

Public Funding for Culture and Creativity in Latin America and the Caribbean

Budget, Tools and Perspective

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**Vice Presidency for
Sectors and Knowledge**

Creativity and Culture Unit

**DISCUSSION
PAPER N° IDB-DP-899**

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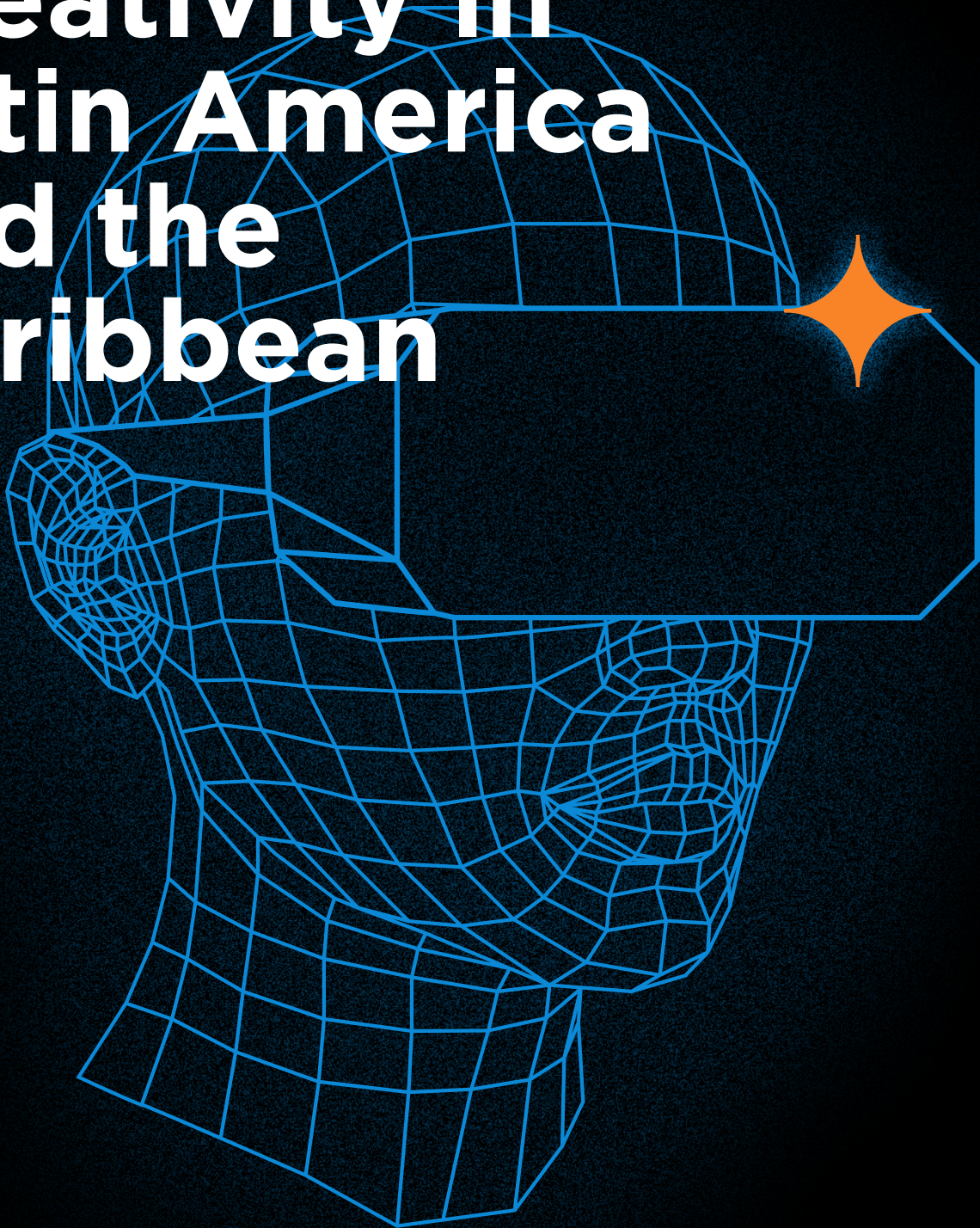
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December 2021

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Introduction

The special characteristics of the cultural and creative sector raise a series of dilemmas for decision-makers, primarily concerning the emphasis and objectives of intervention strategies and, accordingly, the rationale for public spending on culture and the creative economy.



Traditionally, one of the main arguments justifying government intervention in the creative economy has been that both producers and consumers place a social value on the goods and services produced by the sector that exceeds their economic valuation. For example, some cultural organizations, such as museums, libraries, and theaters, play a role in transmitting and disseminating common symbolic and identity-related content (Frey, 2000). Consequently, a clear policy objective is to ensure that these types of cultural organizations and events are accessible to a large part of the population. Public intervention has also been justified from a rational economic standpoint, pointing to the existence of market failures arising from the nature of cultural goods and services (non-rival public goods viewed as “merit goods,” often with high investment costs) and the behaviors associated with their consumption (Bakhshi et al., 2015).

The development of cultural policies has also been affected by the economization of public policies, a crosscutting phenomenon that seeks to ensure efficiency and effectiveness in the use of resources. For better or worse, there is a requirement that public investments in culture be justified beyond their undeniable intrinsic value (Throsby, 2010). Throsby indicates underlines the importance of balancing the economic, social, and cultural objectives of state intervention. Accordingly, decision-makers need to address a series of dilemmas, including—among many others— how much the State should intervene versus private actors, what is considered to be efficient public spending, how equity can be assured in the distribution of spending, what the primary objective

of policy is, and what part of the value chain should be targeted for intervention (Throsby, 2010; CNCA, 2012).

In terms of the public institutional framework in Latin America and the Caribbean, there are a number of challenges arising from the relatively recent adoption of the terminology associated with promotion of the creative economy and the implementation of related policy measures.¹ These challenges are reflected in, among other things, a lack of clear definition of the objectives and scope of intervention of participating government institutions, limited availability of information on budgets and impact evaluations, and a rudimentary understanding of the beneficiaries of these activities. These problems are aggravated by the limited resources available to those institutions that by their very nature are involved in the creative economy, as manifest in the low participation of public cultural institutions in government budgets.

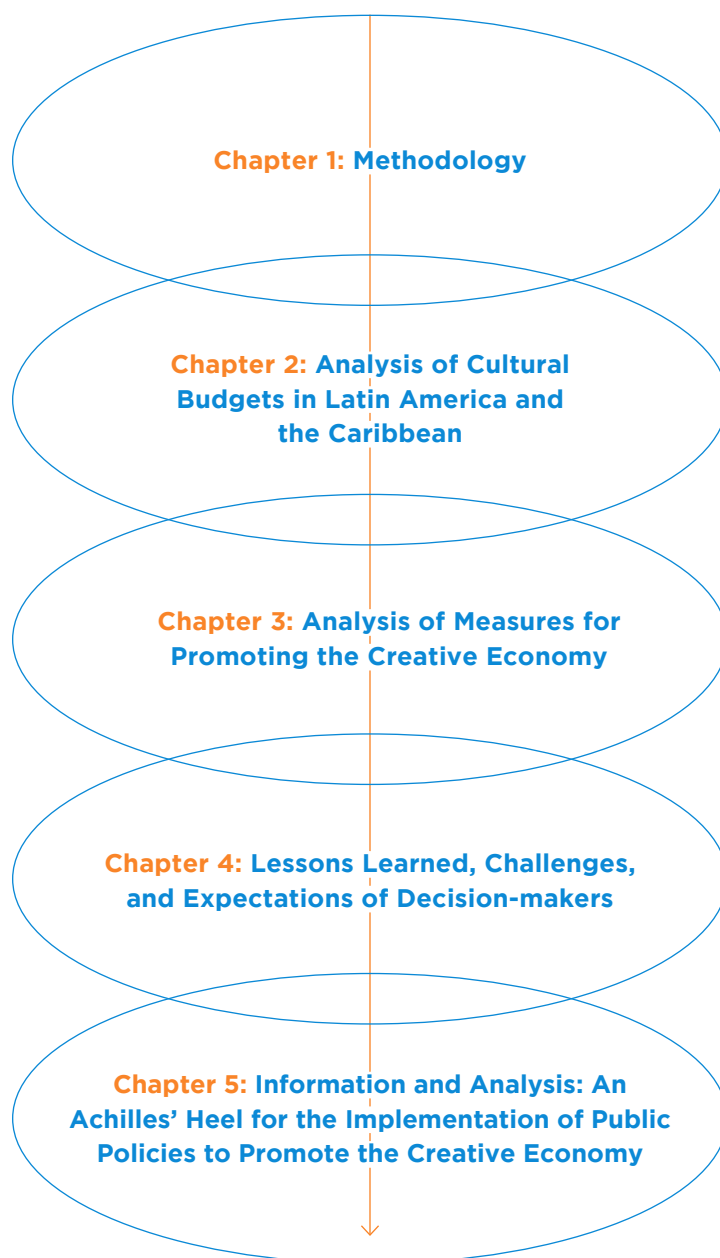
The objective of this study is to analyze the tools implemented by Latin American and Caribbean countries to promote the cultural and creative economy, as well as governments’ willingness to finance public programs in the cultural space, first of all, and in the creative economy thereafter.² The study framework includes countries in both Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela) and the Caribbean (Jamaica, the Dominican Republic, and Trinidad and Tobago).

¹ Although studies of the economic valuation of culture and creativity in Latin America began to emerge at the beginning of 2000 (through research under the [Andrés Bello Agreement](#), which aimed to measure the economic contribution of culture in [Chile \(2003\)](#), [Colombia \(2003\)](#), [Venezuela \(2004\)](#), and [Peru \(2005\)](#)), fieldwork suggests that policy measures to promote the creative industries have solidified in the last decade in particular.

² Given the objective of the study, it does not focus on theoretical and conceptual definitions or the emerging tensions between culture and the creative economy. Such differentiation has been extensively debated in the literature produced by international organizations. See <https://unesdoc.unesco.org/ark:/48223/pf0000191063>; United Nations Conference on Trade and Development (2010); <http://www.unesco.org/culture/pdf/creative-economy-report-2013-es.pdf>; and <https://publications.iadb.org/publications/spanish/document/Pol%C3%ADticas-p%C3%BAblicas-para-la-creatividad-y-la-innovaci%C3%B3n-impulsando-la-econom%C3%ADa-naranja-en-Am%C3%A9rica-Latina-y-el-Caribe.pdf>.

This report is divided into six main chapters that cover methodology, results, and conclusions.

Chapters 1 and 2 describe the methodology and present a taxonomy for analyzing cultural and creative economy policies, respectively. Chapter 3 contains an analysis of government budgets and expenditure execution. Chapter 4 sets out an exploratory map of tools for promoting the creative economy, while Chapter 5 describes the main challenges and lessons learned for decision-makers with respect to the institutional framework for culture. In addition, given that the availability of information and analysis was a key obstacle to identifying the results described in the three preceding chapters, Chapter 6 outlines the challenges in this area, together with their possible causes and consequences. Lastly, some of the key conclusions are described, together with recommendations for the development of cultural policies in the region.



Methodology

Programs implemented in LAC have varied widely depending on the rationale for public intervention, encompassing policy tools in areas as diverse as fiscal policy, financial support, and human capital formation.



To address the proposed objective from a holistic perspective while also acknowledging the limitations imposed by the exploratory nature of this study, three strategies (both quantitative and qualitative) were developed for gathering and analyzing information in a context of limited information on public policy evaluation in Latin America and the Caribbean (LAC):

- 1) Identification, systematization, and analysis of public mechanisms for promoting the creative economy.
- 2) Budget analysis.
- 3) Decision-makers' perceptions of the main lessons learned and challenges associated with implementing public policies for culture and the creative economy.


The analytical processes and criteria for each of these strategies are described below.

1.1. Identification and systematization of tools for promoting the creative economy

Programs implemented in LAC have varied widely depending on the rationale for public intervention, encompassing policy tools in areas as diverse as fiscal policy, financial support, and human capital formation (Benavente and Grazi, 2018). Accordingly, for the purposes of this study, a taxonomy was developed based on the conceptual approaches of Thorsby (2010) and Price (2018), focusing on the beneficiary or target population as the key criterion (Table 1).



Table 1. Taxonomy of Tools for Managing Cultural and Creative Economy Policies



Type of intervention	Type of tool	Measures adopted	Implementation mechanisms	Examples	
Supply-side	Direct	Subsidies and grants	Competitive fund	National Stimulus Program (Colombia) Culture Funds (Chile) Innovation vouchers for creative enterprises (Uruguay)	
			Direct allocation	National Institute of Cinema and Audiovisual Arts subsidies (Argentina) COVID Grants (Colombia)	
		Loans	Loans	Orange bonds (Colombia)	
		Direct provision	Public infrastructure and permanent companies	Public museums and theaters (e.g., Teatro Colón in Argentina)	
	Indirect	Tax benefits		Benefits for private sector donors	Fiscal Incentives (Rouanet) Act (Brazil) Creative Ecuador Tax Simplicity and Progressivity Act (Ecuador)
				Benefits for artists or cultural organizations	Tax benefits for theater box office ticket sales (Chile) Financing Act under the Orange Act (Colombia)
		Human capital formation and technical assistance	Training and capacity building	Education and training programs for artists and managers	Public Cultural Management Course (Argentina) Chile Crea Scholarships (Chile)
			Productive development through technical assistance for businesses	Specialized government services providing assistance to businesses	ChileCreativo , Ministry of Economy (Chile)




Table 1. Taxonomy of Tools for Managing Cultural and Creative Economy Policies

Type of intervention	Type of tool	Measures adopted	Implementation mechanisms	Examples
Demand-side	Direct	Cultural or creative spending voucher for end consumers/audiences	Awarded based on socioeconomic status	Culture Voucher (Brazil)
		Cultural or creative consumption voucher for intermediate consumers: funding for the hiring of creative services that generate innovation or value added in traditional companies	Application for nonreimbursable funds following initial suitability assessment by a committee	Innovation Program for Creative Industries , National Agency for Research and Innovation (ANII) (Uruguay)
	Public procurement	Competitive procurement processes, framework agreements	Procurement of artistic event production services through Chilecompra (Chile)	
Indirect	Price adjustment	Price adjustment	Differentiated tax treatment for cultural goods	Value-added tax exemptions or tariff concessions (Argentina, Mexico, Bolivia, etc.)
	Human capital formation (audience development)	Art education policies and exposure to cultural expression at an early age	Funding for art education projects	CoCrea (Co-Create) (Colombia) National Plan for the Arts in Education 2015-2018 (Chile)



Table 1. Taxonomy of Tools for Managing Cultural and Creative Economy Policies

Type of intervention	Type of tool	Measures adopted	Implementation mechanisms	Examples
Regulation 	Legislation and enforcement	Copyright-based regulation		Financing of the National Arts Foundation through copyright payments (Argentina)
		Cultural content quotas in the mass media		National Television Council (Chile)
		Other regulations		National Music Quota (Argentina)
				Regulation to facilitate access to published works for individuals who are blind, visually disabled, or face other difficulties in accessing printed text (World Intellectual Property Organization, 2013)
				Other regulations

Source: Prepared by the authors.

The proposed taxonomy identifies, first of all, three types of public intervention, focused on:

- 1) supply (e.g., a subsidy to organize a festival),
- 2) demand (e.g., a subsidy for cultural purchases), and
- 3) regulation (rules affecting both supply and demand, e.g., copyright laws).

It also identifies several types of tools based on public policy emphasis; these may be direct, indirect, regulatory, or to support human capital formation or technical assistance.

Support is considered to be direct when resources from the public budget are provided through a ministry, council, or other government organization to organizations and individuals in the cultural sector. As posited by Throsby (2010), the allocation of resources varies according to the different institutional frameworks used in the cultural sector. In all cases, however, it involves a transfer of public resources to a beneficiary. For example, a subsidy may be directly allocated based on a strategic decision by a council of experts or through competition for funding.

Meanwhile, support is indirect where resources are channeled through incentives (generally tax-based) that create public expenditure without necessarily requiring a monetary transfer to a beneficiary (e.g., tax benefits for donors or philanthropists who contribute to the cultural sector).

The taxonomy also identifies another category of tools that involve, on the supply side, actions to promote the formation of technical capacities and human capital formation and, on the demand side, audience development. It also includes the most common measures implemented for each type of tool (e.g., loans or subsidies) and identifies the implementation mechanisms for them.

To develop a map of cultural policy tools in Latin America and the Caribbean, a “complete collection” (Flick, 2007) of information was undertaken and the information arranged in a framework matrix.³ Based on official documents, the matrix recorded the greatest possible variety of programs and measures that could be categorized on the basis of the aforementioned taxonomy.

³ See Annex 1 for the categories included in the matrix.



One limitation of this system concerns the categorization criteria, as a single public program may have different types of beneficiaries and a variety of objectives. The use of the taxonomy seeks to codify existing tools but never to rigidly limit the scope of each program. Where helpful to deepen the analysis, specific details of this nature are therefore highlighted in the results analysis chapter.

In order to limit the analysis to the objectives of the study, priority was given to tools and measures that are specifically associated with the creative economy through their support for production and consumption in economic terms. Those with broader objectives and fields of intervention were excluded. As a consequence, the supply-side analysis focused on subsidies, loans, tax benefits, training, and technical assistance. On the demand side, emphasis was placed on tools associated with vouchers for cultural purchases (final and intermediate consumers) and price regulation measures⁴ (Table 2).

⁴ Although audience development measures were identified by decision-makers as being of considerable importance for developing interest in artistic, cultural, and creative activities (thereby stimulating their consumption), these were not prioritized in the analysis of tools associated with the creative economy. Audience development does not have the required primary objective of stimulating demand (i.e., influencing consumption decisions by reducing market prices), even though it does affect the medium- and long-term willingness of consumers to pay for these goods and services.

