



Research Fellow 

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Transforming Cultural Funding –  
In the search for alternative funding  
instruments for a financially  
sustainable Cultural and Creative  
Sector

Research Report CIRCE Fellowship

## Transforming Cultural Funding

Exploring Alternative Instruments for Financial Sustainability in the Cultural and Creative Industries

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## 1. Abstract

This research explores alternative funding strategies for the cultural and creative industries (CCI) in the context of declining public subsidies. The primary question guiding this investigation is how to ensure sustainable financial support for the CCI when traditional sources of funding are diminishing. The study analyzes funding approaches in the United Kingdom (UK) and the Netherlands, focusing on evidence-based cultural policy, impact-led cultural funding, crowdfunding, and match-funding. It seeks to offer insights into innovative funding models that can provide viable alternatives to dwindling public subsidies.

One key argument of this research underscores the importance of evidence-based cultural policy. By aligning funding decisions with empirical data and research, policymakers can distribute resources more effectively, addressing the specific needs and impact potential of cultural initiatives. Collaboration between research institutions, industry, and policy is essential in achieving this goal, as exemplified by the Creative Industries Policy and Evidence Centre (Creative PEC) in the UK.

Another critical argument relates to the assessment of cultural funding's effectiveness. It emphasizes the need to measure the impact of cultural initiatives beyond mere monetary indicators. The UK's Centre for Cultural Value is presented as a model for researching culture's impact on social cohesion, economics, education, and well-being. While this approach has its critics, it provides valuable arguments to convince policymakers of the broader societal and economic benefits of culture.

The research also explores the role of social impact investments as an alternative to public subsidies. Social impact investment allows investors to support creative projects based on measurable impact goals, promoting innovation and financial resilience within the CCI. Initiatives like Nesta's social investment funds in the UK showcase the potential of this approach.

Crowdfunding, particularly when matched with public funding, is another funding avenue examined in this research. Crowdfunding platforms enable creators to engage with their audiences directly, and municipalities in the Netherlands have started to recognize its potential by providing matching funds. Match-funding, as a collaborative effort between public and private sources, is highlighted as a means to support grassroots cultural projects.

The study concludes by emphasizing that public and private funding should complement each other. It advocates for capacity-building programs to help cultural enterprises diversify income sources and monetize social capital. While not every funding instrument is universally applicable, and sustainability remains a complex challenge, the research suggests that innovative approaches, such as match-funding and impact investing, hold promise for sustaining the cultural and creative industries in the face of declining public subsidies.

## 2. Crisis as a Starting Point for Change

The COVID-19 pandemic had a significant impact on the CCI. Traditional distribution structures, in particular, had to swiftly adapt to digital outreach methods to maintain connections with their audience and preserve their relevance as cultural organizations. Many independent artists and creatives faced the loss of work and became reliant on state benefits. The crisis exposed the vulnerability of the sector and unveiled structural issues, such as the precarious working conditions of independent artists and creatives.

In the German context, the NEUSTART KULTUR project played a pivotal role by providing funding to most cultural sectors, facilitating their digital transformation for production and distribution, even during times of social distancing. Freelance creatives received monthly support to sustain their livelihoods amidst reduced income. The swift and uncomplicated support for the sector was greatly appreciated and underscored the significance attributed to culture and creativity, especially during crises (BKM 2021).

However, empirical evaluations in the post-pandemic period revealed some trade-offs with the rapid and unburdened distribution of public funds. Reports from the German broadcaster Deutschlandfunk Kultur indicated that funding was disbursed to commercial galleries, which did not require public funding, and even to right-wing book publishers. The need for funding was not adequately assessed (Kuball 2023, Watty et al. 2023, Jantschek 2022). This ultimately raises the question how public subsidies should be allocated in future.

With the conclusion of the COVID-19 pandemic, the economy faced challenges arising from rising energy prices and inflation, triggered by the Russian aggression against Ukraine. Similarly, the CCI also grappled with increasing costs and high energy expenses, evident for example in rising entry fees for clubs (Plett 2023). From a German perspective, public support was introduced to mitigate the impact of the energy crisis on cultural institutions (Bundesregierung 2023). Although there is a lack of data and research within the CCI, other sectors demonstrated that these artificial life-sustaining measures merely postponed enterprise insolvencies (Wollmershäuser, 2021). This aspect raises the subsequent question if public subsidies especially one-time, crisis-oriented funds are sustainable and support the CCI in building financial resilience.

