LOCAL REPORT
ARTISTIC ADDED VALUE AND FINALIZATION OF CCC VALORIZATION CYCLE WITH THE FINANCING APPROACH
DELIVERABLE D.T1.1.1
(WP T1, ACTIVITY A.T1.1)

Project partner (Vulkanland, 3)  
Contact person: Daniela Adler, Christian Krotscheck

Version 7, EN  
31 03 2018
1. CCC VALORIZATION CYCLE

2. The ARTISTIC approach

3. FINANCING APPROACHES for ICH
   3.1. Equity financing
   3.2. Subsidies
   3.3. External financing and mixed forms

4. Conclusion
1. CCC VALORIZATION CYCLE

As e.g., underlined by the implementation of 2016 Cultural and Creative Sector Guarantee Facility EU initiative (https://ec.europa.eu/programmes/creative-europe/cross-sector/guarantee-facility_en), the lack of financial resources and expertise of cultural operators and citizens to meet financial expectations and to develop and manage cultural projects, have often as consequence the lack of sustainability.

The ARTISTIC project intends to contribute to change these conditions with the improvement of the relationship between cultural operators, citizens and financial operators. It aims at supporting all targets of reference (citizens, cultural and local operators, financial operators) to improve the quality of their action in view to valorise ICHs and make the local projects sustainable. ARTISTIC builds on the promising results of the project “Cultural Capital Counts” in which the “CCC Method” was developed.

The “CCC Method” (CCC abbreviation for “cultural capital counts” described in Krotscheck, Fend et al., 2014, Cultural Resources Strategy for Sustainable Regional Development and also on www.culturalcapitalcounts.eu) is a strategy for endogenous regional development, based on the regions intangible cultural heritage (ICH). “Cultural Capital Counts” was the name of a project that united 10 European regions from 6 nations with a common goal: to enable a positive development of the regions by focussing on immaterial resources like living traditions, knowledge and talents. For three years (2011 – 2014) the regions worked together to utilize their cultural heritage for a positive future development.

New methods and tools for the valorisation of ICH activities in the participating regions were implemented and tested in the 10 participating regions. In workshops with politicians/regional stakeholders and in pilot trainings with entrepreneurs and proponents of cultural associations the regions learned how to apply CCC methods and tools in their work to achieve better results regarding the development of enterprises, municipalities and regions.

In pilot trainings and workshops entrepreneurs, start-ups and associations applied the developed CCC methods for their development. An evaluation report analysed the activities and the findings of the workshops and trainings. This report was the basis for the strategy for sustainable regional development based on intangible cultural resources to increase the competitiveness of Central European regions.

Finally the publication “Cultural Resources Strategy for Sustainable Regional Development” summarized the knowledge gained all CCC project activities. The CCC project participants are convinced that the knowledge of the people, their
experience and their social interactions are the most valuable resource for our regions' development.

Cultural Capital Counts wanted people and regional companies to be aware of the uniqueness of their regional ICH and to strengthen their relation to the region, the landscape and culture. Companies which focus on the intangible cultural heritage of their regions develop their unique selling proposition (USP) easier. The focus on intangible cultural heritage inspires development of new products, services and production methods based on the intangible cultural heritage.

The evaluation of the pilot actions in CCC Project were collected in the Final Report of WP 5 (work package): Implementation, testing of the new methods and tools in the participating regions (www.culturalcapitalcounts.eu/index.php/en/project-results), 2014 Italy, of Verona Innovation, Special Agency of the Chamber of Commerce of Verona. The entire WP 5 concentrated on the implementation of the CCC methodology. The main findings were:

1. Best practices from different partners show how a valorisation process could be implemented and serve as inspiration for other partners or regions. Furthermore comparing the local ICH by showing examples from other countries makes them more aware of the differences and similarities, as already stated in the manual for identifying ICH.

2. The successful implementation of the pilot action is due to the high cooperation among different stakeholder and their involvement. The implementation of the trainings and workshops should focus on tools and examples of broad cooperation as best practices.

