and increased only in 2005.

### 1.3.5. Concluding remarks

Data collection on public expenditure for culture from secondary sources embodies considerable limitations. Lack of coherent definitions of culture on national and local levels and differences in research methodologies often lead to reporting inconsistencies; gaps in information are frequent and sometimes extensive, especially at the lower levels of government. Administrative changes in some countries have had great impact on the way information is collected. In most cases, "state spending on culture" refers only to figures of the Ministries of Culture and ignores data from other ministries. Moreover, the information is more often than not presented out of context, omitting constituents that would allow us to truly understand how culture and the arts are financed. Nonetheless, positive developments in this vein like the national country profiles published in the Council of Europe/ERICarts (2006), greatly help in the synchronisation and availability of national data.

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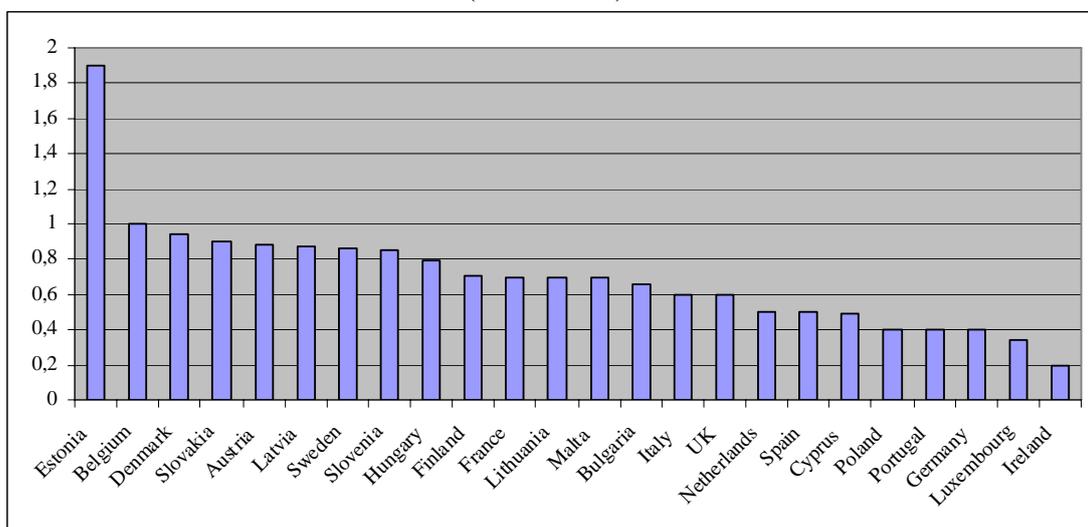
<sup>42</sup> Budapest Observatory 2003.

<sup>43</sup> ERICarts 2002.

### *Trends in government expenditure for culture.*

Previous studies indicate that governments tend to spend more on culture when the national income grows (Ploeg 2005). However, drawing strong conclusions about that from recent data is rather hazardous. According to figures based on Eurostat's definition of culture,<sup>44</sup> our 27 countries' average national spending on culture as a percentage of GDP for the period 2000 to 2005 varies from 0.3% to 1.2% (figure 1). But the picture can change. The Organisation for Economic Cooperation and Development (OECD 2006) considers a broader concept of culture and recreation,<sup>45</sup> and suggests that the variation is between 0.4 % and 2.0% or more, with Luxembourg and Denmark at the high end and Greece at the low end. The report concludes that public spending on culture and recreation has grown in Greece, Belgium, Luxembourg and Portugal and has declined in Germany and Sweden.

**Figure 1. Average annual public financing to culture as percentage of GDP (2000-2005)\***



Source: Council of Europe/ERICarts 2006, national reports of ministries and other related authorities.

\* Public financing to culture refers to the central and all lower levels of governments for the latest available year of the period 2000-2005.

### *Public support to culture on different government levels.*

Again here we have to emphasise that the data on the central level are primarily based on Ministry of Culture reports and budgets. If the support from other ministries were included, the shares of central and regional governments might change.

Considering different levels of government, it should be noted that the highly achieved autonomy of the regions and municipalities in Germany (90%), Spain (80%) and Poland (78%) allow them to directly contribute to local culture. In countries like Austria, Belgium, Denmark, the Netherlands,<sup>46</sup> Sweden, Portugal, Italy and the United Kingdom (England and Scotland), local government expenditure remains higher than central. This is not the case for the Central

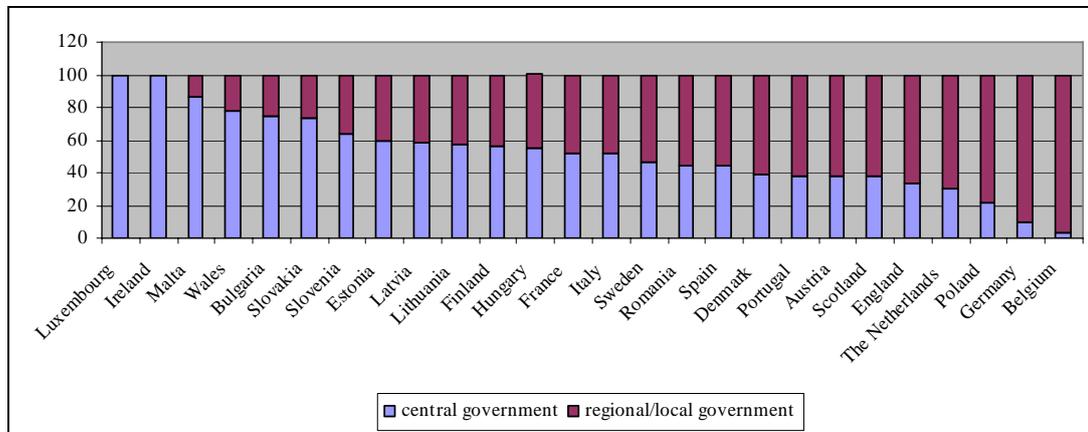
<sup>44</sup> Culture, suggested by Eurostat (2001), includes creative arts, museums and archives, the performing arts, libraries, and film and video, without broadcasting and art education.

<sup>45</sup> Government expenditure includes administration of sport, recreation and cultural affairs as well as the maintenance of zoos, botanical gardens, public beaches and parks, support to broadcasting services and, in some countries, support for religious services. Also included are grants to artists, performers, orchestras and opera companies.

<sup>46</sup> Calculations for the Netherlands exclude broadcasting services, which are financially prioritized by the government.

and Eastern European countries, where the central government budget is the greatest financial source to culture; its share varies between 65-70%. These conclusions are shown in figure 2.

**Figure 2. Percentages of public expenditure for culture by level of government (2000-2005)\***



Source: Council of Europe/ERICarts 2006, national reports of ministries and other related authorities.

\* Public expenditure for culture refers to the latest available year of the period 2000-2005 and includes all lower levels of governments: Länder (Austria, Germany), Communities (Belgium), Voivodship (Poland), Regions, Provinces, Counties, Municipalities.

Malta (up to 90%) and Cyprus<sup>47</sup> are most financially dependent on state support. A considerable rise in state spending on culture is noticeable in Malta (up to 2 times) and Cyprus (up to 2.3 times), where the level of development investment in culture has been high in recent years. The growth in central government expenditure on culture is between 20-70% in most of the Eastern European countries; in Latvia, it is by 1.1 times. Among the older EU member states, the increase in central government spending for the same period varies between 8-18%. Finland has the highest rate (17.7%), followed by the Netherlands (13%) and Sweden (10%). Among the countries with less centralised or decentralised support schemes, such as Austria, Belgium, Germany, the Netherlands, Portugal, Spain and the United Kingdom, the greatest increase is achieved at the regional or local level. Evidently the steady rise in public spending for culture started in the mid-1990s. The observed increase of 32% (1999-2002) in the Netherlands is partially due to the change of financial scheme of the broadcasting service in 2000 (abolishment of licence fees and direct support from the ministry budget). However, among these countries, public financing to culture continued to rise slightly between 2000 and 2004.

In more centralised states, the level of central government expenditure on culture, as a share of total state budget, remains high. This is the case for most of the new members of EU and the acceding countries (except Poland). This ratio is above 1% in Bulgaria, Cyprus, Hungary, Lithuania and Malta; about 2% in Slovenia, Lithuania and Latvia; and about 3% in Estonia.

#### *Public support allocated to different cultural sectors.*

The allocations of public spending on culture show different preferences among the countries. Expenditures for cultural heritage and museums are highly prioritized in Greece, Italy, Malta, Cyprus, Germany, Hungary, Latvia, Lithuania, Poland, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. The performing arts (including music, theatre and dance) is primarily subsidised in Austria (with the accent on music), Germany (music and orchestras),

<sup>47</sup> The available reports state that financing to culture in Cyprus is highly centralised. However, they do not provide exact data on local spending for arts and culture. This is why Cyprus was not included in Figure 2.

Bulgaria (theatre), Estonia, Finland, Denmark, Hungary, Malta, the Netherlands, Poland and Sweden. Libraries are heavily subsidized by government in Finland, Denmark (especially on the local level) and Lithuania. The importance of literature, especially library development, reflects high financial support in Estonia, Portugal and Germany. Local governments favour sports in Belgium (up to 12% in the Flemish Community); in Denmark (up to 36%); and in Portugal (up to 48%). National broadcasting services are highly funded from state cultural budgets in the French and German Communities in Belgium (up to 35%), Bulgaria (up to 44%), Estonia (up to 20%) and the Netherlands (up to 29%). In Hungary, Slovakia and Romania, the Ministries of Culture devote a good part of their budgets to religious affairs, which often cause difficulties in estimating the real value destined to culture and the arts. Public cultural budget includes expenditure for arts education in Austria (up to 22% of the total expenditure for culture), the French Community in Belgium (up to 22% of the total expenditure for culture), Denmark (at the state level, up to 13%, in the total public expenditure for culture up to 6%), Sweden (in the total expenditure for culture up to 17%), and Estonia.

*Public support allocated to arts councils and national cultural funds.*

Many times the state finances individual artists and cultural institutions through Arts Councils and National Cultural Funds or Foundations. The latter, in turn, allocate money on competitive basis and according to specific aims and scopes. How grants are awarded differ. It should be noted that state spending on grants and subsidies to artists represents 0.5-17% annually among the National Funds and Councils. The highest average share of the state budget was distributed to the Arts Council in the United Kingdom and Ireland. Swedish National Council for Cultural Affairs received 17% of the state budget; the Council for Culture and the Arts in Malta received 14%, the Estonian Cultural Endowment 13.8%, the Latvian Cultural Capital foundation 13%. The Danish Arts Foundation and the Danish Arts Council distributes an average of about 8% of the state budget. In Finland and the Netherlands, government allocation for grants and subsidies to artists represents an annual average of 5% of its budget. Support to individual artists is very extensive in Sweden, Denmark and Finland. The largest shares of Councils' budgets in those countries are distributed as grants to writers and visual artists. The National Cultural Funds are heavily subsidised from the governments in the Central and Eastern European countries. For example, up to 85% of the Bulgarian National Cultural Fund's budget is supported by state earmarked taxes which, in 2004, earned nearly 0.2% of the state budget for culture or €200,000. The 2002 Slovenian Fund for Cultural Activities (JSKD) was €4.6 million; of that, the state provided €3.5 million (76% of the total JSKD budget).

#### **1.4. Financing Culture with Lottery Funds**

Lottery funds are additional sources of financial support to culture (see annex 1, Table 6). They are rather new, but have developed rapidly and are gaining importance because of the search for additional subsidies. The lack of impact or evaluation studies on lottery funds for culture does not allow us to draw representative conclusions, but rather general observations.<sup>48</sup> Among the countries analysed, lottery funds are distributed to support culture in Belgium, Bulgaria, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Slovakia, Sweden, and the United Kingdom.

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<sup>48</sup> The information is gathered mainly from Ilczuk 2004.

### 1.4.1. Institutional structure and distribution mechanism

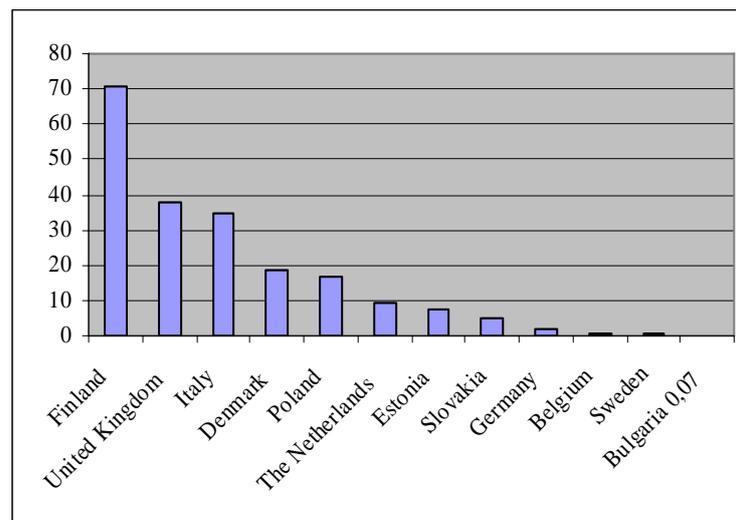
Most gambling funds to culture derive from state-owned lotteries. Private lotteries do, however, exist in some countries (for example, the Netherlands), and their contribution to culture can exceed the national lotteries'. Germany has a mixed public-private lottery ownership. Distribution of lottery monies to 'good causes' such as health, social activities and culture is defined mostly as percentage of total lottery revenues. For the most part, the stability of lottery funds for culture is not ensured by any measures; exceptions are the Netherlands, Sweden and Slovakia. Possible solutions to this are suggested by the Finnish model, where the government compensates for lottery shortcomings. Only Italy distributes a fixed amount to heritage annually.

Decision making about the distribution of lottery funds to culture is the responsibility of existing government agencies, by newly established public agencies (Estonia, Sweden, and the United Kingdom), by non-profit organisations (Germany and the Netherlands), directly by government (Bulgaria, Italy), and directly by the lottery company itself.

### 1.4.2. Trends in the distribution of lottery funds to culture

Analysing the resources allocated by lotteries, it became obvious that they play a more active role in supporting culture in some countries than in others (figure 3).

**Figure 3. Lottery financing as a percentage of state expenditure for culture (2000)**



Source: Ilczuk 2004; data for Poland is added from the national report in the Council of Europe/ERICarts 2006.

State expenditure on culture is extensively supported by funds from the (state-owned) lotteries in Finland (from 71.4% in 2000 to 54% in 2005), Italy (35%) and the United Kingdom (38%). Annually, lottery funding for culture represents 17.7% of central government expenditure on culture in Poland; in Denmark, it increased from 16.8% in 2000 to 18.6% in 2002; in the Netherlands, it was 9.4% in 2001, which corresponded to 1% of the overall expenditure for culture (Smithuijsen 2005). In other countries, lottery funds for culture are less significant as share of state expenditure for culture: Slovakia (4.7%) and Estonia (6.9%). Lottery contributions have not yet been important in funding culture in Hungary, Sweden (0.04%), and Bulgaria (0.07-0.09% in 2000-2001).

### 1.4.3. Breakdown by type of expenditure and sectors

In accordance with the decision-making priorities of the distributing agent, lottery funds can be grouped into project funds, capital funds and operational costs (Table).<sup>49</sup>

**Table 3. Percentages of lottery funds to culture by type of funding (2000)**

	<b>Project-based Funding</b>	<b>Ongoing Operational Costs</b>	<b>Funding for Capital Projects</b>
<b>Estonia</b>	80	0	20
<b>Finland</b>	0	80	0
<b>Italy</b>	0	0	100
<b>Slovakia</b>	0	50	50
<b>United Kingdom</b>	16	0	84

*Source: Ilczuk 2004.*

For example in the United Kingdom, 33.4% of total lottery revenues are devoted to arts and heritage, the latter amounting to 16.7% of the total of €483.6 and €506.1 million (2004-2005). They are distributed by regional arts councils, the UK Film Council, the Heritage Lottery Fund and the Millennium Commission.<sup>50</sup> Estonian national lottery revenues dedicated to culture are distributed through the Estonian Cultural Endowment and the Gambling Tax Council, and predominantly support cultural projects. In Poland (2004), lottery money was distributed to cultural enterprises (46%) and cultural investments (19%).<sup>51</sup> Dutch private lotteries<sup>52</sup> support culture, usually allocating their revenues to foundations (e.g., the European Cultural Foundation, the Prince Bernhard Culture Fund, Stichting DOEN, East-Europe Foundation), which use or redistribute them for cultural purposes. This contribution is channelled primarily to cultural heritage and multicultural projects. In Belgium (only the Flanders Community), lottery funds to arts and culture primarily support the performing arts (72%), followed by social cultural work (12.5%), and museums (9%). Lottery support for capital investment in museums and heritage is dominant in Italy (72%) and the United Kingdom (53%). German priorities (on the regional level) are the visual arts (50.6%) and music (22%). Slovakian lottery funding is divided among the performing arts (32%), museums (24%), interdisciplinary activities (15%), and libraries (10%). Swedish lottery funds are directed to interdisciplinary projects.

<sup>49</sup> Project-based funding is usually short term and concerns project support, i.e., financing of artistic productions. Ongoing operational costs are made for administrative purposes: salaries, rents, travel costs, documentation costs etc.. Funding for capital projects, usually long term, implies investment and reconstruction expenditure for culture: new building for cultural institutions, renovations, technical equipment, aquisition of new collections, etc.

<sup>50</sup> United Kingdom National Lottery 2005.

<sup>51</sup> Council of Europe/ERICarts 2006.

<sup>52</sup> Examples are the Bank Giro Lottery, Sponsor Bingo Lottery, Postcode (ZIP-code) Lottery, and National Sporttotalisator.

## 2. INDIRECT PUBLIC INTERVENTION THROUGH TAX INCENTIVES

This part of the study will focus on the creation of favourable fiscal environments within the legislative system of each country to boost cultural funding. This form of indirect support refers to income that local and national governments forego in tax reductions and exemptions granted to cultural institutions. Inkei (2001) defines it as “fiscal support of governments to private support to culture”. Indirect expenditures are, in fact, subsidies. They may not look like costs but they are, and furthermore they imply private intervention (by individuals, businesses and non-profit organisations). There is a movement towards private subsidies (such as sponsorships) and one of the aims of this study is to analyse their importance – current or potential – for culture. Tax incentives refer to specific measures available to limited categories of individuals and they aim to modify behaviour through fiscal mechanisms. Fiscal relief can be ascribed to all forms of private support to culture (cash donations, sponsorships in kind, services or equipment). Within the various devices of tax policy are those that encourage the increased consumption of cultural products and services, for example, the application of preferential Value Added Tax (VAT) rates. Fiscal laws can encourage or discourage donations, boost the bequeathing of valuables, foster the creation of foundations, etc.. More particularly, tax incentives take place as:

- Tax exemptions, tax deductions and special (lower) rates for art and cultural institutions, for example, in gift and inheritance taxes and corporate income taxes;
- Tax deductions and tax credits for companies and individuals donating to or investing in the arts; and
- Different VAT rate on cultural products.

