

# **Sector Allocation Project**

## **Ontario Media Development Corporation**

**May 2009**

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## EXECUTIVE SUMMARY

The objective of the project was to research the funding rationales of other arts and cultural funding organizations, both in Canada and elsewhere, to determine how they allocate public funding amongst the various sectors they served. Further the consultant was to analyze the outcomes and provide possible recommendations, for the Ontario Media Development Corporation's (OMDC) consideration, for the allocation of its discretionary funds.

The methodology focused on research, analysis, presentation to OMDC of preliminary findings, submission of a rough draft of the report that was reviewed and commented on by OMDC and preparation of this, the final report.

The consultant reviewed criteria that included: need, historical levels of funding, size, growth potential, capacity of an industry to absorb funding, alignment with strategic priorities and public value. She focused on the following jurisdictions: Canada (federal and provincial – Alberta, B.C., Manitoba and Ontario); Australia; New Zealand; Ireland and the UK. She also looked at the broad field of public sector funding.

Early in the research, the consultant discovered that the question *“On what basis shall it be decided to allocate x dollars to activity A instead of activity B?”* was a fundamental issue in public sector resource allocation across all sectors and jurisdictions. Disappointingly, academics working in the field conclude that there is no simple formula to answer that question and that there may never be.

Additionally, the culture and arts sector faces challenges in finding common definitions of exactly who and what makes up any specific sector and in finding common criteria to measure almost any aspect of the sectors. This makes any rigorous ‘apples to apples’ comparisons between or amongst sectors or jurisdictions extremely difficult, if not impossible.

With these challenges recognized, the report looks in-depth at and comments upon the various criteria mentioned above; presents examples of what other agencies/organizations say and do not say about their funding allocation policies; looks briefly at the evolving field of Cultural Economic and presents the conclusions emanating from the research.

The organizations researched, both in Canada and elsewhere, speak about their missions and their strategic priorities and they provide extensive information on the criteria that inform their decision-making in evaluating grant applications. Many offer breakdowns of what they have done in the past. Some talk about specific formulas they apply for specific grant programs. What they are universally silent on is how they pre-allocate budgets across sectors.

The interview with the Ontario Arts Council confirmed that it relies on a combination of mandate, priorities, historical precedent and perceived needs that align with organizational priorities. New funds are used to address identified emerging and future needs.

The report concludes that, based on both the practices of other jurisdictions and academic studies, the OMDC's current methodology (i.e. a blend of mandate, historical precedents, need both current and future, and other factors) reflects the art of the possible and is in keeping with what others do.

## **OVERVIEW**

This report outlines the objectives of the project and the methodology used. It considers the fundamental challenges in public sector funding that emerged from the research and the issues surrounding the definition and measurement of the cultural industries. It then examines the possible criteria upon which allocations amongst sectors might be based; looks at what other cultural/arts funding government agencies and departments in Canada and elsewhere are doing; and then offers its conclusion. The discussion includes a brief look at the evolving field of cultural economics.

### **Objective**

The objective of the project, as outlined in the OMDC contract was to investigate funding rationales used in different sectors and/or jurisdictions and provide recommendations for the rationale for allocating funds.

The research was to look at approaches to funding in other jurisdictions and/or sectors and to include analysis of different rationale for providing public funding, including (but not limited to):

- Based on the need of a sector/cost of production
- Historical levels of funding
- Size of industry
- Growth potential of industry
- Capacity of an industry to absorb funding

In a preliminary meeting and subsequent conversations, it was further clarified that the OMDC was focusing on the allocation of its discretionary funds which excluded, among other things, the tax credits administered by the agency. It was agreed that the central focus of the research would be on other cultural and arts funding bodies in other jurisdictions but, that if the consultant found relevant information in other sectors it would also be included.

### **Methodology**

The agreed upon methodology was to conduct research (including two interviews); analyze the outcome; develop and present preliminary findings to the OMDC management team in a Validation Session in order to get input and feedback; from that session prepare a draft report for review by the OMDC and then proceed to a final report.

## **Scope of Research**

The consultant conducted research focusing on the cultural and arts sectors in the following jurisdictions:

### **Canada**

- Federal (Canadian Heritage, Canada Council for the Arts)

### **Provincial**

- Alberta (Alberta Foundation for the Arts)
- British Columbia (BC Arts Council)
- Manitoba (Manitoba Arts Council)
- Ontario (Ontario Arts Council, Trillium Fund)

### **Other jurisdictions**

- Australia (Australia Council for the Arts)
- Ireland (Arts Council of Ireland)
- New Zealand (Creative New Zealand)
- UK (Arts Council England)

The consultant also looked at the broad field of public sector funding and, briefly and without significant results, at the science sector.

## **FINDINGS**

### **The Public Sector Funding Challenge**

The question of how to allocate public funds to one sector or another is not a new one.

*“On what basis shall it be decided to allocate x dollars to activity A instead of activity B.”*

Over sixty years ago, prominent American political scientist V.O. Key challenged economists to resolve the question quoted above which he referred to as ‘the basic budgeting problem’ faced in determining public sector resource allocation across all sectors. The academic paper that includes that quote<sup>1</sup> concludes that *“After a search of sixty years for a comprehensive theory of budgeting that would resolve the basic budgeting problem, it is somewhat disappointing to arrive at a conclusion that no such theory exists and it is unlikely that such a theory can ever be formulated.”*<sup>2</sup>

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<sup>1</sup>Fozzard, Adrian. 2001. “The Basic Budgeting Problem: Approaches to Resource Allocation in the Public Sector and Their Implications for Pro-Poor Budgeting.” Working Paper 147, Overseas Development Institute, London.

<sup>2</sup> ibid Page 44

Thus, the challenges we face in undertaking this project are historic and, so far, without clear cut resolutions.

### **Definitions and Measurement**

Compounding the challenges of the basic public sector budgeting question is the challenge of finding common definitions and measurements of the cultural industries and the entire cultural and arts sector.

There is no global, common definition of the cultural industries or indeed of the broader cultural and arts sector and therefore it is very difficult to compare Ontario with any other jurisdiction on a straight 'apples to apples' basis.

Statistics Canada<sup>3</sup> uses the North American Industry Classification System (NAICS) to define the Information and Cultural Industries which, in its terms of reference, includes Broadcasting (except internet), Telecommunications, Internet Service Providers and other sub-sectors which are not part of OMDC's client base.

The disparate names of government departments that are responsible for the arts, culture and the cultural industries provide further insight into the issue. Here are a few:

- Australia
  - Department of Environment, Water, Heritage and the Arts
- New Zealand
  - Ministry of Arts, Culture and Heritage
- Alberta
  - Ministry of Tourism, Parks, Recreation and Culture.

