FINANCING CULTURE
INSTITUTIONS IN EUROPEAN
CONTEXT

Keywords
EU,
Cultural sector,
Financing mechanisms,
Economic-financial crisis

JEL Classification
Z10

Abstract

The paper, on the coordinates of the analysis of the problematic of financing culture institutions within the European Union member states, performs a comparative analysis focused on the financing mechanism available to the cultural sector, created both at the level of the public, and of the private sector.

For the comparative analysis, the paper selected several EU member states, grouped on four geographical areas (North, South, East and Center).

The analysis performed in the paper emphasized that most EU member states make significant efforts to finance the cultural sector, but the effects of the economic crisis have had a negative impact on this financing, causing, from this perspective, a gap between the states in the north and center of the EU, on the one hand, and the states in the south and east of the EU, on the other hand and outlining a cultural Europe with two peripheries.
INTRODUCTION

The evolution of the meaning associated with the concept of “culture”, from a form of artistic or esthetic representation, distinct of any economic activity and which was not part of the sphere of priorities of public authorities, to a public good and an element of social change and of production, from the economic point of view (Rish Lerner, 2005), outlines culture as a true “agent of change”.

At present, culture has the status of the “fourth pillar of sustainable development” (UCLG, 2010), together with the three classical dimensions (environmental, economic and of social inclusion), the cultural policies contributing to the consolidation of social cohesion (freedom, equality, collective responsibility, social and economic justice etc.) (UNESCO, 2000), focusing on stimulating the participation of all members of the community.

The cultural context of community is the catalyzing factor of reaching the fundamental objectives of sustainability (Rish Lerner, 2005): social equity (justice, cohesion, respect), environmental responsibility (ecological balance) and economic viability (material prosperity).

The culture of a people, of a collectivity, represents a universal concept reflecting the distinctive manner of their behavior and the understanding of their values, beliefs, norms and hypotheses (Moldoveanu, 2005).

In spite of the fundamental role of culture, as essential attribute of national identity, as well as of investment of national interest, the economic unbalances triggered at the global level in year 2008, with the bursting of the American “real estate bubble” significantly increased the fragility of the finance basis of the cultural sector, affected by the adoption of the austerity policies.

During economic crises, culture no longer represents a priority, being affected by the public deficit and, implicitly, by the reduction of public expenditure, the government orienting itself towards satisfying the basic services and returning the public debt, since 2008, several states eliminating or drastically restricting the policies meant to support the cultural sector, as well as the plans to subsidize cultural institutions (Fundació Catalunya Europa, 2016).

At the level of the EU member states, the analysis of the funds awarded to the cultural organizations emphasizes a series of sources of financing, namely (European Parliament, 2003): subsidies come from those bodies with a statutory responsibility to support culture, this is often done with tax revenue; grants, a sort of discretionary financing from public, national or international sources (some examples: the Council of Europe, the European Commission, UNESCO or the World Bank); donations are made as a gift (there is no contractual obligation to donate. This can be from a business, a foundation or an individual. The donor is not guaranteed anything in exchange, though their name may be mentioned in a program, etc.); sponsorship – „any kind of support given by a company to an activity that is independent or not directly associated with its activities...with a view to gaining some advantage or something in return”(Larive, 1997); patronage – “Financial, material or moral assistance provided by an organization 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, 1994); trusts and foundations differ from private companies in that they exist to fund projects that match their objectives.

Concretely, these resources come both from public (from all organizations related to the public and administrative powers, regardless of their nature) and private funds (from organizations, foundations, associations and individuals) (NICRT, 2010).

CULTURE FINANCING MODALITIES

WITHIN THE EU

The cultural sector at the EU level is supported by mechanisms specific both to the public and to the private sector. The governmental financing means may be both direct and indirect.

The direct governmental financing forms differ from one Member-State to another, depending on the objectives of their own cultural policies, such as: protecting the cultural patrimony (ex: Italia, Greece), emphasizing the dimension of cultural diversity and social inclusion (ex: Sweden, Denmark, Finland, The Netherlands), supporting the creative industries (ex: Austria, the Netherlands, Luxemburg), increasing the economic potential of the cultural sector (ex: Denmark, Austria, Germany, the Netherlands, Romania) etc. (NICRT, 2010).