Table 2. Summary of Categories Prioritized Based on the Taxonomy

Type of intervention	Type of tool	Measures adopted
Supply	Direct	Subsidies and grants (funds awarded by competition or direct allocation)
		Loans
	Indirect	Tax benefits
		Human capital formation and technical assistance
Demand	Direct	Vouchers for end consumers/audiences
		Vouchers for intermediate consumers
	Indirect	Price regulation

Source: Prepared by the authors.

Based on the results of the processing of programs, the final matrix distinguished between priority and nonpriority tools, totaling 68 measures for the selected countries.⁵ The priority tools included 33 on the supply side and 10 on the demand side, for a total of 43. In the case of nonpriority tools, a total of 25 were identified.

Lastly, a number of sample measures were selected for the purposes of presenting the results in subsequent chapters, with care taken to represent most of the countries selected for this study. In addition, the maximum variation criterion (Flick, 2007) was used to deepen analysis of the most representative cases in the taxonomy categories, as well as the more unusual ones.

1.2 Budget Analysis

The budget analysis involved identifying, codifying, and analyzing available information on budgets or expenditure aimed at financing the implementation of public programs associated with culture and/or the creative economy. The work focused on reviewing different categories of information sources,⁶ available mostly through the websites of public cultural institutions (ministries, secretariats, or departments, depending on the country concerned) or from national statistical bodies.⁷

The team opted to approach the research by presenting published information from official sources in each of the countries, firstly for budgets and then for accrued expenditure, differentiating between three simplified levels of central and local government as follows:



⁵ In addition, the resulting matrix was reviewed within the Inter-American Development Bank and with the decision-makers interviewed (see Annex 1 for a list), with a view to incorporating any additional policies or initiatives not identified in earlier searches. This process constituted a supplementary source of information.

⁶ The categories were as follows: (i) the disaggregated national budget for central government cultural institutions; (ii) the budget for other central government institutions; (iii) the local government budget; (iv) regular budget analysis reports; (v) budget execution reports or annual reports; and (vii) information systems.

⁷ In cases where no information was available through these channels, and to ensure that information was collected for most of the countries included in the research, the relevant cultural and statistical bodies were contacted to confirm whether the information was available in the local budget law



1

Level

Central government


Level 1 (cultural institutions): This comprises central government institutions responsible for implementing cultural policies in the country concerned, including culture-related ministries, secretariats, departments, institutes, or similar. In this case, the entirety of the budget or accrued expenditure approved by the respective Congress or Parliament was taken into account.



2

Level

Level 2 (other public institutions): This consists of central government bodies that implement actions and programs that relate to the development of culture and/or the creative economy, even where the mission of the institution concerned is not directly associated with policy implementation in this sphere. The information reported at the country level is based on estimates prepared by the local teams responsible for studies, statistics, or the Culture Satellite Account.



3

Level

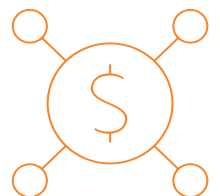
Local government

Level 3 (provinces/departments, municipios, and town halls): is comprises the budgets of decentralized administrative units in each country that are used to implement actions relating to culture and/or the creative economy in a specific location. As in the case of Level 2, the information reported corresponds to estimates prepared by local study teams.

Figure 1. Study Classification of Public Funding Sources for Culture and/or Creative Economy Programs, by Level of Government



Source: Prepared by the authors.



The analysis of budget or spending levels for policies and initiatives regarding culture and/or the creative economy is complicated by a number of factors, mainly relating to the diversity of jurisdictional frameworks, levels of transparency, and the heterogeneity of budget classifications.⁸ In this respect, crosscutting analysis of the countries serves to highlight the limited amount of information available for the budgets of Level 2 and 3 institutions. This reduces the feasibility of evaluating program-level synergies between the different levels of government, as well as the visibility of decentralized policy measures implemented at the regional level.



⁸ The section “Methodological Notes on Budget Analysis” in Annex 1 provides details of the limitations and findings with respect to the study subject matter, as well as the strategies used to minimize constraints in the analysis.

1.3 In-depth Interviews with Public Sector Decision-makers

The third information-gathering strategy consisted of interviews with Latin American public officials with in-depth knowledge of policies to promote culture and the creative economy. Seventeen officials responsible for cultural policy decisions were interviewed during field research, from Argentina, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay.

While the strategic importance of the decision-making responsibilities of these participants represents a step forward in terms of generating information on public policy formulation and implementation in the areas of culture and the creative economy, the qualitative analysis is subject to a number of limitations. Firstly, selection of the participants was limited by the preselected list of countries and included only those officials who occupied relevant positions in 2020. Secondly, the backdrop of the pandemic influenced interviewees' perceptions of the management and implementation of the tools. Lastly, although attempts were made during fieldwork to contact counterparts in government entities in the Caribbean, these were unsuccessful and interviews were limited to researchers and specialists in the region. As a consequence, the results described in Chapter 5 are applicable only to Latin America.⁹

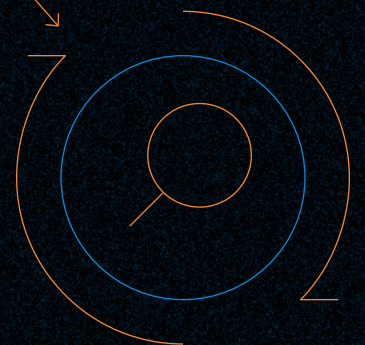
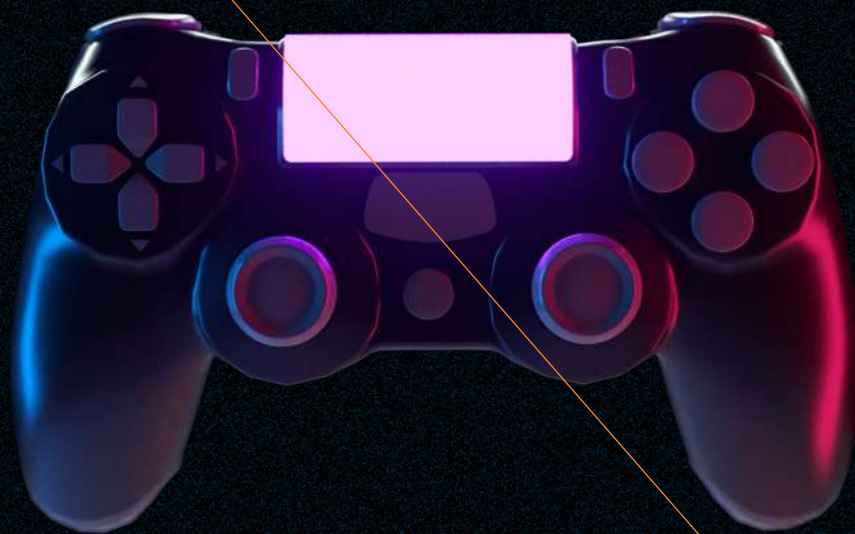


⁹ See Annex 1 for details of interviewees and their respective institutions.

2

Analysis of Cultural Budgets in Latin America and the Caribbean

UNESCO has highlighted the evaluation of public finance for culture and/or the creative economy as one of 22 relevant indicators that should be assessed when identifying the contribution of culture to more inclusive and sustainable economic models (UNESCO, 2019). In this sense, it emphasizes the contribution of these economic activities to the generation of income and employment, and thereby to the Prosperity and Sustainability pillar of the Sustainable Development Goals for 2030. This contribution occurs through the production of goods and services by enterprises, companies, or initiatives belonging to the artistic, cultural, or creative sector, as well as through the development of nontraditional exports such as video game development.



Although UNESCO (2019) indicates that the investment of public funds in culture should be studied given its importance for generating economic activity in the private sector, estimating the quantity of resources and their share of the total budget is also critical for evaluating the government's willingness to foster development of the sector. Sources of complexity when researching government budget information (particularly for Levels 2 and 3) include the over and underestimation of budgets allocated to the implementation of programs and initiatives.

With respect to overestimation, presenting information on a country using more than one source of information could lead to the double counting of public funding, given that initiatives implemented by Level 3 may be fully or partly financed by Level 1. The underestimation of sources of public finance relates mainly to programs implemented by Level 2 institutions that may be categorized as artistic, cultural, or creative but have not been identified by Level 1.¹⁰

As a result, the following chapter provides a quantitative analysis of the official information on budget allocations or public spending for culture in the different countries selected.



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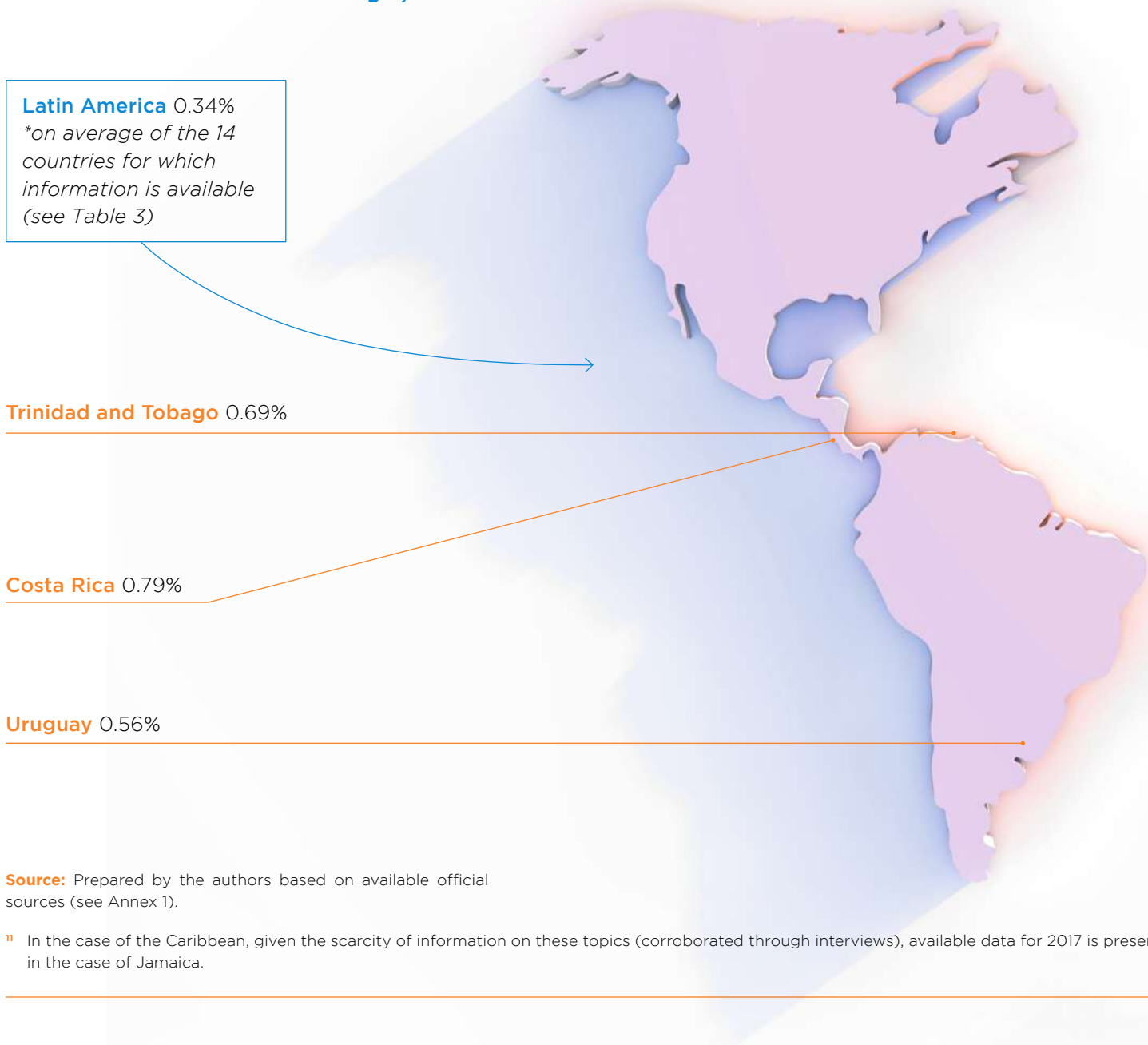
¹⁰ To minimize these risks, the information used for Levels 2 and 3 was prepared by the local study teams in each country. See Annex 1 for details of the methodology.

2.1. Central Government

Level 1: Cultural institutions

Table 3 shows the analysis of the 2018 budgets for cultural institutions in Latin America and the Caribbean (LAC). The countries in which these account for the highest share of the overall government budget are Costa Rica (at 0.79%), Trinidad and Tobago (0.69%), and Uruguay (0.56%). In the other Latin American countries, the share ranges from 0.07% to 0.41%, averaging 0.34% for the countries analyzed.¹¹

Map 1. Percentage of Participation in the Total Government Budget, 2018



Source: Prepared by the authors based on available official sources (see Annex 1).

¹¹ In the case of the Caribbean, given the scarcity of information on these topics (corroborated through interviews), available data for 2017 is presented in the case of Jamaica.

Table 3. 2018 Budget, Level 1

Country	Institution	Local currency, million (nominal)		Share
		Central government	Culture	
Argentina	Department of Culture*	3,399,167	<u>6,224</u>	0.18%
Brazil	Federal Culture Budget	2,757,365	<u>1,925</u>	0.07%
Chile	Ministry for Culture, the Arts, and Heritage	50,979,911	<u>177,899</u>	0.35%
Colombia	Ministry of Culture**	183,613,339	<u>340,677</u>	0.19%
Costa Rica	Ministry of Culture and Heritage**	6,393,323	<u>50,400</u>	0.79%
Dominican Republic	Ministry of Culture	689,886	<u>2,224,5</u>	0.36%
Ecuador	Ministry of Culture and Heritage***	34,173	<u>75</u>	0.22%
Jamaica	Ministry of Culture, Gender, Entertainment, and Sport	275,209	<u>725,8</u>	0.26%
Mexico	Department of Culture	5,285,938	<u>12,916</u>	0.24%
Panama	National Institute of Culture	13,035	<u>55</u>	0.42%
Paraguay	National Department of Culture	<u>73,566,198</u>	<u>48,598</u>	0.07%
Peru	Ministry of Culture	155,947	<u>592,6</u>	0.38%
Trinidad and Tobago	Public Sector Investment Programme: Putting People First: Nurturing Our Greatest Asset - Culture	5,100	<u>35,4</u>	0.69%
Uruguay	Executing Units for Culture Programs (Ministry of Education and Culture)	492,156	2,735	0.56%

Source: Prepared by the authors based on available official sources (see Annex 1).

Notes:

*Includes transfers to public entities.

**Central government budget; excludes debt service.

***Expenditure.

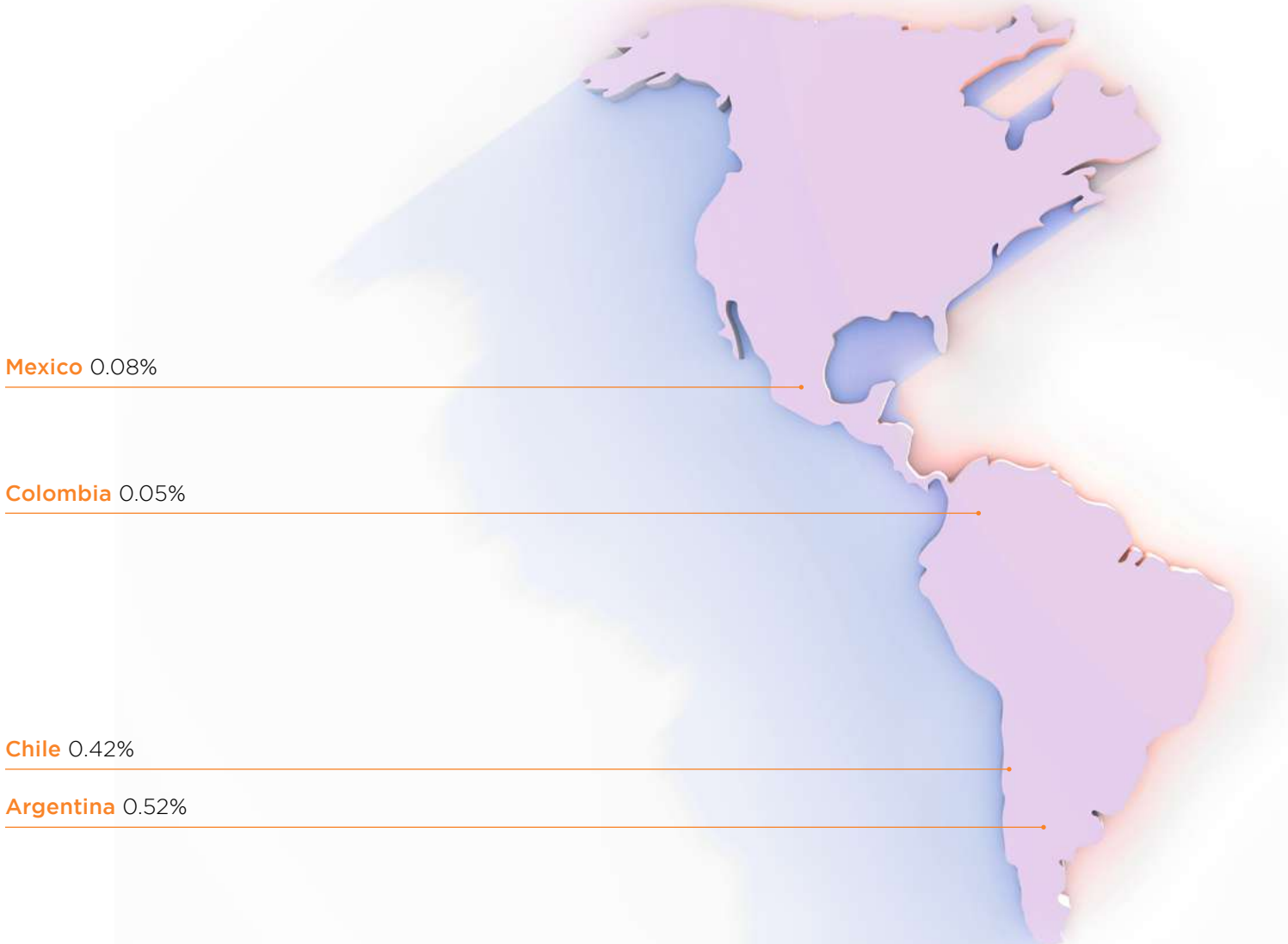
Level 2: Other public institutions

Information on funding for cultural programs provided by other public institutions is only available for four of the countries analyzed (Argentina, Chile, Colombia, and Mexico), and is only published on a regular basis by Argentina and Chile.

