

PEKKA OESCH

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Discretionary aid to cultural organisations  
Changes in the Government transfer system and  
opportunities of organisations



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Kansi: Kari Piippo  
Taitto: Jussi Hirvi  
Kääntäjä: Erik Miller

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Pekka Oesch

## *Discretionary aid to cultural organisations*

*Changes in the Government transfer system and opportunities of organisations*

*English summary*

The Finnish government funds cultural and arts activities under two transfer systems. The purposes, grounds and amounts of statutory transfers are subject to legislation enacted by Parliament. Moreover, detailed provisions exist on the right to transfers and the bases for determining their size. The required appropriations included in the government budget are primarily from tax revenues.

However, most cultural organisations come under another system where transfers are available only on application for a specified purpose. The government transfer authorities of the Ministry of Education, the Arts Council of Finland and the National Arts Councils assess the necessity and amount of the transfers. Transfer decisions are made in accordance with the guidelines issued in the 1965 Government decision on general rules of concerning government transfers and in the 2001 Act on Discretionary Government Transfers. The system is funded with revenues from lottery and betting that are included in the annual state budget.

Under the Act on Discretionary Government Transfers, the transfers may be general or special transfers, which are also known as operating and project assistance. General transfers are intended for the recipient's general activities or a particular part of them, whereas special transfers may be granted for project assistance or investment aid. In addition, Government transfers may take the form of grants, scholarships or assistance for the applicant's personal use or project, which mainly covers artists and work

groups. Cultural and arts organisations are granted general transfers for their activities and special transfers for projects supporting their activities.

When the application of a cultural organisation is considered, its necessity is assessed on the basis of the applicant's financial standing and the other public assistance it has received. The intended use of the assistance must be socially acceptable and justified under the purpose of Government transfers. The relevance and intended use of transfers must also be taken into account. Government transfers may not cover the total costs incurred from the activity or project.

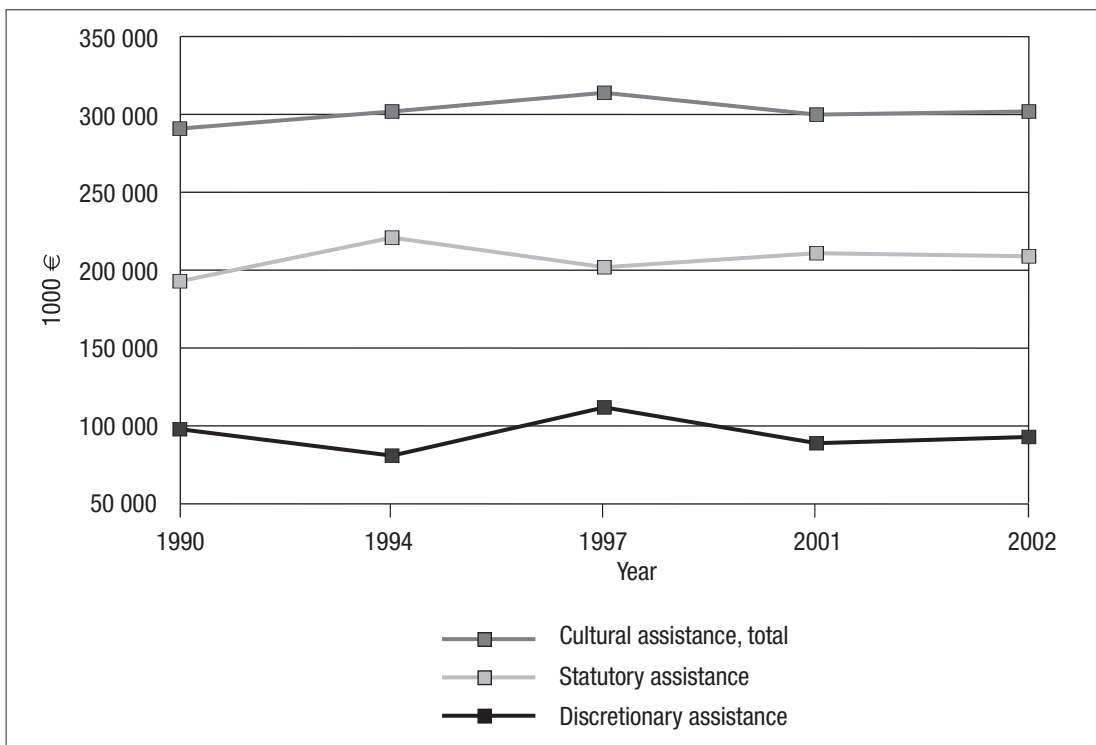
This report examines changes in the appropriations allocated to discretionary Government transfers from the early 1990s to 2002 and how the changes have affected the activities of recipients. In addition, it discusses the opinions of recipients and persons in charge of making transfer decisions on the weaknesses and strengths of the Government's transfer system and their ideas for future improvement. For the purposes of this report, organisations mean registered associations, foundations, co-operatives, businesses and local authorities.