Table 7, annex 2 provides a summary of the various forms of tax relief.

### 2.1. Analysis of Indirect Public Intervention through Tax Incentives

Most countries analysed provide special tax treatment for cultural institutions, individuals or businesses that make donations in favour of cultural institutions or their sponsors. However, there are many differences regarding the rates and limits of the tax deduction or credit, the cases that qualify for tax relief, the procedures for obtaining tax relief, and the requirements for compliance. Similarly, there are differences in the VAT rates applied to identical cultural goods. For example, the Austrian and Spanish VAT rates on CDs are 20% and 16%, respectively. Foundations in most countries are exempt from inheritance and gift tax, whereas in Austria, Belgium, Luxembourg and the Netherlands, they are only entitled to a reduced gift and inheritance tax.

An often-debated issue relates to the fiscal definition of sponsorship or donation. The difference is important to the applicability of any form of tax relief. In some countries, in fact, identifying an act as sponsorship may disallow the application of any form of tax relief, though the company may still deduct the amount of money given to a cultural institution. Sometimes, the criteria to distinguish between the two and decide about the applicability of tax relief relates to the benefit that a company can get and to the existence of any form of *quid pro quo*, but the solution to such a dilemma is neither simple nor uncontroversial.

Differences among countries also characterise fiscal practices within cultural institutions. Some countries require a specific legal status to enjoy any form of fiscal benefit. Moreover, there are differences in the type and amount of direct fiscal relief allowed to the cultural institutions and indirect relief allowed to the individuals or businesses that support them. For instance, in Finland, Lithuania and Sweden, only business donors enjoy some tax incentives, but there is no tax deduction for individuals who donate to foundations.

Another tax scheme that the cultural sector can benefit from is “percentage legislation”, where taxpayers can assign a percentage of their income tax to certain organisations. Such a system is already in place in some European countries to finance the church. The percentage re-routing of paid income tax is now being used to support civil society organisations, which, of course, are frequent in the cultural sector. These exist, for example, in Hungary (1%), Slovakia (1%), Lithuania (2%), Poland (1%)<sup>53</sup> and have recently been introduced in Italy (5%). However, there are doubts about the real incentive that prompt individuals to support these schemes (European Commission 2005). In fact, they may have a detrimental effect. Taxpayers who assign a percentage of their taxes to cultural institutions might have the feeling that they have satisfied a civic duty, when those taxes would have been taken from them in any case.

## 2.2. Measures of Indirect Support through Tax Incentives

The main problem of this type of analysis relates to accounting for the indirect government support to culture that derives from fiscal measures (IFACCA 2004). For instance, an international survey done by the Arts Council of Ireland (2000) was only able to evaluate the amount of taxes foregone in Ireland, thus it had to omit the figures related to this policy instrument from the whole survey. Comparisons of government expenditures for culture, then, are rarely able to account for these types of indirect forms of cultural support because the data are unavailable (Feist et al. 1998).

Not taking into consideration indirect expenditures, however, leads to serious underestimation of some countries’ intervention. The comparisons of government support lose reliability because indirect expenditures in some countries are at least as large as – and in many cases are considerably larger than – direct expenditures. The Arts Council of Ireland (2000: 10) estimates that the inclusion of foregone tax revenues would increase the measure of Irish government per capita arts expenditure by 50% (from 12.36 to 19.22 Irish Pounds).<sup>54</sup> Hemels (2006) suggests that indirect support in the Netherlands is equal to direct support, though it is not accounted for. In analysing indirect support for culture, the US provides interesting examples and lessons because of the longer and more extensive development of this type of support for culture. For instance, Schuster (2004) suggests that estimates from the US indicate that direct government expenditure on the arts is “dwarfed” by indirect government expenditure.

The inclusion or exclusion of indirect expenditure would completely change the international “ranking” of a country’s public support to culture. Considering only direct expenditure, the US shows a lower level of public support; the inclusion of indirect expenditure deriving from fiscal measures upgrades the country to a “bigger public spender” on culture (Heilbrun and Gray 2001). Porter and Kramer (2002) suggest that in the US – because of a generous tax code that allowed companies to deduct a large portion of their advertising expenses – about \$589 million were spent on arts sponsorships in 2001. Compare this to the very small budget of the prestigious National Endowment for the Arts (NEA), which was only \$104.8 million in 2001 and \$115 million in 2002 (NEA 2003).

Indirect expenditures raise further questions when the reduced VAT rate on cultural products is considered. O’Hagan (2003: 455) argues that the VAT concession for the arts in Europe is not just the major tax concession in Europe, but that it *alone* is “large...both in absolute terms and in relation to direct funding to [arts] institutions”.

<sup>53</sup> Percentage Philanthropy Project.

<sup>54</sup> Values have not been converted into euro because the modifications in exchange rates would lead to a different trend.

Measuring indirect support deriving from fiscal incentives requires, first of all, that the government introduce rules that set the different forms of tax relief in favour of culture. Hillman Chartrand and McCaughey (1989) talk of the state as a *facilitator* when it introduces clear rules that favour this form of indirect intervention. The state, then, has a major role in determining the amount of tax relief allowed; it has an impact on cultural policy implementation and the involvement of other sectors in financing the arts.

However, tax incentives are not cost-free. In making a donation, the donor pays for only a part of it and the government – i.e., taxpayers – pays the rest. In fact, when the owner of an ancient building receives tax benefits for its maintenance, a transfer of public money to a private individual takes place (Benhamou 1996: 61). Something similar happens in the case of donations. Montias (1995) showed that “the taxpayers of the United States contribute an average \$600 to \$700 for every \$1,000 worth of bequest. A donation, in sum, is a joint contribution by a private owner and the public ...” Nevertheless, tax incentives may appeal to ministries of culture and the art world because they do not affect the national budget for culture. Tax incentives “seem to be an easy way to expand the budget for the funding of the arts” (Hemels, 2006); thus, the cultural sector would never be in favour of their abolishment. Tax incentives for the cultural sector might be more favoured by those countries having strict budget ceilings for direct subsidies (e.g., the Netherlands). When there is this type of budget restriction, the ministries of culture can only introduce a new subsidy by cutting another. This restriction, however, does not apply to tax incentives.

### 2.3. Concluding Remarks

Tax incentives for culture imply a shift of focus from supply towards demand; more responsibility is given to the public. They can be a tool in favour of “democratisation” of culture. For this to happen, however, governments need to design tax incentives strategically and with the help of experts. Classification of which institutions or goods qualify as cultural would be a task of the latter; there are in fact problems in defining the sectors. For instance, in the Netherlands (as well as many other European countries), video art is not considered art for VAT concession, but exact copies of paintings made in China are (Hemels 2006).

It is also difficult to define the type of organisation for which tax exemptions apply. Some countries, like France, provide strict definitions and a clear illustration of the requisites necessary to apply for tax reductions; in other countries, the situation is less clear and disputes can arise (Swedish Association for Business and the Arts 2001). Once the rules and the criteria applying to tax reductions are clearly defined, people can knowledgeably choose which institution to favour. Clear and simple rules as well as more favourable rates of tax reductions or exemptions are also fundamental to stimulating individual and business support to the arts. The recent changes in the French legislation regarding maecenatism and cultural foundations seem to follow this line of reasoning. A new law in Italy also proves the importance of tax incentives to raise additional funds (see box 2.1.).

**Box 2.1. Tax incentives for business support: Italy**

Business support to culture in Italy has evidently been boosted by a new law (No. 342/2000) that introduced total deductibility of cash donations to public and private institutions actively operating in cultural sectors. There are limits to the type of institutions that can benefit and the procedures are not simple. Nonetheless, the amount of financial aid derived from this law increased by 70% in 2004-2005 (from €8.85 to €32.28 million). These donations were not equally distributed among regions (Lombardy, Veneto and Lazio had the highest percentages) and cultural sectors. In fact, 70% of these funds went to the performing arts. As for individuals, the law (Decree of the President of the Republic No.917/1986) allows only a deduction of 19% from personal income taxes in financial aid given to private and public institutions active in the cultural sector. In 2005, for the first time since the introduction of the law, the Ministry of Heritage and Cultural Activities recorded donations of €2.38 million.

*Source: Ministry of Heritage and Cultural Activities 2006.*

These changes are fundamental to guarantee the success of a tool to stimulate private intervention in overcoming the limits deriving from the fact that private support is very much connected to the tradition of contributing to the cultural sector, a tradition that characterises a specific society. For instance, the success of this type of support in the United Kingdom, the Netherlands and the United States simply corresponds to the tradition of private intervention in favour of the arts that has historically characterised these countries (Cummings & Katz 1987).

### 3. PRIVATE INTERVENTION

Fundraising has become an integral part of cultural institutions, and governments are learning how to encourage it further. In the past one or two decades, private sector support has increased in European countries. The Guggenheim museum is 72% self-financed, 30% of which derives from private (corporate) support. The museum receives private donations from its 40 corporate members as well as through donation campaigns related to specific events.

Private intervention within the arts and culture drew major attention with the process of decentralisation. The need for additional income and the drive for autonomy in the decision-making process made searching beyond government support imperative. Private intervention can take several forms: donations, patronage, maecenatism, voluntary work, sponsorships, etc.. These concepts may differ among countries because the laws regulating them often do not provide clear distinctions (Hemels 2006), and because traditions in private giving can be country-specific. Therefore, while difficult to detect all types of private intervention within the cultural sector, it remains important because identifying private intervention as donation, sponsorship or maecenatism makes a difference with respect to benefiting (or not) from tax relief. Box 3.1 proposes a glossary of definitions, although the differences are often blurred.

#### Box 3.1. Definitions of sponsorship, patronage, philanthropy, maecenatism

In *commercial sponsorship*, the company's objective is to derive a direct benefit in terms of enhanced sales or image (Grunstein in Colbert et al. 2003:2). *Sponsorship* refers to support with returns, by which the sponsor receives something back, either directly or indirectly (Swedish Association for Business and Arts 2001). In many East European countries, sponsorship is regarded as *generosity*. This is unlike the notion in the rest of Europe, where sponsorship is a *commercial transaction*, linked to business objectives (Inkei 2001). *Philanthropy (donation)* is support without returns. In some environments (particularly the United Kingdom), the subcategory of *patronage* provides support with some return. In many respects patronage is similar to philanthropy or maecenatism (Inkei 2001). *Patronage* is "Financial, material or moral assistance provided by an organisation or an individual for an undertaking, principally in the cultural, social or scientific field. The assistance provided is of no direct benefit to the patron's activities, but adds to his reputation and honour through the resulting fame" (Serraf in European Parliament 2003:4)

For the purposes of this report and to reduce misinterpretation, we generally refer to non-profit support and business support as "private support", making explicit reference to each source when necessary.

#### 3.1. Non-Profit Support to Culture and the Arts

Non-profit organisations are often explored as third-sphere entities whose goals are to support civic society activities. Looking for new sources of funds, it is necessary to acknowledge the potential of the third sphere for the financing of culture. The third sphere is very active in supporting the cultural sector, although its role is sometimes not so evident. However, third-sphere entities may successfully balance market and government objectives. They do indeed involve networks of contributors to the sector, giving rise to social evaluations that go beyond market and governmental types of transactions.

Due to different languages and legislation, different types of non-profit organisations exist among the countries: trusts, private associations (clubs, friends' societies, etc.) and foundations

(box 3.2). For example, because of different legislation, the definition of *foundation* in the United States and the United Kingdom “reflects on common law traditions with an emphasis on trusteeship” and in Germany “on civil law traditions ... with the important distinction between legal personalities based on either membership or assets” (European Commission 2005). A *foundation* corresponds more or less to the British *trust*, the Dutch *stichting*, the Finnish *saatio*, the French *fondation*, the German *stiftung*, the Italian *fondazione*, the Spanish *fundacion*, and the Swedish *stiftelse* (European Foundation Centre 2005a).

### Box 3.2. Concepts of foundations, trusts, associations

Ilczuk (2001) suggests that “[i]n the continental law countries, associations and foundations have the most popular legislative forms in between non-profit organisations”. *Associations* are voluntary, self-governing, non-profit organisations with permanent members. In cultural associations the primary goals are to realise intellectual and artistic needs and develop optimum conditions for their execution. According to their activities, we can distinguish, for example, arts friends’ societies, creative associations, artist/performer unions, and cultural promotion associations. *Foundations* are organisations for the execution of publicly useful purposes such as support to artistic creation, promotion of culture or aid to artists. Foundation goals are determined by the founding body and are “provided for in the foundation act” (ibid: 6). The European Foundation Centre (EFC) defines a *foundation* (or *trust*) as “an independent, separately constituted, non-profit body with its own governing board and with its own source of income, whether or not exclusively from an endowment” (EFC 2005a).

Because of the lack of data about the impact of other forms of non-profit institutions on culture, this study focuses mainly on the activity of foundations (or, in the United Kingdom, trusts) in accordance with the abovementioned definitions.

#### 3.1.1. Types of foundations

According to different national legislations, how foundations operate and how they provide and receive support vary among countries. They can operate as grant-giving and grand-receiving bodies, governed by their own boards. The EFC classifies foundations as independent, corporate, government-supported, or community (annex 3, Table 8). In a paragraph on recent trends (EFC 2005a):

[I]ndependent foundations are by far the most common type, ranging from over 50% in Sweden to over 90% in Germany, Italy and the United Kingdom. Governmentally supported foundations can be found in most countries ranging from under 4% in Italy and Germany, 6% in France to 16-19% in Sweden and Belgium. Corporate foundations would form the third most important category, while over 140 community foundations could be identified across the EU in 2003.

*Independent and community foundations* prevail and show a steady increase all over Europe (EFC 2005a). Their activities within the cultural sector and role as enhancers of the creative arts have increased. They are defined by EFC as “grant-making or operational European foundations, trusts and charities having their own fund or regular source of income and their own board of trustees or directors”. The lack of comprehensive impact studies does not allow us to draw stronger conclusions about their role for the arts. Some tendencies are suggested, however, by a non-representational survey on independent grant-giving foundations.<sup>55</sup> The

<sup>55</sup> The survey was carried out by the ERICarts (2002) and presented in *Creative Europe*. On its methodology: “The basis of the survey was some of the members of the European Foundation Centre whose profiles are outlined in the EFC directory, ‘Independent Funding 2000’. The main geographical focus is Europe, including member foundations from 29 different countries. Of those listed in the directory, 72% have their main interests in the

results indicate that (1) support from independent foundations primarily takes the form of individual grants, project grants, donations, gifts in-kind and cash contributions; (2) support is allocated to specific art sectors, favouring independent media in Eastern Europe; (3) they have no priorities in supporting cultural infrastructure and activities of cultural networks; and (4) they provide more support for national projects (60%) than for international projects (40%).

*Corporate foundations* are established by companies and often depend solely on the support of their founders. Even if they are established as third-sector entities, how they perform is often unclear. Do they perform according to corporate principles rather than those of civil society? The European examples evidence wide dissimilarities. In some cases corporate foundations tend to support large, ad hoc events from which the company or founder may benefit like any other marketing tool (associated with sponsorship). In other cases, long-term partnerships are established on more of an ethical basis.

*Government-supported foundations* usually receive funds from state subsidies and redistribute them according to state guidelines, but this is not necessarily the case. In the recent years of decentralisation and privatisation within the European cultural sector, many national cultural institutions have changed their legal status to private. On one side, this allows them to benefit from the general legislative framework (tax incentives); on the other, they are still heavily subsidised by the government (earmarked taxes from, gambling acts, for instance), although now on a competitive basis. For example, the state no longer ensures fixed subsidies, but rather allocates grants based on project proposals from the institutions. A similar organisational structure applies to community foundations; the largest part of their revenues derives from local government authorities responsible for culture. Government-supported foundations for culture may combine mixed public financing (direct and indirect) with private financing, but they are still strongly supported by the government – in many cases over 80%. Because of that and in keeping with our study methodology, their role is discussed in the area of direct public support.

### 3.1.2. Recent trends in support from foundations to art and culture<sup>56</sup>

In Belgium, Germany, the Netherlands, Portugal, Italy and Spain, art and culture is the priority of private foundation support (annex 3, Table 9). In *the United Kingdom*, the third sector is represented by grant-making trusts, whose support to the arts and culture was 9% of their total budget in 2002. Another study (Arts & Business 2005b) suggests that trust and foundation support to the arts in the UK has no steady trend. For the period 2001-2004, funding increased by an average of 30%, and then decreased almost by 15% in 2004-2005. The largest share (up to 78%) goes to London art organisations. In *Belgium*, support from foundations amounted to €15-16 million in 2000, representing 13% of the total budget of private foundations. Cultural activities are widely supported by private foundations in *Germany*, especially those operating at local levels. Support to art and culture represents an average of 11% of the total of foundations' expenditures. Cultural activities in *Portugal* are traditionally supported by private foundations; they donate 30% (on average) of their overall budgets to arts and culture. One of the largest private foundations is the Calouste Gulbenkian Foundation; up to 45% of its budget is spent on culture. In 2000, its contributions represented about 40% of the total national spending on culture. Other important private contributors are the Orient Foundation, the Serralves Foundation, and the Culturgest. In *the Netherlands*, with its long tradition of donating to culture

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broad field of education, 59% in the arts and culture, 29% in the environment and 43% in issues affecting children and youth".

<sup>56</sup> This part focuses on cultural support from corporate and independent foundations. The information was obtained from national reports of EFC, ERICarts 2002, and Council of Europe/ERICarts 2006.

and the arts, private association and foundation support to culture is as much as 2% of total cultural expenditure (Smithuijsen 2005). Private lottery funds distributed to private art foundations have increased. Among the largest foundations that donate to the arts in the Netherlands are the Prince Bernhard Cultural Foundation and the Rembrandt Association. In *France*, 4% of the total expenditures of foundations is spent on arts and culture. In *Austria*, 1,679 private organisations support art and culture (Simsa et al. 2003), primarily oriented toward audiovisual media, theatres and museums. In *Finland*, private foundations contributed an estimated €16-17 million to culture in 2002; the private Finnish Cultural Foundation provided nearly half of it (€8 million).