Table 4 provides data on the total share of Level 2 resources. It should be noted that funding from Level 2 institutions in both Argentina and Chile far exceeds that from Level 1, at 0.52% and 0.42% of the total public sector budget, respectively. In Mexico and Colombia, meanwhile, the share is one-third lower than for Level 1.

A second line of analysis for Argentina, Chile, and Mexico shows that the Ministry of Education’s contribution is quite significant. In Argentina, it is 0.1%, while in Mexico, the Department of Public Education (SEP) accounts for 0.08%. In contrast, the share in Chile is 0.17%—the highest share of all the institutions analyzed.¹²

Map 2. Percentage of Participation in the Aggregate Budget, 2018



Source: Prepared by the authors based on official sources (see Annex 1).

¹² See Tables A1.3, A1.4, and A1.5 in Annex 1 for the disaggregated budget for Level 2 institutions and programs in the countries analyzed.

Table 4. Aggregate Budget, Level 2 (2018))

Country	Level 2, aggregate	Local currency, million (nominal)		Share
		Central government	Culture	
Argentina	Spending on non-cultural bodies	3,399,167	17,809	0.52%
Chile	Budget allocated to culture in culture-related institutions and institutions with cultural programs	50,979,911	215,995	0.42%
Mexico	Federal Expenditure Budget allocated to culture	5,285,938	4,460	0.08%
Colombia*	Comprehensive Policy for the Orange Economy**	183,613,339	92,076	0.05%

Source: Prepared by the authors based on official sources (see Annex 1).

Notas:

* One of the results of the interagency coordination that has taken place under the Comprehensive Policy for the Orange Economy has been an increase in the Level 2 budget. The reported data show that this budget increased more than fivefold in 2019 (to Col\$1,019,885 million) (Table A1.5 in the Annex).

** Reported since 7 August 2018.

In the case of Chile, most of the funding is used for the purchase of school textbooks and therefore contributes to development of the publishing sector. In the case of Argentina, it is channeled predominantly to the program Educ.ar S.E. (an agency that supports innovation in education through the use of technologies) and Universidad de las Artes. In Mexico, lastly, funding is used for cultural development and the production of educational and cultural books and materials; the latter also constitutes support for economic activity in the publishing sector.

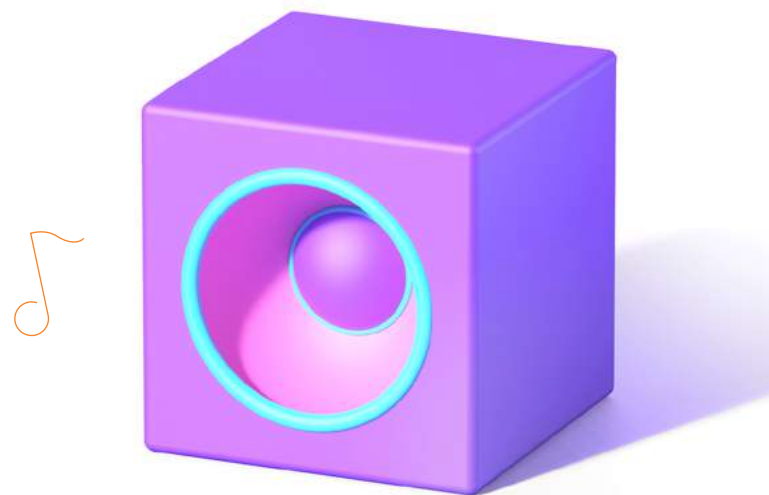
It should be noted that the information reported includes only those programs with objectives that are strictly focused on culture and/or the creative economy. This may lead to underestimation of the amount of funding for the sector, as other instruments may have beneficiaries that meet these definitions. In the case of ChileCreativo, for example, the above data does not include funding for initiatives or ventures that benefit from productive development support provided by the Corporación de Fomento Productivo (Production Development Corporation, CORFO).¹³

2.2 Local Government

Only three of the countries analyzed—Argentina, Brazil, and Colombia—have information on Level 3 funding for cultural programs, and only Argentina and Brazil provide this information on the web.

As mentioned in the section “Methodological notes on budget analysis” in Annex 1, information at the local government level is very limited. Only Brazil has a publication that presents the disaggregated budget for municipios and states for 2018, while in the case of Colombia the overall amount was sent by the technical counterpart.

With respect to Argentina, although the Cultural Information System (SINCA, 2020) publishes a general estimate of the overall provincial budget and average spending per capita by local residents, the base year is 2017 and the real amount of resources is not identified. This last point is important: given that jurisdiction in the country can be considered to be highly decentralized, it is important to have an idea of the volume of resources mobilized at the local level to develop the sector.

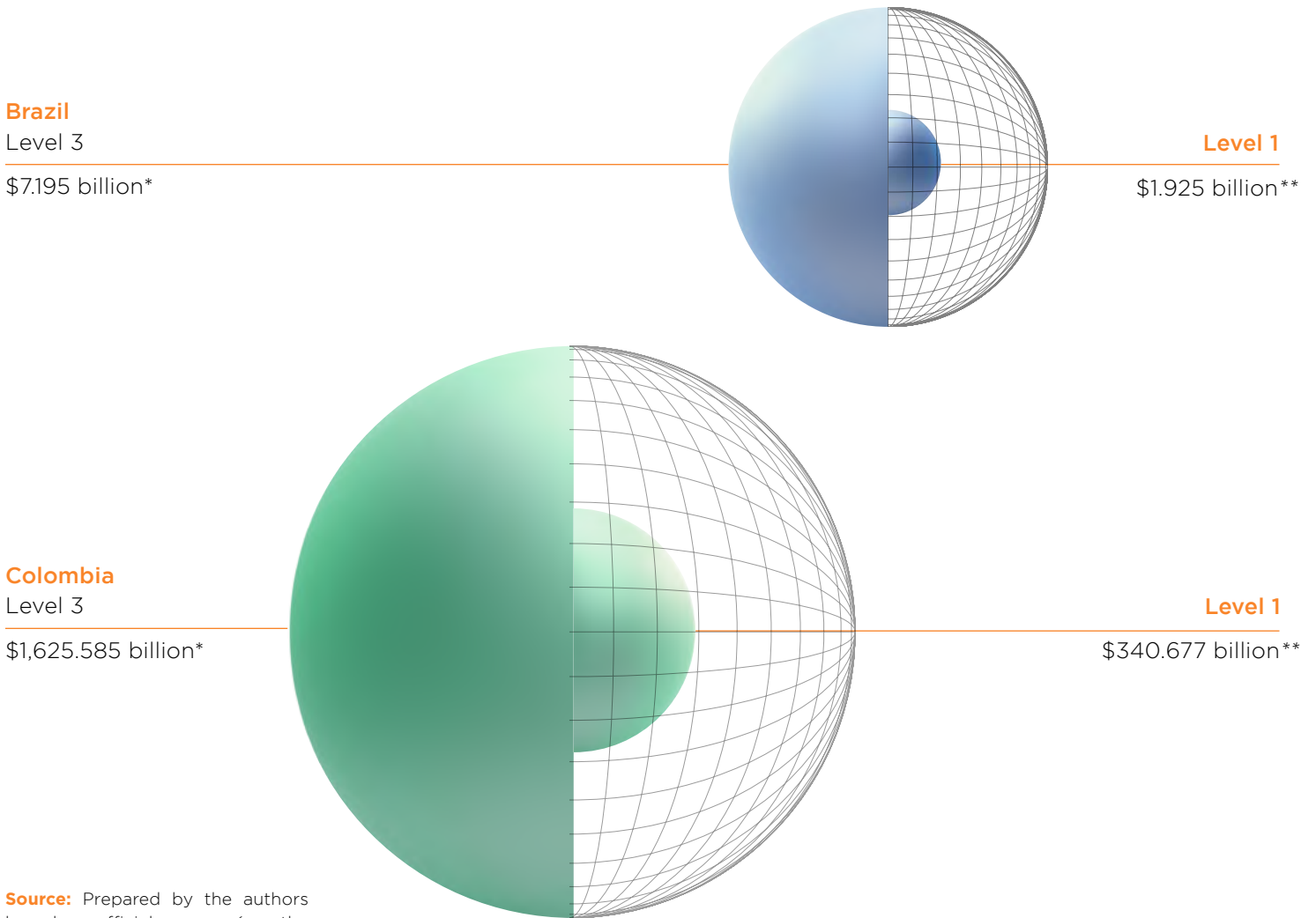


¹³ Annex 1 includes additional detail of the methodology for this analysis, as well as its limitations.

The fact that there are only two cases means that the conclusions cannot be extrapolated to other countries. However, the results of Table 5 show that the Level 3 budget share in the total local government budget is almost 50% higher than the share of Level 1 institutions in the central government budget. The average of 0.47% for Argentina (0.45%) and Brazil (0.48%) far outstrips the 0.34% average analyzed in Section 2.1.

A second dimension of the analysis relates to the volume of resources involved, and in this respect the total Level 3 budget in Colombia and Brazil is several times higher than for Level 1. In the case of Brazil, the Level 3 budget is 3.7 times higher than the total identified budget for Level 1 (\$340.677 billion), while in Colombia it is 4.7 times higher (Col\$340,677 million) (Table 3).

Figure 2. A Comparison of Funding Earmarked for Cultural Programs by Level 1 and 3 Institutions in Brazil and Colombia



Source: Prepared by the authors based on official sources (see the section “Sources of information reviewed for the budget analysis” in Annex 1).

Notes:
 * Table 5.
 ** Table 3.

Table 5. Local Government Budget, Level 3

Country	Type of government	Local currency, million (nominal)		Share
		Total	Culture	
Argentina	Provincial (2017)	n/a	n/a	0.45%
Brazil	State and municipal (2018)	1,497,775	7,195	0.48%
Colombia	City halls and departments	n/a	1,625,585	n/a

Source: Prepared by the authors based on official sources (see the section “Sources of information reviewed for the budget analysis” in Annex 1).

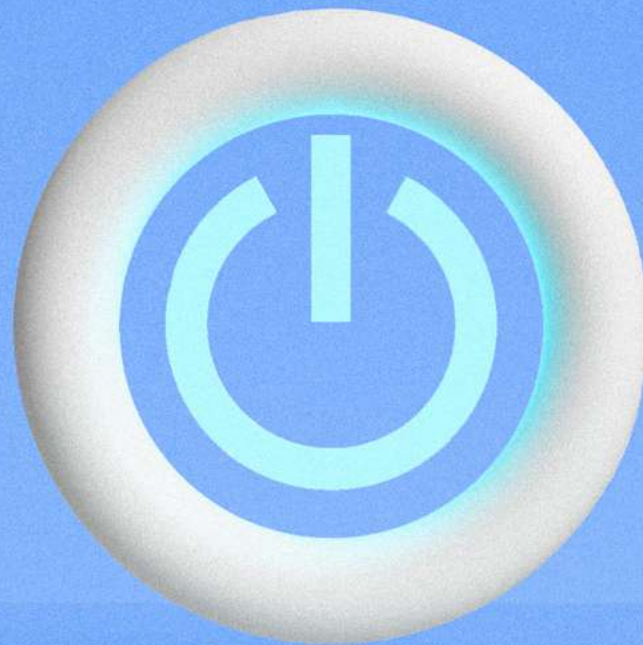
Note: n/a = not available.

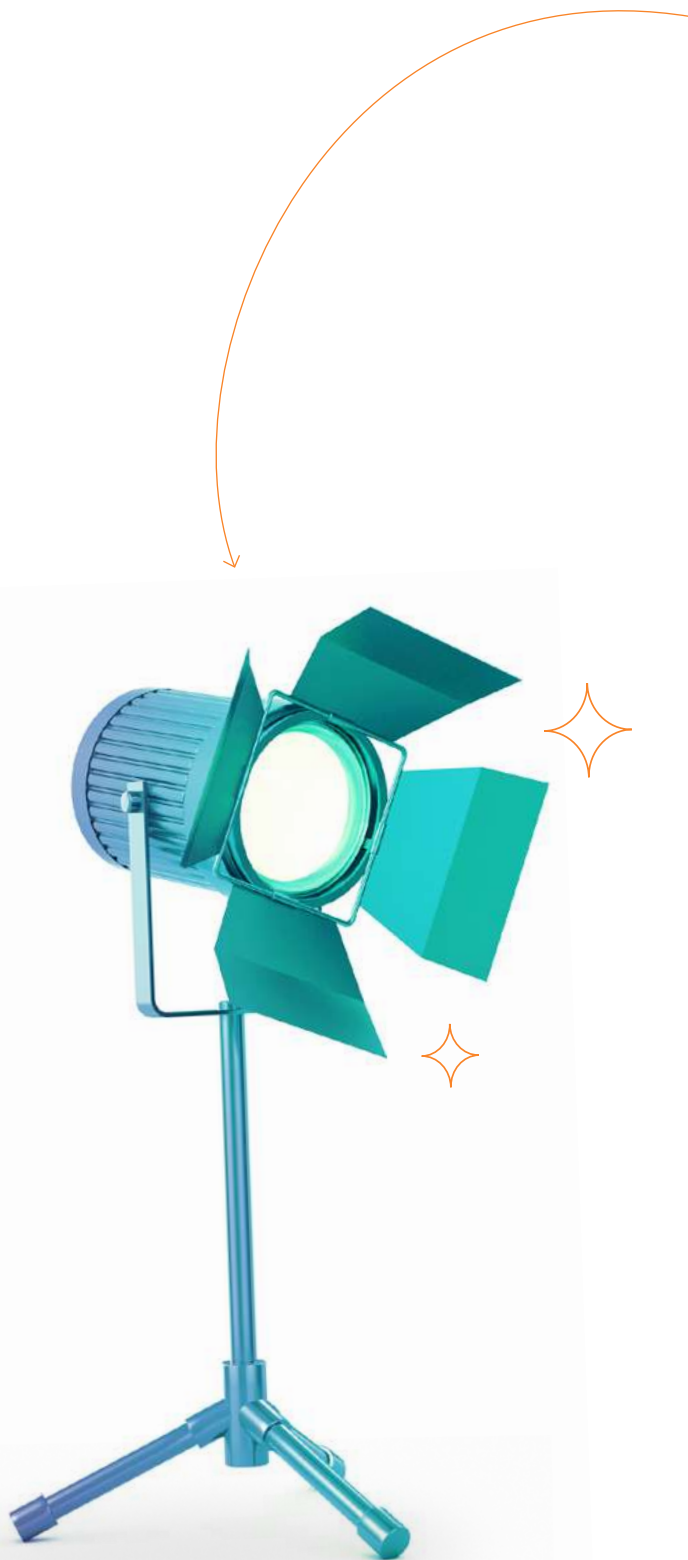
¹⁰ To minimize these risks, the information used for Levels 2 and 3 was prepared by the local study teams in each country. See Annex 1 for details of the methodology.

3

Analysis of Measures for Promoting the Creative Economy

A summary of the tools used to support the creative economy in the countries surveyed is presented below, based on the taxonomy set out in Chapter 1 (Methodology). As mentioned above, the objective is not to provide an exhaustive list of all current initiatives in Latin America and the Caribbean (LAC), but rather to use examples to map out and categorize the different types of tools used to implement policies in support of the creative economy.





This chapter first maps the tools used to foster supply, followed by those to promote demand. Each section is divided, in turn, into direct versus indirect tools, as well as those that support human capital formation on the supply side.

3.1 Supply Promotion

Direct promotion tools

Within policies to support the creative economy, there is a clear trend overall in favor of incentives for supply. The prevalent allocation mechanism is through competitive funds, which are characterized by being open to a wide range of activities. This type of subsidy encompasses the different cultural and artistic sectors and different elements of the cultural value chain.¹⁴ In addition, in all of the cases analyzed, target populations include creative companies, artists, and managers, while in some cases they also include researchers, institutions, organizations, or even the population as a whole.

The competition aspect of these funds entails a calendar of semiannual, annual, or biannual calls for proposals, with a variety of focuses and lines of activity. The competitions are open to proposals relating to different stages of the cultural value chain, i.e., creation, production, circulation, dissemination, and in some cases even training.

It should be noted that the objectives of competitive funds that focus on training overlap with those of tools to support human capital development. In the case of Chile, for example, the Becas Chile Crea program offers competitive full or partial scholarships for academic programs in both Chile and abroad, including masters degrees, diplomas, continuing education programs, seminars, congresses, and further training such as internships, workshops, and courses. These programs may be artistic in nature (aimed at developing artistic skills) or technical (focused on strengthening the sustainability of entrepreneurial activities).¹⁵

Similarly, in the case of Colombia, the tools employed by the National Stimulus Program (PNE, which is equivalent to the competitive funds in other countries) include research, prizes, and internships, and the different types

¹⁴ A conceptual framework that presents a stylized structure encompassing the different stages of production of a work or other creative output, from the generation of an idea to its final consumption by the public. It spans the following stages: (i) creation, (ii) production/publication, (iii) dissemination/trade, and (iv) exhibition/reception/transmission (see UNESCO (2009) and European Commission (2017)).