Many others have faced the same classification challenge as evidenced by the following:

*As part of the study we investigated whether government departments and agencies provided definitions of arts and culture. In many cases there was no specific definition of arts and culture, although the range of activities receiving assistance from the department was usually reported... Achieving a consistent definition of arts and culture is further complicated by the fact that departmental mandates may also include activities such as sport, cultural tourism, heritage, national lotteries and, in the UK, the 2012 Olympic Games.<sup>4</sup>*

In terms of the cultural industries specifically, most arts funding departments or agencies include some of those covered by the OMDC but not all and may

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<sup>3</sup> <http://www.ic.gc.ca/cis-sic/cis-sic.nsf/IDE/cis51defe.html>

<sup>4</sup> Study of Best Policies and Practices for Public Sector Arts and Culture, 2007, page 11. Prepared by PriceWaterhouseCooper for the Centre for Not-for-Profit Sustainability

include other sectors that are more purely 'the arts' (e.g. visual arts, dance, etc.). They often combine the for-profit and not-for-profit sectors so, for example, book publishing could be part of the mix along with theatre, dance, crafts and others.

And to further complicate the matter there is not always agreement on what makes up an individual sector – so the OMDC, with its emphasis on content producers, could define a sector differently than would the federal government.

With so many issues surrounding the very definition of 'cultural industries', it is understandable that there are difficulties in finding common, reliable measurements of almost anything related to them. Canadian Heritage's 2006-07 Annual Report acknowledges this problem with this disclaimer about the data it includes "*It must be noted that the measurement of the cultural sector is challenging due to the nature of the business.*"

The problem is not unique to Canada. The following is from Australia's New South Wales Creative Industry Economic Fundamentals – 2008.

*The creative industry is not well served by comparable and comprehensive data.*

Many organizations in various jurisdictions provide historical breakdowns of spending by sector but also offer other programs that cross over the sectors (training, innovation, touring) and these are not included in the sectoral summaries. Many arts funders break allocations down by organizations funded and individuals funded.

Lastly, there is the challenge of measuring both the quantitative (e.g. economic impact) and qualitative (e.g. intrinsic benefits, community perception) value of any cultural endeavour.

To sum up here is a last quote on the challenge of definitions and measurement.

*Empirical work in this field is severely constrained by lack of clarity in the definitions of industry boundaries and by the difficulty of obtaining data to quantify many of the models under discussion.*<sup>5</sup>

In short, nice, crisp formulas that would provide guidance for funding allocation across the sectors do not exist. So what might be the alternatives?

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<sup>5</sup> <http://culturalpolicy.uhicago.edu> Assessing the Impacts of the Cultural Industry 2004 by David Throsby, Paper presented at the Lasting Effects: Assessing the Future Economic Impact of the Arts Conference 2004

## **Review of Criteria**

The consultant kept the challenges outlined above in mind when reviewing possible criteria to be considered. She felt it was important that any recommended criteria should meet a variety of practical considerations. She applied the following ‘test’ to each:

- Was the criterion feasible (i.e. capable of being implemented based on currently available information that was not dependent on major future research)?
- Was there generally reliable information to justify the criterion (i.e. from a reliable source and able to withstand the scrutiny of the various stakeholders)?
- Could the criterion be applied consistently across all the OMDC’s cultural industry clients (i.e. does the supporting information exist for each sector and was the information arrived at using similar methodology)?

The following chart examines the criteria suggested (size, need, historical levels of funding, growth potential and capacity to absorb funding) and those emerging from the research with comments that keep the above ‘tests’ in mind.

<b>Criteria</b>	<b>Comments</b>
<b>1) Size</b>	Challenges of definition (what makes up a sector, where are the boundaries) and measurement (what is being measured, is it the same across all sectors).
<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Number of jobs</li> <li>• Economic impact</li> </ul> <p>Continued on next page</p>	<ul style="list-style-type: none"> <li>• Some relatively reliable numbers exist nationally showing the comparable size of each sector although the issues of definition and measurement remain. Size, by revenue, may be the most feasible of the size measurement options but only for broad comparisons.</li> <li>• Aggregated data<sup>6</sup> and some breakdowns<sup>7</sup> (by sectors, although not OMDC sectors, and by province) exist but no current consistent breakout by the OMDC cultural industry categories.</li> <li>• Major issues of definition, measurement and methodology used as well as lack of timely</li> </ul>

<sup>6</sup> <http://www.culturalpolicies.net/web/canada.php?aid=427>

<sup>7</sup> [http://www.culturalhrc.ca/research/G738\\_CHRC\\_AnnexA\\_intro\\_E.pdf](http://www.culturalhrc.ca/research/G738_CHRC_AnnexA_intro_E.pdf) Canada’s Cultural Sector Labour Force 2004 Copyright: Cultural Human Resources Council

<ul style="list-style-type: none"> <li>• Profit margin</li> <li>• Audience size</li> </ul>	<p>comparable data across all sectors.</p> <ul style="list-style-type: none"> <li>• Lack of reliable, comparable data across all sectors.</li> <li>• As above, lack of reliable, comparable data across all sectors. Also the issue of whether exposure to the arts increases audience size/participation (i.e. what comes first – attendance or exposure? The Arts Council England reports that, following substantial new investment in the arts in recent years, attendance at arts events is now at its highest in 10 years.<sup>8)</sup></li> </ul>
<p><b>2) Need</b></p>	<p>The very existence of the OMDC and other arts and culture funding agencies responds to a need across all client sectors and to the recognition at a political level that support to the entertainment and creative cluster is generally beneficial to Ontario. However, although a consideration, need alone could be a contentious criteria on which to base allocation. The following quote from a funding officer crystallizes the issue “In a sector where shortage is the only vocabulary we know, how do we decide whose need is greater?”</p>
<ul style="list-style-type: none"> <li>• Cost of production</li> <li>• Deficits</li> <li>• Competitive environment</li> <li>• Comparative need</li> </ul> <p>Continued on next page</p>	<ul style="list-style-type: none"> <li>• Sectors have very different needs in terms of costs. For example a film is much more expensive to produce than a book.</li> <li>• There is precedent (e.g. the Canada Council Block Grant program for books) however allocation on the basis of deficit does not fit comfortably with the OMDC’s more industrial mandate and approach.</li> <li>• Some sectors have far less share of the domestic market than others. For example in 2004 Canadian films had only 5% of the domestic market while magazines had about 59%<sup>9</sup>.</li> <li>• Some sectors are better served by access to funding outside that of the</li> </ul>

<sup>8</sup> <http://www.artscouncil.org.uk/aboutus/spending2007.php> Arts Council England Spending Review 2007,

<sup>9</sup> <http://www.culturalpolicies.net/web/canada.php?aid=426&ycc=200&Terms=share%20of%20domestic%20market> Compendium: Cultural Policies and Trends in Europe (original source *CRTC Broadcasting Policy Monitoring Report-2007*)

