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**CULTURAL POLICIES, FUNDING AND INDUSTRIES  
IN LATIN AMERICA AND THE CARIBBEAN**

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**CULTURAL POLICIES, FUNDING AND INDUSTRIES  
IN LATIN AMERICA AND THE CARIBBEAN: A SUMMARY**

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February 1994

**SYNOPSIS**

As I was requested to submit this paper on short notice, and given the scarcity and general unreliability of all available information, this paper offers nothing more than a summary of the main trends, problems and alternatives in cultural policies, funding and industries in Latin America and the Caribbean. Chapter I on cultural policies considers, firstly, the socio-historical background for contemporary cultural policies in the region, followed by an analysis of the consequences of contextual changes on cultural policies. The subsequent chapters outline the general issues for each topic, then present data or examples from particular cases, and, lastly, contemplate the conclusions, prospects or recommendations that pertain in each area. Leda Berardi assisted in revising and organizing the available information.

## I. CULTURAL POLICIES

### 1. Contextual Changes<sup>1</sup>.

The development of cultural policies in Latin America and the Caribbean is tied to changes in the development model and the role of the State, not only because this obviously holds true for all public policy, but also because culture itself has seldom been treated as an independent policy concern when compared to economic and other policies. Only in recent decades has there been a growing awareness that it is autonomous and has its own dynamics, and the notion of cultural policies has begun receiving the same consideration as that, for instance, of economic policies. The point here is that, until recently, cultural policy was part of either economic policy or general policy, that it was not seen as being a specific field in its own right but as a component, reflection or effect of other fields.

In this connection, an autonomous cultural policy encounters two phenomena that have important ramifications. Firstly, at the conceptual level, the prevalent view is instrumentalist, seeing culture as a means to achieving development, democracy, national integration or national independence, all of which are the "real" objectives to which cultural development must be adapted. Secondly, at a deeper level, the very make-up of society is characterized by the fusion of the State, the system of representation, and civil society or the socio-economic base of social actors, with the ensuing result that none of these different areas is fully independent; on the contrary, they are all interlocking. The fact that these three different levels merge and interlock should not be confused with what happens in other societies, such as African societies. In Latin America, the Western distinction between these three areas subsists, unlike in the aforementioned societies, but it does not take the form of institutional separation that might exist ideally. All social actors, all institutions move about in all three levels at once. This always makes it difficult to implement specific, consistent policies for given needs. Culture suffers from this since its specificities do not stand out clearly in social organization, economics and politics.

In recent years, the merger between the three components of the social matrix (the State, the system of representation and civil society) has gradually broken down, giving rise not only to the search for new ways of fitting them together but also to specific policies for each sector of life in society. The most striking development may be the attempts to separate economics and politics, due, on the one hand, to the penetration of world market forces into individual countries and regions, and, on the other, to the so-called adjustment and stabilization processes that were somehow linked to the emergence of the new model of development and long-term integration. This model, although still relying on, and often coercing, the State, sought to carry out its policies through the dynamics of the market. It is important to note that this is not an attempt to diabolize either this development model, for ignoring the fundamental role played by the State in fomenting national unity and integration, or the current market economy. This phase was inevitable and is now a piece in the puzzle, although there might be strong reasons for believing that we are currently in a cycle similar to that which began, albeit on a different note, in the early 1930's, and not at the end of history, as some have proclaimed.

But the economy is not the only thing that is becoming autonomous. Politics is also moving in this direction, redefining its scope and its relations with the rest of social activities, ceasing to be the synthesis thereof and becoming a specific, though not unimportant, area of its own. This is why the current wave of democracy, despite its potential regressiveness, is something more than just another phase in the authoritarian-democratic cycle that has prevailed in the region throughout this century. One could argue that the recent democracies, regardless of their myriad forms, coincide with a deeper process of transformation in the relationship between the State and society and that they are moving towards a state of autonomy and complementary tension between the components of the aforementioned matrix. This is the context or "what is at stake" in Latin America and the Caribbean, which some have referred to as the national-popular model.

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<sup>1</sup> In this and other chapters, besides the references mentioned later, the following documents have been used: SECC, Ministry of the Government General Secretariat, Chile, "Public Policy and Cultural Management", July 1993; ALADI, "Study on the Common Market for Cultural Goods and Services", mimco, Septemeber 1993, Study 74; ALADI, "The Cultural Dimension of Integration", General Secretariat, mimco, 1993, dt 338; M.A. Garretón, "Advances, Limits and Perspectives of Cultural Policy", *Estudios Sociales* n 75, 1st Quarter 1993; M.A. Garretón, "State and Cultural Policy, Bases for a New Institutional Model", in *Políticas Culturales en Chile*, Cultural Division, Ministry of Education, Chile, 1992; Management and Action Plan Reports for 1992-1993 presented by various countries at the 6th Meeting of the Forum of Latin American and Caribbean Ministers of Culture and Cultural Policy Authorities, November 1993; Robert Wangermee, "Evaluation of Cultural Policies: Guidelines for Drafting National Reports", Council of Europe, DECS-Cult (92) 5, 1992; The Pro Tempore Secretariat's Report, Forum of Latin American and Caribbean Ministers of Culture and Cultural Policy Authorities, November 1993; Informal Meeting Report of the Cultural Information System of Latin America and the Caribbean (SICLA), presented at the 6th Meeting of the Forum of Latin American and Caribbean Ministers of Culture and Cultural Policy Authorities, La Serena, November 1993.

## 2. The consequences for cultural policies

This context is of enormous importance when considering cultural policies.

