

STEERING COMMITTEE FOR CULTURE

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Results of a 2011 Survey with Governments on Culture Budgets and the Financial Crisis and Culture

Item 6.2. of the draft agenda

Draft decision

The Committee:

- **welcomed** the results of a survey on 2011 public culture budgets and the financial crisis as presented to the CDCULT members;
- **suggested** to use the survey findings as input to the CultureWatchEurope conference in November 2011;
- **called upon CDCULT members** who have not yet replied to the survey questionnaire to do so, enabling the Secretariat to complete the overview.

True to its name, CultureWatchEurope follows developments in cultural financing in Europe, with an eye to what has changed through the effects of the financial crisis. Its latest conference held in Brussels in September 2010 was dedicated to this subject under the title “Culture and the policies of change”, and preparations included a state-of-the-art report about the consequences of the crisis for culture. Although that analysis was drawn up in the spring of the same year, one and a half years after the effects of the bank crunch (the Lehman Brothers case), it was still too early to draw conclusions about the long term consequences on the conditions of culture in Europe.

Several of the main factors clearly take longer to be fully manifested. The attitude of European citizens to culture and their cultural habits do not change overnight. Even now it is too early to tell how a new economic order has affected the scale and the pattern of people’s expenditure of time and money on cultural occupations. The same applies to the behaviour of businesses and donors vis-à-vis giving to culture, whether this involves philanthropy or marketing sponsorship. Indeed, it is still an open question whether there is, or will be, a substantially different economic and social order in Europe. And if so, will it mainly reflect the lessons learned from the financial crisis? What else can have similar power to provoke fundamental changes in our economic and social setup? Further effects of the on-going technological revolution (the Facebook age)? The continuing demographic restructuring of the European population? Fading out of earlier hierarchies of ideologies, making room for more pragmatic, more media-compatible, more populist value systems? Or the opposite, a revival of certain fundamentalisms? It would be a mistake to disregard the variety of trends shaping our European culture and to focus unduly on the financial crisis.

Coming back to the core issue, changing the direction of public funding is like modifying the trajectory of an ocean tanker. Public financing has its own natural pace, defined by the approval of the annual budgets. In the past two years we could see a number of instances when the natural biorhythm of public funding was upset by ad hoc reductions, freezings and cuts in the approved budgets, and this practice, indeed once infrequent, continues. The basic trends, however, are still determined at the time of (central or local) parliamentary votes on the budget for the next twelve months. Now that there have already been three such (yearly) moments of justice after the culmination of the financial crisis, clearer trends can now be traced.

The CultureWatchEurope survey, administered in the early months of 2011, aimed to collect information about the budgets for 2011 or 2011-2012, depending on the system of the financial year. The questionnaire was sent to the Culture Ministry in each member state of the Council of Europe, and twenty responses were collected. They were first arranged into a shorter report by the CWE secretariat. This actual report draws on it extensively, without indication by quotation marks.

Being an intergovernmental organisation, the Council directly communicates with government ministries, but the inquiry was extended to the local and regional levels as well. Most respondents bluntly reported an absence of information about financing culture at the lower levels. With the advances of information technology in the administration sector too, the time will hopefully soon arrive when local budgets will be aggregated in a central server days or hours after their approval. The high number of local governments (e.g. almost 40 000 in France) cannot be a serious obstacle. Also, this move towards transparency does not interfere with the autonomy of the local bodies.

It was especially the scarcity of information about the latest developments at local level that prompted the Budapest Observatory to complement the investigation with desk research (euphemism for Google), and with an ad hoc email inquiry among its partners, the result of which is also included on the following pages.

State level cultural budgets

The first impression and conclusion is that the European scene is even **more differentiated** than it appeared at the earlier CWE investigation, as clearly illustrated by Table 1. Out of the 25 entities (not all of them are countries, and Bosnia occupies three lines) the names of six are in bold: they are the ones who reported increases in their central cultural budgets in both years. While in eight cases this year's cultural budget is higher than in 2009, ten countries reported a slump over the span of two years. (This collection does not include the last pre-crisis data from 2008. Nevertheless the budgets of 2009 were in most countries conceived before the financial crunch and therefore did not differ substantially from those of 2008.)