In some Mediterranean countries, support from bank foundations traditionally plays a significant role. In *Italy*, in 2001, the share of grant-making activities by foundations of banking origins going to the arts and culture represented 40% of their total support. Expenditure on culture by all non-profit foundations (grant-making) amounts to 26.5% of their total (EFC 2005a). In *Spain*, the major contributors are the foundations Caja Madrid, Juan March and La Caixa; their 2005 contribution to the arts and culture amounted to €104 million. In *Cyprus*, the Cultural Foundation of the Bank of Cyprus, the Cultural Centre of the Laiki Group, and the Cultural Department of The Hellenic Bank are the largest supporters of cultural institutions and cultural projects. Some of the larger companies in *Malta* donate through established private foundations; expenditures are directed mostly to cultural heritage.<sup>57</sup> Some of these foundations also support artistic productions and initiate cultural events.<sup>58</sup> Others combine state funding with private to encourage the participation of young people in Maltese cultural life by organising major events.<sup>59</sup> In *Greece*, events such as the Glory of Byzantium exhibition presented in the Metropolitan Museum of Art are heavily supported by non-profit foundations like the Alexandros A. Onassis Foundation. The establishment of the Athens Concert Hall is the result of the combined efforts of the state and the Society of the Friends of Music, an association of affluent supporters of classical music.

Among Eastern European countries, there was a trend towards establishing new cultural foundations in the 1990s. This positive development, however, was accompanied by some backward thinking and negative activities. One of the critical questions about the boom of the establishment of foundations in Central and Eastern Europe – especially at the beginning of 1990s – was whether they served public interests or were primarily used to hide private interests. As Ilczuk (2001) shows, cases of “corrupt practices” were observed amidst foundation activities (Poland, Hungary, Bulgaria), which spawned a general negative attitude toward third-sector practices. In subsequent years, the third sector was forced to re-establish its image in those countries; this was achieved by cooperative efforts of governments and the third sector itself.

Non-governmental organisation support for culture in Central and Eastern European countries originates from government as well as extra-governmental sources or partners (mainly international). The scope of their foundations’ activities varies according to different aspects of development in national culture. A few general trends can be distinguished: (1) support for

<sup>57</sup> The Vodafone Malta Foundation (2004), for example, donated €35,000 over a three-year period to Fondazzjoni Patrimonju Malti (a cultural heritage foundation set up in 1992) for the restoration and restructuring of cultural heritage. The Bank of Valletta (2004) is committing €42,600 toward the BOV Tarxien Temples Project coordinated by Heritage Malta; the remaining €55,000 needed to complete the conservation project will come from EU Structural Funds.

<sup>58</sup> The Foundation for the St. James Centre for Creativity (2004) encourages various arts and community activities at its centre in Valletta.

<sup>59</sup> For example, Fondazzjoni Patrimonju Malti (2005).

talented youths, (2) support for new art forms or media, (3) organisational facilities and training, (4) educational and travel grants, and (5) support for cooperative international projects.

The largest NGO's supporting culture in Central and Eastern European countries were financed by the Open Society Foundation (which existed from the early 1990s to 2003) and various EU programmes. Through its Soros Centre for the Arts, the Open Society Foundation developed specialised programmes in the visual arts, theatre, music, literature, and cultural heritage, as well as artists' networks (for example Soros Foundation Latvia 2006). The contribution from the Open Society Foundations throughout East and Central Europe ranged from €4.3 million in 2000 to less than €0.96 million in 2003.<sup>60</sup>

The "Bulgarian Donor's Forum", established in *Bulgaria* in 2003, is an NGO that raised support for projects in the cultural area in the amount of €150,000 in 2004. Donors included the Swiss Cultural Programme Pro Helvetia, the European Cultural Foundation, business companies (ING Bank, Post Bank) and charity business networks (Rotary Club). The majority of these grants were directed towards modern art, followed by support for the study and preservation of cultural and historic heritage. In *Estonia*, NGO activities focus on festivals, contemporary dances and small theatre companies. In *Hungary*, in 2003, 19% (€4.5million) of overall donations generated by the 1% law (see chapter 2) was distributed to cultural organisations. The role of the third sector traditionally has been very strong in *Slovakia*. It has a strong bond with government authorities. In 2001, about 600 NGOs operated in the cultural field. Support from NGOs in *Slovenia* is orientated towards cultural productions and amateur art, with very few of their funds coming from the government. For example, in 2002, Ljubljana's municipality financing to independent initiatives by NGOs and individual artists was about 12% of its total cultural expenditure. Central level support is also low, with about 5% of the state budget channelled to the performing, musical and visual arts.

### 3.2. Business Support to Culture<sup>61</sup>

A shift toward a positive attitude with respect to private business support is noticeable. On one hand, companies support culture and art financially as part of their marketing strategy (they get economic benefits); on the other, their support is charitable (it has moral benefit). Private business support can be distributed in various ways: in kind, in cash, and in awards and prizes.

Some estimates (based on national sources) show that private business support has tended to increase since the beginning of 2000 along with the general economic development within the EU. In the *United Kingdom*,<sup>62</sup> business support increased by 6.14% between 2003 and 2005, reaching €168 million. And, although business support increased by 4.3% for the 2000-2005 period, it arrived by way of a 20% fall from its 1999 sum of €12 million. For 2004-05, it represented 26.4% of the total public support to culture (€632.94 million), a 3% increase from the previous year. Cash sponsorship was favoured, with 71.2% of the support (64% the previous year), followed by sponsorship-in-kind (18.1%), corporate membership (16.4%), corporate donations (11.1%), and awards and prizes (2.4%). The greatest recipient of business support is cultural heritage, followed by the visual arts, galleries and museums. An increase is noticeable within the craft sector and art services. In *the Netherlands*, art sponsorship comprises up to €50 million of the total business financial support to the cultural sector. Business support in

<sup>60</sup> Open Society Institute 2004.

<sup>61</sup> Unless otherwise stated, the report refers to data from the Council of Europe/ERICarts 2006.

<sup>62</sup> Arts & Business 2005a, 2005b. Figures include individual giving and business, trust and foundation investment.

*Germany*<sup>63</sup> is mostly allocated on the local level to small cultural institutions, but recently has tended to support larger national cultural institutions. Total private support to culture was equal to €500 million. Total business support to the arts in *Italy*<sup>64</sup> increased from €2 million in 2002 to €5 million in 2003. The estimated volume of business support in *Austria*<sup>65</sup> varies between €7-43 million. In 2001, 45% of that was distributed as art sponsorships, mostly for the dramatic arts, followed by the fine arts and classical music. Although the major share is supplied in cash, it is followed by the donation in kind or know-how. In *Greece*, business support is provided for the establishment of new cultural institutions and the organisation of major cultural events.<sup>66</sup> Banks' support to culture in *Cyprus*<sup>67</sup> plays a significant role. They have established their own foundations – the Cultural Foundation of the Bank of Cyprus, the Cultural Centre of the Laiki Group, the Cultural Department of The Hellenic Bank – through which they finance cultural institutions and the development of cultural projects. In *Denmark*,<sup>68</sup> private donations or sponsorship to state cultural institutions increased over 10% per year from 1998 to 2002. Private companies invest in the construction of cultural institutions (some of which are partnered with or stimulated by EU Structural Funds). In *Finland*, capital investment and direct support to artistic productions absorb the bulk of private intervention. Contributions come from businesses such as banks and insurance companies, and private grant-giving foundations. In *Ireland*,<sup>69</sup> business sponsorship in 1999 amounted to €3.7 million. Services and unclassified (23%), together with banks, construction companies and food-trade companies formed the largest group of sponsors of art organisations. Funding was distributed to festivals (15%), the visual arts and galleries (15%), art centres and communities (12%), theatre and heritage (8%) and classical music (8%). Corporations show little interest in cultural sponsorships in *Malta*. Some larger companies donate through established private foundations, which focus mostly on cultural heritage. Industrial and service-oriented companies provide most sponsorships in *Portugal*. In *Sweden*, sponsorship remains very low compared to public expenditure on culture.

In most of the countries of Central and Eastern Europe, even with the increase in business support to art and culture, the share remains quite low compared to public cultural expenditure. *Bulgarian* companies predominantly support music (popular forms), literature, theatre, and festivals. In *Poland*, the major share of business support is allocated to theatre and galleries (averaging 28-29%), followed by museum and orchestra sponsorships (15-18%). Private sponsorship in *Slovenia* is evidenced by a few examples of cultural promotion, mainly in the form of festivals.<sup>70</sup>

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<sup>63</sup> Wagner & Wiesand 2004, quoted in the Council of Europe/ERICarts 2006.

<sup>64</sup> Premio Impresa e Cultura 2004.

<sup>65</sup> *Institute Initiativen Wirtschaft für Kunst* (Austrian Business Committee for the Arts) 2006.

<sup>66</sup> Examples of institutions established with private patronage include the Goulandris Museum of Natural History, the Cycladic Art Museum, the Greek Literary and Historical Archive, the DESTE Foundation of Contemporary Art, the Goulandris Museum of Modern Art, and the Foundation of the Hellenic World.

<sup>67</sup> Council of Europe 2004.

<sup>68</sup> Danish Ministry of Culture 2003.

<sup>69</sup> Business2Arts 2000.

<sup>70</sup> Festival Brežice attracted 58% of its turnover through sponsorships in 2001; the regional cultural centre Narodni dom Maribor attracted 25% of its turnover through sponsorship. The traditional Summer Festival Lent attracts the greatest number of sponsors.

What are the motivations for business financial support to culture? Some national surveys<sup>71</sup> suggest that it is foremostly motivated by social responsibility combined with marketing goals. Second, it is the company's aim to better its image and motivate its staff by supporting art and culture. Third, some research (Inkei 2001) on tax incentives suggests that the latter are not the primary motivations for companies to support culture.

In countries where businesses traditionally support culture (Germany, the United Kingdom), companies tend to have established a long-term partnership with cultural actors or institutions, and be strong supporters of regionally-based activities. On the opposite end, in Central and Eastern European countries, where sponsorship is a rather new concept, support to culture is provided on an ad hoc basis.

Another important argument for the increasing business interactions with the cultural field is the government attention they garner. Some governments (local and central) have established schemes to promote partnerships between culture and business. In the United Kingdom, for example, the government established a Business Sponsorship Incentive Scheme. To stimulate business involvement in cultural financing, Poland's Ministry of Culture established a "Patron of Culture Award". In Italy (*Impresa e Cultura*) and in Austria, private prizes are now patronised by the states. In Latvia and Bulgaria, private-public partnerships have been fostered by the activities of the newly established Ministry's Maecenas Council. The Dutch ministry accepts cultural sponsorship codes, which aim to protect the artistic content of the sponsored event or institution. France has a government-run project to attract private sponsorship.

### 3.3. Public-Private Cooperation in the Arts and Culture: Best Practices in the EU

The challenge now is to generate widespread support for all kinds of arts in the form of donations and sponsorships without diminishing public support. People need to acknowledge that the arts are valuable and that they have reasons to support and contribute to them – just like they support, or have supported, social and religious organizations. Governments can play an active role in stimulating greater involvement either by legislative and fiscal means (tax measures) or by introducing programmes promoting public-private partnership (box 3.3).

#### Box 3.3. Cooperation between private investors and governments

Hungary and Germany have the so called 1% rule. Introduced by municipal legislation, it creates the obligation for building companies to spare 1% of the budget of every municipal construction project for artistic components in or on the building. In Germany, the resources raised by the 1% rule are allocated to the Fund "Arts and Public Sphere".

The Hungarian government launched a "Loan Fund", which offers lower interest rates. The program is managed jointly and is based on a partnership between the Ministry of National Cultural Heritage (which contributes 50% of the capital) and a private bank selected at auction.

Source: Tomova 2004.

Next to tax reductions, an interesting initiative aiming to stimulate intervention in favour of the arts while offering the freedom to choose which art organisation to support has been launched in Italy and some Eastern European countries (box 3.4).

<sup>71</sup> Soros Center for the Arts 2001, Non-Profit Research Association in Hungary (Kuti 2003), Swiss Institute for Art Research and Roland Berger Strategy Consultants 2004, Lidström 2003.

**Box 3.4. Fiscal schemes stimulating individual financial support to the arts**

In Italy, a programme has recently been introduced where people are free to choose a specific institution (art organisation, social organisation, university, etc.) to which they can route 5% of the amount of taxes they pay. Similar initiatives have been approved in some Central and East European countries (Hungary, Poland, Slovakia, Romania, and Lithuania), where schemes allow 1 or 2% of tax payments to be routed to non-profit organizations operating in various fields, including the arts and culture.

In the Netherlands, the government stimulates individual acquisition of art works by designing *ad hoc* financial schemes that allow for reduced interest rates on the acquisition. The Dutch case shows the importance of reduced interest rates on loans for the acquisition of works of art. Some individuals can then buy art that would otherwise be unaffordable.

The success of any initiative to stimulate private intervention, in the end, is very much connected to people's awareness of the social benefits of contributing to the arts. Some governments encourage third sector initiatives by acknowledging their achievements and offering equal partnership in their support (boxes 3.5 and 3.6).

**Box 3.5. The case of the Dutch windmills**

The introduction of steam engines rendered windmills useless in the Netherlands. They were a nuisance, as they occupied spaces that could have been exploited for agriculture. People started demolishing them. At one point, however, a group of individuals started a campaign to stop the demolition, claiming that windmills were part of the Dutch landscape and history (Stokhuyzen 1962). Towards that end these people formed a *Stichting* (foundation) that bought the windmills from the owners. The third sphere's intervention prevented the destruction of an important part of Dutch heritage. Interestingly, the initiative of this foundation stimulated the intervention of the Dutch government, which appraised the value of windmills and became directly involved in their preservation, assuming the role of the foundation that saved them in the first place. The acknowledgment of the importance of windmills went further. In 1997 UNESCO put the windmills of Kinderdijk-Elshout on the World Heritage List, considering "the contribution made by the people of the Netherlands to the technology of handling water" (UNESCO 1997).

**Box 3.6. The case of the Guggenheim museum in Bilbao**

The Guggenheim museum in Bilbao is the major cultural project realised in the Basque region (Spain), based on co-partnership between Basque Institutions (public and private) and the Guggenheim Foundation. The great financial and cultural success of the project is due to the following factors:

- Orientation to customers
- Education mission
- Contested programme
- Creating different spaces
- Artistic qualities
- Association between public and private partnership

The museum is self-financed by 72% and receives public support of 38%. Sources for the former derive from revenues (30%), private (corporate) support (30%) and other income (12%). The museum receives private donations from its 40 corporate members as well as through donation campaigns related to specific events. Public sources are distributed equally from the provincial and regional councils. The Guggenheim museum gave a major boost to the economic development of the city. Since its opening in 1997, it has achieved international reputation. The number of visitors on average amounts to 1 million per year; 60% of which are from abroad.

Source: ENCATC 2006.

Especially important is the establishment of specialised agencies and organisations, which encourage engagement between business companies and arts sectors. Their operations as facilitators and advocates of co-partnership between business and artists or art organisations can create reciprocal understanding of both parties' values and further increase the fundraising for the arts and culture from business sources. Among others, Arts & Business (United Kingdom) is a national organization which brings business and arts together on an organisational and individual level (box 3.7).

### **Box 3.7. The case of Arts & Business**

Arts&Business (A&B) is an organisation established in the United Kingdom that enables businesses to be more successful by engaging with the arts which, in turn, increases resources for the arts from business. The organisation is devoted to advocacy and lobbying at a national and international level. It also disseminates information about the value of arts-business partnerships through leading research and evaluation. The organisation delivers a range of services to both sectors: (1) Funding from central government helps to foster innovative and long-term partnerships between business and the arts through the investment program, "New Partners". (2) With support from both the private and public sectors, A&B runs a series of highly professional development programmes which promote the exchange and development of skills between the business and arts communities. (3) A&B offers advice, training, networking and consultancy on a wide range of issues to business and the arts through its membership programme.

*Source: Arts & Business 2005.*

Using a well-organised communication campaign, some people join the initiatives of national, international and private supporters of the arts and culture in promoting new ways of legislation for fundraising. These have a positive impact on peoples' perceptions and thus stimulate a commitment to support the arts (boxes 3.8 and 3.9).

### **Box 3.8. Award established to promote partnerships between culture and business: Italy**

Apart from the stimulus coming from tax schemes, business support to culture in Italy is showing a change of attitude. Companies are increasingly interested in the cultural sector. They consider "investing in culture as a strategic resource useful to develop the company in connection with the environment" (*Impresa e Cultura* 2006). An index of this new trend comes from the growing success of the "Impresa e Cultura" award. The prize, created in 1997 by a communication company (Bondardo Comunicazione), is now supported by the Presidency of the Council of Ministers, the Ministry of Foreign Affairs, the Ministry of Infrastructures and Transport and the Ministry of Heritage and Cultural Activities, and is sponsored by several local authorities, banks, publishing houses, and companies. It represents a sort of quality control certification for those companies who do not just sponsor culture occasionally, but consider investing in culture as part of their strategy.

### **Box 3.9. Intellectual and industrial property rights festival (Rousse, Bulgaria)**

The festival was part of a year-long campaign for the promotion of copyrighting and was initiated by the Bulgarian Ministry of Culture in 2006 with the support of the European Commission. The festival took place in Rousse, a city near the Romanian border, and involved the Romanian counterpart of the Giurgiu customs authorities and the Romanian Ministry of Culture and Religious Affairs. It proposed a series of seminars on topics such as creative industries and copyright, industrial property, collective management societies, anti-piracy and border control. The European Commission was a catalyst during the event by providing the participation of a number of experts from the Marketing and Competition Directorates. The World Intellectual Property Organisation (WIPO) also took an active part in the events by providing expertise within the working seminars.

*Source: Policies for Culture E-bulletin 2006.*

It is evident that private intervention for art and culture is a well-developed phenomenon that takes place in different ways among the various European countries. It shows that the market sphere and the third sphere can (and do) play an important role for culture, but in some countries more than others. It is also evident that intervention takes place in connection with the activities of the government, which can encourage or discourage the involvement of these other spheres by setting the rules.