- a) Society is becoming increasingly diverse and is no longer governed by a single sphere or level of power. As we have seen, culture is becoming a specific field, with its own density, consistency and dynamics, wherein each of its components, while increasingly diverse, belongs to that basic unit which we call the cultural world. In other words, the world of art, of education, of science, of communications, of cultural identity and heritage all have an undeniable existence, and they all constitute culture. But each sphere of society has its own cultural dimension: there is a cultural dimension in politics, in economics. This means that a cultural policy must take into account all the dimensions of the cultural world: heritage, creativity and expressiveness, cultural industries, cultural mechanisms or systems (science, education, communications). Cultural policies are becoming more complex and diversified.
- b) Radical changes are taking place in group behavior, with each sector or category of society striving for individual political representation while at the same time defending its autonomy and its right to participate in order to play a role in society. This is the true meaning of modernity. This is not just the result of the spread of individualism, for besides those who fight alone, there are also subjects who fight as a group. What is important here is that social demands are ever more diversified, and a general policy can no longer satisfy the perceived needs of the members of society. The demands for freedom, equality, national independence, which were the basis of social movements and had clear political or economic objectives, have become indistinct from one another and have been joined by a specifically cultural demand, which could be defined as "the quality of life" or, perhaps, as happiness or self-fulfillment. Moreover, the demand for the goods and services of modern society, which now encompass symbolic or cultural goods, has ceased to be the mere demand for access thereto and has become a strictly cultural demand for what each subject feels is the appropriate quality of such goods and services. Quality has become a prerequisite of equity at a higher level.
- c) Policies designed for the cultural sphere should take into consideration the phenomena underlying each of these transformations, such as the fact that they not only have consolidated modernity and widened opportunities but also, on the contrary, have maintained and even exacerbated the exclusion of vast sectors, from one- to two-thirds of society, depending on the case in question. Extreme poverty, poverty, the breakdown of traditional forms of protection and rising inequalities have created a situation in which the division between those who are "in" and those who are "out" cuts across all social sectors and categories, thereby making it difficult to design public policies that are universal in scope yet avoid reproducing inequalities.
- d) There is a change in the way cultural policies work. The development-oriented State promoted general-use cultural policies, geared mainly to the middle classes, in which economic, social and cultural policies merged with elements of social democratization and educational enhancement. The objective was to provide to the greatest number of people, especially to the urban population and the "masses", a type of culture whose content was based on what had hitherto been the domain of the social elite. This was done mainly through the State education and university system and its role in cultural extension and dissemination. As of the 1970's, cultural policies became increasingly ideological and tended to focus on popular culture, from urban folklore to sundry crafts. Cultural policy, however, had not broken out of its political and socio-economic shell.

After the arrival of authoritarian regimes and, in some cases, their concomitant neo-conservative development policies, the different spheres of society are beginning to break apart, leaving a high toll of economic or political repression, exclusion and poverty. The dominant ideology is stripping the State of its role as the main protagonist of development and assigning the main tasks involved in setting priorities and development objectives to the market and an open economy. This affects both the structure of the State, through privatizations and State sector cutbacks, and its functions. The importance of its educational and cultural functions is dwindling, for there are expectations that they will be transferred to civil society through decentralization processes as well as through privatizations, which in the final analysis is tantamount to turning them over to the private and, more specifically, business sectors.

While it is true that this transformation is coming at a high social price, especially since it is accompanied only by a rollback of the State sector instead of by a genuine modernization and reform thereof, it is also true that a new era of relations between the State and society is dawning in which it is no longer possible to envisage turning back to a State-driven development model, which was right for different times. Nor does this entail subscribing to the ideology, particularly in the cultural field, that the market will be able to replace the State successfully. While the market does play a crucial role in diversifying cultural supply and demand, a necessity in any modern society composed of different types of members, it does not recognize national priorities, it neglects the development of entire areas of culture, and its dual tendency towards, on the one hand, uniformity, and towards diversification and fragmentation, on the other, fosters a loss of identity and increases inequality.

The dismantling of the old national-popular State and the incapacity of the market and the private sector to contrive a cultural policy that can cope with the complexities described above have left a vacuum that is being filled by a new ideology for developing cultural policies which provides for the self-regulation of the social and cultural spheres. In another chapter we shall borrow these biological phenomena as descriptive metaphors for the case in point. For the moment let us just say a society, not to mention its cultural dimension, is not the sum of self-regulating subsystems, for the latter are all interconnected, and the power differentials between them, if they are all left to their own devices, control the internal power regulating each one. Self-regulation, then, means that those who hold the instruments of economic, symbolic or institutional power within a system, be it a system of communication, education, etc., must regulate it.

- e) This change in the devising and implementation of cultural policies requires that the State be reformed and modernized and its action be harmonized with the rest of society. A cultural policy is a societal policy, designed and executed by many different subjects, actors, organizations and mechanisms, such as, *inter alia*, the market. This must not be confused with the State's cultural policy, although the latter is one of its irreplaceable components. Furthermore, a cultural policy today is more complex, due not only to the independence, diversification and complementarity of the cultural field's different dimensions, but also to the technological transformations therein, which are concentrated in the so-called cultural industries, to be considered in a later chapter. And it is not to be confused with a policy of the State.
- f) From the above one can conclude that a cultural policy or policies are currently aimed at many different objectives, none of which should be neglected, for reasons that have already been adduced. Firstly, they must integrate the ever-growing sector that is excluded from society. Secondly, they must strengthen national identity as well as the different identities that make up society, while linking up, at the same time, with the processes of globalization and technological progress. Thirdly, they must strengthen and develop the critical mass of people who cultivate and work in the different cultural fields, while simultaneously opening up opportunities for creativity to wide sectors of the population. Fourthly, they must be geared towards the preservation and development of the national heritage, towards artistic development and towards encouraging and fostering cultural industries. Fifthly, cultural policies must capitalize on the complementary aspects of the educational, scientific, artistic and communication components of the world of culture. Sixthly, all cultural policies contain a dimension of international relations and projection which seek to make certain elements of universal culture part of the national heritage, with the latter making original contributions to the former as part of an indispensable process in today's globalized world.
- g) While any cultural policy consists of defining both the specific policies for every single area outlined above and the combination of resources and functions to be carried out by the different sectors of society, thereby requiring decentralized, participatory policies, it also necessitates an adequate institutional structure for the State so that it can do its part, lest there be no national cultural policy. All that which is taken for granted in policies for the economy, education, the justice system, infrastructure, etc., that is, that the State be provided with the adequate institutional anatomy, ought to be made available in cultural policies as well.

