CULTURE **and** LOCAL DEVELOPMENT

Background document

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Overview

A new environment

There has been a growing interest in the role played by cultural activities in local development. When major traditional industries declined or disappeared at the end of the last century, cultural tourism and creative industries have been recognised as both a heritage and a lever for future development. Central and local governments were mandated to develop infrastructures for cultural creation and heritage conservation, to widen the accessibility to cultural goods and services, and to ensure that culture reinforces the image of their territories. These objectives remain valid, but the context has evolved, influenced by several trends.

Digitalisation

Digitalisation is making it possible to circulate content independently from the support used and by technically making cultural goods through algorithms. Digitalisation has revolutionised both the economy of culture and the relation to culture. Digitalisation develops a new economy of cultural production based on data transmission and processing, this is a new cultural consumption that escapes the traditional constraints of space and time; and, includes new modes of sharing and feedback in the valuation of cultural goods. From the age of "the work of art" succeeds "an age of remix" that questions intellectual property rights, promotes use rather than possession and makes culture "a common good" consumed and produced by everybody.

Globalisation

In the past traditional cultural events were linked to a specific area or encapsulated inside some closed boxes, cultural algorithms now circulate at a high speed for ever-decreasing access costs. We are currently witnessing the coexistence of two drivers of cultural activities. The global drivers transcend non-technological barriers and produce huge economic movements. The local drivers still rest on a direct link or a close relationship between the creators and their audiences. The production of books and movies have shown that culture can be an industry. This is now true for all kinds of cultural goods. Given the existence of a local heritage and identity, culture has become a "niche" to stimulate the demands all over the global economy, as well as to produce it from cultural districts.

The intrinsic and instrumental values of culture

Culture has increasingly cooperated with other services such as education, health, employment and welfare. Culture is recognised for both its intrinsic value and its instrumental value. The *intrinsic* value of culture relates to the ability for people to know themselves better and understand each other better. The *instrumental* value of culture relates to its contribution to the quality of life in many of its components. At the age of creative society, the quality of culture helps making people reflexive and creative. Undoubtedly, this is a specific form of creativity, based on curiosity and imagination. This artistically based creativity differs from the scientific-based creativity; its process is more horizontal, it does not result

from a process of trial & errors but from a process of exploration and reflexivity. The top-down logic of the traditional welfare state can face difficulties to integrate a turbulent cultural demand based on local proximity, partnership, remix and bifurcations.

New conditions on the cultural goods market

In parallel with the effects on the consumption of cultural goods, the same elements lead to new conditions in the production of cultural goods.

- *The cultural productions occur in networks of firms* where larger corporate entities (Ali Baba, Amazon, Tencent, Apple, etc.) coexist with numerous small and specialised firms but where the output content and design are constantly changing.
- *The labour markets associated with these sectors tend to be very 'turbulent'.* Many artists and technicians are engaged in temporary and freelance forms of work, where their working practices are quasi systematically coordinated within temporary project-oriented teams.
- *Artistic and cultural services and products compete first based on their novelty and recognition*, and only after on their costs. In order to deal with risky and unstable markets, firms are increasingly integrated in extended inter-firm networks.
- In that context, *local flavours* reflected by a cultural service or product are highly relevant and contribute to the branding and production of local economies. This explains why thriving areas are often places where artistic and cultural producers emerge, tied by an organic solidarity.

How can culture contribute to local development? Two perspectives

Culture is currently on the agenda of cities, regions and territories. Where international or global perspectives put more emphasis on the technological dimension of culture, the local perspectives remind us that culture matters first as social capital. It reflects an identity that allows the originality and distinction of a local area. It gives rise to the trust and cooperation necessary to produce cultural goods, if the diversity of cultural expressions is respected. The idiosyncratic nature of the cultural product leads to competitive advantages for the territory, as consumption can only occur by visiting the site, as in the case of the performing arts or cultural tourism, or by mirroring the authenticity of the cultural goods. In this context, two perspectives allow us to understand how culture can contribute to local development and how local governments support this relationship.

The *first* perspective starts from the fact that global cultural flows interact with the local environments. Global cultural flows, illustrated by companies like Netflix, Spotify or Live Nation, are characterized by the magnitude of their technological, communication and financial resources; their potential investment for creating activities and jobs; and the osmosis between their own value chains with other sectors of activity. Local culture bring out talents and allows for experimentation. These two types of cultural flows gain from cooperation: global flows because they find in the local cultural environments the talents, they need;

local flows because they can find the financial and communication resources necessary for their sustainability. Such links are not spontaneous and need to be nurtured. The transformation of global festivals, from periodical to permanent local activities or the relations between visual artists, craftsmen and designers testify the relevance of such connections.

The *second* perspective deals with the articulation between intrinsic cultural value and instrumental cultural values. The potential for reflexivity and creativity resulting from cultural experiences - or their intrinsic cultural value - can also appear in areas considered as non-cultural, such as those of health, inclusion or urbanism. Their combination is far from easy: there may be oppositions between artistic and professional logics, notably in financial terms. The evaluation of the results expected from instrumental values is often hampered by the dichotomy between producing short-term outputs and the long-term expected outcomes.

The role of local government in promoting culture as a lever for development

How can local governments face the challenge of making culture a lever for local development? The current debate on Creative Place Making, puts the different actors - individuals, companies, NGOs, public, users, amateurs, and governments - in permanent interaction. The values that are produced are interdependent whatever the specific domain of their realization, e.g. cultural or no cultural. Careers develop, ideas transfer, money flows, and products and contents move, to and from, around and between the non-profit, homemade and commercial cultural subsectors. To make a creative place, governments must activate talents in various directions, preserve their works and inspire new ones. In this ecosystem, the role of a local government cannot be 'to organise' from the outset an ecosystem, which probably results from a long sedimentation of institutions and practices, but rather to make it more responding to new challenges.

More precisely, local governments cannot directly manage and control activities resulting from many changing interactions. However, they can care about the quality of their environment and insert the incentives that will induce both creativity and accountability. Creative place making requires local governments to understand concepts of art and culture that change from the silo visions of the art world to consider projects whose contours refer to interactions and sharing. They need to understand communities, not just of those who are already visible, but also those who live on the margins or who use the place occasionally. In summary, local governments will probably have to behave more and more as brokers and enablers.

Two major considerations need to be kept in mind to implement this challenging agenda:

- The need to intertwine as strongly as possible the financial, exposition and communication resources from the global drivers of culture that cross their own areas, with the local drivers of culture that makes talents emerge and activities nurturing creativeness; and
- The need to connect the intrinsic with instrumental values of culture in order to make local areas more creative and sustainable.

Acknowledgements

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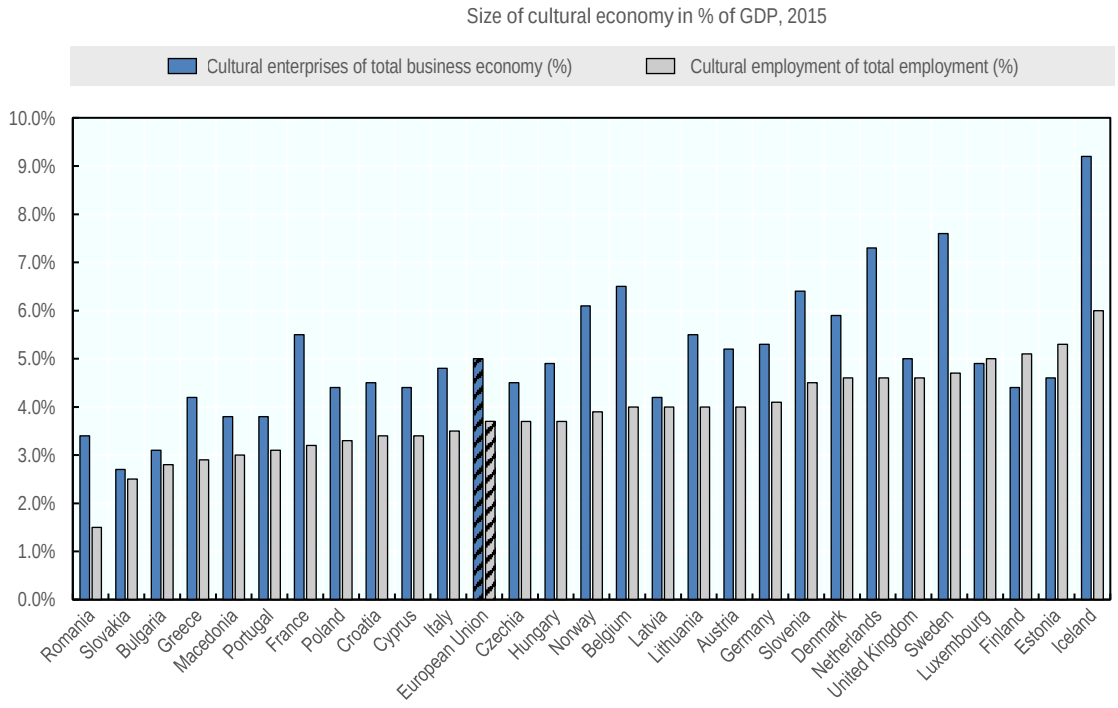
Chapter 1. How to define *Culture*?

No one would deny that culture and its related activities have many links with local development. Cultural activities help to give meaning to a place or a community, mobilise resources and create social dynamics. They develop the creativity of those who live there, and they make the territory more attractive to residents, visitors or innovators. Cultural activities have a significant economic weight. In the EU, the cultural economy accounts roughly for above 3% of GDP and 5% of Employment (Figure 1.1; see data definition in the Annex). The exports of creative goods participate significantly to international trade in some OECD countries, such as the US (above 40 billion US$ of exports in 2015), Italy, Germany, France and the UK (see Figure 1.2).

Figure 1.1. Size of the cultural economy in the European Union



Source: Eurostat.

The big cultural and creative enterprises have now taken the lead over more traditional sectors, such as transports and energy. The most vibrant cities or regions give a key role to their cultural activities.

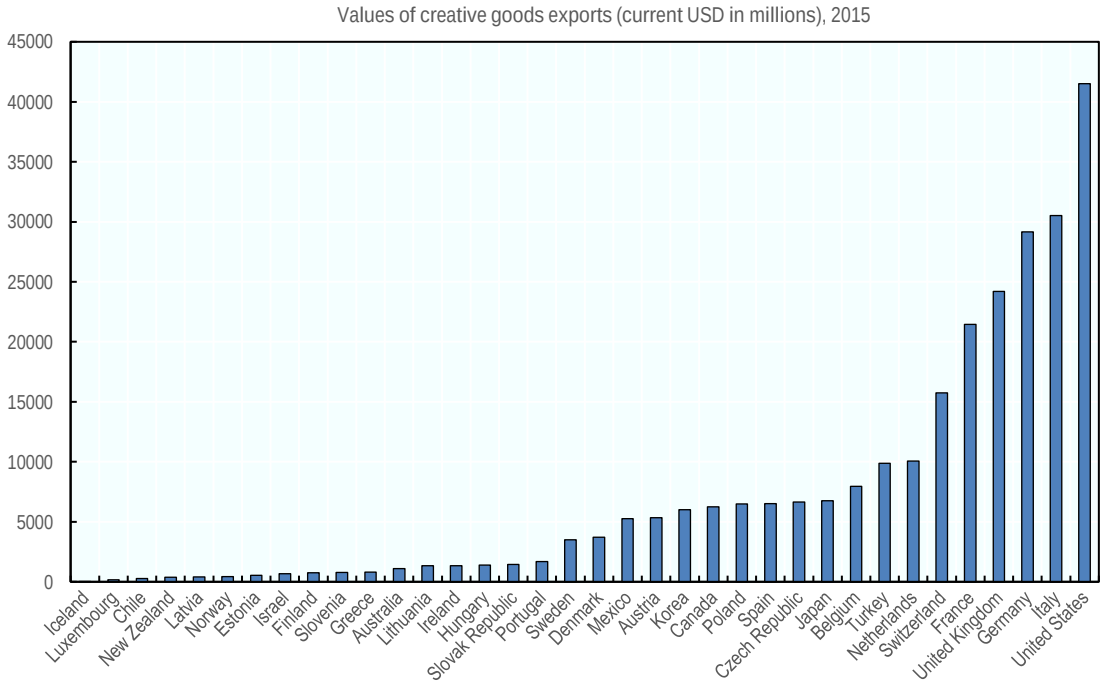
However, defining culture is not an easy task. This report focuses on local economic development, thus culture will mainly be associated with productive activities, mostly (although not exclusively) carried out by specialized professionals, and creating a socially codified sector. The broader definitions of 'culture' in an anthropological sense are somewhat beyond the scope of this report, not because they are not relevant, but because the purpose here is mainly to analyse the processes of cultural and creative production, and their developmental implications in economic and social terms.

