

The relationship between public and private financing of culture in the EU

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Abstract

This paper focuses on the mode of financing of the arts and culture and on the differences between public and private modes of financing. It refers to cultural policies in Europe: their objectives, the administrative organisation and the financial instruments. The main questions are: can a combination of the two modes of financing generate an increase in financial resources devoted to the arts and culture. Or does public support crowd-out private intervention? Can governments stimulate private support of the arts and culture? How effective are tax incentives? The study looks at three main sources of funds: the government, the market, and the third sphere (non-profit sector). Each has its own logic, and tends to generate its own institutions and organisations. Any cultural policy may need to take these sources and their consequences into account because the way a cultural good is financed will matter to its valuation and functioning.

1. Introduction

In this paper we focus not so much on the need and content of a European cultural policy as on the conditions necessary to conduct such a policy. Our concern lies particularly in the availability of financial data on public and private financing of the arts and culture. When money is directed at financing cultural projects in the EU, politicians need to know what is being spent by whom and on what activities. The main objective is that of focusing on the relationship among the public and private sectors that financially support the arts and culture and, especially, on the reciprocal influence that they can have. Does public support crowd-out private (market and third sphere) intervention? Can governments stimulate other sectors' support to the arts and culture? Would an increase in support from the private sector imply a reduction of public funds devoted to the arts and culture? The paper tries to answer to these questions looking at the different examples that can be found within the EU member states as for the arrangements applied to finance the arts and culture.

2. Theoretical background of the study

For the purposes of the study it behoves us to stress a peculiar economic characteristic of culture: the likelihood that the way a cultural good is financed will matter to its valuation and its functioning (Frey 1997, Klamer 2002, Klamer & Zuidhof 1998, Throsby 2001). It usually matters whether cultural activities are financed by means of (government)

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subsidies, market arrangements or the third sphere. The mode of financing has bearing on the organization of cultural institutions and especially affects the appraisal of cultural goods and their valorisation. Therefore, a thorough analysis of the financing of culture should take into consideration the combination of public, private, and not-for-profit sector resources. In a critical review of the state of cultural policy research, Ellis suggests that attention to such studies should focus on “the impact of changing funding criteria on the patterns of arts activity” (Ellis 2004: 3).

The study focuses on three main sources of funds for the arts: the government, the market, and the third sphere (non-profit sector). Each has its own rationale, and tends to generate its own institutions and organisations. Any cultural policy may need to take these sources and their consequences into account.

- Financing by means of the *government*: To qualify for government support, cultural institutions and artists have to demonstrate that their activities meet qualitative and quantitative standards stipulated by politicians and government agencies. They also have to account for their activities. If the government is the major source of finance, cultural institutions are more or less compelled to operate in the government circuit.
- Financing by means of the *market*: Alternatively, cultural institutions and artists can sell their work on the market. This includes the selling of their works to companies in so-called sponsored deals. In market type of arrangements *quid pro quo* prevails.
- Financing by means of the *third sphere*: Cultural institutions can also generate funds by means of donations from individuals or private institutions. These donations come in the form of money, work or time. Financing by means of the third sphere prevails in the Anglo-Saxon tradition and appears to be on the rise in Europe. For this method of financing yet another approach is called for, one focusing on the idealistic and special character of the arts, and on its vulnerable character.

Data are very important for cultural policies analysis because they illustrate the differences in how countries finance culture, which, in turn, correspond to differences in how cultural policies are organized. The adjustments in funds devoted to this sector, their sources (public or private), their distribution among the different levels of government and different art sectors – all are useful to detect the way cultural policies are actually implemented. The analysis did not focus only on quantitative data but included also qualitative information, which were fundamental to try to have a complete picture of the financing of the arts and culture. It was, in fact, important to refer the data to their specific context. It is, thus, important, to identify the organisation of the administration responsible for culture in the various countries and the cultural policy priorities. The results of this investigation constitute the basis to analyse the role of the various sectors involved in the financing of the arts and culture and of their interrelation.

The study tries to adhere to a differentiation of these three main sources of financing by grouping the data accordingly. More specifically, the analysis considers:

A. Public support:

- *Public direct support*

This includes subsidies, awards, and grants, as well as lottery funds provided by central and lower levels of governments¹.

- *Public indirect support*

¹ Lower levels of governments include Länder (Austria, Germany), Communities (Belgium), Voivodship (Poland), Regions, Provinces, Counties, Municipalities.