## 4. INTERNATIONAL CULTURAL COOPERATION IN EUROPE

Considering all the different flows of support to international cultural cooperation, the report prepared by the European Forum for the Arts and Heritage (EFAH) and Interarts (2003) suggests that:

Cultural cooperation in Europe is made up nowadays of an extensive, multilateral flow of projects and initiatives, which are launched and implemented by individual artists, non-profit organisations, local museums, theatres and companies, arts management companies, local and regional authorities, as well as by national governments and those organisations coming under their structures. Projects involving exclusively national governments are less and less the norm.

### 4.1. Intergovernmental Cultural Cooperation<sup>72</sup>

On the state level, support for international cultural cooperation is generally carried out by the ministries of Foreign Affairs and the state authorities (ministries, departments, etc.) responsible for cultural affairs. In Denmark (SICR) and the Netherlands (SICA), those authorities establish national institutions to support international cultural cooperation. In other countries, established cultural information centres coordinate, organise, foster and support international cultural cooperation. Countries like the United Kingdom, Sweden, Germany, Austria, Hungary, Spain and France extend their presence through cultural institutes abroad to popularise their national culture and foster cultural cooperation with the others. Examples are the British Councils, Alliances Française, Goethe Institute (Germany), Instituto Cervantes (Spain) and Hungarian Cultural Centre.

Priorities for international cooperation differ widely among governments. Priorities are given to education in Finland, Germany, the United Kingdom and Estonia; to arts and heritage in Malta, Greece, Italy, Ireland and Spain; to cultural industry in Denmark, Austria, Finland, Sweden, France and the United Kingdom; to music in France, the United Kingdom, the Netherlands and Italy; to traditional arts in Estonia, Bulgaria and Hungary. More specifically, funds allocated by governments for international cultural cooperation are predominantly distributed to literature, the performing arts and films in France; in Denmark to films; in Finland to music, dance and design; in the United Kingdom, Austria, the Netherlands, to new media, the arts and forms of popular music; and in Italy to opera and theatre. The geographical patterns in intergovernmental cultural cooperation show that Greece, Portugal and Spain engage most with Germany, Luxembourg or Belgium. Many countries, like Germany, France, the United Kingdom, Spain, Portugal and Italy – mainly older EU member states – collaborate with countries outside Europe. Others, such as the United Kingdom, Austria, and France cooperate with countries in the Balkans. There is strong cooperation between Balkan and Nordic countries. Since the mid-1990s, great attention has been paid to engaging culturally with ex-communist countries.

General trends in intergovernmental cultural cooperation outlined by EFAH and Interarts (2003) reports are that: (1) political incentives prevail when governments engage in international cultural cooperation; (2) cultural cooperation is reduced to international cultural exchange in the case of bilateral agreements; (3) governments shift direct support to private projects proposed by individual artists, and national and international cultural networks; (4) governments support rather traditional forms of culture; (5) intergovernmental cultural cooperation on regional basis is limited (with the exception of the Nordic Council in cooperation with the Balkans); (6) there

<sup>72</sup> The information in this chapter is obtained from the Council of Europe/ERICarts (2006) and from EFAH & Interarts (2003).

is little intergovernmental cultural cooperation among Central and Eastern European countries (the exception again being strong cooperation within the Balkan region); and (7) some bilateral agreements are stimulated by the possibility of access to EU funding.

#### 4.2. European Cooperation

The importance of cultural cooperation goes beyond the national interests of each country. It becomes a priority for UNESCO, the Council of Europe, and for the Institutions of the European Union. With support from international institutions in the last years, private initiatives and networks were established to lobby and boost cultural cooperation and mobility worldwide. Respectively this facilitates the work of ERICarts institute for comparative cultural policy research, of trans-national networks advocating the arts and culture like Circle, the Informal European Theatre Meetings (IETM), EFAH, and of independent international foundations such as the European Cultural Foundation and the European Foundation Centre.

EU financing opportunities for art and culture can come from the Structural Funds when they concern regional, local, and urban development (part of which is cultural). The EU also provides trans-national funds for programmes such as Culture 2000; Media Plus, which aims at strengthening the competitiveness of the European audiovisual industry; Leonardo da Vinci II; Socrates; Youth; and the Sixth Framework Programme.

The programme specifically dedicated to culture is Culture 2000. It supports annual and multi-annual projects, amounting to €236 million for the period 2000-2006<sup>73</sup>. It provides opportunities for cross-border cultural cooperation among organizations.

An evolutionary report<sup>74</sup> on Culture 2000 (Inkei 2005) suggests patterns in participation: EU longest-term members are the leaders or organisers of the largest percentage of the total number of projects. France and Italy (with 20 and 16.8%, respectively) score the highest, followed by Germany (9.3%), Spain (7%), the United Kingdom (6.3%), Belgium (5.7%) and Austria (5.5%). The Netherlands, Greece, Sweden, Finland, Denmark average 4.2%, and Poland, Portugal, Czech Republic, Luxemburg, Romania, and Ireland average 2.1%. Following this pattern, new members (Bulgaria, Slovakia, Estonia, Slovenia, Latvia, and Lithuania) and acceding countries have less involvement as project leaders. However, since Culture 2000 began, the involvement of Central and Eastern European countries (mainly as co-organisers) has increased and, on average, half of all projects involve Eastern European countries. Italy, Germany, France, Austria and the United Kingdom collaborate most with Eastern European countries; Portugal and Ireland the least. Hungary and Poland are selected most frequently, followed by Slovenia, Latvia and Slovakia. Italy cooperates mostly with the Czech Republic and Slovenia, Germany with Hungary and Poland, and France with Poland and Romania. Little cooperation exists between Central and Eastern Europe. Cultural cooperation projects with East-West European involvement focused on the performing arts in 2000, the performing arts and heritage in 2001, the visual arts and heritage in 2002, and the performing arts in 2003.

<sup>73</sup> European Commission 2006b. Culture 2000 support amounted to €167 million for the period 2000-2004.

<sup>74</sup> The report examines the winning projects in Culture 2000 between 2000 and 2003.

## 5. EVOLUTION OF FINANCING TO CULTURE IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES

### 5.1. Cultural Policy

After the economic, social and political changes of 1989 in Central and Eastern Europe, the transition was marked by major changes in the existing cultural models. The subsequent process led to the introduction of new legislation in the cultural sector, decentralisation of the cultural administration, democratisation of cultural production, reconstruction of the cultural infrastructure (including privatization and new legal status of the cultural institutions), and encouragement of market models for the development of culture. The intensity of the transition period as well as different socio-cultural backgrounds implied a wide variety of cultural policy objectives among the different countries. Nevertheless, some common tendencies can be underlined.

The social life in Central and Eastern Europe after the changes tended to become driven by “modernity as opposed to preservation of national traditions” (Suteu 2005). These tendencies very strongly reflected on public policy objectives in general and cultural policy objectives in particular. On the way to the new democracy and in the presence of new market models, those countries faced difficult questions: How to reshape the existent system without losing national particularities? How to foster modernity within traditional and conservative societies? It took time before national governments could decide on best efforts towards real action as opposed to good intentions.

#### 5.1.1. Cultural policy during the transition period

At the beginning of the transition toward a market economy, the importance of privatisation and democratisation of the cultural infrastructure was emphasised. The intentions, however, were livelier than their actions. For one reason, culture had become less important for the national governments *vis-à-vis* other social and economic priorities. For another, among the administrations of existing cultural institutions there was a lack of staff that were professionally prepared to successfully conduct and manage the restructuring process. The process of privatisation and decentralisation also remained rather chaotic and ineffective due to frequent governmental turnovers and the consequent lack of continuity in the cultural policy framework. As Suteu (2005) concludes: “the delegation of decision making at regional level or privatization of heavy cultural infrastructures implied legislation and competent leadership management, which was totally lacking in 1991, 1993”.

The process of stabilisation in the cultural sector began earlier in some countries than others, occurring along with the level of development of the economic, social and political climate. Stabilisation allowed the national governments to reconsider their role in the cultural field and pay more attention to stimulating cultural production rather than solely facilitating the existing cultural infrastructure. Governments became more proactive towards harmonising with the cultural policy principles of the EU and accessing EU structural funds. Accordingly, most states began to implement administrative and financial changes in the cultural sector.

Legislation on culture at central and local levels started in the mid 1980s and continued to the late 1990s. In search of alternative sources of support, national governments started to apply different financial modes. Most evident is the change in the management structure of the national cultural institutions. The states began to delegate decision-making responsibilities and

funds to cultural institutions on local level and to local authorities. In most countries, central financing to such cultural sectors as theatres and museums was replaced by co-financing with the municipalities. Going further, there was a tendency for local governments to establish local cultural councils and even in some cases cultural funding bodies financed by municipal budgets. Among the Central and Eastern European countries, Poland's process of regionalisation was achieved most successfully and earliest (in the mid-1990s) where local authorities have considerable independence in developing their administrative and financial structure. Baltic countries also showed a positive attitude and, consequently, positive results towards regional decentralisation.

There was a widespread tendency to adopt and apply arm's length principles among the Central and Eastern European countries. Cultural centres and a variety of public funds were established, which, for the most part, redistributed (on a competitive basis) grants allocated from the public budget for culture among projects within different cultural sectors. Again, implementation of the new administrative model was achieved earlier for some countries (Hungary, Estonia) and later for others (Latvia, Lithuania, Romania, Bulgaria). Among the other organisations based on arm's length principles are the national cultural funds: the Hungarian National Cultural Fund (founded in 1993), the Cultural Endowment of Estonia (1994), the State Culture Fund for Slovakia, the Latvian Culture Capital Foundation (1998), the Lithuanian Fund of Support for Culture and Sports (1998), the Romanian National Cultural Fund (1998)<sup>75</sup>, and the Bulgarian National Cultural Fund (2000). The scope of their activities differs among the countries.

Still, compared to other EU countries, the use of arm's length principles among Central and Eastern European countries is rather limited. Moreover, their autonomy in decision making and allocation of funds remains dubious. For example, Bulgaria's National Fund has had difficulty getting its due revenue from earmarked taxes (1% of the price of every cultural good goes to the Fund) because of barriers to tax collection. In Hungary and Lithuania, these problems were better solved with appropriate legislation (Tomova 2004).

Positive examples of legislative implementation notwithstanding, the decentralisation process still needs work. Financial and management limitations remain barriers to local authorities' new responsibilities, which additionally hamper the development and implementation of financial strategies at the local level. According to some experts, the "Slovenian case shows that despite successful implementation, too small territorial entities are today unable to support their cultural infrastructures and see themselves obliged to find a survival compromise" (Copic in Suteu 2005: 20). In Estonia, the heavy administrative structure hinders the functioning of the sector.

### **5.1.2. Cultural priorities today**

Focus on cultural heritage protection prevails in most of the countries as a strategic objective of the cultural policies of Romania, Bulgaria, Slovakia and Czech Republics. Countries like Estonia, Lithuania, and Latvia focus on reshaping and strengthening their national identity (primarily understood as the preservation of existing cultural traditions) in the wake of their communist pasts and extensive Russian influence. Support to new art forms as well as to cultural industry remains at the periphery of cultural policy objectives. Hungary and Slovenia have achieved some positive development in this direction. The drive towards wider European cooperation is also represented as a policy objective but, for the most part, remains more of an objective than an accomplishment. Efforts vary: Countries from the Baltic region (Estonia,

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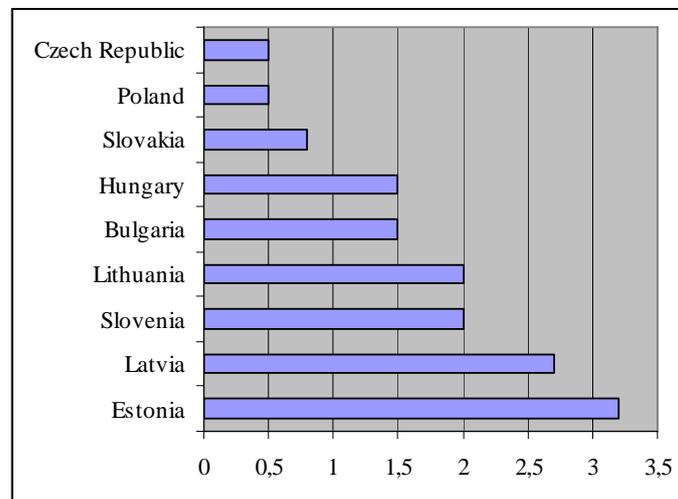
<sup>75</sup> Radu 2001.

Latvia, and Lithuania) and Poland are more proactive in establishing international cooperation with their neighbours to the west.

## 5.2. Direct Public Expenditure for Culture<sup>76</sup>

The many changes aside, the states remain the largest supporters of culture for two reasons: an undeveloped art market (it is rather small and mainly relates to cultural industry) and the decrease in the population's purchasing power. But as Inkei (2003) suggests, it is also due to the fact that "[C]ulture enjoys a different respect than in the West" and further, "culture has had a stronger symbolic role in national identity and pride, which compels the political powers to respect it. This is why the support given to culture is considered a national obligation, more so than in the West". Rates of public expenditure as shares of the total public budget vary greatly among the countries (figure 4).

**Figure 4. Central government expenditure for culture as percentage of its total budget (2004-2005)**



Source: Council of Europe/ERICarts 2006, national reports of ministries and other related authorities.

State expenditure on culture in Bulgaria and Hungary have relatively close shares of the total central government budget (above 1%), and the shares of Lithuania, Slovenia, Latvia and Estonia are relatively high (around or above 2%). In Poland, the percentage of state expenditure on culture is lower (under 1%) because local governments independently support culture. For the period 2000-2005, these rates increased in Latvia, Lithuania, Bulgaria, Hungary and Poland (the latter due the introduction of national lottery support). It stabilised in Estonia. Still many countries cannot reach the level of public expenditures on culture from the 1990s. The rates of capital expenditure on culture differ widely. They remain higher in Hungary (between 39-30% of the state budget for culture in 2000-2001) than in Bulgaria (11.4% in 2000 down to 2.5% in 2003).

The political transition period destabilised spending on culture. *Bulgaria's* long period of steady decline of public cultural expenditure ended at a post-1989 record low in 1996-97 (which also saw a record low GDP). Cultural expenditure as a percentage of Bulgarian central government budget increased for the first time in 1998, when it almost recovered its 1990 level of 1.84%, but for the period 2000-2004, this share decreased to 1.3%. Cultural expenditure did not increase in real terms, and remained below the 1990 level even in 2002. Cultural expenditures as percentage

<sup>76</sup> When not otherwise stated, the references in section 5 are the same as in section 1.3. and 1.4.

of GDP tended to grow. This growth was significant in 1996-1999: from 0.78%, to about 73%. Cultural expenditure as percentage of GDP has stabilised at around 0.65% for the period between 2000 and 2004. In *Estonia*,<sup>77</sup> during the 1990s, the budget of the Ministry of Culture started to steadily increase in real terms. The proportion of state cultural spending to culture as a share of the state budget was stabilised between 1997-1999 (averaging about 5%) and decreased steadily thereafter, averaging about 3.5% in 2003. In *Hungary*, the financial crisis was a short one, from 1994 to 1998, with a relatively fast recovery that exceeded the basic period in financing of culture (1990) by 30% to almost 50%. During the decade, the level of investment expenditure in culture remained steady. In *Latvia*, the first relatively stable period in cultural financing was 1993. For the period 1993-1997, public expenditure doubled. Public expenditures for culture derived from the state budget (57% in 1993 and 47% in 1997) and the municipal budget (37% in 1993 and 48% in 1997). This financing was inadequate to address the needs of the cultural sector; the financing applied chiefly to maintain the cultural infrastructure and to cover operational costs (Latvian Ministry of Culture 1998: 48). In *Lithuania*, the proportion of the Ministry of Culture's spending for culture as a share of the state budget averaged between 2.12% and 1.80% (1994-1995). The biggest part of the cultural spending went to the maintenance and activities of cultural institutions. From 1993 to 1995 state expenditures for culture were insufficient due to the rapid rise in inflation (Council of Europe 1997: 48). The budget of the Ministry of Culture and Religious Affairs steadily increased between 1996 and 1998 in *Romania*. This situation, however, was short lived: The budget dropped from 632 billion Romanian Lei (\$63 million) in 1998 to 526 billion Lei (\$35 million) in 1999. The actual decrease in the budget is quite significant in view of the growing inflation. The share of the Ministry of Culture's budget in the overall state budget was 0.73% in 1998 and 0.58% in 1999. In *Slovenia*,<sup>78</sup> the growth of state expenditure as a share of GDP from 1992 ended in 1997, where it began a steady decline from 0.57% (1997) to 0.50% (2005).

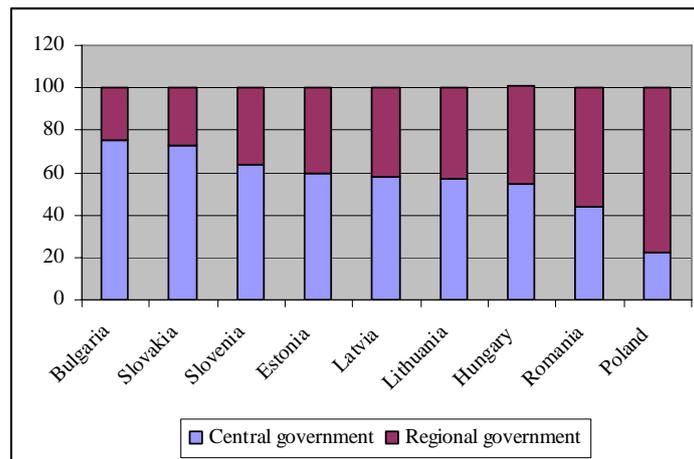
Positive achievements in financial decentralisation are most obvious in Poland (figure 5), where the support of local and regional authorities exceeds that of the state. The process for Poland started in 1996 when local funding was 52% of total public spending; following more decentralisation, it reached 78% in 2004. For the remaining countries, the shares of state support average between 55% and 75%. Bulgarian state spending on culture remains quite high (above 75%) due to the very strong support to the national broadcasting services.

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<sup>77</sup> Conseil de l'Europe 2000.

<sup>78</sup> Council of Europe 1998.

**Figure 5. Percentages of public expenditure on culture in Central and Eastern Europe (2004-2005)\***



Source: Council of Europe/ERICarts 2006, national reports of ministries and other related authorities.

\* Regional government includes all lower levels: Voivodship (Poland), Regions, Provinces, Counties, Municipalities.

