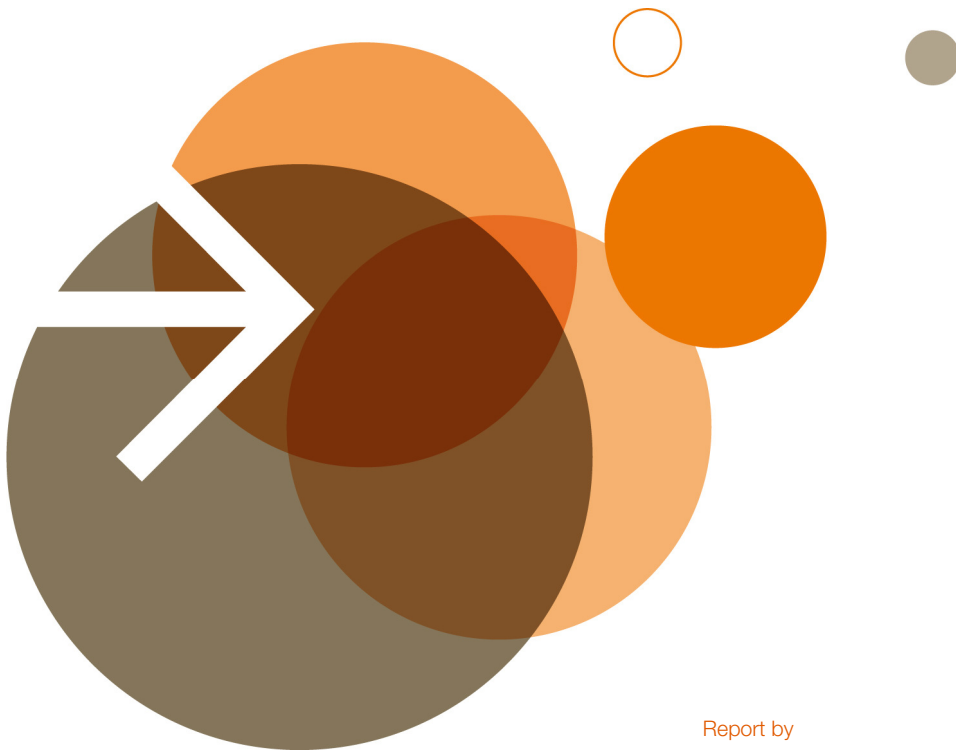


June 2009

# Arts Plus: New Models New Money

International Research  
Final Report



Report by  
creative thinking  
**positive solutions**

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## International Context

A year ago, when participants in the creative stream at the 2020 summit were discussing the future of a Creative Australia, many of the key issues that emerged could have been heard in debates within the arts community across the world. They included:

- The ‘centrality’ of creativity and culture to society, as articulated in the vision of Americans for the Arts *‘that the arts are recognized as integral to the lives of all people and essential to the health and vitality of communities and the nation’*<sup>1</sup>
- The importance of arts education exemplified by the recent pledge by the English government to provide every young person up to the age of nineteen with access to five hours of high quality arts activity per week. In Asia significant investment has been made into the creative arts in the curriculum and creative industries training over the past three years, including the building of 1,300 art and design schools in China.<sup>2</sup>
- The exploration of strategies for inter-cultural dialogue and cultural diversity as reflected in the theme of the IFACCA World Summit taking place in South Africa in September 2009: *Meeting of Cultures: Making Meaning Through the Arts*.
- The impact of new technology on the development of new art forms and practices, on audience demand for new cultural products and the ability to self create and curate on-line.
- The on-going challenges of financing the arts, including measuring the value of the arts, notions of excellence and more recently challenges to historic funding models such as the call by Tim Joss, in the UK, for the formation of two new funding bodies for the arts in England.<sup>3</sup> Britain’s National Council for Voluntary Organisations (NCVO) has also set up a Funding Commission to respond to the voluntary sector’s uncertainty about funding over the next ten years and to take responsibility for setting a new funding agenda which will, amongst other tasks, ‘examine alternative forms of funding to conventional public sector forms’.<sup>4</sup>
- Last, but not least, the status of the artist.

However, there has only been one issue dominating the arts sector across the world during the period in which this research has been compiled and that is, how to survive in the current global financial crisis.

American cultural institutions, through their heavy reliance on different forms of philanthropic and endowment funding have felt the effects very rapidly, with income from the Getty Trust endowment falling by 25% from the US \$5.98bn (reported on 30th June 2008) representing a US \$1.5bn loss, and the Metropolitan Museum losing support from both its endowment and New York City.<sup>5</sup>

In the US, artists, like other workers, are facing sharp increases in unemployment. 129,000 artists were unemployed in the fourth quarter of 2008, an increase of 50,000 from one year earlier and the unemployment level for artists has risen more rapidly than for the U.S. workforce as a whole. Most cultural occupations are affected and concern is being expressed that during

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<sup>1</sup> Americans for the Arts, New Strategic Plan 2009-2011 accessed - [http://www.americansforthearts.org/pdf/about\\_us/finalplandocument.pdf](http://www.americansforthearts.org/pdf/about_us/finalplandocument.pdf) 1/5/2009

<sup>2</sup> Wallace, A. 2009. *No time for faint arts*. Irish Times, Ireland. accessed - <http://www.irishtimes.com/newspaper/features/2009/0429/1224245586544.html> 1/5/2009

<sup>3</sup> Joss, T. 2008. *New Flow*. Mission, Money, Models, England

<sup>4</sup>NCVO (National Council for Voluntary Organisations) the Funding Commission accessed - <http://www.ncvo-vol.org.uk/fundingcommission> 9/02/2010

<sup>5</sup> Kaufman, J. 2009. *How the richest US museums are weathering the storm*. The Art Newspaper. accessed - <http://www.theartnewspaper.com/includes/common/print.asp?id=16705> 8/1/2009

the previous recession (2001), artist unemployment did not reach its peak of 6.1% until 2003—two years after economic recovery began nationwide.<sup>6</sup>

The response from governments in some countries has been swift and a number of financial stimulus measures have already been announced. The arts and artists are not just being seen as victims of the recession, but as part of the solution. In the US, the House of Representatives has approved US \$50 million in its overall stimulus package for the National Endowment for the Arts (NEA) and removed a Senate provision that barred states from using stimulus money on cultural facilities. It recognised the economic importance of the not for profit sector which generates US \$166.2 billion annually in U.S. economic activity and supports 5.7 million jobs. The NEA will direct 40% of the money to state arts agencies and regional arts organisations, while the remainder will go to selected arts projects.<sup>7</sup>

In the UK, Arts Council of England, using Lottery reserve funds, has announced a new initiative called *Sustain* to which cultural organisations will be able to apply for support if they are struggling financially. It will initially be a two-year programme, awarding grants of £75,000 to £3 million with a guarantee that applications will be assessed within six weeks!

*Any arts organisation can apply but priority will be given to those who are seen as vital to the Arts Council achieving its mission of great art for everyone*<sup>8</sup>

Also in the UK, Arts & Business ([www.andb.org.uk](http://www.andb.org.uk)) has called for the business community to recognise that recession increases rather than diminishes the case for investment in the arts. In Singapore, the Government has announced that no cuts will be made to promises for funding two new programmes, including money for the creation and development of new work.

*New works that contribute significantly to the nation's canon of artistic content (e.g. intellectual property embedded in writings, scripts, compositions, choreography and art works) can expect a higher level of support.*<sup>9</sup>

In another interesting development in the UK, an article by Martin Bright in *New Statesman*, the weekly current affairs magazine, of which he is political editor, has led to the formation of New Deal of the Mind 'a coalition of entrepreneurs, teachers and individuals working in the creative industries who believe we must act immediately and imaginatively to innovate our way out of the current economic crisis.'<sup>10</sup> Once again the 'value proposition for the arts' has come to the fore – the recognition that creative thinking is required in times of adversity; that government has a role to play in *all* aspects of the economy, and that people's engagement with arts and other cultural activity can help individuals and communities in times of stress and uncertainty.

*The whole world is facing a severe economic crisis at the moment. Many of the leading economists and scholars who are investigating the reasons for this crisis and possible solutions for it believe that organisations, enterprises and companies must rely on their capacity to innovate and create because they will have to face unpredictable and dynamic environments. The arts world is a window to this discovery process.*<sup>11</sup>

It is in this context that the following research must now be considered.

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<sup>6</sup> Nichols, B. 2009. *Artists in a Year of Recession: Impact on Jobs in 2008*. National Endowments for the Arts. United States

<sup>7</sup> Artbeat website accessed - <http://www.pbs.org/newshour/art/blog/5/06/2009>

<sup>8</sup> Sylvester, R. Thomson, A. 2009. £40 m fund launched by Arts Councils to help galleries, theatres and orchestras survive crunch. *The Times*.

<sup>9</sup> National Arts Council Singapore website – accessed <http://www.nac.gov.sg/>

<sup>10</sup> Department for culture, media and sport – accessed [http://www.culture.gov.uk/reference\\_library/media\\_releases/6149.aspx](http://www.culture.gov.uk/reference_library/media_releases/6149.aspx) 09/02/2010

<sup>11</sup> European Festivals Association website – accessed <http://www.efa-aef.eu/festlab/mission.lasso>

# Introduction to International Research

The initial purpose of the international research for the Arts Plus project was twofold: to understand the issues facing artists globally, in terms of their ability to pursue their careers and contribute to society; and to identify the types of policy initiatives, incentives and investments that have been developed to help them achieve their goals. Within this we were particularly trying to identify trends, lessons or evidence that might inform new initiatives in Australia.

This report has been compiled primarily through a review of international documentation from the past decade, supported by a small amount of consultation with colleagues in the United Kingdom, United States, New Zealand and Singapore identified in Appendix Two.

The report starts with two key observations:

## **Definitions of ‘an artist’**

The first concerns the definition of an artist and how this differs from country to country and sometimes within different funding programmes in the same country. This is a particular challenge when trying to compare data across jurisdictions and funding programmes. The modest scale of the research has meant we have not been able to look, in detail, at needs within each artistic discipline, but have focused on the characteristics of each community or country in assisting or preventing the artist from achieving their full potential.

## **The lack of research and evaluation**

Despite the excellent work of bodies such as the International Federation of Arts Councils and Culture Agencies (IFACCA), little research has been undertaken internationally on the issues facing artists, as distinct from the arts sector as a whole (which includes artists *and* arts organisations). The work of David Throsby on artists in Australia is a rare example of a substantial research focus on the individual. There is also a dearth of publicly available, robust evaluation of the programmes and policies used by governments and their funding agencies, and by other funders, to support artists.