These questions are particularly pertinent now as public spending for the CCI is set to decrease in the foreseeable future. Figure 1 shows that especially public expenditure in developed countries declined in the last decade (UNESCO 2022). Consequently, the urgent question this report will deal with is *What alternative, sustainable funding methods for the CCI exist beyond public spending?*

**Mean government expenditure on 'cultural services' and 'broadcasting and publishing services' as a percentage of GDP, 2010-2019\***



Figure 1: Government spending on culture.  
Source: UNESCO 2022 with data from International Monetary Funds (IMF)

### **3. Research goal and structure**

This research report delves into two distinct questions: firstly, how public spending can be better connected to impact measurement to enhance the effectiveness of public funding, and secondly, it explores alternative financing options for the Cultural and Creative Industries.

The first question will be explored with a particular focus on the UK and its evidence-based approach to cultural policy. Within this context, I will also examine creative impact investing as a market tool that links the provision of funds to clearly defined and measurable impacts, extending beyond monetary returns. The second part of the research shifts its focus to alternative financing possibilities for the CCI. I will closely examine match-funding, with a specific focus on the Dutch cultural funding model. Exploring income sources beyond public funding, or even as a requirement for public funding, unveils various possibilities to monetize different values and opens doors to participatory finance models like crowdfunding. Finally, cultural entrepreneurship will be discussed as a driver for innovation and financial resilience.

To illustrate these alternative financing approaches, I will present case studies that provide practical examples of organizations that have discovered innovative methods for generating income. While the starting point of this research is the German cultural funding system, many aspects can be applied, to some extent, to countries with high public funding proportions for the CCI, such as France or Italy. However, to maintain diversity, this research attempts to draw cases and examples from various European countries and different CCI sectors. This diversity allows for a broad exploration of the topic and enhances its transferability. Nevertheless, it also limits the focus on sector-specific or regional nuances, potentially restricting the granularity of the topic.

### **4. Methods**

This research employed a combination of various methods. Most of the data was gathered through qualitative semi-structured interviews with experts from academia and practitioners working in the field of cultural policy and funding. The selection of interview partners was based on convenience sampling, wherein I leveraged on my professional and the Berlin Lab's networks to identify experts in cultural funding who could offer diverse perspectives on the topic.

Additionally, this research drew upon academic sources in the field of cultural economics and cultural policy to establish theoretical foundations. It also incorporated journalistic sources to complement and connect with recent developments in cultural policy. Furthermore, qualitative document analysis was conducted on official documents from international organisations, cultural ministries, and cultural policy-related institutions in the selected countries. This analysis aimed to uncover national funding strategies related to the CCI. Relevant documents were selected based on themes relevant to this research, such as cultural policy, cultural funding, innovative funding, match-funding, impact, and more.

To explore specific approaches to alternative financing that have proven successful, case study analysis was employed. For the case studies, a convenience sampling method was utilized, drawing cases from the

CIRCE network. Examples include Tabakalera, one of the CIRCE Labs I visited as part of the fellowship, and the publishing house &Töchter, a former *Kulturpilot*<sup>1</sup>.

## 5. Learning from UK cultural policy

As subsidies decline, one pressing task is to consider how the available funds can be spent more selectively. To organize public spending more effectively, ensuring that the money spent generates the largest possible impact, this section will discuss two key topics: evidence-based cultural policy and impact-led cultural funding – two notions closely connected. I will examine these aspects through the lens of the United Kingdom, a country traditionally not dominated by large proportions of public funding in the arts, and one that has consistently faced funding cuts (see fig 2) (Easton & Di Novo 2023; Compendium 2020). Due to these developments and others, the UK cultural policy emphasizes these two aspects, which could prove beneficial for other regions as well.

