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# Funding Culture, Managing the Risk

Proceedings of the Symposium held at UNESCO  
Paris, 16 and 17 April 2010





United Nations  
Educational, Scientific and  
Cultural Organization

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# **Funding Culture, Managing the Risk**



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## Foreword

We all know that the production, distribution and consumption of cultural goods and services are drivers of development, yet the considerable economic potential of culture remains underexplored and underexploited, especially in developing countries. Today, the cultural and creative sector represents 3.4 per cent of global GDP and contributes to national economic growth and development. Yet, despite the growing evidence to contrary, it is still often perceived as weak or risk-prone and receives but 1.7 per cent of international development aid.

In order to counter such negative perceptions, UNESCO, with the generous support of the Government of Spain, organized a two-day symposium on the theme “Funding Culture, Managing the Risk” in April 2010, and a global online discussion on the topic. By challenging clichés about risks in funding culture and sharing best practices, our aim has been to provide decision-makers with suggestive examples of funding initiatives and management models.

### Overview and key messages

The first round table of the symposium (*Risks in funding culture: a myth or a reality?*) recognized that the cultural economy has a decisive impact on development objectives, particularly as regards the Millennium Development Goals (MDGs). The mechanisms perpetuating cycles of risk were analyzed. The debate also underlined once again the unique character of the cultural economy and the complexity of its numerous sub-sectors. It stressed the indispensable coordination between operators and government entities. What is more, there are many economic success stories in the cultural sector, but unfortunately these lack visibility.

The second round table (*Dealing with risk: what works*) presented financial models tested at local, national and international scales. Although “traditional” funding, such as subsidies and grants, remain necessary, the debate underlined the need to explore alternatives. These include new financial mechanisms tailor-made for the sector, innovative approaches and technologies, and public/private partnerships.

The third round table (*How to encourage investments in the culture sector?*) underlined the importance of putting culture at the heart of national policy agendas, and proposed a non-partisan pact that cuts across the entire political spectrum. Several key messages emerged. Culture should be treated as a valid and vibrant economic sector in its own right. It should be recognized for its significant added value with regard to poverty reduction and economic growth. The prevailing practices of short-term funding and planning for the sector should be complemented by long-term investments under three pillars: a) physical and technological infrastructure and institutional capacity, b) technical and vocational education and c) access to capital and appropriate financial instruments. And each of these three pillars requires effective regulatory and policy frameworks.

In a word, donors, investors and international actors need to explore new forms of funding and financing the cultural sector beyond traditional means such as subsidies, grants, investment and guarantee funds. Practical suggestions included mixed economic schemes, public private partnerships (PPPs), social economy models, Islamic and other communitarian models developed independently of the dominant neo-liberal paradigm.

Participants viewed the symposium as an important stepping-stone towards the review of the MDGs and a platform upon which future international alliances could be built. Given UNESCO’s

cultural mandate and its long-standing role as a provider of innovative approaches and strategies, participants called for the Organization to pursue its advocacy of a new financial architecture for the cultural sector. This would serve to improve and increase investments in culture and in the process advance the culture and development agenda internationally. In addition, they asked UNESCO to consider:

- Convening and hosting a public-private working group to explore different options for financing and investing in culture beyond subsidies and conventional investment and guarantee funds to include mixed economy models and alternative funding mechanisms, such as social economy and Islamic models.
- Convening committed partners and establishing a working group to explore co-funding mechanisms for the cultural economy, (such as an EU global facility, similar to the one for energy, infrastructure and water) which uses mixed techniques (subsidies combined with private investments).

I venture to hope that the symposium and online discussion will be milestones in the UNESCO-led process of transforming the perception and treatment of culture worldwide. As we look forward, UNESCO encourages all actors and donors to work together to ensure that the cultural sector can one day finally benefit from the policies, investments and commitments it truly needs and deserves.

Galia Saouma-Forero  
Director of the Division of Cultural Expressions and Creative Industries  
UNESCO



- ① Rabbit/Carry → Training.
- ② Flattening of sector
- ③ Outside of system.
- ④ Data.

# Table of Contents

Foreword.....	p.4
Galia Saouma-Forero, Director of the Division of Cultural Expressions and Creative Industries, UNESCO	
Executive Summary.....	p.8
Lead-up Event: Online Discussion.....	p.10
Opening Remarks.....	p.11
François Rivière, Assistant Director-General for Culture, UNESCO	
Pablo Barbara, Deputy Head for Coordination fo Cultural and Scientific Relations, Spanish Agency for International Development Cooperation (AECID)	
Round Table 1 - Risks in funding culture: a myth or a reality?.....	p.16
<i>Investing in culture: well worth the risk</i> by Jean-Michel Debrat, Deputy Director-General, French Development Agency (AFD)	
<i>Identities, markets and cultural exchanges: main issues of the Republic of Benin</i> by Ganiou Soglo, Minister for Culture, Literacy and the Promotion of National Mother Languages, Republic of Benin	
<i>Challenges and opportunities of the cultural sector: the Latin-American perspective</i> by Francesco Lanzafame, Institutional Capacity and Finance Sector, Inter-American Development Bank (IDB)	
<i>How to maximize the cultural sector's potential for development</i> by Jean-Claude Boidin, Head of Unit for Human Development, Social Cohesion and Employment, Directorate General for Development, European Commission (EC)	
Round Table 2 - Dealing with risk: what works?.....	p.34
<i>Matching culture's economic potential: BNDES' innovative financing strategies</i> by Luciane Gorgulho, Chief of the Department of Culture, Entertainment and Tourism, Brazilian Development Bank (BNDES)	
<i>What works: the rapid rise of cultural industries in China (2000-2010)</i> by Prof. Chengyu Xiong, Director of the Center for New Media Stidies and Center for Cultural Industry Studies, Tsinghua University	
<i>My Major Company, an innovative model in funding culture</i> by Victor Lugger, Internet Director of the French record label, My Major Company	
<i>Promoting culture through private sector partnerships: SODEC's new approach</i> by Christian Verbert, European Commissioner of the Société de développement des entreprises culturelles (SODEC), Quebec, Canada	
Round Table 3 - How to encourage investments in the cultural sector.....	p.51
<i>Putting culture at the heart of national development strategies: the experience of the Dominican Republic</i> by Laura Faxas, Ambassador Extraordinary and Plenipotentiary of the Dominican Republic in France	
<i>Youth, creativity and new partnerships for culture</i> by Keith Khan, Artist and former Head of Culture for the 2012 Summer Olympic Games	
<i>Ways to encourage funding culture from the perspective of the OIF</i> by Frédéric Bouilleux, Director of French Language and Cultural and Linguistic Diversity, International Organization of La Francophonie (OIF)	
Conclusions.....	p.64
Key Messages.....	p.66
Way Forward.....	p.67
Bionotes.....	p.68

## Executive Summary

Courtesy of the generosity of the Spanish Agency for International Development (AECID), the Culture Sector of UNESCO organized a two-day symposium on the theme of “Funding Culture, Managing the Risk” from April 16 to 17 2010. The symposium sought to bring new perspectives to the long-running question of how to better support cultural sectors in developing countries.

### Context

The theme of this symposium was conceived within the context of the growing international momentum around the culture and development agenda. Two important events in 2010 provide opportunities to push for greater recognition of the value of culture in development processes: the European Union international conference on Culture and Development in May in Girona (under the Spanish Presidency) and the strategic review on the achievement of Millennium Development Goals (MDGs) at the UN MDG Summit in September 2010 in New York.

The definition of culture used during the symposium took into account culture’s multi-faceted dimensions and nature. Namely, culture as a set of resources that add value to development interventions; but also, culture as a sector of activity that has economic impact and generates social benefits by creating, producing and distributing goods and services in areas such as publishing, performing arts, audiovisual, crafts or design; and, finally, culture understood as the diverse manifestations of human intellectual and artistic creativity, past and present, as well as the institutions responsible for their transmission and renewal.

### Structure

The symposium was organized around three thematic round tables. The themes for each round table were: 1. “Risks in funding Culture: a myth or a reality?”, 2. “Dealing with risk: what works?” and 3. “How to encourage investments in the culture sector?”

Speakers from different organizations ensured a wide representation of views and expertise on the question of funding culture. These include representatives from the French Development Agency (Agence Française de Développement [AFD]), the European Commission (EC), the Brazilian National Development Bank (BNDES), national governments (e.g. Benin), and academia as well as cultural entrepreneurs and artists.

Emphasis was placed on discussion and debate. Prior to the symposium, a three-week online discussion was organized covering the same themes. Their views were included during the symposium. After each round table’s presentations, participants were invited to ask questions and to engage in debate with speakers over points raised. A summary of these discussions are provided in these Proceedings after each round table’s presentations.

### Working Documents

To provide an analytical framework to the symposium, two working documents were prepared: an annotated programme and a paper entitled “Risk Perception and Management Methods in the Funding of Cultural Activity Sectors” by Toussaint Tiendrebeogo, policy expert. Both are available on the symposium web page.

### Participants

Over 100 people attended the event. Participants came from different backgrounds: representatives of Permanent Delegations, international and regional NGOs (e.g. the International Center for



the Study of the Preservation and the Restoration of Cultural Property [ICCROM]), international organizations (e.g. International Organization of La Francophonie [OIF]), cultural enterprises (Réseau africain des promoteurs et entrepreneurs culturels [RAPEC]), new social economy models (CLARA), academics and students, cultural policy specialists and artists were present.

The event was webcast, allowing a further 200 people to follow the discussions. The webcast is available on the symposium's web page.

### **Outcomes**

Several messages emerged from the symposium. Firstly, the cultural sector should become a development priority in its own right. It contributes to reducing poverty, generates economic growth, fosters social cohesion and adds value to social life. Secondly, funding and international cooperation approaches tend not to address structural needs of the cultural sector in developing countries. Interventions concentrate on short-term, highly visible projects, which are insufficient for rendering the sector viable, thereby perpetuating risks. Thirdly, innovative approaches and investments in infrastructures, capacity and access to capital need to be urgently considered. These messages are summarized at the end of these Proceedings.

As part of its commitment to the culture and development agenda, and its distinct mandate, UNESCO intends to share these messages widely at key international events, including the MDG Summit in New York.

### **Symposium Web Page**

The symposium's web page is regularly updated and contains links to the symposium webcast, video interviews of symposium speakers, working documents as well as related publications, events and news.



[www.unesco.org/culture/en/funding-and-risks](http://www.unesco.org/culture/en/funding-and-risks)

## Lead-up Event: Online Discussion

Prior to the symposium, UNESCO organized a three-week online discussion (16 March – 6 April 2010) in which participants were invited to respond to the symposium's questions and themes. The online discussion was motivated by UNESCO's commitment to reach out to new audiences and to include the perspectives and expertise of stakeholders across the world, who do not usually have opportunities to share their views with policy-makers and decision-makers.

### Structure

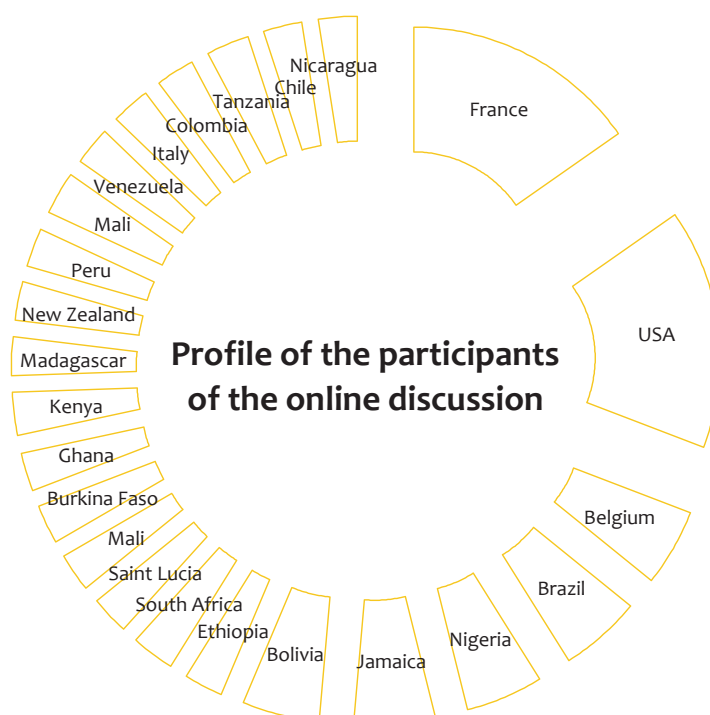
The online discussion was organized thematically, with each week's discussion corresponding to the three round tables of the symposium. The objective of this structure was to allow for the ideas of the discussion to feed into and complement the symposium's debates.

### Participant profiles

By the end of the discussion, 336 women and men, from around the world were registered. The geographical and cultural diversity of participants ensured a particularly stimulating exchange of ideas and experiences; Both women and men were equally represented (51.2% men; 48.8% women). Participants' professional backgrounds reflected a broad spectrum of actors in the cultural and creative sector. They included predominantly cultural entrepreneurs, arts managers, researchers and students, as well as cultural-policy specialists working for development agencies, and representatives from NGOs.

### A global dialogue

This discussion was characterized by its international flavour. Respondents were invited to contribute messages to the discussion in French, English and Spanish. The social networking sites, Facebook and Twitter, added an interactive dimension to the discussion. Participants were very enthusiastic about the chance to hear and learn from cultural operators in other cultural sub-sectors and from other corners of the globe. In a response to an online survey conducted at the end of the discussion, many participants requested to continue the discussion.



## Opening Remarks

**Françoise Rivière**  
**Assistant Director-General for Culture**  
**UNESCO**

It is my honour to open, on behalf of Ms Irina Bokova, Director-General of UNESCO, this symposium on “Funding Culture, Managing the Risk”.

This initiative follows on from the UNESCO World Forum on Culture and Cultural Industries (Monza, September 2009), the “Cultures and Developments” exhibition (Paris, October 2009) and the symposium “Culture and Development: a response to the challenges of the future?” (Paris, October 2009). It is a sign of our continued commitment to translate theory into action on the theme of culture and development. In this context, Spain, along with UNESCO, has always been one of the strongest proponents of recognizing the role of culture in development, including economic development. This is evidenced by Spain’s involvement, together with UNDP, in the establishment of a Millennium Development Goal (MDG) Achievement Fund, which encourages agencies in the United Nations’ system to work together in this field. Spain had the insight to include in the Fund a “culture and development” window dedicated to cultural projects.

This symposium is taking place in a pivotal year for the MDGs; the first review of progress towards the MDGs is scheduled for September in New York. As you all know, culture is not included in these goals. However, it deserves greater recognition both as an economic sector and as a variable to be taken into account in development policies, be they on education, gender equality, health, sciences, the environment or the fight against HIV/AIDS. This symposium is, therefore, a means of preparing for September’s debates in New York.

Since the World Decade for Cultural Development (1988-1998), headway on the culture and development nexus has radically altered our perception of the notion of culture: its positive impact on social cohesion, economic development and poverty reduction is now widely acknowledged. Moreover, the cultural sector has shown itself to be a dynamic economic sector, with high growth and high potential for socio-economic development. In 2007, cultural and creative industries were a driving force of world economy: they accounted for an estimated 3.4% of global GDP and were worth nearly US\$1.6 trillion, almost double international tourism receipts for the same year. According to UNCTAD data, between 2000 and 2005 trade goods and services from the creative industries grew on average by 8.7 % annually.

Despite this progress, there is still a gap between public discourse and practice. Not only is culture not mainstreamed in development policies, there is a considerable shortage of both public and private funding for the cultural sector. It would seem that the many studies on the economic and social contribution of cultural and creative industries have not had the desired effect on decision-makers. The trio of international development stakeholders, political and economic decision-makers and private investors remains reluctant to invest in this field. By way of illustration, in 2007 only 1.7% of total official development assistance (ODA) was allocated to cultural industries. In regards to the private sector and local banks, it is very rare that they grant loans to cultural projects.

The situation is such that cultural sectors in developing countries are now at a comparative disadvantage vis-à-vis those in countries of the North and emerging countries. This disadvantage is becoming all the more pronounced as the technological revolution happening before our very eyes

is accelerating not only the pace of change in the way cultural goods and services are produced and distributed, but also the flows of globalized information linked to them. A major challenge in funding culture is ensuring wide access for cultural products in developing countries to international markets, particularly global digital networks.

Considering these significant challenges and the recognized role of culture in terms of socio-economic development, the persistent lack of investment is something of a paradox. Accordingly, in an attempt to answer the central question of funding culture, which has been raised repeatedly since the 1970 Venice Conference, the time has clearly come to renew our approach and tackle what is holding back investors. To do this, UNESCO, through this symposium and the online discussion which preceded it, has decided to address the issue of risks involved in funding culture and its perception by investors.

A perceived risk can, indeed, rein in momentum, intentions and projects - even if the risk is not real. Risk perception and assessment are at the basis of all decision-making. This is particularly true when it comes to financing a project, a programme or an enterprise.

That said, the risks we are looking at in this symposium are those associated with both the commercial and non-commercial financing of culture. These are the risks perceived by those decision-makers likely to invest – that is to say, not only “financial” risks, but also the risks that are the by-products of financing. Funding for reasons other than profitability can indeed spawn risks of another nature (risk of failure, risk of non-completion of a project, political risks, risk of censure, etc.). Perception of such risks is, no doubt, one of the reasons behind the lack of interest of most financial institutions, development banks and cooperation agencies in the cultural sector.