There is limited information, too, on the nature and impacts of different types of commissioning activities and programmes for new work through government funded arts organisations. For example in England, arts organisations have to identify within their acquittals how much new work they have commissioned during the year, but no publicly available analyses of the impact and outcomes of this work have yet been identified. There is, by contrast, a substantial body of literature on the value and impact of public art commissions and on artists’ process-based work in educational and community settings.

The many research reports and web sites that have been sourced are identified in Appendix 1.

## **Report structure**

The research is presented in two sections. The first looks at some of the issues facing artists across the globe and solutions that have been implemented mainly by artists and arts-led organisations to improve working conditions and increase artistic output. It identifies:

- the importance of validation and recognition of the role of the artist in society,
- the role of artists (and their partners) as principal funders in the creation of new work,
- the income levels and working conditions of artists with some examples of tax-related government solutions, and
- artists’ views of the barriers they face in developing their practice to its fullest potential.

The second section considers the issues facing governments in responding to the needs of artists and the types of solutions that have been implemented over the past decade including:

- new government-led cultural programmes
  - the UK's National Lottery
  - transnational funding
  - examples of new government funds and awards
- growth of and changes to private sector support and philanthropy, including the trend towards venture philanthropy
- initiatives related to the creative industries and creative economy; new funding mechanisms and business development programmes, and
- the social economy and the rise of community development finance institutions (CDFI's), with examples of investment in arts and culture

# PART ONE – ISSUES FOR ARTISTS

## 1. Understanding the role of the artist and their status in society

*.... the public often views the profession of ‘artist’ as not serious. The way artists earn a living may seem frivolous, and artists are often seen as indulging in their own passions and desires which bear no relation to the everyday experiences of most workers. This too contributes to a devaluing of the artist as a citizen with the same rights and responsibilities as everyone else.*<sup>12</sup>

Research in Europe and America shows that, in numerical and economic terms, artists are an increasingly important part of the workforce. They operate across all areas of the economy, across all sectors (public, private and not for profit) and in a diverse range of settings, from cultural institutions to schools, from hospitals to hotels. More and more artists see themselves as small businesses or ‘sole traders’ and comply with all legal, fiscal and taxation legislation that comes with that, in whichever country they are based. However their contribution to the community and society in general is little understood or documented.

Perhaps one of the most telling comments came from a 2003 US study into the support structure for artists.

*In fact, 96% of respondents said they were greatly inspired and moved by various kinds of art. However, the artist as creator of goods (works of music, film, literature, and so on) often appears to be divorced in the public mind from the good itself. Only 27% of respondents said that artists contribute ‘a lot’ to the good of society.*<sup>13</sup>

Our review of international reports suggests the following reasons for this lack of public awareness and understanding of the role of the artist.

### 1.1 Arts organisations not artists

First is that fact that arts organisations, not artists, tend to be the public face of the arts. The same US research team responsible for the quote above found that mainstream cultural institutions in major US cities, such as the local symphony, ballet and art museums, overshadow the work of smaller, not for profit arts organisations and the work of independent artists. Furthermore it is usually art form-based peak bodies that advocate on behalf of individual artists.

Tim Joss, now Director of the Rayne Foundation (a small UK grant-making foundation) but who used to work as an arts manager and funder in the public sector, has made a number of points in relation to this issue including the limited opportunities for artists in discussion.

*Talk of the arts and the state rarely starts with the artist.... A more common starting point is the arts organisation....Bureaucracies prefers to talk to other bureaucracies.*<sup>14</sup>

One result of this is that people do not value an artist’s work in terms of paying for time or products, often expecting artists (more than other professionals or small businesses in the community) to donate both for nothing.

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<sup>12</sup> Jackson, M. Kabwasa – Green, F. et al. 2003. Investing in Creativity – A Study of the Support Structure for U.S Artists - Introduction. Urban Institute, United States

<sup>13</sup> Jackson, M. Kabwasa – Green, F. et al. 2003. Investing in Creativity – A Study of the Support Structure for U.S Artists - Introduction. Urban Institute, United States

<sup>14</sup> Joss, T. 2008. New Flow. Mission, Money, Models. England p59

International research has identified the need for programmes for artists which strengthen their ability to engage with the debate and advocate for their own practice and art form (see *box below on Empowering the Artist*) as well as public programmes on recognising the value of artists work.

**Empowering the Artist (United Kingdom)** founded by the late Deborah Rawson was a pioneer in the development of mentoring for visual artists and makers in South East England. The organisation was founded with a different purpose (to support artists to work in schools) but it changed direction when Rawson recognised a gap in the market for artists who were a few years into their career. What they needed was mentoring, encouragement, fresh knowledge and contacts.

The Artists Professional Development Scheme and the Makers Professional Development Scheme, funded mainly by Arts Council England, South East, provided a small number of artists each year with a mentor for around eighteen months and an expenses budget to cover expenses incurred in support of their participation in the programme. Latterly, ETA was able to offer artists the opportunity to show their work to critics and other interested parties in ETA's own small gallery in Hove. ETA also ran a seminar programme in which any artist could participate for small fee.

The seminars were developed to:

- improve confidence and orientate the artists work
- identify and communicate effectively with audiences
- speak and write confidently about the artist's practice
- improve ability to access opportunities for work and funding
- networking experience

ETA closed in 2006 following Deborah Rawson's death but it has served as a model for other mentoring schemes elsewhere.

Source: Conversation with ex ETA Board Member Phyllida Shaw March 2009

## 1.2 Loss of public funding = Loss of validation

Validation and the source of validation is an important issue in understanding the status and career paths of artists. For example the US research identified the importance of validation from sources outside an artist's home city in the transition of an artist from 'mid career' to 'established'.

Public funding for an artist's work is often seen as an endorsement of its quality. The lack or loss of public funding is therefore more than a financial loss; it can also damage public perceptions of the value of the work. The decline of the NEA's fellowship programme in the mid 1990s was seen as a significant loss of public recognition for US artists.

This would suggest the more ways governments can demonstrate support for and celebrate the work of artists (not just financial support) the more they will contribute to their overall success and recognition in the community.



### 1.3 Artists (and their partners) remain the biggest funders of work

What is little known or recognised by the public is the fact that artists and their partners remain the biggest funders of their own work. They do this through:

- earned income from their art practice – fees, sales, lectures, rights etc.
- second jobs either in an arts or non-arts related field
- a lot of un-paid time in research and development of their work
- unpaid contributions to community events and fundraisers (like other small businesses)
- the lack of ‘true cost recovery’ in terms of the scale of fees and payment for their work

Possibly against all public and government perceptions, research in the US has revealed that fewer than 20% of artists receive a grant in a given year.<sup>15</sup>

A new initiative, by artists for artists launched originally in the US in 2004 but which now has international branches is the Artist Pension Trust (see box below on Artist Pension Trust).

Successful artists continue to support the work of other artists even after their death, with many establishing trusts or foundations in their name and choosing to focus on new work and the development of artists’ careers, in the knowledge that this is the area of work other funders find the most difficult:

*We may make mistakes from time to time and choose the wrong thing, but you have to take risks and artists will occasionally fail to pull-off what they plan. We want to encourage the artists of today who we believe have something important to say*<sup>16</sup>

**Artist Pension Trust (International)** is the first investment programme dedicated to the needs of emerging and mid-career artists. APT’s long-term financial planning services allow artists to invest their artworks alongside a community of select artists, thereby providing a uniquely diversified, alternative income stream. Our vision is to build an integrated financial services firm that caters to the financial needs of the artist.

The initial impulse in founding and organising APT was around the concept of long-term financial security. Both a ‘pension’ and a ‘trust’ are designed to provide the beneficiary with a steady flow of income as defined by the terms of that financial instrument. APT seeks to combine the virtues of these two models while fully recognizing that ‘cash flow’ and ‘income stability’ are challenges an artist faces much earlier than retirement.

The APT model, therefore, conceived of a plan that pays out cash disbursements from the mutually invested interests (artworks) of all participating artists upon the first sale but then extends over a thirty to forty year period.

When artworks are sold, each artist receives 40% of the net proceeds of the sale of his/her work. 32% of net proceeds accrue to the collective benefit of all participating artists in the specific APT. This allows each participating artist to collectively participate in the commercial success of the other 249 artists. The remaining 28% of the net proceeds are retained by APT to cover all management and operating costs.

Source: Artist Pension Trust - <http://www.aptgloba.org/aboutus.asp>

<sup>15</sup> Jackson, M. Kabwasa – Green, F. et al. 2003. Investing in Creativity – A Study of the Support Structure for U.S Artists - Introduction. Urban Institute, United States p42

<sup>16</sup> Henry Moore Foundation website – accessed [www.henry-moore-fdn.co.uk/](http://www.henry-moore-fdn.co.uk/)

## 1.4 Income levels and working conditions

*The work of artists accounts for a considerable share of Europe's labour force. It is situated at the heart of the 'creative sector', serving both public arts organisations and private cultural and media industries.*<sup>17</sup>

Despite the increasing rhetoric on the importance of artists to the creative economy, their employment status has not changed to reflect this. They are usually not employed full time as artists, have very fluid employment patterns, often with multiple jobs, and earn less on average than other people with comparable education and skill sets.

*The average earnings of artists are CAN \$22,700, compared with an average of CAN \$36,300 for all Canadian workers.*<sup>18</sup>

*In 2005 nearly two million Americans said their primary employment was in jobs that the census defines as artists' occupations — including architects, interior designers and window dressers. Their combined income was about CAN \$70 billion, a median of CAN \$34,800 each.*<sup>19</sup>

And from the UK

*Average earnings of those in the sector are falling compared to non-cultural occupations and 40% lower than the average of those in comparable professional groups.*<sup>20</sup>

The types of solutions introduced to address these issues are specific to the tax and social security regimes of individual countries. Tax concessions for artists are dealt with in a separate report by Griffith University for Arts Queensland. Issues relating to social security will be the subject of further research by the Australia Council later this year.

Included in the boxes below are a few examples of the different solutions which could be considered further.

The **Quebec Artists Exemption** scheme established as a specific tax treatment for artists provides a tax exemption from copyright income. The Bill works on a sliding scale and entitles artists and creators to an annual income exemption on copyright income up to CAN \$30,000. The exemption ceiling was increased to CAN \$60,000 in 2001.