Even using the narrow definition of cultural production, there is a wider spectrum of its actual forms and media. Indeed, many cultural forms are properly

understood only within the context of a given country or civilization, though they are acknowledged and appreciated by a larger human constituency. Good examples are the Japanese *ikebana* (the art of flower arrangement) or the Nigerian *Ifa* divination system. The countless expressive forms devised by human beings and civilizations can be hardly encapsulated in an all-encompassing taxonomy.

For the analysis of cultural production activities, a number of production sectors are conventionally identified and grouped in a small number of meta-sectors, although a clear-cut border is always somewhat arbitrary. The following broad meta-sectors can be considered: i) *Non-industrial (core) cultural sectors*; ii) *Cultural and Creative industries*; and, iii) *Digital content platforms*.

Figure 1.2. Exports of creative goods in OECD countries



Source: UNCTAD Trade Statistics.

Non-industrial (core) cultural sectors

These activities are not properly organized as industries either because their contents cannot be reproduced by appropriate technologies or such reproducibility is not meant as a viable option for expressive reasons. Main non-industrial sectors are *visual arts, performing arts*, and *heritage and museums*. These non-industrial sectors mostly reflect the original pattern of cultural production. The latter was supported by patronage and subsidisation, which preceded the emergence of modern industrial economies. Non-industrial cultural sectors often have a limited direct profitability. They are nevertheless very important as laboratories for experimentation and cultural innovation, such as platforms of citizens' participation, resources for community cohesion and urban renewal, or

repositories of valuable contents of high cultural and historical value and significance. Their authenticity is subject to the rules dictated by their author or by historical convention. The heritage core sector is the repository of all forms of tangible and intangible heritage, including civilization-specific expressive forms.

Cultural and Creative industries

Cultural and creative industries (hereafter, CCIs) have developed in their current form following the development of major technological innovations at the turn of 20th century, such as voice recording, radio and cinema. They are based on the technological reproducibility of their content, are produced and distributed in organized markets, and can generate substantial profits. Such sectors attract large volumes of private investment, and only marginally rely on private or public subsidisation.

CCIs often display strategic complementarities with both non-industrial sectors and with other sectors of the economy belonging to different production spheres. They can support new entrepreneurial and business models, playing an important role in the development of cities and regions (e.g. Hollywood). The authenticity of their products only depends on the conformity to the master copy from which they are reproduced.

The distinction between *cultural* and *creative* sectors may also be complex, but here a simple criterion was adopted. The output of *cultural* sectors concerns the production of culturally meaningful experiences. The output of *creative* sectors corresponds to a mix of cultural meaningfulness and other functional elements, such as ergonomics, nutritional value, user safety and comfort, persuasive capacity, or skills acquisition.

Following this classification, five cultural industries are usually identified:

- Publishing;
- Music;
- Cinema;
- Radio & TV; and
- Videogames.

Concerning creative industries, the following cultural activities are usually identified:

- Design;
- Fashion;
- Industry of taste;
- Architectural design;
- Communication and advertising; and
- Serious games (e.g. for health and education purposes).

Digital content platforms

Digital content platforms resulted from the last wave of technological innovations and they are evolving rapidly. They are complex mixes of functions and characteristics belonging to more traditional cultural and creative sectors, while at the same time adding unique features, especially from the point of view of their social, interactive dimension. For example, online video platforms like YouTube are neither cinema nor television, although they massively feature movie and TV show contents. These platforms are fed by an enormous daily flow of content by users, which are at the same time producers and consumers (so-called, *prosumers*).

They represent social networks, allowing users to comment and add to the content made by others, as well as to embed content themselves in other social media such as Facebook and Twitter. The latter becomes a channel of dissemination and aggregation of content (images, movies, text, music, videogames, and any possible kind of cultural and creative items) produced via other channels or platforms. Such platforms are hugely profitable. Apple, Facebook, Google, Amazon and Microsoft, the Big Five companies – are essentially engaged in this meta-sector as part of their core business.

Digital open platforms allow a practically unlimited alteration and remix of the existing contents, so that neither authors can maintain control on the modes of reproduction, nor can owners of Intellectual Property Rights (IPRs) control modes of copying and re-elaboration of contents.

While the above three-tier classification introduces some structure in the complex world of cultural and creative products and services, it must be taken with caution. For instance, festivals and the performing arts generally belong to the non-industrial sphere (they are, by definition, non-reproducible), and often require subsidies to cover their production costs, but can also be organized in a semi-industrial way. Conversely, in typically industrial sectors such as e.g. literature and publishing, ‘islands’ of non-industrial productions are tailored to very limited audiences with very small prospects of profit. This is the case of almost all forms of poetry, and magazines edited and produced by prosumers that are interested in sharing their interest in specific forms of cultural productions, such as alternative music, experimental visual arts, comics, science fiction novels, etc.

In the case of digital content platforms, one finds a huge variety of players and forms, from the self-managed individual blog to the digital media platforms of multinationals. However, in the digital sphere even small individual projects may turn, in the space of a few years, into successful companies. The wild heterogeneity of the digital sphere makes it very difficult to draw the line between what has potential to become an asset with significant market value, and what has not.

Like in most modern industries, the production of cultural and creative industries is characterized by an ecosystem, where a large hybridization takes place. For example, the movie industry makes uses of outputs from other cultural and creative sectors: music and literature (screenplays), digital effects, interior design, fashion (costumes), etc. Noteworthy, the core sectors tend to function as a sort of R&D Lab for the cultural and creative ecosystem. This role may open the case for a public support or intervention, much in the same way that applied research and product innovation may depend on fundamental research, which often is publically funded.

Likewise, the relationships between the cultural and creative sectors and other sectors of the economy can be very rich, and their complexity tends to grow, as the knowledge content of global value chains tends to intensify. One clear example is the increasing presence of visual or performing art content in the design and animation of retail spaces and shopping malls or the pervasiveness of augmented reality interfaces.

At the same time, cultural and creative production makes increasing use of technologies and outputs from external sectors, such as the use of drones in performing arts or the many possible applications of artificial intelligence in all aspects of content creation and dissemination.

To sum up, while culture is a complex and multi-faceted world, the reference typology presented remains helpful to organize the analysis and to fix some conceptual tenets.

What are the benefits of culture?

Assessing the contribution of culture to local development requires understanding the broad benefits from arts and culture. Cultural practice is a good experience, which makes people reflexive and participatory, thereby developing individual and social capacities. This is usually identified in the literature as the *intrinsic value* of culture. When cultural practices translate into other fields such as health and education, they may have other social and economic effects, such as preventing dropouts in education, improving health, making people more resilient in job searching, growth that is more inclusive, etc. These effects are *instrumental values* of culture.

The intrinsic benefits of culture: proximity, participation and experience

Culture activities may involve people actively and make them reflexive. A passive audience impoverishes a live art show or a museum visit. A classic example of how to enhance reflexivity of users is the Santa Cruz Museum described by Nina Simon in *The Participatory Museum*. First, through "hosted participation", the museum "turns over a portion of its facilities and/or resources to present programs developed and implemented by public groups or casual visitors."[1] Second, through a "me-to-we" design strategy, visitors can go beyond a personal experience to engage socially with other visitors around the meaning and value of

[1] Simon N. The Participatory Museum. Santa Cruz, CA: Museum 2.0, 2010. P. 187.

the art works.[2] The museum has used many technological and numerical devices, which demonstrates that « global digital » and « local participatory » are not exclusive of one another.[3]

Culture can also be a way of enhancing the creativity of people. Reich (1991) stressed the role of culture as a factor of production and the role of artists as organic intellectual workers. When intangible factors, such as knowledge and behaviour, play a key role in the development of new goods, artistic activities can stimulate creativity in all economic sectors and offer many references in signs, shapes, colours, symbols, etc.[4] Amabile (1996)[5] suggested that creativity depends on the ability to think in new and personal terms. Thus, a Master in Arts degree is more likely to foster creativity than does a Master in Management. Kandel (2012)[6], Nobel Prize for Medicine for his research in neurobiology, highlights that art is as much a field of experience as science. Arts proceed horizontally by intuition, all new intuition, widening the thinking perspective. He shows how artists include elements not as visual reproductions of objects but as references or clues to how we conceptualize objects. Thus, arts teach us to look at things in a new way, and make us more creative by asking us to be creative.[7]

The use of Internet and the digital age are transforming the way people participate in cultural experiences. Digitalisation connects consumers and producers more efficiently, thereby lowering search costs. It facilitates the creation of works and products, by enabling work without location and raising fund by crowdfunding. It increases the interaction among creators and consumers, and generates new types of audience involvement and experiences. Small regional structures are given new opportunities to strengthen their niche market at the local/regional level. New technologies enable anyone to become a creator easily, and the border between professional and non-professional creators is being blurred.

Many of these characteristics correspond to the creative platforms described above, which are in opposition with traditional cultural practices. Digitalisation has transformed the demand side. For example, access to music. Through digitalisation, performing arts companies can reach new audiences that were earlier unable to attend traditional performances, either for logistic reasons or because they could not afford the cost of tickets. Digitalisation can enhance the cultural experience by providing context, history, related materials and subtitles. It promotes consumer engagement, for example, when young consumers can exchange and develop new user-generated content in the realm of live arts. Another positive impact is the generation of new revenues by distance selling all over the world, through streaming or with delays.

For example, the Metropolitan Opera in New York provides contemporary live broadcasts through a complex digital technology. The audience can enjoy a

[2] Ibidem, p. 86.
[3] Simon N. 2014. "What are Your Engagement Goals." Museum 2.0. http://museumtwo.blogspot.com/2014/09/what-are-your-engagement-goals.html.
[4] Reich R. 1991. *The Work of Nations. Preparing Ourselves for 21st Century Capitalism*. New York : *Alfred A. Knopf.*
[5] Amabile, T. M. 1996. *Creativity in Context*. Boulder, CO: Westview Press.
[6] Kandel E. R. 2012.*The Age of Insight: The Quest to Understand the Unconscious in Art, Mind, and Brain, from Vienna 1900 to the Present*. New York: Random House.
[7] Kandel Eric R. 2016. *Reductionism in Art and Brain Science: Bridging the Two Cultures*, New York: Columbia University Press.

world-class production for a fraction of the price of an on-site ticket. The access to Opera is extended to millions of people and can produce a welcomed revenue stream for cash-strapped independent cinema chains. The latter not only gain a cultural cachet by showing quality art productions, but also benefit from higher ticket prices and a large audience mid-week. The Met has also created "Met Opera on Demand", an online streaming service that allows users to watch and listen to performances over the Internet on the most popular devices and platforms.

More broadly, a new live music economy is emerging, with scalability expanded through highly efficient touring teams and the touring geography. In less than 10 years, the economy of popular music has shifted drastically from recordings to live concerts and new musical experiences.[8] Since the mid-1990s, the price of concert tickets has drastically increased. Superstar concerts have become a luxury involving a change in audience. Revenue growth has dramatically increased, especially in 2,500+ capacity venues featuring star performers.[9] Concerts have become a driving force for selling by-products.[10] Rock festivals have broadened their appeal by offering a more holistically festival experience. Media penetration in live arts is greater than ever before. Using communication through digital media, a stage performance involving a face-to-face encounter between artist and audience becomes more flexible and sustains the desire for bodily presence. Since competition involves differentiation, each organisational unit is expected to maximize profits and enhance the product's consumer appeal. The combination of experiencing a performance and being part of a major media event is powerful.