To assist us in our discussions, this meeting has been prepared on the basis of the experience and views of various stakeholders involved in funding culture, namely representatives of multilateral and bilateral cooperation agencies, States, development banks and, of course, cultural operators. Over the next day and a half, three round tables, followed by discussions with participants, will enable us to broach the various aspects of the issue. The first round table will challenge the perception of risks associated with funding culture; the second will focus on existing risk-management mechanisms; and the third will attempt to develop a new financial framework among the different stakeholders in order to encourage investment in the cultural sector in developing countries.

I am convinced that this renewed approach to the issue will be conducive to a better understanding of the difficulties to be overcome in formulating new strategies for action in this field.

**Pablo Barbara**  
**Deputy Head for Coordination for Cultural and Scientific Relations**  
**Spanish Agency for International Development Cooperation (AECID)**  
**Ministry of Foreign Affairs and Cooperation**

It is a great pleasure for me to inaugurate today this symposium on the topic of “Funding Culture, Managing the Risk” – an event that illustrates the mutual interest of UNESCO and Spain in considering culture to be crucial to human development and economic growth.

We also share this concern with the European Commission (EC) and most of the European Union (EU) Member States. We have been fortunate to have the unconditional backing of these stakeholders, with whom we will be organizing in May 2010 the “International Seminar on Culture and Development in Girona”. In particular, the purpose of this present symposium is to make a number of observations and proposals that will be discussed at the Girona seminar, the outcome of which will serve as input to the United Nations’ Millennium Development Goals (MDG) Summit in New York this September. All activities we have undertaken have had one principal purpose: that culture be considered essential to human development.

When the MDGs were drafted, culture was not seen as a key factor for achieving them. However, over the last ten years, significant developments in the cultural sector have given culture international stature. Of note are the 2004 United Nations Development Programme (UNDP) Human Development Report, *Cultural liberty in today’s diverse world*; the negotiation and adoption of UNESCO’s Convention on the Protection and Promotion of the Diversity of Cultural Expressions in 2005; the approval of the European Agenda for Culture in 2007; the European Commission’s conference “Culture and Creation, vectors for development” held in Brussels in 2009; and, lastly, UNESCO’s “Seminar on Culture and Development” held in Paris during the last General Conference [35th Session]. These many developments have attracted the attention of experts and high-level political authorities, which attests to the fact that this sector is at the forefront of international concern in the run-up to the New York Summit. The year 2010 is, therefore, a defining moment in giving culture the standing we believe it deserves.

The question of funding culture is vital, particularly in the context of this global financial crisis which poses a dual challenge for development cooperation. First, the citizens of partner countries that are hardest hit by the present crisis demand results. We must continue our efforts not only to maintain, but also to increase our budgets. Secondly, the citizens of donor countries now call for stricter accountability concerning the impact of official development assistance.

The funding of culture involves facing a number of risks that also affect other areas of development and concern the institutional weakness of some partners - inadequate goal-setting in projects, and the lack of indicators and difficulty in measuring performance - which, in turn, leads to low visibility of achievements. Added to this is the fact that no new learning processes for taking remedial action and improving future projects or initiatives are being developed.

Furthermore, when it comes to financing, there are a number of features specific to culture which are not found in other areas of cooperation:

- The cultural sector follows its own rhythms in terms of creation, production and distribution.

In addition, on account of the symbolic aspect of many kinds of cultural production, placing a value on them is a highly subjective matter.

- There are countless small- and medium-sized bodies with limited administrative and management capacities that rely on sources other than the marketplace for funding, such as government subsidies, sponsorship or patronage.
- The value of cultural goods and services cannot just be calculated in monetary terms and does not respond to the normal laws of supply and demand. Consequently, all benefits and externalities flowing from cultural production also have to be taken into consideration.

In light of this, I should like to make a few proposals that may contribute to the dialogue on reducing risk and improving the way in which investment in culture is perceived.

First, when it comes to funding culture, a number of principles that can help keep risks to a minimum should be considered, such as: an appropriate definition of the actions to be carried out and of the role of the various stakeholders, diversification of sources of funding, opportunity/cost analysis, and ethical and transparent management.

Similarly, investments are needed for training programme managers and in improving understanding of target groups. We believe that it is necessary to invest in human capital in the cultural sector and to carry out a relevant analysis of the market for which cultural production is intended.

It is also necessary to take measures to enhance coordination and complementarity among donors: encouraging networking, forming partnerships, seeking mutual affinities and trust. The more donors work together in the cultural sector, the better we will be able to strengthen it. This applies to all of us – bilateral donors, starting with the EU and, of course, multilateral donors alike.

In this regard, I should like to highlight the efforts of the AECID, which, since 2005, has ranked culture as a key factor for development. Through the “Culture and Development” window of the UNDP-Spain MDG Achievement Fund, the AECID has contributed to 18 projects, providing more than US \$95 million towards their execution. The agency regularly invests just over €100 million in culture and development activities, under both bilateral and multilateral agreements, with UNESCO being the main beneficiary. In addition to the financial support provided, this has strengthened coordination between UNESCO and other agencies in the United Nations system, contributing to the United Nations “Delivering as One” reform process.

Another key dimension is involving the private sector in cultural development cooperation. Such an alliance is useful not only for securing alternative sources of funding, but also for increasing impact and creating networks that consolidate the cultural sector and ensure the sustainability of projects. Including the private sector is a direct way of involving civil society in the development of culture. When public institutions and private entities work together in the field of culture, this builds a solid network through which risks are minimized.

One of the most important issues is perception of the risks involved in cultural investments. Perceived risk is sometimes greater than the real risk. Lack of confidence leads to a withdrawal of support, which, in turn, weakens the sector. That is why it is vital to showcase success stories in



the funding of culture. For this to be done, it is necessary to revise existing indicators and devise new methodological tools conducive to a comprehensive assessment of the action taken, thereby enhancing the visibility of the role of culture in development, accounting for past and current management and generating new knowledge.

The Spanish Cooperation Agency has designed a handbook of performance and impact indicators for the purpose of showcasing these experiences as a means of ensuring the predictability of funds earmarked for cooperation in the medium term. We are also taking action in institution-building in partner countries to lay the foundations for successful cooperation.

Lastly, I should like to emphasize that investing in culture is nowhere near as risky as not factoring in the cultural aspect in development cooperation actions or considering development solely in terms of satisfying basic social needs or boosting economic growth.

I am convinced that this symposium will yield significant conclusions. The outcome will help us not only to further debate during the Girona seminar, but also to bring to the table a substantial number of arguments at the Summit in New York. Hopefully, when reviewing the Millennium Development Goals, we will be able to include culture once and for all.

# Round Table 1

## Risks in funding culture: a myth or a reality?

- Does the perception of risk associated with investments in the cultural sector reflect reality? ► What are the causes? ► Are there specific factors associated with developing countries that increase risks?





**Moderated by Françoise Rivière  
Assistant Director-General for Culture  
UNESCO**

The cultural and creative sector in developing countries struggles to attract investment from donors and decision-makers partly because of the perception that the sector is more risk-prone. In addition, current policies and funding for culture tend to be short-term; insufficient investments in the long-term infrastructural requirements of the sector are critical for it to function and flourish like any other economic sector. This problem is particularly acute in developing countries, where culture is often marginalized in favour of other competing priorities. This has given rise to a cycle, where short-term policies perpetuate risks and perceptions.

Given this context, the first round table analyzes and challenges these perceptions and the current status quo by questioning the notion of risks. The round table focuses on distinguishing between “real” risks linked to the cultural sector and deconstructing and challenging the “myths” surrounding investments in this sector. The discussion of risks looks at a wide variety of financial and other risks (e.g. public, private, commercial, non-commercial, mixed, etc).

This round table prepares the foundations for the topics to be addressed in the second and third round tables concerning risk management mechanisms and other financial strategies applied to the cultural sector.

## **Investing in culture: well worth the risk**

**by Jean-Michel Debrat  
Deputy Director-General, French Development Agency (AFD)**

Although the potential of culture as a source of development is now widely acknowledged, public and private investment in the sector are still lacking. What are the reasons for this paradox? Why are the arguments in favour of investments not accompanied by greater risk-taking in this domain?

The cultural sector has potential for both macroeconomic and microeconomic (i.e. at the level of cultural industries) development. At the macroeconomic level, it is dynamic (8% growth per annum) with a world market for exports from developing countries. It can indeed constitute a major source of foreign exchange for balance-of-payment purposes. This holds true for industrialized countries too. France is a good example in that profits generated by culture, in particular activities linked to tourism, are a major component of the national balance of payments. Furthermore, the sector creates jobs, encourages ongoing training and education, and includes a wide range of

professional profiles. Lastly, the sector is characterized by a spirit of open-mindedness and innovation. Why, then, is it underfunded?

### **Distinctive features of the cultural sector and obstacles to funding**

In many ways, the cultural sector works similarly to heavy industry. It requires public investment that yields no profits in the short term and is sometimes very high. For example, a museum can be profitable in the long term, but the establishment of museums calls for very high investment with a delay in any return.

Moreover, the cultural products market performs in much the same way as a commodity market. It is an uncertain market in which risks must be taken on prices and the value of objects. Only a capital-intensive structure can take such risks. For example, nickel mining entails the risk of very low world-market prices for several years before the market rallies, prices rise and huge profits can be made. The cultural goods market operates in a similar way. The only enterprises that can withstand several years of loss-making are indeed highly capitalized enterprises. There is, however, a significant obstacle which entails persuading them to take risks based on the “value” of a cultural product.

Another noteworthy feature concerns the diversity of fields and activities in a sector, whose activities range from contemporary creativity (film, music and sculpture) to heritage protection and cultural industries such as fashion. It is, therefore, a fragmented sector made up of very dissimilar enterprises, fields and activities. Its strengths and its potential for development are both specific and numerous, and these are the first points that an investor analyses before allocating funds.

Furthermore, the potential of the cultural sector is intimately bound up with creators and creative processes. There are many creators and it is not easy for an investor to choose between them. That can lead to a patronage style of funding. For centuries, sovereigns, bankers and the ruling classes in general have been the patrons of the arts world.

### **The needs of the cultural sector**

The public authorities still have an indispensable role to play in persuading budgetary authorities. The “Grand Louvre” project in France is a case in point. It was due to the determination of President François Mitterrand that this project was carried out: despite great opposition, Mitterrand decided to move the powerful Ministry of Finance from the Louvre, thus making the Grand Louvre possible. The Grand Louvre project represents one of the most extraordinary gambles and outstanding investments made by France in the last 20 years. It was possible because of a political decision rooted in personal conviction. Decisions on patronage, too, are somewhat personal because great industrialists make decisions to support culture primarily according to their personal wishes and tastes.

The second fundamental aspect, from a strictly economic viewpoint, is the importance of equity funds and of guarantees to cover risk. There are indeed risks specific to this sector which investors cannot always assess. The market is thus one of the most difficult factors to assess; the cultural industries “market” is very specific, volatile, and marked by many information asymmetries. Which criteria should be used to assess a work’s success? For how long? Should assessment be done to

international, regional or local scales? These questions are crucial to cultural production in Africa. I think that one should rely more on the local market in developing countries before seeking access to external markets.

Evaluation of a cultural project is, therefore, a complicated process to manage. For example, the AFD invested in an excellent radio network in Morocco which was planning to become a television network. We were not best placed to evaluate the audience for the Moroccan television market. We had some doubts but were ultimately persuaded by the principal shareholder. This excellent radio corporation has found it difficult to win over viewers on the Moroccan television market. It still survives owing to support provided by the public authorities through Maroc Telecom. The AFD itself has made a loss, in part because of the difficulty of the initial assessment.

Audience and markets are a critical issue. They must constantly be “created” and for that to occur, facilities must also be established. Over several years the French Ministry of Cooperation developed a network of cultural centres in Africa and elsewhere, not to promote French culture, but to provide outlets for local artistic creativity. Infrastructure must obviously be created and funding providers play a key role in that regard.

Finally, buyers must also be “created” because the creative arts will always rely to some extent on public orders. France has its well-known “One percent law”, which stipulates that 1% of the total budget for erecting a public building must be allocated to cultural creativity through the commissioning or purchasing of a work of art. This mechanism has “created” a market.

### **What financing solutions could we use for the cultural sector?**

Financing culture calls, first and foremost, for knowledge of the particular production methods of cultural creativity, which is not straightforward for decision-makers (whether political or financial) who are not necessarily experts in the field. Financing inevitably involves risk, and there is a risk/profitability factor for every investment. A conventional investment fund requires a 15% return on investment. For that purpose, it funds ten projects, of which three are very profitable, four break even and the last three make a loss. The weighted average must amount to a 15% gain. A “development support” investment fund, as offered by some providers such as the AFD, cannot be expected to have a 15% return. As a rule, it targets 5%. An anticipated overall profitability of 5% means that out of every ten projects, four make a return, two break even and four make losses. Accordingly, it must be accepted that in the cultural sector, the investor’s risk is high. An economic approach that enables it to be covered must be taken.

Furthermore, it is also important to take into account what I believe to be bankers’ predominant opinion of the cultural sector. In their view, out of ten projects, only three will make a profit, two will break even and five will make a loss. In other words, for bankers there is a 50% chance of making a loss by investing in culture. Financing the cultural sector therefore means accepting a yield of between 0 and 5% thus agreeing to invest for non-economic reasons such as externalities and culture’s positive impact on development. Those externalities must therefore be demonstrated and brought to the fore in order to convince investors. The investors’ objectives – whether personal, political or both – is, therefore, decisive.

Of course, the problem of yield is posed in different terms for major investments in infrastructure.

The yield and externalities are obtained only over 10 or 20 years. That makes it harder to convince investors, because their horizon does not usually extend beyond ten years. They must therefore be shown the project's future externalities, in particular when the potential investor is a development agency or development bank. Additionally, a project must be monitored to ensure its long-term economic viability. Even successful projects have lean and fat years. In such circumstances investment rationale must give way to that of an insurer or a guarantee fund.

Consequently, the cultural sector presents a distinct set of problems. It is not necessarily riskier than others. For those making cultural investment decisions, it only seems riskier because project evaluation and management, field knowledge and market analysis are difficult and require specific skills. That is, by the way, why investment funds try to assemble management teams made up of the broadest possible panel of technical, commercial and scientific expertise in order to reduce the risk of mistakes.

At the macroeconomic level, I share the view that the Millennium Development Goals (MDGs) should be in part rewritten. Culture must be integrated into development models. Moreover, studies have already been made of the sector's share of national GDPs, its growth rate and other factors. I think that, in addition to economic statistics, the cultural sector's externalities should be highlighted and culture's driving role in the development matrix should be illustrated. Moreover, although it does not necessarily play the same role in every country (due to differences in history and other particular features), culture should become a prime factor for development. It is obvious that in countries such as Laos or Cambodia, for instance, or the Andean countries, the cultural dimension is fundamental.

We can only be convincing if we can measure the impact of cultural development on countries. Measuring that impact directly is, indeed, not easy, however it is easier, for example, to assess the number of jobs created. By reviewing all of the secondary effects, we could develop a pitch around an economic rationale that justifies a long-term, delayed-effect investment. As to the variable risks, we have seen that they can be covered by two tools, namely investment funds and guarantee funds.

These tools are usually established on a financial scale greater than that of cultural enterprises. We should therefore consider a link between fund providers, who are generally geared to development, and local banks, who take a commercial approach. Local banks are, in fact, the appropriate agency for meeting the needs of local entrepreneurs. Donors could thus come to the support of the local banking system, which would, in turn, make investments in cultural entrepreneurs. Be that as it may, we need long-term thinking and to strategize in terms of cultural fields and the global sector, in order to demonstrate the relevance of these options.

### **The AFD's tools and proposals**

The AFD's private-sector subsidiary is known as PROPARCO (French Investment and Promotions Company for Economic Development). This subsidiary considers cultural investments as entirely legitimate. We have developed two products that we consider suitable for this sector.

The first is an investment fund for Africa based on a 5% profit margin. Through this fund the AFD takes minority, albeit significant, stakes, ranging from €1,000,000 to €10,000,000. Although too large to match the needs of cultural entrepreneurs, these contributions provide support for initiatives that require major investment over seven or ten years. For example, we have financed a newspaper, a bookshop network and a garment-making enterprise, and we are currently studying an investment possibility in film-making through establishing cinema theatres, etc. The question now is how the momentum can be accelerated.

The second product that we have developed is the ARIZ guarantee fund, which covers local banks for half of the risk that they take on sums up to €2,000,000 for periods of up to 12 years.

In parallel we have followed-up on our discussions by taking a number of proactive steps. We have established a working group on the links between heritage and development, and another on cultural investments at local community level. We have dynamic mechanisms that we would be delighted to share with other donors.

In conclusion, it is not for me to assert, despite my firm belief, that a fundamental aspect of civilization intimately linked to development is embodied in cultural industries. I shall, therefore, say quite simply that funding culture is indeed a macroeconomic component of development theory and that it must be supported. Culture has a market value. I think that a donor should not be positioned outside that market. Frankly speaking, as a development agency, we feel that we are in the market but on its fringes. This is, therefore, the right moment to make suggestions in order to meet the challenges of financing culture.

First, we suggest that all manner of co-funding and exchanges of experiential data should be supported. Second, we would be prepared to consider, in conjunction with the European Commission, the establishment of a cultural investment facility. Such facilities exist already for infrastructure, water or energy. Another is being established for climate. If private banks or development banks were to submit to the European Commission a joint project that meets the criteria established under the European Union's policy, the Commission might co-fund and subsidize the project. This works very well for the facilities dedicated to other sectors I have mentioned. If the idea finds favour, we could submit this proposal to the leaders of EuropeAid.