Source: Compendium, Cultural Policies and Trends in Europe - <http://www.culturalpolicies.net>

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<sup>17</sup> Gollitzer, M. Murray, C. 2008. *From Economy to Ecology: A Policy Framework for Creative Labour*. Canadian Conference for the Arts, Canada

<sup>18</sup> Capriotti, K. Hill, K. *Statistical Profile of Artists in Canada*. Hill Strategies Research Inc, Canada

<sup>19</sup> Roberts, S. 2008. *A 21st-Century Profile: Art for Art's Sake, and for the U.S. Economy, Too*. New York Times – accessed <http://query.nytimes.com>

<sup>20</sup> Galloway, S., Lindley, R., Davies, R. and Scheibl, F. 2002 *A Balancing Act: Artists' Labour Markets and the Tax and Benefit Systems*. Research Report 29, London Arts Council England.

**Reimbursable tax loans (Québec)** Cultural projects in Québec may apply to delay a proportion of their income tax while in the process of building up their project. This is in effect an interest free loan granted by the tax authority to the cultural sector and is used extensively; in 1999 about seventy million was granted to film and TV productions alone, making this the largest bank style support measure for the sector.

Tax loans are only granted on labour costs, not for equipment expenses; the scheme is specially designed to create jobs, especially jobs with strategic skills that further the long-term competitiveness of the Québec cultural sector. Up to a third of labour costs (or 15% of the total production costs) may be delayed on the tax bill until the project becomes income generating. Certain sectors considered being culturally or economically strategic (films in French, using production sites in Québec, or using special computer effects provided by a Québec located company) may receive a tax rebate of up to 25% of the tax loan.

Source: Compendium, Cultural Policies and Trends in Europe –<http://www.culturalpolicies.net>

The **Netherlands WIK Scheme** is designed to support artists in launching their careers. Artists who make use of it are not obliged to apply for jobs and need not accept positions deemed to be inappropriate. Unemployed artists are allowed to keep up their artistic work and attempt to get themselves established after the six-month period in return for a slightly lower benefit (70% of the regular benefit under the National Assistance Act). Artists are also allowed to supplement their income by up to 125% of the national social security benefit. An artist is allowed to use the WIK income provision for a maximum of four years.

A programme known as a ‘flanking policy’ is attached to the WIK scheme to help support artists develop a remunerative and self-sufficient practice. It is run by the **Arts Platform Foundation (PKW)**. Within this programme artists can apply for a small amount of financial support for a range of business-related activities.

Alongside the WIK Scheme, there are also several hundred basic stipends up to a maximum of €27,200 for a two-year period given to artists with insufficient income to carry on their artistic work. One example is the **Starter Stipend** which is a contribution to the artist at the start of their career. An amount of approximately €19,200 is awarded for a period of up to twelve months, within two and a half years of leaving an advanced education arts institution.

Source: ERICarts. 2001. *Creative Artists, Market Developments, and State Policies: Background Paper*. ERICarts – accessed [www.ericarts.org](http://www.ericarts.org)

Under the current **Artists' Salaries Act in Iceland** (no. 35/1991 with later amendments), artists' salaries are allocated each year from four separate funds: the Writers' Fund, the Visual Artists' Fund, the Composers' Fund and the Arts Fund. The first three are specialised funds with their own allocation committees, whereas the Arts Fund is a general fund serving all the arts. In addition to artists' salaries, the funds are authorised to provide study and travel grants. The funds are supervised by a three-member Artists' Salary Committee, which also makes allocations from the Arts Fund. The Minister of Culture appoints the committee for three-year terms on the basis of nominations from the Federation of Icelandic Artists and the Icelandic Academy for the Arts. One member is appointed without nomination.

The purpose of artists' salaries is to stimulate artistic creativity in Iceland and to make it possible for those artists receiving the salaries to devote themselves entirely to their respective craft.

Artists' salaries are paid according to the same scale as Grade II Assistant Professors at the University of Iceland at any given time. Artists receiving salaries from the state are not to be engaged in other full-time work, and are expected to submit a report on their work.

Source: IFACCA - <http://www.ifacca.org/publications/2007/02/15/iceland-artists-pay-rates-as-set/>

## 2. Artists' views on what needs to be addressed

From international research into artists needs in Ireland, the UK, US and Canada, the following have emerged as some of the issues artists themselves feel need to be addressed:

### 2.1 The limited scale of investment for 'blue skies' work

Much of the research undertaken in different countries identifies a significant need for support for 'unencumbered creative time'<sup>21</sup>. This scores higher than the need for production, technical expertise or access to equipment. However, not only are there few opportunities for such support, but the levels of funding are usually quite small.

*More than three-fourths of standard cash grants to individual artists are less than US \$10,000 and more than half are under US \$2,000.* <sup>22</sup>

### 2.2 Reducing the need for immediate outputs and non-cultural outcomes

Nearly all support is output based. If it is for new work then it must result in an exhibition, performance, film or other product for the public. The pressure to produce a final product allows little opportunity for failure and could be damaging in the long term to an artist's career. This is almost completely the opposite to the practice of scientific research and experimentation, as articulated in a recent speech by ex Chair of the Arts Council of England Christopher Frayling:

*Nothing is definite in the arts – and you have to have the right to fail as well as the right to succeed ... It's a bit like science. They say that over 90% of scientific experiments are unsuccessful; but that just means that the 10% which are successful are fantastically important. It's not an evens bet. But when it works, the results are spectacular. For example, who would have predicted fifteen years ago that computer games would be a huge sector of the economy?* <sup>23</sup>

And then there is the growing issue of social and economic outcomes explored in more detail from the government's perspective below. A clear recommendation was made in a recent report to the Irish Arts Council that 'awards to artists should not be directly linked to outreach, educational or community-based activity'. <sup>24</sup>

### 2.3 Funding that is responsive to business models

An issue seen to be of increasing importance is that of ensuring flexibility in respect to both funding criteria and the most appropriate business model from which to operate as an artist. This has emerged for a number of reasons related to both specific developments in art forms such as new media and the economics of the time (discussed further below).

For example, if there is a commercial component to the outcome of a project, artists are not necessarily averse to paying some of this back to the funder, but the funder is not usually geared to being able to do this. Some funding agencies only support 'not for profits'; others only invest in 'commercial entities' yet a single creative project may have both social and economic benefits. This can lead to creative practitioners having to form a complex network of companies in order to attract investment from different sources, for example with the work of creator Marcos Novak which has been structured across the following entities:

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<sup>21</sup> Jennings, P. 2000. *New Media Arts - New Funding Models*. Creativity & Culture, The Rockefeller Foundation, United States

<sup>22</sup> Ford Foundation website – accessed <http://www.fordfound.org/newsroom/pressreleases/174> 24/06/2009

<sup>23</sup> Irish Times website – accessed [www.irishtimes.com/](http://www.irishtimes.com/) 6/05/2009

<sup>24</sup>Everitt, A. 2000. *The Creative Imperative – A report on the support for individual artists*. Arts Council Ireland

- a for-profit company that transforms his artistic work and vision into a marketable product
- a non-profit artist research organisation in which artists and students can create educational or experimental work
- a middle-man company that will represent Novak’s artistic vision and license it to the for-profit company.

Obviously the issue is complicated by the different business structures and tax regimes in each country, but clearly artists are looking for a simplification of models which best serve their needs as they work across all aspects of the economy.

## 2.4 The geography of the market place

Investment and support structures are required which reflect the new ‘geography’ of the markets for artists’ work. At one level, more and more artists are working globally. This results in the need for transnational grants and consideration of the impact of tax regimes in different countries (see box on *German Cultural Fund and comments of European funding below*). A 2006 report on the status of artists in Europe has recommended models to improve working conditions of artists across the Union in the following areas: individual working and contract relations; professional representation; social security; taxation; and aspects of transnational mobility.

On the other hand there is a need to consider how certain forms of financing may work best at a local community level, for example loan funding based on principles of mutuality or funding associated with physical planning and regeneration.

## 2.5 Long term career and life planning

Artists can be very isolated in their work and their networks and often are simply not aware of services that they can access. It is not just about professional development of their practice or their businesses, but finding access to advice and assistance across all forms of life planning including health, insurance, retirement and estate planning. Furthermore some of the most successful arts led solutions appear to be those programmes which are providing longer term financial and mentoring assistance for the artist beyond the one off grant approach. (see boxes on *Creative Capital (US) and Art Venture (NZ)*).

**Creative Capital (United States)** was formed in 1999 in direct response to the changes to NEA support for individual artists. The NEA had been responsible for millions of dollars of direct fellowships and the effects were felt almost immediately in the arts community. The initiative came from the President of the Andy Warhol Foundation who realized it was an area that the private/donor sector had themselves been ignoring and they should do something about it. The Foundation committed US \$400,000 a year for three years and went out to raise additional support with US \$5 million secured in donations by the launch in May 1999.

Creative Capital has supported 324 projects over the last 10 years which amounts to 411 artists. They have a unique four part approach which includes both financial and professional development packages and artists are with them for on average 3-5 years. The financial value to the artist is up to US \$50,000, averaging around US \$37,000 per project and the value of additional support is around US \$25,000 - \$30,000 per project.

Creative Capital responds to proposals from the arts community and does not commission directly itself.

*'Unlike most other arts grant-making organisations, Creative Capital makes a multi-year commitment to the artists we support, remaining involved over the lives of their projects (on average, between three and five years). Our sequential method of working with artists is based on the equation 'money + services + time = success' The resources we invest in that equation include multifaceted financial awards, career-management training, community-building artist retreats, and promotion of the artists and their projects to a wider audience'.*

Source: Creative Capital - <http://creative-capital.org/aboutus/mission> and consultation with CEO Ruby Lerner

**ART Venture (New Zealand)** is a world-class acceleration programme bringing together the arts, business, education and investment communities to back high-achieving creative entrepreneurs and producers intent on growing Auckland's cultural capital into rich creative and economic outcomes for Auckland city-region and New Zealand.

Targeting experienced creative entrepreneurs drawn from throughout the Auckland region, ART Venture backs up to ten programme participants per year through a customised development programme that serves and adds value to the participant creative entrepreneurs, their enterprises and to the strategic development of Auckland's creative sector.

Participants have access to:

1. professional business and career development assessments
2. group workshop programme
3. individual creative entrepreneur development plan
4. coaching and mentoring support
5. investment fund

Source: Art Venture - <http://www.artsregionaltrust.org.nz/art-venture/> and consultation with Elisabeth Vaneveld, Program Director of Art Venture and Executive Director of The Big Idea

## 2.6 More targeted funding through grants and awards

Artists would like to see the funding that does come specifically for professional development to be more targeted to their artistic discipline and stage of career.