The analysis of indirect financial support to culture will draw attention to tax expenditures, which refer to income that local and national governments forego because of tax reductions and exemptions granted to cultural institutions. Tax incentives provide extra funds for culture.

B. Private support

- *Business support*
Indicators refer to support from business organisations.
- *Non-profit organisations support*
Indicators refer to support from non-profit organisations and individuals' donations for culture.

The analysis is based on the collection of data from secondary sources (national statistics, ministries' reports, international database). The quantitative analysis proved to be very difficult as data for the period under consideration were frequently unavailable or not comparable. In most cases, the heading "state spending on culture" referred only to figures of the institutions responsible for culture at the central level (ministries, departments, and so on) and ignored data from other ministries. Moreover, the information was more often than not presented out of context, omitting constituents that lend a comprehensive understanding of how culture and the arts are financed. Finally, the focus on public financing omits other sources of funds (market, third sphere²) and hence other ways to develop cultural policies. Therefore, a thorough analysis of the financing of culture should take into consideration the combination of public, private, and non profit sector resources.

3. Findings

3.1. Cultural policy priorities and organization of the public administration responsible for culture

The qualitative analysis considers the cultural policy priorities and the administrative organization in place in the 25 EU member states (plus Bulgaria and Romania). The design, focus and implementation of European cultural policies vary across countries. Some have a centralized, ministry-supervised structure; others are decentralized. In some countries, public intervention plays the "sovereign" of culture; others employ a combination of public and private interventions.

Cultural policy priorities

The analysis of the 27 countries evidenced a wide array of policy priorities. Some countries focus on cultural heritage; others have, at the core of their cultural policy, issues such as social inclusion and cultural diversity, following a path that characterises the EU interest regarding the cultural sector. Notably, the creative industries have become increasingly important economic factors within national cultural policies. Looking at the cultural priorities of the 27 countries, we can detect some common features as well as some peculiarities. In line with European Community objectives, support for creativity,

² "Third sphere" is a term suggested by Klamer and Zuidhof (1998) to refer to the non-profit sector.

heritage protection and promotion, and a focus on creative industries is nearly universal, followed by recognition and promotion of national identity, cultural pluralism, internationalisation and decentralisation of responsibilities. There is widespread attention to the issue of identity and pluralism, one with growing importance because of ever-increasing immigration and globalisation. This calls for preserving national identity while at once recognising the cultural diversity of newcomers. Other objectives belong only to a few countries. Supporting artists is a main objective of cultural policy in the Nordic countries, Austria, the Netherlands, and Luxembourg. The importance of art education and social cohesion is particularly prioritised in Sweden, Denmark, Finland, some Baltic countries, the United Kingdom, France, and the Netherlands. The protection and development of heritage remains highly important for Italy, Greece, Cyprus, and Malta. A trend indicates that the economic effect of culture is becoming more of an objective in shaping cultural policies. This is strongly emphasized and implemented in the United Kingdom, Denmark, Austria, Germany, and the Netherlands. Very recently this priority has gained policy attention in the East and Central European countries, but it remains more of a target than a substantive policy change. The same partially holds for the involvement of the private sector (business and non-profit organisations) in the implementation of cultural policies; only a few countries have taken significant measures to allow their involvement.

Organization of the public administration responsible for culture

Like cultural policy priorities, the analysis of the administrative organisations responsible for culture in the 27 countries shows some similarities. To better articulate these common features, we propose a country classification.³ A first partition simply separates countries with centralised organisations from those with decentralised ones. Most countries have a centralised structure with a central ministry bearing most responsibility; some authority is devolved to lower levels of government, which, in general, operate under the control of the minister. Countries like Cyprus, France, Ireland, Italy, and Luxembourg belong to this group. Countries like Austria, Belgium, and Germany, instead, have a federal organisation; in these cases, a central ministry sometimes does not even exist (Germany, for example, is a case of complete devolution) and lower levels of government (Länder, counties, municipalities) are responsible for most cultural matters. If we imagine a line joining the two extremes, Ireland would rest on one end as the most centralised system (alongside with most of the East and Central European countries); Germany, Denmark and Poland – as most decentralised – would occupy positions at the other end of the spectrum.

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

The third group comprises the Nordic countries. Various studies (Arts Council of Finland 2002, Heikkinen 2003, 2004) point to a "Nordic model" of cultural policy. The policy resemblance in these countries stems from the following commonalities: (1) the link with

³ Please note that this is proposed for sake of clarity and is not considered the only classification possible. We use this grouping as it allows a slightly clearer picture of how the organisations that decide on cultural policies in Europe are organised.

the welfare systems, (2) the emphasis on cooperation, (3) the importance of equality, (4) generous support to individual artists, and (5) the importance of artistic quality as the decisive criterion for granting support (Wiesand 2004).