Finally, there is currently a working group dedicated to the review of the MDGs; together, we could prepare and submit a document presenting the case for culture. Leadership in this area would quite naturally rest with UNESCO. To conclude, I suggest that a private/public working group be established, and that the AFD's PROPARCO subsidiary would be delighted to participate.



## **Identities, markets and cultural exchanges: main issues of the Republic of Benin**

**by Ganiou Soglo**  
**Minister for Culture, Literacy and the Promotion of National Mother Languages**  
**Republic of Benin**

The situation of the cultural sector in Benin is similar to that in other sub-Saharan countries. They all have one thing in common: their cultural economics cannot be separated from their economic and social reality, because they are part of daily life. Structural weaknesses and a lack of genuine economic operators specific to this sector are obstacles to its development.

In these times of crisis, culture has been pushed to the background in most countries throughout the world. Like sport, culture is blighted by a lack of consideration, visibility and government recognition, even though support for cultural sectors should actually be increased in times of economic and financial uncertainty. Donors and private sector operators must understand that culture is a means of improving mutual knowledge among peoples, in particular in Benin, a country of migrants, and that financing culture is tantamount to promoting peace, preventing social problems and ensuring economic stability.

The lack of substantial funding for culture in our countries has created a void, drawing foreign financing to the sector. Partners from the North flock to our cultural sector with their rules and their decision-making tools. As the saying goes, “he who pays the piper calls the tune”; all too often, our artists aim to please our partners from the North and merely conform to a particular demand. As emphasis is laid on development in such arrangements, artistic creation is liable to be sacrificed to other priorities.

In our countries, culture is a sector in which everything is still to be done. It remains difficult for us to forge ahead in turning this sector into a real industry and a factor of socio-economic development. To achieve this, financing is crucial. The Republic of Benin’s public policy in this area is ambitious and has entailed constantly rising financial allocations.

### **Cultural Fund and Cultural Heritage Development Fund**

Two cultural support mechanisms have been established in Benin: the Cultural Fund and the Cultural Heritage Development Fund. President Thomas Yayi Boni has increased the Cultural Fund, which is distributed as grants to cultural initiatives, from around CFA F200 million to CFA F1 billion.

This additional appropriation, dubbed the “cultural billion” by cultural stakeholders, was established in 2008 to support artistic and cultural creation. Of course, it could have been larger, particularly in view of the financial amount required for infrastructure and facilities, but it is still reflective of strong political will in this field.

When I took up duties at the Ministry of Culture, it was decided, in the interest of progress, that the operation of the Cultural Fund should be reformed, by reviewing its mean method of apportionment. We now wish to make it more effective by laying emphasis on training, infrastructure, facilities and the establishment of health insurance for artists. We consider it desirable to change the nature of the fund so that it will operate more as an investment fund set within a development policy, rather than as a social fund governed by an aid policy.

We must now first examine new courses of action in order to increase the Fund's effectiveness, in particular in terms of the changes to its method of apportionment. Secondly, we must study the economic, legal and taxation contexts and identify additional cultural-funding tools and the means of implementing them. Lastly, we must draw up a road map designed to ensure that private operators will participate in the development of the cultural sector and that the sector will be rooted in the national economy in order to promote our country's emergence.

Owing to its nature, cultural economics must be viewed in the long term and must rest, in our opinion, on four primary pillars, namely heritage conservation, heritage promotion, creation (publishing, new technologies, live shows, etc.) and cultural dissemination.

### **Heritage, tourism and economic development**

The economics of heritage have a direct impact on the attractiveness of our country. Most tourists come to Benin for its tangible and intangible heritage and for the many tourist attractions and development centres that are being established, such as Kétou, the ancient kingdom of Dahomey to the south along the border with Nigeria, and Ouidah, now a major tourist centre owing to action taken by President Soglo. Furthermore, we are currently relaunching the Slave Route Project in collaboration with UNESCO. Benin also has several resistance routes, which have great tourism and development potential. We will suggest that local actors build synergy between the heritage, creativity and the economic development of their region.

### **Shows and festivals**

Many shows and festivals have been held in Benin in the last few years. When a festival becomes an international event, it can be a hub of socio-economic development. That can be achieved only through, substantial investment, however. We are now suggesting that cultural operators and our partners hold fewer festivals, as most of them do not make a subregional or international impact. In collaboration with local and international partners, we plan to concentrate on six to ten festivals so that these events can have a great impact on local development, with positive economic effects and benefits on many fronts, such as hotels and catering.

The Sekanami International Festival, held for the first time a few months ago in Adjara, in the south of Benin, is a case in point. The organizers, from France and Benin, financed the event without State assistance, and it thus stands as a shining example for cultural operators in Benin. It was a great success attended by more than 30,000 people for a fortnight and it boosted the local economy. In due course a hotel will be built and multiplier economic effects will be achieved. This sums up the goals that we wish to achieve in Benin.

This event showed us that a festival must transcend the "ethnic" framework and must involve other regions if it is to be a great success. For that reason, we are trying to persuade private operators to organize festivals that involve the country's other regions and thus contribute not only to social cohesion by building a sense of belonging to a country, but also to the building of a regional identity. The Gaani Festival, for example, is a major event in the north of Benin that draws artists and audiences from Burkina Faso, Niger and Nigeria. To ensure that it continues to develop, we hope to provide new infrastructure for the festival and to persuade donors to invest in it, given its subregional economic potential. The private sector should also become more involved in festivals.

In regard to live shows and specifically to concerts, priority has been given to live rather than to recorded concerts in order to draw a larger number of artists and technical professionals who work in this area (sound engineers, technicians, singers, musicians, etc.). We consider this to be a means of promoting cultural industries. It creates jobs, gives our cultural stakeholders insights into stagecraft and is a boon to a larger number of music professionals who wish to earn a living from music. We know how difficult it is for music professionals to make a living owing to piracy of their works, a particularly widespread practice in Africa.

### **Tax breaks for investments in the cultural sector**

A law is currently being drafted to provide tax breaks for private sector support for cultural initiatives in Benin. This will encourage private sector enterprises to support the State in this area.

When an enterprise makes large investments in culture, it must be protected and encouraged by a suitable taxation framework. We hope to exempt in a transparent manner such investments by private enterprises. This is achieved in other countries under schemes designed specifically for each national context. We hope that the Government's current resolve will lead to a law that fosters the development of cultural industries.

Benin cannot single-handedly solve this sector's investment risk management issues. For that reason, we invited our colleagues from Burkina Faso, Mali, Senegal and Togo to a meeting in May to discuss new tools and cross-cutting finance that can be introduced in the cultural sector in our part of the world. Banks and investment funds are more likely to provide funds if several countries unite.

### **Markets, infrastructure and funding adapted to the sector's needs**

In contrast with the large domestic markets of emerging economies such as China or Brazil, the markets of sub-Saharan African countries are often too small to allow the development of cultural sectors at the national level. The first tourists at Expo 2010 Shanghai were mostly Chinese. We, representatives of "micro" States, must consider macroeconomics in order to take up the development challenges faced by our countries' cultural sectors.

Moreover, donors such as the French Development Agency (AFD) and the European Union (EU) could take the individual characteristics of our countries more into account. EU support provided through the Cultural Initiatives Support Programmes (CISP), crucial to cultural industries, have not been taken sufficiently into consideration. Foreign cultural centres (French, Chinese, American, etc.) are not enough: there should be many more, but smaller, centres. For example, in Cotonou we have helped to establish the Tchif centre, where cultural actors can now meet and hold various cultural events.

Donors should perhaps also display more flexibility when suggesting mechanisms. In our countries, it is difficult to copy support mechanisms that originate abroad and to tell local cultural stakeholders that only those mechanisms apply: the tools that are implemented must be adapted. Mali has achieved cultural synergy, for example in Dogon country, where links between the music industry and tradition are evident, as shown by the widespread use of musical instruments such as the *balafon* by contemporary music groups.



National borders in West Africa do not reflect sociological fact. Tribes in Burkina Faso, Nigeria and Togo are similar to those in Benin. Culture should enable our people to understand each other better. The funding of culture in Africa contributes to the promotion of dialogue, social cohesion and peace, not only among the countries in this region but also among transboundary peoples. The better people know each other, the more inclined they are to work together for the development of their country and their region. If investments are to have a long-lasting impact in our part of the world, the resources allocated to culture must be increased and the most important national and local stakeholders must work in close collaboration with donors on this matter.

Owing to the provision of funds for culture, millions of people could, in the long run find work, fulfilment and stability in their own country. In these times of crisis, we must rally round to gain better insights into the issue of funding the cultural sector and its related challenges.

## Challenges and opportunities of the cultural sector: the Latin-American perspective

by Francesco Lanzafame  
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After listening to my colleagues this morning, I find that there is a consensus on what risks are involved in funding culture. I would like to start by saying that the situation in investing and working in culture has made strong progress in the past fifteen years. At the beginning of the 1990s, culture was not even on the political agenda of most governments in Latin America and the Caribbean (LAC); now it is in every national and local strategy. The cultural sector may not be as strong as we would like it to be but we must also acknowledge that others sectors are not that strong either. After all, even more consolidated and traditional sectors, like health and education, are not facing a better situation, especially after the recent economic crisis. Dealing with all these priorities is a challenge, especially for emerging and developing countries. I am not so negative regarding the awareness of culture's many contributions. This is very much thanks to the work and support of countries like Spain, Italy, France, bilateral organizations and, of course, UNESCO, which has been a point of reference for everybody and for us at the IDB.

First, focusing on Latin America, it is important to remember how different the situation of this region is from Europe and the US, where the national conditions and the contributions of culture to economic development and employment are much more homogeneous. In LAC it is much more difficult to talk about a regional perspective and data. For example, in countries like Mexico, culture contributes to almost 6 % of the Gross Domestic Product (GDP); in the province of Buenos Aires it is around 7%, while in Paraguay, it is about 1%. This lack of homogeneity creates difficulties in elaborating an approach to the financing of culture and in the development of a regional legal and commercial framework.

Generally, the lack of funds for culture, both within national governments and international institutions, is not the only or the main problem. The problem lies also in how the existing budget is directed and utilized. Of course, extra funds are always necessary, the budget is never sufficient, but it is also a question of creating conditions for a more efficient use of the existing funds. When we speak of financing culture, in particular cultural industries, we are blurring the boundaries between culture and economics.

### **Risk One: Public and political support for culture**

The first risk that I would like to speak to you about is the lack of continuity in public and political support for culture. This is the outcome of poor dialogue between two sets of actors, with conflicting agendas, who see each other as belonging to completely different areas and whose interests are different in terms of vision, values and policies.

Traditionally culture has been financed by governments through grants and subsidies. This is certainly one good way but it also generates some challenges. The first challenge is that it commercially distorts the market. The second challenge is that financing is not always directed where it is needed. Funding should also be directed to the entrepreneurial aspect of culture. Indeed, in respect to cultural industries, the obstacles often do not lie in the production of goods (which in many cases can be easily produced) but rather in their marketing and distribution. For example, one example is the publishing sector in Colombia, which protects their internal production. There are laws that guarantee that 20% of production is automatically bought by national libraries and schools, and this mechanism is directed to the distribution rather than to production. There are very good lessons to be learned here about the need for political support and the necessity of targeting the needs of the cultural sector.

Why doesn't this happen? One reason is the conflict of interest that can occur during the dialogue between the economic and the cultural sectors. The second is the low priority of culture in the political agenda, despite the increased recognition of its value. In emerging countries, culture is competing with so many other priorities, all equally urgent, while culture is not perceived as an immediate need. There is little realization that it is not a renewable good. Thirdly, in my experience, financing culture implies programmes that need medium- to long-term vision. But often politicians are obligated to respond to short-term objectives. Political mandates last three to four years, and there is a pressure to produce results within this timeframe. This is an area of concern, which we need to resolve by collaborating with governments to find solutions and by designing projects that accommodate political needs and timeframes within a solid long-term strategy.

There are other kinds of related risks, which differ from country to country: a) the lack of legal regulatory frameworks: for example, intellectual property rights or local production are not always adequately protected. Regulations and institutions are also needed to combat piracy, which has growth dramatically in recent years; b) superposition of institutional mandates, competencies and a high level of bureaucracy, and c) difficulties in establishing partnerships between public and private sectors: the former sometimes is not prepared to work with the private sector and the latter often are not prepared to work within a public logic.

## Risk Two: Commercial risks

All this generates the second risk, already highlighted in earlier presentations – the commercial risks. Despite existing data showing that culture is important for development and generates economic growth and employment, there is a perception that investing in culture is not a good investment. Of course, in some cases, there is a real factor related to investing in a new economic sector or urban area, as in the case of commercial and real estate investments in historic centers. However experience over recent years show that well-planned businesses have been successful and are profitable. It is necessary to better analyse these experiences and generate more comparable information and compatible data at the national and regional level.

Culture as a product needs a market in order to be profitable. As Mr Debrat said, this market can be internal: we do not always need to look to international markets. However, this is dependent on a country's size and characteristics, since in some cases there is no possibility to develop a self-sufficient internal market. Countries like Brazil, Mexico, or Argentina can have strong domestic markets, while a Caribbean country, with only a few hundred thousand people, cannot. Often the Bank will receive a request for support from these countries. For example, a country approaches the Bank saying: “we are not able to produce television programmes anymore because all the distribution is by cable or satellite, owned by foreign companies, who no longer buy local products. Therefore we have distribution that is mostly international.” This has an impact not only on the television industry but also on education. Television, radio, and movies play also an educational role, particularly in countries with a low level of literacy. Markets are a sensitive issue. To resolve this problem, there is, for example, an interesting initiative from one Caribbean country to develop an integrated regional policy for cultural industries. Political support is needed to create more legislation, protection, and trade agreements, and to support the development of a regional market.

There is also another related aspect, which I see especially in Latin America, where the process of globalization has been very strong over the last ten years and the competition between multinationals tends to kill local small business. If there is no public support for these businesses and a well-organized chain of production and distribution, then the law of the market eliminates many possibilities. Moreover, in some cultural sectors, once traditional expertise is lost, it is very difficult to regenerate it with the previous level of quality and creativity. Latin America is becoming increasingly a consumer of imported foreign cultural products. Even many Latin American cultural products, such as music, literature, and *telenovelas* are increasingly foreign-produced and subsequently reimported. These examples may be useful for designing measures to redress the situation.

## Risk Three: The disconnection between entrepreneurial capacity and artistic capacity

The Inter-American Development Bank finances culture through two main instruments: projects loans and the Multilateral Investment Fund (MIF). Project loans can be applied, for example, to the rehabilitation of historic sites, urban areas and monuments, as part of urban development projects. These projects can also include funds and other components which support cultural industries. They can serve as an instrument for protecting traditional activities and attracting new

ones, or for maintaining the authenticity of these historic areas and promoting local development. Most of the loans in urban rehabilitation projects go towards these components working with an integrated approach on these aspects. For example, when we worked on the second stage of the rehabilitation of the historical centre of Quito, the issue of cultural industries became very important since it was a fundamental element in maintaining the integrity of the city. In recognition of this, we designed and introduced a fund targeting cultural industries. Before we began to design the funds, we spoke to local actors in order to better understand their needs and they highlighted the great initiatives that they wished to develop. However, there was a significant disconnection between entrepreneurial capacity and artistic capacity. There is great difficulty in transforming good ideas into products that are profitable and financeable. Here lies another important risk -- the risk and challenge of matching artistic skills with entrepreneurial skills. More capacity-building programmes need to be developed, with increased training and support to integrate the two activities.

The MIF is an instrument specifically aimed at supporting small and medium enterprises. In this context the MIF has financed several programmes which support cultural industries and help to develop entrepreneurial skills in the sector. They have had very successful experiences.

Unfortunately when it is necessary to move from grants to loans, political support tends to diminish. This is due, in part, to the tradition of giving grants and subsidizing culture: governments do not see, therefore, why banks should give loans. This is one reason why projects often have to terminate. In several countries, there are numerous initiatives promoted by the private sector since they realize the potential benefits and the importance of culture. They develop good projects but then they clash with the low political priority accorded to culture, and do not receive adequate public support. It is not that governments do not want to give attention to the sector, but because these projects compete with other priorities, there is never sufficient time nor resources.

### **Conclusion**

In sum, I consider that there are basically three main risks: 1) lack of political and public support, 2) commercial risks and the issue of markets, and 3) capacity-building and entrepreneurial skills.

# How to maximize the cultural sector's potential for development

**by Jean-Claude Boidin**  
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**Directorate General for Development, European Commission**

Today, the European Commission (EC) is a major stakeholder in the provision of official development aid and cooperation. However, it should be noted that, apart from the Cultural Initiatives Support Programmes (CISP) and some global media, film, television and radio support programmes (in particular in the African, Caribbean and Pacific [ACP] States and Mediterranean countries), only a fraction of official development aid has been allocated to date to support cultural production in partner countries.

The same holds for the private sector in general. Until recently, the European Commission has often focused its assistance, at a partner country's request, on infrastructure funding and on social sectors. The Commission has willingly delegated direct private-sector support to the European Investment Bank or the more specialized institutions of the European Development Finance Institutions network, which includes the French Investment and Promotions Company for Economic Cooperation (PROPARCO).

We are, therefore, today in a good position to become more engaged with the cultural sector. Since the colloquium "Culture and Creativity, vectors for development" (held in Brussels in April 2009), the European Commission expressed a strong desire to develop the cultural dimension of cooperation and to provide more direct support for cultural creation to countries who request it. We understand the economic potential and political importance of cultural creation.