Material on the appropriations was collected from financial statement data from the administrative branch of the Ministry of Education for 1990, 1994, 1997, 2001 and 2002, and from the database of transfer recipients maintained by the Ministry's Arts and Cultural Heritage Division. The material was classified according to type of community, field of art, type of aid and major region. Information was collected on the performance of the transfer system with a questionnaire mailed to recipient communities and by interviewing government transfer officials in the Ministry of Education, the chairs of National Arts Councils and representatives of recipient organisations.

In the 1990s and especially during the recession of the early part of the decade, the proceeds from the lottery and betting, which were growing more rapidly than had been expected, were adopted as the partial or sole source of statutory cultural appropriations. The total amount of statutory transfers increased and reduced the proportion of discretionary transfers of total cultural expenditure. Between 1994 and 1997, statutory appropriations were cut and discretionary Government transfers grew. Most of the real growth accrued from the funding of the Finnish National Opera, however.

Since 1997, both the total funding of culture and the arts and the appropriations for discretionary transfers have decreased in real value although nominal expenditure was EUR 11.6 million more in 2001 than in 1997. All of the increase took place in statutory transfers whereas discretionary transfers decreased, although most of the decrease came from cuts in the budget of the Foundation of the Finnish National Opera (Figure 1).

Figure 1. Amount of total cultural aid and statutory and discretionary transfers in 1990, 1994, 1997, 2001 and 2002, according to 2002 value of money (EUR 1 000).



Total funding was increased by EUR 6.7 million the next year, of which EUR 4.9 million was targeted at discretionary Government transfers. Regardless of this increase, the real value of discretionary transfers in 2002 was somewhat lower than in 1990. The peak year was 1997 when almost 21 percentage points more in appropriations were allocated to Government transfers than in 2002. (Figure 1)

In 1990, 1994, 1997, 2001 and 2002, an average 40.5% of all Government transfers was allocated to music. Excluding the appropriation to the Finnish National Opera, however, music received an amount of assistance equal on average to that of the visual arts, while film received more assistance than any other field. In 1990 and 1997, visual arts were second to film in the amount of allocated assistance but since then, the total amount of discretionary assistance to visual arts has fallen.

Most of the organisations that received discretionary assistance in 1990, 1994, 1997, 2001 or 2002 were cultural and arts associations and foundations. Some 600 of the total number of 900 organisations in the survey received assistance in 2001 or 2002. Of the 2002 recipients only 12.5% had also received assistance in each of the other surveyed years.

The number of recipients grew markedly in the late 1990s and peaked in 2001. In 1997 and 2001, half of the communities were first-time recipients. In 2002 they accounted for only a fifth. At the same time, the percentage of recipients other than associations increased significantly. Since

1997, associations have accounted for two thirds of all recipients, whereas in the early 1990s associations accounted for as much as 87% of all organisations receiving discretionary assistance.

The amount allocated to businesses and local authorities has grown especially, making the latter the second largest recipient group after associations. That municipal cultural services have started to apply for government transfers is partly explained by cuts in Government transfers. As a result, local educational and cultural departments such as libraries have started applying for discretionary Government transfers to fund a variety of projects. Moreover, in 1997, assistance for digitalisation of museum collections brought numerous local art institutions and museums within the sphere of the transfers.

In the 1990s, the number of transfer recipients grew in all fields of art. With the exception of music and theatre, design and museums and the class 'other recipients', the trend continued still in 2002. During the years included in the survey, the number of organisations whose activities did not clearly involve a particular field of art grew substantially. 42% of them were organisations whose activities covered several fields and 44% local authorities and other public organisations.

The largest group of cultural organisations focusing on a single field of art was music organisations. However, their proportion of recipients was almost 20 percentage points lower in 2002 than in 1990, despite an increase of 50 percentage points in their number. Almost all music organisations were associations or foundations.