Digitalisation can also make culture more inclusive. Using robots, the Museum of Confluences in Lyon[11] organises a "remote" visit of children confined in sterile hospital rooms awaiting transplants. They can run the robot as they wish, ask questions, and even talk with other visitors, not just the mediators.

The instrumental benefits of culture: well-being and economic impacts

Rand Corporation (2002) in a report[12] "*Gifts of the Muse: Reframing the Debate about the Benefits of the Arts"* identified five main five categories of benefits from culture activities to other sectors:

- *Cognitive*: improving learning skills and academic performances in school-aged youth; [13]
- *Attitudes and behaviour*: cultural experiences can develop more-general skills and pro-social attitudes;[14]

8 Greffe X. 2018. Quelle politique publique pour les spectacles de musique et de variété ? Rapport de recherche Université Paris I- Cnrs & Prodiss.

9 Conolly M & Alan B Kruger. 2005. Rockonomics: The Economics of Popular Music. NBER Working Paper No. 11282. pp3-10.

10 Ibid, p. 26.

11 OECD. 2018. *The assessment of the Musée des Confluences*. Centre for Entrepreneurship, SMEs, Regions and Cities. Working Paper.

12 The Rand Corporation. *Gifts of the Muse: Reframing the Debate about the Benefits of the Art. Santa Monica, Cal.*

13 Idem, p. 7.

14 Idem, p. 10.

- *Health*: therapeutic effects of arts according to the nature of the population considered;[15]
- *Social*: promotion of social interaction, community identity and social capital building;[16] and
- *Economic*: direct benefits for employment, tax revenue, spending; or public goods (contribution of the arts to the quality of life.) [17]

The case of health

The effects of painting, music or dancing on health have been largely studied over the last twenty years, with the following findings.[18] Listening to music decreases anxiety, stress and pain levels. Patient satisfaction is higher for patients who had live music at their bedside in comparison to those who did not. This is rather cost-effective as these activities are safe, inexpensive and largely easy to incorporate into the routine care of patients. More participatory artistic activities such as reading or dancing are valued for mental disease and dementia. Visual arts and literary events promote communication between healthcare professionals and their patients. Music eases the caring role for the staff and enhances the emotional connection between staff and patients.

A case of innovative contribution to health is given by (serious) video games. For example, UbiFit Garden is a game on a mobile application in which the screen can be turned into a virtual garden. The garden flourishes according to the amount of physical activity of the individual that manipulates the mobile, and this can be used as a fitness device. A three-month experiment concluded that the background display had a positive effect on participants and helped them sustain their level of activity during the winter months when physical activity tends to decrease (Laamarti & al., 2014) [19].

The case of education

Culture and education present obvious synergies, although the relationship between educational levels and levels of cultural participation is more complex than one might expect. Indeed, it is not necessarily the case that highly educated people are also eager to access cultural opportunities, and vice versa. Nonetheless, education and culture are clearly synergetic in knowledge-intensive economies, and hybrid forms are emerging such as the insertion of ludic incentives in educational programs such as in the case of the so-called serious games. It seems likely that, over the next decades, educational platforms will progressively be permeated by interfaces and devices that are exported from emerging multimedia environment, such as augmented and enriched reality.

[15] Idem, p. 12.
[16] idem, p. 14.
[17] Idem, p. 16.
[18] Bungay H, C Munn-Giddings, M Boyce & C Wilson. 2015. *The Value of the Arts in Therapeutic and Clinical Interventions: A critical review of the literature*. London; Arts and Humanities Research Council : AHRC Cultural Values Project.
[19] Lamarti F. Eid M & S Abdulmotaleb. 2014. « An Overview of Serious Games. » *International Journal of Computer Games Technology*. DOI: 10.1155/2014/358152.

In Finland, compliance of pre-designed educational programs is already being partly substituted by individual and team goal setting as a way to exploit learning incentives based upon intrinsic motivation, following a logic that is typical of cultural experiences.

The case of fashion

Fashion can be considered as 'a creative industry'. It involves multiple components, from independent high-end designers and luxury fashion concerns to various high street fashion labels and retail chains. The value of fashion goods depends largely upon the opinion of peers and experts on one side, upon the satisfaction of individual consumers on the other side. Fashion value chain is a complex ecosystem.[20] This industry is experiencing strong growth at the global level. Western countries are still major references for the fashion industry, but slightly more than 50% of apparel and footwear sales originate from emerging market countries across Asia-Pacific and Latin America, and this share is likely to grow further.

The global fashion industry is moving into a decisive phase of digital adoption by the mainstream consumer. This has many consequences. This new channel radically changes the foundations of fashion marketing and the way consumers make their experiences. Price is no more the main determinant and consumers are more sensitive to the company practices and values. The role of clothes to define an identity and deliver a message is very important. In this context, intangible heritage and crafts play an increasing role in fashion, referring to the various systems of national living treasures as well as the UNESCO list of World Intangible Heritage. In this way, globalization may increase the opportunities for local designers and niche markets, but may also reduce creativity.[21] This global-local interaction is often coined as g*localization*.[22]

[20] Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Fashion Designers, on the Internet at https://www.bls.gov/ooh/arts-and-design/fashion-designers.htm (visited July 14, 2018).

[21] Ritzer G. 2003. « Rethinking Globalization: Glocalization/Grobalization and Something/Nothing. » *Sociological Theory*, 21 (3), 193-209.

[22] Ibid, p. 560

Chapter 2. Why culture matters for local development?

Cultural productions can contribute to the development of a territory by creating jobs and economic value, and by improving the quality of life. One of the drivers of local economic development is a positive image of a place or a region, by identifying and valorising own cultural assets. Whether urban or rural, culture can also contribute to a better living environment. Culture can re-activate decayed industrial zones of inner cities, breathing new life into the dead infrastructures of factories and power stations, dockyards and tram depots, schools, barracks and banks.

The economic history of industrial districts has highlighted how tacit, as well as formal, knowledge can circulate between enterprises and institutions, rooted on intangible cultural heritage and facilitated by a proactive attitude of local governments. These intangible relations often labelled as social capital, implying a shared sense of a common good.

Many communities and areas want to use the instrumental value of local cultural activity to promote wellbeing, quality of life and economic development, but they need to consider that that the *intrinsic* and *instrumental* values are not separated. For example, visiting museums is often seen as a means of enhancing the cognitive skills of young students. However, the visit of a museum at a running pace can hardly change their education results. In contrast, reflexive workshops or experiences of discovery objects can mobilise inductive cognitive processes expanding deductive skills, which are the basis for educational processes in schools. In other words, the expected instrumental impact of culture will only materialise when the intrinsic value of culture is realised. The cases of arts & crafts and urban regeneration can illustrate these links.

The case of arts, crafts and design for local development

Traditional and artistic workmanship is far from receiving the recognition it deserves. However, the crafts sector today remains a place for observing and sizing up the changing needs of the surrounding world and the answers that can be given to them in the everyday. In this sense, it is a vehicle for memory of material culture. The quest for quality, which combines the “creative hand” with more innovative equipment, remains the characteristic of an economy that sees competition as necessarily based on both quality and cost, thus giving an outstanding role to creative human resources.

There are however many obstacles for realising the potential of arts and crafts:

- Long distances between producers and users of goods or services can generate substantial risks for the producers. In industrial mass manufacturing, a prototype is developed, then tested, and only if successful, is channelled on for mass production. In the crafts sector, the prototype is the product and the first test is thus the sale, which places the crafts sector in a risky position from the very start.
- The crafts sector is mostly dominated by SMEs, or single entrepreneurs. Thus, the bulk of the resources concentrate in production or technical side, often at the expense of marketing, research or funding.

- Young people today are enjoying longer education, a trend that shifts preference to general curricula at the expense of applied skills curricula or technical craft expertise.
- While artists may benefit from some form of protection, through copyright laws, these laws do not apply to craftspeople. Crafts are considered as "small mass producers".

The respect of natural resources, traditions and values, does not mean that crafts do not innovate. However, isolated crafts people often lack time and resources to access external networks and get information on markets, technologies and training. In particular, traditional crafts integrate design as a core activity, but the evolution of contemporary and globalised markets has made design more and more, an independent activity, with a difficult access for artisans.

A better link between tradition and innovation requires developing new organisation modes for the activity, identifying a search function and securing special funding. The issue is whether these functions can be taken on by the craftspeople themselves, or whether they need to work in cooperation with specialised designers and financing organisations.

A structure of incubator is not enough. The incubator benefits from a platform of skilled services, but it should also facilitate access to qualified, customized services and professional networks. The relationship between artisans and designers is not a one-way street since craftsman have a deep knowledge of local consumers. Several examples of policy initiatives are target to promote a more innovative approach to traditional arts and crafts:

- *FUSE* (Ireland): Craftspeople were asked to provide images of their work to be re-imagined, re-invented and re-hacked by a team of designers. Each designer was paired with a craftsperson and using design skills, together re-imagined and re-invented products. The re-imagined products were submitted in virtual drawings and tests.
- *Design SOS Model* (Finland): a permanent platform was created that opened an on-demand dialogue between craftspeople and designers.
- *Artesania de Catalunya* (Spain): In Catalonia once a traditional craft activity is recognised as a 'unique trade', a dialogue is initiated between *Artesania de Catalunya* and the town council. The latter leads the initiative and the organisation. Artesania de *Catalunya* assigns a designer and together with the artisans, they work together for defining new products to be developed.

Another issue is that craft products often lack protection against forgery and illegal copies. A popular form of support for developing arts and crafts activities is the use of labels or certifications. A simple form is here to create an association promoting coordination among the artisans to make the quality of their products well recognized. A stronger form could be the creation of a local catalogue of products under a mark. A more extended form is the creation of a territorial brand that will protect the artisans from both the competition of outsiders and the rent seeking of some insiders. Nevertheless, the design of such policies requires some

caution, as a lever for increased quality can become in turn a rent seeking mechanism for incumbents.

Using arts and crafts to promote local attractiveness, inclusive entrepreneurship and social capital

The role of craftsmanship for the attractiveness of territories was stressed in the 2003 UNESCO Convention about safeguarding intangible heritage. Tourists and visitors are attracted throughout the year, which stimulates other local activities – e.g. food and drink industry, hotels and family guesthouses. Florence and Vilnius provide two good examples of initiatives to use artisanship as a factor of local attractiveness.

Florence allocated a workspace for crafts in a prestigious venue: the *Conventino Vecchio*, where professionals are in contact with tourists, Florence residents and other artists. Vilnius created an intermediary agency (The Vilnius Old Town Renewal Agency) and workspaces, where artisans can work, exhibit, carry out demonstrations and obtain direct feedback from consumers.

Promoting inclusive entrepreneurship for target groups, such as women, young people, immigrants and disabled has become a major objective in craftsmanship sectors as well as for creators in general. The main challenge is the identification of actual entrepreneurship qualities. For instance, for women, very different profiles have emerged, ranging from elderly women who had lost their jobs and held no further qualifications, to young female students at whom programmes can be targeted to show opportunities offered in the crafts sector. Riga and Barcelona are two examples of local initiatives in that field.

The Riga City Council created workshops to help residents make their national costumes, which enriches the design of weaving, sewing, garment making, etc. The Art Pauma Initiative sponsored by the Barcelona Chamber of Commerce, targets women who have already worked in a craft environment, but have lost their jobs. They can put their existing skills to new use within a relatively short amount of time and find their place on potential markets.

Initiatives in favour of young people are numerous. The initiative *Bottega Scuola* in Tuscany is geared at young university graduates with the aim of attracting them to the field of craft conservation and restoration. The project creates an immersion experience in a professional environment, introducing a new culture.