3. With the evaluation first results have been measured but the results will be visible only within the next months and years. The pilot actions reflect the variety of resources of the region and differ among partners, although several of the activities concentrate on the handicraft and culinary sectors, it seems that these are elements that can be more easily valorised, or at least give results in a shorter time.

4. The sustainability of this process has been guaranteed also through the elaboration of the Action Plans that forced the partners to define the activities for the next three years and to elaborate a detailed plan of the activities that will be carried out in cooperation with other local stakeholders. Several partners have created networks and cooperation. These networks are the pillar for the future valorisation process that needs a broad involvement and builds identity and a sense of belonging among the stakeholder involved.
5. Building consensus among the stakeholders, means to work also at a political level and to involve business stakeholders and politicians, thus to guarantee a successful implementation and the sustainability of the projects.

6. The evaluation showed a high involvement but lacks of data concerning the financial implementation. Training material for private protagonists should not only focus on vision and idea development but also give indications on how concretely realize their ideas and references to tools/institutions which can give the necessary economic support.

Especially the 6th statement reflects the necessity of integrating a financial approach to the CCC Method (see Chapter 2). The CCC project was the first to link the cultural heritage to processes of the regional economy, fostering entrepreneurship, investments and innovation, thus supporting the development of enterprises and job-opportunities. The specific competences of people in a region serve as a basis for new unique products and services, which finally leads to the development of a clear USP (unique selling proposition) of a region and strengthened identity, making it attractive for residents as well as visitors & investors.

Fig. 1: CCC development enables sustainable growth by broadening the cultural and natural base (Fend, Krotscheck, et al., 2014)

ICH development (Krotscheck, Fend, Albert, Meißner, Reisenbichler, Davisod, Heider, Laki, Bokal, Belingar, et al., 2014; Cultural Resources Strategy for Sustainable Regional Development. ISBN 978-3-902852-11-3, Editor: Verein zur
Förderung des Steirischen Vulkanlandes, BVR Verlag, Austria) positively effects: above all regional identity, people’s self-esteem, individual responsibility, quality of life, attractiveness of the region, unique features and offers, entrepreneurship, innovation, regional competitiveness, appreciation of nature, ecological relief and cultural development. Among the positive effects are a lot of immaterial resources. In CCC it became obvious that both, immaterial and material values, contribute to the regional wealth. Through CCC the sustainable growth of economy is a result of ecological viability, social cohesion and cultural development (see fig. 1).

The starting point in this strategy is the valorisation (see “five steps” of CCC in fig. 2 below) of immaterial cultural potentials.

1. **Discovering** the intangible cultural heritage: review a region’s intangible cultural heritage from several aspects in order to identify the cultural resources. ICH elements may appear in the following forms: talents, skills, expertise and knowledge, mentality, social practices, artworks and active social networks.

2. **Vision**, perspective development: on the basis of the strengths of cultural heritage develop a strong picture of a positive, desirable future. In order to reach these future-oriented scenarios visions have to be developed from cultural, humane, economic and ecological perspectives as well.

3. **Planning** the development process: after defining the direction (vision), start to plan the process with a basic management and organization plan. In search for synergies and successful implementation ICH bearers, potential operators, stakeholder or networks are invited to take part in the process.

4. Raising **awareness**: the implementation starts with raising awareness. The ability to communicate is essential to the success of an ICH project and an important factor in the achievement of its objectives. A widespread intra-regional marketing will intensify emotional connection between the people and the process.