Public expenditure is primarily limited to the needs of cultural institutions and cultural administration, rather than providing project support. For example, in *Slovenia*, support to cultural institutions is up to 65% of the cultural ministry's budget. In *Estonia*, an average of 40% of public expenditure goes to professional theatres, museums, libraries, sports, schools, centres, and state-run concert organisations. In *Hungary*, the larger shares of central government support are directed to museums and archives (56%) and music (96%). Local authorities provide 85% of the total public expenditure for the performing arts, 54% of the total library budget and 77% of socio-cultural activities. In 2004, entrance to the permanent exhibitions of the 24 state museums was made free; as a result, the central government's museum budget share increased. In *Bulgaria*, the biggest share of public expenditure for culture is directed to Bulgarian National Radio/Television (44.2%). The performing arts absorb 15-16%; much less goes toward museums and archives (3.8-4.5%). Cinema and literature have no state-subsidised structures; they receive grants for individual projects on the basis of competitive bidding. In *Poland*, state funds for culture are mainly allocated to museums and cultural heritage (about 20-25% for the period 2002-2004), followed by theatre (15-16%). Local government expenditure favours the development of local cultural centres (about 27%) and libraries (24-27%). Direct support to individual artists is limited. In *Latvia*, the government prioritizes the performing arts, whose share of state funding was 18.6% in 2004. In *Lithuania*, from 2000 to 2003, funds were distributed primarily to national cultural institutions: libraries (23-27%) and museums (13-14%). Less support was given to the performing arts (about 17%) and visual arts (about 0.3%). The distribution proportions for local governments are similar.

Religion seems to play an important cultural role in some of these countries. For instance, the Hungarian, Slovakian and Romanian ministries of culture have the responsibility of financing religious affairs and a significant share of the Slovakian Ministry of Culture's budget goes toward financial contributions to churches and religious communities.

Each country's National Cultural Fund is heavily subsidised by government, although the amount varies. In *Bulgaria*, state earmarked taxes support up to 85% of the Bulgarian National Cultural Fund's budget, which was about 0.2% of the state budget for culture (€200,000) in 2004. For the period 2001-2003, the Fund doubled its budget but then decreased by 30% in 2004, mainly due to difficulties in collecting the taxes. In *Estonia*, the National Estonian Foundation's receipts from the government budget for culture has fluctuated slightly (10.7%),

7.3%, 11.4%, and 13.8% from 2000 to 2005, respectively); its more recent growth was due to an increase in gambling taxes. Although supporting projects departs from the typical institutionally-focused Estonian cultural policy, there is a clear political wish that the Estonian Cultural Endowment finance the regular activities of cultural institutions. The Estonian Film Foundation's 2004 budget was 2% of the ministry's total. In *Hungary*, the National Cultural Fund's budget increased by an average of 55% from 2000 to 2005, representing 8-10% of the Ministry of Culture's budget. It distributed its larger shares to film (8%), theatre (6.5%), music (8%), arts (13.6%), libraries (7.8%), and museums (6.3%).<sup>79</sup> In *Latvia*, the Cultural Capital Foundation's support is about 13% of the Ministry of Culture's budget. Over the 2000-2005 period, it increased by 55%. In *Slovakia*, the share of the *Pro Slovakia Fund* from the total state spending on culture experienced a major decline for the period 2000-2004. In 2001, its priorities to support were directed mainly to local and regional culture (31%), protection of historical monuments (30%), cinematography and video (15%). The Fund for Cultural Activities (JSKD) in *Slovenia* had in 2002 an annual budget of €4.6 million, of which the state allocated €3.5 million (76% of the total JSKD budget).

National lottery revenues are not very popular as financial resources in these countries. In Estonia, their contribution to all public expenditure on culture was 6.9% (2000). Slovakian lotteries contributed 4.7%. In Hungary and Bulgaria, lottery contributions have not yet been significant for cultural funding: 0.05% (2000) and 0.08% (2001) respectively.

### 5.3. Indirect Public Intervention through Tax Incentives

Indirect intervention for culture has been taking place in Central and Eastern European countries by implementing laws on sponsorship and corporate donations, tax exemptions for individual donations, VAT exemptions for cultural products, and laws on the establishment of and donations to foundations.

The following achievements characterise the legislation concerning indirect support of culture:

- Tax legislation with respect to donation and sponsorship (annex 2, Table 7).
- VAT deductions on some cultural products (annex 2, Table 7).
- Possibilities for individuals to donate a percentage of their income; among the former socialist countries, Lithuania was the first country with this specialized law (1993), which was amended and supplemented in 2000 under the Law of Charity and Aid.
- Laws on earmarked taxes exist in Bulgaria, Hungary, Estonia, and Lithuania; 1% of the price of every cultural good and service is channelled as revenue for the National Funds.
- Laws on establishing and functioning of non-profit entities.
- The 1% rule, whereby a municipality creates the obligation among building entrepreneurs to set aside 1% of the budget of every municipal construction project for artistic components in or on the building.
- The 1% (2%) Law allows citizens to donate 1% (2%) of their paid taxes for the previous year to NGO's. These laws were passed in Hungary, Poland, Slovakia, Romania and Lithuania.<sup>80</sup>

With respect to public indirect intervention to culture, the main criticism revolves around its implementation process. According to Suteu (2005: 22):

<sup>79</sup> Hungarian National Cultural Fund 2000-2005.

<sup>80</sup> Percentage Philanthropy Project.

What generally was not understood was that legislation is not enough as such and it has to be accompanied by other administrative reformatory measures as well as by a sense of understanding the role and place of the legislation process by the civil society cultural levels.

#### **5.4. Financial Support from the Business Sector<sup>81</sup>**

It is very difficult to draw general conclusions due to the lack of comprehensive studies on business support to culture; we did, however, observe some tendencies. A shift toward a positive attitude with respect to sponsorships is noticeable in Poland and Bulgaria. The major share of support in the former is allocated to theatre and galleries (averaging 28-29%), followed by museum and orchestra sponsorships (15-18%). Bulgarian<sup>82</sup> companies are most interested in sponsoring music (a considerable part of support goes to popular forms), literature, and theatre (partnerships with mainly large, powerful companies). Festivals attract the interest of a large audience as well as various sponsors. To stimulate business involvement in cultural financing, in Poland, the Ministry of Culture established the “Patron of Culture Award”.

There is less to report on other countries. Estonia, Lithuania and Slovakia show little activity in business sponsorship. Specific public-private cooperation has emerged in Hungary, where property developers cooperate with the government in large-scale cultural investments; these have included the National Theatre, the Castle area of Buda and the Granz factory. An interest in private sponsorship in Slovenia is evidenced by a few positive examples, mainly in the form of festivals.<sup>83</sup> In general, sponsorship for culture represents a small contribution. Inkei (2003) suggests that:

In the absence of hard data, one can estimate that private sources add between another 3-5% to what the governments spend on culture. Again, as part of this consolidation process, sponsorship in kind (free or preferential travel, accommodation, advertising etc.) has gone lower, compared to actual financial contribution.

Additionally, private support has mostly related to large events, which have marketing benefits for the supporter (usually big companies). Studies show that sponsorship is seldom part of companies’ marketing strategy and the correlations between tax deduction for sponsorship and the amount of support is rather weak.<sup>84</sup> Lack of tax incentives for corporate donors and lack of traditions in charitable giving are thought to be reasons for the absence of extensive business support (Varbanova 2003).

#### **5.5. Support from Non-profit Organisations**

In general, activities of non-profit organisations within the cultural sector have increased in the Central and Eastern European countries. Non-profit governmental organisations (third-sphere organisations) have powerfully enhanced the diversity of cultural life. Third-sector support for culture originated mostly from extra-governmental sources or partners. The largest non-governmental support to culture was provided by the Open Society Foundation and various EU programmes.

In some cases private-public partnerships between third-sector organisations and government organizations are fostered by the activities of the state. Estonian, Hungarian and Slovakian

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<sup>81</sup> When not otherwise stated data refer to national cultural profiles in the Council of Europe/ERICarts 2006.

<sup>82</sup> Soros Centre for the Arts 2001.

<sup>83</sup> See footnote 69.

<sup>84</sup> See footnote 70.

cultural non-profit organisations receive strong support from the state (in the case of Estonia, strong support also comes from local governments). In Slovenia, non-profit organisations focus on support of cultural productions, with very few of their funds coming from the government. For example, in 2002, Ljubljana's financing to independent initiatives by non-profit organisations and individual artists was about 12% of its total cultural expenditure. Central level support is also low, with about 5% of the state budget channelled to the performing, musical and visual arts.

### **5.6. Individual Donations**

Adoption of the 1% and 2% Laws, which allow citizens in Hungary, Poland, Slovakia, Romania and Lithuania to donate 1% or 2% of their paid taxes to NGOs, has created favourable conditions for individual donations. For example, in Hungary in 2003, about €24.746 million was collected under the 1% Law; approximately 19% (€4.701 million) of these funds was directed to cultural organisations or cultural heritage. In most countries, however, contributions from the third sector remain small. And, as Ilczuk (2002) correctly assumes, it is not simply a matter of legislation, but rather a “detachment from the past, a change in mentality, the adoption of a new and active attitude, and a departure from bureaucratic habits.”

## **PART II. Conclusions and Recommendations**

### **1. CONCLUSIONS**

#### **1. Introduction**

This study has provided a survey of cultural policies and of the financing of arts and culture in all member states of the European Union, plus Bulgaria and Romania. Here we present the major findings.

#### **2. Data Availability on the Financing of Arts and Culture**

A coherent international cultural policy requires gathering appropriate data at respective local, national, and EU levels. The current availability of data does not constitute a strong foundation for the EU to structure a targeted and effective policy.

1. Data collection on government expenditure for culture faces considerable limitations due to inconsistent definitions of culture at all levels: international, national, and local. Differences in research methodologies often lead to discrepancies within and between reports.
2. Changes in the administrative organisation of various countries can have a great impact on the way information is collected. In most cases, data about state spending on culture refer only to figures of the institutions responsible for culture at the central level and ignores other peripheral ministries and institutions that sometimes play a substantive role in cultural funding. In other cases, data refer to those institutions that provide a great deal of information, again neglecting other sources of financial support to arts and culture.

#### **3. Administrative Organisation and Cultural Policy Priorities**

The analysis of the administrative organisations responsible for culture in the 27 countries and of their cultural policy priorities suggests some general trends.

3. The organisation of the administrations responsible for culture and the arts varies widely among member states – from highly centralized to decentralized organisations. Most countries have a centralised structure with a central ministry bearing most responsibility. Some authority has been devolved to lower levels of government which, in general, operate under the control of the minister. Ireland, Cyprus, Italy, France, and Luxembourg belong to this group. Countries like Austria, Belgium, Germany, Poland, Portugal, Spain and the United Kingdom, instead, have a decentralised organisation where lower levels of government (Länder, regions, counties, provinces, and municipalities) are responsible for most cultural matters.
4. In general, a process of decentralisation and *désétatisation* has taken place (and is still taking place) in accordance with what could be seen as the ideals of society that have developed in Europe over the past ten years. Most countries have started a process aiming at the reorganisation of the administration responsible for cultural matters, turning to a more active involvement of lower levels of government.

5. The Central and Eastern European countries are an interesting example of attempts to introduce new systems by looking at best practices in the rest of Europe. For example, the Baltic countries (Latvia, Lithuania and Estonia) have embraced the Nordic approach to the governance of culture, used predominately in Sweden, Denmark and Finland.
6. Central and Eastern European countries show a tendency towards decentralisation. Still, financial and management limitations remain barriers that prevent local levels of government from being able to assume new responsibilities.
7. The analysis of the administrative organisations responsible for culture in the 27 countries reveals the strong presence of a specific type of institution known as “arm’s length body”. The use of this in some EU member states has had an important impact on the development of culture and the arts. However, the role of arm’s length bodies in Central and Eastern European countries is limited.
8. Common features and peculiarities have surfaced with respect to the cultural policy priorities in the 27 countries. Aligning with EU cultural policy objectives, support to creativity, heritage protection and promotion, and a focus on creative industries are objectives that nearly all the countries share, followed by recognition and promotion of national identity, cultural pluralism, internationalisation and decentralisation of responsibilities. Certain countries focus on specific objectives such as support to individual artists, education in the cultural arts, or the preservation and protection of heritage.

## 4. Public Support for Culture

### 4.1 Direct public support

9. Direct public support to culture and the arts takes the forms of subsidies, grants and awards. In the period under consideration, it has shown a general increase, especially in Central and Eastern Europe. A significant rise in state spending on culture is noticeable in Malta and Cyprus due to the higher level of development investment in culture. Among new members and acceding countries, the growth in central government expenditure on culture is considerable. Among the older EU member states, the increase in central government spending for the period 2000-2004 was more moderate.
10. During the period studied, national spending on culture<sup>85</sup> as a percentage of GDP varied between 0.3% and 1.2% among countries, but fluctuation within countries tended to be slight. Nordic countries have the highest percentages. Some Eastern European countries like Slovenia and Estonia tend toward the high end as well. When a broader definition is considered,<sup>86</sup> the data suggest percentages between 0.4 to above 2 percent, with Luxemburg and Denmark as the leaders and Greece at the lowest end.

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<sup>85</sup> According to Eurostat (2001) this includes creative arts, museums and archives, performing arts, libraries, film and video, without broadcasting and art education.

<sup>86</sup> The report of the Organisation for Economic Cooperation and Development (OECD 2006) considers a broader concept of culture and recreation, where government expenditure includes the administration of sports, recreation and cultural affairs as well as the maintenance of zoos, botanical gardens, public beaches and parks, support to broadcasting services and in some countries support to provision for religious services. Also included are grants to artists, performers, orchestras and opera companies.

11. Most Eastern European countries (except Poland and Hungary) plus Malta and Cyprus show a trend towards decentralisation, but the central government remains powerful in the distribution of funds.
12. The autonomy of regions and municipalities achieved in some countries (especially Austria, Belgium, Germany, Poland, Spain and the United Kingdom) has allowed them to contribute significantly to culture at the local level.
13. The distribution of funds among different sectors varies among countries according to their respective cultural priorities. Sports are favoured in Denmark, Estonia, Ireland and Portugal. National broadcasting services are highly funded in Belgium, Bulgaria, Latvia, and the Netherlands. Cultural ministries in Hungary, Slovakia and Romania strongly support religious affairs, making it difficult to estimate the share of investment in the arts. Cultural education is important in Belgium, Germany, Austria, Denmark, and Estonia.
14. In some states, public support is distributed through foundations, arts councils and the like (arm's length bodies). In Sweden, Denmark and Finland, large shares of arts councils' budgets are distributed as grants to individuals, especially writers and visual artists.
15. In many countries, lottery funds for culture are important and in some, like Italy, their distribution has allowed cultural interventions that were otherwise impossible. Their collection and redistribution methods vary from country to country. They are primarily channelled to capital investment and much less to the realisation of projects. Except for Italy, which distributes a fixed amount annually to cultural heritage, lottery funds are not insured by any measures, meaning that their contributions to culture can greatly fluctuate. Finland's central government compensates for lottery shortcomings to culture. Some measures of compensation have been suggested in the Netherlands, Sweden and Slovakia.

#### **4.2 Indirect public support through tax incentives**

16. National and local tax expenditures are forms of indirect support. Although data are difficult – if not impossible – to obtain, in some countries (like the Netherlands and Ireland) indirect support appears to be as important as direct support.
17. Fiscal measures can be very important in stimulating private intervention as they provide individuals and companies incentives to take part in the financing of culture and the arts. They can also favour the creation and development of non-profit cultural institutions with their promise of fiscal benefits. The importance of this form of support very much depends on the national habit of contributing, which is substantial in the Netherlands and the United Kingdom.
18. Indirect support for culture through taxes is developed differently among countries, although there is a general trend towards the introduction of legal measures for tax benefits for donations or sponsorships in the cultural sector. France and Italy, countries where these measures have never played an important role, are now interested in this trend.
19. There are also initiatives to stimulate people's intervention in favour of third sector organisations in the cultural sector. Special tax schemes allow people to contribute 1 or 2% of their taxes (in Italy 5%) to the non-profit organisation of their choice.

## 5. Private Interventions in Financing Culture

### 5.1. Non-profit support

20. There is little explicit acknowledgement of the importance of the third sphere. Even so, its role appears to be increasingly significant.
21. Non-profit organisations support the arts and culture mainly through individual grants, project grants, donations, gifts-in-kind and general cash contributions.
22. In Central and Eastern European countries, non-profit organisations that support culture raise funds mainly from international sources.

### 5.2. Business support

23. Business support has tended to increase since the beginning of 2000 along with the general economic development of the EU. Cultural sponsorship in Central and Eastern European countries lags behind the older member states.
24. Business financial support to culture is mostly motivated by social responsibility combined with marketing goals. Large events or well-established cultural institutions seem to attract business support. Tax incentives, however, are not necessarily the primary motivation for companies to support culture via sponsorship and donations.
25. In countries where businesses traditionally support culture, companies tend to have established a long-term partnership with the cultural actors or institutions, and tend to be strong supporters of regionally-based activities. On the opposite end, in Central and Eastern European countries, where sponsorship is a rather new concept, support to culture is provided on an ad hoc basis.

## 6. Financial Support to International Cultural Cooperation

26. Governments often support private projects proposed by individual artists and national and international cultural networks. Governments support rather traditional forms of culture. Intergovernmental cultural cooperation on regional basis is limited.
27. With the support from Culture 2000, the involvement of Central and Eastern European countries in private initiatives and cultural networks has increased and about half of the projects involve participants from those countries, primarily as co-organisers.

## 7. Does the Mode of Financing Interfere with the Quality of Culture?

The results of the survey indicate that governments (local and central) still remain the largest supporters of culture in comparison to the other sectors (annex 3, Table 9). Nevertheless, the three spheres – government, market and third sphere – operate simultaneously and their intermingling is more the rule than the exception. The examples from the EU countries show that it is possible for non-profit organisations to “contaminate” the government and market spheres with third sphere objectives. In these cases, idealistic motives prevail over appeals for government grants and *quid pro quo* market deals. How shifts in strategy will affect the quality of the cultural institutions and the arts involved remains an open question.