The crafts sector can also boost the local social capital. As the crafts sector develops, so does the number of meeting places, training institutions and cooperation opportunities. The Initiative *Female and young entrepreneurship on the Routes of the Legacy of al-Andalus* illustrates this type of action. It works on cultural, rural and interior tourism in Andalusia. Since 1994, it established different agreements with institutions and stakeholders to contribute to the social-economic development of the villages integrated in these routes exploring the heritage of al-Andalus. A Foundation organises training sessions to improvement the quality of jobs and fight against job insecurity.

The role of culture in urban regeneration

The phenomenon of the 'creative city' and the global hype of the 'creative class' put forward by Richard Florida[23] has been one of the major trends affecting urban planning and design in the last two decades. It corresponds to the search for better liveability and attractiveness of cities in an increasingly competitive globalized economy. In a context of increasingly mobile high-powered skills and talents, ensuring good living conditions has become a key incentive for cities willing to attract qualified professionals. A lively and stimulating cultural life is a key component of attractiveness, especially for talented professionals, which are in search of an intellectually stimulating environment not only for their leisure time but also as a source of inspiration and motivation in their professional sphere[24]. Consequently, cities that are willing to position themselves in the global competition for talent are also investing in building high-profile cultural assets, such as cultural institutions and assets.

Culture has become a key driver of global attractiveness strategies. Leading international events addressing the global high-tech innovators, such as Austin SXSW, are today a complex between a global summit of tech innovation and a cutting-edge cultural festival. The city of Austin itself can be seen as a flagship case study of smart investment in new cultural facilities to improve attractiveness potential. Its global positioning strategy has been built on the notion of 'weirdness' as a socio-cognitive state of mind that favours continuing innovation and mental openness towards the unprecedented and the unexpected, and the cultural and creative dimension plays a central role in the overall concept[25].

A crucial aspect of the role of culture in urban regeneration is related to social inequality and gentrification. In some cases, the location of cultural facilities in previously decayed urban neighbourhoods has dislocated previous residents, generating economic inequality and social segregation. Cities are therefore increasingly attentive social sustainability and are experimenting new planning policies, where culture-driven urban regeneration is combined with inclusive measures aimed at safeguarding the socio-economic diversity of the renovated neighbourhoods. In this way, cultural and creative production can become a source of new jobs and better social integration for minorities and people from disadvantaged social backgrounds. An example is the Saint-Michel's quarter of Montreal[26].

[23] R. Florida, *The rise of the creative class*. Basic Books New York, 2002.

[24] E. Currid-Halkett, *The Warhol economy: How fashion, art and music drive New York City*. Princeton University Press, 2007.

[25] R. Wassenick, *Keep Austin weird: A guide to the (still) odd side of town*. Schiffer Books, Atglen PA 2016.

[26] G. Ferilli et al., Power to the people: When culture works as a social catalyst in urban regeneration processes (and when it does not), *European Planning Studies* 25(2), 241-258, 2017.

The role of culture in rural regions: common challenges, different pathways

The presence and economic contribution of culture in rural areas is often reduced to that of festivals, but their effects can be prolonged by the recognition of artisan and food products. It can attract new generations of visitors, staying longer and coming back more frequently. This trend can preserve the intangible cultural heritage and create employment for the local population. Rural tourism has a long tradition, although it required minimal levels of comfort (many labels appeared in the late 19th century in the Alpine areas to guarantee such quality). As discussed above, craftsmanship has also a strong economic potential for the branding and development of local economies

Very frequent in the past, the use of natural resources for cultural heritage may be relevant. As far as natural resources have created a local cultural heritage, they may open perspectives of development. For example, the case of the *Salt Valley (Valle Salado)* in the Basque Country illustrate these links. Recent archaeological research confirms that salt has been produced there continuously for over 6,500 years. While the decline in production during the 20th century led to the deterioration of the cultural landscape, the valley is now the centre of an ambitious comprehensive recovery project that includes not only the landscape, but also the architecture, and the salt industry and its traditions.

Recent experiences show the need to work on the cultural revitalization of small rural towns. This obviously starts with the renovation of the built environment, which can be opened to artists and artisans. Craft workshops can be used collectively and play a role in reviving both the material and intangible dimensions of local heritage. Here the difficulty is the cost of these redevelopments and their depreciation period, since they can hardly expect economies of scale or scope. This may lead to projects being abandoned due to the lack of maintenance or adaptation of the corresponding infrastructure. Therefore, the flexibility of the uses remains essential.

To contribute to local development, cultural creativity should be seen in the context of local heritage, which obviously does not exclude symbiosis or hybridization with other cultural assets. While in a city, the potential audience is "passing", in rural areas, it is necessary to seek out and sensitize the public more directly: direct information of upcoming festivals or exhibitions; events associating craft workshop and gatherings of the population, etc. Community networks and mutualisation are key, which are often the heirs of farmers' associations.

Chapter 3. How can local governments promote culture?

In the 1950s, culture became part of the welfare state agenda. Cultural policy was assigned the role of promoting cultural activities and providing equal access to culture. Cultural policy focused typically in areas that were difficult for the market to sustain. [27] However, the efficiency of central governments' cultural policy has varied across the type of activities. Positive results have been observed in the protection of outstanding heritage. In the field of live arts, many cultural companies are struggling for survival even with the support of large and long-term subsidies from central governments. The audience of theatres, which need large resources for operation and maintenance, is still limited to a few segments of the population. As for museums, the gap has drastically widened between a few high-profile museums with branding strategies and a majority of small museums in difficult situations.[28] While cultural practices would have likely deteriorated an increase of public expenditures, central governments' support has produced mix results; changes in the audience and condition of artists, as seen in for example on France[29] and Flanders (Belgium). [30] Moreover, culture has a low share in the budget of central governments and, in periods of fiscal consolidation, it is often a candidate for budget cuts.

In the context of limited room for manoeuvre of central governments and emerging new demands, the gravity centre of cultural policy has moved towards local governments. Overall, "culture, recreation and religion" spending represented 3% of subnational government expenditure in 2016, which accounts for roughly 60% of total public expenditure in this area in the OECD. Central governments have a leading role in cultural activities of national magnitude, such as the conservation of cultural heritage. They ensure the provision of a minimum level of services throughout the country. They also manage the mobility of products, artists and cultural companies, by managing the intellectual property or by regulating training. As local governments develop actions in the cultural field, directly or indirectly through actions in sectors such as education, health, housing and transportation, central governments increasingly intervene as a facilitator but no more as a leader. For example, they help local authorities to establish cultural facilities and services such as libraries, museums, live performing arts venues, symphony orchestras, opera houses, etc.

The role of local governments has expanded under the gradual decentralisation of public action in the cultural area. The cultural policy of local governments has first focused on infrastructure development, with the support of national government subsidies and policies for building cultural facilities, such as museums and theatrical venues, and the protection and management of cultural heritage. However, this policy landscape is changing:

- Local governments face a growing demand of citizens for a better quality of life. As culture is a significant component of socio-

[27] Menger P.M. 2015. « Cultural Policies in Europe: From a State to a City-Centered Perspective on Cultural Generativity." In: Kakiuchi E @ X Greffe, eds: *Culture, Creativiy and Cities*, Tokyo : Suiyo-Sha. 32-48, P. 34.

[28] Greffe X, Krebs A & S Pflieger. 2017.

[29] Greffe X & S Pflieger. 2015. *La politique culturelle en France*. Paris : La documentation française.

[30] K Segers, A Schramme, R Devriendt. 2013. « Do artists benefit from arts policy? The position of performing artists in Flanders (2001–2008) »*The journal of Arts Management, Law, and Society* 40 (1), 58-75.

economic life, local governments define their cultural policy in view of that demand.

- With globalisation and delocalisation of jobs, local economies cannot be only a part of a global value chain, but try to find ways to sustain local value creation.
- There is more emphasis to the promotion of cultural tourism and local traditional industry. Local governments have supported this development using local cultural assets such as historic sites, scenic spots, monuments, landscapes, etc.

Decentralisation gives the opportunity for a larger involvement of the local community. The focus is on the power/ability of arts and culture to bring people together, bonding and bridging. For example, theatres and museums may use their facilities such as lobbies and surrounding places for seasonal festivals free of charge and market local products.

Regional cooperation is frequently seen in cultural actions and events. Associations of municipalities manage theatrical venues, organise art festivals and other culture-related projects and events. The heritage conservation also falls into this category. For this type of cooperation, the clear role of responsibility and cost sharing rules should be agreed in advance, from the standpoint of accountability. In actual practice, the socio-economic situations of participants greatly differ, which will affect the attitude and positioning of participating local governments.

A new public management for culture

Whatever the level of government, cultural policy is still a legacy from the welfare state doctrine and has been challenged by the rapid changes in both financial situations and governances. A new public management (hereafter, NPM) was progressively meaning that public authorities are applying management principles inspired from the private sector into their public administration. This approach largely based on the introduction of competition, outcome orientation, and market-based operation, has influenced the role of local government for culture, and highlighted the challenge of accountability. Four main strategic directions should be considered, going from pure public perspectives to mobilization of private managers and local communities.

From devolution to multi-sector coordination

In centralised countries, local governments must follow a national agenda and policies set at a national level without enough consideration of regional conditions. However, culture is diverse by nature and local needs can be quite different. Uniform, economy-wide policies may generate inefficiencies.

Devolution enables a more flexible governance tailored to the situation of each place. However, there are many challenges for a more decentralised management of culture. This includes delays of cooperation between national and local governments, issues of economies of scale at the local level, possible coordination failures among local governments. The most serious constraint deals with decreasing resource distribution from the centre, and the need for local governments to find alternative resources for operation.

As local governments have expanded the norm and scope of cultural policy, other sectors, such as urban planning, education, promotion of industries, and tourism are now involved, which requires stronger multi-sector coordination.

New Designated Manager System

Designated Management System (hereafter, DMS) is a part of NPM to reduce operating costs and provide better services, used for cultural public facilities already established such as museums or theatres. Designated managers have a general mandate over all the operations of the public facility that they manage. They contract with local governments to operate the public facilities. They are requested to make a 3 to 5-year operational plan with set objectives, which are scrutinised by local governments each year.

The criteria for selection and evaluation of designated managers include:

- Service improvement, such as understanding the role of cultural facilities in the local cultural policy and ensuring equality of facility use;
- Promotion of local culture: quality of projects such as exhibitions and stage performances, outreach and educational programs meeting with local needs and demands, collaboration with local artists;
- Management: maintenance plan of facilities, organisational structure for the management of projects and facility as well, information management and protection of privacy; and
- Budget plan and cost-efficiency: appropriate plan to use the revenues, definition of basic principles for efficient management.

A striking example of DMS is the 2015 Italian decision to change the nomination process of the 20 main museums. Under the past system, the Ministry of Culture managed Italy's museums and directors had little autonomy. The changes brought in 2015 were intended to give directors more influence over budgets; facilitate capacity to raise private funds to help offset drastic cuts in state funding; improve presentation, labels and organisation for easier navigation in museums. A significant number of the new directors (7 of 20) were foreigners, which was prohibited under previous legislation.[31]

According to the Ministry of Culture, the new system of hiring has led to increasing ticket revenue by 12% in a single year. Twenty leading museums have

31 https://www.dw.com/en/...in-italy...museum-directors/a-38986432.

been allowed to manage their own finances.[32] This will certainly imply more independence in exhibition programming, research activity, and conservation projects. A tax credit of 50%, spread over three years, encourages private donors to support restoration and conservation projects at museums, archaeological sites, public libraries and archives.

The DMS can contribute to a better public management, under some conditions. First, it should not create a routine monitoring, and should focus on outcomes and not only on outputs. Second, DMS should change the monopoly of public service making all the stakeholders understand both the risk and resources based on the necessity of the projects. Third, DMS makes stakeholders cooperate each other not vertically but horizontally to get win-win situation.