Europe has three basic systems of allocating supply volume subsidies (Ploeg, 2005): centralized administration (France, Italy, several Central and Eastern European states); distribution of governmental funds to a series of organizations with a high degree of autonomy in using them (in certain Scandinavian states); a system of distribution of governmental financing, on the basis of the consultancy provided to the Government by an independent artistic council (The Netherlands).

Important financing sources of culture come from external funds (obtained from the European Union or the World Bank), by means of a percentage from the winnings of the Lottery and of the betting establishments and, not least, from the
amounts derived from VAT, the broken-down shares of the income tax or from the state budget (NICRT, 2010).

The indirect governmental financing forms comprise a series of instruments encouraging the involvement of the private sector in financing culture, such as: tax exemptions, deductions of taxes or lowered taxation levels for art and cultural institutions; deductions of taxes and fiscal credits for the companies and individuals donating or investing in art; differentiated VAT for cultural products (Idem).

In what concerns the forms of financing coming from the private sector, they have different forms, creating connections between the cultural and the economic world, such as philanthropy (offer of amounts of money to non-profit organizations without the need for a direct link between the contribution offered and the activity of the company) or sponsoring (contractual relationship between a private company and a cultural organization, by means of which the company provides pecuniary or other sort of resources to support a cultural event) (Ibidem).

FINANCING THE CULTURAL SECTOR IN SEVERAL EU STATES

The paper at hand aims to perform a comparative analysis focused on the financing mechanisms of the cultural sector, created both at the level of the public and of the private sector.

For the comparative analysis, the paper selected several EU member states, which it grouped into four geographical areas (North, South, East and Center). This, the countries selected are: in the north - Finland, in the center - Germany and France, in the south - Italy, in the east- Slovakia and Romania.

I. EU North area

Finland

The economic aspects pertaining to cultural institutions are regulated by the Theatres and Orchestras Actno. 730/1992, considered the legislative basis defining professional theatres and orchestras eligible for central government subsidies and by the Act on Financing Education and Culture no. 1705/2009, defining the rules for calculating and allocating central government transfers (subsidies) to municipal and non-profit local service organizations including professional local and regional theatres, museums, and orchestras.

The theaters, orchestras and other cultural institutions belong to the municipalities, to private individuals/entities or to foundations. All profile institutions must have an activity and financing plan. The state-owned theaters and the other important cultural institutions are eligible to receive subsidies from the state budget, according to the decision of the Ministry of Education and Culture, establishing the subsidies budget. The criteria on the grounds of which the amounts granted are established are: importance of the institution, nature of the cultural project, number of persons engaged in executing it. The cultural institutions may also receive subsidies from the local authorities.

The Ministry of Education and Culture grants statutory state aid and discretionary subsidies for projects relating to education, research, culture, sport and youth work. The Ministry grants funds towards the cost of organizations’ operations, the activities and construction of educational and cultural establishments, and for information society projects. Projects can also apply for EU funding from the Structural Funds and different programs.

In the period 2007-2014, the relative variation of cultural public expenditure/per capita (in constant Euros) was 3.16 %, the state financing in the field of culture being born, for the most part, by the Ministry of Education and Culture (Fundació Catalunya Europa, 2016). Most of the amounts assigned for culture are directed to the national culture and art institutions and to municipalities. A substantial part of the financial support granted by the Ministry of Education and Culture comes from the incomes of the Finish national lottery. Thus, according to the Act Regulating the Use of the Profits of Lottery / Lotto, and Sports Betting no. 1054/2001, the share of the annual returns of lottery / lotto, and sports is of 38.5% to the arts.

The cultural sector also benefits from financing from the European Union, through the northern Funds, as well as from other programs, including having the possibility to award grants for the artists’ creativity.

From the viewpoint of the administrative levels, in the period 2007-2014, due to a policy of centralizing public expenditure, the expenditure made by the central level increased in eight years by 6.49% (Fundació Catalunya Europa, 2016).

II. EU Center area

Germany

The regulation applicable to the cultural policy is found in a set of constitutional and administrative law dispositions, but they are not coded in a single document. For example: The Federal Constitution and the constitutions of the federal states (Länder), the municipal and county codes, a few specialized statutes of the federal states (Länder) relating to cultural affairs, federal legislation such as the Act on the Protection of German Cultural Heritage against Removal Abroad, the Copyright Law, the Federal Film Promotion Act and the Artists’ Social Insurance Act etc.

The financing of culture institutions is not regulated through a federal law, but, at the level of
the Lands, there are provisions in this sense. However, the Federal Government has the obligation to fund cultural institutions in the capital.