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

3.2. Public and private financing of the arts and culture within EU.

3.2.1. Direct public financing of the arts and culture

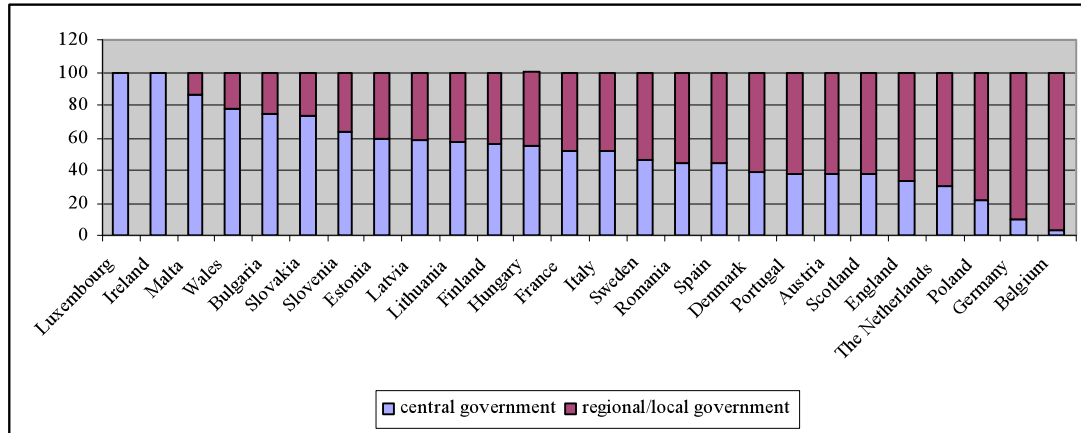
In the period under consideration, public direct support has shown a general increase, especially in Central and East Europe. A significant rise in state spending on culture is noticeable in Malta and Cyprus due to the higher level of development investment in culture. Among the new members and acceding countries, the growth in central government expenditure on culture is considerable. Among the older EU member states, the increase in central government spending for the period 2000-2004 was more moderate. During the period studied, national spending on culture⁴ as a percentage of GDP varied between 0.3% and 1.2% among countries, but fluctuation within countries tended to be slight. When a broader definition of culture is considered,⁵ the data suggest percentages between 0.4 to above 2 percent, with Luxemburg and Denmark as the leaders and Greece at the lowest end.

Most East European countries (except Poland and Hungary) plus Malta and Cyprus show a trend towards decentralisation, but the central government remains powerful in the distribution of funds. The autonomy of regions and municipalities achieved in some countries (especially Austria, Belgium, Germany, Poland, Spain and the United Kingdom) has allowed them to contribute significantly to culture at the local level (Fig. 1). Again here we have to emphasise that the data on the central level are primarily based on reports and budgets of the Ministries of Culture. If the support from other ministries were included, the shares of central and regional governments might change.

⁴ According to Eurostat (2001) this includes creative arts, museums and archives, performing arts, libraries, film and video, without broadcasting and art education.

⁵ The report of the Organisation for Economic Cooperation and Development (OECD 2006) considers a broader concept of culture and recreation, where government expenditure includes the administration of sports, recreation and cultural affairs as well as the maintenance of zoos, botanical gardens, public beaches and parks, support to broadcasting services and in some countries support to provision for religious services. Also included are grants to artists, performers, orchestras and opera companies.

Figure 1. Percentages of public expenditure for culture by level of government (2000-2005)*



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

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

The distribution of funds among different sectors varies among countries according to their respective cultural priorities. Sports are favoured in Denmark, Estonia, Ireland and Portugal. National broadcasting services are highly funded in Belgium, Bulgaria, Latvia, and the Netherlands. Cultural ministries in Hungary, Slovakia and Romania strongly support religious affairs, making it difficult to estimate the share of investment in the arts. Cultural education is important in Belgium, Germany, Austria, Denmark, and Estonia. Many times the state finances individual artists and cultural institutions through Arts Councils and National Cultural Funds or Foundations. The latter, in turn, allocate money on competitive basis and according to specific aims and scopes. How grants are awarded differ. It should be noted that state spending on grants and subsidies to artists represents 0.5-17% annually among the National Funds and Councils. The highest average share of the state budget was distributed to the Arts Council in the United Kingdom and Ireland. In many countries, lottery funds for culture are important and in some, like Italy, their distribution has allowed cultural interventions that were otherwise impossible. Their collection and redistribution methods vary from country to country. They are primarily channelled to capital investment and much less for the realisation of projects. Except for Italy, which distributes a fixed amount annually to cultural heritage, lottery funds are not insured by any measures, meaning that their contributions to culture can greatly fluctuate. Finland's central government compensates for lottery shortcomings to culture. Some measures of compensation have been suggested in the Netherlands, Sweden and Slovakia.