Private-Public partnerships

Private-public partnerships (PPP) allow non-governmental organisations and private institutions to operate public facilities based on the preference of citizens. Unlike privatisation, the government retains ownership of facilities, but non-governmental organisations take an active part in conducting the projects, from planning and designing to building, operating and managing the facilities. PPPs have spread in the area of culture.

The most frequent form is the Private Finance Initiative (PFI), in which local governments still hold responsibility on basic operation plan of public facilities and projects. There are two options in PFI. In the case of Build Operation Transfer (herafter, BOT), PFI operators are responsible for building, maintaining and managing facilities. During the agreed period (20-30 years), the government purchases the service delivered by PFI operators. After that, ownership is transferred to the local government. In the case of Build Transfer Operate (BTO), the PFI operator builds the facilities and ownership is transferred to the local government upon completion of the building. The PFI partner operates the facility during the agreed period.

The case of the Royal Armouries Museum in Leeds

The example of the Royal Armouries Museum (RAM) demonstrates the difficulty of PFI. The scheme started when RAM needed to expand its exhibition space due to an increase in the size of its collections. Due to financial constraints, a PFI was introduced. In 1991, the construction of a new museum in Leeds was finalised. Leeds expected to boost tourism by hosting a prestigious museum with a high-quality collection.[33] The cost amounted to 42.5 million pounds: 20 million from the national government, 5 million from the Leeds development cooperation and 3.5 million from the city of Leeds. With an 8-million-pound loan from the Bank of Scotland, the capital to raise was 6 million, and the BOT term was set as 60 years. After building the museum, the business entity was to operate the museum bearing all risk and retaining all rewards for 60 years. It was to receive admission fees, rental fees from restaurants and cafés inside the museum, and revenues from advertisements, which at the outset were estimated at 3 million pounds. The business entity had the obligation to operate the museum as agreed, and was

32 https://www.apollo-magazine.com.Comment June 1st, 2015.

33 https://www.theguardian.com/uk/1999/jul/31/charlottedenny.davidward.

responsible for security, staff management, exhibition of the collection. However, the Armories retained authority over the selection of collections for exhibitions.

The new museum was opened in 1996. Despite optimistic forecasts, the number of visitors was far below the minimum required for profitability (550,000 annually). In 1997, there were 344,000 visitors, and two years later, this declined further to 191,000. Facing the refusal of further lending by the Bank of Scotland and the prospect of closing of the museum, renegotiation started. In 2001, the private partner withdrew from the operation of the museum and engaged in only some non-museum services such as parking and catering, while the museum is now managed by the Royal Armouries.[34]

This mixed outcome results first from a misjudgement of demand and risk.[35] The overly optimistic initial estimate was fatal for the project despite several missed attempts to bring the scheme closer to reality. The Royal Armouries still held the mandate for curating the collection and deciding what and how to exhibit, and this division of responsibilities may have contributed to the poor performance of the PFI. Furthermore, monitoring and reorganising processes were not sufficiently included in the project, which worsened the situation.

A successful example: the Kurokabe Company

In Japan PPPs have been used since the 1980s, and a law for promoting PFI was enacted in 1999. Most projects are mainly aiming at facility management, and, as for revenues, in most cases, PFI business entities are expected to get payment from local governments for their services rather than be financially independent. The first wave of PPP was the creation of so-called third sector companies, which have been widely used in public projects such as managing parks, promoting tourism, local regeneration including conversion of historic houses. As of 2015, roughly 8000 companies were in operation, of which 40% were in the red, and 60% supported by public subsidies.

One of a few successes occurred in the city of Nagahama (Shiga Prefecture). The Kurokabe Company consisted in the restoration of an old former bank building into an artistic glassware shop and studio, the renovation of historic buildings of central city, along with the promotion of artistic glassware, traditional crafts, and gastronomy. The project was initiated by local business leaders who were deeply concerned about the deteriorating central city shopping streets, once a prosperous area. The company was formed by joint capital from government (roughly 30%) and local private companies in 1989. The private side played a decisive role in the definition, actual management, and implementation of the project, as also reflected in the capital share.

This district, called Kurokabe square, over the past 30 years has attracted more than 2 million visitors annually, mostly from outside the city, and has become one of the most vibrant places in the region. The mission of Kurokabe Square is not to compete with local traditional industries, but to create an entirely new industry for the region. The role of local women—well educated with cultural

[34] https://www.theguardian.com/uk/1999/jul/31/charlottedenny.davidward.
[35] https://www.nao.org.uk/report/the-department-for-culture-media-and-sport-the-re-negotiation-of-the-pfi-typeaa-deal-for-the-royal-armouries-museum-in-leeds/.

attainments— was promoted as buyers, displayers, and sales personnel of artistic glassware. They were mostly young and their work greatly attracted women from the same generation, which then led in turn to a large number of visitors of various ages. The project favoured empowerment of artists. When the project started, it employed several young artists working and creating their products in the studios. Within in three decades, their productions, backed up by their high skills and inspired by local traditional designs, have created customer loyalty.

Public-Public partnerships

Public-public partnerships are also a lever for new cultural public management. As central governments find it increasingly difficult to manage their programs and institutions, they associate with local governments and their own institutions, which are closer to the demand side. Public-public partnerships have naturally expanded in countries with a tradition of strong state intervention, such as France[36] or Italy.

In 2002, France adopted a law making it possible to set up public institutions of cultural co-operation whose governing body associates the central government with local governments of a similar nature and no longer as a chain of command. There were other formulas permitting it, but either rigidly - such as a mixed union - which deprived them of any capacity of adaptation or was very flexible - such as an association - but without financial guarantees. Under the new framework, the distribution of powers often reflected the initial departure in terms of financial and human resources, and practice showed that local governments generally preside over the administration. The system also allowed for more flexible management of personnel than the strict principles of the civil service.

Since 2002, local governments in France have multiplied initiatives in the cultural field. As a result, they dedicate twice more resources to the field of the live arts than the central government.[37] Today, there are more than 100 of these institutions. They take part in a wide variety of heritage projects, such as the Louvre-Lens, the Confluence Museum, the Pont du Gard, a live performance, such as the Lille Orchestra, and many Art Schools.

Stakeholder engagement and the development of civic spaces

Many local governments have given priority to fostering citizen initiatives in development plans. They have developed new forms of governance, leading to the outsourcing of public tasks and services to volunteer organisations, community associations, non-profit organisations, foundations, and private firms. The downscaling of governance to local practices and arrangements has changed the participation of communities as non-institutional and non-profit actors have engaged in renovating, operating and managing civic spaces. Instead of expressing consent or dissent on a planned development project, many communities have taken the initiative into their own hands and have become

[36] Rapport sur l'évaluation de la gestion en EPCC des structures muséales en partenariat Etat/Collectivités territoriales. Paris : Minsitère de la culture et de la communication, Inspection Générale des Affaires Culturelles n° 2014-21, 2015

[37] www.senat.fr/rap/r05-032/r05-0321, consulted on September 8th, 2018.

developers – urban pioneers, spatial entrepreneurs or city makers – themselves. In recent years, cultural, social, community and educational spaces within cities have become laboratories of new forms of living, working, learning and collective exchange.

A good example is the Amsterdam-Rotterdam based urban regeneration office (Stipo) which is cooperating with the area's owner and various creative and social companies. [38] The philosophy of this movement is *being a city rather than making a city*.[39] Another interesting case is Cascina Roccafranca,[40] a multifunctional community centre operating in a building owned by the city of Turin. Partly financed by the municipal budget, the centre is managed through cooperation between public and civic actors, a scheme that offers a valuable governance model while providing a wide range of social and cultural activities.

However, these civic spaces face many difficulties in establishing a stable economic structure. They also lack a stable financing, ensuring a long-term perspective and autonomy. Moreover, what are the accountability criteria for private organisations that act in defence of public values, services and non-marketable spaces, but operate outside of democratic processes and public rules of transparency? What gives them legitimacy as safeguards of civic spaces against private and public pressure? What makes their properties civic spaces and how can they, in cooperation with other players, ensure the long-term sustainability of public values and spaces? These questions have generated discussions about the capacity of civic players or communities to manage spaces and services that were traditionally managed by public services.

Managing cultural landscapes for creativity

The concept of "cultural landscapes" (or urban cultural landscapes or historic urban landscapes) does not refer only to a view, but also to the daily cultural environment and its contribution to quality of life.[41] [42] The notion goes beyond purely topographic or morphological definitions and is actually closer to the view that what shapes the cultural landscape is the mind-set and ways of living of citizens. Indeed, the quality of an urban area is perhaps less associated with buildings, but rather by the use people make of their environment.[43]

Under UNESCO's influence, the expression of "urban cultural landscape" of urban and metropolitan areas has developed.[44] It covers the protection of sites located in city centres and their suburbs, and the role of cultural assets in the

[38] https://stipo.nl/case/european-placemaking-network/.

[39] City expedition Rotterdam Re:kreators rapport Published on Jun 17, 2016.The report of the Re:kreators meetup at the City makers summit in ZOHO Rotterdam 16/05/28.

[40] www.cascinaroccafranca.it/.

[41] Rodwell, Dennis, 2011. 'Paysages urbains historiques: concept et gestion'. *Gérer les villes historiques*, Paris: UNESCO, World Heritage Centre Papers Serie N. 27 : 231-236.

[42] Greffe X. 2017. «The Political Economy of the Historic Urban Landscape. » In: Dobricic & Acri, eds., *Creative Cities: Which Historic Urban Landscape*. Milano : Mimesis/Architectura. 73-98

[43] Farinelli F. 2018. « The crisis of the topographic city. » in Dobricic S. & M Acri, eds. *Creative cities Which Historic landscape ?* Milano : Mimesis/Architectura. 47-56.

[44] Bandarin, Francesco; Van Oers, Ron., 2012. *The Historic Urban Landscape: Managing Heritage in a Urban Century*. Ames, Iowa: Wiley-Blackwell.

activity development of this territory. These objectives are also relevant for rural areas, although in another scale and under other modalities.

How to make culture heritage more sustainable and attractive?

"Cultural landscapes" and "historic urban landscapes" embody an extended perspective, ranging from monuments and museums, artefacts, representations and various values, and intangible heritage, such as know-how, people's practices and folklore. [45] Accordingly, visitors are increasingly becoming players in these landscapes. Culture heritage has therefore evolved towards a system of knowledge, where past references, present creations and values for the future are combined.

Accordingly, heritage inventory must be open to all possible references. Traditionally heritage inventory was carried out at the national level, but it can no longer be only a top-down process.[46] Data digitalisation, real time information update and the recognition of cultural rights into the heritage field have transformed the inventory process of cultural resources, with stronger attention given to the specificity of a place and its attractiveness.

Two examples illustrate this evolution well. *English Heritage* has developed a process for "Heritage Making", which gives a significant role to the local populations.[47] Local authorities issue calls for documentation, description and analyses for the inhabitants and communities of the territories. They do the fieldwork. Subsequently, local authorities propose a conservation strategy, including consultation with local players. The *Intangible Cultural Heritage Recognition Programme* of the Turkish province of Kars,[48] is managed by the central government, but it is open to gather know-how in the local communities. Community meetings were organised in 80 villages, which resulted in written and audio-visual transcription of more than 10,000 documents.

Developing a strong brand for the local area and its cultural tourism products requires a strong participation of the communities.[49] Local people can help the sustainability of tourism activities, "the question is to convince the tourist industry that it's no longer possible to conceive the tourist sector as a short-term profitable one, but it's of their interest to invest in training, preservation, etc." OECD (2009).

To help these developments, various international, national and EU level funding instruments provide opportunities for product development, innovation, training

[45] The 2003 UNESCO Intangible Heritage Convention changed the perspective by making heritage delimitation a bottom-up process where the traditional monument paradigm was more top down: "*Intangible cultural heritage refers to the practices, representations, expressions, knowledge and know-how - as well as the instruments, objects, artefacts, and cultural spaces associated with them that communities, groups, and where appropriate individuals recognize as part of their cultural heritage*."