*The real importance of creative individual grants to established artists lies more in the potential benefit of sustainability of the artistic process over time, than in the recognition the grant could bring. Hence, the actual dollar amount of grants for established artists was of greater importance.*<sup>25</sup>

## 2.7 Strengthening the role of artist services and artist-focused organisations

These organisations can be very important at different stages in an artist's career, but they are often limited by what they can do and under resourced for the role they have to play. US research identified the need for having 'diverse and effective' intermediaries but at the same time enhancing artists to deal with all types of markets throughout their careers.

As the majority of commissions for new work come from the cultural sector itself, artists are also aware of the need for arts organisations to be supported to undertake such activity. Festivals are seen as key organisations in the commissioning of new work in the performing arts, and in some cases the broadcast media such as the work of the BBC in the UK is recognised for its important role in nurturing and commissioning new writers.

## 2.8 Facilities and Accommodation

A key issue for many artists across the globe is access to affordable space for many different purposes – studios for making, places for networking and appropriate facilities for the presentation of the final product. Many also need access to low cost housing.

American research has indicated that very little has been done to consider needs of individual artists in the development of new cultural precincts. The focus has primarily been on housing arts organisations both large and small and the development of facilities for the presentation of the arts. The story is different in England, where the development of artists studios has received support from Arts Council England's National Lottery-funded capital programme, since the mid 1990s. However, the situation has gone from bad to worse for many artists in the past two decades in part due to the regeneration of the inner city suburbs. The gentrification of these areas and the rise in real estate prices have in fact driven the artists out of the so called 'cultural quarters' that have been created and led both New York and London in recent years to declare they could no-longer be considered creative capitals as no creatives could afford to live there!

*There are more than 4,500 artists on waiting lists for studios nationally, 3,553 in London.*<sup>26</sup>

A range of innovative programmes and measures have been taken both by governments and artist-led organizations, including the following which are articulated further in the boxed descriptions including:

- Arts Housing Scheme - Singapore
- ACME Studios - London
- Tax Classification Scheme for artists housing – Boston

Recent initiatives for resolving the infrastructure and needs of artists in the UK are linked with the growth of community development financing as described in the following section of this

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<sup>25</sup> Canada Council for the Arts. 2000. *The Impact of Canada Council Individual Artist Grants on Artist Careers*. Canada Council for the Arts, Canada

<sup>26</sup> O'Reilly, S. 2007. *Artists' Studios: creating public benefit*. Capital Studios – the London artists' studios development programme. United Kingdom



report. These include raising support from new financing institutions from the social sector such as the charity bank Triodos and developing business models that help to ensure long-term ownership of the asset by the artist or arts organisation. Such a model has been used in Scotland where 'Out of the Blue' an Edinburgh based Arts and Education Trust, has acquired a property with an investment package from the Scottish Investment Fund of £425,000 comprising a standard term loan of £250,000 over ten years, interest at 5% fixed, plus a non repayable 'strategic investment' of £175,000.

*The key social outcomes associated with the proposal involve increasing support for artists, developing a Centre of Excellence for community arts and regeneration, and improving access for disabled users. ....A predictive social return on investment ('SROI') calculation has been undertaken using indicators identified against the principal objectives of the proposal. The resulting social return is estimated at over £1.45m over three years, giving an SROI index of £2.03 returned for each £1 invested through the Scottish Investment Fund.* <sup>27</sup>

The financing of such approaches are considered further in the second part of this report.

### **Arts Housing Scheme (Singapore)**

Under the Arts Housing Scheme, the National Arts Council (NAC) manages development projects, identifying and converting old buildings into suitable housing for arts use.

- Under the AHS, tenant selection is based on several criteria: need for housing, artistic standard, a good track record, merit of planned activities, managerial strength and growth potential.
- Tenants are required to pay only 10% of the rental charged by the Singapore Land Authority, while the remaining 90% of the rent is subsidised by NAC.
- Due to the substantial rental subsidies given by the NAC, the tenancy is subjected to annual review.
- Utilities and maintenance costs are borne by the tenants.
- To date, over ninety arts organisations and artists (sixty-seven arts organisations and twenty-nine artists) are housed in twenty buildings, twenty units of shop houses and two co-located facilities in Marine Parade (Marine Parade Community Building) and Ghim Moh (Ulu Pandan Community Building)<sup>28</sup> .

Types of arts housing properties:

- Single-tenanted building which houses a single arts group
- Multi-tenanted property which houses several arts groups and/ or artists
- A third type of arts housing involves co-locating an arts group/ artists with non-arts tenants in a single complex (mixed use development).

Source: National Arts Council - <http://www.nac.gov.sg/fac/fac03.asp>

<sup>27</sup> Scottish Investment Fund website – accessed [http://www.scottishinvestmentfund.co.uk/case\\_detail.cfm/case\\_ID/325/06/2009](http://www.scottishinvestmentfund.co.uk/case_detail.cfm/case_ID/325/06/2009)

<sup>28</sup> National Arts Council Singapore website – accessed [www.nac.gov.sg/](http://www.nac.gov.sg/)

**Acme Studios (United Kingdom)** is a London-based charity, formed by artists in 1972, which supports the development of fine art practice by providing artists with affordable studio and living space. Acme provides over 370 studio units, runs work/live and studio residency schemes and manages an international agency programme for visiting artists. Acme is recognised as the key strategic development agency for artists' studios in England and has helped more than 5,000 artists with this fundamental means of support. Acme Studios is funded by Arts Council England. Acme's long-term goal is to create a permanent and sustainable network of affordable, accessible and high-quality studios for artists in London.

In 2006 Acme achieved a further step towards this goal, designing and building fifty new artists' studios, in partnership with property developers Barratt, at The Galleria in Peckham, London SE15. The studios are part of a larger mixed-use development which includes private and affordable residential apartments. The Galleria is a pioneering example of a 'planning gain' partnership between an affordable studio provider, a property developer and the local authority. This project is part-funded by Arts Council England through its Grants for the arts - capital programme.

Source: Acme - <http://www.acme.org.uk/>

**Tax Classification of Artist Housing (Boston)** leads the way in creating artist housing through developer incentive programmes and design requirements. Boston has adopted a range of artist-friendly measures, including zoning allowances and tax incentives.

*Boston already requires that at least 15% of units in large new residential buildings be priced based on income limits. Artists' units with specific requirements for ventilation, insulation, and loading can be tacked onto the affordable component of a building, adding bohemian cachet.<sup>29</sup>*

According to the Boston Zoning Code, artists in live/work units are the only occupational group permitted to live in industrially zoned areas of the city. For commercial and non-profit developers with an interest in developing space for artists, the BRA recently developed design guidelines to articulate minimum requirements to meet artists' needs (i.e. live/work units must be at least 1,000 square feet).

Source: Boston Development Authority - <http://www.bostonredevelopmentauthority.org/EconDev/ArtistSpaceInitiative.asp>

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<sup>29</sup> Siefer, T. 2009. Degentrifying Condos. Metropolismag website – accessed <http://www.metropolismag.com/cda/story.php?artid=3682>

# PART TWO – GOVERNMENT AND PRIVATE SECTOR SOLUTIONS

## 1. Introduction

For the past two decades, many countries have been facing the consequences of growing demands on the public purse and have had to explore new methods of financing those demands. This has included measures such as turning to the third or not for profit sector to deliver key services and the development of public-private partnerships in providing new infrastructure.

This has impacted on the arts and hence on artists in a number of ways. First, in the limited growth or in standstill grants to cultural institutions, many of which are involved in the commissioning of work from artists. If an arts organisation has to tighten its belt, one of the first things it is likely to do is reduce the level of new work it commissions and presents (often seen as the most risky and less likely to succeed 'at the box office'). For funding bodies, it is important to keep the doors of the institutions it already funds open and money can be diverted into doing this.

A chronic challenge for every funding system is how to increase the amount of money in the system and how to increase the amount of *unrestricted* funds (i.e. money without strings attached) so that artists (whether working alone or in companies) have greater freedom to develop their practice and ideas. Funding agencies have been hampered by their inability to respond to the increasing diversity in art form and practice as money is locked into traditional forms and institutions. This has accentuated the debate between the so called high art and popular culture and has impacted both on artists engaged in the diverse practices of community cultural development and younger artists involved in new media and hybrid practice.

A further issue has been the need for public sector institutions to justify more and more of what they spend on the **outcomes** from that spend. And where these outcomes are articulated in relation to the arts, they are currently most likely to be related to the levels of public engagement with the arts, and for the economic or social benefits that they deliver, rather than creative development of the art form or cultural impact on the individual or community.

The following section of this report focuses on four areas of policy development, particularly from the UK and the US. Even before the financial crisis of 2008/09, both these countries had undergone significant changes in some of the ways artists are funded. This has not just revealed some interesting new models, but demonstrates some of the pitfalls of new funding approaches from which lessons can be learned. It includes sections on:

- new government-led cultural programmes, including:
  - the UK National Lottery
  - transnational funding
  - new government funds and awards
- growth of and changes to private sector support and philanthropy, including the trend towards venture philanthropy
- initiatives related to the creative economy, new funding mechanisms and business development programmes, and
- the social economy and the rise of community development finance institutions (CDFI's), with examples of investment in arts and culture

## 2. New government-led cultural programmes

### 2.1 The UK National Lottery

There are three key lessons to be learned from the establishment of the UK's first National Lottery, in the mid 1990s, that are relevant to this research. The first was the validation that it gave the arts as a 'good cause' worthy of support from 'the people's Lottery'. This was public money in a real sense, raised from the sale of Lottery tickets. The other good causes, in the early days of the Lottery, were sport, heritage, celebrations to mark the Millennium, and (under the single umbrella of the New Opportunities Fund), health, education and the environment.

The second was that although initially focused on addressing the crumbling physical infrastructure of the country's arts buildings, by refurbishing existing buildings and creating new ones, the government soon recognised the need to fund activity to put into those buildings, as well as the need to allow individuals to apply for funding. To that point, the arts funding system had supported very few individuals directly, preferring to channel its money through legally constituted organisations. The National Lottery therefore marked a significant change of policy. Individual artists could apply for funds with which to support their **own** ideas.