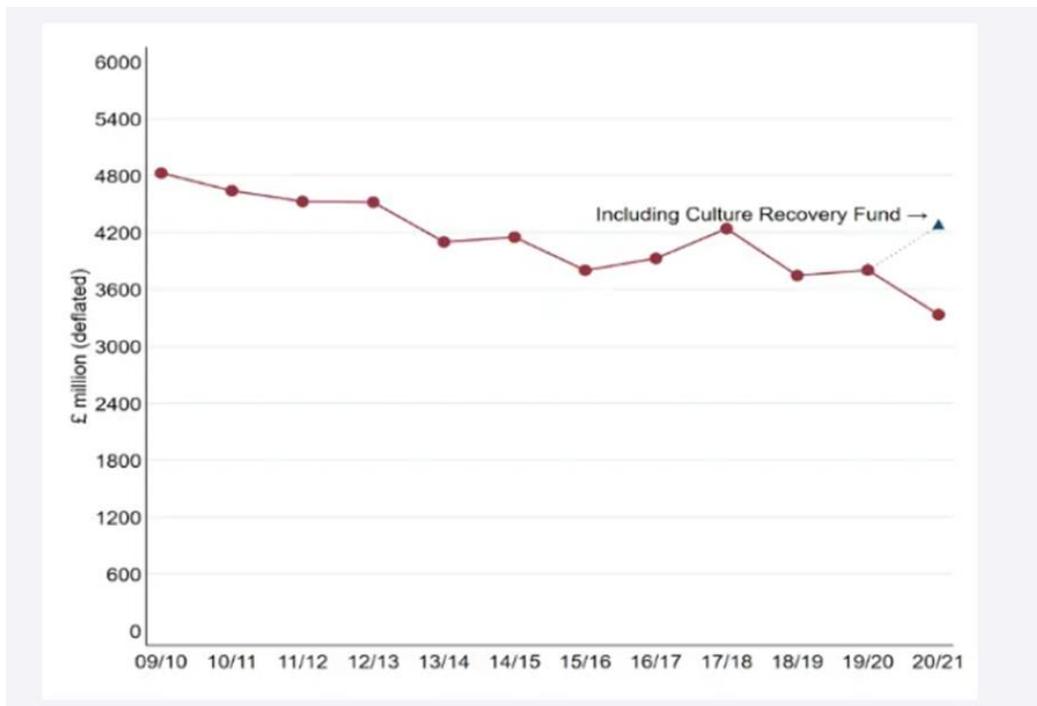


Figure 2: Change in real term public spending in the arts in UK. Source: Creative PEC 2023, Easton & Di Novo.  
Note: The Culture Recovery Fund was a unique resource to tackle the impact of COVID-19 on the CCI.

### 5.1. Evidence-Based Cultural Policy

Evidence-based policy-making means to shape policy decisions that use the most reliable scientific evidence. However, it is important to note that evidence-based policy making does not advocate for policymaking solely driven by scientific evidence, but rather blend the best available evidence with known societal needs (Van Woensel, 2021). Evidence-based policy making requires the gathering of reliable data that is able to unveil valuable insights into the sector's strengths, weaknesses, and diversity. This data can

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<sup>1</sup> *Kultur- und Kreativpilot\*innen* is a renowned award for outstanding cultural and creative enterprises sponsored by the Federal Ministry for Economic Affairs and Climate Protection, managed by the U-Institut in Berlin.

be used by policymakers to evaluate the effectiveness of existing initiatives and to develop new, effective strategies and policies. Within cultural funding, evidence-based cultural policy can allow for a more targeted allocation of resources where they are needed most and can have the greatest impact. The UK cultural policy embraces a robust evaluation and monitoring culture, wherein public regulations undergo assessment to establish evidence. This process serves the dual purpose of demonstrating the intended purposes and outcomes for which public funds were allocated and aiding in the formulation of effective policy decisions in the future (DCMS 2022).

Some monitoring and evaluation can be done in-house or commissioned with consultancy firms; however, UK cultural policy also has the tradition to out-source to arm-length organisation and to collaborate with research institutions. These institutions are well-versed in the methods, independent, and can, therefore, provide policymakers with perspectives from a different standpoint. One such institution is the Creative Industries Policy and Evidence Centre, founded in the UK in 2018. Creative PEC produces independent evidence and policy advice for the creative industry in the UK. The Centre, publicly funded and led by the National Endowment for Science, Technology, and the Arts (NESTA), comprises a consortium of UK universities. Creative PEC consults with the industry on topics such as limited diversity, skill gaps, barriers to trade, and local growth. It has a research section that particularly deals with business models and access to finance in the CCI in which they explore among other things alternative funding methods (Creative PEC 2023).