5. **Inspiration and networking**: supportive working environment to get continuity, stability and security. In order to be successful, a lot of stakeholder have to be inspired and motivated by the development of the valorisation process. At this step the responsibility for further development of ICH and its economic opportunities is given to the network respectively the people, associations and companies.
2. The ARTISTIC approach

ARTISTIC project takes the challenge of integrating a sustainable financial approach to CCC Method. 2018 is the European Year of Cultural Heritage and as such predestinated to link financial aspects to ICH initiatives and thus to strengthen financial sustainability. ARTISTIC is completing CCC’s approach with economic tools and financing. E.g.,

- improvement of the relationship between cultural operators, ICH bearers and financial operators; linking existing companies to cultural operators (networking)
- fostering relation between ICH initiatives and public funding bodies
- creating cooperation and collaboration within regional networks for a better market access
- training on business opportunities and how to integrate & use financing methods; training on business tools

Fig. 2: The valorisation process of ICH in five steps is the core of CCC Methodology (Fend, Krotscheck, et al., 2014)
o creating economic value from ICH valorisation with practical market approach for ICH initiatives

o creating economic business units in terms of start-ups, SMEs, ... based on ICH; creating new business segments in existing companies

The process of entrepreneurial development as part of ARTISTIC surmounts CCC Method and guarantees the sustainability of ICH initiatives, which in most cases were developed with public resources. In this respects ARTISTIC approach secures the refunding of public investments in the immaterial cultural heritage sector. As such heritage is pursued and proposed to the market.

Fig. 3: Financial resources add a new dimension to the valorisation process of ICH in CCC Methodology

In most cases public resources are needed to get ICH initiatives started or to screen regional ICH for promising sections. Public bodies (as municipalities), regional institutions or private cultural foundations initiate processes to identify special local talents or unique cultural features to be developed (step no. 1 preparation and basic research). In many cases the development of the vision (step no. 2) is the beginning of new relations and contacts from where cooperation grows.
At the 3rd step a lot of investment is for relation, getting known other stakeholder or financial operators, networking, searching for synergies, ways to proceed and types of cooperation. It is the preparation phase of business involvement. The improvement of relation between the important stakeholders is most important here.

At these three stages hardly any demand (market) exists for aspects of the ICH to be developed. Thus in general we can state, that the first three steps in fig. 3 are usually driven and financed by public organisations or regional institutions that try to foster ICH development (e.g., by regional development or cultural funds). One can also say these three steps are the “investment” side of the ICH process and the steps 4 & 5 are gaining revenues for the initiative (see fig. 4) - the “yield” side.

In step no. 4 companies (with new business segments), start-ups and associations get involved and contribute to the development process with equity capital, own resources and other financing tools. With step no. 5 the ICH development and safeguarding is based on its economic opportunities and thus gets funded by market driven capital rsp. resources / sales revenues. Here e.g., public funds to trigger innovation could additionally foster economic development.

![Diagram of ICH valorisation process]

Fig. 4: Public vs. private funding share in ICH valorisation process
The ARTISTIC approach (ART) boosts the valorisation process by applying the best available financial tools on each development step strategically. ARTISTIC develops suitable financing approaches that will be implemented and tested in the projects in every partner region. It will “capitalise” the five steps of CCC Method and will boost the economic output of valorisation. More economic output also means more income for public bodies (e.g., taxes, charges, tolls) and thus again more opportunities to reinvest in potential and promising new ICH or develop the region as a location for business.

New areas, sectors being affected or new upcoming aspects in the valorised ICH will be picked up and repoured in the valorisation cycle (fig. 4) at step 2 or 3 making the process broader and more solid.

In the next step of concretion we relate financial instruments rsp. financing models to the five steps of valorisation. In fact the boarders are somehow smooth and certain instruments may be applied to 2nd as well as 4th step, but in general the arc of models spans from voluntary service, sponsoring and public funding in the first steps, to instruments of economic growth, investments and markets (Fig. 5) in the last steps.

Fig. 5: Financial instruments to develop ICH initiatives in regions

In Chapter 3 those financing models are described. In real life most initiatives combine a set of these models in their process of valorisation. For cultural operators
it is thus important to learn about new chances of financing for the next step (level) in time. This is another aspect ARTISTIC Project will deal with.