The tasks of the federal authorities defined in the Federal Constitution and the responsibilities transferred to the municipalities within the framework of “local self-government” limits the cultural competence of the federal states (Länder).

No special laws exist for the largest or most important cultural institutions such as public theatres, museums or orchestras. Legal competencies in the mass and electronic media are divided between the federal (Bund) and the federal state (Länder) authorities.

In the period 2007-2014, the relative variation of cultural public expenditure/per capita (in constant Euros) was 18% (Fundació Catalunya Europa, 2016). This country was below the EU average of the GDP percentage assigned to the public cultural expenditure in 2007 (0.37%) and in the period 2007-2014a convergence process with the European average occurred (Idem, 2016).

From the point of view of the administrative levels, in the period 2007-2014, the intermediary regional level benefited of large competences, in 2014 benefiting of 40.53% of the total public expenditure assigned to the cultural sector.

In 2007, respectively in 2014, the division on the three administrative levels, central, regional and local, was the following: central-12.60%, regional-42.96 and local-44.45%, respectively, central-14.85%, regional-40.53% and local-44.62% (Idem, 2016).

III. EU South area

Italy

The cultural sectoris, to a large extent, regulated within the different sectorial laws; however, in the period 2013 – 2014, two transversal laws, dealing simultaneously with several aspects concerning heritage, the live performing arts and cinema, as well as tourism were adopted.

General state cultural legislation in Italy mainly deals with the following aspects: reallocation of cultural responsibilities among the levels of government; rationalization and organization of cultural competencies at the state level; recent transversal, general laws, dealing with the cultural sector as a whole.

Through the Presidential Decree 805/1975, the Ministry for Heritage was established, with the goal of reunifying and rationalizing the cultural responsibilities. Subsequently, through Leg. Decree 368/1998, it is transformed in the Ministry for Heritage and Cultural Activities, thus broadening the Ministry’s responsibilities to performing arts and cultural activities.

Until the 1980s, music was the only performing arts discipline regulated by law in Italy. According to Law no. 163/1985, the Unified Fund for the Performing Arts (FUS – Fondo Unico per lo Spettacolo) was established, which rationalized and substantially increased the amount of financial resources for the performing arts and the manners were envisaged for assigning amounts from the state budget to subsidize the cultural institutions whose activities are performed in the country or abroad (opera, chorus music, dance, concerts).

The criteria for assigning public funds for the performing arts are both quantitative (decisions based on the size of audiences, number of productions, number of employees, etc., checked by ministerial staff) and qualitative (discretionary judgments dealing with artistic quality).

Starting from 2015, deeply innovative changes in the funding system have been finally brought about and the criteria for evaluating funding applications are based on 30% for artistic quality, but mostly, as much as 70%, for quantitative parameters.

All autonomous cultural institutions, recognized, according to the law, as institutions of national interest, benefit of the above-mentioned financing. The incomes of the cultural institutions performing their activity in the field of art are composed of: stat and regional subsidies and subsidies assigned by the local public administration; private contributions of individuals/legal entities; incomes obtained from managing assets; any other own incomes.

In the period 2007-2014, the relative variation of cultural public expenditure /per capita (in constant Euros) was 27.40% (Fundació Catalunya Europa, 2016).

The policy for assigning the public expenditure on administrative levels, in the period 2007-2014, was almost “linear”. In 2007, respectively in 2014, the assignment on the two administrative levels, central and local, was as follows: central - 33.98%, local - 66.02%, respectively, central - 33.68%, local - 66.32%. (Fundació Catalunya Europa, 2016).

France

The structure of the budget of the Ministry of Culture and Communication comprises four dimensions: patrimony, creation, knowledge transfer and culture democratization, cultural research and scientific research; they are also the directions enjoying subsidies from the state budget, such as the archeological and historical patrimony.
(architectonic monuments, museums, archives, books and libraries, cinematographic and linguistic patrimony, purchase and enrichment of public collections), creation (creation and broadcast of productions in the category show art, creation and broadcast of products of the visual arts and literature, the economy of cultural professions and industries), knowledge transfer and culture democratization (financing higher education and professional training institutions, the art and cultural education institutions, performing specific actions to the benefit of the public, territorial and international policies), cultural research etc.

From the point of view of the weight they have in the total public financing for culture, the state and the territorial collectivities are on even foot. By public subsidy is understood a voluntary contribution made by the administration and not at all its obligation to grant pecuniary or in kind support for the activity performed by the beneficiary.