Half of the organisations receiving discretionary government transfers were located in the Uusimaa major region. In fact, 44% of them were located in the Helsinki metropolitan area. One in five organisations was located in the Southern Finland major region. The other organisations included in the survey were more evenly spread in the other major regions so that roughly a tenth of the recipients came from Eastern, Mid or Northern Finland each. On an annual basis, the proportions by major region have remained relatively unchanged.

Associations were the principal transfer recipients in all major regions. The proportion of local authorities was especially large in Eastern, Mid and Northern Finland, however. In contrast, in the Helsinki metropolitan area every fifth recipient was either a business or foundation. The largest group of businesses were in film production.

The number of recipients of cultural support was multiple compared to that of transfer-receiving organisations. In addition to annual operating assistance, many organisations have often received transfers for several individual projects. According to the survey, the percentage of project assistance exceeded that of operating assistance by 1997. Thereafter, roughly a quarter of all annual Government transfers for culture went to funding the daily activities of organisations.

The majority of the number of Government transfers – almost 71% – was allocated to associations. The second largest recipient-group was foundations, which, like associations, are a traditional form of cultural activity. With regard to other types of organisations, most of the transfers they received were for projects. The entry of businesses and local authorities has also increased the proportion of project assistance. The number of project assistance transfers to associations and foundations has grown more, however. It seems that this increase took place at the very end of the 1990s.

Music received a quarter of all transfers. One in ten recipients was in film or theatre, and an almost equally large proportion in literature and visual arts. A sizeable proportion – 12% – of all transfers went to organisations whose activities involved several fields of art.

Regionally, the majority of operating and project assistance transfers went to recipients in the Helsinki metropolitan area and the major region of Southern Finland, that is, regions where most of the recipient organisations are located. Most of the recipients were located in the Helsinki area – almost 90% of the total sum of annual transfers. However, some two thirds of this was paid to the Finnish National Opera and the Finnish National Theatre. The rest was divided fairly evenly among the other recipients in the region.

Comparing 1994 to 2002, the share of all operating assistance of the Helsinki metropolitan area and the Uusimaa major region grew, although the number of transfers granted to organisations especially in the Helsinki area fell. In the other major regions the proportion and number of operating assistance decreased, especially in Eastern Finland.

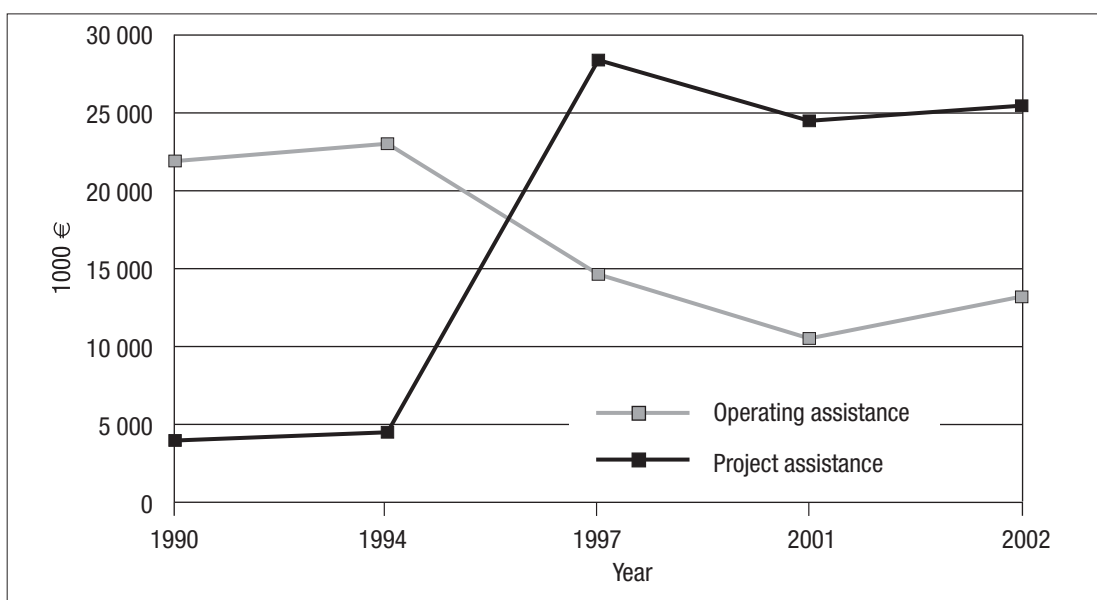
In the 1990s, the annual number of recipient organisations and transfers almost tripled. In 1990, EUR 43 million was allocated to discretionary transfers, only just under a fifth of the total sum of cultural assistance but more than a half of all Government transfers. In fact, organisations' share of funding grew steadily during the survey period, reaching a good fifth of all Government transfers, and in 2002, 90% of the total allocation of EUR 93 million was paid to organisations. The majority of total sum paid to organisations went to foundations each year, most of which concerned the funding of the Finnish National Opera, although other cultural foundations have also received more than associations, especially since 1997.