¹⁵ Accordingly, Becas Chile Crea is included in the category of training and technical assistance tools.

of grants therefore account for a large share of its budget. Another important case is that of Argentina, where the autonomous National Arts Fund is the main source of funding for creative activities. Other resources are provided, however, from sources such as the Argentine Fund for Cultural and Creative Development, which is responsible for the professionalization of stakeholders in this sphere and for promoting sector innovation and new media, such as video games.

Another interesting case is that of supply-side payments or vouchers in [Uruguay](#). These involve grants to companies in the creative sectors to finance the knowledge activities and services (proofs of concept or prototypes, research and development activities, etc.) needed to support the development of innovative new products or business models.

Although a wide range of competitive funds are used to promote supply in LAC, published impact evaluations assessing the effectiveness of these tools could not be identified in sufficient numbers.¹⁶ Such evaluations were highlighted by decision-makers as important for justifying public spending on culture (see Chapter 5), yet it is important to note that there is no consensus regarding the methodological viability of applying crosscutting tools to different types of beneficiaries and objectives (Belfiore and Bennett, 2010). To remedy this, it has been suggested that methodologies could be designed to include qualitative elements that would address the subjective dimensions of promotion tools.



Although a wide range of competitive funds are used to promote supply in LAC, published impact evaluations assessing the effectiveness of these tools could not be identified in sufficient numbers.

¹⁶ In the case of Chile, the main finding of an evaluation of the Culture Funds was that “the program has proven effective in fostering the development of quality artistic and cultural projects, with the quality of applications increasing and higher rates of award to quality projects, as evaluated by their peers.” “During the period under review, 7,620 projects were declared eligible, of which 4,719 received funding—i.e., the award rate was 62%” (DIPRES, 2020). However, the result as described does not reflect the scope of the measure versus its objectives, as the magnitude and scope of the indicator is not linked to the effectiveness of the tool.

Box 1. Between Regulatory Policies and Competitive Funding: The Cases of the Argentine National Arts Fund and Ecuador's Fund to Promote the Arts, Culture, and Innovation



Created in 1958 as an autonomous entity, the Argentine National Arts Fund (FNA) has the authority to raise funds to promote the arts. Its main source of financing is through the *Dominio Público Pagante/Oneroso* (Paying Public Domain), which is a royalty paid on the use of works by national or international authors who have been dead for more than 70 years. This policy is considered unique, and it gives rise to a virtuous circle that allows the works of past artists to finance those of today. The creator receives royalties during their lifetime, with this right passing to their heirs or the license holder/owner after the creator's death and for seven decades subsequently. Once that period has expired, DPP is applicable to the work. This means that although no authorization is required to use a DPP work once the copyright period has expired, royalties must be paid for this purpose to the FNA. The use of a work is a broad concept that includes publication, reproduction, representation, execution, translation, and adaptation.

Scope: During the 2018 fiscal year, the Fund awarded 730 training and creation grants, 71 loans (microloans, general and mortgage loans), 116 competition-based prizes, and 167 subsidies (for projects and upgrades to cultural spaces and support for theater and dance cooperatives). The total amount awarded was Arg\$76,890,990, with more than 1,000 beneficiaries.

Ecuador created a Culture Fund in 1984 with the aim of financing cultural projects of national or regional interest, as approved by the National Culture Council through its Executive Committee. In accordance with the regulations, the Fund was financed primarily through 15% of the annual budget dedicated by the Central Bank to cultural programs in general, as well as 5% of the annual profits of the Ecuadorian Development Bank. This type of public policy focused on providing reimbursable and nonreimbursable funds for artistic and cultural projects that met the parameters established by the Executive Committee. However, it was found that these standards hindered potential beneficiaries' access to the resources, leading to a surplus of funds. Accordingly, in 2016, a Culture Act was approved that created the Fund for the Promotion of the Arts, Culture, and Innovation. This tool is supported by the funds accumulated over more than 20 years, and it also updates sources of revenue. Consistent with the [Culture Act](#), funding is drawn primarily from (i) 5% of the annual profits of the Development Bank of Ecuador; (ii) other resources allocated through the national budget; (iii) fines and penalties relating to the infractions envisaged in the Act, its regulations, and other relevant regulations, as imposed by the institutions and bodies that make up the National Culture System; (iv) fines and penalties imposed on the media due to breaches of the Communications Act; (v) international cooperation grants and resources from external financing; (vi) contributions from the innovation promotion tools listed in the Constitution; (vii) donations, endowments, and bequests; and (viii) other contributions allocated in accordance with the Act.

Scope: In Ecuador, the Fund represents one of the most important tools for executing public policy. Since 2016, a total of US\$15,547,953 has been provided for 1,323 artistic and cultural projects.



Competitive funds or their equivalents are not the only implementation mechanism for tools that provide direct funding on the supply side. Another type of subsidy mechanism is what is known (for the purposes of this study) as direct allocation. This involves the provision of funding based on technical or artistic criteria without the requirement of a competitive process. One example of this is the Partida Legal de Fondos del Cine (Budget Allocation for Cinema Funds) of the Uruguayan Cinema and Audiovisual Institute (ICAU). This finances some audiovisual projects through a competitive process, but it also creates a Permanent Executive Commission that establishes criteria for direct financing of the dissemination and internationalization stages of prominent audiovisual projects.

There are also a number of types of loans for creative output that are worth describing in greater detail. In addition to creating the Argentine National Institute for Cinema and Audiovisual, the Cinema Act also established a mechanism for providing loans to producers, exhibitors, and laboratories in the cinema sector, allowing them to purchase equipment or produce fiction or documentary audiovisual works.

Another interesting case with respect to lending for creative output are Orange Bonds, for which the First Annual Report on Orange Bonds (2019) contains a number of indicators. Under the umbrella of the Orange Act (Law 1,834), Bancoldex of Colombia issued Orange Bonds as a line of investment bonds aimed at attracting private sector funding. The funds obtained through the bonds are used exclusively to provide loans for creative sector projects, which are divided into three categories: (i) conventional cultural industries; (ii) functional creations, new media, and software; and (iii) art and heritage. The result has been total disbursements to the sector of Col\$467 million (Bancoldex, 2019).

The main beneficiaries of the project are artists, managers, and organizations in the cultural sector. Nonetheless, the benefits are also received indirectly by investors, who earn profits from purchasing the bonds.



Box 2. Loans to the Creative Sector: The Case of Colombia

Following its enactment of the Orange Act (Law 1,834) in 2017, Colombia became a focus of considerable interest in the region due to its policies to support the creative economy, as confirmed in interviews. The Act has given rise to initiatives that focus on entrepreneurs in the creative sector, with strategies involving allocation mechanisms such as tax benefits, productive development through technical assistance to businesses, and loans.

Part of its model includes collaborative work with entities such as Banco de Desarrollo Empresarial y Comercio Exterior (Bancoldex), the Inter-American Development Bank (IDB), the Colombian Ministry of Commerce's Development and Innovation Unit (iN-Npalsa Colombia), and the Entrepreneurship Fund of the National Learning Service (SENA). This has led to the creation of credit lines for the varieties of creative venture specifically listed in the Orange Bonds. As of 2019, these had benefited more than 3,000 creative enterprises, with small and medium-sized firms accounting for 64% (Bancoldex, 2019). In addition, it is proposed that information on the Orange Bonds be published on an annual basis. This cannot yet be

confirmed given that only one report has been published to date; however, this will be a very positive practice once established.

The importance of this type of initiative lies in the special support required by the orange economy, with companies in the sector lacking the same opportunities as other areas of the economy in terms of accessing credit and loans. Moreover, despite the fact that a large share of the companies in the sector are small and medium-sized, only one-third survive beyond three years (Sierra, Villacorta, and Rueda, 2020).

Other initiatives to promote the creative economy include the "Created in Colombia" mark, which promotes Colombian cultural and scientific goods and services; programs to support innovation and emerging technologies such as "Smart Manufacturing"; increased grants and loans for research in the area of culture and creativity; gradual reductions in presumptive income tax rates; and full deductibility of value-added tax (VAT) paid on imports, construction, training, and fixed asset purchases (Bancolombia Group, 2018).



Table 6. Summary of Direct Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Program	Source
Subsidies and grants	Competitive funds	Colombia	National Stimulus Program (2019) : The PNE is aimed at mobilizing artists, creators, researchers, and managers across the full range of disciplines in Colombia's cultural sector, either nationally or internationally, by providing grants, internships, national prizes, awards, or artist residencies.	Ministry of Culture
		Chile	Culture Fund (1992) : Through different competitive funds (based on either sector or national/regional criteria), this fund provides partial or full financing for a variety of modalities relating to culture and the creative economy. Activities eligible for financing include internationalization, dissemination, circulation, and creation, among others. The funds target artists or cultural managers.	Culture Funds
		Argentina	National Arts Fund (1958) : Finances projects by artists, cultural managers, and nonprofit cultural organizations in the following sectors: architecture, crafts, art and technology, audiovisual arts, scenic arts, visual arts, design, literature, music, and heritage.	National Arts Fund



Table 6. Summary of Direct Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Program	Source
		Brazil	National Culture Fund (1991) : This provides direct support through the budget to specific projects selected mainly on the basis of open competitions. It focuses on the balanced distribution of resources in different regions of the country.	Cultural Incentives Act
		Uruguay	Competitive Funds for Culture (2020) : These provide financing for individuals and organizations in the following sectors: the visual arts, photography, dance, theater, circus arts and puppetry, music, video games, and publishing projects.	Ministry of Education and Culture
			Innovation vouchers for companies in the creative industries : This initiative—implemented by the National Research and Innovation Agency (ANII)—provides vouchers for both supply and demand. Of its five tools, the following three focus on promoting supply: (i) “technical and commercial validation for the creative industries,” which finances exploration of the technical and commercial viability of a concept; (ii) “creative connections,” which finance joint innovation projects between companies in the creative sector; and (iii) “innovation vouchers for companies in the creative industries,” which provide financial support to allow the creative sector to hire companies from other productive sectors.	National Research and Innovation Agency (ANII)



Table 6. Summary of Direct Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Program	Source
		Paraguay	Culture Funds for Citizen Projects (2020) : Through a public competition open to citizen initiatives from across the country, this seeks to support the participation of cultural creators, agents, and producers in processes of national and international market positioning and integration, while also strengthening the cultural dimension in these processes.	National Department of Culture
	Direct allocations	Uruguay	Budget Allocation for Cinema Funds, Uruguayan Cinema and Audiovisual Institute (ICAU) (2008) : This provides for noncompetitive funding for activities in the categories of promotion of national cinema, international market positioning, and dissemination of audiovisual content. Projects are evaluated by a Permanent Executive Commission that meets on a monthly basis to ensure that the criteria are met.	ICAU
		Argentina	Subsidies for National Institute of Cinema and Audiovisual Arts (INCAA) theater showings (2008) : The current regulations establish criteria that include a film's level of relevance and expert interest (as defined by the INCAA), the scope of the production, and the category (animation, fiction, or documentary).	INCAA



Table 6. Summary of Direct Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Program	Source
Loans	Loans are allocated where certain minimum criteria are met, including fulfilling strategic objectives, belonging to certain sectors of creative industry, or supporting the manufacture or transformation of raw materials.	Argentina	INCAA loans (2012) : Loans to production/exhibition companies and laboratories for the purchase of equipment and materials, tools, and accessories for cinematography and for improvements to cinemas, respectively. The loans are subject to a grace period of 12-24 months and an interest rate of 4%.	INCAA
		Colombia	Orange Bonds (2018) : Funds from the sale of this line of bonds are used exclusively to provide loans for creative sector projects, divided into three categories: (i) conventional cultural industries; (ii) functional creations, new media, and software; and (iii) art and heritage.	Orange Bonds Report

Source: Prepared by the authors.

Indirect promotion tools

With regard to indirect support for creative output, tax benefits are available in several LAC countries, particularly Brazil, Chile, Colombia, and Ecuador. Although these initiatives cannot be tracked through the available budget information, they constitute a precedent that should be recorded in qualitative terms. They can be broken down into two groups: those focused on tax benefits for private sector donors and those targeting artists and creative and cultural organizations and companies.

The first includes Brazil's Fiscal Incentive Act (or Rouanet Act), the Tax Simplicity and Progressivity Act in Ecuador, and the Chilean Cultural Donations Act (or Valdés Act). All of these seek to encourage companies in other sectors of the economy to provide financing or goods to verified organizations in the creative sector in return for tax reductions. In Brazil, this method is also classified as sponsorship, a public policy that is frequently studied due to its potential replicability.

In some cases, the tax benefits are available to artists or cultural organizations. In the case of Colombia, for example, the Orange Economy Act provides a 100% VAT exemption for organizations in the sector that create a minimum number of jobs (as determined by the central government, but no less than three positions), as well as a minimum level of investment. Similar incentives are offered in Ecuador, with income tax exemptions for the first 5-7 years of new investments, although the country also provides incentives for hiring artists (Ministry of Culture) (Table 7).



The first includes Brazil's Fiscal Incentive Act (or Rouanet Act), the Tax Simplicity and Progressivity Act in Ecuador, and the Chilean Cultural Donations Act (or Valdés Act). All of these seek to encourage companies in other sectors of the economy to provide financing or goods to verified organizations in the creative sector in return for tax reductions.

Box 3. Ecuador: Comprehensive Cultural Promotion Plan (Creative Ecuador Plan)

As a very recent program (operating since 2019), there are still no means of verification that can be used to assess the impact and efficacy of the Creative Ecuador Plan. Nonetheless, the plan is worthy of attention. Deployed in two phases, it comprises a variety of initiatives that cover different types of policies on the spectrum of incentives for supply, though with special emphasis on tax benefits.

The first phase included a zero rate of VAT for selected artistic and cultural services, as well as customs tax exemptions for culture-related foreign trade, BanEcuador loans for different stages of the arts and culture production chain, and, lastly, a redistribution of public funds to allow the decentralized autonomous governments to contract artists.

In contrast, the second phase centers on initiatives linked to differential treatment under the tax system. The first such initiative exempts new investments in cultural and artistic services from taxes for a period of 5-7 years. In addition, a supplemental 50% of corporate expenses relating to the organization or sponsorship of artistic and cultural events—previously regulated and limited—may now be deducted from taxable income.

The development of a Single Register of Artists and Cultural Managers (RUAC) has been important for the implementation of these incentives. This platform aims to centralize information and simplify access to the programs.



Table 7. Summary of Indirect Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Sources
Tax benefit	Tax benefits for expenses or investment during production processes by artists or cultural organizations	Colombia	Financing Act (2017) : Support for companies belonging to the orange economy, with zero income tax during the first seven years contingent on the creation of a minimum number of jobs and investment of Col\$151 million. In addition, taxpayers are entitled to deduct 100% of VAT paid on real fixed assets for production; presumptive income is eliminated; and the industry and commerce tax (ICA) can potentially be offset against taxes. These benefits apply not only to companies or organizations belonging to the orange economy, but also to those linked indirectly to three types of activities defined as creative: (i) arts and heritage: visual and performing arts, education, tourism, and cultural heritage; (ii) cultural industries: publishing, recording, and audiovisual activities; and (iii) functional creations, new media, and content software.	Definition of areas and segments belonging to the orange economy (National Statistics Department (DANE)) Orange Act
		Ecuador	Tax incentives (under Creative Ecuador) (2019) : exemption from income tax for 5-7 years for new investments in cultural and artistic services, deductibility of 150% of income tax for companies providing funding for artistic or cultural events.	Ministry of Culture and Heritage (2019), Annual Report



Table 7. Summary of Indirect Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Sources
	Special tax benefits for private sector cultural investments or donations	Brazil	Fiscal Incentive Act (Rouanet Act) (1991) : Law 8,313 allows cultural producers, artists, or institutions planning a cultural event to submit their project to the Special Culture Department of the Ministry of Citizenship in order to obtain certification under the Cultural Incentives Act. If the proposal is approved, the producer may raise funds from individuals or companies by offering them the opportunity to offset that support against income tax payments.	Lei de Incentivo à Cultura
		Ecuador	Creative Ecuador Tax Simplicity and Progressivity Act (under Creative Ecuador) (2019) : This allows 150% of expenses relating to the organization and sponsorship of artistic and cultural events to be deducted from income tax (in conformance with the exceptions, limits, segmentation, and conditions established in the regulations). This represents an additional incentive for large, medium-sized, and small companies to select cultural projects as part of their sponsorship or advertising activities.	Ministry of Culture and Heritage (2019), Annual Report



Table 7. Summary of Indirect Support Tools

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Sources
		Chile	<p>Cultural Donations Act (2001): the beneficiaries listed in the Act may present their projects to the Review Committee for Cultural Donations. Once a project has been approved by the Committee, the Executive Secretariat issues a certificate and the beneficiary may choose to have a summary of the project included in the database of approved projects. The different types of donors stipulated in the Act may then provide cash or in-kind donations to the project in return for tax benefits.</p>	<p>Cultural Donations Act</p>

Source: Prepared by the authors..



Human capital formation and technical assistance

The last type of policy aimed at promoting the supply side of the creative economy relates to human capital formation and technical assistance. The target population for these policies comprises artists, producers, managers, and all other workers in the sector.

Initiatives in this category include the aforementioned close relationship with competitive funds, which sometimes include scholarships or similar incentives. An example of this are Becas Chile Crea, which provide financing for courses, diploma programs, or postgraduate studies for artists in various creative sectors, as well as funding for the generation of academic knowledge in the field.

In contrast, Colombia's Orange Economy Act makes provision for training but implements this in two ways: through the professionalization of creative sector services under its industry-focused pillar and by fostering information and data gathering to improve understanding of the creative economy. The latter indicates an intent to be able to verify and measure the impact of these initiatives over the long term.

The case of Argentina's Public Cultural Management Course is similar; this provides not only training in relation to the federal government, but also management and content tools. Another similar case is the Artist Portfolio Development Program in Trinidad and Tobago, which seeks primarily to refine a portfolio of music artists and assist them in improving their international export potential.