The eligible beneficiaries of the subsidies can be: legal entities of private law (association, company), legal entities of public law (local authorities, public institutions), as well as any individual (artist, owner of a historical building etc.), if they fulfill the granting conditions. The public subsidies are granted by the administrative authorities and the bodies entrusted with the management of an industrial and commercial public service, in their field of competence (Ministère de la Culture et de la Communication, 2016).

The "1% for Arts" Commission, established in 1951, is a special body created for visual artists. It is based on the principle that 1% of the total amount spent on the construction, renovation or extension of a public building must be reserved for a contemporary artwork specially conceived for the building in question. This obligation now applies to both territorial and state governments.

The executive and operational framework of the "1% for Arts" system is defined by decree n°2002-677 of 29 April 2002 (modified), which applies to Article 71 of the Public Contracts Code (Code des marchés publics). The circular of the Minister of Culture and Communication of 16 August 2006 specifies the procedure involved.

a) Financing theaters

The professional theater network comprises three large sectors: 3 largepublic institutional networks (5 national theaters, drama centers and national stages); independent artists; private theaters.

The national theaters are fully financed by the state and private financing, patronage of arts and “sponsoring” have amarginal impact in the French theater life. The drama centers have the status of Ltd or anonymous company and two thirds of their finance comes frompublic funds, both from the state and from the collectivities territorial. The national stages come from the transforming of the old culture centers established in 1961, being co-financed by the state and the territorial collectivities. The cultural activities performed by independents are not regulated and can benefit of financial support from the communes, departments, regions or from the Ministry of Culture. The private theaters do not receive direct subsidies, but benefit of public support, by means of l’Association de soutien au théâtreprivé (support funds).

b) Financing of cinematography

In the Code of cinema and animated image, reference is made to the financial and accounting dispositions, mentioning that the resources of the National Center of Cinematography and Animated Image come from taxes, fees and other products, such as: professional contributions or shares of the amounts paid to the cinema and audio-visual registers, upon granting the exploitation approvals, from sanctions applied, from reimbursements of down payments and loans granted, from credits, subsidies of the state or local collectivities etc.

The Code comprises regulations regarding the financial support granted by the territorial collectivities, indicating that the subsidies granted to the cinema show institutions are comprised in the general Code of the territorial collectivities. Thus, the regions can assign those subsidies in the same conditions as the departments.

The Code alsomentions the fiscal incentives which can be granted, referring to the fiscalcontributions in the production of cinema or audio-visual works, for the sale of programs and audio-visual formats, for the expenses incurred to create video games or for the executive production, in France, of foreign cinema and audio-visual works.

The Code contains special provisions for the Outremer territories and states the territorial economic contribution being achieved by exonerating the payment of the land contribution and VAT for the cinema show enterprises.

In the period 2007-2014, the relative variation of cultural public expenditure /per capita (in constant Euros) was 9.61% (Fundació Catalunya Europa, 2016).

In 2007, respectively in 2014, the distribution on the two administrative levels, central and local, was the following: central - 34.46%, local - 65.54%, respectively, central - 27.98%, local - 72.02%. (Fundació Catalunya Europa, 2016).

France transformed culture in a priority field in its public budget, granting in 2014 a percentage of 0.78% of GDP for the public sector expenditure (11% more than in year 2007) (Fundació Catalunya Europa, 2016).
IV. EU East area

Slovakia

Financing of culture primarily comes from public sources. The public administration finances culture from budgets on the national level, regional level (self-governing regions) and local level (budgets of towns and villages).

At all levels, public expenditure on culture is, in principle, divided into three areas, which provide conditions for the development of culture at individual levels of public administration: financial funds designated for activities provided by bodies of the state and public administration; financing of cultural institutions managed by bodies of the state and public administration; and contributions to cultural activities of natural persons and legal entities provided in the form of grants.

Supplementary funds and funds for development also form a part of the system of financing culture; these funds come from the various funds of the European Union (especially the Structural Funds), as well as from the private sector and the non-profit sector.

(http://www.culturalpolicies.net/web/slovakia, 2017)

Special legislation regarding fine arts and utility art in Slovakia does not exist. This area is covered by some related legal regulations (Act on Museums and Galleries, Act on Artistic Funds, Copyright Act).