Cultural institutionality can mean one of two things. First, its organic meaning encompasses the entire set of public structures or institutions in charge of formulating and developing cultural policies. As a general rule, there are few Ministries of Culture as such in the region, the common approach being, for practical rather than theoretical or ideological reasons, to subsume culture under the remit of some department, division or

undersecretary's office in some ministry, normally the Ministry of Education. In this system, culture remains the "poor relative" of other activities, as reflected not so much in terms of priorities but of budgetary resources. One way of offsetting this situation has been to establish decentralized public institutions that act as coordinators for different structures or bodies, such as National Culture Institutes or Councils. In some cases they have been established years after the creation and operation of other large, mutually independent public agencies in charge of specific cultural functions (i.e. libraries, museums, funds, etc.), as is the case in the United States; this has led to enormous problems of coordination and reorganization due to the accumulated bureaucratic inertia of such bodies. In other cases, there are many different bureaucracies in charge of cultural activities which, regardless of their individual capabilities, are not sufficiently coordinated with one another and, hence, lack the power to lobby for priorities or budgetary funds vis-à-vis the State's top authorities, none of which are in charge of culture.

Given what has already been said about the versatility of current cultural policies, it remains unclear whether or not the existing institutional formulas or structures for cultural policy in a given country are the most appropriate and can act as the spokesman for culture both in other areas and in light of the growing diversity of civil society. In this connection, an evaluation of cultural institutions would be advisable in every country, bearing in mind the following considerations: the management and decentralization of cultural policy, and the participation of non-organization representatives of the world of culture from civil society in the devising of cultural policy. Here, the relative potential of National Councils should be compared to that of ministries and their lower echelons.

The other meaning of cultural institutionality is based on the normative framework (i.e. laws, decrees, regulations, etc.) that governs the cultural life of the country. Emphasis must be placed, in this context, on the ongoing effects of outdated, dispersed, contradictory legislation designed for a time with different technologies and public access patterns, against which new initiatives stand out like isolated enclaves. A revision of cultural legislation is urgently needed, especially with regard to assets, public and private funding, cultural industries (in particular, the audiovisual media), artistic encouragement and development, the working conditions of cultural workers, copyrights for authors and performers.

There can be no denying that, over the past few years, major efforts have been made in the region to address the issues of cultural institutions and cultural policy development. This has also been reflected in the region's efforts at different levels, fora, symposia and seminars in which cultural authorities meet. Given the growing complexity of public policy, in general, and cultural policy, in particular, it would seem timely to carry out a self-evaluation of the latter in order to avoid self-congratulations as well as criticism from other quarters. This self-evaluation should assess institutional structures, policies and the efforts made to enhance international cultural relations.

## II. CULTURAL FUNDING

### 1. The general issues

There is a consensus that cultural development is essential to society insofar as it is a **necessary condition for the development of the country**. Hence, the **allocation of funds to finance culture** constitutes an **economic investment with a high social return** because the enhancement of the quality of people has a positive impact on overall development. In the words of UNESCO, "raising the level of culture creates conditions for the productivity of **economic, financial and technological resources**... culture can be a **conciliating factor in conflictual situations created by the economy**, an agent of economic and social understanding"<sup>2</sup>.

Thus, culture is legitimized as a strategic or essential factor of development and is considered, in terms of finance policy, to be of equal or higher priority than other policies of the State. This declaration, made by certain Latin American and Caribbean countries, sees culture as a major national and international strategic project, but it is contradicted by the fragility of those financial mechanisms set up to fund it.

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<sup>2</sup> "International Fund for the Promotion of Culture", International Seminar of Cultural Funding, Madrid 1982. (The bold type is ours.)

During the heyday of pro-development thinking, the State in Latin America imposed guidelines that regulated the profits of the private sector and channeled resources to reach the objectives of national integration and the creation of an independent economic base, which led to investments in education and basic services to meet social needs and in infrastructure and industrialization to meet economic needs. Except in a few cases, especially in those countries with a long-standing tradition of defending their heritage as well as in those that had undergone revolutionary processes, investments in culture always took the back seat to other priorities, which meant that the flow of resources was erratic, lacked coordination between the public and private sectors, and was generally diverted to disseminating rather than creating culture. Universities and, in certain cases, museums thus became the bodies which used State funds for cultural development, without any link to the objectives of national integration.

Authoritarian regimes invariably cut back on the embryonic public contribution to cultural development. The most recent wave of such regimes, however, along with neo-conservative economic programs that favored a market-based model of modernization, led to the establishment of financing schemes in which the bulk of the resources came from the private sector, and there were areas that were market-competitive and, therefore, began to develop and attract funds.

In any event, the utilitarian view, which inevitably subordinates cultural development to other priorities or forces it to prove its usefulness for other ends, and the economic view, in which cultural development is seen as the reflection of what happens in other areas, such as economic growth or sheer profit, have engendered funding mechanisms that are neither coherent, stable nor systematic, that do not include all cultural areas and that do not encourage cooperation between public, private and international funds. The few exceptions to this rule act more like independent enclaves rather than like instigators of system-wide change.

The problem is that, with a lack of proper normative and institutional structures for raising funds, whenever there is an economic or social crisis, the sector whose funds are most vulnerable to cutbacks is culture. While it could be said that in recent years a consensus has been forged in Latin America around education as a priority investment for development and for its own sake, it could certainly not be said that the same applies to other cultural fields.