Klamer and Zuidhof (1998) claim that “it matters how artistic work is financed”: The different nature of monetary exchange characterising the three spheres add different values to the artwork. The market and the government impose their objectives through impersonal forms of support. In the market sphere, a price is paid; the principle of equality prevails and is measured in terms of money. In the public sphere, the government provides a subsidy based on criteria normally corresponding to a bureaucratic and political assessment. Where the market stresses values like independence, objectivity, individuality, rationality and consumer sovereignty, the government stresses values like equity, solidarity, accessibility and national identity. The third sphere’s intervention is based on principles such as trust, honour, love and generosity. In this sphere support depends on voluntary contributions by individuals and corporations. The principles of relationships motivate the participants to donate money, time and effort. The complicity of these participants and their relationships attach a wide range of values to the artworks: commitment, dependence, connectedness, giving, etc.. The instrument of financing for the third sphere is the gift; it involves unmeasured values.

The values characterising the three spheres may or may not compromise artistic values. “Artists may appreciate the government sphere as it allows them to avoid the negative values that they connect with the market sphere such as commercialism, rationality, and anonymity” (Klamer & Zuidhof 1998: 7). When the market supports the cultural sector the worry is that commercial interests will prevail and artistic merits will be crowded out. Government support in turn can be seen as an “investment” with specific, measurable, social returns. If the arts became entirely instrumental – for example, only used for educational purposes, only for social cohesion or inclusion – the sector risks losing its specific content and features. In light of the disadvantages that characterise support from the market and the government spheres, it is argued that the third sphere better matches artistic values. It too has a negative side: It could generate dependency, charity, nepotism and the like. All three spheres have advantages and disadvantages when supporting culture (figure 6).

**Figure 6. Advantages and disadvantages of the three spheres**

<u>The MARKET Sphere</u> Quid pro quo Private Good Price		<u>3rd Sphere</u> The gift The common good		<u>The GOVERNMENT Sphere</u> Rules Democracy/bureaucracy Collective Good	
+	-	+	-	+	-
Freedom (negative)	Dependency	Social	Exclusion	Just	Uncaring
Efficiency	Inequality	Community	Isolationist	Objective	Impersonal
Entrepreneurship	Instability	Generosity	“Charity”	Bureaucratic	Bureaucratic
Bourgeois Virtues	Greed	Responsibility	Dependency		Inefficient
Objectifying	Anonymous/ Impersonal	Positive Freedom	Limitation negative freedom	Supporting	Dependency

Source: Klamer 2005.

Artists, in fact, tend not to fix their support allocations within the “core” of one or another sphere, but rather operate on the borders, where spheres and their criteria overlap. Artists’ values are not drawn from formal set of rules, procedures and norms, nor are the breadth of their

boundaries static. The lines between the different sphere's boundaries may represent the integration of different roles of the players. They may, for example, express how groups of artists like to participate in government or market environments – which are quite probably not by imposition of the principles of bureaucracy or efficiency. Whether the boundary exerts influence on “pure” government and “pure” market objectives depends on artists' incentives to persuade others with their own artistic visions (interpersonal communications), and government and market openness to artists' interactions.

The lack of impact studies on the quality of the arts financed by different sources makes it difficult to draw strong conclusions on the best practices to support culture. Nevertheless, strong evidence indicates that, when supporting the arts, the three spheres merge activities and objectives rather than separate them. Thus, the best strategy to follow would be to focus on the interaction among the three spheres and find the best ways to stimulate that collaboration.

## **2. RECOMMENDATIONS**

### **1. Introduction**

This part of the report presents recommendations for decision makers operating at various levels (local, national, international). There are three parts: The first focuses on the importance of the availability of data and information on the financing of culture and arts; the second relates to the identification of additional sources of funding for culture and the arts; the third suggests ways to boost peoples' awareness of the importance of supporting the arts and culture.

### **2. Improving Availability of Data on the Financing of Culture and the Arts**

The gaps in the statistical data on the financing of culture create serious barriers for policymaking on national and international levels. The gathering of the data requires well-coordinated and systematic methods to allow meaningful comparisons. By developing such information, national governments and other stakeholders supporting culture (private donors, non profit organisations, and business organisations) could get to know other experiences, study them and, perhaps, imitate them. In fact, when governments implement new tools to finance culture, they could benefit from the experience of other countries which have already applied them. They would have the chance to identify the experience that best fits their own system by investigating the tool's strengths and weaknesses. At EU level, this would mean shared and consistent information about cultural policies and particularly their financial aspects. Stimulating and improving the processes of collecting and exchanging information, both at the national and EU level, could be achieved by:

1. Applying a qualitative methodology to data collection to allow the contextualisation of the information available. Such contextualisation – presenting details on the distribution of financial resources to culture as well as the types of projects and initiatives undertaken – would provide a thorough and extensive picture of existing cultural policies, allowing for meaningful comparisons across countries;
2. Extending the scope of data collection beyond subsidies from ministries of culture and the like to include information on the direct expenditures from all levels of government (including other ministries involved in supporting culture) as well as the effects of indirect support through tax reductions;
3. More coherent and complete information on the private financing of arts and culture as it is generated through market-type transactions and through the third sphere (non-profit). Research on the effects of the different methods of financing cultural activities on their quality could help to clarify the potential of each method of financing.

### **3. Improving and Increasing Public and Private Fundraising for Culture and the Arts**

Governments can devise the right incentives to stimulate the market and, especially, third sphere (non-profit) participation in supporting culture. The challenge is to generate more widespread support for all kinds of arts through donations and sponsorship without diminishing public support. The introduction of fiscal incentives, matching grants and the involvement of private companies in the management of cultural institutions can be used as tools to direct private support towards specific objectives.

4. An increase in public fundraising could be realised by means of new legislation on lottery funding as well as improvement of existing laws by introducing measures to ensure their stability.
5. Governments could create broader possibilities to support art projects and individual artists. Additional funds could be realised (especially in Central and Eastern Europe), when governments at central and local levels implement and strengthen the collection of earmarked taxes.
6. Governments could stimulate private intervention through legislation that gives civil society the freedom to choose which cultural institution to favour, for instance through “percentage legislation”.
7. Matching grants would stimulate the involvement of more stakeholders. The policy of matching grants does not imply a reduction of public resources. If governments choose this form for financing cultural projects without reducing the total amount of public resources, the sums available would increase. The number of projects could thus increase.

#### **4. Finance the Arts with a Concern for Artistic Quality**

Because of limited public financial resources and imperfections in the arts market, a question for policy makers arises: How do they effectively support artists – in terms of art as well as economics – to sustain their creative performance? The discussion needs to be focused not only on how much financial support is rendered, but also on the importance of the interrelations between the way artists work (creativity processes) and the various modes of financial support. It matters whether art is supported by government subsidies, market revenues or the third sphere because each financial arrangement involves a distinct social structure and therefore different values and norms. Furthermore, each sphere provides a different context in which the value of an artwork is realized and may affect its valorisation. Accordingly, different financial modes may “crowd in” (facilitate) or “crowd out” (interfere with) artists’ primary motivation and, in turn, spill over into processes of creativity. As Bruno Frey (1997) makes clear with respect to financial rewards and their crowding effects, any external interaction matters if the receiver’s interests are affected or if the provider’s support is excessive. In the long term, therefore:

8. It is important that any financing policy ensures the possibility of combining different financial sources rather than relying on one source of financing, and ensure good communication between artists and their financial supporters (Petrova 2005: 71).

#### **5. Stimulating Private Support by Raising Awareness of the Importance of Culture**

The success of any initiative aiming to stimulate private intervention is very much connected to the tradition of contributing to the cultural sector, a tradition that is stronger in some countries than others. To encourage private involvement in supporting the arts and culture it could be useful to stimulate communication among stakeholders; similarly, cultural organizations need to build communication and management skills and adjust their organizations accordingly.

9. Information and communication about cultural projects, policy priorities, financing possibilities and initiatives are fundamental to the cultural sector and to raise public awareness.

10. When new laws or legislation on tax incentives for private donation are introduced, governments could announce to the wider audience the benefits deriving from them and explain their prerequisites through communication campaigns (advertising and public relations tools). At the same time, private grant-making organizations dealing with the arts, which may benefit from this legislation, could publicly promote their programmes and missions, stimulating donors.
11. Developing grants schemes to stimulate professionalisation of the marketing and communication strategies for grant-making and grant-taking organisations could stimulate better communication among all the stakeholders.
12. Especially important is for governments to stimulate and promote joint venture practices with the business sector. The effects could be twofold: (1) increase the transparency and visibility of public-business cooperation and (2) provoke awareness, stimulating other businesses to donate to arts and culture.
13. Ad hoc organizations could be established to encourage cooperation between business companies and art sectors. Their purpose should be to advocate a reciprocal understanding of the values of both parties and increase fundraising for the arts and culture from business sources.

## **Conclusion**

Public funding notwithstanding, it is important to acknowledge the role of gifts and donations in the world of the arts. Most significant and overlooked are the gifts of artists and those whose immediate involvement support them. These gifts are not included in the statistics. Furthermore, maecenas has historically been crucial for the development and support of the arts. Nowadays governments and foundations have taken over the role of maecenas, but private maecenas is making a reappearance, if ever so slowly.

The arts exist by virtue of the people involved, interested and committed. The challenge is to increase the involvement and enlarge the circles of the worlds of arts and culture. One way to do that is to develop alternative ways of financing the arts. In particular, an increase in private support – individual contributions, donations, sponsorship – is called for without its reducing government support. People should be aware that the arts are important and that they have good reasons to support them. To persuade people and organisations to contribute more to the arts, cultural organisations will have to adjust their structure, focusing more on community building and marketing. Governments could stimulate these adjustments by matching private support and by legislating fiscal incentives. The purpose of these policies is not to interfere with public support but to swell its value in the sector of the arts and culture.

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N.B.: Web sites addresses were valid up to 15 March 2006.

### Annex 1. Direct Public Expenditure for Culture (2000-2005)

The numbers provided for government expenditures cover different subjects (for example, in some countries government expenditures for culture include also support for education, sport and religious affairs). Therefore, the caveats provided on page 88 are an integral part of Table 4, Table 5 and Table 6 and are fundamental to fully understand the content of the tables.

**Table 4. Public expenditure for culture as a percentage of GDP and of total public expenditure\***

Country/ Population	Year	State spending for culture as % of GDP	Public spending for culture as % of GDP	Public spending for recreation and culture as % of GDP	State spending for culture as % of total state budget	Public spending for culture as % of total public budget
1	2	3**	4***	5****	6	7
<b>Austria</b> 8,1 ml	2000			1,0		
	2001		0,83	1,1		1,27
	2002		0,88	1,0		1,29
	2003		0,89			
<b>Belgium</b> 10,2 ml	2000			1,0		
	2001			0,9		
	2002	0,034	1,03	1,2		
	2003			1,2		
<b>Bulgaria</b> 7,7 ml	2001		0,70		1,60	
	2002		0,75		1,60	
	2003		0,66		1,50	
	2004		0,67		1,30	
<b>Cyprus</b> 0,7 ml	2000				1,60	
	2001				1,70	
	2002	0,49			1,60	
<b>Czech Republic</b> 10,3 ml	2002			1,3		
	2003			1,3		
	2005	0,10			0,50	
<b>Denmark</b> 5,3 ml	2000			1,6		
	2001			1,7		
	2002	0,37	0,94	1,7	0,49	
	2003			1,7		
	2004			1,8		
<b>Estonia</b> 1,4 ml	2000	1,20			3,57	
	2001	1,10			3,53	
	2002	1,10	1,92		3,53	
	2003	1,09	1,90			
	2004	1,10			3,20	
	2005	1,03				
<b>Finland</b> 5,2 ml	2001		0,71	1,2		
	2002	0,20		1,2	0,85	
	2003	0,25		1,2	0,85	
	2004	0,27			0,89	
	2005	0,27			0,91	

Country/ Population	Year	State spending for culture as % of GDP	Public spending for culture as % of GDP	Public spending for recreation and culture as % of GDP	State spending for culture as % of total state budget	Public spending for culture as % of total public budget
1	2	3**	4***	5****	6	7
<b>France</b> 62,7 ml	2000	0,17		0,8	0,95	
	2001	0,17		0,8	0,96	
	2002	0,17		0,8	0,94	
	2003	0,16		0,8	0,98	
	2004	0,16	0,73		2,30	
	2005				1,04	
<b>Germany</b> 82 ml	2000	0,04	0,43	0,7		1,30
	2001			0,7		
	2002	0,04	0,39	0,7		1,30
	2003			0,7		
<b>Greece</b> 10,9 ml	2000			0,4		
	2001	0,32		0,4	0,35	
	2002			0,4		
	2003			0,4		
<b>Hungary</b> 9,9 ml	2000	0,55			1,88	
	2001				1,66	
	2003	0,50	0,79		1,50	
	2004	0,50			1,53	
<b>Ireland</b> 4 ml	2000			0,5	0,45	
	2001	0,12	0,20	0,5	0,40	
	2002	0,17	0,20	0,5	0,44	
	2003	0,16	0,20		0,53	
<b>Italy</b> 58,6 ml	2000		0,57	0,9	1,30	
	2001			0,9		
<b>Latvia</b> 2,38 ml	2000	0,37			2,31	
	2001	0,38			2,54	
	2002	0,39			2,63	
	2003	0,50			2,99	
	2004	0,58	0,87		2,74	
	2005	0,56			2,16	
<b>Lithuania</b> 3,45 ml	2000		0,60			
	2001		0,60			
	2002		0,60		1,70	
	2003		0,70		2,00	

Country/ Population	Year	State spending for culture as % of GDP	Public spending for culture as % of GDP	Public spending for recreation and culture as % of GDP	State spending for culture as % of total state budget	Public spending for culture as % of total public budget
1	2	3**	4***	5****	6	7
<b>Luxembourg</b> 0,465 ml	2000			1,7	1,70	
	2001			1,7		
	2002			1,9		
	2003			2,0		
<b>Malta</b> 0,4 ml	2000		0,38		0,70	
	2001		0,45		0,81	
	2002		0,58		0,96	
	2003		0,59		1,00	
	2004		0,69		1,37	
	2005		0,71		1,77	
<b>The Netherlands</b> 16 ml	2001	0,16	0,51	1,1	0,58	
	2002	0,15	0,51	1,1	0,52	
	2003	0,15	0,52	1,1	0,52	
	2004	0,15			0,53	
<b>Poland</b> 38 ml	2000	0,08	0,38			
	2002	0,07	0,39		0,44	
	2003	0,11	0,39		0,47	
	2004	0,12	0,41		0,54	
<b>Portugal</b> 10 ml	2000	0,13	0,34	1,1	0,57	
	2001	0,14	0,34	1,2	0,65	
	2002	0,14	0,34	1,2	0,59	
	2003	0,15	0,38	1,2	0,40	
	2004	0,17	0,45		0,35	
<b>Slovakia</b> 5,39 ml	2000	0,59	0,90		0,80	
	2003			1,0		
<b>Slovenia</b> 2 ml	2000	0,52	0,85		2,14	
	2001	0,54	0,82		2,13	
	2002	0,52	0,82		2,11	
	2003	0,52	0,81		2,00	
	2004	0,53	0,82		1,97	
	2005	0,54	0,82		1,92	
<b>Spain</b> 44,2 ml	2000	0,17	0,35	1,3	0,86	0,90
	2003		0,51	1,3	0,80	
<b>Sweden</b> 9 ml	2000	0,40	0,86	1,1	1,10	
	2001	0,38		1,1	1,10	
	2002	0,37	0,80	1,1	1,10	
	2003	0,31		1,1	1,20	
	2004	0,30			1,20	
<b>United Kingdom</b>	2003		0,60	0,6		

\* For sources and caveats, see p. 88.

\*\* State spending refers to central government spending.

\*\*\* Public expenditure for culture includes expenditure by both central and lower level of governments.

\*\*\*\* The Organisation for Economic Cooperation and Development (OECD - 2006) considers a broader concept of culture: sport, maintenance of zoos, public beaches and parks, broadcasting and, in some countries, support to provision for religious services.

**Table 5. Public expenditure for culture as total and per level of government \***

Country/ Population	Year	Central Government		Regions/provinces		Local/municipalities		Total		Trends
		Euro	% Total	Euro	% Total	Euro	% Total	Euro	% Total	
1	2	3	4	5**	6	7**	8	9***	10	11
<b>Austria</b> 8,1 ml	1999		43,5%		30,8%		25,6%			Increase in total public expenditure by 10%; at the provincial level by 21,3%; at the local level by 1,4%; Decrease at the state level by 1,7% (2001-2003; incl. arts education)
	2000	668.800.000	33,3%	593.500.000	38,0%	582.070.000	28,7%	1.844.370.000		
	2001	699.770.000	38,17%	704.760.000	38,45%	428.620.000	23,38%	1.833.150.000	100%	
	2002	710.740.000	37,63%	722.410.000	38,25%	455.670.000	24,12%	1.888.820.000	100%	
	2003	657.120.000	32,4%	720.790.000	35,5%	590.360.000	29,1%	2.028.270.000	100%	
<b>Belgium</b> 10,2 ml	1999	80.750.000	3,2%	n.a.		n.a.		2.502.400.000		Increase in total public expenditure by 25%; at the federal level by 29% (1999-2002; incl. arts education, broadcasting and sport)
	2002	104.170.000	3,3%	n.a.		n.a.		3.126.830.000		
<b>Flemish Community</b> 6,04ml	2000	279.770.000		n.a.		n.a.		n.a.		
	2001	317.292.000		n.a.		n.a.		n.a.		
	2002	362.891.000		n.a.		n.a.		n.a.		
	2003	398.542.000		n.a.		n.a.		n.a.		
	2004	398.256.000		n.a.		n.a.		n.a.		
<b>French Community</b> 3,35ml	1999	469.190.000	58,8%	83.650.000	10,5%	245.290.000	30,7%	798.130.000	100%	
	2002	565.460.000	55,5%	161.670.000	15,9%	291.170.000	28,6%	1.018.300.000	100%	
<b>German Community</b> 0,07ml	1999	8.930.000	n.a.	n.a.		n.a.		n.a.		
	2002	16.500.000	n.a.	n.a.		n.a.		n.a.		
<b>Bulgaria</b> 7,7 ml	1999	58.399.048	63,7%			29.775.238	32,5%	91.709.420	96,2%	Increase in total public expenditure by 24,7%; at the state level by 55,6%; Decrease at the local level by 23% (1999-2004; incl. broadcasting)
	2000	n.a.		n.a.		n.a.		n.a.		
	2001	50.940.900	50,7%			26.470.800	26,3%	100.701.900	77%	
	2002	61.498.573	56,9%			n.a.		108.083.200		
	2003	88.477.904	74,7%			27.242.000	25,3%	115.719.904	100%	
	2004	90.855.985	79,5%			22.973.550	20,5%	114.329.535	100%	
<b>Cyprus</b> 0,7 ml	1999	32.953.290		n.a.		n.a.		n.a.		Increase at the state level by 230% due to the increase of the development investment
	2000	58.248.650		n.a.		n.a.		n.a.		
	2001	75.542.250		n.a.		n.a.		n.a.		
	2002	75.284.160		n.a.		n.a.		n.a.		
<b>Czech Republic</b> 10,3 ml	2005	201.500.000								(incl. religious services)
<b>Denmark</b> 5,3 ml	2002	649.000.000	38,9%	50.800.000	3,0%	967.410.000	58,0%	1.667.210.000	100%	(incl. sport and arts education)
<b>Estonia</b> 1,4 ml	2000	65.430.000		n.a.		n.a.		n.a.		Increase at the state level by 65% (2000-2005; incl. sport)
	2001	67.020.000		n.a.		n.a.		n.a.		
	2002	84.690.000	58,8%	3.600.765	2,5%	55.739.847	38,7%	144.030.612	100%	
	2003	88.600.000	60,0%	3.200.000	2,2%	55.600.000	37,8%	147.400.000	100%	
	2004	99.800.000		n.a.		n.a.		n.a.		
	2005	109.200.000		n.a.		n.a.		n.a.		