Table 1. Change of cultural budget in the central government

	2009-2010	2010-2011	2009-2011
Ukraine	123%	112%	138%
Finland	109%	111%	121%
Malta	103%	113%	117%
Estonia	97%	117%	114%
Switzerland	114%	95%	109%
France	106%	102%	108%
Moldova	101%	107%	108%
Slovenia	99%	107%	105%
Belgium (French Comm.)	102%	103%	105%
Serbia	98%	105%	103%
Latvia	86%	115%	99%
Georgia	100%	98%	98%
Austria	96%	100%	96%
Cyprus	93%	101%	93%
Czech Republic	98%	95%	93%
Hungary	87%	107%	93%
Iceland	100%	90%	90%
Slovakia	89%	100%	89%
Croatia	94%	94%	88%
Italy	100%	83%	83%
Greece	91%	81%	74%
Germany (Federal)	113%
BiH Rep. Sr.	88%
BiH Federation	129%
BiH (Bosnia-Herzeg.)	100%
Spain	..	86%	..

Before proceeding to comment on the table, an important warning is issued. **Cultural statistics** are far from harmonised or consolidated. Also, this table hardly discloses two cases that are fully identical. Input into the *culture* chapter of the budget differs from country to country. Some respondents specified items that they considered different from the conventional definition. The list of these 'exceptions' is long: subsidy to media, cultural education, capital investment in the sector, support from EU structural funds etc. Furthermore, in a few cases the data from 2009 and even from 2010 are already reported as ex-post amounts of cultural expenditure, while the majority of the figures (by definition all for 2011) are budgets, ie political intentions, plans. This is especially important in the light of what was said before about the frequent interventions into the approved

budget during the year. Nonetheless, since the purpose of the inquiry is not to make precise comparisons between countries but to indicate trends, the table performs this function.

The figures, however, are not adjusted for **inflation** rates. This is a considerable distortion in countries with rates above 5% such as Ukraine. The cumulative inflation between 2009 and 2011 is in the neighbourhood of 38%, meaning that in fact culture has just been saved from reduction in the value of its state support. Bearing this in mind, Finland shows the best record with an almost 21% total increase, with little harm from inflation – closely followed by Malta and Estonia.

The table largely confirms predictions. Countries that struggle with **high debts** apply stricter regimes in cultural finances. Some of them went lower for two consecutive years, like Greece, Croatia or the Czech Republic. According to the reply given by Iceland, 2011 was forecast to be the roughest year. This would be due to the terms of the IMF agreement on a recovery plan for the country. It included keeping up state (deficit) expenditure in 2009 and beginning to cut state expenditure in 2010 and even more so in 2011, when the recovery is expected to continue at a stronger rate. It was then expected that 2012 would be a better year. It was not possible to find a strong pattern among those countries receiving loans from the IMF – Greece followed the Icelandic pattern of large cuts above all for 2011 (minus 19% for Greece and minus 11% for Iceland).

Latvia and Estonia deserve particular attention. The Baltic republics were the greatest victims of the crisis in 2008-2009. In both cases, however, the 2009 level is reached this year, with great advances in Estonia. It remains to be seen whether the level endures after the European Capital of Culture year is over for Tallinn. Estonians are confident: "Since the Estonian economy is growing, we do not foresee new overall budget cuts." In Latvia the financial plan for the new national library was reduced by nearly 40%, and yet for its completion in 2011 a high price is paid with severe cuts in all other cultural areas, already starting with salaries in 2009.

Switzerland found the questionnaire's focus on cuts inappropriate for its situation, unaware of reductions and cuts in the foreseeable future.