[46] Getting Cultural Heritage to Work for Europe – Report of the Horizon 2020 Expert Group on Cultural Heritage (2015): https://ec.europa.eu/culture/news/2015/0427-heritage-2020_en.

[47] English Heritage (2012). *Good Practice Guide for Local Heritage Listing*, London.

[48] Unesco, (2013). Knowledge Management for Culture and Development: Cultural Development Success Stories, Paris, : MDG Achievement Fund: The Case of Turkey.

[49] OECD, 2009, p. 29.

and business skills in the cultural field. The challenge is not only about establishing bridges between culture and tourism, but also about addressing the small size of cultural tourism markets. An example are cultural routes, which over the last 20 years have become a point of reference, including some fashionable tourism trends such as slow and experimental tourism. In the route to Santiago, the number of tourists following the, so-called, *Camino Frances* has dramatically increased by 220% between 2005 and 2016.[50] When designing legislation in this area, governments need to fit public-private partnership to local cultural norms and sensitivities and balance short-term benefits against long-term sustainability.

How to make arts present in public places?

The public space is where a social capital of proximity is created, and where social values are expressed and confronted.[51] This has given new prominence to public art. For example, some artistic movements have fought against the destruction of buildings or streets undertaken to expand car traffic. Public art is also considered to circumvent the elitist world of arts.[52] Public art exposes art in public-free access spaces such as gardens, squares and – more and more – commercial malls. There are many ways to engage arts in public spaces.

The development of "cultural centres" can create versatile and flexible physical structures, which can accept all possible forms of artistic expression. Artistic exhibitions can also be deployed in collective transportation networks and commercial spaces, thereby allowing passers-by to engage in artistic creations. Examples are pianos in railway stations and photo exhibitions in subway stations.

Public arts can also be used to improve public buildings and are frequently integrated in new housing areas. For example, in a project called "Housing the Art of Possibility", the Wyoming Community Development Authority implemented an enhancement project on housing facing the Nicolysen Museum of the city of Casper, expressing Wyoming's rich history of natural resources and geological topography. Using public art to create social capital requires creating a broad coalition of players and ensuring the involvement of residents in the process.[53] [54]

The rehabilitation and conservation of the built heritage

All over the world - in Amsterdam, Lima, Shanghai, Fez, Lodz, and Bordeaux - the rehabilitation of old city quarters is considered a lever for fostering creative making places. The experience of city rehabilitation programmes shows that housing and the involvement of inhabitants are core issues. A cultural neighbourhood where all the activities would be only developed in function of touristic needs (souvenirs shops, restaurant, hotels, guided tours…) may become unattractive for residents and other businesses and in the long term also for

[50] Martín-Duque C. 2018. «Los impactos del turismo en el Camino de Santiago Francés: una aproximación cualitativa.» *Meataodos/ Revista de ciencias sociales.* Vol 5. Num 1. 62-73. http://dx.doi.org/10.17502/m.rcs.v5i1.155.

[51] Massachussets Institute of Technology Report p.6.

[52] Knight C K. Public Art: Theory, Practice and Populism. London: Blackwell Publishing. p. 48.

[53] Hannigan J. 1998. *Fantasy City: Pleausre and Profit in the Postmodern Metropolis*. New York: Routledge.

[54] Eco U. 1986. *Travels in Hypereality: Essays*. Translation by W Weaver. San Diego: Harcourt, Brace and Jovanovich, 3-58.

tourists themselves. The involvement of inhabitants does not only concern the definition of projects but also deals with implementation and with funding. New forms of funding are under development, such as crowdfunding, community shares or Social Responsible Investment Fund. The contribution of small local investors (often excluded by traditional financial instruments) makes not only some projects feasible but also creates a strong connection of inhabitants with the heritage site.

Rehabilitation often raises the issue of gentrification. It can displace people but also destroys local flavours and markets, but may also guarantee a better conservation and maintenance of fragile buildings. Striking a balance can be difficult in the long term, especially at present with real estate price inflation.

This challenge can be particularly difficult for cities with a large share of poor population. In Quito, the early rehabilitation operations were very successful, notably because they were funded with the support of non-government organisations. However, rehabilitated parts of the city gained attractiveness and, twenty years later, speculation started to increase. Market pressures evicted a significant part of the population, and the neighbourhood started to lose its original cultural character and environment.

Perhaps a more successful example is the *Bordeaux Urban Renewal Project 2008-2030* that aims at constructing or rehabilitating 3.000 housing units in the historical city-centre, without eliminating social diversity. Owners restoring their properties to rent can receive a subsidy of up to 75% of the cost of the renovation. In exchange, they make a commitment to set rents higher than the social housing rent, but 30-60% lower than market prices. The project also provides significant support for the owners living in their houses, although at a lower scale.

The conversion of former industrial sites or public buildings (churches, hospitals, barracks, courts of justice, etc.) can contribute to preserve urban heritage. The sponsors of conversion projects have attempted to transform the surrounding districts and to make them a force for integration and education. This brownfields reconversion has promoted culture by instilling the principle of creativity in disadvantaged environments.[55] However, these projects have been faced with a number of constraints[56], including high costs of building refurbishing, lack of utility services, difficult integration of local population, and funding issues.

Overall, exchanging and working with artists may have many positive effects in the general processes of both formulation and implementation of local development projects. Governments should therefore consider and support the integration of artists as soon as possible in the debate and not only at the implementation stage. [57]

Cultural districts and incubators

The role of local government in creating places of creativity is an important dimension of cultural policy. The management of the available lands and

[55] Walker Ch. & alii. *Insights into creative placemaking and community economic development*. Local initiative Support Corporation & The Kresge Foundation.
[56] Greffe, Xavier; Noya, Antonella; Pflieger, Sylvie, 2004. *Culture and Local Development*. Paris: OECD: 55-74.
[57] Critchfield N. 2016. How to do creative place making. p. 103.

buildings is very important either through financial incentives land regulation. Obviously, local governments have to consider not only the availability of the required spaces but their localization. Local governments can also create some mutualisation of equipment, as needed.

The more diverse the activities, the more efficient the cultural district. As a NEA report stated: « Focusing *purely on arts programming and marketing keeps the district isolated in a silo, which make it difficult to achieve robust positive outcomes. Builders and managers should think about connections in the broad sense: is the district physically connected to the city's infrastructure, is the district politically connected to other citywide initiatives…* ».[58]

The following examples illustrate this point. The Hong Kong government created a project to convert the former *Police Married Quarters (PMQ)*, built in 1951, into an information dissemination spot for creators and artists. A non-profit organisation was selected in 2010 and a special purpose company was created, the "PMQ Management Company Limited". The leasing of studios to young creators with low prices started in 2014. This has led to the creation of over a hundred ateliers for artists. PMQ lent the space of the first floor at high market price to shops and restaurants. However, the strategy to blend shops and artists has not succeeded. PMQ has become more of a tourist spot than an incubation of artistic creation.

In Korea, the Pier 2 Art Centre converted old warehouses for vanguard, experimental and innovation spaces in 2002. Many events such as the Kaohsiung Design Festival and Art.Fab.Lab are held, together with an artist residence program. Since 2010, Sony Computer Entertainment has operated an R&D support centre for digital content, followed by other IT companies. A railway museum and movie theatre opened in 2016. As the cultural district has expanded, led by the city government, it is also now ranked as one of the top tourist spots, with a fourfold increase of visitors since 2010 to reach 4 million per annum in 2014.

This incubation function can result from both private or public initiatives, and even a co-partnership with global enterprises. However, few private actors can assume this function, which makes the intervention of local governments or global cultural players very important. Whatever their legal forms, the organisation of incubators has to tackle the admissible length of the stay and the price of the services offered. However, the lack of assessment on the impact of incubators makes difficult these decisions by local governments. Very often the indicator is the number of artistic enterprises using these structures, or/and the time they spent.[59] The underlying rationale is that the shortest the stay the most efficient the incubator, but a better indicator would be the survival rate of initial projects.[60]

[58] Asley A. 2014. *Strategic Planning for Arts, Culture, and Entertainment Districts*. National Cultural Districts Exchanges. American for the Arts. p. 53.

[59] Essig L. 2018. "Value Creation By And Evaluation of US Arts Incubators. » *International Journal of Arts Management*, Vol. 20. N°2. pp. 32-45.

[60] Grodach C. 2011. « Art spaces in community and economic development: Connections to neighbourhoods, artists, and the cultural economy. » *Journal of Planning Education and Research* 31(1), 74-85.

How to evaluate the impact of cultural projects?

The difficulties of evolving from outputs to outcomes

Evaluation is essential piece of the so-called policy cycle. Providing the outcome, impact, and sustainability of projects have become a condition to secure further funding and support for cultural policies. While the costs and budgets for cultural projects can be identified, their benefits are more difficult to estimate. For example, in the case of museums or festivals, an easy output indicator is attendance or satisfaction ratio. However, how to evaluate the impact on museum's visitors in terms of enriching their reflexivity and/or creativeness? There are many challenges, which will need to be overcome in the future:

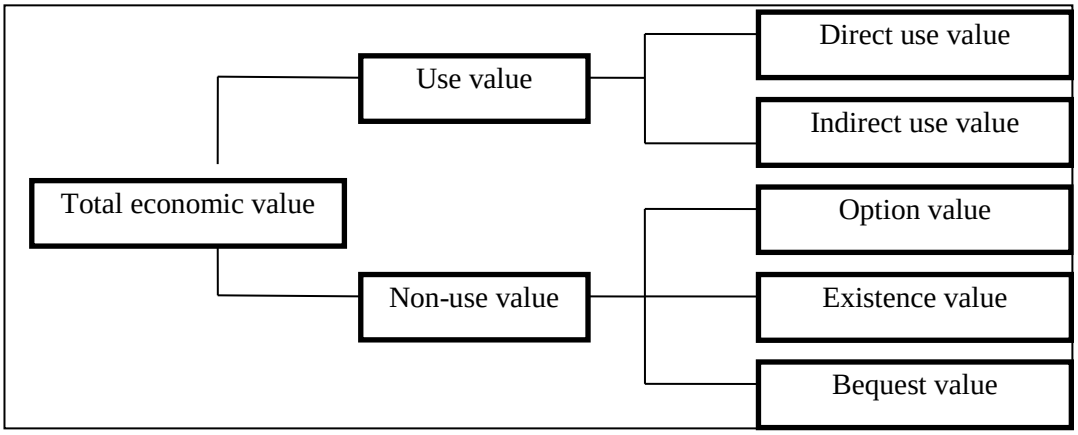
- The definition of the impacts and their relative weighting depends on the participants who may have different expectations for themselves and for the others.
- There is no common language for analysing socially engaged arts practice across practitioners, partners, funders, and policy makers.
- There are overlapping influences between art, education, community development, political activism, entertainment and leisure, cultural tourism, regeneration, environmentalism, etc.
- The current understanding of transformational processes is elusive.

Different approaches for economic evaluation of cultural projects

While cultural values encompass a public good nature, such as externalities (prestige values, identity, social contribution, economic merits, or educational merits), the economic value is composed of use value and non-use value as shown in Figure 3.1.[61] The opportunity to appreciate cultural values in the form of visit of a heritage site or attendance to cultural facilities may be part of the option value, while the ability to pass the heritage and cultural actions on to successive generations is included in the bequest value. Satisfaction from the continued existence of the culture is part of the existence value. Any external effects will appear under the category of indirect values.

[61] In general, non-use value (passive use value) is considered to include option value, existence value, and bequest value. See Ohio v. Department of Interior, 880 F.2d 432 (D.C. Cir. 1989).

Figure 3.1. The value of cultural goods and services



Source: authors.

While artists and specialists engaged in cultural activities are obvious stakeholders, other entities include community residents, sponsors including business companies, in addition to all levels of governments. In the case of cultural tourism, many studies have shown the economic impact of cultural heritage, in particular through accommodation in hotels. This why some governments have tried to introduce the principle that industries benefiting from tourists consumption should take part in the efforts of to protect cultural assets.