In many countries, efforts have been made to try to make up for the lack of an overall normative framework for cultural funding through two types of initiatives which, albeit of limited scope and cohesion, are at least giving rise to debate on the need to address the issue of cultural funding systematically. First, there is the range of legal mechanisms of a fiscal nature that try to raise funds by providing tax exemptions to private sector contributions for cultural development. Then there is the establishment, either in conjunction with the first type of approach or independently thereof<sup>3</sup>, of general or specific cultural development funds, which are administered by public agencies or by joint boards, whose members can be appointed or screened on application. As will be discussed in part III, if these initiatives are not plugged into the general cultural funding strategy, which requires an adequate normative and institutional framework, they can either get bogged down in red tape, perish in isolation or, at best, improve limited situations, but in no sense can they offer solutions to all the problems inherent in previous models, and cultural policy shall remain subordinate in rank or a mere tool for other activities.

## 2. Experiences in cultural funding

There is no common experience in cultural funding in the region, nor is there any overall study or diagnosis of this; hence, we shall present some national policies to show their similarities, differences and main trends<sup>4</sup>, and then we shall draw some conclusions and make some recommendations.

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<sup>3</sup> The Colombian example of Joint Funds, outlined in Part II of this report, is a typical case of using a combination of tax deductions and the establishment of a Development Fund. Cuba, Argentina and Jamaica have funds established with public resources. In Chile an original solution was found to overcome the impossibility of eliminating VAT on books: the annual revenue generated by this tax is matched by funds which are transferred to a Fund for the Promotion of Books and Reading within the Ministry of Education that is administered by a Board comprising the public sector, business, writers and teachers.

<sup>4</sup> The following information and textual references come from the Cultural Funding Reports presented at the 6th Meeting of the Forum of Latin American and Caribbean Ministers of Culture and Cultural Policy Authorities held in La Serena, Chile in November 1993.

- a) In **Mexico** the National Council for Culture and the Arts has a National Fund to finance culture (FONCA). It brings together the artistic and intellectual community, the business sector and public institutions in order to come up with new ways of promoting the artistic and cultural development of the country. Through this Fund, the National Credit Corporation, composed of members of civil society and the State, manages private-sector, tax-deductible contributions and the activities they fund. FONCA's objectives include supporting artistic creation, preserving and conserving the cultural heritage, increasing the cultural stock, promoting and disseminating culture.

In order to support artistic creation, in September 1993 outstanding artists in the field of national culture were invited to apply to the National System of Creators of Art, which provides monthly economic support for 3 years to those in the "artistic creator" category and lifetime support for "emeritus creators".

Regarding the cultural heritage, FONCA, in conjunction with the institutions in charge of caring for the heritage, takes part in many projects for the conservation of places of archaeological and historical interest and acts as administrator for funds raised thanks to private initiative.

Through private support, FONCA acquires works of great artistic and cultural value in order to increase the cultural stock of the country's various galleries and museums.

In the area of cultural dissemination, FONCA works together with the Rockefeller Foundation and the Bancomer Cultural Foundation in the Trusteeship for Culture, within the framework of the Mexico-United States Commission for Educational and Cultural Exchange. The Trusteeship has an annual budget of one million dollars to support projects of interest to both countries, with a view to encouraging artistic and cultural exchanges, by providing financial incentives to writers, musicians, visual and performing artists, researchers and lecturers from both countries.

- b) **Jamaica** has the following mechanisms for funding culture: private sector co-financing; the private cultural sector; subsidies for works of art given by artists themselves; government funding for the private cultural sector; and government funding of the public cultural sector.

There are several cultural bodies which are funded by the government budget but which are not coordinated with the needs of the national cultural development process. One such body is the Institute of Jamaica, which is devoted to researching, documenting and transmitting the national cultural heritage in the arts, sciences and literature. It has an annual budget of approximately J\$ 22 million. Given the paucity of resources, it is entitled to charge for services rendered in the field of research in order to cover its costs. The Cultural Development Commission of Jamaica, with an annual budget of approximately J\$ 15 million, discovers and develops amateur talent. For the reasons cited above, it, too, must charge for the training it provides. The National Heritage Fund preserves and maintains national sites and monuments. Things Jamaican is in charge of developing crafts, which represent a huge source of potential resources. The Culture Department of the Ministry of Education and Culture directs and monitors policies through annual reports and evaluations and the promotion of international cultural exchanges.

Private sector involvement in the public sector consists of organizing programs or events, sponsoring, etc.

In the area of private cultural funding, the cultural industry of Reggae music is in a league of its own. Among private sector cultural organizations, Synergy Productions, in charge of "Reggae Sursplash" and others, is one of many pop music agencies in the private cultural sector that have sponsored and financed cultural events.

Government funding of the private cultural sector is designed to lend assistance to private sector artists in the carrying out of projects. To this end, scholarships and revolving funds are provided.

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Rather than providing a descriptive study or critical analysis, this report is based on official information used in planning and not on specific data and results. As we shall indicate in the Conclusions, we are still lacking a comparative study on mechanisms, financial legislation, follow-up and true expenditure in culture.



- c) In **Venezuela**, the so-called Culture Sector comprises a governmental component --the national government (CONAC), State governments, municipal governments, State Foundations, and Civil State Associations and Foundations-- and a non-governmental component --private foundations, Cultural Fora and Centers, Artistic Associations, Corporations and Federations, and Organized Communities.

CONAC, an independent institute which reports to the President of the Republic and has its own legal status and assets, is the governmental body in charge of setting out the guiding principles of the cultural policy of the State "aimed at studies, planning, coordination and implementation in the humanities, the arts and the social sciences for the non-school sector".

The National Council for Culture works closely with the Ministry of Education, with public institutions active in other areas of culture, such as the Independent Institute of National Libraries, and with some private organizations as well.