3.2.2. Indirect Public support to the arts and culture

An important and often overlooked form of government support is the indirect subsidy deriving from the creation of a fiscal environment and that provides extra funds for culture through tax incentives. Indirect support refers to income that local and national governments forego in tax reductions and exemptions granted to cultural institutions or to their supporters. Tax incentives take place as tax exemptions, tax deductions and special (lower) tax rates for art and cultural institutions. Fiscal relief can be ascribed to all forms of private support to culture (cash donations, sponsorships in kind, services or equipment). Within the various devices of tax policy are those that encourage the increased consumption of cultural products and services, for example, the application of preferential Value Added Tax (VAT) rates.

This form of indirect support illustrates well how the activity of the government is not neutral with respect to private involvement. Fiscal laws can, for example, encourage or discourage donations, boost the bequeathing of valuables, foster the creation of foundations, or encourage the consumption of cultural products and services. Inkei (2001) defines it as “fiscal support of governments to private support to culture”. At the same time, fiscal incentives highlight the importance of the activity of private individuals or institutions: they can choose whether to exploit this form of support or not. This form of indirect support is problematic in that the data needed for a reasonable quantification of it is rarely available.

Indirect support has a significant role to be acknowledged, because it provides additional financial resources for culture. The main problem is the difficulty of accounting for the indirect government support to culture that derives from fiscal measures (IFACCA 2004). A second problem derives from the lack of homogeneous legislation about the cases when tax incentives can be used (e.g. sponsorship vs. donations; or the identification of the institutions or goods that qualify as cultural). Although data are difficult – if not impossible – to obtain, in some countries indirect support appears to be as important as direct support. For example, Hemels (2006) suggests that in the Netherlands indirect support is equal to direct support. In Ireland, per capita government expenditures for the arts and culture increase by 50% when tax incentives are included (Arts Council of Ireland, 2000). In Italy under a new law about business support, companies’ contribution to the arts increased by 70% within one year (Cavalieri and Mignosa, 2006). “Percentage legislation” also favoured an increase in individuals’ contributions to cultural organizations in East European Countries (Klamer, Petrova and Mignosa, 2006).

These examples highlight the positive effects of tax incentives on the increase of private contributions to the arts. They can favour the creation and development of non-profit cultural institutions with their promise of fiscal benefits. Fiscal measures can be very important in stimulating private interventions as they encourage individuals and companies to take part in the financing of culture and the arts. Then, tax incentives can be considered as a tool to stimulate the direct involvement of the people in supporting culture and therefore a tool that favours the democratisation of culture.

Hillman Chartrand and McCaughey (1989) talk of the state as a *facilitator* when it introduces clear rules that favour this form of indirect intervention. The state, then, has a major role in determining the amount of tax relief allowed; it has an impact on cultural policy implementation and the involvement of other sectors in financing the arts.

However, tax incentives are not cost-free. In making a donation, the donor pays for only a part of it and the government – i.e., taxpayers – pays the rest.

3.3. Private support to the arts and culture

Private intervention within the arts and culture drew major attention with the process of decentralisation. The need for additional income and the drive for autonomy in the decision-making process made searching beyond government support imperative. Private intervention can take several forms: donations, patronage, maecenatism, voluntary work, sponsorships and so on.