According to Law no. 96/1991 on public cultural events, as subsequently modified, in this category are included the theater, film and audio-visual productions; music and dance concerts; art exhibits, applied art and popular art works; festivals and tours; other entertainment events. The theaters are in the subordination of the Ministry of Culture or of the local authorities. The amateur theaters are considered cultural institutions where the actors are not remunerated.

The priority fields of financing the musical art are the following (UNESCO, 2000): projects which support works composed by Slovak composers; live concerts; education for music and through music; foreign representation and cooperation through projects with an international dimension, focused especially on the cooperation with the EU member states; publishing periodical and non-periodical publications.

The public finances are assigned for artistic activities through a system of grants, which finance art institutions and the category of artists. Also, the organization of art events at the local, regional or transnational level is financed.

In the period 2007-2014, the relative variation of cultural public expenditure /per capita (in constant Euros) was 24.57% (Fundació Catalunya Europa, 2016).

The policy of assigning public expenditure on administrative levels, in the period 2007-2014, was almost constant. In 2007, respectively in 2014, the distribution on the two administrative levels, central and local was the following: central - 50.08%, local - 49.92%, respectively, central - 52.32%, local - 47.68%. (Fundació Catalunya Europa, 2016).

Romania

Government (both local and central) is the largest funder of culture in Romania. Other forms of funding culture, by means of the market, donations from individuals/private institution or sponsorship from companies are still in the early stages and are quite small in financial terms.

In recent years, in the course of cultural decentralization, many cultural institutions lost state funding and are supported by the local authorities.

In order to offer equal opportunities to all stakeholders and to make the whole process of subsidies more efficient and transparent, the Ministry of Culture and National Heritage (MoCNH) created the Administration National Cultural Fund (ANCN). ANCN was created by GO no. 10/2005 as a public institution with legal status, subordinated to MoCNH, and is financed by its own revenues and by subsidies from the state. Through this Fund, development projects and the implementation of new technologies in cultural life should gain momentum. In the last few years, the Fund has introduced a chapter for the funding of projects focused on visual arts and new media.

(http://www.culturalpolicies.net/web/romania, 2017)

The main financing bodies in the field of culture in Romania are MoCNH, the Administration of the National Cultural Fund, the National Cinema Council and the local authorities (through specific subsidies and grant schemes).

The financing of public institutions is regulated through Law No. 500 of 11 July 2002, on Public Finance. Thus, the financing of the current and capital expenditure of public institutions shall be ensured as follows: funded completely from the state budget, the state social insurance budget, or the budgets of the special funds, depending on each case; funded from their own revenues and from subsidies granted from the state budget, the state social insurance budget, the budgets of the special funds, depending on each case; and fully self-funded.

CONCLUSIONS

The UNESCO Report, Cultural diversity, conflict and pluralism, underlined in year 2000 that at the beginning of a new century, cultural
policies play an important role in opening interactivity and negotiation spaces in areas leading to the consolidation of social cohesion (liberty, equality, collective responsibility, social and economic justice etc.), focusing on stimulating the participation of the members of the community (UNESCO, 2000).

According to the Strategy Europe 2020, the European Union’s priorities for the period 2013-2020 are as follows: intelligent development, sustainable development, inclusive development and economic governance.

The conclusions derived from the data presented in this paper and supported by the statistics illustrated in the official reports regarding the financing of the cultural sector within the EU emphasize the fact that the wide majority of European Union member states finance projects of national importance and cultural institutions, but the amounts assigned are lower, due to the negative impact of the economic-financial crisis of year 2008, still felt at present.

In spite of the efforts made by the political-administrative decision-makers to consolidate the strategic position of the cultural sector within the different national policies, the effects of the economic crisis had a negative impact on the public expenditure allocated to this sector.

In addition, the economic crisis contributed to the outlining of a cultural Europe with two peripheries, due to the occurrence of major gaps in the financing of the cultural sector, between the states in the north and center of the EU, on the one hand, respectively the states u the south and east of the EU, on the other hand.

It is necessary to make a conjugated effort, both from the EU member states and from the European institutions, to consolidate the financing of the cultural sectorin the European space, especially by means of the EU promoting instruments which allow the increase of the community financial resources allocated to the cultural objectives shared by the cultural policies of the member states.

REFERENCES


NOTES

(1) In 2007, respectively in 2014, the distribution on the two administrative levels, central and local, was as follows: central- 39.28%, local-60.72%, respectively, central- 45.77%, local-54.23%.