<ul style="list-style-type: none"> <li>• Future needs (e.g. need to adapt to digital environment)</li>   <li>• Needs of the community served</li>   <li>• Exceptional/unanticipated need</li> </ul>	<p>OMDC's discretionary funds (e.g. all but magazines have access to the Ontario tax credits program; film and television benefit from a federal tax credit but other sectors do not). An argument could be made that the OMDC should redress some of these inequities in its allocation of discretionary funds.</p> <ul style="list-style-type: none"> <li>• The impact of digitization is common to all the cultural industries. Even the Interactive Digital Media sector needs to constantly reinvent itself to reflect evolving technologies.</li> <li>• The need to strengthen the ability to exploit digital opportunities is one that is shared by all sectors.</li> <li>• This criterion emerges from the research but seems to apply more to the purely 'arts and culture' sectors (i.e. the not-for-profit sector). The cultural industries have a built in measurement (sales) of their appeal to audiences.</li> <li>• All sectors share the challenge of digital transformation together with the current economic downturn and the traditional lack of access to capital facing intellectual property based industries. With these factors in mind, it would seem prudent that the OMDC build in some flexibility, through a reserve fund, to respond to unanticipated needs from any of the sectors.</li> <li>• There is a precedent in the Ontario Book Initiative which was created by the OMDC in response to the GDS/Stoddart crisis that impacted the book industry.</li> </ul>
<p><b>3) Historical level of funding</b></p> <p>Continued on next page</p>	<p>This criterion needs to be given serious consideration as any abrupt change to funding policy could be destabilizing at a time when severe economic downturn, together with the impact of digitization, is being faced across the sectors. There is precedent. The Canada Council has given the same percentage of funding by discipline to Music (22%) and Writing/</p>

	Publishing (16%) since 2003/04. <sup>10</sup> The Ontario Arts Council also uses historical funding levels as a base, using new funds to support new initiatives and priorities.
<ul style="list-style-type: none"> <li>• Predictable</li> <li>• Precedent</li> <li>• But the world is changing dramatically</li> </ul>	<ul style="list-style-type: none"> <li>• Sectors know what to expect.</li> <li>• See examples above.</li> <li>• However, may not be perceived to meet the needs of a changing environment where both technology and the economy are in flux.</li> </ul>
<b>4) Growth Potential</b>	Hard to predict overall with any accuracy particularly with the volatility of digital technology, the evolution of new business models and the overall economic situation. No one has a crystal ball.
<ul style="list-style-type: none"> <li>• Interactive Digital Media</li>   <li>• Digital opportunities across the sectors</li>   <li>• Digital partnership opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• This, the newest sector, is the one that is growing at the fastest rate and the one that probably has the greatest growth potential. However there is a lot of interplay amongst sectors. For example, the most successful digital games are based on recognizable brands, often hit movies (which may in turn be based on a book).</li> <li>• There is the potential for all sectors to grow new business by exploiting the digital environment. In some cases there is a blurring of the lines between sectors. Thus a company producing television shows might also produce a related digital product or vice versa.</li> <li>• In addition to individual sector opportunities, there is, as already recognized in the OMDC's Partnership Funds, potential for synergies and partnerships both across the entertainment and creative cluster and with others (e.g. academic partners). The health and growth of one of the cultural industries may influence the health and growth of the entire sector and, of course, the collective health of the cluster fosters growth within the individual industries.</li> </ul>
Continued on next page	

<sup>10</sup> Funding to Artists and Arts Organizations 2006/07 Edition, National Overview, page 24, Table 6



No one of the above criteria offers a clear answer to the allocation issue under review.

### **Other Jurisdictions**

The research informs us that public sector resource allocation is a global issue without a 'one-size fits all' solution and that there is lack of clarity around definition and measurement as applied to the cultural industries.

So what **do** other organizations or agencies providing funding to the arts, culture and cultural industries say about their allocation criteria?

Following is look at the research.

1) CANADA - Federal

#### **Department of Canadian Heritage**

Consistent with the other agencies and departments researched, the Department of Canadian Heritage is silent on how it predetermines budget allocation by sector. However, Heritage, of all the organizations researched, was found to have the closest alignment with OMDC's definition of the cultural industries as distinct and separate from other arts and cultural sectors, particularly the not-for-profit segment. That said, Heritage includes many aspects of the cultural industries in its data that are not included in OMDC's (e.g. broadcast for television). Once again it is impossible to make a direct 'apples to apples' comparison. However looking at Heritage's data can give us some insight.

First a look at what Heritage does.

It is governed by overarching policies and priorities for the overall department, sub-priorities for the Cultural Industries Branch, for each specific client sector and for each individual support program. Following are examples.

*Departmental priorities: The impacts of globalization are now very visible and can be seen in the growing diversity of Canadians and their backgrounds, population mobility, where the products we buy come from, and the access we have to the world's many cultures with just the click of a mouse. The world is changing rapidly, and technologies are constantly evolving.*

*In this context, the Department of Canadian Heritage seeks to make Canada a place with an active and inclusive cultural and civic life. By taking into account and even anticipating these changes, the Department is continually reviewing and adjusting its programs and policies to ensure that they meet the needs of Canadians.*

*In order to achieve this, the Department's programs and policies are guided by these considerations:*

- *responding to the needs of Canadians;*
- *setting objectives and outcomes that are clear;*
- *offering real value to Canadians; and*
- *ensuring efficient and responsible management*<sup>11</sup>

and from *The Business of Culture: Canada's Cultural Industries Annual Report 2006-07*, page 3

*The Department of Canadian Heritage supports the book, music, periodicals, interactive digital media, and film and television production industries through a range of policies and programs. The objective is to encourage the production and promotion of Canadian cultural works, foster a sustainable and competitive marketplace, and help ensure Canadians have access to their own culture.*<sup>12</sup>

*Cultural Industries Branch: The Cultural Industries Branch fosters the viability of the Canadian film and video, sound recording, and publishing industries, to benefit Canada's economy and sense of cultural identity.*<sup>13</sup>

*Program: Aid to Publishers: The objective of Aid to Publishers is to support the ongoing production and promotion of Canadian-authored books through financial assistance to Canadian-owned and -controlled publishers.*<sup>14</sup>

If we drill down even further we can find that some programs do use size, in terms of sales revenue, as a criterion upon which to base grants. Following is from the Aid to Publishers, Eligibility Rules for Books, point 7.2 (the actual coefficient calculation has been taken out because of length but is available online – see address in footnote).