As shown in fig. 5 financial instruments for steps 1 to 3 are, e.g.,

- donation, voluntary service, participation, contributions in kind
- sponsoring, sharing
- crowd-engagement, -marketing; charity initiatives
- voluntary networking
- public funds (EU, national, regional, municipality level)
- funding by trusts, endowments
- membership fees, marketing fees, network marketing

And on the steps 3 to 5 there could be used the following financial instruments, e.g.,

- grants, subsidies, compensation for services rendered
- investment assistance, start-up funds, new segments development funds
- awards, innovation bonus
- export funds, export (credit) guarantees
- credit capital, mezzanine
- crowdfunding
- equity, hybrid capital
- cash-flow budget from sales revenues, entrance fees, etc.

Summing up the capitalization of a cultural resource through valorisation describes the process of activating development potentials based on the economic value of a cultural entity. By embedding cultural resources into the regional economic circuit, quality of life and economic competitiveness are enhanced and the regional identity is strengthened at the same time.

This has big advantages for the sustainability of a business or region. In line with the Europe 2020 strategy it creates business opportunities and local jobs on a solid base. The valorisation builds awareness, educates and secures & develops regional competence and resources. The overall ability of the region to develop will be improved and the viability of the region will be strengthened.
3. FINANCING APPROACHES

Today the financial instruments and models being used for financing ICH in many regions of PPs are rather simple and not very innovative (see the LOCAL REPORTs CONCERNING THE MARKETABILITY AND SUSTAINABILITY OF ICH). On the one hand municipalities or regional development agents fund local associations and stakeholders directly by using extraordinary budget (follow-up rsp. forward projection of yearly budgets). On the other hand regional companies sponsor events or associations on request.

The majority of projects are funded by public projects. Beneath subsidies also sponsoring, few equity capital and (private) in kind services are used for safeguarding or developing ICH initiatives. Crowdfunding is practised very seldom (if it is applied, usually by SMEs).

New or, as may apply, innovative financing instruments must also be made acceptable for financing ICH providers. This section contains an overview of new and existing financing methods. The most suitable of these should be presented and made accessible in training sessions for ICH stakeholders. The figure below shows an overview and division of the financing methods known at the moment for ICH providers and social enterprises.

![Financing model diagram]

Fig. 6: Financing models - extended from Achleitner, Spiess-Knafl & Volk (Finanzierungsstruktur von Sozialunternehmen, 2011)
There follows a brief description of equity and external financing, subsidies and mixed forms.

3.1 Equity financing
This section sets out financing options using equity or, as may apply, donations.

Membership fees
Members of a group or association periodically (mostly annually) pay an amount of money for financing activities and achieving common goals. Membership fees are common in associations and create equity without external help. Nevertheless, membership fees (generally between €20 and €200 per person per year) are generally only a small part of the total annual budget.

Providing one's own labour and material assets
In order to enable financing of ICH activities, members of the organisation provide their labour or material assets for free. For example, the club house is built or refurbished by the members themselves. Construction or running materials (e.g. firewood, drinks, paper) are provided from 'material assets'.

The most widespread form of fundraising is the organisation of events and parties. Here the members organise and run the event. In other words everything from the concept, advertising, organisation of catering and highlights, serving of food and drinks etc. up to clearing up and cashing up is done by the members. The organisation keeps the income from tickets and catering minus expenses as its working budget for upkeeping and developing its ICH activities or, as may apply, club objectives.

A special type of assistance by labour for larger campaigns is also offered by the European exchange programme (above all for young people) or WWOOFing. This allows cultural organisations or organic farms to motivate volunteer helpers from around the world to work for their objectives. Free board and lodgings for helpers staying generally needs to be provided in return.

Collecting donations from households (fundraising without anything in return)
Club members go from house to house collecting donations from private individuals for purchases, investments or charitable ends. Donations are willingly made to aid organisations (e.g. Fire Brigade, Red Cross, Caritas). An average of €10 to €20 is donated per household.
Other associations may in part also use ball tickets or vouchers for events in symbolic return for the donation.

By definition a voucher is a credit of a certain monetary value that can be used only for a specified purpose. In the field of culture, vouchers are often perceived as a manner of stimulating demand for cultural products or events.