Close cooperation between research, industry, and policy allows for a better understanding of the sector's needs. It can lead to the creation of more adequate measures that support the sector's resilience and enable policymakers to respond more efficiently to changing conditions in the sector. Therefore, the regulation of funding, as part of this process, could be better connected to research findings, ensuring that public money is invested more effectively.

## 5.2. Cultural and creative impact

The question of effective spending raises a closely connected, crucial aspect: how to measure effectiveness and identify indicators that distinguish well-functioning funding from less effective allocations. When examining diminishing public subsidies, it becomes imperative to scrutinize the purpose of public funds and the outcomes they yield, leading to the consideration of the notion of impact. Unlike many other industries, culture cannot be solely measured using monetary indicators, as its impact extends far beyond its economic contribution. Nonetheless, justifying the spending of public money requires measurable metrics. In the context of the UK, funding decisions in arts and culture undergo a cost and benefit analysis to assess their impact on social welfare and their opportunity costs. This scrutiny aligns with the overarching requirement for all public expenditures, with arts and culture not exempt from this obligation (HM Treasury 2022). Going beyond standard practices, the UK Department for Culture, Media, and Sports takes an additional step, aiming to develop a method to value cultural and heritage assets. Their ambition includes formulating sector-specific guidelines and statistics to assess the impact of interventions in culture, providing essential guidance for decision-makers (Sagger et al. 2021).

Evidently, in UK, the topic of the impact of culture has been under discussion in the cultural policy context for several years (Compendium 2020). Among others, the *Centre for Cultural Value* embodies the debate surrounding the impact of culture. The Centre wants “cultural policy and practice to be based on evidence of what works and what needs to change” (Centre for Cultural Value 2023). It operates as a joint venture, funded by both private and public sources, and is based at Leeds University. The Centre conducts research

on culture's impact on social cohesion, its economic effects, as well as culture's positive influences on education, health, and well-being. This research is then communicated to policymakers. Particularly, the aspect of improving health and well-being has garnered significant interest, with different government departments collaborating to recognize that arts can have a positive impact on health, well-being, and combating loneliness.

It's important to acknowledge that arguments to measure the impact of culture can be criticized from different viewpoints. It could be argued that culture, for its own sake, is sufficient for funding and support, without needing justification from other fields or sectors of life. Frey (2013) also presents the argument that if culture is not the end goal, but just a mean to achieve impact in other fields such as health and education or job creation and economic growth, then funding could be directed straight to those sectors that should be impacted instead of taking a detour through culture. In essence, culture possesses intrinsic value that doesn't need justification through other impacts. However, spending tax money needs to be justified in some way and measuring the effects can serve as compelling arguments to convince policymakers under budget pressures that culture has numerous spillover effects for society and the economy, effects that have not been valued but are indeed worth valuing.

### 5.3. Social impact investing

Returning to the initial question of identifying alternative ways to fund the CCI beyond public subsidies, the concept of impact can offer valuable insights. Social impact investments are gaining increasing interest in the creative sector and represent an intriguing alternative to both public subsidies and commercial loans.

In the realm of social impact investments, investors allocate capital to creative projects based on agreed-upon and clearly measurable impact goals. These goals can encompass monetary, social, and creative outcomes. To secure this type of investment, creative enterprises must not only convince investors of their creative vision but also present a convincing and reliable business model (Peters 2021). This remains a challenging area for cultural organizations, and public institutions could play a crucial role by providing expertise and knowledge on how to enhance an organization's resilience and diversify its income sources.

Nesta in the UK stands out as one of the pioneering organizations in the use of social impact investment as a "motivated repayable finance," which has become a widely accepted and utilized form of financial support for arts and cultural organizations. Nesta manages several social investment funds, with the largest having a total investment budget of £23 million (Nesta 2023).

Certainly, from the perspective of cultural organizations, opting for a repayable investment fund involves risks, which may create additional financial pressure and influence programming strategies and content-related decisions. However, it also serves as a means to enhance an organization's resilience by requiring it to take responsibility for creating valuable work, sustainability, and reducing dependency on public subsidies.

British cultural policy serves as an illustration of the usefulness of different policy instruments for enhancing the effectiveness of cultural funding. In the following section, I will take a closer look at Dutch cultural policy and discuss innovative funding tools that are being applied there.

## 6. Transitions in Dutch cultural funding

The cultural funding policy in the Netherlands serves as an intriguing case study due to the significant transformations it has undergone in response to budget cuts over the past few decades.