Bosnia represents a very special situation, where the two entities of the country show diagonally different tendencies – as can be seen in the table.

The UK and the Netherlands did not participate in the CWE survey. However, abundant information is available from various sources about these countries. The Dutch government has announced harsh austerity measures in the cultural sector. The planned budget cuts in respect of culture were in the range of 20%. They will concern live arts above all. There will also be a 15% increase in VAT on tickets and art purchases, no more temporary income support for young artists, and public funding bodies will be restructured into "investment funds".

In the United Kingdom over the next four years, cuts in the culture and sports sector are planned to reach 25-30%, with culture being the worst hit area (it is expected that the Olympic Games in 2012 will take precedence over cultural activities). The UK Arts Council has made savings of more than 4 million Euros, but will undergo further government cuts of 21 million Euros.

Regional level

Where data are available, a general pattern is that times seem to be tougher for culture at the regional than the national level, except for Ukraine where in 2010 the regions reported a nominal increase of 25% over the preceding year.

Where the regional administrations are no more than offices for the central state, as in Estonia, cuts can be made where the central government directly devolves its austerity measures. In the Estonian counties, the rule that there should be at least one full-time administrator for cultural and one for sport functions in each county was not prolonged.

In France, on the other hand, the central government has initiated a three-year programme of supportive measures (70 million euro in total) aimed at museums all over the country, with the aim of enhancing cultural access in the regions.

From where we have analytical data, the local variance is of course displayed. This is the case in Austria, where (according to the newspaper *Der Standard*) in 2011 two of the nine federal provinces are spending considerably more than three years earlier in 2008, while three will devote less to culture: Lower Austria is on top with nearly 10% growth, and Burgenland at the bottom with minus 25%. The rest (including Vienna) remain at or around the 2008 level.

Of the ten cantons in the Bosnia-Herzegovina Federation, cultural budgets are available in six for 2009 and 2010. Their variation is quite hectic, ranging from a 25% decrease in the Una-Sana canton to 23% growth in Central Bosnia from one year to the next.

Municipal level

While in many countries regions have little or no significance in cultural governance and financing, the importance of cities is on the increase. Owing to their huge number and enormous diversity, collecting data and arriving at general judgments is an even greater challenge than at state or regional levels.

With regard to general statements, our respondents confirmed the growing relative weight of culture in municipal finances. In Slovenia "the share of local communities' budget dedicated to culture constantly increased: from 5.7 in 2003 to 6.9 in 2009".

As to direct effects of the crisis, again Latvia and Estonia represent extreme positions, where in 2009 the combined spending on local culture fell by 35% and 32% respectively against 2008. In Serbia the decreases range from 10 to 30%. In Hungary a large number of local governments lost considerably on their bonds and loans in foreign currencies, which obliged them to make severe cuts in culture as well. From the Netherlands we learned that the state contributes less to the funds for municipalities owing to the crisis.

Some cities are especially hard hit. In the Croatian port city of Rijeka, spending on culture went down in two steps (2009, 2010) to little more than half of the base figure in 2008. The situation is barely better in the capital, Zagreb: the budget underwent reductions three times in 2010, and the cultural allocations for 2011 go still lower by 33%.

There are, however, places in Europe where the sun keeps shining on municipal culture. See, for example how the cultural budget keeps rocketing in the small (population 37 thousand) Slovenian town of Kranj:

Table 2. Cultural budgets of selected Slovenian cities (million euro)

	2008	2009	2010
Ljubljana	30.0	24.3	27.0
Maribor	12.0	9.4	18.0
Celje	4.5	9.7	7.8
Kranj	3.5	6.0	9.7
Krško	1.2	2.0	1.5

European Capital of Culture nominations affect answers from, for example, Tallinn and Maribor (Slovenia). A foundation (Tallinn 2011) was created to organise and prepare the programme of events held during this year. While in 2009 the foundation received around 600 000 € from the state budget, by 2011 this decreased to 230 000 €. Public expenditure for culture in Maribor in 2010 was estimated to constitute a 91% increase compared to 2009! Ljubljana is (was) World Book Capital City between April 2010 and 2011, involving additional cultural finance.