*How is the amount of a contribution determined?*

*Aid to Publishers contributions are determined exclusively by a formula based on eligible sales. There are two main steps in working out a publisher's contribution. First, what are known as "factored sales" are calculated by multiplying a publisher's eligible sales—of both finished products and rights—in its reference year by the appropriate sales coefficient for each category.*

*The second step is to allocate the program's annual budget proportionally among all recipients based on factored sales. For example, if a publisher's factored sales were 1.2% of the total factored sales, that publisher would receive 1.2% of the total Aid to Publishers budget, up to the maximum annual contribution. For 2009-2010, the maximum annual contribution is \$850,000.*

<sup>11</sup> <http://www.tbs-sct.gc.ca/rpp/0708/pch/pch02-eng.asp>

<sup>12</sup> [http://www.pch.gc.ca/pc-ch/org/sectr/ac-ca/pblctns/rapport\\_annuel-annual\\_report-06-07-eng.pdf](http://www.pch.gc.ca/pc-ch/org/sectr/ac-ca/pblctns/rapport_annuel-annual_report-06-07-eng.pdf)

<sup>13</sup> <http://www.canadianheritage.gc.ca/pc-ch/org/sectr/ac-ca/ic-ci/index-eng.cfm>

<sup>14</sup> <http://www.canadianheritage.gc.ca/pgm/padie-bpidp/dem-app/atp/atp-eng.cfm>

*Adjustments are then made to take into account the fact that no individual recipient or affiliated group of recipients can receive more than the maximum annual contribution, except under the new affiliates rule. If an affiliated group's combined contribution is calculated to exceed the maximum, it will be lowered to the maximum and individual contributions to its members will be based on their shares of the total factored sales of the group. The extra amount will be distributed to the other recipients in the program. In this way, the entire Aid to Publishers budget is distributed each year.<sup>15</sup>*

Similar formulas are used in music and are being contemplated for use in the new magazine fund. The 'factoring' allows the department to enhance giving in areas it feels need specific attention, such as aboriginal or official language minority publishers, and discount sales over a certain ceiling to prevent the largest publishers from taking the entire pot.

Now let us look at data from Heritage that may provide further insights. Following is a chart showing the approximate annual revenue of each sector that gives us a look at the relative magnitude of each.

**Chart 1: Canadian Heritage: Canada's Cultural Industries Annual Report 2006-07 Revenue by Sector: Numbers rounded and approximate<sup>16</sup>**

Interactive Digital Media	\$5 billion	35%
Film & TV	\$4 billion	28%
Books	\$2.5 billion	18%
Magazines	\$1.7 billion	12%
Music	\$1 billion	7%

The numbers are national and include revenue that is outside the scope of OMDC's cultural industry boundaries but they do show the relative sizes of the sectors overall.

The next chart shows Heritage's funding allocation by industry, the percentage that each one represents of the total and the comparison of that percentage to the percentage of sales revenue of each. The consultant has included the OMDC 2006-07 allocations of discretionary funds, as provided by the OMDC, as a comparison.

<sup>15</sup> [http://www.canadianheritage.gc.ca/pgm/padie-bpidp/dem-app/atp/atp2009-eng.cfm#rulesbooks\\_ruleslivres](http://www.canadianheritage.gc.ca/pgm/padie-bpidp/dem-app/atp/atp2009-eng.cfm#rulesbooks_ruleslivres)

<sup>16</sup> The Business of Culture, Canada's Cultural Industries Annual Report 2006-07, pages 4 & 5

**Chart 2: Heritage Funding Allocations 2006-07 and OMDC 2006-07  
Discretionary Funding by Sector as a percentage of total funding for these  
sectors and compared to % of National Revenue (see Chart 1)**

(NB Film/Video tax credits have been removed from the federal numbers.)

Sector	Heritage (Millions)	%	OMDC ('000's)	%	Revenue National %
IDM	20	6	837	12	35
Film/TV	216	60	2,995	43	28
Books	37	10	1,380	20	18
Mags	61	17	1,022	15	12
Music	25	7	683	10	7
Total	359	100	6,917	100	100

This chart shows that Heritage is clearly not dividing its funding allocation by sector size as measured by revenues, however the OMDC is very close to doing so with the exception of IDM.

In summary, Canadian Heritage allocates on the basis of government policies and priorities which take into account needs identified by the community and stakeholder groups; departmental and branch priorities; and specific program criteria, including sales revenues of eligible products ameliorated by factoring to discount (to avoid a disproportionate share of the funds going to larger entities) or enhance (to favour specific priorities).

**Canada Council for the Arts (CC)**

The Canada Council is a model of transparency. The website<sup>17</sup> offers extensive data on the distribution of funds historically including tables showing allocation by program and by province. It provides maps showing geographic distribution of funds and breakdowns of funding by discipline and by program. It even has a searchable database that allows the user to find out who received what grant.

It also posts key documents that report on the Council's activities including the annual reports (latest is 2007/08<sup>18</sup>) and strategic, corporate and action plans (all three can be found at [http://www.canadacouncil.ca/aboutus/strat\\_plan/](http://www.canadacouncil.ca/aboutus/strat_plan/) ).

<sup>17</sup> <http://www.canadacouncil.ca/home-e.htm>

<sup>18</sup> <http://www.canadacouncil.ca/aboutus/organization/annualreports/>

The CC describes the processes and criteria which direct its awarding of funds as follows:

*The peer committee reviews the eligible applications, examining them in terms of the published program criteria, and recommends to the Council which applicants should receive grants, within the constraints of the program budget. Artistic merit is the primary criterion. In the case of organizations, administrative capacity is also an important factor. In recent years, the Council has established mechanisms (e.g., the Flying Squad program) that allow arts organizations to self-assess priorities with respect to their own strengths and weaknesses and the opportunities and challenges of their operating environment.*

*A small percentage of Council grants are assessed internally. These include travel grants and other grants that require rapid response or that address special opportunities with high impact. Strict formula-based criteria are typically used in assessing these applications, including the requirement that the applicant have previously received a grant through one of the regular peer-assessed programs.*<sup>19</sup>

The CC describes its key strategic directions for the next three years as: reinforcing the Council's commitment to artists, enhancing its investment in arts organizations, promoting equity as a critical priority, developing effective partnerships and improving organizational capacity.

Notwithstanding all the information provided and consistent with others researched, the Council is silent on the issue of pre-allocation of budget across specific sectors.

Examination of the CC's historical allocation of discipline specific funding shows the percentage of the total given to each discipline from 2003/04 to 2007/07 has remained the same. In 2007/08 Music received 22% and Writing/Publishing received 16%, the same percentages each had received in 2003/04.<sup>20</sup>

In addition to discipline specific programs, the CC also has many programs that are cross-sectoral or multi-discipline and programs for individual artists/creators. Focus is also given to stakeholder needs that are aligned to the CC's strategic objectives at any given time. New funding is used whenever possible to support those. For example, the Flying Squad program was created to answer the recognized need for stronger business/management/financial skills in client sectors and is also addressing the CC's strategic priority around improving organizational capacity.