The Dutch cultural policy is governed at regional, local, and national levels through various ministries and cultural departments, as well as the Arts Council—a national-level arm's-length committee comprised of independent experts that advise the Ministry of Culture. In addition to sectoral funds (such as performing arts or film) that CCI organizations can apply to for funding, there are cultural institutions that receive direct public funding and constitute the national basic infrastructure (BIS). The organizations within the BIS are regarded as custodians of Dutch cultural heritage and represent a nationwide presence (Compendium 2019).

Dutch cultural policy operates on a cyclical model, with the Council for Culture deciding every four years which organizations will form the BIS for that period. Although the composition of the BIS remains relatively stable from one funding period to the next, there is always flexibility to keep direct public funding dynamic and adjust it to societal changes and transformations every four years. Delegating the distribution of public funding to an expert committee promotes independence and reduces political influence in fund allocation. It also leverages expert knowledge in assessing institutions' eligibility for direct public funding. Criteria for inclusion in the BIS encompass artistic quality, societal relevance, accessibility, and business health (Compendium 2019; Raad voor Cultuur 2023).

The emphasis on the economic efficiency of cultural organizations emerged in the aftermath of the 2008 financial crisis, during which general governmental budget cuts also affected subsidies in the CCI. Whereas during the funding period of 2009-2012, 172 institutions received direct public funding as part of the BIS, this number decreased to 88 institutions in the period 2017-2020. This shift transferred the responsibility of funding the arts from public bodies to civic and private bodies, demanding that cultural institutions become more entrepreneurial. As a result, several cultural institutions faced financial challenges and, in some cases, bankruptcy, as they struggled to generate income from sources beyond subsidies. Notably, museums proved successful in securing funds alongside subsidies, whereas contemporary art venues and libraries encountered difficulties in diversifying their income streams (Compendium 2019).

Today, eligibility for public funding often requires cultural organizations to produce self-generated income alongside their funding applications. For instance, in the performing arts, recipients of public funding are often required to match the received public funds with income generated through ticket revenues or other sources. Consequently, this shift in public funding criteria demands that cultural enterprises adopt entrepreneurial and innovative approaches to secure income from multiple avenues—embracing the concept of mixed funding.

One viable option in this regard is match-funding, which combines contributions from various funders, both private and public, to realize a project. In the Netherlands, crowdfunding in the arts has emerged as a prominent tool for generating income to fully or partially finance projects, responding to diminishing public subsidies (Van der Hoogen, 2020). Furthermore, crowdfunding is being applied as a measure in local cultural funding initiatives in some Dutch municipalities, as revealed by research conducted by Ellen et al (2023). This innovative approach will be discussed in detail, as it represents a novel way to pool funds and encourages cooperation in funding decisions between public bodies and civic groups. Before delving into the core aspects of crowdfunding, its concept will be briefly introduced.

## 6.1. Crowdfunding

Crowdfunding represents a two-sided market where donors and applicants convene on a platform to fund projects, usually through small contributions that accumulate to reach a target amount within a specified timeframe. It serves as a prime example of how social capital can be converted into tangible financial support. In theory, crowdfunding can be categorized into two distinct forms: investment-oriented crowdfunding, which involves raising funds from investors without geographical restrictions, and locally-focused crowdfunding, aimed at financing projects with contributions from local stakeholders (Ellen et al 2023; Handke and Dalla Chiesa 2022).

Within these two broad categories, various types of crowdfunding are distinguished based on the different reward systems for donors or investors. One model is equity-based crowdfunding, where funders are also investors who acquire a share of the planned enterprise and share in its profits or losses. Lending-based crowdfunding involves applicants repaying the borrowed amount, with or without interest, to the crowd, depending on the agreement. In the donation-based crowdfunding there is no reward. In reward-based crowdfunding, donors receive non-monetary rewards, such as previews or prototypes of the crowdfunded product or service (CCII 2023).