Country/ Population	Year	Central Government		Regions/provinces		Local/municipalities		Total		Trends
		Euro	% Total	Euro	% Total	Euro	% Total	Euro	% Total	
1	2	3	4	5**	6	7**	8	9***	10	11
<b>Finland</b> 5,2 ml	2000	292.500.000		n.a.		n.a.		n.a.		Increase at the state level by 18% (2000-2005)
	2001	419.200.000	56,3%	n.a.		325.800.000	43,7%	745.000.000	100%	
	2002	302.231.000		n.a.		n.a.		n.a.		
	2003	315.344.000		n.a.		n.a.		n.a.		
	2004	330.195.000		n.a.		n.a.		n.a.		
	2005	344.218.000		n.a.		n.a.		n.a.		
<b>France</b> 62,7 ml	2000	2.451.640.000		n.a.		n.a.		n.a.		Increase in the Ministry of Culture's budget by 14% (2000-2005); In 2004 the central government budget includes expenditure on culture from other ministries
	2001	2.549.178.000		n.a.		n.a.		n.a.		
	2002	2.609.989.000		n.a.		n.a.		n.a.		
	2003	2.496.800.000		n.a.		n.a.		n.a.		
	2004	6.200.000.000	51,7%	829.452.000	6,9%	4.970.548.000	41,4%	12.000.000.000	100%	
	2005	2.794.804.000		n.a.		n.a.		n.a.		
<b>Germany</b> 82 ml	2000	700.000.000	8,7%	3.780.000.000	47,5%	3.470.000.000	43,7%	7.950.000.000	100%	Increase in total public expenditure by 4%; at the federal level by 18,7% (2000-2002)
	2001	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
	2002	830.000.000	10,4%	3.850.000.000	46,6%	3.590.000.000	43,4%	8.270.000.000	100%	
<b>Greece</b> 10,9 ml	2001	411.857.000		90.000		n.a.				
<b>Italy</b> 58,6 ml	2000	1.423.900.000	52,2%	398.255.556	14,6%	823.788.889	30,2%	2.727.777.778	100%	Increase at the state level by 12% (2000-2004)
	2001	1.415.200.000		81.833.333	3,0%	n.a.		n.a.		
	2002	1.511.600.000		n.a.		n.a.		n.a.		
	2003	1.508.500.000		n.a.		n.a.		n.a.		
	2004	1.588.500.000		n.a.		n.a.		n.a.		
<b>Ireland</b> 4 ml	2000	148.860.000		n.a.		n.a.		n.a.		Increase at the state level by 100% (2000-2004; incl. sport and media)
	2001	148.519.000		n.a.		n.a.		n.a.		
	2002	222.012.000		n.a.		n.a.		n.a.		
	2003	234.135.000		n.a.		n.a.		n.a.		
	2004	302.031.000	99,86%	n.a.		417.600	0,14%	302.448.600		
	2005	324.764.000		n.a.		n.a.		n.a.		
<b>Hungary</b> 9,9 ml	2000	262.310.400		n.a.		n.a.		n.a.		Increase at the state level by 23% (2000-2005)
	2001	285.087.400		n.a.		n.a.		n.a.		
	2003	316.800.000	55,4%	255.000.000	44,6%	n.a.		571.800.000		
	2004	364.000.000		n.a.		n.a.		n.a.		
	2005	322.580.000		n.a.		n.a.		n.a.		
<b>Latvia</b> 2,38 ml	2000	30.639.317		n.a.		n.a.		n.a.		Increase at the state level by 100% (2000-2005)
	2001	36.858.850		n.a.		n.a.		n.a.		
	2002	42.022.524		n.a.		n.a.		n.a.		
	2003	48.250.576		n.a.		n.a.		n.a.		
	2004	64.895.874	57,8%	n.a.		47.417.639	42,2%	112.313.513	100%	
	2005	63.925.283		n.a.		n.a.		n.a.		

Country/ Population	Year	Central Government		Regions/provinces		Local/municipalities		Total		Trends
		Euro	% Total	Euro	% Total	Euro	% Total	Euro	% Total	
1	2	3	4	5**	6	7**	8	9***	10	11
<b>Lithuania</b> 3,45 ml	2000	38.475.322	53,0%	n.a.		33.587.625	47,0%	72.062.947	100%	Increase in total public expenditure by 60%; at the state level by 70%; at the local level by 47,7%
	2001	39.797.208	55,0%	n.a.		32.685.840	45,0%	72.483.048	100%	
	2002	58.725.900	55,0%	n.a.		48.079.200	45,0%	106.805.100	100%	
	2003	65.446.500	56,7%	n.a.		49.611.000	43,3%	115.402.500	100%	
<b>Luxembourg</b> 0,465 ml	2000	58.436.064	100,00	n.a.		n.a.		58.436.064	100%	Increase at the state level by 34% (2000-2004)
	2001	61.343.292		n.a.		n.a.		61.343.292	100%	
	2002	67.589.254		n.a.		n.a.		67.589.254	100%	
	2003	75.774.020		n.a.		n.a.		75.774.020	100%	
	2004	78.486.047		n.a.		n.a.		78.486.047	100%	
<b>Malta</b> 0,4 ml	2000	11.700.000	77%	n.a.		3.500.000	23%	15.200.000	100%	Increase in total public expenditure by 200%; at the state level by 250%; at the local level by 40% (2000-2005; incl. tourism)
	2001	14.500.000	80%	n.a.		3.700.000	20%	18.200.000	100%	
	2002	18.400.000	83%	n.a.		3.800.000	17%	22.200.000	100%	
	2003	20.000.000	83%	n.a.		4.100.000	17%	24.100.000	100%	
	2004	30.400.000	87%	n.a.		4.500.000	13%	34.900.000	100%	
	2005	40.700.000	89%	n.a.		4.900.000	11%	45.600.000	100%	
<b>The Netherlands</b> 16 ml A	1999							1.971.969.697		A (excl. Broadcasting): Increase in total public expenditure by 32% (1999-2003); at the state level by 13% (2001-2005); at the regional level by 27%; at the local level by 10% (2001-2003)
	2001	725.000.000	30%	176.000.000	8%	1.477.000.000	62%	2.378.000.000	100%	
	2002	734.000.000	30%	201.000.000	8%	1.514.000.000	62%	2.449.000.000	100%	
	2003	752.000.000	29%	224.000.000	9%	1.627.000.000	62%	2.603.000.000	100%	
	2004	761.000.000								
<b>The Netherlands</b> 16 ml B	2001	1.561.100.000	46,9%	280.500.000	8,4%	1.486.360.000	44,7%	3.327.960.000	100%	at the local level by 10% (2001-2003)
	2002	1.615.300.000	46,8%	311.200.000	9,0%	1.523.870.000	44,2%	3.450.370.000	100%	
	2003	1.631.000.000	45,3%	333.900.000	9,3%	1.636.800.000	45,4%	3.601.700.000	100%	
<b>Poland</b> 38 ml	2000	147.817.800	22,4%	281.575.710	42,6%	231.211.890	35,0%	660.605.400		Increase in total public expenditure by 24%; at the state level by 22%; at the regional level by 4%; at the local level by 9% (2003-2004)
	2001		22,1%		43,9%		34,0%		100%	
	2002		18,9%		45,1%		36,0%		100%	
	2003	153.987.266	20,6%	355.815.236	47,6%	237.708.498	31,8%	747.511.000	100%	
	2004	179.685.216	21,9%	391.223.736	47,6%	251.429.184	30,6%	822.338.136	100%	
<b>Portugal</b> 10 ml	2000	249.092.253	42,3%	n.a.		339.878.000	57,7%	588.970.253	100%	Increase in total public expenditure by 24,8%; at the state level by 9,8%; at the local level by 35,8% (2000-2004)
	2001	293.799.303	42,2%	n.a.		402.113.000	57,8%	695.912.303	100%	
	2002	293.452.591	42,0%	n.a.		405.484.000	58,0%	698.936.591	100%	
	2003	255.216.795	39,3%	n.a.		394.887.000	60,7%	650.103.795	100%	
	2004	273.407.264	37,2%	n.a.		461.477.000	62,8%	734.884.264	100%	
	2005	285.197.181								
<b>Romania</b> 22,3 ml	2005		44,0%				56,0%		100%	
<b>Slovakia</b> 5,39 ml	2000	77.000.000	73,7%	n.a.		27.522.000	26,3%	104.522.000	100%	Increase at the state level by 27% (2000-2005; incl. religious services)
	2001	54.575.182		n.a.		n.a.		n.a.		
	2002	65.257.658		n.a.		n.a.		n.a.		
	2003	80.920.152		n.a.		n.a.		n.a.		
	2004	83.156.750		n.a.		n.a.		n.a.		
	2005	97.762.960		n.a.		n.a.		n.a.		

## Financing the Arts and Culture in the EU

Country/ Population	Year	Central Government		Regions/provinces		Local/municipalities		Total		Trends
		Euro	% Total	Euro	% Total	Euro	% Total	Euro	% Total	
1	2	3	4	5**	6	7**	8	9***	10	11
Slovenia 2 ml	2000	100.997.600	61%	n.a.		64.572.236	39%	165.569.836	100%	Increase in total public expenditure by 21%; at the state level by 33,9% (2000-2005); at the local level by 11,6% (2000-2003)
	2001	111.057.800	65%	n.a.		59.800.354	35%	170.858.154	100%	
	2002	120.709.600	64%	n.a.		67.899.150	36%	188.608.750	100%	
	2003	128.092.700	64%	n.a.		72.052.144	36%	200.144.844	100%	
	2004	136.836.000		n.a.		n.a.		n.a.		
Spain 44,1 ml	2000	560.720.000	18,0%	951.613.000	30%	1.666.787.000,00	52%	3.179.120.000	100%	Increase at the state level by 42%; at the regional level by 28%; at the local level by 59% (2000-2003)
	2003	795.355.000	17,0%	1.217.894.000	26%	2.645.865.000,00	57%	4.659.114.000	100%	
Sweden 9 ml	2000	892.670.000	47,1%	187.502.000	9,9%	816.442.000	43,0%	1.896.614.000	100%	Increase at the state level by 10%; (2000-2005; incl. media and popular education) at the regional level by 1,6%; at the local level by 2% (2000-2002)
	2001	842.400.000		n.a.		n.a.		n.a.		
	2002	879.865.000	46,0%	190.509.900	10,0%	832.760.000	44,0%	1.905.426.900	100%	
	2003	921.480.000		n.a.		n.a.		n.a.		
	2004	953.520.000		n.a.		n.a.		n.a.		
United Kingdom England Scotland Wales Northern Ireland	2003	2.988.754.560	34,0%	n.a.		5.768.640.000	66,0%	8.757.394.560	100%	
	2003	209.534.400	37,5%	n.a.		349.247.520	62,5%	558.781.920	100%	
	2003	192.336.480	78,8%	n.a.		51.840.000	21,2%	244.176.480	100%	
	2003	142.272.000		n.a.		n.a.		142.272.000	100%	

\* For sources and caveats, see page 88.

\*\* Lower levels of governments refer to a. regional level: Länder (Austria, Germany), Communities (Belgium), Voivodship (Poland), Regions, Provinces; b. local level: Counties, Municipalities.

\*\*\* In Table, total public expenditure for culture (9) includes expenditure by both central (3) and lower level of governments (5 and 7).

**Table 6. Lottery financing as a percentage of state expenditure for culture\***

Country	Year	State expenditure for culture euro	Lottery funding for culture euro	Lottery funds as % of state expenditure for culture
1	2	3	4	5
Belgium Flemish	2000	279.000.000	5.800.000	2,08
Belgium	2002	3.126.830.000	27.446.000	0,88
Bulgaria	2000	60.000.000	40.000	0,07
Denmark	2000	687.000.000	115.200.000	16,77
	2002	649.000.000	120.600.000	18,58
Estonia	2000	65.220.900	4.810.000	7,37
Finland	2000	292.500.000	208.800.000	71,38
	2001	300.300.000	204.500.000	68,10
	2002	302.231.000	179.700.000	59,46
	2003	315.344.000	191.200.000	60,63
	2004	330.195.000	188.100.000	56,97
	2005	344.218.000	187.900.000	54,59
Germany	2000	1.100.000.000	22.000.000	2,00
Italy	2000	441.000.000	155.000.000	35,15
The Netherlands	2000	1.302.000.000	113.000.000	8,68
Poland	2000	147.817.000	33.100.000	22,39
	2004	179.685.000	31.800.000	17,70
Slovakia	2000	63.000.000	2.800.000	4,44
Sweden	2000	832.000.000	3.000.000	0,36
United Kingdom	2000	1.313.000.000	494.000.000	37,62

Source: Data for 2000 is obtained from Ilczuk 2004. Estimates for the other years are added from: Danish Ministry of Culture 2002; National reports for Belgium and Finland in the Council of Europe/ERICarts 2006.

**\*Some important caveats for tables 4, 5, and 6:**

- The data are based on different sources. When not otherwise stated data refer to national cultural profiles in Council of Europe/ERICarts 2006.
- The budgets in Bulgaria, Czech Republic, Denmark, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Sweden are estimated in euros for the respective years. It is necessary to underline that the shares of the cultural budgets in Central and Eastern European countries may considerably change when the exchange rates are taken into account. Therefore, it is difficult to draw definitive conclusions based on these estimates.
- It is important to stress that the data in many cases are primarily based on the budgets of the institutions responsible for culture at the central level (i.e., ministries, departments, etc.) and ignore data from other ministries. If the support from other ministries were included, the shares of central and regional governments might change. For example, see France 2004.
- The data have to be read in the context of each country's governance of culture.

**Sources for tables 4, 5, and 6:**

*Austria: Statistic Austria 2006.*

The estimates provided include expenditure for arts education. Its shares in the total public expenditure for culture represents up to 21.4% (2001) and 22.17% (2002). The funds for arts education represent in most of the provinces up to 50% of the total cultural expenditure on the provincial level.

*Belgium: Cultural Statistic Flanders 2006.*

The total public expenditure in Belgium (all Communities and regions) includes in 2002 arts education (9%) and lottery funds (0.9%), as well as sport (not available to disaggregate). The estimates on the Community level for the *French part* include Walloon provinces and region;

whereas the *Flemish Community* includes Brussels region and Brussels municipalities. In the French Community state expenditure is directed to radio and TV/other media (35%), arts education (22%). The state cultural budget includes expenditure for sport in the Flemish Community (up to 12%) and for broadcasting in the German Community (up to 37%).

*Bulgaria: Ministry of Culture 2005.*

In 1999 and 2001 total expenditure for culture includes “extra budgetary allocations” (3.85%) that were not disaggregated by level of governments. The largest shares at the state level are directed to Bulgarian National Radio/Television (44.2%)

*Cyprus: Council of Europe 2004.*

Data on the regional level are unavailable.

*Czech Republic: Ministry of Culture 2005.*

*Denmark: Ministry of Culture 2002.*

The state budget for culture excludes licence fees, which go to radio and television stations, for a total of approximately €456,14 million. This sum includes the proceeds from the national lottery and football pools (18.5%). The total cultural budget includes expenditure for sport (26%) and arts education (6%).

*Estonia: Ministry of Culture 2004a, 2004b.*

The state budget additionally includes expenditures for sports (impossible to disaggregate).

*Finland: Statistic Finland 2006.*

The state budget includes the proceeds from the national lottery (between 71%-54% for 2000-2005). The total cultural budget excludes expenditure for arts education, archives, scientific libraries, and media. Broadcasting is financed by licensing fees and is not included in public expenditure calculations. For the year 2001, the total estimates for culture do not include the transfers to municipalities (€18 million), when included, the shares of central government represents 56.3% of total government expenditure for culture. For the years 2000, 2002-2005 the state budget for culture excludes the transfers to municipalities.

*France: Ministry of Culture and Communication 2003,2005; Ministry of Economics, Finance and Industry 2004; Statistic France INSEE 2004, 2005.*

In France it is very important to underline that the budget of the Ministry of Culture and Communication represents only 40% of the total central government expenditure for culture. In 2004, the Ministry allocated only €2.6 billion of total €6.2 billion central government expenditure for culture. The budget does not include financing of broadcasting.

*Germany:*

It has to be noted that this distribution, which is taken from the Council of Europe/ERICarts (2006) does not correspond to the redistribution indicated in *Federal Statistic Office Germany 2006*.

*Greece: National country report published in the Council of Europe/ERICarts 2006:*

“Apart from the ordinary state and public investment budget of the Ministry of Culture, amounting to €195,328,000, an additional €16,529,000 was allocated to culture and the arts in 2001 from the following sources: €5,569,000 from public lotteries, €19,500,000 from European Union funds, and €1,460,000 from income of the Archaeological Receipts Fund. In the seven year period 2000-2006, European Union funds allocated to culture through regional administration is estimated to €558 million from the Regional Operational Programmes plus €73 million from Intereg, a mean value of ca. €90 million per year.”