Action in that regard is gaining momentum in synergy with a group of ACP States, in particular, now, within the framework of the mid-term review of the tenth European Development Fund. Burkina Faso, Ethiopia, Mali, Mozambique and even Haiti, which is currently facing a very challenging period, have requested us to expand the cultural dimension of our cooperation programmes. We are, therefore, endeavouring to increase our experience in this area and to learn from exemplary good practices of partners that have greater experience with such issues, e.g. the French Development Agency (Agence Française de Développement [AFD]).

## **Specific risks of the cultural sector: size, strength and character**

Apart from large industries (for example, film in India or television and radio in Brazil), with high productivity and investment levels, most cultural production in BRIC (Brazil, Russia, India and China) or developing countries does not require huge amounts of investment. The production cycle in fine arts, live shows, publishing, literature and photography is usually relatively short (one or two years) and requires only limited funds. A few thousand or tens of thousands of euros usually suffice to stage a show or exhibition. Cultural creation is, therefore, affordable for many potential creators and operators, even in the informal sector, and hence, there will be multiple initiatives, each covered by a funding request that will require investors (institutions, banks and development funds) to have good knowledge of the sector, and to conduct detailed, difficult and perhaps even discouraging project analysis.

Fragmentation is one of the cultural sector's most dynamic characteristics, yet it is seen as unattractive by funding institutions and complicates the task of donors such as the European Commis-



sion in their attempts to address the sector. When assessing cultural projects, a clearer distinction should therefore be drawn between production, dissemination and distribution costs. For example, often dissemination and distribution carry the highest costs, but they are not necessarily borne by the producer or creator and may be covered by the disseminating body.

The financial cost of risk management can be reduced through the use of new information and communication technologies. In sectors such as publishing, for example, new technologies can lower distribution costs and reduce minimum profitability thresholds. They reduce the overall investment costs of a particular creative work. In short, while it is true that some investments, such as public investments in infrastructure, can be substantial, private creation in developing countries does not demand significant levels of capital.

What is the risk of a cultural entrepreneur not completing a product that he or she was intending to create? What is the risk of not finding a market for the product, or of the product not yielding economic returns? Would this risk be higher in the cultural sector? There is no doubt that the risks are real, since it involves innovation and creation. However, there is no reason for risks to be higher in this sector than in industrial innovation or in the launching of a new technology or a new agricultural process.

If a fear of failure appears more prominent in cultural creation, this is more the case for new creators and entrepreneurs who have little experience and access to markets. Moreover, since the profits are not sufficient for them to make a living, they are often engaged in multiple activities and can not, therefore, invest all of their resources in their creative endeavours. These are amateur or fledgling artists who would be prepared to fully launch themselves in the market if they were sure that there would be sufficient demand.

As the product of cultural creation is, even in the process of its design, unpredictable, the creator's personality and reputation are amongst the factors considered in risk assessments by the investor. As soon as a writer or filmmaker becomes well known, or as soon as a director becomes established internationally, their work is assessed before it has even been written or produced. Such creators can easily find support, in particular from distributors, and can even receive competing offers from different broadcasters or distributors who hope to attract them to their network. It would therefore be a good idea to encourage well-known creators to support or sponsor new artists and thus give the projects more credibility. This could be achieved by appointing them to project evaluation committees through which grants are awarded.

In short, the risks seem real in the cultural sector but are no higher than in other sectors. What, then, is the nature of these risks?

The first risk is commercial. Culture is a market economy-oriented sector and the risks exist that a product will not sell well or find an audience. This risk exists in all commercial endeavours, which may be covered by credit insurance schemes or guarantee funds. Are these guarantee funds and insurance schemes, which are generally aimed at small- and medium-sized enterprises, accessible in a non-discriminatory way to cultural operators, in the same way as they are to industrial or small-scale industrial or crafts enterprises or conventional services? If these systems are not readily available to the cultural sector because of the intangible nature of cultural products, their scope should be widened or new mechanisms should be established.

The second risk is of a political nature. Cultural creation is closely linked to freedom of expression. In countries where respect for freedoms and the pluralism of ideas are not fully guaranteed, authors, directors and filmmakers may be censored or punished by the authorities. It may sometimes be easier to disseminate their creative work outside rather than inside their country. This may push some creative artists to leave their country. This is a delicate issue that must feature in donors' or major international partners' political dialogue with partner countries.

Risks linked to accessing foreign markets are also significant. In many of the poorest countries, in particular in Africa, the domestic market is too small and local purchasing power is too low for cultural creators to make a living from their work. In these cases, economic success depends on access to international markets, in particular to those of developed countries. Caribbean or West African bands can earn a living only if they have access to distribution networks in Europe and to international festivals and concerts. However, access to markets of the North is uncertain, as exchanges of cultural services are not sufficiently regulated and protected, and freedom of movement for artists is impeded by immigration restrictions.

Agreements on the exchange of cultural services and goods, such as the protocol signed by the European Union (EU) and the Caribbean region as part of the Economic Partnership Agreement (EPA), must therefore be encouraged. The European Commission is working to reduce the risks. Creators in the South must be able to rely on access to markets of the North when they want to distribute or promote their products or services there. In a context in which the liberalization of cultural exchanges at the multilateral level is slowing down, the establishment of regional agreements constitutes progress in this area.

The fourth risk is linked to respect for intellectual property and artistic property. This relates to the risk of piracy, seizure and forgery; these are matters of concern for all creators, not only those of the North. To reduce this type of risk, institutional frameworks and international cooperation must be strengthened. Collection of royalties and their effective distribution by appropriate bodies to creators could be improved in developing countries. Even when royalties are collected and distributed by the State or a public agency, author's rights rarely produce remuneration for creators. This handicaps development of the sector.

### **Cultural development aid: the case for establishing an “exception”**

Lastly, I turn to the difficulty that donors or traditional financial backers, such as the European Commission, face in providing direct support to the cultural sector. This field is seen as distinct from other economic sectors and more difficult to address.

Today, the international official development aid agenda is governed by the 2005 Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The Accra Agenda was adopted in 2008 by the European Commission and by a group of partner countries. The predominant keywords in the Programme and the Agenda are “ownership”, “alignment” and “harmonization”. In other words, they encourage donors to focus on partner countries' policies, on budgetary assistance and on large-scale sectoral initiatives in order to reduce, as much as possible, the fragmentation of aid. The cultural sector is, by its very nature, slightly outside this public management approach. Creativity is multifaceted and diverse. Culture needs a strong institutional framework that supports

and protects it, but it also needs to find support through direct financing that is not channelled through a centralized management system.

Major donors still do not have in place the flexible, decentralized support tools required to meet the specific needs of the cultural sector in developing countries. In international trade and taxation, the notion of “the exception of culture” has often been raised. Some inventiveness or “an exception” are no doubt required in the area of development aid in order to meet the expectations of the cultural sector more effectively. The question now is whether donors could adapt their instruments and tools and thus improve them to provide better support for the cultural sector.

### Summary of the Round Table Discussions

Following on from the presentations' focus on the nature of risks involved in funding the cultural sector, participants also found that:

- The exclusion of culture in UNDAFs contributes to its marginalization in international development strategies and programmes which tend to privilege other sectors.
- The lack of awareness of available financing mechanisms by cultural entrepreneurs limits their ability to devise viable financial plans to achieve their projects.
- The absence of research on specific risks related to specific sub-sectors reinforces the image of the sector as complex in the eyes of investors. Collection and dissemination of data could highlight the potential of certain sub-sectors and thus, more easily attract the private sector.
- Weak legal frameworks struggle to protect cultural and creative products (i.e. against piracy).
- The diversity of culture's numerous sub-sectors renders interventions addressing the whole sector more complex.
- Lack of transparency and accountability of public interventions, can lead to mismanagement of resources.
- Existing infrastructural weaknesses are preventing the sector from functioning to its potential, in particular in respect to factors such as diffusion (concert halls, theatres, cinemas, art galleries, libraries, etc.).



## Contributions from the Online Discussion

Participants of the online discussion shared the symposium's view of the cultural sector as “no riskier than any other economic sector”. In addition to calls for stronger political commitments and greater appreciation of the economic potential of culture, participants also argued that:

- One size does not fit all: appropriate policies and programmes need to take into account the diversity of cultural sub-sectors. Heritage needs differ from those of the creative sector; publishing needs are distinct from those of performance artists.
- Cultural entrepreneurs struggle with the “business approach” required by investors. Interventions are needed to target low-management capacity and insufficient support for cultural entrepreneurs attempting to develop business and management skills.
- Policies are not informed by nor respond to local challenges. There is a disconnection between cultural policy makers and small-medium entrepreneurs.
- Cultural funding is often politicized; policies and funding are often short-term. Lack of public transparency and accountability tends to result in poor management or misallocation of resources.
- Access to ICT can be both unreliable and expensive, stifling potential for creativity, increasing risks and diminishing return on investment.



[www.unesco.org/culture/en/funding-and-risks](http://www.unesco.org/culture/en/funding-and-risks)

# Round Table 2

## Dealing with risk: what works

- What can be learned from these different experiences?
- What “works” and what needs to be improved?
- What are the main risk management mechanisms available today?
- What are the results?
- How can international development programmes play a role in reducing risk?



**Moderated by Toussaint Tiendrebeogo**  
**Policy expert**

The second round table focuses on lessons learned from national initiatives and the experiences of development agencies, development banks and private organizations in financing culture. They showcase different approaches depending on the nature of funding (public, private etc). Such mechanisms include risk-sharing models (involving guarantee funds), investment mechanisms directly managed by financial organisms, allocation of funds for capacity building and other innovative financial models.

What these mechanisms have in common is a high degree of expertise in particular cultural sub-sectors or in a financial model. Specialized analysts and teams within donor organizations (cf. BNDES) have managed to adapt existing risk management and financing tools employed in other sectors in order to meet the changing and distinct needs of the cultural sector.

Understanding “what works” and lessons learned in risk management are important for designing future strategies and for identifying potential opportunities. These experiences contribute to the third round table’s examination of new approaches that can encourage financing the cultural sector in developing countries.

## **Matching culture’s economic potential: BNDES’ innovative financing strategies**

**by Luciane Gorgulho**  
**Chief of the Department of Culture, Entertainment and Tourism, Brazilian Development Bank (BNDES)**

The Brazilian Development Bank (BNDES) is the main institution to support development in Brazil. I will share experiences that we have had over the past three years in supporting the cultural sector, not with grants and subsidies but with loans, equities and investments.

I will do a brief overview of BNDES and how we used to actuate in the culture sector before the creation of the Culture Economics Department. I will focus on the audiovisual sector, which is the sector where we have employed a more intimate approach over the past three years.

### **About BNDES**

BNDES is the official development bank of Brazil. It was founded in the 1950s and is 100% state owned. It is the key instrument for the implementation of the federal government’s industrial and infrastructure policies. BNDES is the main provider of long-term financing in Brazil. We also

support strong actuation in equity through our subsidiary, BNDESPAR, which is very important for the capitalization of Brazilian companies. Our headquarters are located in Rio de Janeiro, and we have 2,402 employees. We opened a subsidiary in London (UK) in November 2009. All infrastructure and industrial sectors in the Brazilian economy have been financed through BNDES long-term financing; the Brazilian private sector banking does not providing long-term financing. The main reason being that in the past, there were high inflation rates; this has only recently changed. Over the past few decades, we also started to provide finance to new areas such as urban development and innovation. We are increasing our participation in the range of sectors, usually with loans – not grants. Culture has only been included within the scope of BNDES' work since 2006.

Originally, the funding for BNDES came from the worker's assistance fund. Now, most of the budget comes from the returns on our own loans. BNDES' annual disbursement is huge, even in international terms, due to the lack of private financing. Last year our disbursement was around US\$72 billion. We have a profitable bank with net incomes of around US\$3.8 billion last year.

BNDES operates in two ways: through indirect and direct operations. BNDES provides company direct financing when the amount financed is above US\$6 million. Below this value, we transfer funds to other accredited financial institutions (commercial banks, regional development banks) and they provide the credit to companies. We also have some initiatives in microcredit but which are very small at the moment. Last year, there were 300,000 indirect operations, mostly to micro and small enterprises.

BNDES developed a very interesting system of financing small- to medium-size enterprises (SME), which we are not able to reach through direct financing. It is the BNDES Card, which functions like a credit card. SME can get a credit line for a four-year term for the acquisition of products (equipment etc.) accredited by BNDES. The credit limit is set at up to US\$600,000. It works through Internet portals for all sectors, including culture. 258,987 cards have been issued, with US\$5 billion total credit and US\$1 billion disbursement. It has been very effective.

Finally, BNDES also manages the Amazon Fund, which raises funds to preserve and promote the forest's sustainable development.

### **Activities in Culture**

Firstly, it is important to mention that BNDES has been supporting the software business for over 50 years, so we do not consider it as part of the cultural sector but rather belonging to the creative sector. Similarly, urban development has been financed by BNDES for a long period of time, and we do not consider it to be part of the cultural sector. However, heritage preservation is treated as part of the cultural sector.

For BNDES, the cultural sector involves the audiovisual, music, press, videogames and some of the performing arts (not yet all of them) sub-sectors. Importantly, there is still no reliable information on culture either in Brazil or in Latin America.

Some brief numbers of the potential of the cultural sector in Latin America, taken from a PriceWaterhouseCoopers' study. Culture accounts for 5% of employment in Brazil, with great potential for growth, mainly due to Brazilian diversity. Brazil has an important internal market. Brazilian music,

for example, is responsible for 80% of market share; it is the third country in the world after US and Japan. We produce most of our content for TV; we have strong Brazilian TV companies which is, at the same time, a strength and a weakness, since we are not very open to new content.

### **The Brazilian system to finance culture**

In Brazil, the budget of the Ministry of Culture is very limited. Most of the funding for culture comes from two laws: the 1991 Rouanet Law and the 1993 Audiovisual Law. They both offer 100% tax deductions for investors in the cultural sector. These laws were important to make the sector grow but were not good at stimulating a “good” type of growth. For instance, 100% tax deductions are valid for all sectors: there is no distinction between a commercial activity, heritage or a museum – they all get the same tax exemptions. It accounts for US\$1 billion a year that come from private companies or even government companies. Even BNDES, since we make profits, can use this kind of deduction to cope with our own activities.

In Brazil, we do not have mitigation risk mechanisms like completion bonds, which is problematic. There were no specific credit lines for culture until three years ago, when we created our own credit lines. This situation led to the allocation of money in culture, via the two aforementioned laws, being transferred from big companies, which had profits and could have tax exemptions. The application was market-oriented: they funded activities that could provide an image return. There was no public policy behind it. It also led to an excessive dependency of the cultural sector, which before those laws used to reach the credit system to finance their movies and shows. The law made them dependent on tax exemption mechanisms and, as a result, they still lack entrepreneurial punch.

In audiovisual, there is a specific law which is oriented only for cinema (not for TV or new media). The incentives are only for movie production and distribution, which benefits major companies. This has created a contradictory situation such as the lack of a national distribution of movies; Brazilian movies do not reach their audiences since there is no incentive for exhibitions or for infrastructure. Moreover, incentives for movie production are not dependent on movie results; there is no consideration of public interest. These characteristics led to a hyperproduction in the Brazilian movie industry; there were around 100 movies launched and the Brazilian market could not support it. There was no public for these movies and they had weak export potential. Moreover, the Brazilian market share has been about 12% since the beginning of the law – that is, there has been no change. The law produced a multiplication of producers with no capital strength and thousands of small companies with no conditions for growth. Budgets for movie production were already high enough. Since there has been no support for national networks of distribution, (because the incentives were only for the majors), national distribution is very weak. In Brazil, there are 80, 000 inhabitants per movie theatre: double the number in Mexico and ten times that in Europe and US with a high average price ticket. All of this indicates that the law did not think of targeting the market’s needs and developing it.

### **Evolving activities of BNDES**

In the early phase (1995 to 2005), BNDES’ only focus in culture was on heritage preservation (with grants, based on the incentive law, ie. all tax exemptions, no own capital) and on audiovisual (also with tax exemptions, according to the audiovisual law). In fact, BNDES was acting like a big

private company entitled to tax exemptions which they used to support the cultural sector. What changed three years ago? The creation of a cultural department, within its operational structure (not, as was previously the case, within the marketing or communication structures). This department is, in other words, within the structure of finance, with their committees and boards, etc to approve the analysis and so on. The objective of the department was to develop a cultural economics sector, to study the sub-sectors and to develop suitable instruments for investment. We worked on the analysis of the value chain (the first sector was audiovisual) to understand the generation of value along the production, distribution, exhibition, and infrastructure chains and we created financial mechanisms for the sector.

The challenge in treating these sub-sectors as a business sector is that they are characterized by intangible assets, with no collateral to offer. However, this is also a characteristic of other type of companies, such as technology-based companies, and is not exclusively a problem of the cultural sector. There is no risk-mitigation mechanism, such as completion bonds. In the movie production business, this situation was worse due to the fragile financial structure, high volatility, deficiencies in management (like in other SMEs). The difference in the cultural sector was that the incentive law created a “tax incentive culture”, which did not encourage entrepreneurial expertise.

Using the tax exemptions, BNDES tried to reorientate its approach through making higher average investments in fewer movie productions, that is, more money for fewer films. This policy aimed at increasing box office returns. We only fund movies that have confirmed movie distribution.

The second reorientation was investment through audiovisual funds. They work just like a private equity fund or a venture capital fund. The difference is that it is exclusive to the audiovisual value chain and still provides tax exemptions for investors until 2016. This is a good opportunity to try to structure these type of funds before the exemption law finishes.

In addition, we developed a special credit line adapting BNDES lines' characteristics.