Funding for the Culture Sector comes largely from the national budget and is administered by CONAC. Funds are raised and distributed through the following mechanisms:

- Governmental funding: transfers in the form of subsidies and contributions to cultural programs developed in conjunction with other national or regional governmental institutions; the establishment of State Foundations which act as trusteeships and receive contributions from the private sector; a system of tax deductions and exemptions for private individuals and legal entities.
- International funding: this consists of funding from the United Nations System as part of agreements for technical assistance and program development; from bodies in the regional system for specific projects; from the world financial system; from International Foundations. In all these cases, funding is shared with the State. Lastly, assistance also comes from international cooperation funds in the developed countries.
- Non-governmental funding: direct or indirect funding from the private sector, as well as the proceeds from the sale of products, such as the State publishing houses, which are private law institutions that finance, either totally or partially, the publication of books and magazines.
- Public fundraising activities: used in the Traditional and Ethnic Culture sectors. The sources of funds are the community, friends' associations, individual patronage, sponsorships and certain government bodies.

Let us not forget that, as the Report on cultural funding in Venezuela itself says, "the State's activity in the cultural field is not limited to the aforementioned structures... the Ministry of Education has schools for the visual arts, conservatories and other art education centers, and there are also the independent institutions such as the National Library and Library Services... which are funded by the State, university Culture Divisions, and independent organizations, such as the Venezuelan Symphonic Orchestra, etc."

The fact that the many sources of cultural funding are dispersed and that there is no information on non-governmental funding has led to a proposal for the establishment of a National Cultural Accounting System and a system of specific indicators that would provide contacts, measurements, follow-up and efficiency in funding.

- d) **Argentina** has legislation for the funding of culture that provides for several bodies and mechanisms.

Firstly, the National Commission for the Protection of Local Libraries (CONABIP) establishes guidelines for and implements government policy for the promotion of reading and the development of local libraries, with resources from the Special Fund for Local Libraries, constituted by a 5% share of all the taxes levied on the winnings of gambling events organized by the Lotería de Beneficiencia and on inheritances and donations of private institutions or individuals.

The second such body is the National Fund for the Arts. It was originally set up as a special bank for culture "with the aim of granting loans to encourage, preserve or reward the country's artistic and literary activities and to disseminate them abroad". Its capital is based on contributions from the national government, with supplements from Funds for the Development of the Arts, copyright payments, proceeds from any type of work, proceeds from registration fees for works listed on the National Intellectual Property Register, fines, and a percentage of the box office surcharges paid by cinemas.

Thirdly, the National Film Institute develops and regulates domestic cinematographic activities and is funded through the Development Fund for Film. There are also extra-budgetary funds provided by museums, galleries and other legally registered Friends' Associations and Foundations and by corporate, foundation and bank headquarters donations. Assistance in maintaining, expanding and outfitting museums and galleries is particularly important.

- e) **Colombia** is interesting in that it has Joint Funds for the Promotion of Culture and the Arts. Many observers think that this is one of the best donations systems around because of its benefits in taxation, administration and supervision. These Joint Funds were established to make up for the lack of State financial resources.

Each Fund works in a specific department promoting the development of cultural events in each region and encouraging all forms of artistic expression.

The Colombian Institute of Culture, Colcultura, "promotes Funds to be set up with the legal status of non-profit foundations with mixed participation an independent assets under the remit of private law". The assets of these Funds are based on contributions from Colcultura, local authorities and private individuals. 90% of the budgeted expenditure is for investments and 10% for operating costs.

The Joint Funds' features include: donations made to a Joint Fund are fully deductible from the donor's income; eligibility for the deduction does not require the donation to be linked to the donor's source of income; the donation is considered to be an investment in culture, which allows the donor to publicize its status as a contributor of such funds, which may enhance its image as an institution, and "offers an advertising plus, since the advertising of cultural and artistic activities promoted by the Fund contains explicit mention of the participation and support of donor organizations"; the donor recovers a large portion of its donation through the advertising done by the Fund; the donation is used for the promotion of cultural events in the region; when the Fund's resources are used for extension activities, donors can provide input and guidance; donations to Joint Funds can be made in money or in kind, and their ultimate destination can be left up to the discretion of the donor so that they may be used for a given purpose, in a particular activity or in a specific geographical area that is of interest to the donor<sup>5</sup>.

Some of the problems involved in this type of funding will be discussed in the next chapter.

### 3. Conclusions and recommendations

Without pre-empting further analysis of these topics during the discussion on cultural industries in the next chapter, some conclusions are presented below with a view to providing guidelines for future joint action in the field of cultural funding.

- a) Firstly, it is necessary to carry out an exhaustive comparative study amongst the countries of the region and between the latter and countries in other regions on cultural funding mechanisms that will provide a clearer diagnosis and make it possible to make proposals for measures to be adopted in different countries based on the lessons they can all learn from each others' experiences.

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<sup>5</sup> Such is not the case in Chile, where donations must be made in money for taxation purposes, which limits donation possibilities.