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<sup>19</sup> Moving Forward: Summary of the Corporate Plan: 2008-11, page 6

<sup>20</sup> <http://www.canadacouncil.ca/NR/rdonlyres/C9A2C247-886B-45E4-BBA7-F0EDEEB7B797/0/OverviewEN.pdf> Profiles of Canada Council Funding by Province and Territory, National Overview, page 24

In summary, the research indicates that the Canada Council makes allocations based on a combination of historical precedent, strategic priorities and perceived needs, arrived at through extensive consultation with stakeholders, of its client sectors.

## 2) CANADA - Provinces

### Alberta

#### **Alberta Foundation for the Arts**

The Alberta Foundation for the Arts (AFA) is the Province's arts funding agency and receives an annual appropriation from the Alberta Lottery Fund (2006/07- \$22.6 million). The AFA supports individual artists and organizations in the cultural industries, film and video arts, interdisciplinary and multidisciplinary arts, literary arts,

AFA takes a strategic approach emanating from its mission which reads as follows:

*The Alberta Foundation for the Arts strives to help Albertans participate in the cultural life of the province. Over the next three years, the Alberta Foundation for the Arts (AFA) is committed to the following four-part mission:*

- *Communicate how the arts contribute to Alberta's culture and the impact of AFA funding, and position the AFA as the primary arts resource in Alberta*
- *Conduct a comprehensive evaluation of all AFA programming to review and revise funding priorities and understand the needs of Alberta's artists and arts organizations*
- *Build capacity in the arts sector by supporting individual artists and using the AFA art collection as a strategic resource*
- *Establish tools to promote and support healthy arts organizations in recognition of the shared interests of arts funders and arts organizations<sup>21</sup>*

The AFA is committed to accountability and transparency. It has a comprehensive Strategic Plan<sup>22</sup> which is updated every two years and it produces an Annual Progress Report<sup>23</sup>. Its strategic objectives include, amongst other things, building program evaluation into its plan and developing benchmarks for key indicators (the main one is the annual participation by adult Albertans in the arts). As part of its strategic objective to 'review and revise

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<sup>21</sup> <http://www.affta.ab.ca/about.shtml>

<sup>22</sup> <http://www.affta.ab.ca/resources/AFA-07-10-Strategic-Plan.pdf>

<sup>23</sup> <http://www.affta.ab.ca/resources/Annual-Progress-Report-06-07.pdf>

funding priorities as an investment in arts activities throughout Alberta<sup>24</sup>, it is committed to developing logic models for all AFA programs (for more on logic models see [http://en.wikipedia.org/wiki/Logic\\_model](http://en.wikipedia.org/wiki/Logic_model) ).

The AFA's Alberta Major Performing Arts Companies Operating Grant does use a formula to divide up operating funding amongst organizations. The Guidelines describe the criteria as follows:

*3.3 Grants are based on Community Derived Revenue (CDR). CDR is defined as a company's total annual revenue minus all federal, provincial and municipal grants. Each company's eligible grant amount is its five-year average CDR divided by the sum of the five- year average CDR of all ten eligible companies. The total AFA budget for this grant program is multiplied by the resulting percentage for each company. This establishes each company's grant allocation. The maximum grant will be determined by the Board of the Alberta Foundation for the Arts.*

It also offers rewards over and above for generating annual surpluses.

*Rewards performance (over and above operating grant above)*

*4.4 An amount designated each year by the AFA will be divided between applicants who have generated an annual surplus, in proportion with the previous year's surplus. These funds must be added to the client's Working Capital Reserve to increase their minimum balance.*

*4.5 The Review Committee will make recommendations based on the client's governance practices, fiscal responsibility, and artistic mandate. These recommendations are used to allocate a reward to encourage companies to strike a balance between these three key areas of responsibility. Any unused funds may be added to the amount designated in 4.4.<sup>25</sup>*

The AFA's overall objectives (which are aligned with the key goals of the provincial government) guide the AFA's allocation of funds to its various programs. Its Annual Progress Report does report on historic giving by individual arts by project category and by organizations by program. It is however typically silent on how it pre-allocates its budget.

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<sup>24</sup> Alberta Foundation for the Arts 2007-2010 Strategic Plan, page 2

<sup>25</sup> <http://www.affta.ab.ca/forms/TPRC0010.pdf>

British Columbia  
**BC Arts Council**

Once again, there is no mention in the BC Arts Council literature on how they determine the percentage of total funds to distribute to specific programs or sectors. Following are some highlights of what the organization does say about how it approaches funding.

There is a very detailed description in the annual report of the Council's goals and objectives, the strategies it uses to reach them and the measures it uses to determine success (Annual Report, pages 15-46<sup>26</sup>). It provides historical information on how funds are distributed, including geographically to ensure access to arts and cultural opportunities throughout the province (distribution of funds closely follows the percentage of population of major regions of BC.)<sup>27</sup>

The Council does look at the 'Estimated socioeconomic impact of BC Arts Council investments in selected events and festivals.' (Annual Report page 26) Thus, audience impact is taken into consideration. It maps the communities that benefit from grants to community arts organizations and projects and seeks to expand the number of communities reached.

One of the strategies to meet its goal of making available opportunities to participate in arts and cultural activities throughout the province is to 'broaden the engagement of residents in community based artistic and cultural activities.' To measure success it looks at, amongst other things, changes in and maintenance of audience sizes in the province. This is a new measure for the Council and current info will be used as a baseline against which to compare future years<sup>28</sup>.

Another goal is to assure that 'Artists and cultural organizations are thriving and sustainable'. One of the measures used to determine this is the change in net equity, or total assets and liabilities of sampled organizations. The organizations measured can change from year to year as the intent is to monitor the overall financial health of the sector, not that of any particular organization.

The Report shows funds broken out, not by sector, but by the following categories

- Professional Arts Development
- Community Arts Development
- Touring Programs
- Arts Awards – individuals
- Publishing Programs
- Strategic Initiatives Program<sup>29</sup>

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<sup>26</sup> <http://www.bcartscouncil.ca/publications/> Annual Report 2006-07 Pages 6-46

<sup>27</sup> ibid Page 38

<sup>28</sup> ibid Page 41

<sup>29</sup> ibid Pages 51

Information on the grant process includes Assessment Criteria that the juries use – artistic achievement; community engagement and feasibility and goes on to say that ‘Merit-based, independent assessment is the primary method of evaluation’<sup>30</sup>

To sum up, although silent on how it pre-allocates budgets, the B.C. Arts Council clearly outlines its goals, objectives, strategies and measurements used to determine success. These last include looking at the financial health of various key organizations to help determine overall health of the sector and establishing benchmarks for audience participation against which to measure future change. It acknowledges the intrinsic value of the arts in its focus on artistic achievement and merit-based assessment for individual grants.