### **The new credit line for the cultural sectors (PROCULT)**

The general characteristic of BNDES credit lines for all sectors establishes the minimum amount for direct operation at US\$6 million per operation. Also, the company must respect BNDES' risk credit policies according to a ranking table: the percentage of the total net assets and net capital from the company. This signifies that BNDES can only lend until a certain amount of the balance sheet numbers of the company. It is a risk credit policy designed to avoid clients' default. The collaterals and loans are formed by personal warranty and a guarantee of 1.3% of the financed value, usually a real-estate guarantee.

Since 2006, there is a special credit line for the cultural sector which reduces the minimum financing amount of US\$6 million to US\$600, 000, with lower interest rates and longer terms (eight years for culture, the average BNDES term is six to seven years). The exemption of BNDES' credit policy was an important change in that, without it, no company would be eligible to access the loans. BNDES accepts to incur risk up to US\$6 million, per economic group, in financing culture companies. In addition to traditional collaterals (e.g. real estate), which is unrealistic for these kind of companies since they have intangible assets, these kind of guarantees are based mostly on receivables.



### The new Audiovisual Investment Fund (FUNCINE)

This is a pilot scheme and the first investment fund for distribution in Brazil. Although BNDES has a strong tradition in investing in private equity and venture capital funds (we have over 40 funds and US \$8 billion in funds for all sectors), this was the first time we did it for culture. We stimulated the creation of a fund for distribution with partnerships of small Brazilian distribution companies. The fund has US\$10 million, and BNDES was the anchor capital. BNDES gave 70% of the capital and tried to leverage more. One-third was tax-deductible money. The fund has a professional private manager; BNDES is only the investor. The focus of the fund is on potential box office results. The fund invests in equity and P&A to balance risk and the return of the investments.

### Results

What were the results of these reorientations? In respect to the reorientation of movie production investments to support higher potential box office movies, since 2006, the average growth rate rose and the box office has grown significantly since 2006.

Through the FUNCINE, after two years, there has been five investments in movie production, including two national blockbusters (*Diva* and *Chico Xavier*), which had not occurred for many years. The accumulated return on investments for investors is 17 % so far.

The new credit line created disbursements of US\$45 million through several direct operations. So far, there have been no defaults. We invest mostly in screening rooms (though they are not at the creative core of culture, they are, nevertheless, necessary since that is where the movie is seen), infrastructure (studios), distribution, and some small participation in production.

### Some remarkable financing models

I will briefly mention some remarkable financial models that BNDES developed to achieve that result. For financing the screening rooms, we established box office receivables as collateral. These are like a project finance-based operation: an escrow account separates the revenues from the ordinary company accounts, and there is a collector bank. The benefit of this structure is that the client does not need traditional collateral, such as real estate. BNDES' repayment of loans is secured by the escrow account and collection scheme because government banks know that sometimes clients prefer to repay private loans before repaying government loans. With this system, they are unable to do so since the mandatory bank has to collect debt for BNDES. The cash flow projection is critical because even if the client becomes bankrupt, BNDES is protected.

A reliable market database is crucial. In the audiovisual sub-sector in Brazil, we have two reliable market databases, Nielsen and Rentrack, that are lacking in other sub-sectors. Every other sub-sector needs a market database. I think that UNESCO and other international NGOs should create or subsidize a market database for other sub-sectors in every country. An online platform is necessary so that we can know how much, for example, a movie theatre room earned yesterday.

Another type of model used is for the financing of movie production. As this is a very risky activity, we prefer to support movie production through the FUNCINE, that is, through investment funds. This is because they work like a portfolio: they receive governance from the managers, which is

more suited for risky investments. However, we have had some loans through contract receivables with bullet repayments.

For the financing of animation, a sector we believe has a great potential in Brazil, we also used a project finance-based operation, with escrow accounts as well as bullet payments. We associated it with a bonus budget from tax deductible investment (in a proportion of 1 to 0.75) and with the same benefits. The international sales analysis is key. Since we started this credit line, there have been two successful TV animation series.

### Conclusion

Development banks have a role in developing new mechanisms and assuming risk. At least in Brazil, this was very important for its demonstration value. Thanks to the BNDES model, other regional banks (e.g. state development banks) tried to replicate some of BNDES' innovation – even private banks.

The cultural sector has a return potential but financial schemes must adapt to its characteristics. BNDES did this by changing the role of collaterals and repayment schemes. The credit risk policy is the biggest barrier. The BNDES solution was to establish the maximum loss acceptable: US\$6 million per group - not a lot for a bank of the size of BNDES. We have a stop-loss programme of \$200 million.

Investment funds are also a promising mechanism because they provide risk syndication, governance and portfolio approaches. However, nothing substitutes for good project analysis. It is important to have a dedicated team. In the last three years, we have learned a lot from the cultural sector. It is difficult to replicate the model to other financial systems since a tailor-made analysis is difficult to transform into a rigid formula.



# What works: the rapid rise of cultural industries in China (2000-2010)

by Prof. Chengyu Xiong  
Director of the Center for New Media Studies and Center for Cultural Industry Studies  
Tsinghua University

Today I would like to talk to you about “what works” in supporting the cultural sector. Drawing on the case of China, in particular state policies and practices, I would like to demonstrate how cultural industries can flourish and become an important contributor to national economies.

Public interest in cultural industries in China started later than in other countries. The first time that the term, “cultural industries”, was used officially by the government was in October 2000. Progress since then has been swift. Indeed, three years later, in August 2003, there was the first ever meeting on cultural industries organized by the Central Leadership. At this meeting, I presented an analysis of the status quo and made suggestions on future policies. The first government policy was produced a few months later. In March 2004, the scope of cultural industries was defined and incorporated into the national economic assessment system.

In other words, we may have started later than other countries, but our development has been rapid. Here are some figures to highlight how quickly cultural industries have developed in China. In the first annual Cultural Industries Report (2004), there were 346, 000 units, employing over nine million individuals. The added volume reached 340 billion Renminbi (RMB). By 2005, the added volume amounted to RMB 421 billion, in 2006, RMB 512 billion and in 2007, RMB 641 billion. The figures for 2008 are not yet publicly available, but we already know that cultural industries enjoyed a 17% growth rate, particularly significant given a context when GDP grew only 8% that year.

The exports of the sector have, however, suffered during the crisis. Since September 2008, export of Chinese cultural products has been decreasing month by month; exports reached its worst ever result in February 2009 (the lowest on record since January 2008). However, concerted efforts by the government and industry ensured the continued growth, despite the financial crisis. For example, the first half of 2009 witnessed a growth rate of 17% on the previous year. Indeed, in 2008:

- the performing arts and entertainment sub-sectors had a total revenue of RMB 8.03 billion - a 16% increase from the previous year;
- the revenue of news and books publication enterprises reached RMB 1 trillion, a 20% increase on 2007; and
- there were altogether 496 movies produced domestically, which created a box office revenue of RMB 6.2 billion, a 40% increase from 2007.

## Public and private sector support and policies

The development of cultural industries in China has been driven by financial and regulatory support from government and the market. There are usually three layers of support:

1. Government capital and policies: to construct a service platform and an investment-friendly environment
2. Social and private capital: to build a competitive market
3. Foreign capital: to form joint ventures for cultural investment

### **State support**

In 2009, the State Council issued the Cultural Industry Promotion Plan, which placed cultural industries in a significant strategic position. Following that, the Ministry of Culture, the General State Administration of Radio, Television and Film, the General Administration of Press and Publication and other administrative authorities concerned have adopted and taken relevant implementation policies and measures.

The Chinese Government encourages financially prepared cultural enterprises to go public on the capital market. There are at present 51 publicly listed cultural enterprises, among which 11 are newly listed since 2008. For instance, Shanda Media Group, a leading interactive entertainment media group in China has announced the IPO of four companies until December 2009, with three listed on the Nasdaq, and one in Korea.

Support exists not only at the national level, but also at the provincial level. For example, 26 provincial governments established a specialized fund, which provides support to cultural enterprises through interest discounts, premium awards, etc. The scale of support is from 10 million to RMB 1 billion.

### **Commercial banks**

Commercial banks also play an important role. Major commercial banks (e.g. State Development Bank, Commercial and Industrial Bank of China, China Import and Export Bank, Bank of Beijing, etc.), have started to offer specific loans to cultural enterprises. Coordinated action with the Ministry of Culture in 2009 has helped 57 cultural enterprises successfully obtain loans (as much as RMB 9.8 billion). In addition, the Bank of Beijing has created a “Loan for Creative Industry”, a specialized category of loan, aiming at sponsoring cultural enterprises.

### **Funds and equity Investment : domestic and international**

As part of its commitment to the sector, the Ministry of Finance has offered RMB 4 billion to finance the establishment of cultural funds. This will raise a total capital of RMB 20 billion. Other avenues of support come from venture capitalists both domestically and abroad, who are increasingly attracted to and interested in funding cultural enterprises in China.

### **Financing Policies: a case study from Beijing**

Beijing city government has launched policies promoting cultural and creative industry financing, which include:

- Cultural and creative specific funds: for the exclusive use of cultural and creative business investment, with RMB 2 Billion in total. They have funded 365 projects since 2005.
- Interest discounts and project subsidiaries: provide interest discounts for cultural industry loanable funds, giving subsidiaries and premium to cultural investment.
- Seeds fund: to support cultural and creative project initiatives. From 2009 to 2011, a total of RMB 300 million projected.
- Constructing financing service platforms: providing financing services to cultural and creative industry investment.
- Greenpasses for Loans: offering greenpass treatment for cultural investment loans.
- Cultural and creative enterprise IPOs: to help cultural and creative enterprises go public.

### Recent Initiatives

On 8 April 2010, nine state ministries jointly promulgated a “Guidelines on Financial Support for the Development of the Cultural Industries”. These ministries included:

- The People’s Bank of China
- The Ministry of Finance
- The Ministry of Culture
- The State Administration of Radio, Film and Television
- General Administration of Press and Publication
- China Banking Regulatory Commission
- China Securities Regulatory Commission
- The China Insurance Regulatory Commission
- The Publicity Department of the Communist Party of China

The guidelines are concrete, specialized and easy to operate, giving instructions on how to finance the sector through loan extending, modes of credit, capital markets, insurance markets and supplementary systems. Given that they are the first government documents on cultural industry financing, the Guidelines are of enormous significance to the future development of the sector.

Here are some promising aspects of the Guidelines:

- It supports consumer credit
- M&A loans will be allowed to be implemented for the first time
- It explicitly acknowledges a Cultural Industries’ Rights Pledge
- A new type of investor is promoted: Insurance Capital

### Challenges in Financing

Despite the many opportunities in developing cultural industries, there are also challenges. Major concerns in financing include weaknesses or gaps in the following areas:

- Financial support to cultural enterprises at the stage of incubation
- Financing of intangible assets and property rights
- Risk controls in debt management
- Assets evaluations for extending loans
- Entry barriers in some cultural sub-sectors
- Small- and medium-cultural enterprise trust and insurance mechanisms
- Cultural fund management and operations
- Loans supporting traditional cultural industries

### Conclusions

I hope I have illustrated “what works” in supporting culture, using the Chinese experience. After only a decade, the cultural industry has become an increasingly important pillar sector in China’s national economy. Though it began to flourish later than in other countries, the Chinese sector is believed to have great potential for the future. With the Guidelines, more support and measures are expected.

In China, we also hope to learn from other countries’ experiences, share experiences and adopt successful models of cultural industry management.

## My Major Company, an innovative model in funding culture

by Victor Lugger  
Internet Director of the French online record label, My Major Company

I shall give a presentation on a very specific initiative whose experiences and model might be interesting for other branches of cultural industries. MyMajorCompany (MMC) is a community label, an Internet platform that links three types of people, namely artists, online music fans and professional musicians. How does this innovative mechanism work? What are the keys to its success? What lessons can be learned from this experience in the music industry? Could this model be transposed to other countries and be adapted for other branches of culture?

When you visit the site of [www.mymajorcompany.com](http://www.mymajorcompany.com), you discover artists, some who are already in the business and others, young talents identified by our label, who have never released an album. If one of the artists catches your interest, you can click on the web page link and discover that artist's world through videos, texts, photos and, of course, music to which you can listen. If you like the songs, believe that the artist has potential and wish to support him or her, you then invest €10, €100 or even €1,000 in this artist and thus become his or her co-producer.

Take, for example, the singer, Grégoire, who has sold more than 800,000 albums so far and was the best-selling artist in France in 2009. If you are one of Grégoire's producers and you invested in him before his album was released, then you have access to exclusive content and information on his latest private concert, you can follow his monthly sales, keep track of the frequency of his airplay on the radio or television. In short, you are involved in the whole production process and experience his adventure with him. You participate in choosing the single, the album sleeve and the versions of your favourite songs among other things. Lastly, but most importantly, whenever a copy of Grégoire's album is sold, you accrue a proportion of the profits.

MMC is an example of “*production collaborative*” in French and “crowdfunding” in English. It consists of individuals networking through the Internet on the production of artists' work. MMC operates today in the record industry and its model is to be adapted for the publishing industry and possibly for photography. It is active today in France, in the United Kingdom and in the near future, elsewhere in the world.

### An innovative model

#### *An electronic platform linking artists to their fans*

The structure of the model is simple. It comprises, on the one hand, a music label operating to standard, producing and selling records but blighted by the current piracy-induced crisis. On the other hand, there are the fans who have always existed and will always exist. MMC's innovation is the concept of positioning the platform as the hub linking the two. Internet users take a financial risk and, if the album is released and sells, they receive a financial return. Whenever an artist sells an album, a concert ticket or a T-shirt, or is broadcast on the radio, the label earns income and so, too, does the Internet user who has bought shares. The Internet user will also gain an extra-financial return by adopting, through the site, the profession of music producer.

#### *Testing the artist's commercial potential*

A good artistic director in a record company is wrong nine times out of ten - already a very large

risk. Under our label's method, however, the artistic directors select the artist, put him or her on the Web and observe whether Internet users are drawn to the artist's music and style. To be produced by MMC, an artist must raise €100,000 by selling 10,000 shares at €10 each to Internet users. If the artist does not reach this sum, we do not release the album, as we consider that the artist cannot command a sufficiently large audience. An artist's ability to bring together a community, please people and convince them to invest money in his or her album can thus be evaluated through the system. In other words, this system addresses, head-on, a sensitive issue in the record industry; everyone listens to music but fewer and fewer people are prepared to spend money for it. At MMC, Internet users spend an average of €100 with no guarantee of having the album, while labels can no longer persuade people to pay €10 to have an album. This method, thus, makes it possible to assess an artist's commercial potential even before the album is released!

#### *Offering a production experience to Internet users*

Through this method, we spread culture to the general public and we give people the opportunity to have the experience of being a producer. We enable people to "live" the music, not only through passive consumption at the end of a chain running through television or radio, but also by involving them in the entire music development process. This is a unique experience, both recreational and educational, which begins with the selection of the artist from among the 8,000 currently featured on our website.

#### *A flexible model adaptable to market trends*

MMC generates revenue through music-related sales and branding owing to the growing appeal of its innovative system. When an artist raises €100,000, the entire sum is set aside to finance the artist in order to record his or her album in a studio, to produce videos, to develop cover art and to fund the start of his or her tour. While project-related financial risk can thus be reduced, we remain exposed to the record industry's crisis in the same way as labels which operate in a more traditional way. We are currently attempting to adapt this system to the publishing field and, here too, we face the same book-selling difficulties as traditional publishers.

### **The key factors in success**

#### *High quality artists representing the label*

To date, MMC has released four albums by four different artists. We released Grégoire, who has sold 800,000 albums, and Joy Jonathan, gold disc winner since March 2010. We have been very lucky artistically and our producers have spotted brilliant artists. Our artists' success has added value to our brand and our reputation. We have also reassured Internet users of our company's soundness by working with Jean-Jacques Goldman, a very well-known artist, in the launch of our company.

#### *Commercial success*

The main goal, naturally, is to sell records. To convince people to invest, they must be able to expect a return on their investment. When we use the €100,000 raised from Internet users, we are sure that the artist has commercial potential. The sale of 800,000 albums by Grégoire has made the company quite famous and has shown Internet users that our artists can become stars and that it can make them money. To date, the people who invested in Grégoire have made a 17-fold return on their investment.



### *Opportunity to gain experience as a music producer*

Internet users who invest in an artist on our website will occasionally lose money. Some artists will never release an album. We cannot actually guarantee a financial return. We can, however, guarantee an extra-financial return in the form of real-life experience of being a producer, of being invited to private concerts, of being involved in selecting albums, the songs, the sleeve, and other items.

### *Reassuring artists and persuading them to join our label*

To sell records, we must have the best artists. However, the best are courted by the major labels such as Sony, Universal and Warner. Thus, we must persuade these artists to come to us, but there is sometimes little to reassure them since, unlike the majors, we do not guarantee that their album will be released. It is clear that, once on MMC, if people do not like the artist's work, few investments will be collected and the album will never be released. As a result, our method may cause artists to doubt their talent and their potential, and to face the prospect of having to rework their songs. We therefore give special attention in offering support and reassurance in order to persuade them to join our label.

### **A model adaptable to other countries and other branches of culture**

In Europe, MMC's method is being extended successfully to the United Kingdom. A few months ago a project was initiated to adapt the model for use in the Russian Federation, but we realized after a feasibility study that it was difficult to transpose this model to that country because Internet payment mechanisms were very poorly developed and piracy was rife throughout that market. Our system is based on the fact that people access the Internet, are ready to pay for music and can use dedicated Internet payment facilities. The idea of implementing the model along the same lines in that country has therefore been shelved.