Donations
A donation is a gift given by an individual or a legal entity, typically for charitable purposes and/or to benefit a cause. Donations are to be distinguished from sponsorships, which include benefits for sponsors, as donors do not receive any special benefits (except for personal satisfaction) for their gifts. A donation may take on various forms, including cash, services, resources, new or used goods, emergency, artwork or development aid support. In general, donations can take on the form of cash or of goods or services, which are also called gifts in kind.

Sponsoring by companies (private sponsoring) in return for advertising or countertrades
Here, companies are asked if they want to partake in advertising campaigns for a specific amount of money. These range from presentations in brochures, on websites (with links), cards, commemorative publications, posters and flags up to slides or advertising banners at locations. When doing so, the associations ensure that the advertising is dealt with and placed. Periodic advertisements or promotional subscriptions can also be sold, which are renewed and invoiced on an annual basis. By its very nature, sponsoring is particularly suited to publicity as the sponsors have their own interests.

Another version is with trading companies that receive particular discounts as members of the association or where a part of purchasing is sponsored by the trading company because the association and its members are members there. This version is a win-win situation and corresponds to loyalty or bulk discounts in business.

Organisation of win-win events - sponsoring 2.0
The ‘Arte Noah’ association has developed an exemplary concept for sponsoring 2.0. This creates benefits for three groups by networking in the following way:

- Artists sponsor works of art and in return receive publicity and boost their image (for their help; charity initiative)
Customers at the sales exhibition acquire works of art in return for individual donations (generally at a lower price)

The Arte Noah association arranges and organises the sales exhibition and uses the income from works of art and events to achieve its aims (in this case animal protection and welfare)

This allows payment and counter payment for all sides involved without needing to go cap in hand for assistance.

Direct investments

Direct investments in culture are capital investments in culture made with the aim of profiting from the investments as company. One of the initial forms of investment was the buying of artworks or cultural objects, which meant the transfer of ownership into the possession of a legal entity.

Sale of products and services

Financing is achieved by selling products and services for all areas where ICHs offer saleable services on the market. Examples of this are traditional artworks, basket weaving, the building of vaulted cellars, thatching, farmers markets, regional cuisine, typical events for the region, choir concerts, amateur dramatic shows, garden culture, museums, natural therapies or traditional dress.

A special version of selling is to give out vouchers or participation certificates representing advance financing of offers aimed at the market.

Cooperative organisation

Forming cooperatives is another way to finance major projects or initiatives. This takes on exploiting, promoting and selling ICHs for their members or member companies. The cooperative is a tax-efficient way of forming an organisation (compared to a ‘Kommanditgesellschaft’ (limited partnership), ‘GmbH’ (limited liability company) or ‘E.U.’ (individual company)) and allows its own member to provide sponsorship.
3.2 Subsidies

Finance for association work from municipalities (public purse)

Many associations relating to ICH receive annual finance from local municipalities for supporting their voluntary activity. This is generally between €1,000 and €5,000 per year. Updating in the municipality budget (annual estimate) guarantees secure financing for organisations that have been in operation for some time.

Donations in kind and support for work from municipalities

The local municipality often supports the activity of voluntary organisations with donations in kind and services. For example, building material or equipment can be made available by the municipality. Or premises, stands or land is provided for use at no charge.

In addition, the municipality also provides partial support through its employees - for example, this can be in preparing a party, disposing of event rubbish, setting up stands, maintaining buildings, flyers for promotion or reporting in the local paper.

Subsidy projects from funds or the public purse (regions, Federal State, EU)

ICH providers may also apply for financing from subsidy programmes. In doing so,

- individual
- or group subsidies as network (on regional, national or European level) may be applied for raising awareness, marketing, innovation and developing.

To do so, the funding recipient always needs a certain proportion of equity capital, a financial reserve for interim financing, and the decisive skill for submitting, developing and invoicing. Many of the ICH stakeholder have lack of this professional knowledge and have to rely on the competence of development agencies (e.g., LEADER management, chamber of commerce), that apply and organise for specific programs as group subsidies for ICH providers.