Box 4. Promoting the Creative Sector through Skills Development and the Importance of Coordination with Other Ministries: the Case of ChileCreativo (Creative Chile) (CORFO)



The ChileCreativo program was launched in 2017 in response to the synergies created between two policy tools: the [Agenda de Productividad, Innovación y Crecimiento \(Growth, Innovation, and Productivity Agenda\)](#) (spearheaded by the Ministry of Economy, Development, and Tourism) and the [Plan Nacional de Fomento a la Economía Creativa \(National Creative Economy Development Plan\)](#) (led by the National Culture and Arts Council). One of the program's distinctive characteristics is that it is based on a political-private partnership. While its measures are executed by the Development Corporation (CORFO), they are designed by a board consisting of representatives of other public institutions (such as the Ministry of Culture) and representatives of the private sector and civil society—foundations, business associations, companies, and other bodies linked either directly or indirectly to the creative economy.

With the aim of boosting the creative economy in Chile, ChileCreativo prioritizes four subsectors in its initial phase: music, publishing, design, and audiovisual activities (ChileCreativo, 2020). Within these areas, the program focuses on exports of creative

goods and services relating to the aforementioned sectors. Accordingly, it supports diagnostic and profiling studies for the different creative industries, together with mediation and advisory services, and it builds links between artists and managers to promote innovation in the creative economy. ChileCreativo encompasses several development policies that target different points of the creative economy, from human capital formation to research.

One example of ChileCreativo's approach can be seen in the programs [Factoría Musical \(Music Factory\)](#) and [Factoría Audiovisual \(Audiovisual Factory\)](#), which aim to strengthen and diversify companies in these sectors through improved portfolio standards, business development, more efficient use of resources, and penetration of new markets, among other things.



Table 8. Summary of Human Capital Formation and Technical Assistance Tools

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Source
Training and capacity building	Education and training programs for artists and managers	Colombia	Implementation of the Cultural Entrepreneurship and Industries Program (2008) : This program is divided into five components: (i) implementing training processes for cultural entrepreneurship; (ii) improving interagency coordination; (iii) generating research and knowledge for cultural entrepreneurship and industries; (iv) managing sources of financing for cultural entrepreneurship and industries; and (v) promoting circulation and access for cultural entrepreneurship.	Ministry of Culture of Colombia
		Argentina	Public Cultural Management Course (from 2000 onwards in some provinces) : This course targets public cultural managers and is aimed at professionalizing workers in the cultural sector. It is based on the following pillars: (i) quality of content, (ii) federal scope, (iii) accessibility of training, (iv) practical design, and (v) reprioritization of the role of the cultural manager.	Ministry of Culture
		Chile	Becas Chile Crea (Culture Funds) (2019) : This program provides full or partial financing for academic programs in both Chile and abroad, including all types of postgraduate study, seminars, congresses, and further training such as internships, workshops, and courses.	"Chile Crea" Scholarships



Table 8. Summary of Human Capital Formation and Technical Assistance Tools

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Source
Productive promotion through technical assistance to businesses	Specialized government services providing assistance to businesses	Chile	ChileCreativo (CORFO) (2017) : Product of a public-private partnership, ChileCreativo is managed by the CORFO and provides support for entrepreneurship, innovation, and competitiveness, as well as strengthening human capital and technological capabilities.	ChileCreativo program
		Trinidad and Tobago	Artist Portfolio Development Programme (2018) : This program was conceptualized with the intention of developing a portfolio of musical artists each year that have the opportunity to develop an international career and export their talent to other countries.	Trinidad and Tobago Finances

Source: Prepared by the authors.

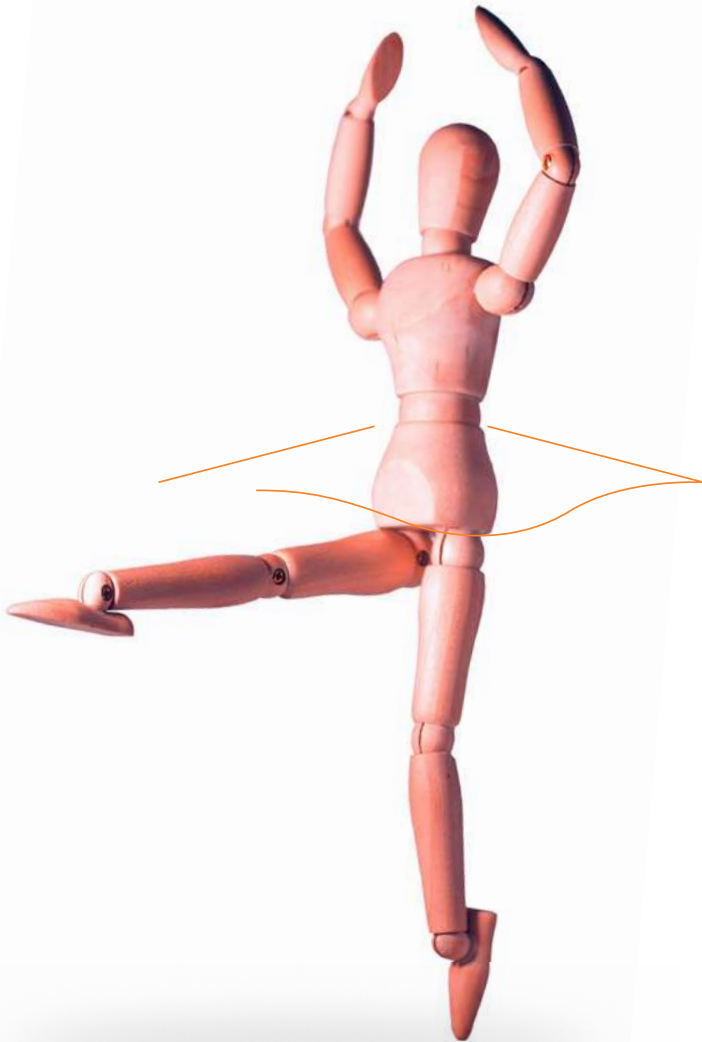
3.2 Demand Development

Although the demand side predominates in terms of the number of policies aimed at fostering the creative economy, demand is a challenge that is in the process of being addressed and resolved. It is a key area for support, as underlined by the decision-makers themselves.

A significant challenge concerns the way in which support for output is linked to and consistent with support for the consumption of culture— i.e., how the incentives generated on the supply side are balanced against real demand. In this respect, those responsible for decision-making identify audience development as a critical issue for cultural policy in the long term. They also state that when discussing demand, this relates to the entire population of a country. This, in turn, involves great cultural diversity and poses a dilemma in terms of measuring and designing consumption-side initiatives and cultural participation.

Vouchers for intermediate and final consumption

In terms of support for the intermediate consumption of creative goods and services, the clearest examples are those delivered through the use of direct tools. Funding can be provided through creative vouchers for private companies that wish to hire services or activities from artists or organizations in the creative sector. Examples are the innovation vouchers provided by Uruguay's National Agency for Research and Innovation (ANII) to support hiring of companies in the creative industries, as well as the creative grants implemented under the program "Promotion of the Creative Economy in Paraguay," led by the Center for Development Information Resources (CIRD).



Box 5. Innovation Vouchers: The CIRI's "Promotion Of The Creative Economy" Program In Paraguay And The ANII-Led "Innovation Program For Creative Industries" In Uruguay



There have been two demand-development experiences in Latin America focused on fostering intermediate and final consumption. These were implemented in Paraguay and Uruguay with the support of the Inter-American Development Bank.

In the case of Paraguay, the Center for Development Information Resources joined forces with the IDB to implement the program "Promotion of the Creative Economy." Based on a diagnostic assessment of the status of the orange economy in the country, a series of measures were proposed under the program to stimulate the sector.

One of the program components involves Bonos Creativos (Creative Grants), a creative project cofinancing tool that uses vouchers to help develop cultural and creative works, products, and services with original, innovative, or technological characteristics. These grants, which sought to forge links between the traditional economy and the creative industries, were inserted into all stages of the various value chains. Funds totaling US\$312,000 were disbursed between 2017 and 2020, complemented by counterpart contributions of approximately US\$480,000. A total of 64 projects benefited from the tool, encompassing both supply- and demand-side initiatives.

In the case of Uruguay, the Innovation Program for Creative Industries is a Level 2 initiative implemented by the National Agency for Research and Innovation. This agency intervenes in a variety of economic sectors and is defined instead by the nature of the support that it provides, presenting different innovation programs for elements of the economy, including culture. This program was designed and financed in collaboration with the IDB's innovation laboratory (IDB Lab) and its Competitiveness, Technology, and Innovation Division, respectively.

In the case of the creative sector, the ANII program offers five tools, two of which focus on developing the demand for creative services among companies belonging to other economic sectors. The first is "creative exploration," which seeks to encourage companies in the traditional sectors to partner with those in the creative industries, with a view to exploring the potential of disruptive actions to add innovation and differential value to traditional companies' products, services, processes, or marketing methods. Nonreimbursable funding of up to Ur\$160,000 is provided for this purpose. The second program consists of "innovation vouchers for hiring companies in the creative industries," which provide direct financing for the hiring of creative enterprises.

Throughout its implementation, between 2017 and 2020, a total of 385 companies were strengthened thanks to the vouchers encompassing both supply- and demand-side initiatives.



In terms of support for final consumption, Brazil and Argentina have implemented policies providing for the direct distribution of vouchers to citizens. Brazil's Vale Cultura (Culture Voucher) is a Level 1 initiative that provides a budget of R\$50 to all workers earning less than five minimum wages. By focusing on workers' incomes, the initiative aims to expand access to culture on the part of the population of low socioeconomic status, providing funds that beneficiaries can spend on cinema, music, theater, and other creative industry sectors.

In the case of Argentina, the Pase Cultural (Cultural Pass) is a card provided in the City of Buenos Aires to all 4th, 5th, and 6th year students in public secondary schools and all public school teachers. Students receive Arg\$250 per month to spend on tickets or books at participating galleries, cinemas, theaters, cultural venues, bookshops, and retail outlets. In addition, teachers and students receive discounts in participating establishments, as well as one complimentary ticket per month for theater and dance events in cultural venues. In addition to being a demand-focused initiative, the program is implemented by the Ministry of Culture of the City of Buenos Aires (i.e., Level 3).



The initiative aims to expand access to culture on the part of the population of low socioeconomic status, providing funds that beneficiaries can spend on cinema, music, theater, and other creative industry sectors.

Table 9. Summary of Voucher Tools for Final and Intermediate Consumption

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Sources
Vouchers for intermediate consumers	Application for nonreimbursable funds following initial suitability assessment by a committee	Uruguay	Innovation Program for Creative Industries (2017) : Promotes linkages between companies in the traditional sector and those in the creative sector to generate innovation and improvements in products, services, processes or marketing methods. Objectives include promoting the generation of collaborative projects on a larger scale.	ANII
		Paraguay	Promoción de Economía Creativa en Paraguay (2017) : As part of this plan, Bonos Creativos (Creative Grants) provide cofinancing for creative projects through vouchers to support the development of cultural and creative works, products, and services with original, innovative, or technological characteristics.	CIRD
Vouchers for final consumers	Awarded based on socioeconomic status	Brazil	Vale Cultura (Culture Voucher) (2013) : Created in 2013 with the aim of democratizing access to culture, this provides a monthly benefit of R\$50 to workers earning less than five minimum wages. The voucher may be used exclusively for purchases of cultural products and goods such as plays and films, museum exhibitions, shows, concerts, circuses, CDs and DVDs, musical tools, books, magazines, newspapers. It may also be used to pay monthly fees for courses in the visual arts, audiovisual arts, dance, circus arts, photography, music, literature, or theater.	Official website Alternative website in English



Table 9. Summary of Voucher Tools for Final and Intermediate Consumption

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Sources
	Allocated to 4th, 5th, and 6th year students and public school teachers in the City of Buenos Aires	Argentina	Pase Cultural (Cultural Pass) (2018) : This card allows students to access special benefits such as discounts, free tickets, and a semiannual credit of Arg\$2,000 for the purchase of any cultural activity. Teachers also receive free tickets and special discounts.	DisfrutemosBA

Source: Prepared by the authors.



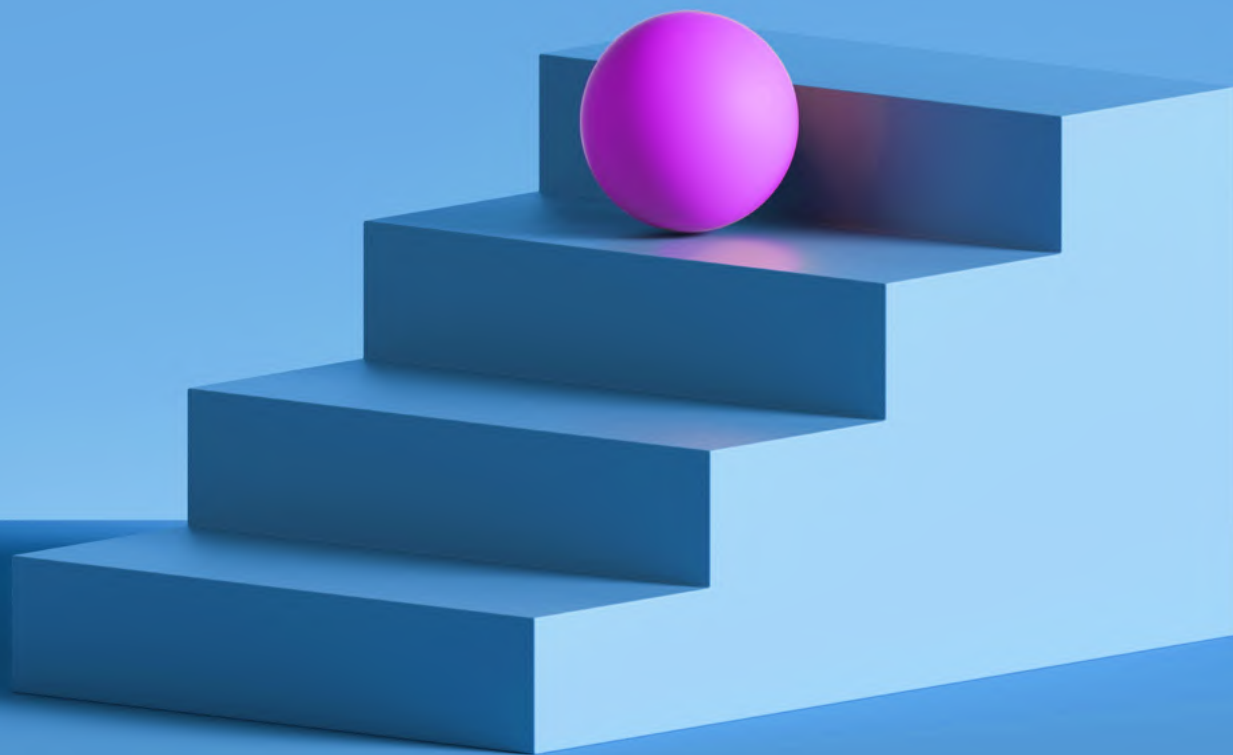
Measures to regulate prices

Another, indirect means of providing financing for demand is through price regulations—i.e., differentiated tax treatment for cultural goods. The policy most frequently used in the region in this field involves tax exemptions for the publishing sector. Book purchases are tax exempt in countries such as Argentina, Mexico, Peru, the Dominican Republic, and Uruguay, or subject to differentiated customs duties, as in the case of Bolivia. Chile does not have differentiated customs duties, and the full rate of VAT (19%) is therefore applied (Table 10).

Table 10. Summary of Price Regulation Tools

Measure	Allocation mechanism	Countries with mechanisms present	Public program	Sources
Price regulation	Differentiated tax treatment for cultural goods	Most of Latin America, with the exception of Chile	Tax exemptions for book purchases: partial or full tax exemptions for book purchases	VAT/GST on Books & E-books. An IPA/FEP Global Special Report. International Publishers Association:

Source: Prepared by the authors.



4

Lessons Learned, Challenges, and Expectations of Decision-makers

The main challenge faced by decision-makers is the low level of budget allocated to them for implementing initiatives. Most of those interviewed agree on this point, adding that budgets in this area are generally among the lowest compared to the rest of the government's activities.



4.1 Budget Uncertainty: The Challenge of How Much, When, and How to Allocate

The main challenge faced by decision-makers is the low level of budget allocated to them for implementing initiatives. Most of those interviewed agree on this point, adding that budgets in this area are generally among the lowest compared to the rest of the government's activities. In addition, interviewees state that even in the absence of the needs and demands that have arisen during the pandemic, the budget for culture is scant given sector's multiple needs; these relate not only to the execution of activities but also, for example, capacity building and investment in infrastructure. This perception is consistent with the budget analysis laid out in Chapter 3, which shows that the average share of cultural institutions in the central government (Level 1) budget in Latin America and the Caribbean (LAC) is 0.34%. Adding to this challenge, low budgets mean that it is impossible to leverage the diversity of cultural offerings at the regional level.

Interviewees repeatedly point to the problem of uncertainty surrounding not only amounts but also dates, i.e., when resources will be available. Institutional factors are largely responsible for this uncertainty. For example, in countries where the cultural institutional framework is relatively recent, new plans and programs emerge that lack the budgets, staffing, and even physical facilities needed to carry out their work. In other cases, constant changes among political authorities and decision-makers are the issue.

In the face of these challenges, those interviewed have had to learn to integrate both factors (scarce resources and uncertainty surrounding their availability) into the planning and execution of programs. A common assessment relates to the lack of long-term program development and the need to adopt measures to protect program continuity regardless of turnover among senior-level officials.

Regarding how the budget is executed, the administrative framework in each country molds and determines some decisions. The task is hindered by at least four structural problems, which have been further aggravated by challenges relating to the COVID-19 pandemic.