If there were no fears about adapting the model, it could function in the Russian Federation, Brazil, China and developing countries. With regard to developing countries, Internet payment mechanisms are poorly developed, people still distrust these payment methods and the recorded music market is still in its infancy. It is possible to imagine that in certain countries a model could be devised for live music, for example, since it is an industry that works well. Imagine a website on which local artists could record and distribute their personal videos and which would give you an opportunity to support the artist whom you like through micro-payment by SMS. Once a specific sum had been raised, say €5,000, the company operating the mechanism would organize three or four concert dates. It would perhaps be difficult to provide a financial return to the people who had financed the tour by SMS. On the other hand, they could be involved in the tour, invited free to live events and even be acknowledged on an advertising board during the concert.

At any rate, a community of fans would have been created and knitted together around an artist through micro-payments by SMS, even if only tiny amounts were paid. The Internet could be instrumental in publicising the work of composers and artists in music today and in literature and film tomorrow, and in bringing together enthusiasts and fans. This adaptable system, whether it is used to raise €100,000 for the massive release of albums in France or merely €5,000 to organize concerts in developing countries, offers affordable and interesting opportunities for people to contribute to the development of cultural industries, whatever the context.



# Promoting culture through private sector partnerships: SODEC's new approach

by Christian Verbert  
European Commissioner of the Société de développement des entreprises culturelles (SODEC),  
Quebec, Canada

The Société de développement des entreprises culturelles (SODEC) is an agency of the government of Quebec under the supervision of the Minister of Culture and Communications. It supports cultural enterprises and the export of cultural products from Quebec and promotes Quebec's culture on the international scene. For instance, since January, we have accompanied businesses from Quebec attending the International Records and Music Publishing Market (MIDEM), the Brussels Book Fair, the MIP-TV Media Market and the Cannes Film Festival. We work to foster cultural enterprises in Quebec, while taking on board external observations about the various areas of the cultural sector in order to strengthen our position as Quebecers surrounded by English speakers.

In my opinion, the risks inherent in the area of culture are no greater than in industrial sectors such as construction, oil and timber. The current crisis illustrates this well: large companies outside the cultural sector are beset by difficulties. However, one of the specific characteristics of the cultural sector is that cultural enterprises vary greatly in size: some consist of only one person, as in the case of applied arts in Quebec, while others are large organizations, such as Cirque du Soleil, or are linked to the activities of internationally renowned singers such as Céline Dion, for example. Against that background, I shall now discuss the ideas of profitability and exportability and shall describe the SODEC's mechanisms and the new approach since François Macerola became its President.

## Reconciling culture and economics

Talking about culture and profitability in the same breath might surprise some people, although that is no longer the case in Quebec. Embarking on a cultural enterprise does, admittedly, involve a financial risk, but it is also a sector of economic entrepreneurship that can generate profit and various economic rewards. In fact, more than 140,000 people work in this sector in Quebec, which generates some CAN \$10 billion in revenue each year. On this subject, a recent French study concluded that the trade in cultural goods has a significantly positive influence on trade in all goods. According to the study, a 10% increase in trade in cultural goods leads to a 3.25% to 4.25% increase in trade in traditional goods. In view of these figures, the Quebec Prime Minister and Minister of Culture appreciate the importance of this sector.

## Exportability

This market has reached maturity in Quebec. Quebec's companies are established in the local market, competing with the majors in the fields of both publishing and music. Indeed, the majority of Quebec's artists today are produced by companies established in Quebec. However, we consider that we should do more, increase our outreach and approach new markets, drawing on new technologies. Owing to success stories about the export of Quebec's cultural output, we are heartened to pursue to work along these lines. One need merely note the success of Cirque du Soleil or, in the music industry, groups and singers such as Arcade Fire, Ariane Moffatt and, more recently,

Cœur de Pirate, who won an award at the 2010 Victoires de la Musique ceremony in France. Quebec's television series, too, have been quite a success with our French and Belgian partners, who are buying more and more.

### **SODEC: mandate and programmes**

SODEC contributes to the growth of businesses and the public exposure of works from Quebec. It is a key economic partner at the service of Quebec's cultural enterprises in areas such as publishing, music, applied arts, architectural heritage, cinema and television. The SODEC team consists of about 100 people, two of whom are based in Europe. It has an annual budget of CAN \$65 million, CAN \$35 million of which is dedicated to film. In some fifteen years, our agency has collaborated with around 4,000 Quebec businesses and has produced around 1,100 films, from feature and short films to documentaries.

SODEC also has a young creators scheme, through which we have invested in roughly 380 productions. We considered it essential to create this fund in order to finance young people's productions, thereby training the next generation. For example, Xavier Dolan, a 22-year-old Quebec director, has participated in the Cannes Festival for the second year in a row. Last year, he won three prizes in the Directors' Fortnight with his first film, *I Killed My Mother* ("J'ai tué ma mère"). This year, his second feature, entitled *Heartbeat* ("Les amours imaginaires"), is in the official competition.

SODEC is also a financing bank with share capital amounting to CAN \$20 million and has invested in two companies, namely: Financière des entreprises culturelles (FIDEC) and the Fonds d'investissement de la culture et des communications (FICC). It also grants a tax credit (a very popular incentive in Quebec) of CAN \$125 million to encourage foreign businesses to come and work in Quebec, whether in film, television, music, entertainment or publishing.

The tax credit, managed by the Ministry of Finance, is calculated on the basis of the number of employees in Quebec involved in the production. In other words, if an American, French or Italian company shoots a film in Quebec, it will receive a tax credit proportional to the number of persons hired in Quebec. SODEC then calculates the number of people employed in Quebec, evaluates the wage-income generated by those jobs and sends the Ministry of Finance an estimate of the tax credit to which the company will be entitled. At the end of production the Ministry of Finance reimburses the tax credit to the company, on the basis of the list of pay cheques received by employees in Quebec. This arrangement has several advantages such as attracting foreign businesses to Quebec, creating jobs, preventing moonlighting and affording social protection to people in Quebec working in this field, whether in film, publishing or music. The direct and indirect economic benefits of the activities of foreign companies in Quebec are considerable. In the first quarter of 2010, the shooting of foreign films generated CAN \$200 million in tax revenue and CAN \$300 million in indirect income.

The tax credit is also valid in the field of video games, another of Quebec's specialities. Martin Tremblay, President of Warner Bros Interactive Entertainment, recently announced that the company, which specializes in video games and 3D animation, would be opening a studio in Montreal. We are particularly proud that he has chosen Montreal rather than Toronto in order to draw, as he has stressed, on the talent that exists in this field in our city.

### The need to turn to the private sector

Although these forms of assistance are available, I do not think that the State can continue to fund culture in this way. The government of Quebec has already made considerable efforts and continues to do so: the Minister of Finance recently announced another CAN \$30 million fund for SODEC's financing bank, to enable us to grant loans and loan guarantees to Quebec's companies. Eventually, however, it will be necessary to turn increasingly to private finance. The State will continue to support the sector, but industrialized countries will not be able to continue assuming that public funds will grow and that we will be able to use them to protect our culture.

For that reason we have established a fund to promote discussion on partnerships between cultural enterprises and the private sector. For the time being, it is focusing on film and we have invited Quebec's five most important producers to take part. However, other stakeholders from Quebec, including major television channels such as TVA, newspapers and Cirque du Soleil, are interested in taking part in the discussion initiated by SODEC. I think that cultural enterprises in all fields understand that, in future, it will be necessary to turn to the private sector and to be innovative in order to preserve Quebec's cultural diversity.

Moreover, FIDEC, the investment company mentioned above, was established with shares from both SODEC and private companies. Private companies cannot afford to make a loss and take risks not only in Quebec's cultural enterprises but also in international productions such as shows and musical comedies, in Los Angeles or France. SODEC considers that it is important for the FIDEC to set its sights increasingly on the international market.

### Developing international partnerships

For countries where the cultural sector is reaching maturity, it is essential to build up our export base and observe what is done abroad in this area. The experiences of China and Brazil in this area are instructive and we consult each other on the subject, as demonstrated by the recent meeting between the Quebec Minister of Culture and the Brazilian Minister of Culture. We must turn to other countries and to foreign markets. Cirque du Soleil, well established in China, is a good example to follow. It constitutes a model of what we can do in this direction and an example of how we can develop commercial relations in this area with other countries.

We must further develop our economic partnerships in the field of applied arts and cultural industries with French-speaking countries such as Belgium, Switzerland and France. The French are increasingly interested in developments in Quebec. The recent success of the singer Cœur de Pirate bodes well for other singers from Quebec to be successful in France. Cœur de Pirate began her career in Quebec with a touring grant and very little money, and we are now very proud of her achievements. We must now give pride of place to working with France, to ensure that new prospects constantly emerge between us and to increase the number of co-production and collaboration projects in the future.

## Summary of the Round Table Discussions

For participants, adapted risk-management mechanisms and the specialized expertise of donors present important examples of best practice for the cultural sector. In addition, the following messages and suggestions were elaborated:

- ICT is continuing to change the face of cultural industries and their financing by making consumers the producers. This trend represents an important potential for seeking future support for the sector.
- Financial packages and policies specifically designed for different sub-sectors: portfolio approaches, dedicated financial teams working closely with entrepreneurs, tailor-made risk analyses, tailor-made repayment policies, tax incentives, investment loans.
- The numerous small-scale initiatives that exist in the cultural sector would benefit from a greater number of calls for tender from donors and a wider dissemination and availability of information on funding.
- Lack of understanding of the sector increases wariness amongst private sector investors. There is a need to raise awareness amongst private-sector bodies to the opportunities (based on economic data and analysis) and increasing fora for dialogue between representatives of governments, development banks, international NGOs and the private sector may facilitate the establishment of public-private partnerships (PPPs).

## Contributions from the Online Discussion

To a certain extent, the participants showed an unfamiliarity with risk management mechanisms. A strong message emanating from the online discussion was for innovative models of funding culture to be explored, with greater leadership from the international community on these issues. Other messages included:

- Risk assessment practices borrowed and adapted from the corporate sector could have important benefits for the cultural and creative sector.
- Bridging the communications gap: more dialogue is needed between cultural entrepreneurs and decision-makers from development agencies, government ministries and the private sector.
- The international community should play a central role in the establishment of risk reduction frameworks. This includes responsibility for supporting capacity-building of governments and pressing for greater accountability.
- Existing programmes do not place enough emphasis on capacity-building components, notably in the infrastructure of the cultural sector (distribution, ICT, training, and access to capital).



[www.unesco.org/culture/en/funding-and-risks](http://www.unesco.org/culture/en/funding-and-risks)

# Round Table 3

## How to encourage investments in the cultural sector

- What kind of partnerships and collaborations can encourage funding culture?
- How can the perceptions and management of risk involved in investing in culture as an economic sector of activity be improved?
- What support given to financial institutions can help ease the way for their investments in cultural sub-sectors in developing countries?





**Moderated by Alain Godonou**  
**Director of the Division of cultural Objects and Intangible Heritage**  
**UNESCO**

As the two preceding round tables have highlighted, a significant shift in approach is necessary to overcome the current challenges of financing culture. Strengthening the cultural sector in developing countries requires commitments and coordinated action between governments, the private sector, development agencies and financial institutions. Drawing on different actors' particular expertise, collaboration and partnerships can facilitate the establishment of suitable frameworks and mechanisms adapted to supporting the cultural and creative sector in developing countries.

The third round table focuses on the new “financial architecture” for culture. Firstly, it seeks to examine the roles and responsibilities of key actors and to identify how their future strategies and actions can be complementary and collaborative, whether at local, national, regional or international levels.

Secondly, the round table discusses the elaboration of strategies and approaches. Drawing on a spectrum of experience in the cultural sector - from government to artists - the round table looks closely at how to devise strategies that respond to the specific needs of the cultural sector and which are based on an analytical understanding of its challenges and realities. Finally, it also explores the issue of collaborative actions and partnerships between relevant key actors, and how to attract and involve new audiences, investors and donors.

## **Putting culture at the heart of national development strategies: the experience of the Dominican Republic**

**by Laura Faxas**  
**Ambassador Extraordinary and Plenipotentiary of the Dominican Republic in France**

The role of culture in development has again taken centre stage as an international topic for discussion. This is clearly demonstrated by the fact that donors, multilateral and bilateral cooperation agencies and policy-makers are meeting again to discuss this subject. This symposium, the International Seminar on Culture and Development, organized by the Spanish Agency for International Cooperation Development (AECID) in May 2010 and the consideration of culture in the review of the Millennium Development Goals all contribute to this momentum. It should be mentioned, however, that the issue of placing culture at the heart of development is nothing new. It has already been addressed in recent decades, notably at the World Commission on Culture and Development presided over by Mr Pérez de Cuéllar (1992-1995)

Today, despite conceptual advances and renewed interest, there is no denying that not only is cul-



ture often excluded from national public policy, but also that donors invest very little. What can be done to turn reflection into action in this area? What role could the State and political actors play so that culture is established as a major issue in development? What measures could be taken by the State to encourage greater investments in culture?

### **The potential of culture**

An economic mindset is today pivotal. It remains difficult for us to highlight the key role culture plays in national economies. Therefore, we need to develop the market concept and promote culture as an economic sector that is both dynamic and unique in that, as highlighted in the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005), cultural goods and services are not standard commodities. At first glance, the cultural sector may not appear to be very lucrative, but in fact it has a very positive impact on economic development and identity-building. We must convince decision-makers to increase investment in culture because it is a powerful element of social cohesion and contributes to changing attitudes and strengthening values.

Current social transformations are sometimes destabilising. We are currently facing a crisis of values and challenges from increasing fundamentalism. In this context, culture should be a critical issue, not only for States but also for donors investing in development. Investing in culture means encouraging dialogue between peoples and providing societies with benchmarks for balanced socio-economic development, closely linked to their identity. Culture needs to be recognized once and for all as a constituent part of a people's identity and as a source of strength in the face of adversity. One of the greatest assets of a country like India is that its culture is deeply rooted in strong traditions, strengthening identity over time and helping the population to adapt to change in a positive manner.

### **The State: a key player in placing culture at the heart of development policies**

The State has a fundamental role in implementing public policies and creating regulatory institutional frameworks in the cultural sector. The State guarantees the transparent management of funds and their efficient allocation not only to major national projects, but also to all cultural stakeholders: artists, cultural entrepreneurs, artisans, theatre groups, etc. Visible results are only possible if a long-term national strategy is adopted in the field of culture, enabling, in particular, the creation of infrastructure and the provision of appropriate training. Professionalization programmes for artists and cultural entrepreneurs are needed today, as well as the adoption of a framework that promotes the status of the creative artist. The State will also strengthen its position and credibility in relation to donors if it takes full responsibility for these projects, and integrating cultural policies into long-term action strategies will enhance the relevance of the State's requests. This key player must be perceived by donors as reliable, ensuring concerted and transparent use of funds, loans and loan guarantees, particularly for a country's small- and medium-sized cultural enterprises.

### **Convincing States**

Although it remains difficult to promote cultural investment, events such as this symposium are encouraging and generate new perspectives and strategies. It is now up to policy-makers and civil society to convince States to place investment in culture at the heart of national budgets. It can-

## Putting culture at the heart of national development strategies: the experience of the Dominican Republic

not be denied that military budgets in the majority of countries are today more significant than the budgets allocated to education or culture, and this is true even in countries where culture plays an important role. Furthermore, developing countries do not necessarily have access to all the organizational, statistical or conceptual tools needed to convince donors to support them and increase investment in this area.

### **Towards the adoption of a national social and political pact**

How can long-term State action be ensured in the field of culture? This reveals an inherent contradiction: is a long-term strategy consistent with the frequency of elections in our countries? Every new election, on average every four years, brings with it disruption in every area, affecting political representatives, directions taken and strategies for action. Culture is no exception, and it requires long-term vision and a determination to produce results. Investment in infrastructure and in large training centres requires a commitment that extends beyond the duration of a political term of office. Most political representatives, unfortunately, do not always see the point of implementing a project or programme that will produce visible results only after the next election, when their opponents may be in office.

This is why the Dominican Republic is planning a national development strategy until 2030 in which culture naturally has an important place. To make this long-term strategy possible, we are developing a political and social pact in cooperation with our country's social stakeholders and political parties. Once we have agreed on the action to be carried out over time, the strategy must be respected by the different parties that will be in office between now and 2030. We believe that this mechanism and our desire to consider this important topic together will ensure that culture is central to national development policies and that regular investment has been made accordingly.

In this endeavour, we attach great importance to democracy, the electoral process and especially to implementing an institutional framework that ensures respect for fundamental rights and equality between all citizens. In this respect, we have successfully secured the adoption of a new constitution that focuses on election issues as well as on rights, in particular cultural rights. Thus, our first aim is to specify what the concept of "cultural rights" covers in order to move forward with a common vision.

### **Available funds and microcredit**

Many mechanisms and programmes should be implemented, improved or explored to encourage the funding of culture. It would be appropriate, for example, to transfer the success of microcredit to the field of culture and to build more bridges between donors and microcredit providers. But how can we convince lending institutions and donors to consider microcredit providers as valid stakeholders? How can we accompany States in implementing microcredit programmes that are well-adapted and transparent? It is not only the wealthy who are able to repay; in the light of the experience of microfinance, there is less risk involved in investing in small companies than in large ones.

Concerning access to credit, donors and bilateral and multilateral cooperation agencies should note that the terms for allocating funding create difficulties for our governments. Funding from large institutions such as the European Union and the World Bank is allocated to some projects

with such a large time lag in relation to the initial decision that the political leaders that made the request are often already out of government. As a result, they do not have the time to implement the project or programme for which they requested funding. This in turn prevents development programmes and projects from being successfully carried out. An example of this is the reconstruction of Haiti: progress is hampered because of the delay in the allocation of promised funds. The country is nonetheless in dire need of investment to rehabilitate basic infrastructure.