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

Business support to the arts and culture

Some estimates (based on national sources) show that private business support has tended to increase since the beginning of 2000 along with the general economic development within the EU. Private business support can be distributed in various ways: in kind, in cash, and in awards and prizes. Studies (Arts & Business 2005a, 2005b) suggest that in United Kingdom, business support increased by 6.14% between 2003 and 2005, reaching €168 million. An increase is noticeable in Italy also (Premio Impresa e Cultura 2004). Total business support to the arts increased from €32 million in 2002 to €35 million in 2003. In Denmark (Danish Ministry of Culture, 2003), private donations or sponsorship to state cultural institutions increased over 10% per year from 1998 to 2002. Private companies invest in the construction of cultural institutions (some of which are partnered with or stimulated by EU Structural Funds). Banks’ support to culture in Mediterranean countries plays a significant role. They have established their own foundations through which they finance cultural institutions and the development of cultural projects. Cultural sponsorship in East and Central European countries lags behind the older member states. In most of East and Central Europe, even with the increase in business support to art and culture, the share remains quite low compared to public cultural expenditure. Bulgarian companies predominantly support music (popular forms), literature, theatre, and festivals. In Poland, the major share of business support is allocated to theatre and galleries, followed by museum and orchestra sponsorships. Private sponsorship in Slovenia is evidenced by a few examples of cultural promotion, mainly in the form of festivals.

What are the motivations for business financial support to culture? A few national surveys⁶ suggest that it is foremost motivated by social responsibility combined with marketing goals. Second, it is the company’s aim to better its image and motivate its staff by supporting art and culture. Third, some research (Inkei 2001) on tax incentives suggests that the latter are not the primary motivations for companies to support culture. In countries where businesses traditionally support culture (Germany, the United Kingdom), companies tend to have established a long-term partnership with cultural actors or institutions, and be strong supporters of regionally based activities. On the

⁶ Soros Center for the Arts 2001, Non-Profit Research Association in Hungary (Kuti 2003), Swiss Institute for Art Research and Roland Berger Strategy Consultants 2004, Lidström 2003.

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

Non profit support to the arts and culture

Non-profit organisations are often explored as third-sphere entities whose goals are to support civic society activities. Looking for new sources of funds, it is necessary to acknowledge the potential of the third sphere for the financing of culture. There is little explicit acknowledgement of the importance of the non-profit sphere (third sphere). Even so, its role appears to be increasingly significant.

Due to different languages and legislation, different types of non-profit organisations exist among the countries: trusts, private associations (clubs, friends' societies, etc.) and foundations. Because of the lack of data about the impact of other forms of non-profit institutions on culture, this study focuses mainly on the activity of foundations (or, in the United Kingdom, trusts). The European Foundation Centre (EFC) defines a foundation (or trust) as "an independent, separately constituted, non-profit body with its own governing board and with its own source of income, whether or not exclusively from an endowment" (EFC 2005a). Accordingly, foundations are defined as organisations for the execution of publicly useful purposes such as support to artistic creation, promotion of culture or aid to artists.

For the period under consideration there is a general increase in the support through donations. In Belgium, Germany, the Netherlands, Portugal, Italy and Spain, art and culture are the priorities of private foundations' support. However, this is not a steady trend as it shows considerable fluctuations during different years. Among others, Arts & Business (2005b) suggests that trusts and foundations' support to the arts in the UK has no steady trend. For example, for the period 2001-2004, funding increased by an average of 30%, and then decreased almost by 15% in 2004-2005. Still the largest share is redistributed to the organizations in the biggest cities. In the case of UK, the largest share (up to 78%) goes to London art organisations. Support from bank foundations plays a significant role in Mediterranean countries. In Italy, in 2001, the share of grant-making activities by foundations of banking origins going to the arts and culture represented 40% of their total support. Non-governmental organisations' support for culture in East and Central European countries originates from government as well as private international foundations. The largest NGO's supporting culture in East and Central European countries were financed by the Open Society Foundation (which existed from the early 1990s to 2003) and various EU programmes. Through its Soros Centre for the Arts, the

Open Society Foundation developed specialized programmes in the visual arts, theatre, music, literature, and cultural heritage, as well as artists' networks (for example Soros Foundation Latvia 2006). The scope of foundations' activities varies according to different aspects of development in national culture. A few general trends can be distinguished: (1) support for talented youths, (2) support for new art forms or media, (3) organisational facilities and training, (4) educational and travel grants, and (5) support for cooperative international projects.

4. Public-private cooperation to support the arts and culture – Best practices

Using the existing experiences of EU member states as benchmark the paper illustrates some initiatives that member states could adopt in order to modify the present arrangements for financing the arts and culture introducing tools that could stimulate the involvement of the market and the third sphere. Interesting examples can be traced in various countries. In what follows some of them will be illustrated. Please note that the list is only indicative.