A great variety of funding programs on different levels (e.g., town, federal state, EU) exist. They cover e.g.,

- organisation of events or cultural programs
- investment assistance, buildings, equipment and machinery
- start-up, R&D projects, networks, funding of innovation hubs or building new segments
or simply marketing, PR, media services or subsidies for print products.

In many cases the application needs a high competence and financial security of the proposer. The continuous change of funding programs and their application rules makes it necessary to be updated regularly. Moreover project periods from two years cause big efforts in application, documentation and administration.

Public-private partnerships

Public-private partnership describes a government service or private business venture that is funded and operated through a partnership between the government or any other public authority (e.g. region, municipality) and one or more private companies or individuals. Public-private partnership involves a long term contract between a public-sector authority and a private party, in which the private party provides a public service or cultural project and assumes substantial financial, technical and operational risk in the project.

Export funds

For international operating companies or cultural organisations (e.g., dance or music international tours, to tour a play, exhibitions; or sell artworks, masterpieces, DVDs) export could be a strategy to grow business. There are several programs to support export activities generally on the national level.

Export finance offers another way for businesses to release working capital, specifically from overseas transactions, that might otherwise remain tied up in invoices for long periods of time. This type of trade finance is very specific, tailored to suit the financial demands of companies who export goods and services. It allows business to “grow overseas”.

Export credit guarantee

An export credit guarantee is a type of insurance that protects an exporter against non-payment (default) by an importer. Offered generally by a country’s export promotion agency (national level), it provides the insurance cover on an ad valorem fee that takes creditworthiness of the importer and country risk into consideration. Some agencies, such as export-import banks, also offer discounting of the exporter’s invoices.
3.3 External financing and mixed forms

External capital from banks
The use of traditional external capital via banks is pretty frequent with marketable ICHs. This involves borrowing capital for a certain term at a defined interest rate and repayment period. In times of low interest rates (currently approx. 2%) and with good collateral, this way of financing is certainly an easy option.

Asset pool (securitised loan)
This type of financing is suitable for major projects with a high proportion of investment. Here, investors stand out for loans managed via escrow and secured by the land register. The investors receive a certain amount of interest on their capital (or a donation of material assets each year), but otherwise have no right of say. Project sponsors can only use these loans for specific purposes defined in advance. Normally a 10% liquidity reserve guarantees the repayment of loans. The asset pool is a form of group financing.

Business angels
The cultural sector, creative industry and ICH stakeholder still make very little use of money and competence coming from Business Angels - rich risk-taking individuals, willing to invest their money at the early or start-up phase of business opportunities. Generally the regional affiliation of a Business Angel makes him consciously taking action in the field of ICH. But in most regions the interest in the creative and cultural sector is very low, due to lack of publicity or image of ICH (and their opportunities). This needs to be actively addressed in regions that want to set up a network with Business Angels and ICH stakeholder.

Normally, Business Angels investments are too specific and too small for venture capital funds. They are therefore important for filling the “financing gap”. Public authorities and regional developers play an important role by launching programmes or networks intended to increase contact between ICH and business.

Crowdfunding
Crowdfunding (since 2009) is a form of financing by a number of internet users (crowd) or involved individuals. Donations or contributions are invited via individual homepages, professional websites and special platforms. German uses the terms ‘Schwarm-’ or
'Gruppenfinanzierung'. Investors are sought over the internet (or other mass media) where the minimum amount for a contribution is so small that numerous investors are needed and small amounts can be contributed for financing the selected project. Individuals interested in the selected project can take part within a set period (funding period).

This method for obtaining money allows projects, the implementation of business ideas and much more to be achieved by providing funds similar to equity (mostly in the form of profit-participation loans or dormant equity holding). The risk with crowdfunding is generally high and the micro-investor may lose their stake if the project is not successful.