Manitoba

### **Manitoba Arts Council**

The Manitoba Arts Council’s allocation process is driven by a strategic plan that is much like British Columbia’s. It clearly lays out goals and backs them with detailed action plans. Both the economic and the intrinsic value of the arts are recognized. Key words and phrases include innovation, sustainability, public value, participation, volunteerism, partnerships, diversity, inclusiveness, and access. Special interest groups like aboriginals and francophones are given added attention. Past annual funding is broken out by grant programs to both organizations and individuals.

*MAC has completed a full revision of all annual/operating policies involving the community in both the design and implementation of all changes which include: a holistic, weighted assessment process; equitable funding structure; measurable standards and outcomes; links to arts education and community connections initiatives; stabilization initiatives; multi-year funding agreements; and the role of the artist.*<sup>31</sup>

*MAC has a system in place for tracking applications to ensure increased and improved access for all diverse communities in the province.*<sup>32</sup>

In short, Manitoba follows patterns similar to other organizations researched.

Ontario

### **Ontario Arts Council (OAC)**

The consultant spoke in confidence to the Executive Director of the OAC in addition to reviewing the literature<sup>33</sup>, which is similar to that of other arts councils included in this report.

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<sup>30</sup> [http://www.bcartscouncil.ca/print.php?active\\_page=842](http://www.bcartscouncil.ca/print.php?active_page=842)

<sup>31</sup> [http://www.artscouncil.mb.ca/english/about\\_strat\\_plan.html](http://www.artscouncil.mb.ca/english/about_strat_plan.html)

<sup>32</sup> ibid

<sup>33</sup> <http://www.arts.on.ca/page11.aspx>

The Executive Director described the Council as a mature funding agency that does, like the Canada Council, rely on historical funding patterns. Once a sector is part of the program, it remains so at a fairly consistent funding level.

Originally the focus was on the 'performing arts' but the OAC now covers more than ten sectors and includes multi-disciplinary programs that cross over the sectors. It tends to use new funds for new priorities and programs that arise out of the needs of its client sectors. He said that some sectors are better at presenting their arguments than others but that is mitigated by a reliance on officers who know the sectors well and work at keeping 'an ear on the ground'.

The success rates of programs are also monitored to determine need. Thus if some programs are oversubscribed the Council looks to provide more money in that area if they can. It also tries to maintain a balance between operating and project grants.

The Council does identify different priorities at different times. The Council's current special areas of focus are aboriginal, francophone and regional funding.

The OAC is sensitive to the priorities of the government of the day, while maintaining autonomy over its policies and programs.

### **Trillium Foundation**

The consultant will use just one quote from this organization on how it distributes its funds as it succinctly sums up what many do:

*The decision to fund all or part of a request depends on how well an application fits with OTF's granting priorities and assessment criteria as well as the overall demand and granting budget.*<sup>34</sup>

### 3) AUSTRALIA

#### **Australia Council for the Arts**

Like many other art organizations the Australia Council divides its grants by a variety of categories:

- Discipline: Dance, Literature, Music, Theatre, Visual Arts
- Program type: Community Partnerships, Aboriginal
- Across the sectors: Inter-Arts, International Markets, Australian Marketplace, Philanthropy
- Recipient Type: Arts Organizations

Unfortunately, none of the breakdowns coincide directly with the OMDC categories making direct comparisons impossible.

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<sup>34</sup> [http://www.trilliumfoundation.org/cms/en/about/about-how\\_of\\_works.aspx?menuid=5#how\\_distributed](http://www.trilliumfoundation.org/cms/en/about/about-how_of_works.aspx?menuid=5#how_distributed)

The Council relies on its mandate, strategic priorities and individual funding program criteria to guide its allocation of grants. Following is how it describes, in brief, what it does: *“We invest extensively in a wide range of activities to support artistic excellence and access for all Australians to the arts and culture.”*<sup>35</sup>

The emphasis is on supporting organizations and activities that are broadly accessible and artistically vibrant and that demonstrate financial health. The Australia Council Arts Funding Guide goes into detail on the goals driving funding:

*The Australia Council offers grants for seven main purposes:*

- *supporting the creation of new work through funding for one-off projects*
- *increasing resources, opportunities and audiences for Australian arts by supporting the presentation, exhibition, publication, distribution and/or promotion of artistic works*
- *providing professional skills and arts development opportunities for artists through support for residencies, mentorships, seminars and conferences*
- *recognising outstanding artistic achievements by supporting a period of creative work for established artists through fellowships and awards*
- *supporting significant smaller organisations that enrich Australian artistic practice through one-year program funding*
- *supporting outstanding small to medium organisations that develop a viable infrastructure to advance the arts in Australia through multi-year key organisations funding*
- *supporting large performing arts companies of the highest artistic standards through major performing arts funding.*<sup>36</sup>

The Council also supports multi-disciplinary and innovative works through its inter-arts office.

*This support takes the form of grants to individual artists, financial and operational support to arts organisations, market and audience development initiatives and strategic initiatives to build capacity across the sector.*<sup>37</sup>

## **Australia/Other**

The Cultural Ministers Council Statistics Working Group (CMC SWG) of the Australian Bureau of Statistics' National Centre for Culture and Recreation Sector produces an annual report<sup>38</sup> that analyzes funding from the three tiers of

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<sup>35</sup> [www.australiacouncil.gov.au](http://www.australiacouncil.gov.au)

<sup>36</sup> [http://www.australiacouncil.gov.au/\\_data/assets/pdf\\_file/0019/13753/Australia\\_Council\\_arts\\_FundingGuide.pdf](http://www.australiacouncil.gov.au/_data/assets/pdf_file/0019/13753/Australia_Council_arts_FundingGuide.pdf) Pages 4/5

<sup>37</sup> *ibid* Pages 22/23

<sup>38</sup> [http://www.culturaldata.gov.au/\\_data/assets/pdf\\_file/0020/83630/2006-07\\_Three\\_Tiers\\_of\\_Government.pdf](http://www.culturaldata.gov.au/_data/assets/pdf_file/0020/83630/2006-07_Three_Tiers_of_Government.pdf)

government: the Australian government, the state and territory governments and local governments.

This kind of report allows a broad look at total government funding available to arts and culture. The mission of the CMC SWG is to provide the cultural statistics required for informed policy and decision-making by governments and the cultural sector in areas such as cultural industry development and management.

The consultant mentions this report as it provides both a model for a possible Canadian initiative and a wealth of historic information although, once again, no insights into how budgets are pre-allocated across sectors.