A first challenge concerns the need to prioritize limited resources in a context of substantial cultural and regional diversity. From this perspective, achieving a balance between political and technical interests when deciding on strategic sectors against a backdrop of limited



Even in the absence of the needs and demands that have arisen during the pandemic, the budget for culture is scant given sector's multiple needs; these relate not only to the execution of activities but also, for example, capacity building and investment in infrastructure.

information raises the risk of neglecting areas that offer comparative advantages or high potential for growth.

A second challenge lies in the lack of impact evaluations and information and methodologies for monitoring cultural policy tools. Interviewees indicate that although efforts are being made to create databases that would help to identify outcomes and improve decision making, these are still in the early stages.

A third challenge relates to coordination failures, administrative hurdles, and problematic institutional regulations. These are said to include, for example, inefficient procurement and distribution of tasks between government institutions, which translates into a duplication of effort, with overlapping programs, objectives, and beneficiaries. Some of those interviewed attribute this situation to poor or inexistent interagency relations and the inability to properly monitor activities with a view to avoiding this type of duplication in the use of resources.

A fourth challenge, arising from the latter, concerns administrative protocols and impediments in public procurement systems. This is particularly important given that procurement is one of the main tools used to implement programs and highlight the priorities of the government in power. Respondents point to limited knowledge of the characteristics of creative production, which makes it difficult to establish criteria similar to those used for procurement in other productive sectors.

In addition to the structural challenges indicated above, an additional dimension is the situation faced by decision-makers due to the pandemic. As in the case of other sectors, this has led to complications and setbacks in most areas (budget reallocations, prioritization of employment, adoption of telework in the institutions, etc.).¹⁷

Unexpected externalities from the crisis include the leveraging of resources, generation of information, and increased saliency of budgetary independence. In some cases, the redistribution of resources has gone beyond the boundaries of each institution, through the promotion of public-private partnerships. At the same time, censuses and cadastral exercises undertaken in response to COVID-19 have yielded useful information for public interventions.



A third challenge relates to coordination failures, administrative hurdles, and problematic institutional regulations. These are said to include, for example, inefficient procurement and distribution of tasks between government institutions, which translates into a duplication of effort.

¹⁷ Given that the impact of the pandemic on public funding was not the focus of this study, the qualitative tool used did not capture the overall perceptions of decision-makers regarding this issue. Accordingly, the results described in the chapter are merely exploratory in nature, and specific research would need to be undertaken in order to evaluate the real impact of the health crisis on the implementation of cultural policies.

A final issue associated with the pandemic has been the increased importance of digitalization, which has been implemented at a much faster rate than in previous years. Most interviewees mention that this channeling of resources to provide support during the crisis has taken the form of audiovisual projects—many relating to television, digital media, or other platforms—that brought in-person cultural events into the homes of the public.

4.2 Lessons Learned Regarding Awareness-Building among Counterparts and the Importance of Interagency Coordination

Decision-makers have learned that two main routes are available to them when tackling the challenge of multiple needs in a context of limited budgets: (i) collaborating and partnering with other institutions (public or private) and (ii) generating new sources of funding. These strategies have allowed them to undertake different cultural programs without having to depend exclusively on the budget allocated to them as a Department, Secretariat, or Ministry of Culture, and to weather the uncertainty discussed in the previous section.

In terms of the first approach, those interviewed indicate that they have learned that they must build awareness among their counterparts with a view to strengthening interagency coordination. To that end, it is crucial to learn to speak their “language,” becoming “translators” of the different technical and political languages in order to facilitate agreements.

The arguments put forward to justify the culture budget include viewing the latter as an investment and a key pillar of development for the countries. Accounts thus focus on themes associated with the sector’s contribution to subjective well-being, as well as socioeconomic development through social cohesion, job creation, psychosocial well-being, autonomy, and resilience amid conditions of vulnerability (such as poverty, crime, and drug trafficking), among other things.

At the public level, the most significant initiatives that have arisen as a result of interagency coordination have been between Level 2 entities. Specifically, interviewees state that the portfolios of ministries or agencies in the areas linked to the economy, tourism, international relations, and education are the ones used to undertake joint activities in order to leverage resources. Examples of initiatives developed through this type of coordination include training in management models for creative ventures, implemented



by economic and productive development ministries, as well as funding for tickets and participation in market events as part of an international mission by a foreign relations agency.

Of the countries analyzed, only Chile and Colombia currently have interministerial coordination arrangements that have been formally established through plans or policies; these are chaired by the Ministries of Culture in those countries. Costa Rica, Honduras, Nicaragua, and Panama have created coordination commissions that are usually attached to the Office of the President and are specifically associated with development of the creative or orange economy.

Banks and chambers of commerce are the main allies in the traditional private sector for interagency programs aimed at fostering the creative economy, with mutually beneficial outcomes reported. For example, loans guaranteed by government institutions can help a financial institution to expand its client portfolio, thus facilitating the creation of large enterprises with lower levels of risk for the banking sector.¹⁸ Traditional companies can also benefit from interagency coordination through access to a more sophisticated and innovative portfolio of products and solutions, with higher value added. With respect to this latter point, decision-makers identify a need for case studies and capacity-building tools focused on creative entrepreneurs, with a view to expanding financing opportunities through a diversified portfolio that include goods and services for intermediate consumption in other industries.

With respect to the second strategy—the generation of new sources of funding—these usually stem from cultural heritage or copyright revenues, as well as contributions from other public entities with budgetary autonomy. Initiatives associated with this strategy include the Argentine National Arts Fund and the Fund to Promote the Arts, Culture, and Innovation in Ecuador, both of which are profiled in Chapter 3. Access to alternative sources of revenue that avoid an exclusive dependence on budget funds gives these institutions greater autonomy to undertake long-term initiatives, as well as an improved ability to react to economic shocks. This last point emerged during the pandemic, when both institutions were able to distribute ad hoc subsidies or loans to participants in the creative sector.



Traditional companies can also benefit from interagency coordination through access to a more sophisticated and innovative portfolio of products and solutions, with higher value added.

¹⁸ Although the evidence regarding access to financing for LAC's creative industries is scant, there are two relevant analyses of sector potential and public policy guidance in this area: Price (2016) and Sierra, Villacorta, and Rueda (2020).

The quest for budgetary independence is justified not only by a lack of resources but also a lack of autonomy in decision-making. Decision-makers feel that resources are often tied to the political priorities of government in power, thus hindering the implementation of more ambitious, long-term plans and programs.



5



Information and Analysis: An Achilles' Heel for the Implementation of Public Policies to Promote the Creative Economy

The lack of information and analysis regarding the public financing of cultural policies and the creative economy is a gap consistently identified during the course of this study, through both the analysis of budgets and promotion tools and through the interviews themselves. This is reflected primarily in:

- ◇ A lack of information regarding budgets and initiatives implemented at the local government level (Level 3).
- ◇ Mixed levels of transparency and heterogeneity of budget classifications.
- ◇ Potential over or underestimation of budgets used for the implementation of initiatives.
- ◇ Limited evidence of evaluations of the scope of the programs implemented.

Given that these limitations could represent an Achilles' heel when attempting to justify the strategic relevance of support for the creative economy, the decision was taken to examine the reasons for these challenges in detail.



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In relation to budget analysis, the level of access to information is relatively mixed across the countries analyzed. In the case of Argentina, for example, a regular, detailed report on public spending allows the three levels of information used in this study to be clearly identified. Ecuador and Peru publish annual fiscal reports associated with the Ministry of Culture portfolio from which information can be extracted on budgets and accrued expenditure at the institutional level. In the case of Paraguay, although there are no reports, the website provides clear details of budget allocations.

Figure 3 shows that the number of countries publishing Level 1 budget information is four times higher than that for Level 3 (which is very similar, in turn, to that for Level 2). The consequences of this situation include both a lack of accountability in relation to executed expenditure and the invisibility of the role played by decentralized government entities in promoting regional cultural diversity. At the same time, the lack of information points to a challenge in terms of promoting the leveraging of resources both within the public sector and between the public and private sectors, which could yield synergies through coordination.¹⁹



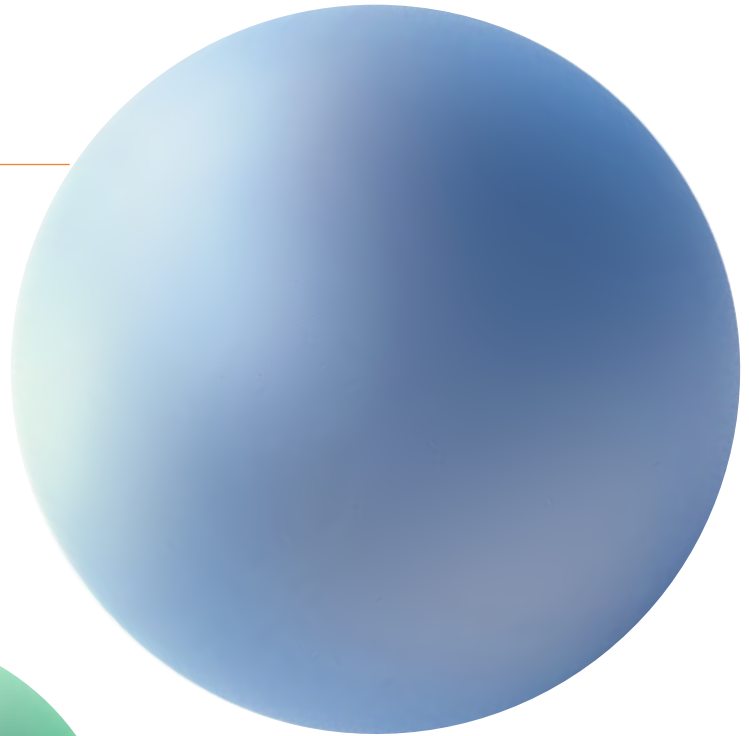
The consequences of this situation include both a lack of accountability in relation to executed expenditure and the invisibility of the role played by decentralized government entities in promoting regional cultural diversity.

¹⁹ See Table A1.2 of Annex 1 for details of the reports analyzed for each country, classified by the type of update.

Figure 3. Number of Countries with Available Budget Data for the Respective Levels of Government

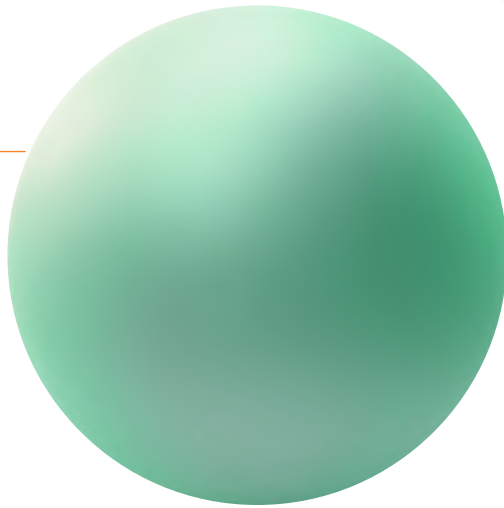
Level 1: 14

- Argentina
- Brazil
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- Jamaica
- Mexico
- Panama
- Paraguay
- Peru
- Trinidad and Tobago
- Uruguay



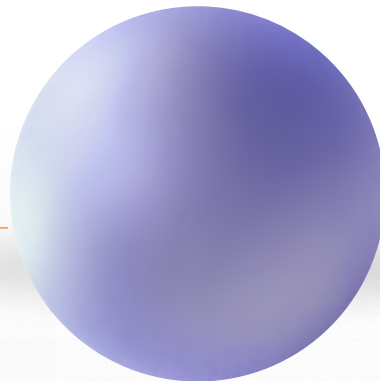
Level 2: 4

- Argentina
- Chile
- Colombia
- Mexico



Level 3: 3

- Argentina
- Brazil
- Colombia



Source: Prepared by the authors based on a review of official sources.

Nota: Reference of values by level: Level 1: Table 3, Level 2: Table 4, Level 3: Table 5

At least two main reasons can be identified for this lack of information. Firstly, limited budgets mean that the opportunity cost of having monitoring and evaluation systems in this area is excessively high: the need to report on results in a given fiscal year hinders the implementation of processes that generally last beyond a single year. This is particularly the case given the general belief that cultural institutions (Level 1) specialize in developing artistic activities (i.e., festivals, exhibitions, etc.).

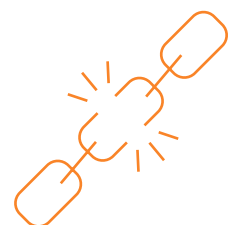
A second reason is the absence of an institutional framework to support studies and impact evaluations of cultural and creative economy policies, with information-gathering usually driven by personal interest or by context (as in the case of the pandemic). Consequences of this problem include the fact that available evidence may not be 100% applicable to local realities.²⁰

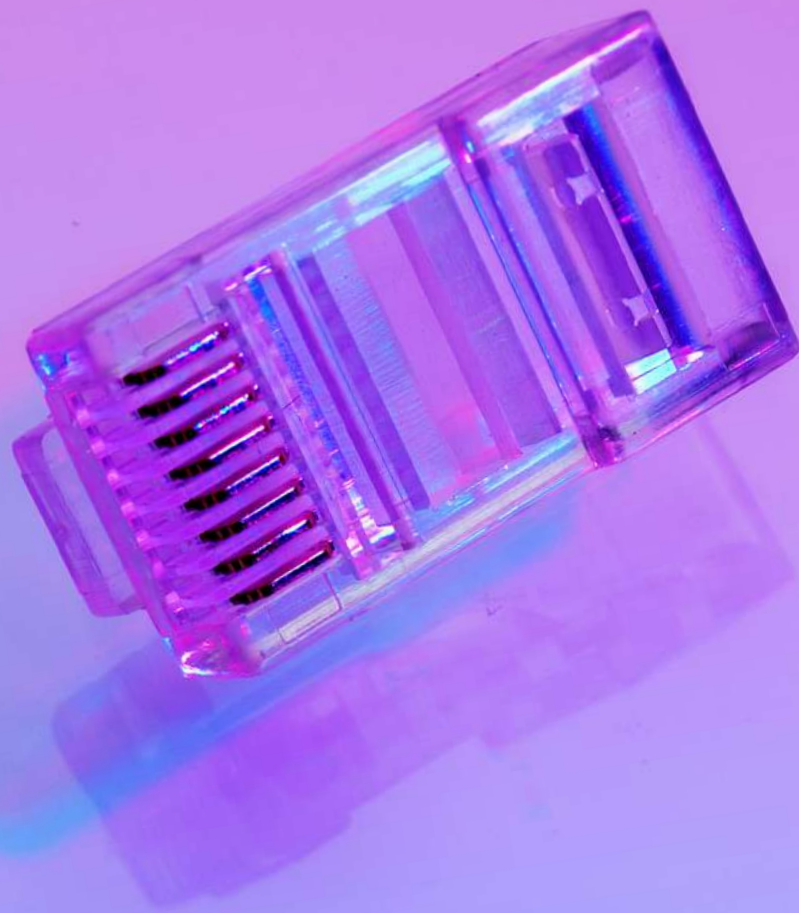
Those interviewed believe that the data and the validation should include examples applicable to their local region. Often, the existing information and reference models used come from countries with highly developed cultural policies and do not reflect the reality and challenges faced by government officials and authorities. “There is no single formula” is a phrase that illustrates the need to always take local context into account. Thus, measures that have proven successful in countries for which evidence is available (mainly the developed countries) either cannot be implemented in a specific country or are unsuited to local conditions.

A possible explanation for this may be the lack of specialized researchers in these fields in LAC, highlighting a systemic problem. Professions relevant to these required areas of research come from third-level education institutions that do not usually offer courses in

²⁰ Given that most of the literature relates to developed countries, cultural components and the availability of resources hinder the direct applicability of the results.

areas linked to promotion of the creative economy. The range of available employment for this type of expertise is also limited, entailing high opportunity costs for those professionals entering the labor market. This not only affects the amount of information available, but also the level of professional expertise in the value chain—particularly those stages relating to development of the industry (market research, commercial strategy, etc.), given that the aforementioned professions generally focus on these areas.





Conclusions

Through its analyses of budgets, promotion tools, and the perceptions of different decision-makers (both public officials and political authorities) of the management and implementation of relevant policies, this report provides a map of the institutional arrangements and resources associated with the implementation of cultural and creative economy policies in Latin America and the Caribbean (LAC).

The main findings of the research include a widespread perception that budgets for promoting culture and the creative economy are scant given the multiple needs of the sector. These budgets relate not only to the execution of artistic and cultural activities but also, for example, capacity-building and investment in infrastructure. Such perceptions are consistent with the budget analysis set out in Chapter 2, which shows that central government cultural institutions (Level 1) accounted for 0.34% of the total central government budget in 2018.

Although the available information on the budgets of other central government institutions is limited (Level 2 budgets are reported in only 4 of the 18 countries analyzed: Argentina, Chile, Colombia, and Mexico), the volume of resources involved is relatively significant for the implementation of public policy measures. Indeed, Level 2 resources in both Argentina and Chile far exceed those of Level 1, accounting for 0.52% and 0.42% of the total public sector budget, respectively. This highlights the need to align and distribute public policy objectives surrounding culture and the creative economy, and also it confirms the importance of interagency coordination, as indicated by the decision-makers themselves in Chapter 4.

Of note is the fact that in three of the four cases, the contribution of the Ministry of Education is quite significant. In Argentina, it is 0.1%, while in Mexico, the Department of Public Education accounts for 0.08%. In contrast, the share in Chile is 0.17%—the highest share of all the institutions analyzed. In two of these three cases, the resources invested help to promote the publishing industry, as they are used to purchase school textbooks.