Finally there is the issue of the **scale** of funding that has been injected into the sector as a result of the Lottery, a total value of £2.17 billion for the arts during the period of 1994 – 2006 and the question this raises over the scale of investment needed to bring about any significant change.<sup>30</sup>

Since 2001 Arts Council England's **Grants for the Arts Scheme** (financed by a combination of National Lottery and Treasury money) has provided grants, bursaries and commissions, including those for individual artists for the first time. The National Lottery has also provided funds for the major national scheme, Creative Partnerships, which has employed thousands of freelance artists to work in and out of schools with children and young people. It was also the source of funding for **The National Endowment for Science Technology and the Arts (NESTA)** an endowment to support people and organisations with unusually creative ideas that straddle two or more of the areas in NESTA's name.

The financial demands of preparing for London 2012 Olympics have temporarily reduced the amount of money available to the arts and other causes, although some organisations and individuals will benefit from investments in the Cultural Olympiad with the recent announcement of the **Legacy Trust** and the programme **Artists Taking the Lead**. This is an art prize being developed between the arts councils of the four nations and London 2012 that will see twelve major 'blank canvas commissions' of up to \$1 million Australian each!<sup>31</sup>

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<sup>30</sup> Arts Council England website, National Lottery - accessed  
<http://www.artscouncil.org.uk/aboutus/investment.php> 24/06/2009

<sup>31</sup> Arts Council England. 2009. *Artists take the lead in £5.4 m commission programme for Cultural Olympiad*. Arts Council England press release – accessed  
<http://press.artscouncil.org.uk/Content/Detail.asp?ReleaseID=600&NewsAreaID=2> 07/05/2009

**Arts Council England Grants for the Arts** was launched in February 2003. This was part of a streamlining process that reduced Arts Council England's 100 plus separate application schemes into just five: for individuals, organisations, national touring, capital and stabilisation. Grants for the arts are funded by the National Lottery.

Grants are available to individuals including; artists, performers, writers, promoters, presenters, curators, producers, groups of individuals, other individuals working in the arts.

Grants for the arts have five aims:

- to change people's lives through the opportunity to take part in or experience high quality arts activities
- to increase opportunities for cultural diversity in the arts. Cultural diversity refers to the full range and variety of the culture of England, with a particular focus on race and ethnic background
- to support excellence, new ideas and activity to help build long-term stability in arts organisations
- to invest in the creative talent of artists and individuals
- to increase resources for the arts

Grants to individuals normally range from £1,000 up to £30,000, and can cover activities lasting up to three years, though larger grants may be awarded for major projects. The average grant to individuals in 2006/07 was £5,825; the minimum grant is £1,000. In 2006/07 the Arts Council made a total of 4,334 grants to individuals and organisations for specific arts projects, totalling £84.6 million.

Source: Devlin, G. Jackson, A. 2005. Grants for the arts, an evaluation of the first year. Arts Council England, accessed - <http://www.artscouncil.org.uk/funding>

Source: ACE. Annual Review 2007 – accessed <http://www.artscouncil.org.uk/publications/publications.php>

**Legacy Trust UK Consortium** has been selected as the preferred candidate to establish a new charitable Trust to support a diverse range of cultural and sporting initiatives throughout the UK associated with the London 2012 Olympic Games and Paralympic Games. Legacy Trust UK will receive a £40 million expendable endowment (£34 million from The National Lottery and £6 million from the Exchequer) to be spent over the years leading up to and including 2012 on a UK wide programme of projects which will:

- promote the Olympic and Paralympic ideals celebrating mind, body and spirit;
- foster innovation and creativity;
- strengthen the creative and technical skills base across the UK;
- encourage a joined-up approach across sport, physical activity, culture and education;
- offer young people and diverse communities the opportunity to fully participate in the build up and delivery of the wider vision for the Games in 2012, and
- leave a lasting positive legacy of the 2012 Games for future generations.

One of the programmes it is intended that Legacy Trust UK will fund is the UK School Games. The first UK School Games was held in Glasgow this year and the 2007 event will be held in Coventry. Cities are currently bidding to host the UK School Games from 2007-11.

Source: Department for Culture, Media and Sport - <http://www.culture.gov.uk/>

**The National Foundation for Science Technology and the Arts, (United Kingdom)** was established with an endowment financed by the National Lottery to support exceptional creativity and innovation in and by individuals and organisations in science, technology and the arts.

Today the focus is more tightly upon 'finding innovative responses to problems' and investment in new ideas and practice and the research they need in order to develop. NESTA's mission is '*to transform the UK's capacity for innovation.*' There is less of an emphasis on individual artists than there was in the earlier years.

During that early phase, NESTA developed a Fellowships Programme. Individuals with a track record or other evidence of unusual promise could be nominated for a NESTA Fellowship. Nominators were selected by NESTA's staff and invited to submit the names of possible Fellows and a brief explanation of why they might benefit from a Fellowship. The long list would be reduced by a committee of trustees and external advisers. A shorter list would then be allocated a NESTA office who would work with him or her to develop a bid for a Fellowship. Those that were successful were awarded in the region of £25k per year (more than the national average wage and in the case of artists, considerably more than artists' average earnings) for three years.

There were two highly unusual and therefore controversial aspects to this scheme: the first the use of nominators, rather than an open application process. The second was the lack of a requirement for a final product and the difficulty for NESTA in assessing the impact of the Fellowship in each case. A great benefit of the NESTA Fellowships is that they were equally well suited to artists with and without an academic background or inclination. Research and exploration were essential features of every Fellowship, but these did not have to be expressed or practiced in a formal academic way.

Another programme, Dream Time Fellowships, awarded grants to '*high achievers with at least ten years experience in the arts, science or technology*' who wanted to spend 'structured time away from their work to pursue ideas and activities that will benefit both themselves and their sector'. Dream Time provided grants of up to £40k to be spent in any period up to one year.

Source: National Endowment for Science, Technology and the Arts - <http://www.nesta.org.uk/about-us/>

## 2.2 Transnational funding

In Europe, arts organisations and the artists they employ have benefited significantly from the growth of European Commission funding programmes over the last two decades with:

- **Trans-National funds** – these funds support either projects involving partners from (usually) at least three different EU countries or for exchanges or visits of individuals or groups between different EU countries
- **Structural funds** – these funds are allocated to economically disadvantaged parts of the EU to help them with economic and social regeneration

*Culture Delivers* was a report published by the UK Cultural Contact Point Euclid in June 2007 which provided 1200 examples of arts and cultural projects from the UK alone that had received support from the structural funds between 2000 and 2006. Although clearly aligned to regeneration and social outcomes, these funds have provided significant employment opportunities for artists in a range of settings.

## 2.3 Examples of new government funds and awards

A number of new grant programmes specifically focused on the development of artists and creation of new work have been identified across a number of different countries with cultural awards and prizes in Germany having risen from 776 in 1978 to 2,400 prizes and 3,100 individual awards in 2000.

Two new programmes have recently been announced in Singapore - **The Arts Creation Fund** setup to help Singapore artists and arts groups create new works and the **Skills Development Fund** incentives for employment-based training programmes.

*In the past it was a generic 'one-size-fits-all approach', developed with the average artist in mind. Now there is a need for a more comprehensive framework, ' with differentiated assistance to ensure that the full potential of artistic talent is realised and that they become active contributors to the arts community and beyond' .<sup>32</sup>*

**The Canada Prize for the Arts and Creativity**, a newly developed endowment fund launched by Luminato Festival founders has been allocated CAN \$25 million from the recent federal budget. Talked about as on the scale of a 'Nobel Prize' the endowment will award prize money to international emerging artists in dance, music, theatre and visual arts.<sup>33</sup>

In 2006, the Arts Council of Ireland introduced improvements in response to research on the way in which artists work including the **Projects: Once-off Award**, which aims to support stand-alone projects, in the region of €10,000 to €100,000 for the development, design, creation and presentation of initiatives across any platform area or practice.

Finally, in a twist on the traditional grants programmes, Arts Council England has the **Own Art** scheme. This scheme is designed to make it easy and affordable for everyone to buy contemporary works of art and craft through an interest free loan scheme to the purchaser of up to £2,000 paid in ten monthly installments. It is currently available through a network of over 250 venues across England.

### **The German Federal Cultural Foundation (Germany)**

In Germany the States are responsible for culture – there is no Federal Minister for Culture. However a Foundation was established March 2002 by the German Federal Government represented by the Federal Government Commissioner for Culture and the Media. The Federal Ministry for Culture currently allocates €35 million of its budget to the Foundation each year.

The German Federal Cultural Foundation promotes art and culture within the scope of federal competence. One of its main priorities is to support innovative programmes and projects on an international level. To achieve this, the Foundation invests in projects which develop new methods of fostering cultural heritage and tap into the cultural and artistic potential of knowledge required for addressing social issues. The Federal Cultural Foundation also focuses on cultural exchange and cross-border cooperation by initiating projects of its own and funding project proposals in all areas of the arts with no stipulations as to theme or subject.

In addition, the Foundation supports the German Cultural Promotion Funds which include the Arts Fund Foundation, the Performing Arts Fund, the German Literature Fund, the German Translator Fund and the Socio-Cultural Fund.

Source: German Federal Cultural Foundation - <http://www.kulturstiftung-des-bundes.de/main.jsp?categoryID=202841&languageID=2>

<sup>32</sup> National Arts Council Singapore Website – accessed [www.nac.gov.sg/](http://www.nac.gov.sg/)

<sup>33</sup> Canadian Prize for the Arts and Creativity Website – accessed [www.cbc.ca/arts/story/2009/01/28/canada-prize.html](http://www.cbc.ca/arts/story/2009/01/28/canada-prize.html) 10/03/2009

### 3. Growth of and changes to private sector support and philanthropy

Unlike many other countries the United States arts funding system has no single benefactor, no overarching arbiter or agency, no Ministry of Culture. Instead, a variety of public subsidies compose roughly 13% of the nation's total investment in nonprofit arts groups with the National Endowment for the Arts (NEA) being the largest single government funder.<sup>34</sup>

Private donations from individuals, corporate and charity foundations make up the lion's share of contributed income for arts organisations largely due to incentives in the US tax system.<sup>35</sup> Private and public sources together account for roughly 56% of total funding of US nonprofit arts organisations with the other 44% of their revenue through earned income (ticket sales, subscriptions, etc).