Both parties benefit from network effects: the larger the donor base, the higher the likelihood of project realization. Thus, spreading the project within the network to reach a broader audience is the shared goal. This leads to increased audience engagement and strengthens the connection between the crowd and the funded project, fostering ongoing support and follow-through (Buck 2023). For project promoters, there are entrepreneurial advantages, including the opportunity to test the product's resonance and gather feedback for improvements. Crowdfunding is particularly advantageous for enterprises in niche markets and the so-called "long tail" of suppliers, where securing public subsidies or bank funding can be more challenging. Therefore, crowdfunding has the potential to enhance the diversity of cultural suppliers and products (Handke and Dalla Chiesa 2022). Simultaneously, crowdfunding is considered a democratic tool, where the crowd, rather than elites or experts, decides which projects are worthy of funding. It is open to everyone, fostering a participatory approach to funding (Ellen et al. 2023).

Within the CCI, crowdfunding has traditionally been prevalent in funding music albums and has been particularly successful in that sector. Generally speaking, crowdfunding is more commonly utilized in the creative sectors compared to traditional cultural sectors, with a few exceptions. Successful projects are often found in fields like design and gaming. It is less utilized in the realms of visual and performing arts, and the creation of apps has not seen significant success yet. In general, projects with clear ideas and tangible products tend to perform better in crowdfunding campaigns (Buck 2023).

Crowdfunding can also be combined with other forms of funding. Successful crowdfunding projects serve as proof of concept and can assist in securing loans from banks (ibid). Despite its associated advantages and signaling function, crowdfunding has not been widely institutionalized within public cultural funding as a useful tool. Nevertheless, in the Netherlands, crowdfunding is increasingly becoming integrated into the structures of public funding, with more municipalities matching crowdfunding projects and recognizing their relevance and potential (Ellen et al. 2023).

## 6.2. Match-Funding

Match-funding is generally understood as a scenario where public or semi-public funds co-finance a project, getting involved in project funding alongside other sources, including private and civic

contributions. Match-funding is being applied off-line and online such as matching with crowdfunding (ibid).

There are three models of involvement in which public bodies can engage in match-funding crowdfunding projects, each differing in terms of when the public funds enter the crowdfunding campaign. First, a public body can participate from the start, reducing uncertainty and signaling trustworthiness to potential private donors, thereby mitigating investment risk and making it easier to kick-start a campaign. Second, public funds can enter the campaign mid-way as a bridging function after initial funds have been collected from close circles of family and friends. In the third model, public funds enter the campaign at its conclusion to top up the remaining required amount, reinforcing the crowd's decision and aiding in campaign closure. Each of these models serves different signaling functions, with the final one emphasizing democratic distribution, wherein the crowd decides what to fund, and the public body follows their preferences. For public funders, this represents a means to engage with grassroots projects and gain acceptance for their funding decisions. By delegating decisions about who deserves support in local or regional contexts to donors, this process fosters social support and stronger connections with citizens. Therefore, like crowdfunding, match-funding possesses the capacity to build local communities (ibid.).

Research conducted by Ellen et al. (2023) indicates that public partners primarily use match-funding for crowdfunding to top up small-scale projects, contributing for example, the final 30% of the requested funds. In this approach, municipalities collaborate with crowdfunding platforms specialized in CCI campaigns and seek recommendations on which projects to finance, effectively outsourcing many administrative tasks to the crowdfunding platform. The projects or institutions selected for match-funding are typically run by young participants and promote more experimental initiatives that may not be suitable for traditional subsidies. As a result, it is currently viewed as an additional tool to reach a different target group, rather than a substitute for traditional public funding.

The research by Ellen et al. (2023) also identifies some hurdles that explain why match-funding crowdfunding campaigns are applied infrequently. Crowdfunding is a relatively new tool, and its online nature may generate aversion among public funders accustomed to traditional funding application processes. Many aspects, such as the authenticity of the applicants and their legal status, are beyond the control of the funders and fall under the purview of the crowdfunding platform which may increase insecurities on the side of the public bodies (ibid).

Certainly, there are downsides to crowdfunding that may hinder its integration into the canon of funding tools. Crowdfunding is primarily used as a one-time instrument, especially to kick-start projects or organizations. Consequently, it is mainly utilized for project funding and is not well-suited to support the long-term infrastructure of an organization. This raises questions about its sustainability as a funding tool for project applicants and its reliability as a source of long-term income with a strategic perspective. Presently, it is not a tool that significantly enhances the financial resilience and long-term financial independence of organizations.