- b) For the time being, and with all the caveats applicable to currently available information, we can say that the funding of culture has not been a systematic, consistent objective of public policy. While interesting, ingenious mechanisms have recently been established to channel resources towards certain cultural activities, they are being implemented in outdated, inadequate normative and institutional environments; they either overlap with or counteract existing initiatives, depending on the case in question; some areas suffer from a total lack of funding policy; linking public and private funding still problematic; and there is, in the cultural sphere, a generalized lack of the policies for comprehensive funding that do exist in other sectors of the economy or social activity.
- c) One of the consequences of the absence of specific, coherent cultural funding policies is that it is impossible, except in very few cases, to address as a whole the three main dimensions of cultural policy: the development of the arts, equal public access to cultural creation and dissemination, and public heritage policy. In those countries with limited heritage activities, resources are, for the most part, diverted towards artistic development, through special funds or even the misuse of funds, or towards mass access to cultural products, in the form of subsidies, all to the detriment of an already small heritage. In countries with a strong heritage, however, resources tend to be concentrated in this area at the expense of specialized and mass artistic development<sup>6</sup>. Modern funding policies should recognize that each cultural dimension has its own specificities and is a fundamental unit in its own right.
- d) The absence of an overall funding policy has another side-effect in that there is no clear understanding of the each area's needs, of its comparative advantage for fundraising purposes, nor of the international cooperation and fundraising priorities that ought to prevail therein. This means that the countries of the region are at the mercy of choices made in developed countries concerning the use of international funding or cooperation, which may not coincide with the true needs of the beneficiary nations.
- e) Although the new mechanisms that have been introduced to finance cultural development, i.e. Funds and tax breaks for the private sector and businesses, are a significant step forward compared to previous arrangements and make it possible to combine public and private resources, they still suffer from at least three problems in their present form. They have generally not been accompanied by structural or institutional transformations in the State's cultural activities but have merely been grafted onto existing structures or legislation which have kept them from becoming part of an integrated cultural policy. An assessment of these existing structures and legislation is urgent; otherwise, these new measures might become gradually less attractive both for those in the artistic community interested in capitalizing on them and for the private sector, which prefers to channel its resources to the world of culture without having to get bogged down in procedures and paperwork. Regarding Artistic Development Funds, as long as they are not integrated into the institutional structure of the State, they shall remain nothing more than temporary relief for some artists and will be incapable of becoming instruments of a cultural policy in which the public sector, private sector and cultural community work together to determine priorities, objectives and areas for development in the short- and medium-run. Turning now to tax incentives, they often allow a wide margin for donor discretion in deciding where resources shall be used, which means that the use of public property or resources (i.e. taxes) or the public function of artistic patronage is determined by private interests. Changes should be made so that a part of these funds could be used for public ends (such as general Funds which are independent of donors), while the rest could be used to serve the cultural interests of the donor, which always ought to be evaluated by high level associative bodies in each cultural field.

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<sup>6</sup> In Mexico an interesting fundraising initiative for all of these different dimensions was a concert given by the popular singer Juan Gabriel, with the National Symphonic Orchestra in the Palace of Fine Arts. Similarly, in the rules and regulations of its assistance programs, the Chilean National Fund for the Development of the Arts makes provisions for both the heritage and artistic/cultural creation and dissemination.

- f) The establishment of a Latin American Fund for Artistic Development, jointly administered by all the countries of the region and providing support, through contests for projects or finished works, to certain sectors, age groups and areas of common priority has been a mere pipe dream so far, for many countries are reluctant to set aside national resources for the financing of a regional fund, and thus the idea has never moved beyond the realm of well-wishing. An interesting possibility would be for international cooperation to act as a counterpart in setting up such a fund, at least to get the ball rolling. Another possibility would be for national Funds to set aside a quota of their resources for regional initiatives or for artists or activities that, although from outside the country in question, make a contribution to the cultural life thereof.

### III. CULTURAL INDUSTRIES

#### 1. General issues<sup>7</sup>

As the State moved away from an inward development model, which became more radical during the sixties and early seventies, towards the market economy model based on adjustment policies and neo-conservative strategies for State cutbacks and withdrawal from the economy, the relationship between society and cultural industries was redefined.

The development model that had prevailed in the region since the thirties made the State into the driving force of the economy, modernization, social integration and national independence. In terms of culture, this meant an overriding concern for mass access, especially of the urban middle classes, to those cultural goods that had hitherto been reserved for the oligarchical elites. Such a policy could be seen in the significant role played by universities in generating and disseminating this type of culture, and by the establishment of the basic infrastructure (libraries and museums) for the cultural heritage. The main cultural industries were publishing and film-making.

As this model became more radical in the sixties and early seventies, the State, while fulfilling its central role, became a theater of ideology, and the focus on popular culture turned radio, as a means of bridging the gap between grass-roots and elite cultures, and the crafts industries into the most highly developed cultural industries.

Starting in the sixties and seventies, the arrival of authoritarian regimes, adjustment policies and development models that emphasized the role of the market, the private sector and the integration of Latin American economies into the world market, had an impact on the processes of creation and dissemination in the cultural industries. They were affected by technological change and economic globalization, on the one hand, and by strong competition from Japanese and North American industry, on the other. Lastly, the incredible development of the media and the audio-visual industry, which has fostered access to mass audiences and the internationalization of messages and programs, has changed conditions and prospects in the cultural industries, thereby making all issues more complex.

Today, not only do we see the emergence of new national development requirements for these industries and the need for policies that will promote all of them without exception, but we also see that the magnitude of these very requirements lies far beyond the scope of individual nation-states, casting a shadow of doubt on the true effectiveness of national projects in addressing these needs.

It is no longer a question of economic incentives, public access to the products of cultural industries or even the relationship between the State and the private sector in this area; the challenge is so great that these issues cannot be dealt with effectively on the basis of concerted action amongst the public and private actors in any given society because today's problems are being defined by uncontrollable forces, such as technological

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<sup>7</sup> There are no monographs or significant, up-to-date indicators on this topic. In general, the data used here come from two studies which are of great value, despite a certain approxamativeness due to a lack of reliable information. They are "The Economic Structure of Cultural Industries in Latin America", by Enrique Saravia (CEDEAL, mimco 1993) and "Cultural Industries in Latin America: Today and Tomorrow", Antonio Pasquali (Separata, 1989). For a more general view, see also G. Sunkel's "Cultural Industries and the State" (a report requested by the Pro-Tempore Secretariat of the 6th Meeting of Latin American and Caribbean Cultural Ministers and Authorities, Santiago, Mimco, 1993).

progress, the internationalization of markets, and the power and penetration capacity of the huge corporate conglomerates that dominate some of these industries.