The US tax system is seen to encourage and reward charitable giving in a range of ways beyond that of other countries, although additional tax relief has been created in both the UK and New Zealand over the last few years. These issues are being researched in more detail in the Tax Report by Griffith University on behalf of Arts Queensland. One of the most interesting areas for consideration within the Australian tax system could be the US treatment of gifts of tangible personal property such as **Charitable Remainder Trusts**. (see box below)

Significant changes occurred in the 1990s in the US system as a result of the so called 'culture wars' the polarisation along ideological lines of progressive versus orthodoxy in US politics and culture, resulting in a substantial loss of funding to the NEA and decision to stop funding individual artists as well as a number of other initiatives. It was at this point that private foundations and individuals stepped in to assist. The Andy Warhol Foundation was behind the formation of **Creative Capital** and ten years down the track has increased its support. Four foundations joined together to support the 2003 US Research study Investing in Creativity quoted in part one of this research which resulted in the formation of **United States Artists**. (as described in previous section)

The fellowship programmes run by the New York Foundation for the Arts (NYFA) and the Rockefeller Foundation's Multi-Arts Production Fund awards are two examples of foundation funding for individuals highly praised by artists in the US.<sup>36</sup>

A recent study in Los Angeles identified that whereas public funders are more likely than private sector grant makers to support individual artists, the average grant size for individual artists from private funders (US \$19,548) is nearly three times the size of the average public grant to individual artists (US \$6,928).

In the UK, encouraging further support from the private sector has been a major focus for governments since the 1980s. Businesses wishing to raise their profile through sponsorship are far more likely to sponsor organisations than individuals, for the obvious reasons that the organisation is in a stronger position to offer what the business needs, namely profile and good public relations. Furthermore:

*..., private investment is highly concentrated within the top fifty organisations, and particularly within inner London. This growing trend seems to ignore the significance and potential of smaller organisations and those located in the regions and nations.*<sup>37</sup>

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<sup>34</sup> Cowen, T. 2007. *How the United States Funds the Arts*. National Endowment for the Arts, United States

<sup>35</sup> See Griffith Report (material available June 2009)

<sup>36</sup> Jackson, M. Kabwasa – Green, F. et al. 2003. *Investing in Creativity – A Study of the Support Structure for U.S Artists*. Urban Institute, United States

<sup>37</sup> Arts and Business. 2008. Arts and Business Annual report 2007-2008 - accessed 7/05/2009 <http://www.aandb.org.uk>



The UK has seen a growth in philanthropy over the last decade and in 2008 investment from individuals to the arts was up 10.8% to £298m, the corporate sector up 10.1% to £172m and trusts and foundations was up 11.4% to £129m.<sup>38</sup> However, as is the case in a number of countries many foundations do not perceive themselves as supporters of the 'arts' as the primary aim of many of the projects they fund relate to social priorities such as education, regeneration, health and social welfare.

Recent research has identified a number of foundations in the UK that support the individual artist either directly with grants and prizes or through research associated with their practice or professional development. The work of the Calouste Gulbenkian Foundation in supporting the practice of artists in schools and also with young people in informal settings is a well known example, but a number of other trusts and foundations have also supported individuals including, for example, the Jerwood Charitable Foundation, the Paul Hamlyn Foundation and the Northern Rock Foundation.

*Art is most exciting when it is a free interplay between objects and ideas; where it resists the tendency to become either useful or to be applied in a certain way. Otherwise, why work with an artist? Why not work with a social worker, or a teacher or a social engineer?<sup>39</sup>*

This is also reflected in recent research in the US which showed a trend within some foundations to focus more on the training and professional development needs of artists.<sup>40</sup> However, in almost every case the money is not going directly to individuals but to an intermediary charitable not for profit organisation that helps identify and select potential beneficiaries and monitors how the money is spent and accounted for.<sup>41</sup>

Continued growth is anticipated in this area of Giving largely due to the issue of intergenerational wealth transfer which:

*According to a variety of estimates, is likely to have begun somewhere around 1998 and will continue to around 2050, has been projected at anywhere from US \$41 trillion and US \$136 trillion. Even the bottom end is a figure that is equal to four times the present size of the entire American economy and almost as large as the entire world's wealth today.<sup>42</sup>*

A number of new trends in philanthropy have emerged which are seen to benefit not for profit organisations and individuals. The first is the concept of venture philanthropy which is an approach to giving which adapts some principles of venture capital including a high engagement by the giver, multi-year support and capacity building. This approach can also be seen in the emergence of prescribed private fund's (PPF) in Australia.

Linked to this is the concept of trusts going beyond simply grant making to looking at the way they manage and invest their assets (both intellectual as well as financial) to benefit the sectors and organisations they support, including paying for evaluation, and providing loans and equity.

*The practice in foundations has typically been for the programme areas to focus on mission and the investment committee to focus on financial returns, with little – if any – awareness between these silos....And yet, social and economic justice requires an*

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<sup>38</sup> Arts and Business Website – accessed <http://www.aandb.org.uk> 07/05/2009

<sup>39</sup> Glinkowski, P. (Unknown date). *Trusts and Foundations and the Arts*. Arts Council England

<sup>40</sup> Glinkowski, P. (Unknown date). *Trusts and Foundations and the Arts*. Arts Council England

<sup>41</sup> Philanthropy Uk Website – accessed

<http://www.philanthropyuk.org/AGuidetoGiving/Howtogive/Individualsassistanceto> 7/05/2009

<sup>42</sup> Casale, E. Ellis, A. Sailer, U. 2004. *The Maecenas Initiative: A review of charitable giving vehicles and their use in the U.S and Canada*. AEA Consulting. United States p6

*integrated society. Corporations and business cannot be separated from concerns about health, the environment, and the arts, about how we live our lives.* <sup>43</sup>

**United States Artists** was formed specifically in response to the 2003 Investing in Creativity Report with a mission 'to invest in America's finest artists and illuminate the value of artists to society'. Specifically the organisation wants to close the gap between the love of art and the ambivalence toward artists in the US. USA was launched in September 2005 with US \$20 million in seed funding provided by a coalition of four leading foundations—Ford, Rockefeller, Prudential, and Rasmuson. Fifty artists are named USA Fellows every year each receiving a US \$50,000 unrestricted grant.

The programme supports all disciplines and artists in all career stages, including emerging and mid-career artists, as well as established figures. They have a long term vision of 100 years and beyond to build a programme that is privately funded, prestigious, and permanently endowed. Their goal is to permanently endow all fifty USA Fellowships.

*A majority of parents think that teaching the arts is as important as reading, math, science, history, and geography. 95% believe that the arts are important in preparing children for the future.*

*In the face of a changing global economy, economists increasingly emphasize that the United States will have to rely on innovation, ingenuity, creativity, and analysis for its competitive edge—the very skills that can be enhanced by engagement with the arts.*

Source: United States Artists - [www.unitedstatesartists.org](http://www.unitedstatesartists.org)

**Charitable Remainder Trust (United States)** is a tax-exempt trust in which named individuals receive trust distributions either during their lifetime or for a fixed term, and thereafter, all remaining trust assets are paid to charity. The trust distributions may be annuities (fixed dollar amounts based on the initial value of the contributed property) or 'unitrust' amounts (a fixed percentage of the value of the trust's assets each year). In either case, the present value of the remainder interest, computed using tables prescribed by the US tax authorities must be worth at least 10% of the value of the contributed property.

The settlor of a CRT is entitled to an immediate income tax deduction for the present value of the remainder interest, regardless of whether the actual value that ultimately passes to charity is greater or less than the amount computed at inception.

For example, a donor funds a twenty-year charitable remainder unitrust with a US \$1 million asset. Under the relevant IRS tables, the donor can receive distributions each year of approximately 11% of the trust's value at the beginning of that year. If the trust's assets grow at the rate assumed by the IRS (5.8% per annum in December 2006), the donor will receive distributions totaling nearly US \$1.4 million over the term of the trust, and the charity will receive approximately US \$309,000 of value upon termination of the trust. (Using the 5.8% rate, the US \$309,000 remainder has a present value of approximately US \$100,000, or 10% of the initial trust corpus.)

If the trust's assets appreciate at a rate higher than the assumed 5.8%, the charity will receive an additional benefit upon termination of the trust, but the donor will not receive a further tax deduction. Conversely, if the trust's assets appreciate at a lower rate, the charity will receive less than the computed amount, but the donor will not lose any of his initial tax deduction.

Source: Withers World Wide - <http://www.withersworldwide.com/news-publications/159/a-tale-two-tax-systems.aspx>

<sup>43</sup> Emerson, J. 2003. *Maximum Value: Foundation Investments Can Support Mission*. Stanford Social Innovation Review

## 4. Initiatives related to the creative economy

Throughout the world the recognition of artists and arts organisations as being at the heart of the creative economy is growing. In the UK, it is now acceptable for an artist to position and promote him or herself as a creative business. As recently as ten years ago, to suggest to an artist that they were a business in an industry known as the cultural or creative sector caused hackles to rise. Now students leaving music, drama and art school (it is true to a lesser extent in dance and writing) know that they have the option to set themselves up as a business. Those that do then become eligible for the same start-up and development funding (and other forms of support) that is available to Small to Medium Enterprises (SME) in other sectors.

In the UK, young musicians who are not in work, have had the opportunity to take part in training for the employment scheme, **New Deal for Musicians**. (see box below) In the visual and applied arts, in particular, the volume and value of commissioning has increased in line with the prosperity visible in the largest cities. It is a rare contemporary office block that has no commissioned works of art.

However a number of the new investment initiatives created for the growth of the creative industries such as the **Advantage Creative Fund** (see box below) focus on small scale creative businesses and not the professional development and growth of the work of an individual artist. Artists and cultural organisations have specifically benefited from those projects that have been designed specifically for the sector such as **Culture Finance Phoenix** (see box below).

**The New Deal for Musicians (United Kingdom)** was introduced to enable unemployed musicians, who are eligible for either the New Deal for eighteen to twenty-four year olds or New Deal 25+ programmes, to pursue a career in the music industry.

NDfM aims to help unemployed musicians progress into careers in all types of music, whether self-employed or as artists under contract.

NDfM offers musicians:

- Access to advisory support from a specialist Music Industry Adviser (MIA) during the Gateway period and beyond;
- An Open Learning route, lasting up to twenty-six weeks, based on a national set of workbooks relevant to the music industry;
- Support and guidance from a Music Open Learning Provider (MOLP) who will support participants through a range of open learning materials and provide job search support; and
- Flexibility on the existing self-employment route to give continued access to open learning materials and to allow test trading as part of a band.

Participants receive a training allowance equivalent to their usual rate of jobseeker's Allowance (JSA) plus a top-up of £15.38 per week.