### 6.3. Subscription-based crowdfunding: Patreon

An alternative to one-time crowdfunding campaigns is the subscription-based crowdfunding model. Patreon, for example, is a membership-based platform where patrons support creators with monthly contributions, enabling a continuous relationship between the crowd and the creator. This approach allows creators to accumulate a more sustainable monthly income through crowdfunding. A steady

income provides creators with resources to focus on their creative work and keep producing. In return, creators need to be transparent about their goals, and in some cases, supporters are rewarded with early access to the creator's products and services (Regner 2021).

Launched in 2013, Patreon now boasts more than 250,000 creatives who promote their products and services through the platform. Over 8 million patrons support these creators with monthly contributions, resulting in more than 3.5 billion USD gathered since the platform's inception (Patreon 2023).

Research utilizing Patreon data reveals that some artists accumulate over 2,500 USD in monthly income through Patreon. However, income distribution is skewed, showing superstar effects, where only a small percentage earns sustainable amounts, while the majority earns very little or nothing at all. Funding success typically correlates with factors like the communication strategy and the quality of the creator's online presence (Regner 2021).

In both crowdfunding models, some aspects should be approached with caution. These instruments are susceptible to crowd behavior and bandwagon effects. In other words, if a critical mass has endorsed a campaign, the likelihood of increasing support grows. The more successful a project becomes, the more successful it tends to be as people follow the preferences of the crowd to minimize the risk of making a wrong choice. Without undermining the crowd's judgment, it's clear that creators with a larger fan base have a distinct advantage. This leads to the question of whether crowdfunding is a system that risks primarily rewarding popular creators. Simultaneously, it may reinforce elitist art, as it operates as a network-based model where networks with more resources support the art they favor (Dalla Chiesa 2023; Handke & Dalla Chiesa 2022).

In any case, crowdfunding is an intriguing tool to explore, especially when combined with public funds. Such combinations, as seen in the example of match-funding in the Netherlands, may mitigate some of these negative aspects through dual control.

#### 6.4. Case Study I: &Töchter Publishing House

To exemplify a successful crowdfunding campaign, we can turn to the case of the newly established publishing house, &Töchter. Founded in 2019, &Töchter is a unique venture comprised of five women publishers who challenge the conventional hierarchical structures often found in traditional publishing houses. Their approach is rooted in feminism, emphasizing low hierarchical frameworks. Thus far, they have published books centered around themes of sustainability and feminism.

Notably, &Töchter's commitment to producing ecologically friendly books entails significant production costs. To address this, they initiated a crowdfunding campaign aimed at raising funds for one of their book projects. Remarkably, they managed to secure over 20.000 EUR in less than two months. To achieve this feat, &Töchter received valuable support from the city of Munich, which offered consulting services and financial assistance to launch the crowdfunding project. This achievement represents more than just a financial success within a short timeframe. The crowdfunding campaign also served as a form of advertisement for the upcoming book they intended to publish, providing a valuable measure of potential demand. Additionally, &Töchter was recognized and rewarded as *Kulturpilot\*innen* for their innovative approach to publishing.

The case of the &Töchter publishing house exemplifies the successful integration of a crowdfunding campaign into an organization's business plan. By clearly defining specific campaign goals, they effectively harnessed crowdfunding as a strategic financial tool. Additionally, their experience highlights the value of

non-monetary support, such as capacity-building consultations provided by the Municipality of Munich (Buck 2023; &Töchter 2023).

## 7. Cultural Entrepreneurship

The concept of entrepreneurship has been extensively discussed within the field of cultural economics (see Klamer 2011; Blaug & Towse 2011). Although there is no universally accepted definition, a cultural entrepreneur is typically characterized as an individual or entity that exhibits leadership qualities, drives innovation, and generates revenue through innovative cultural activities. Entrepreneurship is not limited solely to those engaged in market-oriented activities; it can encompass also non-profit cultural organizations. The central elements of this concept revolve around novelty and innovation, which may pertain to the product or service offered, the leadership style employed, or the methods of managing and financing an institution (Blaug & Towse 2011).

Without delving too deeply into the intricacies of cultural entrepreneurship, I would like to introduce a cultural institution that exemplifies this entrepreneurial spirit. This institution not only offers innovative products and services but also adopts entrepreneurial practices in its management, financing, and community engagement.