*Hungary: Budapest Observatory 2002.*

In contrast to other countries, in the case of Hungary it is not sufficient to investigate only the budget of the Ministry of National Cultural Heritage. On one hand, a significant part of the cultural expenditures are to be found in the budget of other ministries (local supports in the budget of the Ministry of Interior, the protection of monuments before 1998 in the budget of the Ministry of Transport and Telecommunication, etc.), on the other hand, not all the funds of the Ministry of Culture are spent on culture (support to religious denominations being an important addition).

*Italy: Bodo and Spada 2005.*

Public expenditures for culture are difficult to collate. The Ministry still does not provide detailed information. It is almost impossible to obtain data about local level of government expenditures. The few data, which have been collected, are rarely homogeneous.

*Ireland: Department of Environment, Heritage and Local Governments (DEHLG) 2002, 2003 and 2004; Department of Arts, Sport and Tourism (DAST) 2002, 2004; Department of Arts, Heritage, Gaeltacht and the Islands 2000, 2001; Department of Environment and Local Government 2000, 2001.*

The data overestimate the expenditure for culture as 60% of the budget of DAST goes to sport and tourism, whereas the spending for heritage from DEHLG is only a small percentage of its total spending.

*Latvia: Starkeviciute 2002.*

The state budget estimates for the period 2000-2005 are based only on the data from the Ministry of Culture. When considering the expenditure for culture from other ministries, the share of state expenditure within the total cultural expenditures increases up to 63.7% (2004).

*Lithuania: The budget for culture excludes expenditure for archives and radio and TV.*

*Luxembourg: Ministry of Culture, High Education and Research 2003, 2004.*

The ministry provides a detailed account of the various initiatives undertaken as well as of the distribution of resources among various institutions and objectives.

*Malta: Ministry of Finance 2000-2005.*

The total budget for culture includes 14% of total expenditures for tourism.

*Netherlands: Ministry of Education, Culture and Science (OCW) 2005; Statistic Netherlands 2003, 2006.*

A. The state budget excludes expenditure on broadcasting, arts education, cultural relations abroad and other interdisciplinary items.

B. The state budget includes expenditure on broadcasting.

*Poland:*

On the regional level, the budgets include expenditure for culture by *voivodship* and provinces.

*Portugal: Ministry of Culture 2000-2004; National Statistic Institute 2005, 2006.*

Government budget does not include support from other ministries and funds. The budgets for culture on the local level (municipalities) do not include the allocation to sport and youth.

*Romania: Ministry of Culture and Religious Affairs, Centre for Cultural Studies and Research (forthcoming).*

Data on total amounts are unavailable.

*Slovakia: Council of Europe 2003; Ministry of Culture 2005.*

The state cultural expenditures include funds for churches and religious communities.

*Slovenia: Ministry of Culture 2005.*

*Sweden: Ministry of Education, Research and Culture 2002, 2006a, 2006b.*

The cultural budget on the state level for 2004 includes expenditure for education (up to 31%).

## Annex 2. Public Indirect Intervention through Tax Incentives

**Table 7. Forms of public indirect interventions through tax measures**

COUNTRY	TAX EXEMPTION			Tax deduction for cultural products, e.g., VAT	Other
	Companies	Individuals	Non profit organisation		
<b>Austria</b>	<i>Sponsors ordinance</i> : tax break on expenses for sponsoring culture; Deduction up to 10% of business profits	Deduction up to 10% of taxable income for donations to specific institutions; Cash donations exempt from gift and inheritance tax; Donations of immovable property taxed at 6%; Other donations taxed with flat rate of 2.5%	Subsidies from these bodies are tax free ( <i>Federal Arts Promotion Act</i> – 1988)	Reduced VAT rate (10%) on turnover related to artistic activities ; 20% on music CDs	Tax deductions for artists and authors (since 2000)
<b>Belgium</b>	Tax exemption on investments in Belgian audiovisual works since 2003; Deduction up to a maximum of 5% of gross revenue (max €500,000)	Deduction up to 10% of taxable income; Rates of inheritance tax reduced to 7% if legacy to a foundation; Gifts of movable object not taxed	Tax exemptions on renting of objects, visits to museums, services by performing artists, organisation of theatre, ballet, film productions, concerts, etc., if gains used to cover costs	Lower VAT rate (6%) on cultural objects and services	
<b>Bulgaria</b>	Tax deduction (10%) for donations for cultural purposes, conservation and restoration of historical and cultural monuments, or for grants	Tax deduction (10%) for donations for cultural purposes, conservation and restoration of historical and cultural monuments, or for grants		VAT on books: 20%	1% of the price of cultural goods for the National Cultural Fund

	TAX EXEMPTION			Tax deduction for cultural products e.g. VAT	Other
	Companies	Individuals	Non profit organisation		
<b>Denmark</b>	Advertising expenses are tax-deductible	Deduction for donations	Deduction for charitable donations or financing of current operating costs (up to €30.000); Possible exemption from inheritance tax for foundations		
<b>Estonia</b>		Tax deduction in case of donations	Tax exemption for organisations included in a list by the Ministry of Finance; Right to apply for a special status that allows private enterprises to deduct donations from their taxable income to an amount not exceeding 3% of the total payments subject to social tax	VAT on books: 5%	
<b>Finland</b>	Cash donations more than €850 fully deductible up to €25000	Tax deductions within a narrow limit (min. 850 euros, max. 27 000 euros) for donations to the State, non-profit organisations indicated by special Tax Relief Board or to universities. Tax-deductible donations for the preservation of national cultural heritage do not have an upper limit.	Non-profit organisation not submitted to gift an inheritance tax and national property tax	VAT on books and cultural services: 8%	

COUNTRY	TAX EXEMPTION			Tax deduction for cultural products e.g. VAT	Other
	Companies	Individuals	Non profit organisation		
<b>France</b>	Deduction from taxable earnings of gifts of a cultural nature to charities or organisations of general interest up to a maximum of 0.225% of companies' turnover. Deduction from taxable earnings of the price paid for a contemporary work of art if it is exhibited	Tax credit: deduction of 66% of contribution (up to 20% of taxable income)	<i>Law n° 90-559 of 4 July 1990</i> regulates the creation of cultural foundations by companies defining their scope of activity	Reduction of VAT rate: 5.5%, 2.1% or total exoneration	1% system: 1% of construction costs of a public building must be set aside for the funding of an art work for the same building
<b>Germany</b>	Investment in sponsorship tax-deductible if it is an active expenditure; Deduction on donations given to public utility objectives (max 2‰ of the company's turnover	Tax breaks on donations	Tax incentives for the establishment of and donations to foundations ( <i>Act on the Taxation of Foundations, January 1st, 2000</i> )	VAT: lower rate of 7% instead of the standard 16% on some cultural products (e.g. books). Possible exemption from VAT and corporate tax of public cultural operations and non-profit activities (e.g. theatre performances)	
<b>Greece</b>	Tax deduction in case of sponsorship	Inheritance tax on art collections can be paid in kind.		VAT on books: 4%	
<b>Hungary</b>	Stimulus to business sponsorship	Taxes can be reduced by a maximum amount (c.a. €200) on income generated by copyright or other royalty payments; Donations for charitable purposes can be reduced from personal taxes		VAT on books: 5% music recordings 25%, 15% on periodicals, performing arts (including theatre tickets), handicraft products, film making, video lending, cinema.	Citizens are allowed to donate 1% of their personal income tax due to non-governmental organisations ( <i>1% percent Law</i> )

COUNTRY	TAX EXEMPTION			Tax deduction for cultural products e.g. VAT	Other
	Companies	Individuals	Non profit organisation		
<b>Ireland</b>	Deduction from taxable profits of gifts to cultural or artistic organizations up to a total value equal to 0.2% of turnover, and 50% of any sum in excess of that.	Tax relief for heritage donation to the Irish national collections ( <i>Section 1003 of the Taxes Consolidation Act, 1997</i> )		VAT on books: 0%	
<b>Italy</b>	Total deduction from taxable income of all donations and sponsorship. Total deduction of expenditures for the restoration of privately owned built heritage.	19% deduction from taxable income of donation. Total deduction of expenditures for the restoration of privately owned built heritage.		VAT: rate on cultural goods and activities is generally lower (10%), on books (4%); the usual rate except remains for recorded music, VHS and DVD (20%)	Citizens are allowed to donate 5‰ of their personal income to non-governmental organisations ( <i>5‰ Law</i> )
<b>Latvia</b>	Income-tax reductions (up to 85%) on sums donated to institutions, associations and foundations with “public benefit organisation status”. The tax reduction cannot exceed 20% of the overall taxable amount due to the state.			VAT on books: 5%; cultural services 0%	Citizens are allowed to donate 1% of their personal income tax due to non-governmental organisations ( <i>1% Law</i> )
<b>Lithuania</b>			Possibility for private cultural institutions to receive the legal status of non-profit organisations	VAT on books: 18%	Citizens are allowed to donate 2% of their personal income tax due to non-governmental organisations ( <i>2% Law</i> )

COUNTRY	TAX EXEMPTION			Tax deduction for cultural products e.g. VAT	Other
	Companies	Individuals	Non profit organisation		
<b>Luxembourg</b>	Tax incentives to for donations to the National Cultural Fund ( <i>Law 1982, restrictions introduced with the règlement grand-ducal, 4 June, 2004</i> )			VAT on books: 3%	
<b>Malta</b>				VAT on books: 10%	
<b>Netherlands</b>	Deductibility of gifts and incentives for film investments, cultural investments and monuments	Possibility to pay inheritance tax with objects of art	Various exemptions (Motor Vehicle Tax Act, Energy Tax Act)	Lower VAT rate on objects of art, books (6%) and entrance fees for museums, theatres and cinemas	
<b>Poland</b>	Deductions of up to 10% are available on donations made by legal persons (organisations, foundations etc.) for "public good purposes"	In the case of private persons / individuals there is a maximum which can be deducted from income tax for donations to culture.		VAT on books: 0%, 22% on CDs etc.	Citizens are allowed to donate 1% of their personal income tax due to non-governmental organisations ( <i>1% Law</i> )
<b>Portugal</b>	Regulation on different types of sponsorship, enlarges the area to include sponsorship of education, environment, sport, science and technologies, and increases the tax incentives available ( <i>Sponsorship Act, 1986 and followed by new laws; 1999 Statute of Sponsorship Law n. 74/99</i> )			VAT on books: 5%	

COUNTRY	TAX EXEMPTION			Tax deduction for cultural products, e.g., VAT	Other
	Companies	Individuals	Non profit organisation		
Romania			Tax exemption on certain types of activities		Citizens are allowed to donate 1% of their personal income tax due to non-governmental organisations ( <i>1% Law</i> )
Slovakia					Citizens are allowed to donate 1% of their personal income tax due to non-governmental organisations ( <i>1% Law</i> )
Slovenia		Deduction from taxable income of a private individual.		VAT on books: 8.5%	
Spain	Deductibility (maximum 10% of taxable income) of gifts made to bodies which enjoy tax concessions; Tax concession on participation in activities for the public good, and in particular - the acquisition of works of art to be offered as a gift and expenditure on promoting and developing certain arts.	Tax reduction on donations to non profit organisation and other institutions explicitly indicated ( <i>Law 49/2002</i> )	Different tax treatment for non profit organisation ( <i>Law 49/2002</i> )	<i>Law 37/1992</i> : -"Super-reduced" VAT rate (4%) on books and periodical; - "Reduced" VAT rate (7%) on acquisition of art works and entrance to cinemas, theatres, circus, museums, zoos; - Normal VAT rate (16%) on cultural goods (videos, CDs, DVDs)	Different tax treatment of art awards
Sweden	Debate over sponsorship			VAT on books: 6%	

COUNTRY	TAX EXEMPTION			Tax deduction for cultural products e.g. VAT	Other
	Companies	Individuals	Non profit organisation		
<b>United Kingdom</b>	Possible to deduct donations, grants or patronage (April 2000); new models of donor involvement, known as venture philanthropy	<i>Acceptance in Lieu scheme: (since 1947)</i> allows a person who is liable to pay inheritance tax, capital transfer tax or estate duty to settle part, or all of the debt, by disposing of a work of art or other object to the Board of Inland Revenue for public ownership.	Independent museums and other charitable attractions that persuade visitors to contribute at least 10% more than the entry fee will get Gift Aid.	VAT on books and other artistic services: 0%.	Income and capital gains tax breaks to investors of at least GBP 1 000, though it is potentially high risk

Source: Council of Europe/ERICarts 2006, European Commission 2005, *Trust for Civil Society in Central and Eastern Europe, Percentage Philanthropy Project, EFC 2005b.*

## Annex 3. Private Support to Culture

**Table 8. Types of foundations**

	<b>TYPE OF FOUNDATION</b>	<b>FOUNDER</b>		<b>ACTIVITIES</b>	<b>PRINCIPAL FUNDING</b>
<b>Private foundation</b>	Independent foundation	Private individuals or corporate	Individual donor(s)	<ul style="list-style-type: none"> <li>• Operating</li> <li>• Grant making</li> <li>• Prizes</li> <li>• Mixed</li> </ul>	<ul style="list-style-type: none"> <li>• Initial capital</li> <li>• Single/ infrequent gift</li> </ul>
	Family foundation	Private individuals	Family	<ul style="list-style-type: none"> <li>• Operating</li> <li>• Grant making</li> <li>• Prizes</li> <li>• Mixed</li> </ul>	Initial capital
	Corporate foundation	Corporate		<ul style="list-style-type: none"> <li>• Operating</li> <li>• Grant making</li> <li>• Prizes</li> <li>• Mixed</li> </ul>	Annual company grants
<b>Public foundation</b>	Government-related foundation	Public sector	<ul style="list-style-type: none"> <li>• Government</li> <li>• Public agencies</li> <li>• Political party</li> </ul>	<ul style="list-style-type: none"> <li>• Operating</li> <li>• Grant making</li> <li>• Prizes</li> <li>• Mixed</li> </ul>	Initial govt. capital or periodic government grants
<b>Community foundation</b>		Members of a community	Individuals, public sector, private sector	Grant making	Fundraising
<b>Fundraising foundation</b>		Individuals, families or public sector		Primarily grant making	Annual fundraising

*Source: European Commission 2005.*

**Table 9. Private support to the arts and culture**

	<b>Public support to culture</b>	<b>Private support to culture</b>	<b>Private support as % of the public support</b>	<b>Business support to culture 1995-1997</b>	<b>Supported activities</b>
	<b>1*</b>	<b>2**</b>	<b>3</b>	<b>4***</b>	<b>5</b>
<b>Austria</b>	€1.88-2 bl (2002-2003)	€37 ml (2) to €60 ml total private (1)	2-3%	€32.45 to 36.05 ml	Cultural institutions; major arts festivals; music and visual arts
<b>Belgium</b>	€3 bl (2002)	€16 ml foundations (3)	0.53%	€44.4 to 54.3 ml (Flemish)	Concerts and classical music festivals; art exhibitions; music
<b>Bulgaria</b>	€114 ml (2004)	€150.000 donations (4)	0.13%		Music (popular forms); literature; theatre; festivals
<b>Denmark</b>	€1.6 bl (2002)	€12 ml business (5)	0.75%		Cultural institutions
<b>Finland</b>	€745 ml (2001)	€27 ml total private (6)	3.6%		
<b>France</b>	€12 bl (2004)	€343 ml total private (7)	2.9%	€165.5 ml	State-supported cultural activity; music and fine arts
<b>Germany</b>	€8.2 bl (2002)	€500ml (1) total private)	6.1%	€305 ml (excl. patronage)	Cultural institutions; fine arts and music
<b>Greece</b>	€500 ml (2001)			€22.4 ml	Establishment of new cultural institutions.
<b>Hungary</b>	€572 ml (2003)	€22.4 ml donations (8)	3.9%		
<b>Italy</b>	€2.7 bl (2000)	€115ml business (9)	4.2%	€205.7 ml	Heritage and classical music
<b>Ireland</b>	€302 ml (2004)	€13.7 ml business (10)	4.5%	€12.92 ml	Cultural institutions; music, heritage and fine arts
<b>Netherlands</b>	€2.6 bl (2003)	€50 ml (business (11)	2%	€28.2 to 37.7 ml	Fine arts and music
<b>Spain</b>	€4.6 bl (2003)	€104 ml (foundations (12)	2.3%	€59.7 ml	Classical music and paintings
<b>Sweden</b>	€1.9 bl (2002)			€30 ml	Museum, art galleries, theatre and dance
<b>United Kingdom</b>	€9.7 bl (2003)	€632.94 ml total private (13)	6.5%	€147 ml	Dance, music, theatre, festivals, heritage

\* The data have to be read in the context of each country. Public expenditures for culture are based on the available estimates for the period 2000-2005. For more details on public expenditure for culture, see table 4, annex 1.

\*\* Data are based on different sources (see below) and present the available estimates for the period 2000-2005. When not otherwise stated data refer to national cultural profiles in the Council of Europe/ERICarts 2006.

\*\*\* Sauvanet 1999.

**Table 9 sources:**

- (1) Wagner & Wiesand in the Council of Europe/ERICarts 2006. Figures include contributions from foundations and other private donors.
- (2) *Initiativen Wirtschaft für Kunst (Austrian Business Committee for the Arts) 2006*. From that, 45% (in 2001) was distributed as art sponsorships.
- (3) *European Foundation Centre 2005a*.
- (4) *Bulgarian Charities Aid Foundation 2005*.
- (5) *Ministry of Culture 2003*. Private support increased over 10% per year from 1998-2002.
- (6) *European Foundation Centre 2005a*. The total private foundation contribution to culture in Finland was estimated at €6 million in 2002. *Oesch 2005*. Additionally company support for the arts and heritage in 2003 was estimated to be at least some €4.1 million ( $\pm 2\%$ ), which covered only support corresponded to exact or estimated amounts of money transferred.
- (7) *Morel 2003; European Foundation Centre 2005a*. Only private foundation contribution to culture in France is estimated at €124 million in 2001.
- (8) Data are based only on the donations generated by the 1% law (see table 8, annex 3), distributed through the National Civic Fund in 2003. Support to cultural organisations represents 19% of the total donations generated by the 1% law.
- (9) *Premio Impresa e Cultura 2004*. Data are based only on total investments of Italian companies in culture for 2004.
- (10) *Business2Arts 2000*. Data refer to 1999.
- (11) *Smithuijsen 2005*.
- (12) *Fundacion Juan March 2005*. Data are based only on estimates given by three of the biggest grant-giving foundations in Spain for 2005.
- (13) *Arts&Business 2005a, 2005b*. Figures include business investment, individual giving and trust and foundation investment.