This has led to resignation, to a feeling of impotence regarding the chances of "doing something" to avoid being left completely behind and at the mercy of others. It would seem that the only solution would be a *laissez-faire* policy so that each cultural industry can try to "hook up" with the global networks of production, distribution and consumption of cultural goods and services, either by competing in those areas where it has a comparative advantage or by becoming a passive receiver, thereby giving up entirely on a national cultural industry policy.

Another solution, which could work alongside the one mentioned above, would be for each cultural industry to regulate itself at national level, especially in mass communications industries, such as radio and, above all, television. The main principle here is that the State should not intervene to support cultural industries or activities that are not capable of prospering in the market. It goes without saying that the concept of self-regulation, when applied to any social sphere, even to strict economics, is an erroneous and abusive extrapolation of what happens in biological or physical processes. Not only does this concept fail to take into account that every realm of social activity is interconnected with another, so "self-" regulation is a mere illusion. We could cite as examples the role of advertising in establishing a relationship between communication and the consumption of material goods, the relationship between education and the labor market, which is more than just binary since it includes both the relationship between the demand of students and the supply of educational institutions as well as that of supply and demand in the labor market proper, all of which makes any sort of self-regulation impossible. Self-regulation also fails to take into consideration power differentials between different areas and the role the State can play in regulating and redistributing access to consumption and, especially, creation and production in highly inequitable markets. This concept still relies on naive, mercantilistic thinking, probably in reaction against the past, in which the presence of the State actually inhibited competition and the free access of some sectors of the population to certain cultural products.

Must we resign ourselves to world market trends and technological progress in cultural industries, to being passive receivers or consumers, to being dependent on what others do? Should we seek refuge in protectionism, turning our backs on reality, condemning ourselves to ethnocentric isolationism? Can we actually come up with policies for developing cultural industries that will encourage some to be more competitive, others to play a leading role, others to be simply complementary, while at the same time fostering independent, but not autarchical, development that will preserve our identities and play a creative role in the internationalization process that is underway? There are no easy answers to these questions.

## 2. Some facts on Latin American cultural industries

Policies for the development of cultural industries should take into account their true situation in today's world and the potential they offer not only for economic development but also for cultural development, while preserving and encouraging national and regional identities. Unfortunately, the information available on them at regional and national levels is extremely scattered and not up-to-date, which corroborates the impression that this sector has not been deemed worthy of having its own development policies<sup>8</sup>.

- a) In the **world trade** of cultural industries, although there are no reliable, universal and comparable indicators at present on cultural expenditure, indirect indicators do provide useful approximations. According to Pasquali (op. cit.), UNESCO figures for 1980 show that in five categories (printed matter, music, visual arts, film and photography and radios/television sets) world import-export trade equalled 77,096,000,000 dollars<sup>9</sup>. Estimates for 1988 indicate that 227 billion dollars were probably spent on the five product types mentioned above (including domestic consumption in producing countries). Total worldwide spending in cultural industries is estimated at more than one million dollars per annum.

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<sup>8</sup> Data taken from Sarvia (op. cit.) and Pasquali (op. cit.).

<sup>9</sup> These figures do not include the socialist countries nor all of the Western countries. Nor do they cover all the cultural products that are used in their country of origin.

In 1980 Latin America and the Caribbean had cultural exports totalling 342 million dollars (0.8% of world exports) and imports worth 1,747 million dollars (4.5% of world imports) with a balance of payments deficit of 1,405 million dollars. These figures show, firstly, that very few cultural goods are imported into the region: 4.5% of total imports for 9% of the world's population. By way of comparison, the EEC, with only 7% of the world's population, had 37.5% of all cultural exports and 43.6% of all imports. All these factors combined show that, at the beginning of what later came to be known as the "lost decade", the region's cultural industries lacked dynamism, ranking second-to-last worldwide. Regarding the cultural balance of payments deficit, the ratios are: around 3 to 1 for printed matter; 13 to 1 in music; 2 to 1 in the visual arts; 5 to 1 in film and photography; and 6 to 1 in radio and television. There was a trend towards equilibrium in only four countries: Uruguay imported only one and a half times its exports; Mexico imported twice as much as it exported (118 million vs. 54 million); Brazil's imports were three times greater than its exports (788 million vs. 233 million in 1980); and Colombia, with imports five times greater than exports (86 million vs. 15 million in 1980). Argentina, on the other hand, imported eighteen times more than it exported, Nicaragua 29 times as much, Ecuador 39 times and Venezuela 158 times (476 million vs. 6.1 million).

- b) CERLALC (Regional Center for the Development of Books in Latin America and the Caribbean) played a key role in the region's publishing industries. Its first administrative unit was set up in Colombia in 1970, it became an international organization in 1971, through an international cooperation agreement with UNESCO, and in 1977 the Caribbean countries became members.

In terms of national production, Brazil is one of the world's five largest publishers, followed, at regional level, by Colombia, Mexico and Argentina. Between 1968 and 1987, Colombia increased its export capacity 77 times (while the region as a whole only increased its export capacity fivefold), exporting two and a half times as many books as Mexico and five and a half times as many as Argentina, for a total of 76 million dollars per annum. 71% of all books published in the sub-region come from these three countries.

Historically speaking, **publishing** has been the most developed cultural industry in Latin America, but it has been unable to capitalize on economic opportunities and penetrate markets outside the region to any considerable extent. In 1987, for instance, 41% of all the books sold in the region were imported from Spain (127 million dollars out of a total of 309 million), while exports only amounted to 7% (5.4 million dollars), representing only a twofold increase over the previous 20 years and a trade balance deficit ratio of 24 to 1, compared to 12 to 1 in 1968. This is all the more ironic given that, at the end of the 1980's, it cost about 6 times less to publish a book in Latin America than in Europe.