See information about Bosnian cities as reported for the CWE inquiry:

There are 135 municipalities and 8 towns in BiH. Data on budget for culture in 2009 are available for all of them, and for 2010 we managed to collect data for 20% (30) of them with the tight deadline.

Data for municipalities are quite interesting: the budget for culture in 2010 increased in 56% (17) of all respondent municipalities. In addition, there are several examples where a municipality's total budget decreased in 2010 compared to 2009, while the budget for culture increased.

Here is an example provided by Cazin Municipality

Year	total budget	budget for culture	aggregate share of budget for culture
2008	14 900 000	198 702	1.33%
2009	12 023 102	197 918	1.65%
2010	10 704 677	290 071	2.71%

It may be of interest to mention that out of 17 municipalities where the budget for culture was increased in 2010, five (Bihać, Bijeljina, Gradiška, Sokolac and Tešanj) have been financially supported, by cultural programmes implemented there under the MDGF Culture and Development project. The project was carried out in BiH by UNDP, UNESCO and UNICEF. The MDGF programme asked these municipalities to contribute to the overall budget of the financed program, so that could be one of the reasons for the increase.

Example of Bijeljina Municipality

2009 – 3 099 889

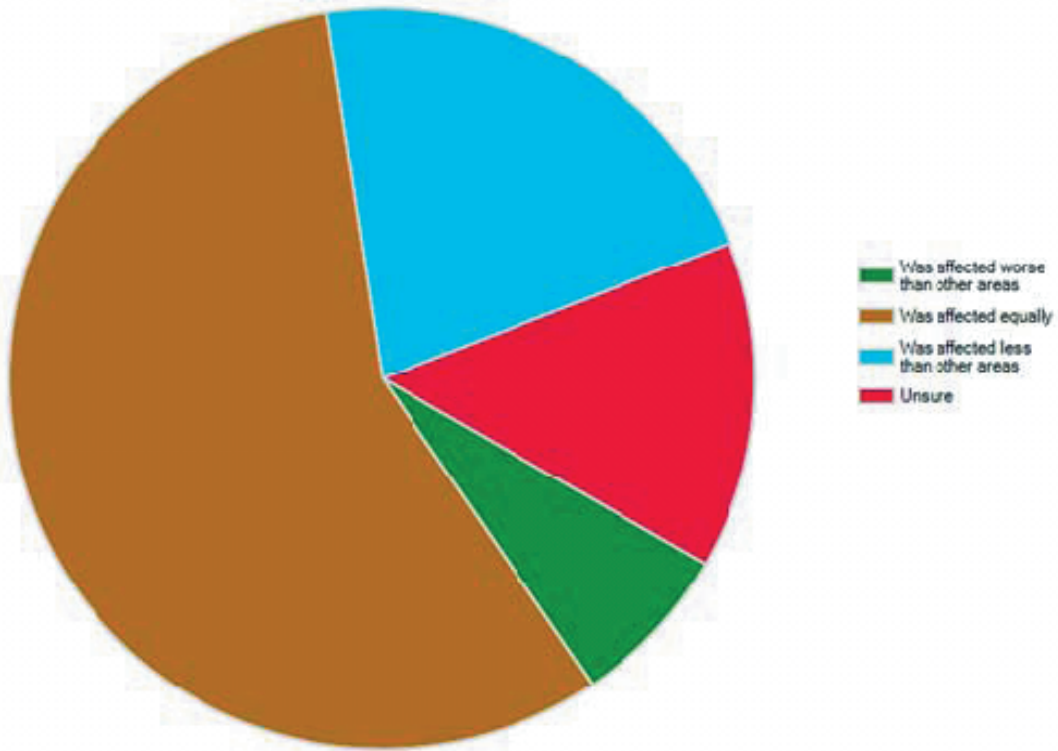
2010 – 4 522 300 (all figures in BAM, Bosnia-Herzegovina Convertible Mark)