**Crowdfunding with profit-sharing or, as may apply, with a bonus related to products**
(products, services, advertising)

If successful, investors receive a share in profit in the project (or enterprise) financed by them either as a share in the profit or in the increased value. Profit-sharing loans are generally agreed. An interest payment may also be agreed, where the focus needs to be on profit-sharing.

As such, the lender has no voting right in the enterprise, bears no risk in the enterprise, and a share in the losses is excluded. These factors distinguish profit-sharing crowdfunding from dormant equity holding.

In part, material assets or services from the project are offered in lieu of cash interest payments. An example here is to send product or service vouchers to those involved each year.

**Crowdfunding as a stranded investment with one-off gifting of material assets**

With some projects (for example production of a CD of regional songs, first edition of a book about the region), the crowd is simply rewarded with the product being developed. For example, once the right amount of financing has been achieved, a CD of regional songs is produced and sent to all participants once copies have been made.

**Crowdfunding, -engagement, -marketing**

Crowdfunding often has other side effects as benefits along with financing:

- **Crowd marketing** - raising the profile of the project raises its image and reach. Along with the effect of advertising on the platform, examples of the crowd supporting the marketing initiative are networking and word-of-mouth propaganda.
The crowd provides suggestions, new ideas and innovation for the product through the wide range of participants. The crowd links people with skills and, as such, allows crowd innovation for initiatives taken.

Similar to the practice in associations, information from the crowd can lead to crowd engagement. This allows participants to take on communication and organisation services - or even crowd working as the stakeholder being directly involved in the project.

Mezzanine and hybrid capital
Mezzanine capital is a collective term for types of financing whose structure represents a mixture of equity and external capital. In the traditional forms, this provides an enterprise with economic or balance-sheet equity without granting investors voting or influence rights or, as may apply, residual claims as with genuine shareholders.

- A dormant equity holding is, for example, a long-term type of financing (and a turnover-share model). It is subordinate in the event of liquidation, the share in losses equates to the full amount of the investment (corporate risk for the investor), and remuneration for the capital provided is based on profit. In return for providing the loan, the project sponsor shares part of the profit with the investor.

- The forgivable loan is a hybrid financing instrument. Hybrid financing instruments consist of a combination of equity capital, external capital or donations. The forgivable loan is a disbursed loan that on reaching the agreed objectives is partially waived.

- The recoverable grant is a loan that only needs to be paid back if the enterprise is successful. Where the investment does not pay off and repayment is impossible, the recoverable grant is converted to a traditional grant.

- The convertible grant is a loan that is converted to equity with predefined success of the enterprise.

Surety
The surety is a unilaterally binding contract by which the guarantor (or joint signatory) undertakes to the lender of a project sponsor (as main debtor) to vouch for the compliance of obligations of the project sponsor. The lender covers itself by the surety in the event of its debtor being unable to pay. The purpose of the loan secured by the investor is defined in advance.
Cultural clubs or associations are often not creditworthy. Loans for projects must therefore be secured by private individuals or enterprises by means of sureties.

**Venture philanthropy**

Venture philanthropy applies venture capital investment principles - such as long-term investment and capacity-building support - to the voluntary, cultural and community sector. It is a form of engaged philanthropy. In measuring their results, venture philanthropy organisations (VPO) are focused on outcomes rather than outputs. The investors are usually more actively engaged in the operation and financing of the projects of grantees. They therefore demand stricter monitoring of grantees, operations, and usually remain more intensely involved in the functioning of the foundations.

In Europe VPOs are also typically more open to investing in initiatives that are not registered charities, such as social enterprises, social businesses, ICH or individuals, a trend that stems in part from the varying legal forms of organisation and charitable tax relief in different countries (Čopič, V., A. Uzelac, et al., 2011).

According to the European Venture Philanthropy Association (https://evpa.eu.com), the key characteristics of European venture philanthropy are: high engagement, tailored financing, multi-year support, non-financial support, organisational capacity-building and performance measurement.