With respect to local governments (Level 3), data is even more scant than for Level 2. Partial information is available only for Argentina, Brazil, Colombia, meaning that no conclusions can be drawn for other countries. Nonetheless, the results show that resources invested in Argentina and Brazil are almost 50% higher than those



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of Level 1 culture institutions (compared to the latter's share in the central government budget), at 0.47% versus 0.34%. In the case of Brazil, the Level 3 budget is 3.7 times higher than the total identified budget for Level 1 (R\$1.95 billion), while in Colombia it is 4.7 times higher (Col\$340,677 million).

Each section identifies relevant limitations surrounding policy management that are expressed in the lack of systems for monitoring and evaluation, as well as the difficulties that decision-makers face when designing and implementing projects in this context. Clear from this are the similarities in challenges in the region, as well as the considerable importance of cooperation between countries and the support of international organizations.

A common issue identified by those interviewed is the importance of adopting a local or regional approach in policy implementation, given that models are not always replicable. It is for this reason that it is so important to generate data that reflects the reality in a specific region or country. The measures and tools used in LAC cannot be replicated in the absence of impact evaluations, while at the same time, tools cannot be applied without a clear assessment of the context in which they to be implemented. Nonetheless, similarities are apparent and the experience of other officials in implementing measures considered to be successful is recognized as valuable.

Based on the findings of the study, the following recommendations are offered with a view to facilitating support for culture and/or the creative economy and reducing information gaps: (i) expand reporting on public management through improved standards of transparency and more regular publishing of information;²¹ (ii) create incentives in both the public and private sectors for the development of monitoring systems and independent lines of research relating to support for culture and the creative economy;²² (iii) create venues for the exchange of knowledge and experiences among peers;²³ (iv) in public procurement systems, encourage the registration of creative ventures and assess mechanisms that take the characteristics of artistic products into account;²⁴



A common issue identified by those interviewed is the importance of adopting a local or regional approach in policy implementation, given that models are not always replicable. It is for this reason that it is so important to generate data that reflects the reality in a specific region or country. The measures and tools used in LAC cannot be replicated in the absence of impact evaluations, while at the same time, tools cannot be applied without a clear assessment of the context in which they to be implemented.

(v) improve the visibility and strength of initiatives developed by Level 3 institutions, given their importance for promoting the diversity of practices across the region; and (vi) strengthen mechanisms for interagency coordination between Level 1 and Level 2 entities, so as to improve the targeting of policy measures (consistent with organizational missions) and thereby enhance the effectiveness of promotion tools for addressing the multiple needs of artistic, cultural, and creative ventures and initiatives.

The challenges of managing cultural policy and implementing tools to promote the creative economy in LAC are very similar to those described in the literature (Throsby, 2010; Bakhshi, Cunningham, and Mateos-García, 2015). Justifying funding and then determining where, when, and how to allocate that funding, as well as identifying the difficulties associated with regional and cultural diversity, are issues that have been widely addressed. They represent gaps that must be addressed not only by cultural policy but also public policy in general.

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- ²¹ For example, one possible mechanism would involve regular publications that allow public sector performance to be evaluated in terms of both activities and the budget, such as those prepared by SINCA.
- ²² This involves exploring incentive mechanisms for the creation of independent lines of research concerning promotion of the creative economy (e.g., postgraduate scholarships and specific research funds for third-level institutions, observatories, and research centers), with a view to stimulating policy evaluation, market analysis, and professionalization.
- ²³ For example, by supporting spaces for coordination and venues of a strategic nature that promote the exchange between decision-makers of best practices from both public policy and private initiatives; providing technical support for public policy formulation and evaluation; and developing courses that allow decision-makers to specialize in the management of public policies tailored to regional conditions (Level 3).
- ²⁴ Given the importance of public spending for activating the market of goods and services, a number of systemic actions can be identified to promote the creative economy. On the demand side, evaluate mechanisms to both simplify procedures and adapt the requirements of public procurement systems to the characteristics of artistic, cultural, and creative products. In the case of supply, develop standards (quality, methods of delivery, sales volumes, etc.) and encourage entrepreneurs to register as public sector suppliers.
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This report may serve as a good reference guide for decision-makers, providing a general overview of the institutional framework for culture in the region and an initial representation of lessons learned and common challenges and projections.



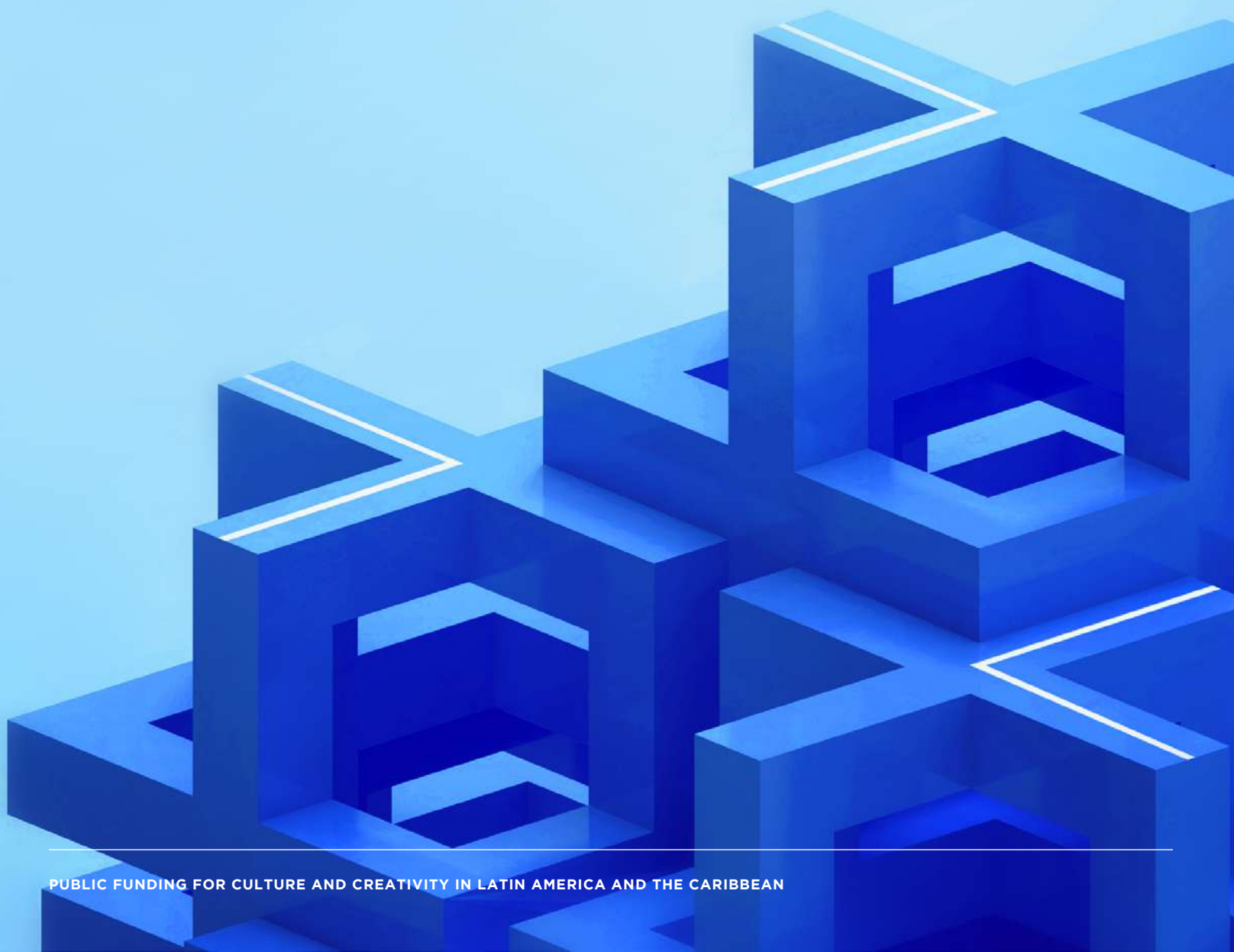


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Annex



Annex 1. Sources, Methodology, and Quantitative and Qualitative Analytical Tools

A. Quantitative Analysis

Sources of information reviewed for the budget analysis

Table A1.1. Sources of Budget Information Reviewed

No.	Country	Source	Title	Year of publication	Reference year
1	Argentina	Sistema de Información Cultural de la Argentina (Argentine Cultural Information System)	Coyuntura Cultural: Gasto y Empleo Público Cultural, Issue 29	2020	2018
2	Brazil	Instituto Brasileiro de Geografia y Estadística (Brazilian Institute for Geography and Statistics)	Sistema de Informações e Indicadores Culturais 2007-2018	2019	2007-18
3	Chile	Ministry for Culture, the Arts, and Heritage	Informe Anual de Estadísticas Culturales	2019	2018
4	Colombia	Ministry of Culture of Colombia	Budget for the 2018 fiscal year	2018	2018
5	Colombia	Ministry of Culture of Colombia	Disaggregated budget for departments and municipios	2020	2008-19
6	Colombia	Ministry of Finance	Proyecto de Ley de Presupuesto General de la Nación 2018	2017	2018
7	Costa Rica	Ministry of Culture and Youth	Budget programs	2018	2018
8	Costa Rica	Ministry of Finance	Law 9,514 - Presupuesto Ordinario y Extraordinario de la República para el Ejercicio Económico 2018		-
9	Dominican Republic	Ministry of Culture	Memoria Anual 2018: Año del Fomento de las Exportaciones	2019	2018
10	Dominican Republic	Ministry of Culture	Memoria Institucional	2018	
11	Ecuador	Ministry of Culture and Heritage	Informe de Rendición de Cuentas 2018	2019	2018



Table A1.1. Sources of Budget Information Reviewed

No.	Country	Source	Title	Year of publication	Reference year
12	Ecuador	Ministry of Economy and Finance	Informe Anual de Ejecución Presupuesto General del Estado (enero-diciembre 2019)	2020	2018
13	Jamaica	Ministry of Finance and the Public Service	Jamaica Public Bodies	2018	2016
14	Mexico	Chamber of Deputies, Department of Documentation, Information, and Analysis Services (SEDIA), Research and Analysis Division, Economic Analysis Unit.	Presupuesto Público Federal para la Función Cultura, Deporte y Asuntos Religiosos (2018-2019)	2019	2018
15	Paraguay	National Department of Culture	Ejercicio Fiscal 2018		2018
16	Paraguay	National Department of Culture	Legajo de rendición de cuentas del ejercicio fiscal 2019		2019
17	Peru	Ministry of Culture	Government of Peru, Ministry of Culture. Proyecto de Presupuesto para el Año Fiscal 2020 Sector Cultura	2019	2018
18	Trinidad and Tobago	Republic of Trinidad and Tobago	Estimates of Expenditure for the Financial Year	2018	2017
19	Trinidad and Tobago	Republic of Trinidad and Tobago	Public Sector Investment Programme	2018	2017
20	Trinidad and Tobago	Republic of Trinidad and Tobago	Budget Fiscal Measures	2018	
21	Uruguay	Ministry of Education and Culture	Ministry of Education and Culture		2018

Source: Ministry of Education and Culture

Methodological notes on budget analysis

In determining a uniform taxonomy for the classification of financing from public sources, the framework developed under the Argentine Cultural Information System was used (SINCA, 2020). This identifies the range of institutions that execute cultural policies at the different levels of government (national, central, and local). As established by the aforementioned program (attached to Argentina's national Department of Culture), a public culture map needs to be constructed to determine public financing for culture in each country. This challenge exceeds the scope of this study given the diversity of jurisdictional characteristics and levels of information available in the countries included.

There are different hurdles to addressing the level of budget allocations or expenditure on policies or initiatives associated with culture and/or the creative economy, and this highlights the need—as shown below—to continue developing lines of research that deepen the evaluation of funding for the sector, as well as the mechanisms implemented to support its development.

Firstly, the diversity of jurisdictional frameworks in the countries analyzed constitutes a clear barrier to interpreting the results, given that levels of decentralization in public budgets can have a direct impact on the sector's share of total public financing. For example, in countries such as Chile, where budgets are highly concentrated in the central government, percentage variations in Level 1 budgets are of greater systemic importance given the volume of resources involved.

In countries with more decentralized public finances, the importance of investigating Level 3 funding is proportionally greater—a paradox given that information is most scarce at this level of government. This point was covered in the interviews, in which some officials mentioned that budgets in certain capital cities or town halls could even exceed those available to Level 1 institutions.

Levels of transparency and the heterogeneity of budget classifications are a second limitation of this study in terms of the comparative policy analysis undertaken. First, different methods are used to define budgets in each of the countries analyzed, and the figures are not therefore strictly comparable. Although the findings in this respect were discussed in greater detail in the chapter on information and analysis, it is important to acknowledge that these challenges have a variety of origins and multiple consequences.

Table A1.2 provides details of the categories of information sources consulted during the research process, including the frequency with which they are produced.

Table A1.2. Types of Information Source Available at the Country Level

No.	Country	Satellite account	Disaggregated national budget, cultural institutions	Budget, other central government institutions	Budget, local governments	Budget execution reports or annual reports	Information systems
1	Argentina	X	X	X	X	X	X
2	Bolivia						
3	Brazil		X		X		X
4	Chile		X	X		X	
5	Colombia	X	X	Z	Z	X	X
6	Costa Rica		X				
7	Dominican Republic		X*			X	
8	Ecuador	X	X			X	X
9	Honduras						
10	Jamaica		X*				
11	Mexico	X	X	X			
12	Nicaragua						
13	Panama		X*				



Table A1.2. Types of Information Source Available at the Country Level

No.	Country	Satellite account	Disaggregated national budget, cultural institutions	Budget, other central government institutions	Budget, local governments	Budget execution reports or annual reports	Information systems
14	Paraguay		X			X	Y
15	Peru		X			X	
16	Trinidad and Tobago		X*				
17	Uruguay	Y	X				Y
18	Venezuela						

Source: Prepared by the authors based on a review of official sources.

Notes:

X= Information from 2018 onward.

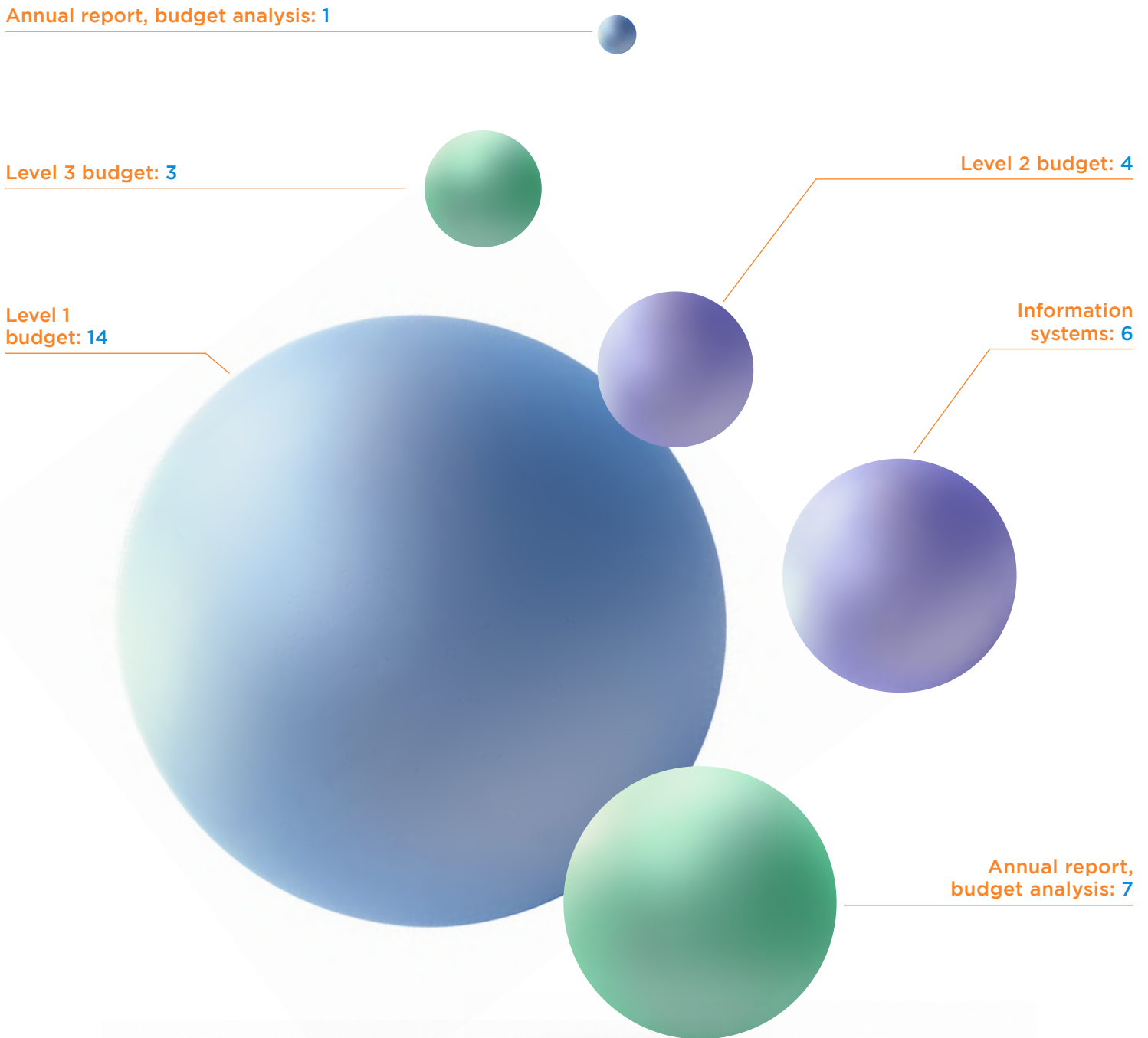
X*=Information based on available budget laws or aggregate data published by the Ministry of Finance/Economy.

Y= Out-of-date information.

Z= Unpublished information provided by technical counterparts.

Figure A1.1 shows the number of countries for which the analyzed information categories are available.