## Conclusion

The different orientations, needs and plans that I have mentioned clearly demonstrate that the State plays a pivotal role and that culture requires the various national political stakeholders to express a shared commitment to carrying out long-term action. Human development, a concept so dear to UNDP, which is aimed at making development more democratic and participative, must take more into account the link between culture and development. These conditions are essential in order to move forward in our collaboration with donors and finally fulfil the dream expressed by Pérez de Cuéllar at the end of the last century: to place culture at the heart of development.

## Youth, creativity and new partnerships for culture

**by Keith Khan**  
**Artist and former Head of Culture for the 2012 Summer Olympic Games**

I speak today to you as an artist, because I am primarily interested in the power that culture has to enable change and facilitate dialogue with different people, and to reflect the society around us. As an artist, I have made the choice to try and work from within systems because I have a real belief that unless you do that, these systems will not change. My own background is from Trinidad and Tobago, and my creative practice is rooted in carnival. I am informed very much by open-making systems, mass participation and the empowerment of real people through design, i.e. costume, structures, participation and collaboration systems, etc.

Today I will discuss three areas:

1. The micro environment: my own strategies as an artist;
2. Trends, especially with young people (the Olympic Games); and
3. The macro environment: the culture and development strategies of the Commonwealth Foundation (representing 72 countries of the Commonwealth).

### Artist: creativity, spectacle and carnival

I shall begin with the last show that I made with *motiroti* [a London-based organization that makes and produces interdisciplinary arts and creative projects] called *Alladeen*, a production that built on my interest in carnival methodologies and the digital arena. Development and delivery of this

project lasted for three years, which nearly killed me because project fundraising and development is such a huge challenge outside the establishment. *Alladeen* was an international co-production created in collaboration with the New York-based theatre ensemble, The Builders Association. The project was produced between India, New York and London and wove between the ancient myth of Aladdin and the identity-blurring metropolises of international call centres where Indian operators are trained intensively to “pass” as Americans or Brits. The work was very theatrical, using new media and “confessional” footage with Indian call-centre operators. At this time, 2003, the phenomena of “back office” call centres was just surfacing in the world press and the themes we explored were revelatory of the challenges facing these call-centre workers.

*Alladeen* was seen by over 24,000 people across four continents, 10 countries and 22 cities and was awarded a Special Citation New York OBIE. The project hit new practices and audiences but the actual process of raising money made me decide that I would need to work inside “the system” to enable them to change. I am privileged to be here today as I believe that this very room has the power to make that type of change realizable for other artists.

I am also interested in large-scale spectacle and use my carnival skills to build these. I think that festival phenomena and how you engage with large numbers of people is fascinating. One such project that dealt with large numbers of people and national identity example is the Millennium Dome Central Show that I worked on with Mark Fisher in 2000. We set up a circus school that trained 90 people and developed systems that underpinned it all: so there are definitely tangible longer-term outcomes resulting from such projects.

Much of my work with large-scale spectacle has integrated projection, drawn on popular culture and has been built for mass audiences. I delivered several commissions for the British organization, Akademi, which resulted in site-based spectacles at the Royal Festival Hall and the Southbank Centre, events which attracted huge audiences ranging from 10 to 20,000. These projects reflect my interests and passions - I think accessible popular culture can be framed as outward facing and be integrated with art.

In 2002 I worked with Buckingham Palace and the Commonwealth Institute to deliver the Queen’s Golden Jubilee Parade, an event which included 4,000 participants and reached a live audience of 1 million, plus 80 million television viewers worldwide. Parade floats and a banner for the balcony at the Palace were made using designs from 54 Commonwealth schools from all around the world, ranging from the Bahamas to Sri Lanka, and was delivered by the Royal School of Needlework. The message here is that there is a way that you can facilitate the work of young people. I did not want to do an “Empire Parade” but to reflect the Commonwealth communities that are in London. There was an amazing volume of cultural expressions. A lot of this was based on the confusion that many people, living in urban centres across the world, experience when seeking their cultural identity. I worked with Indian Scottish pipers, and South African Ndebele women who I commissioned to paint London from their cultural perspective. I also invited Bollywood film poster artists to paint large scale portraits of London school children: there was a lot of cultural transference.

### Youth and Culture

Soon after these various large projects, I was invited to become Chief Executive of Rich Mix - a £31 million capital project based in the heart of London’s East End. The venue’s financial model centered on young creativity and youth and the building was designed to include lots of units for

workshops, for creative industries, fashion, and digital work. Rich Mix also houses two cinemas, which screen mainstream Hollywood and first-release Bollywood films. The interior design of these cinemas reflects the diverse history of the Brick Lane area, which resulted from artist commissions. The venue also has a large digital screen dedicated to the screening of young people's work: young film artists could bring along their work on a memory stick and simply plug it in. My thinking on this was to give a platform to young creatives, particularly because in this area of London a lot of new film work is going on.

My strategy was not to present culture as something that is closed down but to open it up as something that is fluid and accessible. For example, one of the first creatives I invited into the space was a car-designer from Bangladesh called Lepu who transforms non-status cars into flashy cars. I was very concerned that we involve young men in the neighbourhood due to the real problems of gangs in the area. I wanted to find an icon that they could relate to, which was accessible and would not be culturally alienating.

Following Rich Mix I then worked on the London Olympics bid. The area in which the Olympics will take place is a very desolate part of London. It is very poor but diverse, and gentrified in some pockets (e.g. the gated community around Greenwich). We did a number of polls before we won the bid on what young people wanted from a cultural programme associated with the Olympic Games and then put that together with some of the data on the population in the areas where the Olympics will take place. 40% of residents are non-white.

This relationship between diverse communities in London and the global network which they are part of is central to how London (and many other urban centres) operates. We really wanted to work with encompassing a younger, global, and more diverse audience. What I find interesting in the research is that only 5% of respondents said that they engaged with culture (cultural institutions, galleries, etc). In the research we discovered that young people find a lot of culture uninspiring: they said that they wanted to work with artists but that the presentation of culture was "quite dull".

The Olympic approach has been to digitize culture and to make it more accessible. Indeed, for the Paralympics Games, we have tried to work with disability culture in a contemporary setting rather than a traditional setting. There are ways that you can bridge these elements into much more accessible formats. The aim of the Olympics is to be a showcase for younger work. However, a change in politics has now re-focused the delivery of the Games – moving from a youth-orientated programme to a straight delivery via national institutions. I have now moved to outside the system to deliver work from "real London", focusing on youth and youth culture.

### **The Commonwealth Group on Culture and Development**

This Group was convened in 2009 by the Commonwealth Foundation in London and chaired by Baroness Lola Young. The Group's Statement on Culture was presented to the Heads of Government meeting in Trinidad in November 2009. The Group really wanted to make a statement on how culture as a primary mover needs to be inserted into government thinking and policymaking. During the meeting, we worked a lot with civil society who expressed that this approach was a positive way of developing policies. Moreover, there was a very strong sense that there was much support for this approach within the Commonwealth, and in particular in developing countries. Culture's role as a catalytic force was emphasized. Very practical recommendations were made



because we wanted to move away from the theoretical; we wanted to say that there has to be strong and practical realization of how culture can be important in development. Some messages we wanted to have heard were:

- Culture has to move outside of its comfort zone. We need to build new alliances because in the North, there is a very straight line of funding for culture and there is a cross line of thinking about different finance systems, different ways of working.
- Partnership work is one of the principles underlying how our strategies could be delivered. With all the common goals, there should be a more joined-up system between development agencies and civil society groups. Partnerships are very important to ensuring that programmes from different sectors (whether it be science, technology, health or education) integrate cultural ideas.
- Governments should begin to work more cross-departmentally. For instance, when you think of climate change issues, culture is a real driver for articulating these messages.
- Exchange between young people globally is vital. Unless young people participate, investments in cultural initiatives are dead in the water.
- Partnerships with mainstream media in developing countries are needed so that the work is much more mainstreamed and that there is increased investment in local media to build regional identity.

### Risks?

Everybody is already familiar with them but let me make a few remarks:

1. Low priority of culture: One risk is the perception of culture as a low priority by governments: it is seen as fairly insignificant and requiring low investment partly because it is viewed as “decorative”. I think that debates about culture need to be included in the social justice movement, where people are seeking change on issues of human rights, debt and equality. Many constituencies do not see culture as particularly important; there is a need to rearticulate culture to these constituencies and to make issues of global cultural inequality a mainstream social justice issue. In addition, the messaging around culture, particularly in the developing countries, is very old-fashioned. It is not seen as something leading and innovative (whereas it is!).
2. Impact of culture and the creative industries: there needs to be a lot more research on the impact of cultural industries around the world, and a much deeper and greater understanding of what culture is. Throughout this symposium, for instance, we have talked about a range of culture, from museum heritage through to digital arts, but unless all that is monitored and measured, I think it will be very difficult to push the agenda forward. More work is especially needed on the impact of creative industries; the digital age has moved it into a new area, which appears intangible for many people. As the Minister of Benin said yesterday, there needs to be a much more careful assessment of festivals; though they are wide spread and occur everywhere there has been no thorough assessment of the huge logistics involved and the outputs and impact.
3. Financial models: there is a need to look at other models, including non-Western models, to ensure that money goes to artists, to cultural activities – e.g. for micro-financing, Islamic banking (a cut to be shared with communities).



I left the Olympic Games because I have a real drive to deliver something big, culturally, and I hope that the work I am now doing will have an impact on the feeling of London during the Olympic Games.

This meeting has been very strategic. I think that the impact that an organization like UNESCO can have on global thinking on the importance of culture is so valuable, and more work should be done to encourage investments in culture, and investments in artists, since this is central to solving the current issues that we are facing.

## Ways to encourage funding culture from the perspective of the OIF

**by Frédéric Bouilleux**  
**Director of French Language and Cultural and Linguistic Diversity, Internationale Organisation of La Francophonie**

The International Organization of La Francophonie (OIF), which celebrates its fortieth anniversary in 2010, was established on the basis of cultural and linguistic principles. Present on five continents and including countries at different stages of development, of all religions and political regimes, it has viewed itself since its inception as a laboratory of cultural diversity, even if this term was not used at the time. Its chief concern is the relationship between culture and development and, through its programmes, aims to contribute to the development of all French-speaking countries of the South.

Our organization's primary concerns are the protection and promotion of the diversity of cultural expressions. Above all, these require each State, government and organization to recognize the importance of culture in society, not only as a source of identity, but also as a factor of development contributing to GDP, employment and social cohesion.

The themes of "culture and development" and the protection and promotion of cultural diversity are closely linked. There has been an increase in initiatives aimed at placing renewed emphasis on "culture and development" as a major international concern, including the report of the World Commission on Culture and Development by Javier Pérez de Cuéllar, in 1996 and, more recently, the organization of the international symposium entitled "Culture and Creation: vectors of development" by European Commissioner, Louis Michel. For the first time, the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005) took into account the double nature of cultural goods and services: they are both economic as well as cultural. It also affirmed the economic nature of culture, recognized the equality and equal dignity of all cultures, legitimized specific cultural policies promoting pluralism of expression and encouraged the much needed new balance of cultural exchanges through enhanced cooperation and development policies.

### **Cultural policies: towards an inter-ministerial approach and public/private partnerships**

We believe that two paths need to be explored in order to implement these principles. The first is support for the development of specific cultural and national policies, and the second is assistance in establishing channels of cultural industry that encourage emulation and artistic and economic competitiveness. Merely mobilizing ministries of culture is not enough to achieve this, because their weight in the various governments of the North and South is often more limited. It is, therefore, appropriate to adopt an inter-ministerial approach that involves all government stakeholders.

It also seems necessary to develop public-private partnerships that involve the participation of economic, institutional and financial stakeholders, as well as the development community. The difficulty of this approach lies in simultaneously taking into account all the elements of the cultural and artistic supply chain. When it comes to cooperation and development programmes in this area, development stakeholders face problems at all stages of the supply chain – from supporting designers to helping producers and from providing private donors with guarantees to assisting distributors. These problems require the coordinated action of civil society, public bodies as well as stakeholders in the field. A comprehensive inventory of gaps and challenges was conducted in the workshops of a meeting entitled “Culture and Creation: vectors of development”, organized by the European Commission, in Brussels, in April 2009. These challenges are serious. If we wish to move forward in a constructive manner, we must classify the problems and focus on solutions based on best practices.

Access to finance cannot be facilitated without strong and determined political will. Instruments already exist in the form of specific tax and duty measures, regulations promoting the movement of artists and goods, and the inclusion of cultural projects in tentative regional and national programme lists. Assistance is also provided to artists and theatre managers in the form of support for creative production and market presence, and so forth. The OIF and other bodies contribute to implementing these measures, to the extent possible, despite meagre resources.

### **Solutions to attract funding for the cultural sector**

With regard to risk management in the financing of culture, I would suggest three possible areas for intervention that could boost the confidence of donors and encourage dialogue between bankers and cultural entrepreneurs.

#### *Availability of reliable data*

We have noticed that, especially in countries of the South, there is a chronic lack of reliable data on the economic situation of cultural industries (arts and crafts, cinema, literature, music, theatre, and so on). We have begun cataloguing cultural industries in countries of the South and we would like to invite other organizations to join us in completing this overview so as to make it available to public authorities and the private sector. It is a means of building confidence in a sector that is too often seen only as a source of entertainment by policy-makers and financial institutions, who do not appreciate their impact. When hard data is available which clarifies what this sector represents, its image will improve. Today, new technologies and in particular, the internet via an electronic platform, for example, could easily make this information available to the public and private sectors.

*Training and capacity-building*

Specific information, training and capacity-building activities are necessary to professionalize the cultural sector and raise awareness of the banking sector. Artists often have an independent way of thinking and have difficulties meeting requirements for the specific management or careful preparation of a bank application. Should we distinguish the artist from the cultural entrepreneur or should we consider each artist to be a cultural entrepreneur? Often, in countries of the South, the artist and the entrepreneur are one and the same. Given this situation, it might be interesting to pursue the establishment of a socio-professional category of cultural entrepreneurs, who could act as intermediaries between the creativity and the financing stages.

*Better adaptation of financial instruments*

Existing financial instruments also need to be improved. Two types of instruments can be identified: market-based instruments, such as loans, and non-market based instruments, such as subsidies, aid and patronage provided by the public and private sectors. While our goal is to find a way of introducing the cultural sector into economic and social life, thus increasing entrepreneurs' access to market-based instruments, non-market based financing should not be overlooked. The cultural sector will not be able to function independently without subventions overnight and it is unlikely that in any case that this be desirable.

Nonetheless, one method for improvement – no doubt more innovative – is promoting and developing bank financing of cultural enterprises, particularly through cultural industry aid and guarantee funds. Over the past few years, the OIF has been establishing a guarantee fund with three bank guarantee institutions in Tunisia, Morocco and countries of the West African Economic and Monetary Union (WAEMU). It was slow at the beginning because of communication problems between guarantee agencies, banks and cultural entrepreneurs. This is not a match made in heaven: it involves people who are not used to working together and who approach matters differently. We were, nevertheless, able to generate dialogue. At the start, the level of distrust was such that, despite the guarantee funds to which the OIF contributed and the involvement of bank guarantee institutions, applicants did not come forward. The mechanisms that were put in place were also in need of improvement because we began this undertaking without knowing exactly where it was going to lead.

These mechanisms are gradually improving. To strengthen them, first and foremost we believe that the principle of co-financing must be maintained and extended. In other words, everyone should “put their hands in their pockets”. Additionally, the guarantee instrument itself should be promoted, the right people should be targeted and banking products should be sold. It should be recalled, however, that the guarantee instrument does not ensure the securing of a bank loan. Lastly, we consider it useful to develop support measures and advisory activities. The latter could be provided by guarantee agencies to help project initiators complete their applications for banks funding. They could be combined with advice for bankers regarding the validity and vitality of the projects proposed by cultural entrepreneurs. In other words, the provision of guarantee instruments is not sufficient. We must also provide appropriate support and help cultural enterprises to formulate their projects so that their applications are taken into consideration by banks.

**Risk-Sharing and coordination of development stakeholders**

Several questions remain unanswered. Who should bear the risk at the end of the supply chain?

Can we speak of zero risk for the bank or the guarantee agency? Is shifting the risk onto the State at the end of the supply chain not tantamount to basing the cultural sector on a system of disguised subsidies? It is perhaps better to ensure that the State is neither at the start nor at the end of the process, because this would entail the failure of the cultural sector to integrate economic and social life. What needs to be done for a financial product like this to be presented as any other commodity? Should cultural projects not be dissociated from other projects? Accordingly, should different solutions not be applied to them?

We can separate projects for events aimed at the general public from cultural projects that involve experimental research and innovation. There are indeed, on the one hand, projects with large budgets and a structure. These are generally cultural projects in the audiovisual field or in the area of new technologies. On the other hand, there are projects that are more informal with smaller budgets. Should the same funding systems apply to them?

### Conclusion

Different development stakeholders seem to share a common understanding of the situation, be they States, bilateral or multilateral cooperation organizations, civil society or private bodies working in development. On this basis, we should try out some solutions and work together. What needs to be done – but is probably most difficult – is to coordinate activities and policies, to avoid “turf wars” and duplication, particularly as regards training programmes. I believe that the initiatives that bring us together, like this UNESCO symposium on “Funding Culture, Managing the Risk” should help us work more closely together. Now that we share a common understanding of the challenges, I hope that, through regular sharing of and better coordination of our respective competencies and strengths, our actions will be more through regular sharing of and better coordination of our respective competencies and strengths.