Australia appears to be particularly strong in academic study of the cultural sector. David Thorsby<sup>39</sup>, a Professor in the Department of Economics of Macquarie University in Sydney is internationally known for his work in the economics of the arts and culture. He writes extensively on the subject. Thorsby's book, *Economics and Culture*, was published in 2001 by Cambridge University Press, and he has recently co-edited *A Handbook of the Economics of the Arts and Culture* (2006, Elsevier/North-Holland) and *Beyond Price: Value in Culture, Economics, and the Arts* (2008, Cambridge University Press). He is currently working on a book on cultural policy to be published in 2009.

He also serves as a member of the Editorial Boards of the *Journal of Cultural Economics* and the *International Journal of Cultural Policy*, two important sources of information on the evolving field of cultural economics. Although not directly related to the purpose of this study, Thorsby's writings are interesting and informative about the general topic of culture and economics.

#### 4) NEW ZEALAND

##### **Creative New Zealand**

Creative New Zealand is the national arts development agency. It is required to develop a new strategic plan every three years (current one is 2007-2010). Its plan sets out its vision, purpose, values and strategic priorities that guide its allocation of funds.

Current priorities are outlined in the Strategic Plan 2007 –2010 as follows:

- *New Zealanders are engaged in the arts*
- *high quality New Zealand art is developed*
- *New Zealanders have access to high quality arts experiences*
- *New Zealand arts gain international success.*

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<sup>39</sup>[http://www.businessandeconomics.mq.edu.au/contact\\_the\\_faculty/staff/alphabetical\\_list\\_of\\_staff/david\\_t\\_horsby](http://www.businessandeconomics.mq.edu.au/contact_the_faculty/staff/alphabetical_list_of_staff/david_t_horsby)

*As well as identifying these priorities, the plan signalled a number of changes to the way Creative New Zealand works, principally transforming the organisation from a passive funder to a targeted investor in the long-term development of the arts. As we become an arts development agency, there will be:*

- *a stronger focus on research and evaluation*
- *alignment of our investments to our priorities*
- *a greater understanding of the impact and effectiveness of investments, through such means as monitoring, evaluation and benchmarking*
- *greater leverage from our partnerships*
- *greater efficiency in our grant-making processes.*<sup>40</sup>

The report includes clear information on how monies have been spent but makes no mention of how money is pre-allocated amongst sectors.

## 5) IRELAND

### **The Arts Council of Ireland**

The Arts Council of Ireland is an autonomous body, reporting to the Irish Department of Arts, Sport and Tourism. It is the national agency for the promotion and development of the arts in Ireland (Culture Ireland is a separate agency responsible for promoting Irish arts and artists overseas and for allocating grants for overseas activity to Irish artists or arts organisations.)

The Arts Council's strategic plan, Partnership for the Arts 2006-2010<sup>41</sup>, outlines the goals and priorities that guide its funding allocation.

Following is how it characterizes its approach to investing in the arts.

#### *Investment*

*There has been a welcome growth in support for the arts, but artists' incomes remain low and arts organisations struggle to make ends meet. The value of the historic investment in the arts remains under-realised as organisations are forced to spend time keeping the ship afloat. The Arts Council needs to seek more resources for the arts; and invest the resources at its disposal more strategically, identifying gaps in the spectrum of arts activity and supporting new ideas.*

*Different types of investment are needed: flexible funding programmes to respond to new ideas and developments, and funding mechanisms that provide greater security and stability year-on-year.*<sup>42</sup>

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<http://www.creativenz.govt.nz/LinkClick.aspx?fileticket=MM9uQ3foNJQ%3d&tabid=2373&language=en-NZ> Page 4/5

<sup>41</sup> <http://www.artscouncil.ie/Publications/strategy.pdf>

<sup>42</sup> *ibid* Page 7

One of the agencies' goals is to: *Strengthen arts organisations countrywide so as to secure the basis of a vibrant and stable arts community.*

In order to achieve this goal, it says it will, amongst other things

*Tailor our approach to funding to respond to the scale, nature and needs of arts organisations.*<sup>43</sup>

The consultant includes this point to show that other agencies choose to maintain a degree of flexibility in allocating funds.

## 6) UNITED KINGDOM **Arts Council England**

The Council information clearly and comprehensively outlines its vision, mission and priorities. It makes its funding decisions based on meeting these.

In addition, it identifies sub-priorities for the various sectors supported. It also builds in some flexibility in order to respond creatively to the needs of artists and audiences. The Council prioritizes support to organizations seeking to implement more sustainable business models and to develop partnerships designed to give their work greater impact and reach.

Here is what it says about priorities for 2007-2011 that will guide funding allocation:

*All our arts policies prioritise strengthening and developing the infrastructure for the artform. They identify particular areas of contemporary practice that we want to help develop. They confirm our support for individual artists.*

*Collectively the policies will help us deliver the six areas of our agenda for the arts: taking part in the arts, children and young people, the creative economy, vibrant communities, internationalism and celebrating diversity.*

*We are prepared to make choices – sometimes tough ones – about how we commit funding to respond to the kind of ambitious thinking and high quality work that will take our priorities forward. We believe they will help us develop a confident, diverse and innovative arts sector that is valued and in tune with the communities it serves.*<sup>44</sup>

There is nothing in the literature that indicates how or whether there is a specific rationale for allocating to one sector or another. There is, however, a breakdown of past spending by art form as follows:

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<sup>43</sup> <http://www.artscouncil.ie/Publications/strategy.pdf> Page 24

<sup>44</sup> <http://www.artscouncil.org.uk/aboutus/artpolicies.php>

### *Spend by art form*

<i>Music</i>	<i>£491 million</i>	<b>(23%)</b>
<i>Visual arts</i>	<i>£484 million</i>	
<i>Theatre/drama</i>	<i>£568 million</i>	
<i>Combined arts</i>	<i>£322 million</i>	
<i>Dance</i>	<i>£208.5 million</i>	
<i>General**</i>	<i>£64 million</i>	
<i>Literature</i>	<i>£28 million</i>	<b>(1%)</b>

*\* all figures are from November 1994 to March 2006*

*\*\*this covers funding for non-specific art forms or activities such as training, development and marketing<sup>45</sup>*

As you can see, the breakdown includes many sectors that are outside the OMDC mandate. The percentage of the total spent on two sectors similar to ones covered by OMDC has no relationship to OMDC patterns and is included out of interest but is not useful as a comparative.