We can gain additional insight into the impact of the financial crisis at the micro level through a study carried out in March 2011 by **Eurocities**. The survey included sixteen cities¹ from thirteen European countries and once again this is not to be seen as a proportional sample, but rather as an indicator or simply as an insight. This sample was equally divided between cities where cultural budgets went down and up, the majority reporting no major change. For those cities experiencing general budget cuts, culture was generally not seen as being worse hit than other fields. Where there was reduced support, the impact seemed stronger on operational costs than on infrastructure. When it came to specific actors and sectors, the effects seemed to be less for socio-cultural initiative organisations and smaller cultural organisations than for the major cultural institutions. That is interesting, since one might believe that cities (perhaps even more than states) jealously protect their flagship institutions helping them out in the important quest for positive branding.

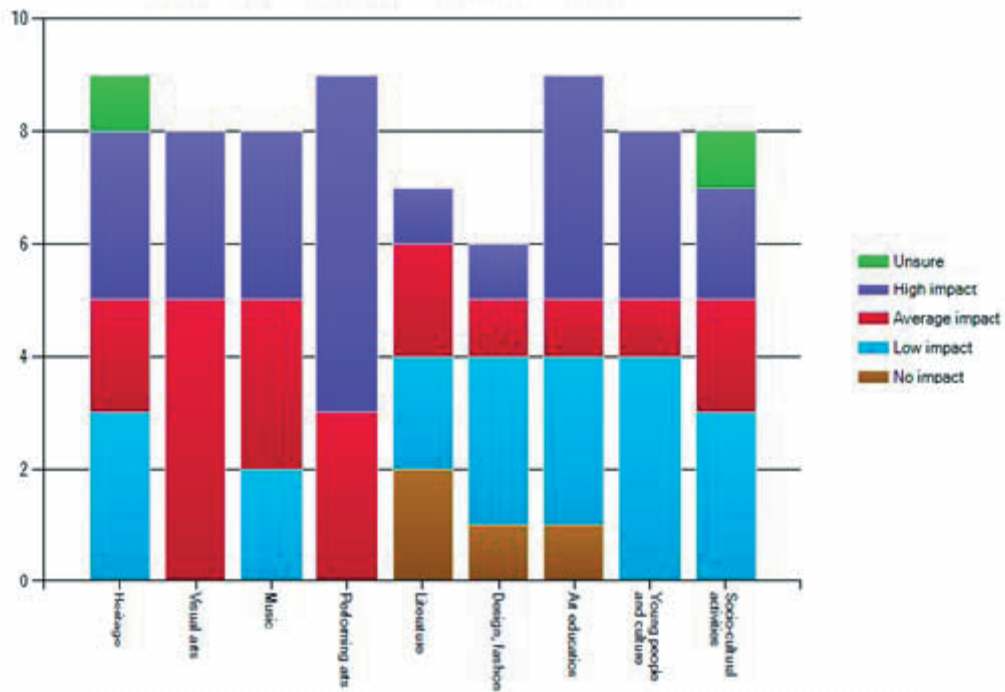
¹ (The sixteen cities were Bergen, Bologna, Copenhagen, Krakow, Dortmund, Dresden, Ghent, Gijon, Gothenburg, Helsinki, Leipzig, Nantes, Newcastle, Novi Sad, Rotterdam and Turin.)

Two graphs from the Eurocities survey:

If your city has experienced budget cuts, would you say that culture, in comparison with other municipal policy areas:



If your city is experiencing reduced support for culture, which sectors of your city's cultural life are affected, and to what extent?



The German Cultural Policy Association collected information from a larger circle in the autumn of 2010: **sixty German cities** with more than 100 000 inhabitants each answered questions about their cultural budgets. Only nine of them (15%) reported a lower cultural budget in 2009 than in the previous year, and in all cities in the range of 0-3%. On the other hand, 43 cities (72%) indicated increases: twelve of them by 4-7% and eleven by more than 7%.