Source: Department for Employment and Learning – <http://www.delni.gov.uk/index/finding-employment-finding-staff/fe-fs-help-to-find-employment/newdeal/new-deal-for-musicians.htm>

**Advantage Creative Fund (United Kingdom)** is a venture capital fund designed to provide access to finance for the creative industries sector in the West Midlands region of the UK. Launched in March 2000 with a mix of statutory and private funding, the fund is dedicated to the commercial exploitation of products and services made by creative businesses. It does not make grants or soft loans but invests on strictly commercial terms in the share capital of creative businesses that are capable of generating substantial profits and growth.

The fund makes two distinct types of investments; 'seed capital' investments in the region of £8,000 to £32,000 which can be used to develop a business to the point at which it can attract additional funding and larger investments of £80,000 to £208,000, generally for more established businesses with a track record. Investment will normally form part of a much bigger package of funding, from banks and other sources.

During the first two years of its operation it plans to invest the whole of its £2.08 million initial capital, which will probably mean about one investment per month. All applications will be judged on their commercial merits. Investments can be flexible combinations of loans, ordinary shares and preference shares to suit the particular circumstances. If the fund holds ordinary shares it will always be a minority shareholder.<sup>44</sup>

#### **Culture Finance Phoenix (United Kingdom)**

In 2005 the Arts Council England secured £1,081,570 funding from the Department of Trade and Industry for a national programme of work entitled *Tackling Disadvantage through Creative Enterprise*. It was a programme to maximize the benefits of the Phoenix Development Fund (a government fund administered by the Small Business Service) to small, creative enterprises operating from within disadvantaged communities.

The funding supported the second phase of the project Culture Finance, North West, which aimed to develop *improved access to finance* for businesses in the creative sector. With a total project budget of £349,065 the Culture Finance Phoenix team developed two strands of activity, which spanned different timescales and involved different delivery partners across both regions – The Business Development Programme and the Investment Readiness Programme.

The aim of this programme was to build awareness amongst potential beneficiaries and agency professionals of the range of access to finance services available to the creative sector. The programme involved marketing, information and awareness raising 'Need to Know' events and as a continuation of this provision, a specifically tailored programme of activity bespoke to each sub-region across the North West and Yorkshire. The Culture Finance Phoenix programme was praised for its tailored, non generic nature and engagement of empathetic and experienced creative industries business advisors.

Source: Phyllida Shaw

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<sup>44</sup> Hackett, K. Ramsden, P. et al. 2000. Banking on Culture - New financial instruments for expanding the cultural sector in Europe. North West Arts Board, England

## 5. The Social Economy and the rise of CDFI's

Over the past five years, there has been a new wave of initiatives designed to encourage artists, arts organisations and their funders to look at the issue of funding from a different angle and to identify ways to support artists and arts organisations, through less traditional channels. Many of these have been linked to identifying 'third sector' financial instruments and their application to the community sector including the cultural economy.

### Banking on Culture

Banking on Culture was a major pan European research project in the late 1990s concluded that such financing had a key role to play in delivering financial resources and services to the cultural and creative industries through:

- micro credit and loan schemes
- Local Exchange Trading Systems (LETS) – local, non-profit exchange networks in which goods and services can be traded without the need for a printed currency. LETS operate by Mutual Credit. A group of people come together and create a directory of Offers and Wants. They may hold trading events or just contact each other any time in order to trade. The currency is created as credits move from one account to another.
- venture capital (see **Advantage Creative** above)

The research also recommended the formation of a 'Culture Bank' which was not taken up by the European Commissions or UK government at that time.

### Mission Models Money (MMM)

MMM was launched in 2004 in the UK, with the intention of '*advancing new approaches and new solutions to organisational and financial sustainability in the nonprofit distributing arts and cultural sector*<sup>45</sup>. The name of the organisation '*encapsulates the fixed relationship between mission (programmes), model (organisational capacity) and money (capital structure) with any change in one inevitably having an impact - planned or unplanned - on others*'.<sup>46</sup>

One of the key strands of this work followed on from the previous Banking in Culture research, to identify further opportunities for developing new and alternative financial instruments for the arts. Perhaps the change that had occurred in the UK between the two initiatives had been the growth and development of the Community Development Financing Sector, encompassing a range of new financial organisations modeled on those in the US and Europe described as:

*What these organisations have in common is that they raise finance and invest it in local community-owned or small business enterprises. They also provide business training and support as an accompaniment of their investing. They are grounded in their local communities. They raise their finance in the form of grants and loans and they invest via grants and loans.*<sup>47</sup>

They provide social investment, capital from investors which is then directed to communities and community organisations traditionally underserved or excluded from traditional financial services. This of course can include artists and not for profit arts and cultural organisations. It is

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<sup>45</sup> Mission Models Money – accessed <http://www.deft.org.uk/page.php?id=2> 09/02/2010

<sup>46</sup> The Drum, Pointsize Wolfe and Co. make immmpact on the arts – accessed <http://www.thedrum.co.uk/news/2008/11/04/8865-pointsize-wolfe-and-co-make-immmpact-on-the-arts> 09/02/2010

<sup>47</sup> Lyons, M. Parker, K. 2003. Community Development Finance Institutions: Evidence from Australia and Overseas – accessed <http://socialeconomy.info/en/node/1666>

estimated that the size of the 'social investment' industry could reach \$500 billion globally over the next ten years.<sup>48</sup>

Examples of such organisations which are involved in the funding of arts and cultural projects include the financial cooperative **Credal** in Belgium and the ethical bank **Triodos** in the UK. As identified above, some grant making trusts are also getting more engaged in new financial products for the arts such as loan finance.

A key focus of such financing organisations reflected in the work of MMM is to assist individuals and organisations to own their assets and to build greater financial independence over the long term. This is beginning to happen in the cultural sector as has been identified with new models to house the arts. However the MMM research team also identified areas in which such financing could assist individual artists, including investors developing 'angel' relationships with artists as well as providing micro-loans. (see MMM box below)

The originators of MMM tried to get a national pilot off the ground with a pot of £2.5 million to invest via equity, quasi equity, loans and underwriting in up to eighteen non profit arts and cultural organisations. This has not yet been progressed by the Department of Culture Media and Sport (DCMS) but a pilot project is being pursued for Scotland in negotiation with **Social Investment Scotland**, (supporters of the Out of the Blue project as identified above), and a regional initiative with the key arts organisations in North East England.

Key issues for further developing these strategies in the arts would appear to be:

- encouraging governments and other donors to invest in new ways, including through Community Development Finance Institutions or similar models,
- building a demand and understanding of these financial products within the sector itself,
- developing capacity within organisations or with individuals to assist them to make use of these opportunities,
- building an understanding of the arts sector, how it works, and what its needs are with the providers of such finance.

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<sup>48</sup> Foresters Community Finance. 2008. Community Investment Fund Product Statement, p12 accessed - <http://www.forestersana.com.au/SocialInvestment/CommunityInvestmentFund.aspx>

## **Ideas from Mission Money Models UK**

### **A share in the products of an individual artist**

An artist sells 'shares' in her time as a painter, each of the twelve individual investors in the 'club' receiving one 'free' picture each year and a share in the sale price of each picture the artist succeeds in selling (the club 'share' of such sales being 25% of the net proceeds).

For the investors: an 'angel' relationship with an artist in whom they have confidence and about whose work they are passionate advocates – plus a limited financial return from her success.

For the investee: cash flow support without generating financial debt – plus a highly motivated support group likely to want to assist with marketing of artwork.

## **Ideas from Mission Money Models UK**

### **Micro-loans to artists and crafts people setting up own businesses**

A 'managed' workspace scheme providing studios for small enterprises set up by artists and crafts people – the project also provides a small public exhibition area for tenants' work – secures a deal with a local micro-loan community development finance institution (CDFI) which will provide loans combined with business advice/technical assistance to incoming tenants to help them establish their businesses, the workspace also providing an initial rent free period as an extra cash flow support.

For the investor: the collaboration with the workspace provider strengthens likelihood of the success of the new enterprises (and therefore of repayment of the loans) as well as encouraging mutual support between tenants.

For the investee: for the individual artist/crafts person, facing a commercial banking system which not only may be unimpressed by their credit worthiness but may also be reluctant to regard their plans as 'proper' businesses, the combination of a supply of small loans and immediate business support at a crucial 'start up' point in their development. The workspace provider gains from the reduction in the level of risk of business failure among the new arts organisations and is also a beneficiary of one of the business consultants recruited by the CDFI.

Source: Mission Models Money - [www.missionmodelsmoney.org.uk/](http://www.missionmodelsmoney.org.uk/)

**Crédal (Belgium)** is a financial co-operative that funds cultural projects with a social dimension. Created in 1984 by Non Governmental Organisations (NGOs) and groups of savers. Only projects with a clear social value, especially in terms of job creation, were to be targeted with the savings.

By 1999 Crédal had become a financial organisation mobilising a capital of 6.3 million. Over the years, 600 social projects and organisations which would be considered unbankable by mainstream banks have been financed, with a loss rate consistently below 1%. Crédal will only consider cultural projects that have a social component (social inclusion, job creation, related research, type of public targeted, etc) and have been rejected by the banks. As cultural projects are often led by social enterprise organisations, they often fulfill the latter condition.

The range of cultural projects financed is relatively wide, including street theatres, video centres, cinemas, cultural centres, book shops and literacy centres; they are often located in run-down areas that have both social and cultural deficits. Their financial needs are essentially no different from other social enterprises: investment loans for buildings, bridge loans for expected subsidies or short-term advance loans for sales.

Many also run on a project basis (a book to publish, a performance to prepare, etc), rather than as a continuous activity and this requires a good analysis of potential rather than previous performance and assets. Crédal is used to working without guarantees, using knowledge instead – with physical security if possible. This also enables Crédal to advise on development and strategy. In recent years Crédal has launched several micro-credit schemes to support individual micro entrepreneurs, many of whom work in cultural and arts activities.