Using a regional Input-Output Model, the impact of culture on economic activities can be assessed through its effect (direct, indirect and multiplier) on the sales, income, employment, and tax revenues in local, regional, and national economies. However, this type of evaluation may be too static. Also, depending on the industrial structure of a region or a city, the effect of intermediate consumptions may differ.

Consequently, the contingent valuation method (CVM) has been used as an alternative. This method directly asks people (in a survey questionnaire or interview), how much they are willing to pay (WTP), contingent on a specific hypothetical scenario describing specific services. In some cases, the respondents are asked for the compensation they are willing to accept to give up specific services (WTA). This analysis considers only the benefits of the cultural project that can be directly appropriated by the consumers, but excludes the benefits derived from non-use values such as bequest value and existence value.

Another alternative is to rely on self-evaluation processes, which combines both the intrinsic and instrumental value of culture.[62] The assessment must examine if and how local governments and its cultural partners are playing the role of a driver for the cultural development of their local area. The assessment must start with the identification of policy and recognise that the realisation of a cultural development strategy may depend on many factors that are not under the direct control of the local governments. The priority is to know if the local government

[62] McCarthy, K. et al. (2004), *Gifts of the Muse : Reframing the Debate about the Benefits of the Arts*, RAND Research in the Arts, https://www.rand.org/pubs/monographs/MG218.html.

and its staff take into consideration this issue, collect the corresponding information, organise actions, work in partnership with other relevant institutions, etc.

Whatever the perspectives adopted for evaluation, there is need for collection of information and indicators[63] on different dimensions of culture, such as:

- *Cultural Foundation*: How culture and creativity, cultural heritage and cultural environments are becoming part of regional development.
- *Creative workers*: How participants in art and culture sectors are recognised and how they benefit from a funding structure.
- *Culture and Citizens:* How culture and cultural services are available and accessible to all, with the inclusion of different population groups. How the long-term storage of key cultural heritage materials is safeguarded and if materials are available in digital format.
- *Culture and the economy***:** What are the forms of funding for the production, distribution, marketing and sales of culture? Have they become more wide-ranging and do companies and other players in the sector know how to make better use of them? Has cultural entrepreneurship become a well-recognised production activity?

[63] For example, Ministry of Culture and Education of Finland. 2011. *Effectiveness indicators to strengthen the knowledge base for cultural policy.* N°16.

Chapter 4. How to finance the cultural sector?

In broad terms, there are three main sources of funding of cultural activities: subsidies, financial markets and philanthropy. Their relative weight in funding capacities can vary according the context of period and different countries. The report of the Warwick Commission[64] outlined the strategic challenge/importance of opening the financing of culture to broader groups of private and public investors (see World Cities Culture Finance Report, 2017).

Accordingly, the financing system of culture is evolving towards a multi-stakeholder approach. This will apply to most cultural organisations, which need to change their mind-set to explore and develop new ways to involve their stakeholders. Governments are also exploring other forms of support beyond subsidies.

Three factors and their interplay account for the extent to which the cultural sector can appeal to market mechanisms to finance artistic activities (Baumol, 1965; Caves, 2002): i) the size of the accessible market; ii) assess the fixed and variable costs for producing the art; and, iii) the capacity to overcome time and space constraints. This provides a typology for the degree of a "sustainable market dependence" of the arts sectors. Nonetheless, and apart from few cases, the sale of products or services may not be enough to ensure the financing of core art activities in a sustainable manner. In this case, market funding needs to be complemented by some form of government support.

The traditional public financing system

One of the main evolutions for the cultural sector in recent years has been the growing preference for governments to support arts and culture through specific tax expenditures (e.g. tax exemptions) instead of subsidies. This type of funding support is more relevant for central than local governments, as local governments have usually less and more restrictive taxation power. There two types of tax expenditures: i) culture-specific tax expenditures, generally in the field of films and other audio-visual media production; and, ii) general tax expenditures, such as individual and corporate tax breaks for giving to charitable organisations. Some examples illustrate this approach:

- The introduction of the Tax Shelter in Belgium in 2004 has led to a huge stimulus for the audio-visual sector and the cinematographic works.
- Flanders has a fiscal instrument in place since January 2015 that encourages donations of valuable works of art to the Flemish Government (and thus indirect donation to Flemish museums). This measure means that heirs can pay inheritance tax by donating works of art. The measure has existed at federal level since 2003 and with the implementation of the sixth state reform since January 1, 2015, falls under Flemish jurisdiction. In the France and the United Kingdom, there is a similar system for paying inheritance taxes in full or in part with art.

[64] The Warwick report. 2015. *Enriching Britain: Culture creativity and growth*. Coventry: The University of Warwick.

- The Dutch Kennel Act of 2012 contains several fiscal measures (extra tax benefits) to encourage donations to non-profit organisations. These tax benefits are further strengthened in the Competence Act when it comes to donations to non-profit cultural organisations.
- Perhaps the most famous example is the Japanese *hometown tax* since it was specifically created for local governments. This hometown donation system was introduced in 2008 to provide tax deductions to people who donate money to a local government of their choice and for an activity of their choice, cultural activities being eligible. The people donating to a prefectural or municipal government get a deduction in the residence tax they pay to the municipality in which they currently live and the income tax they pay to the national government.
- Another system is the, so-called, 'hypothecated' tax.[65] These taxes are imposed on categories of goods and services « whose proceeds can only be spent on a designated and specific purpose – in this case, culture ». This is the case of the 1% transient occupancy tax (a tax on hotel rooms) of Los Angeles, which generates around $11 million per year for the Department of Cultural Affairs. Some European cities have implemented this system under the form of a percentage of the hotel tax.

Using markets to finance culture

Concerning *debt*, a financing partner can be a traditional financial institution, a microcredit provider, a business angel, a venture capitalist, or an individual (the so-called 4Fs 'family, friends, fans and fools'), or even the government (e.g. artist's allowance). The choice on the type of funder depends on the maturity of the culture organisation, the business model, the required capital and the capacity to cover risks of repayment/payback options. The guarantees that cultural operators can give, determine which forms of debt financing cultural institutions have access.

When cultural and creative actors have difficulties in providing guarantees for bank lending, microcredits and guarantee schemes can be a suitable answer (see below). Credit products and incentives may also not be accessible to cultural organisations and/or persons because of their non-profit legal status. This is often the consequence of cultural legislation, which requires a non-profit legal status in order to be eligible to government subsidies. Another difficulty for matching funding by private and public partners, are the strict accountability and the transparency rules imposed by Governments.

When credit instruments are not available or not appropriate, *capital financing* (*equity*) can be an option. An investor makes capital (and expertise) available in exchange for a share in the cultural organisation (Ideaconsult, 2015). There are

[65] BOP Consulting Editorial Team. 2017. *World Cities Culture Finance Report*. Editorial and content direction, p.24

various forms of capital financing, such as Peer-to-peer equity financing, Venture capital, Business Angels, and even Banks and private actors that that provide seed capital for creative start-ups.

However, capital financing in the cultural and creative sectors has some characteristics that have limited its expansion. While many players work on the development of risky, innovative projects, only in a very small number of projects does the risk correspond to a potentially large financial return. Thus, capital financing is primarily relevant for profit-driven cultural organisations, which often are the exception rather than the rule. The Flemish Fund « CultuurInvest » and some venture capital providers that are specifically active in the social economy (such as Leverage or Inventures) are notable exceptions.

Social impact investment and venture philanthropy

When private funders or investors are more interested in social rather than pure financial returns, *social impact investment* and venture philanthropy can be viable options. They have developed mostly in the financing of the social economy, a trend that could materialise in the cultural sector (Ideaconsult, 2015).

In contrast to philanthropy, social impact investors can reap some (financial) benefits of the projects. The financial return may be modest (for example, recovering the capital invested), but the main objective is financially supporting organisations that generate social impact.

Venture philanthropy (VP) is as a form of financing where both financial and non-financial support are combined to increase social impact. The approach can cover the entire spectrum of financial instruments (grants, debts, equity...) and non-financial instruments (advice, coaching and business mentoring, access to network, financial management, fundraising and income strategy, management). Venture philanthropy has its origins in the mid-90s in the United States. The United Kingdom was the first European country in 2002 to develop Venture Philanthropy and since then it has spread further across Europe.

Research by EVPA (European Venture Philanthropy Association) shows that approximately 34% of VP investments pursue only a social return, 41% where social return is a priority and the rest where both social and financial return are on an equal footing. During the period 2004-2013, some 5 billion euros were invested in Europe through venture philanthropy. A large part of venture philanthropy concerns investors in the home markets (65%). Examples are the UK Arts Impact Fund supported by Nesta and Esmee Fairbairn Foundation; and The ImpactArts Scottish program**,** an organisation that looks at how art can improve the lives of vulnerable young people and marginalized communities. In Italy, the Fondazione Cariplo focus on cultural initiatives initiated by young people (Ideaconsult, 2015).

Philanthropy

Philanthropy is a form of financing that often is related to a strong and personal story. It creates a common feeling in a group or makes people happier for having supported a cultural activity. In many countries, National Lotteries are important sources of philanthropy, although some debate has emerged in the UK on their donation targets.

With *patronage*, the individual artist or cultural organisation receives an amount of money from someone who donates to support the activities of the beneficiaries. A patron pays the artist to provide him or her with livelihood, to cover the costs of material, of an exhibition or execution of an artwork. In this regard, patronage is different from philanthropy, as the patron does not expect a mutually beneficial arrangement, which the philanthropist might hope to achieve.

Donations are often one-off and usually lower amount than patronage. A *legacy* is a form of donation through a will. A duo-legacy is a specific tax technique in Belgium in which part of the assets is donated to a good cause, which 'in exchange' must pay the inheritance tax.

Corporate patronage takes many forms (logistics, services, making employees available) and targets companies, not individuals. It is different from sponsoring by its philanthropic nature. Many large companies in Belgium have bundled their company patronage activities into a specific fund (Belgacom Foundation, BNP Paribas Fortis Foundation, the InBev-Baillet Latour Fund or CERA Foundation). Several companies can associate to create *collective corporate philanthropic funds* for a given social mission.

Matchmaking between actors from the cultural sector and the business community is very important in corporate patronage (and in sponsoring). The Cultural Matching Fund (CMF) in Singapore provides dollar-for-dollar matching grants for private cash donations to registered charities in the arts and heritage sector.

According to the World City Financial Survey, philanthropy and sponsorship accounts for 50% or more of total public and private funding in North American cities (excluding earned revenue).[66] For New York, 70% of all public and fundraised income comes from philanthropic sources. The local legislation incentivises donations by forgoing 33-35 cents in tax revenue for each dollar donated to a non-profit organisation. France in 2003 adopted a similar legislation. In Seoul, donations made by individuals and corporations to arts and culture organisations via the national Arts Council Korea benefit from a 100% tax deductible for individuals and 50% tax deductible for corporations.[67] In Netherlands, the national Gift and Inheritance Tax Act (Geefwet) was introduced in 2012 for a five-year trial period, but according to recent evaluations, it has had a limited impact, primarily increasing donations in large cities and to large institutions.[68]

Crowdfunding, Crossovers and Citizen Engagement

Crowdfunding has boomed in many countries in recent years and is particularly relevant from a local perspective. In this system, individuals and organisations can raise funds online (through a crowdfunding platform) through the public to finance their organisation or specific projects. The crowdfunding project is successful when the predetermined amount is collected within the period of the

[66] P. 14.
[67] p. 27.
[68] p. 28.

deadline. The money is then transferred to the fundraiser through the crowdfunding platform.

There are different types of crowdfunding, depending on the return expectations of the investors:

- *Donation-based crowdfunding*: The investor donates money mainly for social reasons (artistic projects, charity projects, etc.);
- *Reward-based crowdfunding and presale*: In this variant of the donation model, the investor is still willing to donate his money, but in exchange for a non-financial, often symbolic, reward (a new CD, a concert ticket, etc.);
- *Crowd lending*: The investor is willing to lend his money in exchange for a promise of repayment, possibly including a pre-agreed interest. The motivation combines intrinsic, social and financial drivers (financing of a school in a poor country); and
- *Crowd investing (equity):* The investors receive shares in counterpart of their investment.