### 7.1. Case Study II: Tabakalera

Tabakalera is a remarkable example of cultural entrepreneurship. Housed in a former tobacco factory, it has been transformed into a dynamic cultural center. This multifaceted space includes a public library, artist residencies, a contemporary art gallery, and various labs that are open to the public for experimentation and creative endeavors. What sets Tabakalera apart is its ability to create an inclusive environment where diverse social groups converge and share the space (Tabakalera 2023). It has successfully transitioned co-working and innovative maker spaces from the domain of startups to an open cultural institution accessible to a broader community.

From a business perspective, Tabakalera exhibits innovation and versatility in its approach. The institution adopts a unique funding model that combines resources from both public and private sectors. While it receives public subsidies from the Basque region, it also manages a diverse portfolio of income streams. These include an attached hotel, a restaurant, and the rental of its facilities for events, such as the renowned San Sebastian Film Festival (ibid). This multifaceted approach to income generation bolsters Tabakalera's financial resilience by preventing over-reliance on a single funding source, whether public subsidies or the market. Moreover, it empowers Tabakalera to fulfill its overarching mission of being an accessible and open institution for the local community.

In a broader context, Tabakalera stands out as a space that transcends mere utilization; it is an institution embraced and actively supported by a wide range of societal groups within the city. Tabakalera's unique combination of cultural entrepreneurship, diverse funding sources, and strong community engagement makes it a compelling case study in the realm of sustainable cultural development.

## 8. Conclusion

This research project has delved into alternative funding for culture, using the declining public subsidies as a starting point for exploration. It examined funding approaches in both the United Kingdom and the Netherlands, seeking insights into how funding can be reimagined in a landscape where traditional public funding for the arts is dwindling. Through the analysis of various models, policies, and case studies, several key conclusions have emerged.

Firstly, to address the challenge posed by the decreasing public funds for the arts, adopting evidence-based funding decisions is crucial. This approach ensures that distribution decisions are aligned with the current needs of the cultural sector. It enables the establishment of more effective, sustainable, and forward-thinking funding strategies, as opposed to reactive measures.

Secondly, regardless of whether funding is public or private, there is a pressing need for better articulation of how funds are utilized. This necessitates a focus on measuring the impact of culture and funding. Establishing clear goals and assessing outcomes is vital for creating a targeted and justifiable funding plan.

The analysis of the Dutch public funding sphere underscores the potential of collaborations and partnerships between government, private entities, and civic funders. Such alliances can play a pivotal role in supporting the CCI. Government bodies can initiate experimentation with match-funding approaches to strengthen these collaborations further. Furthermore, it is evident that this transition can be fortified through non-monetary measures. Offering capacity-building training sessions that help cultural enterprises diversify revenue sources, capitalize on social capital, and enhance their market conversion can be instrumental in facilitating their journey towards financial resilience.

In essence, this research underscores the importance of reimagining funding paradigms for the cultural sector. By embracing evidence-based decision-making, emphasizing the measurement of cultural impact, and promoting collaborations among diverse funders, the challenge of declining public subsidies can be faced.

## 9. Reflections and limitations

This research approach primarily focuses on specific funding instruments that serve as exemplars of innovation, offering alternative ways to fund the arts. In this approach, these funding tools are often analyzed in isolation, with less attention paid to the broader context in which they operate and the specific requirements they entail. A more comprehensive examination of the ecosystems within which these cases are situated was beyond the scope of this research, as the primary goal was to showcase a diverse array of tools. Nevertheless, it's crucial to recognize that not all the tools presented here can be readily applied in different policy contexts and regions. This research may be somewhat naive in this regard, and the replicability and adaptability of these tools necessitate further investigation.

In addition, while this research predominantly suggests funding methods that view the market as a resource for income, it does not attempt to definitively weigh public funds against private income sources. Rather, it seeks alternative funding approaches, starting from the premise of diminishing public subsidies. Whether increased entrepreneurship and market reliance are inherently superior to public subsidies is a normative question that lies beyond the scope and objectives of this paper. However, it is essential to

consider the potential consequences of market-based funding, such as its impact on cultural content, artistic freedom, and managerial dependence.

Central to this research is the concept of financial sustainability. Although the presented tools consistently consider this aspect, it has become evident during the research process that defining and evaluating financial sustainability is challenging. Determining whether a funding instrument leads to sustainability for an organization is complex, as numerous factors contribute to sustainability, many of which are difficult to control. It appears that every funding method creates dependencies, and true financial sustainability may only be achievable through a diversified funding mix.

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