Figure A1.1. Number of Countries for which the Analyzed Information Categories are Available



Source: Prepared by the authors based on a review of official sources.

With respect to levels of information transparency in the various countries, one of the limitations concerns the diversity of available levels. While some public institutions make regular analytical reports on public spending available to citizens (e.g., Argentina), in other countries this information can only be accessed by analyzing national budget laws. In the cases of Colombia and Uruguay, the team was able to work directly with those responsible for the Culture Satellite Accounts, allowing a greater level of precision and disaggregation than in the publicly available information. However, these cases were more the exception than the rule.

In response to the limited availability of information, and with the aim of developing an idea of the sector's share in total public financing, it was decided that the approved budget would be presented for the purposes of this study, with accrued expenditure used instead where this information was not available. Accordingly, these variables were treated as interchangeable in the analytical tables, allowing an approximation of a government's willingness to provide support to the sector through cultural policies. In addition to the misinterpretation of results that could occur if this point is not emphasized, it is also the case that the funds available to cultural institutions vary significantly over the course of the fiscal year due to budget reallocations. Such reallocations are particularly frequent during periods of economic scarcity. This issue was addressed by the decision-makers in chapter 5, as the COVID-19 pandemic has clearly had important consequences in this respect.

A second issue associated with the complexity of working with multiple sources concerns the wide variety of nomenclatures and annotations published in the budgets of the countries analyzed, adding to the problem of dissimilar levels of disaggregation and available budget information. This was a key issue during general development of the research methodology, as it necessitated a focus on cultural policy rather than policies to support the creative industries—particularly in terms of design of the strategy for analyzing measures to foster the creative economy. With regard to the latter, although the aim in principle was to prioritize tools for which budget information was available, this strategy was abandoned because it would have excluded significant programs identified by those decision-makers interviewed.

A third source of complexity when researching budget information (particularly for Levels 2 and 3) relates to the over and underestimation of budgets allocated to the implementation of programs and initiatives. Although this risk was minimized in the case of this study,²⁵ the importance identified by decision-makers of strengthening interagency coordination in order to develop the sector must be accompanied by greater diligence in studying the resources dedicated to implementing initiatives, ensuring that these are adequately evaluated.

With regard to the overestimation of funding, presenting a country's information based on more than one source of information could lead to double counting of the public finance involved. For example, the Ministry of Culture (Level 1) may finance an international program to support artist participation in the Venice Biennale by means of current transfers to a government agency attached to the Ministry of Foreign Affairs (Level 2). A second example might be a current transfer from a Department of Culture (Level 1) to a city hall (Level 3) in order to finance a music festival. In both cases, financing flows from a single source, meaning that if the total budget of Level 1 cultural institutions and that of the Level 2 or 3 agency or City Hall responsible for implementation are added, the resources involved are double counted.

The underestimation of sources of public finance relates mainly to programs implemented by Level 2 institutions that may be classified as artistic, cultural, or creative but have not been identified by Level 1. This scenario makes it difficult to build synergies through interagency coordination and can even lead to the duplication of objectives in public policy tools. Examples of this might be a fund for art workshops spearheaded by a youth agency attached to the Ministry of Education or a creative entrepreneurship fund managed by an agency attached to the Ministry of Trade or Ministry of Industry.

²⁵ The study used only those Level 2 and 3 analyses prepared by the officials responsible for statistics or the satellite account in the countries concerned.

Level 2 and 3 disaggregation: budget analysis

Table A1.3. Disaggregated Budget Analysis, Level 2

Country	Institution	Budget Level 2 (Local currency, million)	Share of national budget
Argentina	Total	17,809	0.52%
	Office of the Chief of Cabinet	6,986	0.21%
	Ministry of Environment and Sustainable Development	1,965	0.06%
	Ministry of Communications	2,582	0.08%
	Ministry of Education	3,254	0.10%
	Ministry of Justice and Human Rights	161	0.00%
	Ministry of Modernization	193	0.01%
	Ministry of the Interior, Public Works, and Housing	195	0.01%
	National Judicial Branch	331	0.01%
	National Legislative Branch	2,143	0.06%
Chile	Total	215,995	0.42%
	Congressional Library (National Congress)	12,195	0.02%
	National Indigenous Development Corporation (Ministry of Social Development)	14,449	0.03%
	National Forestry Corporation (Ministry of Agriculture)	17,438	0.03%



Table A1.3. Disaggregated Budget Analysis, Level 2

Country	Institution	Budget Level 2 (Local currency, million)	Share of national budget
	Vice Ministry of Agriculture (Ministry of Agriculture)	21,909	0.04%
	National Tourism Service (Sernatur) (Ministry of the Economy, Development, and Tourism)	257	0.00%
	Ministry of National Assets	86	0.00%
	Metropolitan Park (Ministry of Housing and Urban Planning)	31,246	0.06%
	Vice Ministry of Regional and Administrative Development (Ministry of the Interior)	17,067	0.03%
	Vice Ministry of Education (Ministry of Education)	87,291	0.17%
	Ministry of Health	3,553	0.01%
	Vice Ministry of Labor (Ministry of Labor and Social Security)	185	0.00%
	Vice Ministry of Telecommunications (Ministry of Transportation)	367	0.00%
	Vice Ministry of the Environment (Ministry of the Environment)	959	0.00%
	National Television Council (Ministry of the General Government Department)	8,992	0.02%
Mexico	Total	4,460	0.08%
	Department of Public Education (SEP) budget	4,460	0.08%

Source: Prepared by the authors.

Table A1.4. 2018 Budget, Level 2 (Ministry of Education)

Country	Institution	2018 budget (Local currency, million)	Share
Argentina	Ministry of Education	3,254	100%
	National Teachers' Library	38	1%
	EDUCAR S.E.	1,665	51%
	Universidad Nacional del Litoral Radio	40	1%
	Universidad Nacional de Córdoba Radio and Television	334	10%
	Universidad Nacional de las Artes	1,177	36%
Chile	Vice Ministry of Education Ministry of Education	87,293	100%
	Fundación Tiempos Nuevos	3,987	5%
	Instituto de Chile	426	0%
	National Prizes and Luis Cruz Martínez Prize	116	0%
	Screen Rating Council	4	0%
	Teacher, Cultural, and Support Exchanges	263	0%
	Intercultural Bilingual Education Program	3,544	4%
	Learning Resources Center (CRA Libraries)	5,522	6%
	Texts for School Education	35,315	40%



Table A1.4. 2018 Budget, Level 2 (Ministry of Education)

Country	Institution	2018 budget (Local currency, million)	Share
	IT for Education in Schools	4,519	5%
	University of Chile	2,705	3%
	National Board of School Assistance and Grants	29,667	34%
	National Kindergarten Board	1,225	1%
Mexico	Department of Public Education (SEP)	4,460	100%
	Cultural development	3,630	81%
	Production and Distribution of Education Materials	555	12%
	Production and Distribution of Cultural Books and Materials	150	3%
	Infrastructure Maintenance	98	2%
	Administrative Support Activities	27	1%

Source: Prepared by the authors

Table A1.5. Budget disaggregation: Integrated Orange Economy Policy (Colombia)

Type of program	2018*	2019	2020**
Technical assistance: Innovation and Design Laboratories; Strengthening of Knowledge Management; Colombia Productiva, Etc.	4,364	15,789	10,208
Commercial spaces	-	2,871	4,632
Investment	1,760	1,166	2,179
Operations	3,771	3,732	3,940
Training program: Emprendetón Naranja, Festival Emprendimiento, Nexo Global en Industrias Creativas y Culturales, Focused on the orange economy	266	2,610	238
Internet platform: Innovamos portal	339	-	400
Interagency contract (Medellin City Hall)	-	49	-
Agreement: Findeter – Ministry of Culture – iNNpulsa: Orange Digital Transformation	-	8,005	-
Funding	-	32,380	74,543
Funding arrangements: Orange capital program	1,000	1,239	-
Business day: Orange business roundtable	-	465	600
Social appropriation of knowledge	-	600	600



Table A1.5. Budget disaggregation: Integrated Orange Economy Policy (Colombia)

Type of program	2018*	2019	2020**
Investment program: Invitation to present Art Creation + Research (InvestigARTE) projects	-	2,637	1,904
Intellectual property	-	66	66
Competition: National Consensus Building Program; Crea Digital, etc.	26,223	52,793	39,361
Entrepreneurship: Orange Skills Training Center	-	300	-
Training: Skills Training Centers	1,097	4,534	4,500
Strengthening of training and recognition of previous learning	321	416	399
Sources of funding: Public Performing Arts Events Act	26,000	26,278	23,253
Infrastructure: Construction of the Támesis Theater, Antioquía	180	2,524	-
Promotion of and effective access to cultural and artistic processes	1,932	2,010	2,263
Investment project	1,894	789,352	614,268
Strengthening competitiveness: high-value tourism	-	1,314	3,800
Strategy	580	12,403	3,476
Financing Fund for Juntas de Acción Comunal	-	2,231	-
Security and Coexistence Fund (FONSECON), Sacudete Crea projects	-	-	2,529



Table A1.5. Budget disaggregation: Integrated Orange Economy Policy (Colombia)

Type of program	2018*	2019	2020**
Event: Colombia 4.0	2,350	1,600	2,000
Strengthening of National and Regional Public Television	-	32,121	73,000
Specific intervention: Buenaventura stoppage commitments; Vía al Llano program commitments	-	400	-
Emprender Fund/National Orange Economy Competitions	20,000	20,000	20,000
TOTAL	92,077	1,019,885	888,159

Source: Ministry of Culture of Colombia.

Notes:

*Reporting from 7 August.

**31 August 2020 cut-off date.

B. Qualitative Analysis

The qualitative analysis is split into two parts. Firstly, a review was conducted of policies to foster the creative economy in the countries included in this study, with the information arranged in a framework matrix to facilitate analysis. To that end, priority was given to those cultural policies and institutions in Latin American and the Caribbean (LAC) for which budget lines are available, thus allowing triangulation between the quantitative and qualitative analyses. Nonetheless, due to the existence of policies not described in the budget—mainly those of institutions with autonomy from ministries or departments of culture in each country—the official websites of LAC. This limitation will be analyzed in greater depth in the following sections.

Secondly, a series of semi-structured interviews was carried out with a view to gathering first-hand accounts and information from decision-makers in LAC, including their perceptions of the management of cultural policies.

Framework matrix for the systematization of tools for promoting the creative economy

The following categories were included in the framework matrix used to analyze the main tools for promoting the creative economy in LAC countries.

Table A1.6. Categories in the Framework Matrix

Country	Type of policy by end-beneficiary	Complete based on the taxonomy
Name of program/tool	Type of tool	Complete based on the taxonomy
National policy governing program/tool	Measure adopted	Complete based on the taxonomy
General description of tool	Implementation mechanisms	Crosscutting/sector-specific
Objective of tool	Scope of measure	Transversal/sectorial
Associated budget		
Direct beneficiaries (to whom resources are allocated)		
Indirect beneficiaries (indirect recipients, e.g., target audience for the project financed)		
Year of implementation of tool		
Impact evaluation or information available?		

Table A1.7. Sources reviewed for the policy framework matrix

Country	Official sources reviewed
Argentina	https://www.cultura.gob.ar/institucional/programas/ https://fnartes.gob.ar/que-es-el-fna http://www.incaa.gov.ar/ https://inamu.musica.ar/convocatorias-de-fomento
Brazil	https://www.gov.br/turismo/pt-br/secretaria-especial-da-cultura http://www.cultura.gov.br/
Chile	https://www.cultura.gob.cl/redcultura/ https://www.cultura.gob.cl/programas/ http://www.cecrea.cl/que-hacemos/ https://chilecreativo.cl/somos/ https://www.fondosdecultura.cl/ http://donacionesculturales.gob.cl/ley-de-donaciones-culturales/
Colombia	https://www.mincultura.gov.co/ https://cocrea.com.co/ https://www.bancoldex.com/noticias/que-son-los-bonos-naranja-2331
Costa Rica	https://mcj.go.cr/
Ecuador	https://www.culturaypatrimonio.gob.ec/
Paraguay	http://www.cultura.gov.py
Peru	https://www.gob.pe/institucion/cultura/campa%C3%B1as/1277-lineas-de-apoyo-para-la-cultura
Uruguay	https://www.gub.uy/ministerio-educacion-cultura/institucional/informacion-gestion/presupuesto-nacional https://icau.mec.gub.uy/innovaportal/v/4237/3/mecweb/que-es?leftmenuid=4237 https://www.anii.org.uy/apoyos/innovacion/249/industrias-creativas/

Interviews with decision-makers

Those interviewed were all professionals with positions in different public cultural institutions in 2020. The positions were categorized as follows:

Political authorities: Refers to positions appointed by the presidency or the most senior ministerial authority.

Public officials in strategic leadership positions: Interviews were conducted with officials with high levels of technical experience who have taken on strategic leadership positions, implementing and leading programs with the support of the government in power

(usually appointed by the political authorities), as well as with officials with high levels of technical experience who have normally worked in the public sector for more than five years and currently have strategic responsibility for leading plans and programs (appointment based on career path within the institution or a competitive recruitment process).

Table A1.8. Study Participants

No.	Country	Institution	Profile
1	Argentina	National Arts Fund	Political authority
2	Argentina	National Arts Fund	Public official in a strategic leadership position
3	Chile	Ministry of Culture	Public official in a strategic leadership position
4	Chile	Production Development Corporation (CORFO)	Public official in a strategic leadership position
5	Colombia	Ministry of Tourism	Political authority
6	Colombia	Ministry of Culture	Public official in a strategic leadership position
7	Costa rica	Ministry of Culture	Political authority
8	Ecuador	Ministry of Culture	Political authority
9	Honduras	Presidency	Political authority
10	Mexico	Department of Culture of the Government of Mexico	Public official in a strategic leadership position



Table A1.8. Study Participants

No.	Country	Institution	Profile
11	Nicaragua	Office of the Private Secretary for National Policy in the Office of the President of the Republic	Political authority
12	Panama	Ministry of Culture	Political authority
13	Paraguay	National Department of Culture	Political authority
14	Peru	Ministry of Culture	Political authority
15	Uruguay	Ministry of Education and Culture	Political authority
16	Uruguay	Ministry of Education and Culture	Public official in a strategic leadership position
17	Uruguay	National Agency for Research and Innovation (ANII)	Public official in a strategic leadership position

Source: Prepared by the authors.

In the case of the Caribbean countries, although the officials in the relevant positions could not be reached, contact was made (directly and by mail) with the professionals listed in Table A1.7.

Table A1.7. Caribbean Professionals who Participated in the Study

No.	Profile	Institution
1	Consultant specializing in the Caribbean region	IDB
2	Counsellor	World Intellectual Property Organization (WIPO)
3	Consultant, PhD University of Technology, Jamaica	IDB
4	Programme Officer	Organisation of Eastern Caribbean States
5	Entertainment & Sports Lawyer (LLB, LLM Entertainment & Intellectual Property Law)	Private sector
6	Private Sector Lead Specialist & Executive Director of Compete Caribbean.	IDB

Interview guidelines

Topic 1: Introduction and view of cultural policy

- 1) How long have you been in your current position? / How many years were you in the position (relating to promotion policies)?
- 2) What would you say has been your main lesson learned as a decision-maker in the cultural policy sphere? What has been the main challenge?
- 3) What would be the ideal approach to designing and implementing cultural policies in your country? Or, what would constitute an ideal cultural policy model for you?
- 4) What areas should be the focus of cultural policy in your country?
- 5) In your opinion, what should be the three main objectives of cultural policies?
- 6) What role does the interagency coordination of cultural policies play in promoting the creative economy? What shape do you think interagency coordination should take when developing public policies?

Topic 2: Public spending

- 1) What is your view of the distribution of spending on culture in your country? Would you distribute it differently? Would you put more or less emphasis on any public policy measure in particular?
- 2) What is your view of the mechanisms for allocating resources? In your opinion, what would be the most efficient way of allocating public resources for culture?
- 3) How is cultural investment justified in your country? What type of indicators and evaluations are requested of you? Are there gaps between the information required and the information that is available?
- 4) What do you think are the most significant challenges for the execution of public spending on culture in your country?

Topic 3: Tools used and their suitability

- 1) Describe the main initiatives that are being implemented in your country to promote the creative economy.
- 2) What is your assessment of these initiatives? Which do you think are most significant? Which do you think has been most effective in terms of achieving its objectives? Which do you think has been least effective?
- 3) In terms of analysis of the policies, has any evaluation been completed of the tools described, or is any underway? If so, what kind of evaluation? If not, is this a concern within the institution?
- 4) In terms of international inspiration, is there any particular country (or countries) that you look to when thinking about programs to support the creative economy? Which (ones)? What interests you most about their experience?
- 5) What role does digitalization play in the creative economy? Does your institution have any initiatives to support digitalization?
- 6) Do you feel that there are any gaps between the design and local implementation of policies? What do you think is the best way of approaching the local development of cultural policies to promote the creative economy?

Framework matrix for interviews

The following categories were included in the framework matrix used to record the information provided by the select interviewees.

Interviewee

Name of interviewee (confidential)	position	country	grade
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View of promotion tools

Experience in the position	Years of experience	Challenges as decision-maker	Emblematic public policy models	Countries highlighted as models	Expectations of public policy	Emphasis and objectives of cultural policies
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Distribution of public spending on culture

Distribution of public spending - positive aspects	Distribution of public spending - negative aspects	More efficient mechanisms for allocating public resources	Justification of public spending on culture	Information gaps	Main challenges for the execution of public spending on culture
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Tools for promoting the creative economy

Main initiatives in the country to promote the creative economy	Assessment of each initiative	Existing evaluations of the tools	Consideration of evaluations in the institution	
International models for the creative economy	Countries mentioned	Role of digitalization	Gaps in design and implementation	Local development of the creative economy



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