Donation-based and reward-based crowdfunding are suitable for cultural projects, whereas crowd lending and crowd investing are more focused on financing of organisations. Crowdfunding is an interesting form of financing for the cultural sector because it engage an audience at the same time.

Crowdfunding has several interesting characteristics for the funding of the cultural sector. A large part of the financing needs relate to small specific projects (microfinance), which are difficult to meet through traditional bank lending. The different forms of crowdfunding offer opportunities for the financing needs of various actors. Crowdfunding can increase the involvement of stakeholders, build a community or be used to communicate a vision to the public. These are important factors for cultural actors to increase their support and impact on society. Finally, crowdfunding signals a market potential of specific products and projects to traditional investors and financiers.

Crowdfunding does not mean "easy money". It requires a clear vision and mission, strong communication skills and time for the campaign. For cultural actors, another important issue is whether they want to use existing crowdfunding platforms or make their own (Ideaconsult, 2015; Funding the cooperative city, 2017).

Apart from well-known platforms, like *KickStarter* or *Push*[69], local governments can take the initiative to start a crowdfunding platform. *Crowdfunding.gent* (city of Ghent) started in 2015 is intended for profit and non-profit organisations.[70] The Dutch crowdfunding platform *Voordekunst* has been operational since 2011 with the support of the city of Amsterdam and focuses on creative projects.[71] *Ulule* is a French platform, founded in October 2010, aims at creative, innovative or

[69] www.pushcreativity.org/.
[70] www.crowdfunding.gent.
[71] www.voordekunst.nl.

community-oriented projects.[72] At the European level, the *Kisskissbankbank* platform in response to the 2008 financial crisis.[73] It crowdfunds projects by filmmakers, musicians, designers, developers, illustrators, explorers, writers, and journalists worldwide.

Crossovers between the culture and the enterprise sectors

Local government can play an important role by public tendering or other measures to stimulate cross-sectorial links. The awareness is growing about the mutual benefits the cultural sector and companies. Certainly, in the field of research, innovation programmes are developed that focus on the collaboration between the cultural sector and other sectors (for example, academia) or on research projects, where technology experts are collaborating with artists and human scientists. In this way, governments can stimulate innovation. More specifically, local governments can document good examples, financially support such collaborations, organising matchmaking, etc. They can also give individuals and companies an extra stimulus to donate to culture (e.g. using tax benefits). Examples of European funded projects exploring this relationship include "Creative Clash" (2009-2013,)[74] "Connecting Arts & Business" (2013-2015)[75], or Cultural and creative spillovers in Europe (2015-2017).

Crowdfunding and citizen engagement

At the core of local crowdfunding is citizen engagement: people engaging with their territory and connecting with its businesses. Some examples are revealing:

- The French local crowdfunding platform “Bulb in Town” renamed *Studio* was created in 2012 as a platform where small creative businesses could find the fund they need to start and grow their business through the support of the local crowd.[76] The platform realised very quickly that it also a very powerful engagement platform. Therefore, it developed recently a new tool, named “Reveal”, that helps launching challenges and questions to community, e.g. “what do you want to see in this neighbourhood?”
- *Brick starter* is a platform for crowdfunding and crowdsourcing architectural projects. Realised within the Finnish Innovation Fund ‘Sitar’, it was conceived as an experiment to test the possibilities of opening the design and development of urban environments, to reduce the opacity of urban development processes and to create communication between various urban stakeholders.[77] Brick starter generated passionate debates about the role and possibilities of crowdfunding in urban service provision, and its relationship with traditional public infrastructure funding.

[72] www.ulule.com.
[73] www.kisskissbankbank.com.
[74] www.creativeclash.eu.
[75] www.connectingartsandbusiness.eu
[76] https://www.bulbintown.com/partenaire/4.
[77] https://www.theguardian.com/artanddesign/2012/aug/2.

- *Goatee in Barcelona* is a platform for civil crowdfunding « the commons » founded in 2011 by Platonic, a Catalan association of culture producers and software developers. Goatee helps citizen initiatives as well as social, cultural and technological projects that produce open source results and community benefits with crowdfunding.[78] Goatee promotes transparency, open source information, knowledge exchange and cooperation among citizen initiatives and public authorities.

According to the World Cities Cultural Finance Report (2017) various trends have emerged. First, several cities are re-balancing their cultural funding ecosystems: "Most obviously the level of culture-dedicated public funding is declining... Policymakers and other funding agencies (e.g. Arts Councils) are therefore using a number of measures to support and facilitate organisations in the sector to raise more traded and private giving income".[79] Second, a number of cities open up their public funding to a wider range of cultural organisations and projects, which are not managed by public bodies. This will require these organisations to be more creative and accountable. Third, there is 'policy learning' about incentives to encourage private donations and funding.[80]

Overall, the diversification of the sources of funding will allow a more diverse supply of cultural goods and services.

[78] https://www.goteo.org.
[79] Ibid, p. 16.
[80] Ibid.

Chapter 5. A framework for creating capacities at the local level

The increasing centrality of culture in global and local development strategies along the lines highlighted above also puts strong requirements on public administrators and more generally on governance systems. In particular, local administrators and policy makers are increasingly exposed to both best practices and innovative approaches that deploy the social and economic potential of culture in non-usual ways, engaging in peer learning and exchange has become increasingly important. In this regard, it is crucial that national and international umbrella institutions both encourage and engage local administrators in such paths of knowledge and discovery, contributing to the emergence of a new policy mainstream where culture plays a much more fundamental role than in the past. This might reflect, innovative approaches towards Smart Specialization Strategies in European regions and cities, where culture is no longer regarded as an appendix of the tourism industry and/or a mere amenity factor.

In devising a concrete framework for action, it is necessary to proceed stepwise and by trial-and-error. The general principle is that experimentation cannot be based upon context-free recipes or a one-size-fits-all policy design. This has been by the way the fundamental error made in several occasions in the implementation of previous waves of culture-led developmental strategies. It is crucial that the policy menu, and the corresponding experimentations, are chosen having in mind the specific features of the local context, its history in terms of cultural production and participation practices. These practices need to be deeply ingrained into the fabric of the local civil society to yield stable impacts and to spur transformational social and economic dynamics. Some possible lines of experimentation can be outlined:

Design workshops for local administrators and policymakers. Without a clear understanding of the potential but also of the criticalities of culture-led local development, any strategy, no matter how sophisticated and well suited for a given local context, is likely bound to fail. With few exceptions, all successful case studies of culture-led development have leveraged upon a substantial, insider involvement of the local governance system. Therefore, training a new generation of decision makers with a suitable background and skills is of paramount importance. This is also a useful way to favour the creation of local and international networks of policymakers that can further build their competences and visions through peer learning and exchange of good practices. Such workshops should be ideally promoted by international umbrella institutions and by national and regional authorities for actions with a more local scope and focus.

Promote arts and culture projects in the public space. An outstanding issue about the involvement and motivation of local communities in arts-and-culture-driven projects is the existence of a mental threshold that obstructs the way into local cultural institutions. For a substantial share of residents who are never engaged in cultural experiences, this threshold may be unsurmountable no matter how inviting and well designed the institutional communication and marketing strategy. For this reason, engaging the local community in the public space with projects whose main goal is eliciting extensive participation from low-attendance segments and to appreciate cultural participation and the cognitive and emotional benefits of cultural experience is a necessary preparatory action for more sophisticated development strategies. This is also a way to make culture more salient and visible for the public opinion, and to allow cultural institutions to

engage citizens in a neutral space to prepare the stage for inviting them in by moving from a different premise with respect to traditional audience engagement.

Community capability building programs. By working on building the cultural capabilities, and especially so in a networked way, local cultural institutions can at the same time build high-value community assets and create the premises for more frequent and more intense forms of cultural participation by citizens. Such a coordinated strategy has for example been experimented with considerable success by the Denver metropolitan area in the past decade, leading to a massive upscaling of the local levels of cultural participation and to a substantial improvement of the financial sustainability of the local cultural institutions[81]. Like the previous ones, such programs should not be conceived as audience development ones but rather as system-wide competitiveness and social sustainability strategies, with the consequent strategic complementarities with other local programs.

Cultural crossovers Labs. Creating strategic partnerships between cultural institutions and players and other local institutions and organisations operating in fields amenable to meaningful crossovers, such as in the fields of health and wellbeing, innovation, social cohesion, environmental sustainability, or education, provides the basis for pilot projects where specific policy agendas are developed. For instance, there is space for collaborations between museums and hospitals, or museums and theatres, to develop specific experiments in cultural welfare, such as in the case of engaging non-self-sufficient Alzheimer patients in social community theatre, or in establishing a specific program of medical prescriptions of museum visits, as recently launched by the Montreal Museum of Fine Arts.[82] Such pilot projects will be all the more useful if accompanied by a scientifically validated protocol and evaluated by means of rigorous impact tools, possibly via randomized trials.

Citywide cultural accelerators. Launching citywide projects involving a diverse group of stakeholders to pursue culture-led development (e.g. improving the city's capacity of social inclusion through cultural participation, or enhancing local innovative potential through a collaborative urban event) is a way to place culture-led development on the local agenda. This is for instance, what has happened as a long-run legacy of the most successful European Capitals of Culture of the past such as Lille 2004, Liverpool 2008, Linz 2009 or Essen for the Ruhr 2010 among others. These ambitious projects require institutional coordination, and a long-term strategic plan. Achieving a system-wide engagement is the most reliable way to build enough momentum. Launching promising local laboratories for system-wide coordination should also be in the interest of socio-economically advanced countries that consider them as scalable pilot experiments of culture-led development.

[81] P.L. Sacco et al., Culture as an engine of local development processes: System-wide cultural districts. II: Prototype cases. *Growth and Change* 44(4), 571-588, 2013.
[82] CBC, Doctors to prescribe museum visits to help patients 'escape from their own pain'. October 12, 2018, https://www.cbc.ca/news/canada/montreal/montreal-museum-fine-arts-medecins-francophone-art-museum-therapy-1.4859936.

These few examples show how to engage local administrators and policymakers, cultural institutions, entrepreneurs in and outside of the cultural and creative sectors, and the civil society, as a whole, to engage in new projects and initiatives. They will further enrich the existing repertory of experience and knowledge to break exciting new ground and devise new ways to generate social and economic value through culture.

Annex A. Data definitions

Cultural sectors and Cultural occupations are defined by Eurostat, as follows:

(see:https://ec.europa.eu/eurostat/statistics-explained/index.php/Culture_statistics-cultural_employment):

Cultural sectors (economic activities)

1. Printing and reproduction of recorded media
2. Manufacture of musical instruments
3. Publishing of books, periodicals and other publishing activities
4. Motion picture, video and television programme production, sound recording and music publishing activities
5. Programming and broadcasting activities
6. Specialised design activities
7. Photographic activities
8. Translation and interpretation activities
9. Creative, arts and entertainment activities
10. Libraries, archives, museums and other cultural activities

Cultural occupations

1. Architects, planners, surveyors and designers
2. Other language teachers
3. Other music teachers
4. Other arts teachers
5. Librarians, archivists and curators
6. Authors, journalists and linguists
7. Creative and performing artists
8. Photographers
9. Interior designers and decorators
10. Gallery, museum and library technicians
11. Other artistic and cultural associate professionals
12. Broadcasting and audio-visual technicians
13. Library clerks
14. Musical instrument makers and tuners

15. Jewellery and precious-metal workers
16. Potters and related workers
17. Glass makers, cutters, grinders and finishers
18. Sign writers, decorative painters, engravers and etchers
19. Handicraft workers in wood, basketry and related materials
20. Handicraft workers in textile, leather and related materials
21. Handicraft workers, not elsewhere classified

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