The next year showed a similar picture. The 2010 cultural budget was smaller than before in 19 cities (32%), and in the majority (57%) cultural allocations rose. Nevertheless the league of cities spending more than 7% over the previous year had only three members.

The smaller a city, the more stable is the **libraries** component of financial budgets. This area suffered especially from the effects of the crisis. Quoting from the Estonian report: “At the height of the crisis the funding of public libraries decreased by around 20%, resulting in layoffs, shortening open hours and limiting the purchase of new books. The number of books public libraries can buy is around 0.25 books per capita (down from 0.3).”

And an even gloomier extract from the Czech answer to the questionnaire:

At the end of 2010, a study on the impact of financial crises on the budgets of public libraries in 2009 and 2010 was carried out with these main results:

In 2009, the budget of 19% of libraries operated by municipalities was reduced. However, that same year the budget of 29% of libraries was increased.

In 2010, the budget was reduced for 40% of libraries compared with 2009. On average, the budget was reduced by 9.5 %.

Libraries in smaller municipalities experienced the greatest reduction of budget. In some cases, the budget was reduced by 50% in 2009.

Overall budget for public libraries in the Czech Republic was 134 million CZK (5 581 000 €) in 2009 and 116 million CZK in 2010 (4 848 000 €). In 2010, the budget was reduced by 13% compared with the previous year.

Miscellaneous issues

With regard to **investing** in cultural infrastructure, the EU Structural Funds represent a relatively safe haven for projects supported from its resources, particularly in the new EU member states. Elsewhere, in Croatia, Greece and Iceland, investment belongs to the hardest hit areas.

As indicated above, the construction of the national library in Riga became the axis in the dramatically reduced cultural budgets of the past couple of years. France, on the other hand, can afford to maintain its tradition of grand cultural projects combined with architectural investment: archives in Pierrefitte, museum for the history of France, Museum of European and Mediterranean Civilisations in Marseille, renovation of the Picasso museum.

The question of **sponsorship** from the private sector did not fuel much analysis. The respondents, colleagues in the civil administration, did not comment on the relationship (interchangeability?) of sponsorship and public funds, nor appeared to be familiar with the latest developments in this area. The Slovenian response was the only one to venture an assessment like “loss of sponsorship from the private sector is 70% or more”.

When consulting replies, no distinct pattern for prioritising major institutions or **independent organisations** is to be seen. Many different choices are being made. Whereas seven countries foresaw cuts for independent organisations, five did so for major institutions. Hungary, for example, explicitly mentioned that cuts were more likely for independent organisation funding than for major institutions – indeed, the resources of the National Cultural Fund have since been curtailed. Legislation protects the similar Cultural Endowment in Estonia better, with no likely losses. Amid the critical circumstances in Iceland, priorities are clear: “State budgets have aimed at protecting

public cultural institutions of all kinds against major cuts as much as possible, resulting in larger cuts in temporary cultural programmes, maintenance programmes and various contributions to cultural issues.”

The decision to abolish the Hellenic Culture Organisation is a rare example where a relatively stable institution fell victim to financial necessities.

The following quote from the Czech answers exemplifies enforced losses in the field of performing arts:

Instead of scenic performance of operas, the concert performance of operas prevails (reduction of costs),
Reduction in the number of eminent (more expensive) conductors, stage managers and performing artists hosted in the Czech Republic,
Decline in the number of foreign performances of the Czech large music ensembles/ orchestras.

Little is said here about Italy, from where news of particularly drastic cuts arrives but is not elaborated on in detail for the questionnaire. The peculiar Italian institution of 88 foundations of banking origin, created in 1990 by the so-called Amato Law, exert great influence on a number of social fields including culture. When the public sources run dry, these foundations play an important buffer role.