Source: Bolton, M. Carrington, D. *New and Alternative Financial Instruments*. Mission, Models, Money. United Kingdom



**Triodos (United Kingdom)** is an ethical bank. It only lends money to organisations and businesses pursuing positive social, environmental and cultural goals. It was established in 1980 and has been lending to arts and cultural organisations since. It currently lends to projects that integrate 'arts into the community'. In 2004 it had a loan portfolio of £548 million. Arts and Cultural Organisations received 42% of the value of this loan pool. However, the category arts and culture covers in addition to artists both individually and in groups: organisations active in education; care for people with physical and learning disabilities and holistic health care. A publicity brochure published last year by Triodos called Inspiring Change features nineteen A&COs in receipt of loans. These organisations include the Electric Cinema, Glastonbury Assembly Rooms, Year Zero Films, the Straysparks Creative Metalworks and the London Tamil Centre. Examples of financing include: an overdraft to enable a documentary to be made, loans for affordable studio space for artists and a new gallery space.<sup>49</sup>

Source: Bolton, M. Carrington, D. *New and Alternative Financial Instruments*. Mission, Models, Money. United Kingdom

**Social Investment Scotland (Scotland)** is a unique partnership between Scotland's four biggest banks and the voluntary and public sectors. SIS provides loan finance and business support to social economy organisations that are unable to raise any or all of the finance they need from normal commercial sources and or grant funding sources.

Organisations may apply to SIS for a loan provided their activities have a strong social purpose which benefits disadvantaged or vulnerable groups. Potential SIS borrowers may or may not have charitable status and, while the term 'not for profit' is widely understood, we prefer to think of our customers as 'more than profit' organisations. The Leith based Out of the Blue meanwhile will benefit to the tune of £425,000 (£175,000 grant and £250,000 loan) - under the first tranche of SIF awards.

Source: Social Investment Scotland - <http://www.socialinvestmentscotland.com/>

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<sup>49</sup> Hackett, K. Ramsden, P. et al. 2000. Banking on Culture - New financial instruments for expanding the cultural sector in Europe. North West Arts Board, England

## PART THREE – CONCLUSIONS – Some initial thoughts

Based on the international research alone, it is clear that in developing *new models and new money* to enhance the role of artists in a Creative Australia, there are numerous schemes and ideas that could be pursued, and that money alone is not enough.

### Validation of the artist and artistic practice

One of the key findings from the international research is the need for solutions which actually reflect the needs, aspirations and working practices of artists.

*The creative labour force is at the heart of the functioning of the creative economy but experiences unusually high degrees of social and income insecurity, expected flexibility and (self)-exploitation – potential inhibitions to the creative process which are not addressed in current policy frameworks for the creative economy.*<sup>50</sup>

We need to understand the way artistic endeavor works in practice, through the different stages of an artist's life and their engagement with all 'markets' for their work across all sectors. This includes those engaged in commercial creative practice, social businesses and enterprises, as well as artists developing their own practice and projects; individually, collectively or in partnership with cultural organisations.

In particular, there needs to be a better understanding and recognition of the importance of cultural capital and the benefits of artistic practice and engagement in shaping our identity as a community, challenging our emotions, encouraging our imaginations and enhancing our way of life. It is necessary to articulate the benefits of investment in the actual creation, presentation and conservation of art, as distinct from just paying for the social and economic benefits derived from that art. This needs to be reflected in the recommendations for any new models proposed for supporting Australian artists and as Robyn Archer argued in the 'Essentially Creative' edition of Griffith Review; it is only by doing so that we will move towards more sustainable ways of working:

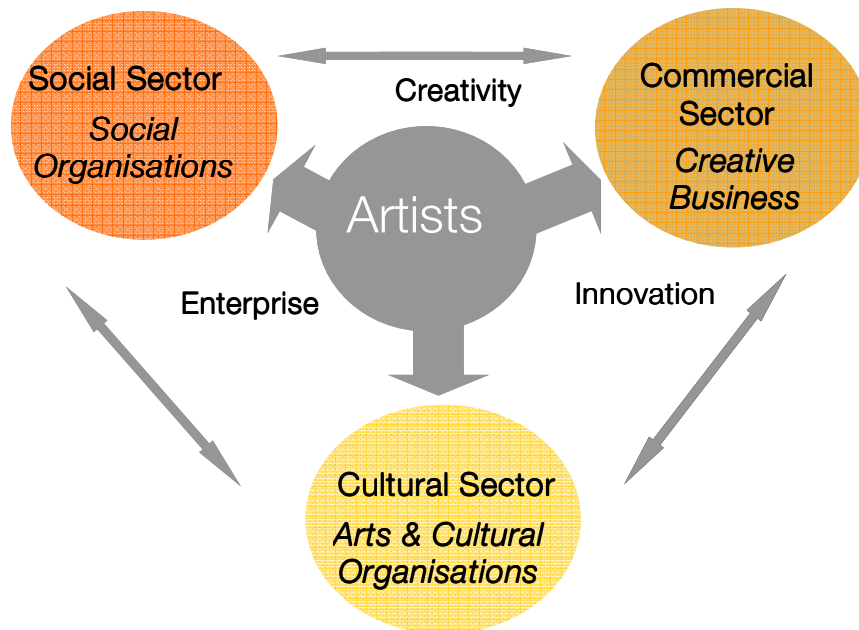
*A creative society is one that is flexible and generous and values all its collective enterprise and activity – one that prizes resilience, and the positive and continuing support not only of the tallest and most celebrated trees, or the sexy new ways in which one promotes, deploys their strengths and profits from them, but also the small and vital, but as yet largely unnoticed new growth at the bottom of the forest. It is from this floor that the future emerges. Neglect it, deprive it, and render it less important and less worthy of investment and, despite your best efforts looking after the canopy, your forest is already dying.*<sup>51</sup>

The diagram below also demonstrates that any investment into the growth and development of artists benefits the entire community and economy, through the diversity of their work practices. New sources of investment are required which acknowledge the importance of the artist, alongside the scientist, in driving the creativity and innovation needed across all sectors.

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50 Gollitzer, M. Murray, C. 2008. From Economy to Ecology: A Policy Framework for Creative Labour. Canadian Conference for the Arts, Canada p 24

51 Archer, R. 2009. Industry that pays, and art that doesn't, Griffith Review – 'Essentially Creative' Griffith University p 159



### Public understanding and perception

This is an issue requiring leadership – the kind of leadership shown in other countries such as the ‘peoples’ money legitimising support to art and artists as shown in the investment decisions on the UK lottery – or the stimulus package created by the Obama administration. It requires leaders from all walks of life to articulate the importance of cultural and creative practice from a personal, community or corporate perspective.

Furthermore, in responding to the issue of lack of public understanding of an artist’s work, we need to consider changes to the descriptive language used.

*The language currently adopted in the cultural sector, by the funding system, and in the media is defective not just because it fails to provide an adequate means of talking about culture, but because it is a language of supplication and dependency that fosters relations of inequality.<sup>52</sup>*

The language needs to be understood by everyone – potential supporters, investors and public alike – using, for example, the positive terminology of **enterprise**, which so perfectly expresses the business of an artist:

*A purposeful or industrious undertaking (especially one that requires effort or boldness) readiness to embark on bold new venture an undertaking, especially one of some scope, complication, and risk <sup>53</sup>*

### Tailored solutions - pathways to sustainability

Some of the most successful examples from overseas are those arts-led projects which look at a range of financial and business development models (from the cultural, commercial and social sectors) and tailor them specifically to the needs of artists at different points in their career. Such solutions may include a mix of different financial investment schemes, grants, training and professional development and indirect tax benefits within the broader tax system.

<sup>52</sup> Holden, J. 2004. *Capturing Cultural Value*. HenDI Systems, London

<sup>53</sup> The Free Dictionary website – accessed <http://www.thefreedictionary.com/enterprise> 24/06/2009

*In the past it was a generic ‘one-size-fits-all approach’ , developed with the average artist in mind. Now there is a need for a more comprehensive framework, ’ with differentiated assistance to ensure that the full potential of artistic talent is realised and that they become active contributors to the arts community and beyond.’<sup>54</sup>*

## **Lessons from Social Enterprise and Community Development Finance**

There are clearly some lessons to be learnt from the approach of community development financing institutions overseas. We need to learn the lessons from the innovation taking place in the social sector, such as measuring the social return on investment, and begin to articulate the cultural return on investment. However, for this to have any real impact on arts funding in Australia, we need to see the growth of these institutions in this country. Foresters Community Finance Ltd in Brisbane is one of the few community finance institutions providing investment into the third and fourth sectors in Australia.

Over time, building the asset base of individuals or organisations will lead to greater sustainability of practice and the ability to take risks with new work. Any new investment or fund for artists and new work should perhaps be structured more like a CDFI than a traditional grant giving body, providing a range of financial products to artists and cultural enterprises linked to both business and creative development.

## **Strengthening the whole ecology**

New solutions for investment must also look at the whole ecology, not only of an artist’s practice but of the environment in which they operate. This may include consideration of Australia-wide, State-wide or regional initiatives as well as opportunities to stimulate the markets for commissions, such as the loan schemes for art works or new investment from the commissioners themselves.

## **Other Issues to consider in recommending models**

As well as looking at the outcomes of the Australian research, here are a few thoughts on other issues to be considered:

- the ability to improve the ‘giving’ environment for individuals and institutions wishing to invest in artists and new work including:
  - tax offsets for investment,
  - creating greater opportunities to give to individuals through a new fund established for that purpose,
- improving the environment in which an artist can be remunerated for their work, through raising the status of the work as discussed above but also through improvements in royalty payments (as articulated in the Australian research), and
- the clarification of the roles of existing funding agencies, in relation to any investment models that may be considered.

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<sup>54</sup> National Arts Council Singapore website – accessed [www.nac.gov.sg/](http://www.nac.gov.sg/)

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[http://www.scottishinvestmentfund.co.uk/case\\_detail.cfm/case\\_ID/3](http://www.scottishinvestmentfund.co.uk/case_detail.cfm/case_ID/3)

Social Investment Scotland - <http://www.socialinvestmentscotland.com/>

Triodos - <http://www.triodos.co.uk>

United States Artists - [www.unitedstatesartists.org](http://www.unitedstatesartists.org)

## Appendix 2. List of people / organisations consulted

1. National Arts Council (Singapore) – Sharon Chang, Strategic Planning Department
2. International Federation of Arts Councils and Culture Agencies (IFACCA) - Karilyn Brown, General Manager
3. Phyllida Shaw – Consultant and Researcher (United Kingdom)
4. Euclid (United Kingdom) – Geoffrey Brown, Director
5. Art Venture (New Zealand) - Elisabeth Vaneveld, Programme Director and Executive Director of The Big Idea
6. Creative Capital (New York) - Ruby Lerner, Chief Executive Officer/President
7. Mission Models Money (United Kingdom) – Clare Cooper, Director
8. Foresters Community Finance Ltd (Australia) – Belinda Drew, CEO and Ingrid Burkett, Social Innovations Manager

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