In summary, the criteria that the Council uses are:

- Long-term ambition *'to put the arts at the heart of national life and people at the heart of the arts'*
- A vision of *'a more confident, diverse and innovative arts sector which is valued by and in tune with the community it serves.'*<sup>46</sup>
- Organizational mandate and strategic directions
- Identified priorities and sub-priorities by sector over a 5 year plan
- Recognition of the need *"to be alert to consumer behaviour and recognize that for many culture is interactive, personal and 'on demand'."*<sup>47</sup>

The UK has accomplished a great deal in the development and implementation of arts policy particularly since the introduction of the National Lottery in the mid 1990s which brought a major new income stream for the cultural sector. An excellent website that comments on cultural policies

(<http://www.culturalpolicies.net/web/index.php>) has the following to say:

*Perhaps what has been most striking about the UK cultural environment is the extensive and continuing changes to policies and structures over the past 12-15 years. Arguably, more change has occurred in this period than in the preceding 48.*

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<sup>45</sup> <http://www.artscouncil.org.uk/aboutus/investment.php>

<sup>46</sup> [http://www.artscouncil.org.uk/downloads/arts\\_policies.pdf](http://www.artscouncil.org.uk/downloads/arts_policies.pdf) Page 5

<sup>47</sup> [http://www.artscouncil.org.uk/downloads/arts\\_policies.pdf](http://www.artscouncil.org.uk/downloads/arts_policies.pdf) Page 6

*Another significant feature of the past decade has been the emergence of a more integrated system (in England at least), which has enabled central government policy priorities to be pursued at local and regional level and not "filtered" by intermediary agencies as has been the case historically.<sup>48</sup>*

This attention and commitment appears to have paid off.

*Between 1996/97 and 2004/05, the Government increased its investment in the arts by 64%. This has repaired the damage caused by under-funding in previous years and initiated a period of growth for the sector. The increased investment has enabled the arts to revive and the public to experience a quantum leap in the quality and diversity of arts across the country.<sup>49</sup>*

### **Summary/Other Jurisdictions**

The research concludes that other jurisdictions make their funding allocation decisions based on a variety of factors:

- mandates, goals and strategic priorities (which often reflect needs and future needs articulated by their stakeholders and the communities they serve);
- specific funding program criteria which can include formulas based on various criteria (e.g. sales revenue of eligible works; percentage of monies raised from other sources than government)
- historical funding patterns;
- special interest groups (e.g. aboriginals, youth, disadvantaged geographic areas, etc)

Depending on whether the agency or organization is a direct arm of government or arm's length, its priorities are more or less aligned with political ones.

All the agencies researched recognize the important economic contribution of the arts and culture sector overall, particularly as a driver of a knowledge-based economy. They also recognize the contribution to the quality of life of the community.

They all share the challenges of definitions and measurement faced by the OMDC. Many are working on ways and means of measuring the impact and success of their programs by benchmarking such things as audience participation numbers, the quantity of works produced, the success in targeting international markets, access to the arts across diverse communities, etc. Several are trying to find ways of measuring the intrinsic benefits of the

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<sup>48</sup> <http://www.culturalpolicies.net/web/unitedkingdom.php>

<sup>49</sup> <http://www.artscouncil.org.uk/aboutus/spending2007.php> Summary of Arts Council England's response to the Comprehensive Spending Review, Page 2

contribution the arts and cultural industries make in addition to the direct economic benefits.

None speak directly to how they pre-allocate budgets across sectors.

### **Cultural Economics**

In the course of the research, the consultant came across several academic papers on economic theory that talk in depth about the evolving field of 'cultural economics'. Although it is outside the scope of this project, she felt it important to bring this to the attention of the OMDC as the theories presented set the issue of public sector support of the creative industries in a broader, global context.

Of particular interest were two related papers which, in addition to confirming many of the challenges mentioned in this report, set forth the question '*What is the dynamic relation between the creative industries and the rest of the economy?*<sup>50</sup>.

*The four models of this paper are the four possible answers to this question: namely (1) welfare, (2) competition, (3) growth and (4) innovation. Each of these possibilities parlays into a very different policy model: in (1) a welfare subsidy is required; in (2), standard industry policy; in (3), investment and growth policy; and in (4), innovation policy is best. Very different policy frameworks thus follow from each of the four basic dynamic models relating the creative industries to the rest of the economy. This paper will outline these four models and marshal a sample of existing evidence to begin the process of sorting among them*<sup>51</sup>.

The other related paper, which was presented at a WIPO International Conference on Intellectual Property and the Creative Industries in 2007, characterizes the creative industries as follows:

*Whilst (the organization) welcomes the recognition of the strong economic contribution made by the creative industries in terms of wealth creation and employment, we would also keenly stress that this sector is very different from traditional industries. They deal in value and values, signs and symbols; they are multi-skilled and fluid; they move between niches and create hybrids; they are multi-national and they thrive on the margins of economic activity; they mix up making money and making meaning.*<sup>52</sup>

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<sup>50</sup> Four Models of the Creative Industries (2008, Jason Potts and Stuart Cunningham)

<sup>51</sup> ibid Page 2

<sup>52</sup> <http://www.cultural-science.org/FeastPapers2008/StuartCunninghamBp.pdf> A New Economics for Creative Industries and Development, prepared by Professor Stuart Cunningham, page 3

The above provides a very brief look at the contents of these two papers but the consultant encourages further reading.

## **CONCLUSIONS**

At the start of this project the consultant hoped to find that other funding agencies would provide examples of concise, quantitative criteria on which to base decisions to allocate a percentage of budgets to one client sector versus another. Ideally, she hoped to find formulas that might link to measurables like total sectoral revenues or numbers of jobs.

The research, unfortunately, does not give us such answers.

Academia tells us that the question of how to allocate public sector funding across sectors is a long-standing conundrum. The lack of clarity in the cultural industries around definitions and measurements compounds the problem. However, of some comfort, is the fact that this historic dilemma is faced by all similar organizations and by the public sector in general.

The funding organizations researched, both in Canada and in other jurisdictions, do not talk about how they pre-allocate budgets across sectors. They do talk about their missions and their strategic priorities and they provide extensive information on the criteria that inform their decision making in evaluating grant applications. Many offer breakdowns, whether by discipline, program, individual artists, and/or geographic area of what they have done in the past. There were a few examples of weighted formulas based on annual sales of eligible products plus other considerations related to the mandate and priorities of the granting body. Although not clearly stated, all the organizations examined seem to use hybrid criteria to budget their funding allocations.

In conclusion, the research suggests that the OMDC's current model, which like so many others relies on a mix of many of the criteria reviewed, is the prevailing and only real model that currently exists. The emerging field of cultural economics may, in the future, develop more insight into quantitative solutions to this age-old budgeting dilemma but, until then, funding agencies will grapple with budgeting based on consideration of their own strategic directions, government priorities, consultation with stakeholders, emerging growth trends, identification of gaps in funding and in capacity, on-going analysis of what works best and other factors.

Although it may not be perfect, the current method does have the virtue of being responsive to a changing environment and flexible enough to respond to emerging needs.