New phenomena

Most of what has been written on these pages is about **defence**: what has been protected from the harm of the financial setback, and what has not. Critical turning points, however, often generate **new solutions**, even prospective avenues.

A relatively recent innovation in cultural policies was the mainstreaming of the **creative sector**. Although not without conceptual ambiguity, the issue generated a number of innovative solutions in cultural policies, primarily by opening up its boundaries and by forging new alliances. Several of the initiatives born after the crisis (as a kind of reckless venture) belong to this domain.

The Riga City Council has started to offer empty commercial space to entrepreneurs at no charge except the cost for utilities such as water and electricity. This changes the whole city profile of Riga, expensive shops and offices are replaced by craft shops, artists' initiatives and cafés. The Latvian Centre for Contemporary Art, in collaboration with other partners, launched in 2010 an innovative support programme granting administrative and financial support to creative and financially sustainable proposals for the development of local communities. Malta has launched two related initiatives, the President's Creativity Award Scheme and the Creative Economy Trust Fund: with these and other measures, funding programmes for creative individuals and enterprises constituted the largest budgetary increase of 26% in 2011. In the French Community of Belgium, electronic music and digital books figure among the new targets for assistance besides maintaining support for the 160 “centres for expression and creativity”.

Not all creative branches are winners, though. In the UK, the birthplace of the idea of creative industries, a flagship domain - the **film industry** - seems to be a loser in the austerity measures. Also in Slovenia, the Viba Film studio in 2010 only received 15% of its 2009 funds. In Hungary, the entire system has been suspended, with a number of productions brought to a standstill. Ukraine, on the other hand, has provided additional funds (110 million UAH) for film-making, and France has introduced tax cuts for the shooting of foreign movies in the country.

On a broader scale, initiatives not independent of the crisis include the large French programme (100 million euro) to stimulate the historical monument restoration sector. The measures have

been aimed at certain projects, such as a number of cathedrals and the Château de Versailles, maintaining jobs in this sector as well as fighting project delays.

Also in France, the subsidy to daily papers with limited advertising revenue was doubled with the aim of maintaining diversity in the press.

In a much smaller country, Malta, 2011 sees the introduction of the Culture Card for students: all students in the first 3 years of secondary school will be given a culture card valued at €15 to spend on cultural activities. This initiative has, among other things, been designed to incentivise cultural producers to commission new work and programme cultural and artistic activities devised specifically for young people.

In Moldova, new legislation has been introduced with the aim of endorsing the protection and optimisation of historical monuments, including tax credits, customs exemptions, preferential loans, etc.

In many places and fields of cultural importance, more effective and consolidated structures and new governance practices are being sought as a consequence of the crisis. In Iceland, “the museum structure and organisation of cultural institutions is under review in order to save costs in the future; a number of new laws in the field are being proposed to accommodate the proposed changes.”

Not all new things are part of cultural policies; the crisis had an impact on citizens’ **cultural behaviour** too, and sometimes in a favourable way. In Iceland, “attendance at concerts, theatre and museums has continued on the same level as before, and even increased in some cases; use of public libraries has increased notably all over the country, and volunteer-based cultural activities have also increased.”

The other side of the coin is described in the Latvian answer, pointing to increasing passiveness (more time spent watching TV), and preference for cultural activities free of charge: findings of this survey were already cited in the previous CWE report on the effect of crisis on culture.

Revisiting the title

Understandably, reductions and losses receive greater attention than places where business has managed to remain as usual, or advances can even be recorded. Therefore CWE is right to keep watching for issues that prevent the fulfilment of the aims contained in – among others – the European Cultural Convention. However, the inquiry has brought to the surface a greater number of positive issues than expected: cases of successful resistance to the setbacks of the financial crisis, signs of vitality and innovative measures to cope with the new circumstances. (Indeed, not every detail contained in the responses could be processed into this report.) While not denying the main focus on *culture cuts*, it is to be acknowledged that the findings of the survey cover a broader range of *culture reactions*.

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