The funding of film increased substantially in the surveyed years, both in relative and absolute terms. At the same time the relative funding of music decreased although it did not change much in absolute terms. Changes in the other fields of art were very minor. Design and dance have received roughly one per cent of the total Government transfer sum. Architecture, photography and other arts received the least.

In the early 1990s, organisations accounted for 54% of discretionary government transfers. In 2002, the figure was 90%. The total absolute transfer sum to organisations also grew in real terms at an even rate, with the exception of the 1997 peak. However, the number of organisations receiving

discretionary Government transfers was substantially higher in 2001 and 2002 than it had been before, and the number of granted project assistance had doubled since 1997. In fact, in the mid-1990s the focus of discretionary transfers clearly shifted to project aid. At the same time the number of operating assistance recipients grew only slightly, allocations have been cut and the rise in costs has not been taken into account. (Figure 2)

Figure 2. Operating and project assistance to organisations\* in 1990, 1994, 1997, 2001 and 2002, according to 2002 value of money (1 000 €)



\*) Exclusive of transfers paid to the foundation of the Finnish National Opera and the Finnish National Theatre.

The decrease in the real value of operating assistance has hampered the activities of many key cultural and art organisations and forced them to apply for more project assistance. Because the insufficient appropriations allocated to operating assistance, new activities launched with project assistance have often been forced to continue on project assistance even when they have been established as part of the normal activities of the organisations in question. Project assistance has also become an important source of funding of regular activities for organisations receiving operating assistance.

Irrespective of financial circumstances, many cultural organisations have decided that maintaining activities and completing projects is their primary goal. Scaling down or abandoning projects or activities is very rarely done and then only as a last resort. In practice, this has meant the financial exploitation of not only the employees of organisations but also of the artists needed to carry out projects. The limited resources would not otherwise allow for the extensive network of cultural organisations and programme.

The Government transfer system requires both a clarification of concepts and more comprehensive publicity. Based on the replies to the ques-



tionnaire sent to organisations, all recipients could not fully distinguish between operating and project assistance. A substantial number of recipients were obviously not aware of the principles affecting the granting, amount or duration of Government transfers. Based on their replies to questions about the principles of granting transfers, even the chairs of National Arts Councils were not completely aware of the details.

Although those handling transfer applications, the presenting officials at the Ministry of Education, the Arts Council of Finland and the National Arts Councils are already struggling with their workload, closer interaction in addition to publicity between the granting and receiving parties would promote the assessment of the content of cultural activity. This would also help rid some of the misconceptions and suspicion about the use of appropriations, application procedure and making transfer decisions.

However, some of the organisations felt they had received sufficient information, although about an equal number wished for a more simple application procedure and more transparency in decision-making. Also, the Ministry of Education, the Arts Council of Finland and the National Arts Councils should form a clear policy for targeting Government transfers. Because of the limited appropriations, this requires innovative decisions by the Ministry of Education and the Arts Councils, whose members have been chosen based on their expertise.

The need for and demands of internationalisation have increased sharply in many organisations. Advances in telecommunications and their growing popularity have increased contacts and made rich and varied interaction and publicity possible around the world. Collaborative projects have often fallen through, however, because of insufficient and uncertain funding, which have made longer term commitment impossible.

In the opinion of the organisations, at least certain well-established organisations would need operating assistance spanning several years. In addition to jointly agreed goals, the limitations imposed by the government budget and the Act on Discretionary Government Transfers should be taken into account when making transfer decisions. This reform would make longer term planning and activities possible, improve the monitoring of funding and facilitate assessment of the impact of transfers.

As a whole, the Government transfer system was considered efficient. Above all, it allows a wide variety of activities and there is no need for a complete overhaul of the system. It should be improved to better meet the activities of applicants and the target-orientation of Government transfers should be improved. Getting rid of redundancies in decision making and types of assistance would simplify administration of the assistance system, reduce the workload of all parties and speed up the processing of applications. New assessment models and solutions that would evenly support both the continuity of existing organisations and reach new and creative actors as widely as possible are needed for the targeting of assistance.