Hungary and Germany have the so-called 1% rule. Introduced by municipal legislation, it creates the obligation for building companies to spare 1% of the budget of every municipal construction project for artistic components in or on the building. In Germany, the resources raised by the 1% rule are allocated to the Fund "Arts and Public Sphere". The Hungarian government launched a "Loan Fund", which offers lower interest rates. The program is based on a partnership between the Ministry of National Cultural Heritage (which contributes 50% of the capital) and a private bank selected at auction (Tomova, 2004).

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

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

The success of any initiative to stimulate private intervention, in the end, is very much connected to people's awareness of the social benefits of contributing to the arts. Some governments encourage third sector initiatives by acknowledging their achievements and offering equal partnership in their support. The case of the Dutch windmills is an interesting one. A group of individuals led the initial appraisal of the value of windmills as part of the Dutch landscape and history (Stokhuyzen, 1962). These people formed a *Stichting* (foundation) that bought the windmills from the owners, preventing the destruction of an important part of Dutch heritage. Interestingly, the initiative of this

foundation stimulated the intervention of the Dutch government, which appraised the value of windmills and became directly involved in their preservation, assuming the role of the foundation that saved them in the first place.

Another interesting experience of cooperation between the public and the private sector is that of the Guggenheim museum in Bilbao. It is the major cultural project realised in the Basque region (Spain), based on co-partnership between Basque Institutions (public and private) and the Guggenheim Foundation. The museum is self-financed by 72% and receives public support of 28%. The museum receives private donations from its 40 corporate members as well as through donation campaigns related to specific events.

An important tool to stimulate private support to the cultural sector is the establishment of specialised agencies and organisations, which encourage engagement between business companies and arts sectors. Their operations as facilitators and advocates of co-partnership between business and artists or art organisations can create reciprocal understanding of both parties' values and further increase the fundraising for the arts and culture from business sources. Examples of this type of agencies can be found in various European countries. An active example is, among others, Arts & Business in the United Kingdom. In Italy, the "Impresa e Cultura" award stimulates the engagement of the business sector in supporting the arts. The prize, created in 1997 by a communication company (Bondardo Comunicazione), is now supported by the Presidency of the Council of Ministers, the Ministry of Foreign Affairs, the Ministry of Infrastructures and Transport and the Ministry of Heritage and Cultural Activities, and is sponsored by several local authorities, banks, publishing houses, and companies (*Impresa e Cultura*, 2006).

5. Conclusion

Strong evidence indicates that, when supporting the arts, the three spheres merge activities and objectives rather than separate them. Thus, the best strategy to follow would be to focus on the interaction among the three spheres and find the best ways to stimulate that collaboration. Certainly, governments could devise the right incentives to stimulate the market and, especially, third-sphere participation in supporting culture. The introduction of fiscal incentives, the use of matching grants and the involvement of private companies in the management of cultural institutions are tools that can easily be adopted by the government. A strategic design of these tools would also allow governments to direct private support towards specific objectives. The challenge is to generate more widespread private support for all kinds of arts without diminishing public support. People need to acknowledge that the arts are valuable and that they have reasons to support and contribute to them. Governments can play an active role in stimulating greater involvement by legislative or fiscal measures (tax deductions).

Governments could design tax incentives strategically, considering specific cultural objectives, clearly defining the sectors, the types of organisation, and the type of activities for which tax exemptions apply. This form of support has an impact on cultural policy implementation and on the involvement of other sectors in financing the arts and culture. An interesting feature of tax incentives for culture is that they imply a shift of focus from supply to demand; more responsibility is given to the public. They can be tools in favour of "democratisation" of culture. Matching grants constitute another tool

that governments could use to stimulate the involvement of more stakeholders. They could be directed towards specific programs, and could lead to an increase of public resources devoted to the arts and culture.

Information and communication about cultural projects, policy priorities, financing possibilities and initiatives are fundamental to the cultural sector and to raise public awareness. Governments could encourage private involvement in supporting the arts and culture by stimulating communication among stakeholders; similarly, cultural organizations need to build communication and management skills and adjust their organizations accordingly. Both the public and the private sector could become more transparent in diffusing information about the opportunity, the programs and the activities that are available. Furthermore, especially important is for governments to stimulate and promote joint venture practices with the business sector. The effects could be twofold: (1) increase the transparency and visibility of public-business cooperation and (2) provoke awareness, stimulating other businesses to donate to arts and culture. Ad hoc organizations could be established to encourage cooperation between business companies and art sectors. Their purpose should be to advocate a reciprocal understanding of the values of both parties and increase fundraising for the arts and culture from business sources.

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

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