## Summary of the Round Table Discussions

Discussion with the audience followed the presentations’ focus on the key role of the State in the structuring of the cultural sector at the national level (large-scale investments, favourable legal frameworks, training of human resources, access to capital). Participants offered other suggestions and ideas:

- Advocacy at the government (national and international) level and to the private sector should be accompanied by analyses and studies of the economic impact of the culture sector. Data already exist, e.g. job creation and share of national GDP, but needs to be presented to potential investors and decision-makers in order to improve perceptions and strengthen arguments.
- A national coalition committed to change is needed: a political pact across the political spec-

trum that places culture as central to national development and embeds it in national strategic planning, cutting across sectors, ministries and parties, regardless of changes in government.

- Inter-ministerial coordination at the national level: national strategic planning, projected on the long-term, results in a commercially viable and strong cultural sector.
- Success stories and good practice examples need to be more widely disseminated: information booths located in development bodies (e.g. banks and agencies) with relevant data, fact sheets and resources were suggested as an effective way of making Information more easily available.
- Supporting and strengthening the status of artists is necessary in all countries. Work begun since the Recommendation concerning the Status of the Artist (1980) and the creation of the World Observatory on the Social Status of the Artist (1997) should be prolonged, especially in developing countries.

## Contributions from the Online Discussion

Participants called for more partnerships between the private sector, governments, the international community and cultural entrepreneurs which could better support the cultural sector. Generally, participants found that:

- All stakeholders have responsibilities and roles: governments should establish suitable infrastructure and policies (e.g. legal framework, tax reductions) thus creating the appropriate environment to attract funding from private actors. Private sector organizations need to include civil society participation in order to be eligible for public sector support and the public is both a beneficiary and financial supporters.
- Donors need to look beyond short-term results and profits as an indicator of a project's success. Short-term funding stifles the cultural sector's ability to develop its capacity and become viable. The limited focus of investments and development projects do not often address the infrastructural vacuum in which activities operate. The tendency instead is to fund projects that have high-visibility but do not necessarily have a lasting impact in terms of building the long-term capacity and strengthening the structural performance of the sector.
- "We need to speak the same language": representatives of culture should include more financial terminology and fact-based arguments of the cultural contribution to economic growth while government ministries should help demonstrate culture's value through regular data research and dissemination.





## Conclusions

We should all be pleased with the expression of renewed interest in the critical issues addressed by this symposium and the online discussion that preceded it. This reflects the common desire of governments, multilateral and bilateral agencies and NGOs to place culture at the heart of development policies and programmes.

The expert presentations and the diversity of participants have shed some light on what curbs investment in the cultural sector and, in particular, the reasons behind the existing widespread perception of risks in this domain. The first of these is the difficulty investors have in developing the requisite expertise for evaluating projects due to the inherent complexity of the sector (the large variety of sub-sectors and stakeholders). The second stems from cultural operators' lack of business savvy, which serves to undermine initiatives in the eyes of decision-makers. Lastly, lack of awareness of the economic potential of culture persists despite available data on the subject.

These factors combine to make the cultural sector seem more risk-prone to decision-makers, particularly from a financial standpoint. This vision does not reflect reality. Investments and development interventions in the cultural sector yield good results and profits, comparable to other sectors such as tourism, health and education. In addition, as highlighted during the symposium, it is one of the only economic sectors to have come through the financial crisis virtually unscathed.

The cultural sector does, however, involve specific risks, as we have identified. Of particular note are the unpredictable nature of creativity, weak infrastructure, restrictions on the mobility of goods and artists, piracy, the concentrated nature of the market, and the absence of a status specific to artists, among others. All these factors directly or indirectly sustain the lack of investor confidence and call for appropriate measures.

On financial risks, the round tables revealed that the best way to manage them is to share them. Solutions for risk-sharing abound. Some exist on a large scale, such as guarantee funds for culture or public-private partnerships; others, such as art cooperatives or peer-production methods (e.g. MyMajorCompany), are smaller scale.

Providing access to capital is crucial for cultural entrepreneurship. The recent experience of the International Organisation of La Francophonie (OIF) has shown that guarantee funds, which are mostly non-market, are a promising mechanism. Through local banks, they give access to market capital. These must go hand in hand with assistance for cultural operators in the formulation of requests for funding. Alternative models of financing, addressed in the UNESCO World Report, *Investing in Cultural Diversity and Intercultural Dialogue* (2009), are to be explored and transposed to the field of culture (Islamic banking, microcredit, ethical lending, etc.).

One of the key messages of the symposium is that the role of government is important. Only the State has the leverage to devise a framework for the development of the cultural sector at the national level. This involves provisions on legislation, taxation and customs, copyright and intellectual property protection, and, of course, funding for the “three pillars” of the cultural sector: infrastructure, training and access to capital.

In general, the need for coordination between the various stakeholders involved in the funding of culture has come to the fore. Identifying their fields of action would, indeed, make for a novel financial architecture based on the complementarity of each player, whether it be States, develop-



ment banks, local banks, bilateral or multilateral development agencies or foundations. The examples of guarantee funds and tax incentives in the field of culture illustrate the merit of bolstering private funds with direct or indirect public funding mechanisms.

In view of its leading international role on the issue of “culture and development”, it falls to UNESCO to devise new avenues for transforming ideas into strategies of action. To do this, it was proposed that UNESCO convene regional meetings bringing together the different actors involved in funding culture and develop coordinated action, drawing on their complementary areas of expertise. Alongside this, a directory of donors, with details on the type of action and mechanisms could be prepared and made available to stakeholders in the field. In other words, two central messages are coming out of the symposium. First, the idea of an “alliance” of donors to dovetail funding and cooperation in the field of culture: coordinated frameworks for action which adequately address the sector’s systemic and structural as well as short-term needs. Second, the need for a significant shift in development approaches to culture, which addresses the long-term structural needs of the sector. Culture can be viable but it requires an enabling environment, infrastructure and political determination.

Furthermore, to convince decision-makers and dispel perceptions of risk, UNESCO should share widely data that illustrate the economic potential of culture. In this connection, the UNESCO Institute for Statistics (UIS) and the Culture Sector finalized the 2009 UNESCO Framework for Cultural Statistics, a tool for organizing accurate and comparable cultural data at the international level. As Jean-Michel Debrat proposed, bilateral and multilateral development agencies as well as development banks should pool their data and experiences in this field so as to give weight to our joint advocacy regarding the links between culture and development.

Lastly, we must be unfailing in our efforts to convince States, who are our principal partners, to invest in culture as part of long-term national strategies. To achieve this, national pacts involving the various social and political partners must be given preference, as highlighted by Laura Faxas. Adopting such pacts would indeed give lasting effect to a government’s action, for they would outrun terms of office and guarantee the major investments needed for the viability of the cultural sector.

Strengthened by these new perspectives and a better understanding of what curbs investment in culture, UNESCO is now more intent than ever on pushing for culture to have a central role in development. We shall convey the key messages of this symposium at the United Nations Summit on the Millennium Development Goals in New York in September and in upcoming meetings of the international community on this critical topic.

Françoise Rivière  
UNESCO, April 2010

## Key Messages

While different approaches and perspectives on how best to finance culture were expressed, there was a general consensus amongst participants on the following priorities and needs of the cultural sector:

- **A paradigm shift in development approaches**, policies and practices in the sector. This involves reorganizing development priorities, so that culture is treated as an economic sector, with added value to reducing poverty and generating economic growth.
- **Addressing the sector's long-term structural needs** is a critical dimension of this shift. Risks are perpetuated by piecemeal and short-term funding cycles that target projects rather than long-term interventions, encompassing the sector as a whole. Viability of the sector requires an enabling environment that builds capacity of operators, strengthens structures, and encourages growth and innovation.
- **This requires investment in the three pillars of the cultural sector:** a) physical and technological infrastructure and institutional capacity, b) technical and vocational education and c) access to capital and appropriate financial instruments. Short-term funding and planning need to be complemented with such long-term investments, critical for fostering entrepreneurship. These pillars require efficient regulatory and policy frameworks.
- **Innovative approaches to financing culture.** Donors, investors and international actors need to explore new forms of funding and financing culture beyond traditional means (subsidies, grants, investment and guarantee funds). Suggestions included mixed economic schemes, public private partnerships (PPPs), social economy models, Islamic and other communitarian models.
- **Long-term vision and strategies.** The potential of culture for development, for economic growth and for diversity is being undermined by short-term strategies. With long-term political vision, the sector can become economically viable, and capable of providing culture's multiple, direct and indirect benefits and delivering its full potential as a driver of development.
- **A binding national pact and political commitment** that sets long-term targets agreed to by all national actors. A national strategic programme for culture, developed with and fully supported by all political parties, that transcends electoral cycles and political differences, and which is entrenched in national policy is required to translate commitments into long-term action.
- **Improved organization of cultural operators** so that they are able to express their needs, voice their concerns and negotiate their position.
- **Easy availability of information** on different funding approaches and opportunities for the cultural sector, for example by creating information booths in financial facilities.
- **An alliance of donors** for the cultural sector through increased and more focused coordination and collaboration between international donors and investors. Better awareness of the respective objectives, priorities and modalities of operation are an effective means of moving the agenda forward.

## Way Forward

Given the messages from the symposium, and the desire and renewed commitment for change, participants called for several lines of action. In particular, UNESCO was urged to utilize its distinct cultural mandate and position to act as an intermediary between the international development community, governments, and relevant stakeholders (banks, investors, cultural operators etc). Suggestions include:

- For UNESCO to convene regional meetings between private investors (development banks and private banks) in order to encourage dialogue and create new avenues for financing.
- For UNESCO to coordinate an international donors' forum bringing together key international development actors and interested partner countries with the aim of (a) defining common objectives of long-term interventions to strengthen the cultural sector in developing countries and (b) defining the complementary roles that organizations can play within a coordinated framework of action.
- Host a public-private working group to explore different options for financing and investing in culture beyond subsidies and conventional investment and guarantee funds to include mixed economy models and alternative funding models.
- An advocacy strategy targeting national governments and regional actors; UNESCO is well-positioned and has the mandate to encourage governments to step-up their commitment to the cultural sector. Making the case for culture through dissemination of information (i.e. existing statistics on culture's contribution to national economies and employment) and the symposium's messages at international, regional and national meetings of governments, ministers of culture, etc., will help to engage and convince decision makers on the strategic advantages of investing in the cultural sector.

### **Jean-Claude BOIDIN**

Jean-Claude Boidin is the Head of Unit for Human Development, Social Cohesion and Employment, within the Directorate General for Development, European Commission (EC), a position he has held since September 2009. Since joining the EC in 1984, Boidin has served in several functions within the DG for Development, in particular in commercial relations with developing countries, dealing with macroeconomic questions, and commercial and cooperation treaties with South Africa. He has significant experience working in Africa: he was a Professor of Development Economics in Burkina Faso (1977-1981), an economic consultant to the Delegation in Ethiopia (1989-1992) and the Head of the European Union (EU) delegation to Madagascar (2005-2009).

### **Frédéric BOUILLEUX**

Frédéric Bouilleux is the Director of French Language, and Cultural and Linguistic Diversity at the International Organization of La Francophonie (OIF), a position he has held since 2006. Prior to this, Bouilleux has held several positions within the French Ministry of Culture and Communication. This includes Head of Department of European and International Affairs within the Ministry (2004-2006) and deployments to the French Ministry of Foreign Affairs to head a number of organizations specializing in culture and audiovisual overseas (e.g. in Palermo and Jerusalem). He has also served as the French Culture Delegate and Honorary Consul in Venice (Italy) and has headed the Maison des écrivains in Paris. Bouilleux graduated from the Institute of Political Studies in Paris (l'Institut d'Etudes Politiques de Paris) and has a graduate degree in History of Law from University of Paris II.

### **Jean-Michel DEBRAT**

Jean-Michel Debrat, Deputy Director-General of the French Development Agency (AFD) since 2002, joined the AFD in 1996 after serving as Financial Adviser for Africa in the Ministry of Economics and Finance. He was formerly in the Executive Office of the Ministry of Cooperation and Development. Mr Debrat is also a member of the Board of the French Committee for UNICEF. He holds a Doctorate in Geography, and studied at the National School of Administration (ENA).

### **Her Excellency, Laura FAXAS**

Laura Faxas is the Ambassador Extraordinary and Plenipotentiary of the Dominican Republic in France, and Ambassador Representative of the Dominican Republic before the OECD and several diplomatic organizations in France. Native of the Dominican Republic, she has worked as a sociologist, researcher and professor in the Dominican Republic, Mexico, Bolivia, Ecuador, France and Burkina Faso. Ambassador Faxas holds a Ph.D. from the École DES Hautes Études in Social Sciences (EHESS) of Paris and is a member of the Center for Analysis and Sociological Intervention (CADDIES) of Paris, since 1987. She was member of the Executive Secretary of the Presidential Commission for the Reformation and Modernization of the State of the Dominican Republic created by President Leonel Fernandez in 1996. In December 2004, Mrs. Faxas was designated for the second time as Ambassador, Permanent Delegate of the Dominican Republic before UNESCO, for whom she had been a consultant for many years. She held this position until June 2009.

### **Luciane GORGULHO**

Luciane Gorgulho has been the Head of the Culture, Economics and Tourism Department at BNDES, the Brazilian Development Bank since 2006. Her professional experience includes Analyst of venture capital investments at BNDES (from 1993 to 1999); Chief of Department at FINEP, the Brazilian Innovation Agency (1999-2003), where she was responsible for the INOVAR Project, which aims at developing venture capital as a viable instrument for supporting new technology-based companies in Brazil; and Manager of the Siderurgy and Mining Department at BNDES (2004-2006). Gorgulho is

an Economist with a Masters degree in Industrial Economics from Universidade Federal do Rio de Janeiro, where she specialized in venture capital and technology-based companies.

#### **Keith KHAN**

Keith Khan is an artist, director and designer who is also currently a member of Arts Council England and the Culture and Development group at the Commonwealth Foundation. He was previously Head of Culture for the London 2012 Olympic Games and Paralympic Games. Keith began his career producing costumes for the Notting Hill and Trinidad carnivals. He was part of the creative team that produced the Millennium Dome's opening ceremony and became Director of Design Ceremonies at the Commonwealth Games in 2002. Khan was Artistic Director for the Queen's Golden Jubilee Commonwealth celebrations and Chief Executive of Rich Mix, a publicly funded, international cultural and heritage centre.

#### **Francesco LANZAFAME**

Francesco Lanzafame is a housing and urban development specialist in the Institutional Capacity and Finance Development Department of the Inter-American Development Bank (IDB). In this role, he has focused primarily on integrated urban development and rehabilitation projects. Previous professional experience includes the United Nations Economic Commission for Latin America and the Caribbean, where he collaborated with the ECLAC/UNCHS (HABITAT) joint unit on projects and research on urban renewal, management and financing.

#### **Victor LUGGER**

Victor Lugger is the Head of Web and Chief Financial Officer of the record label, MyMajorCompany. After graduating from HEC (International Business School) Paris, Lugger co-founded the HEC Paris Incubator and helped establish a private equity investment fund in the sustainable development sector. In addition, he has worked as a controller at Eurocopter in Chile.

#### **Ganiou SOGLO**

Ganiou Soglo is the current Minister of Culture, Literacy and Promotion of National Languages of the Republic of Benin. After a career in banking in Brazil, he subsequently worked in football club management. In 2007, he was nominated as Minister of Youth, Sports and Leisure in Benin, a post he held until October 2008 when he took up his current position.

#### **Christian VERBERT**

Christian Verbert is the European Commissioner of the Société des développement des entreprises culturelles (SODEC). Before joining SODEC in 1988, Verbert worked as a journalist for radio, television and print media and for different cultural organisms including Télé Québec (where he was head of regional programming, marketing and international sales), and on development projects organized within the framework of "l'Entente Canada-Québec".

#### **Prof. Chengyu XIONG**

Professor Xiong is the Director of the National Research Center of Cultural Industries at Tsinghua University, China. He is also the member of the Advisory Committee for State Informatization (ACSI) and a board member of the China International Culture and Exchange Center. He has published widely in the areas of new media studies, media and society, and public policy for cultural industries, and led several high-profile projects, including "A Study of China's Cultural Industries Policies". Professor Xiong is the first professor in Cultural and Media Studies to be invited to give a lecture to the Politburo members of the CCP's Central Committee.







On 16 and 17 April 2010, UNESCO brought together leading experts from the financial, development, academic and cultural sectors for a symposium on “Funding Culture, Managing the Risk” to develop innovative strategies and approaches to improving funding and financing opportunities for culture in developing countries.

The two-day symposium, supported by the Government of Spain and held at the Organization’s headquarters, was part of a series of events organized by UNESCO’s Culture Sector aiming to catalyse new ideas and international action around the culture and development agenda.

Culture is a proven effective driver of development, with great potential and impact for the achievement of the Millennium Development Goals; with only five years before the deadline for their achievement, 2010 offers the international community critical opportunities to place the role of culture more centrally in development practices and policies.

This volume reunites the presentations from leading experts and practitioners in the field and captures the dynamic exchanges of ideas and experiences. Included are the key messages of the symposium and the lead-up event, a global online discussion, as well as proposals on the way forward for the culture and development agenda.



*Dialogue between cultural operators and investors “is a bit like a wedding between a carp and a rabbit, it involves people who are not used to working together”.*

*Frédéric Bouilleux*