**Arts and business forums**

In many countries the establishment of specialised agencies (e.g., www.iwk.at in AUT, www.kulturkreis.eu in GER, www.summa-artium.hu in HUN, www.cte.org.pl in POL), which encourage engagement between business companies and cultural organisations enhanced private involvement in the cultural sector. Even though culture and business exist in seemingly different spheres with different values and goals, they can learn from each other and can enrich each other through cooperation.

Culture plays an important role for businesses - artistic skills are important in different business areas (design, marketing, public relations, communication, reputation management, product development, etc.), while cultural organisations need the business skills to drive economic balance, and good cooperation with the private sector can offer more opportunities than traditional sponsorship.

Arts and business organisations operate on a national level as facilitators and advocates of co-partnership between business and artists and/or cultural organisations. Their main activities in Europe focus on advocating the importance of business and arts partnerships, providing information and support services, encouraging communication.
and co-operation between their member organisations (from business and cultural sides), researching relevant aspects of culture and economy by gathering information on European corporate giving to the arts, and representing their members' needs.

For further information and details we recommend reading e.g.,
Čopič, V., A. Uzelac, et al. (STUDY 2011) ENCOURAGING PRIVATE INVESTMENT IN THE CULTURAL SECTOR, IMO - Institute for International Relations, funded by European Parliament’s Committee on Culture and Education
COST Association (2017) Cultural Heritage in the Digital Era, Brussels
Green Paper: Unlocking the potential of cultural and creative industries (2010), European Commission, Brussels
Deloitte (2008) Business to Art - Private investment in art and culture, Survey Report
Ernst & Young (2009) The way to cultural diversity in tax policies - The Ernst & Young international survey on tax policies in the cultural sector


4. Conclusion

ARTISTIC project takes the challenge of integrating a sustainable financial approach to CCC Method. ARTISTIC is completing CCC’s approach with economic tools and financing. The process of entrepreneurial development as part of ARTISTIC surmounts CCC Method and guarantees the sustainability of ICH initiatives, which in most cases were developed with public resources at the start of the process. In this respects ARTISTIC approach secures the refunding of public investments in the immaterial cultural heritage sector.

And moreover heritage is pursued and proposed to the market. The ARTISTIC approach (ART) boosts the valorisation process by applying the best available financial tools on each development step strategically (see fig. 5). This will capitalise the cultural growth and increase the economic output of CCC valorisation significantly.

For ICH stakeholder and the project team it is important for the next steps:

- to gain deep understanding of financing instruments;
- the selection of suitable instruments for optimal ICH development at different steps (phases) and in various settings;
- prepare training material for ICH stakeholder on financing instruments and their optimal application for the next step of development in the ICH valorisation process;

Depending on the degree of maturity of an ICH initiative different ways of financing are possible. The arc of financing models spans from assistance, in kind donations, sponsoring and public funding in the first steps, to instruments of economic growth, investments and (export) markets in the last steps. Most initiatives combine a set of models in their process of valorisation. For cultural operators it is thus important to learn about new opportunities of financing for the next step (level) in time.

Direct support for ICH providers is available in the ARTISTIC project through: (1) the setting-up of a point of contact for ICH projects (ICH desks in each PP region)

- Disseminating information of what an ICH is, how its development can be fostered and how and which financing instruments could be applied by the stakeholder
• Information about ICH projects (cooperation and networking), activities and financing options

• Coordination of networking events for exchanging the latest information, experiences and knowledge

As well as (2) raising awareness in each region

• Local media network for providing information and raising awareness about ICHs in the regions

Summing up the capitalization of a cultural resource through valorisation describes the process of activating development potentials based on the economic value of a cultural entity. By embedding cultural resources into the regional economic circuit, quality of life and economic competitiveness are enhanced and the regional identity is strengthened at the same time. This has big advantages for the sustainability of a business or region.
Mag. Daniela Adler, MBA
Dipl.-Ing. Dr. techn. Christian Krotscheck

Steirisches Vulkanland,
Gniebing 148, A-8330 Feldbach, Austria

Email  adler@vulkanland.at

Phone number +43 (0) 3152/83 80-16