- c) There is a growing market for **art**, but it is subject to the changing fortunes and crises in the international market. According to Saravia (op. cit.) "Argentina, Mexico, Venezuela and, to a lesser extent, Chile, Colombia and Uruguay have art markets with a similar structure and solid ties to galleries and auction houses in the United States and Europe." Bureaucracy, customs barriers and insurance costs hinder trade in the region.
- d) In the **film industry**, Latin American cinema was affected by the political problems that developed as of the 1960's in Brazil, Chile, Argentina and Uruguay and by the financial crisis that emerged at the end of the 1970's. This is compounded by the difficulties in competing with the United States for international audiences, although over the last five years, for instance, Argentina has managed to place some films in distribution circuits in Europe, the United States and other Latin American countries, as have the Mexican and Brazilian film industries. In other countries, such as Chile, the recent development of a national film industry with government support is still fighting to enter those commercial networks that will guarantee its medium-term viability.
- e) **Television** has become one of the keys to success for other artistic events, such as music, theater, opera, cinema and live performances. Over the last 25 years the number of television sets in the region has risen from less than 2 to more than 66 million. Pasquali (op. cit.) points out that, with the exception of the United States, the region is the leader in terms of the number of broadcasting stations: three and a half times as many as in Asia, and almost five times as many as in Europe. In 1984 there were nearly 66 million television sets in the region.

Data from UNESCO and the Latin American and Caribbean Broadcasting Union (ULCRA) indicate that in the region imports of equipment for the production, broadcasting and reproduction of radio and television programs as well as imports of pre-packaged programs account for 77% of the regional deficit in cultural goods (1.3 billion dollars in 1980).

Another indicator is advertising expenditure, which is the only source of income for private broadcasters in the region and an important one for the many public sector stations which use advertising to supplement their resources. A cross-analysis of world advertising expenditure carried out by the International Advertisers Association shows that the region has the lowest proportion of printed media advertising expenditure and the highest proportion of investments in radio and television advertising. Latin America only invests 25% of its advertising expenditure in the printed media, versus 36% in the United States and Canada, 39% in Asia, 41% in Africa and the Arab countries, 45% in Europe and 49% in Australia and New Zealand. Latin America spends 55% of its advertising expenditure in radio and TV, compared to 43% in Australia and New Zealand, 30% in Asia, 29% in the United States and Canada, 17% in Europe and 14% in Africa and the Arab countries. In 1986, out of the 12 countries that made the highest proportion of advertising investments in television, 9 are Latin American, with Peru spending 83.6%, Venezuela 66.8% and Mexico 60.6%, against a world average of 25.5%. Total advertising expenditure for the region in 1985 was 5,332,900,000 dollars, with an estimated 3 billion in radio and television, or only 4.1% of the world's total expenditure on advertising.

Furthermore, the region imported 52% of all the programs broadcast, making it the world's second largest importer of television programs after Africa (55%) and ahead of the Arab countries (45%). Most of the imports come from the United States.

These figures indicate that, by the end of the 1980's, radio and television had become not only the two main pillars of culture in the region but also excessively dependent on advertising revenues and imported programs<sup>10</sup>.

### 3. The outlook for Latin American cultural industries

- a) Being a complex sector, with the potential to accommodate companies of different sizes, cultural industries have a promising future, as many observers have pointed out, as long as State involvement is properly matched to market realities. In many instances, this is a prerequisite for changing from mere consumers into producers and exporters.

There are areas, such as the film industry, in which the State's contribution, in terms of regulations and financial support, is indispensable. To this end, broadcasting quotas for Latin American films have been proposed for each country in non-subscription television, cinemas, cable T.V. and home video. Other proposals call for a study on the creation of a Latin American cultural cable network<sup>11</sup> and the convening a meeting of distributors, cinema operators and producer representatives to analyze, *inter alia*, the market situation, the effects of technological change and incentive schemes in order to create coordination mechanisms that will provide support to a distribution network or corporation for Latin American film.

In television, there have been at least two additional developments in the early 1990's that warrant further consideration. Firstly, the experience of producing and exporting certain products (for example, Brazilian soap operas), which combine both profitability with mass cultural and entertainment appeal as well as high technology with the export of national identity. This experience has important lessons about success which can be applied in other areas or activities. Secondly, large private television network conglomerates have expanded in the region and tend to dominate markets outside their countries of origin. A non-ideological examination is required to study the impact this may have on their potential to compete worldwide, on the cultural dimension of television and on public television itself, which may be increasingly subject to ill-suited, commercially-oriented competition.

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<sup>10</sup> Pasquali, op. cit.

<sup>11</sup> See Miguel Littin's letter to the Latin American and Caribbean Culture Ministers and Authorities, who met in La Serena, Chile in November 1993.

- b) The State's action in correcting the market is the only way to guarantee the preservation of national identities in this globalization process. State action is also necessary to promote closer links amongst cultural industries and between the latter (especially publishing and audio-visual industries) and the education system.

Two important points should be highlighted when considering the redefinition of the public sector and its ties to the private sector in the area of cultural industries. Firstly, there is a need to foster a stronger corporate culture among public authorities in charge of cultural policies. Secondly, there is a need to create research centers where data and information concerning the realities and prospects in each of these industries can be collected, not only for the purposes of market studies but also for an understanding of trends in the public, technological advances, the trade-offs between globalization and national or local identities, the opportunities in those industries which provide infrastructure and support to cultural industries, and the legal, customs, tax and financial measures required to develop them.

- c) In all these areas, it is important that the States of the region work together. In this connection, it is useful to recall the conclusions reached in September 1993 by the General Secretariat of ALADI on the establishment of a common market for cultural goods and services and to encourage greater concern for the issue of cultural industries amongst Ministers of Culture and Cultural Policy Authorities, on the understanding that if this concern is not shared by public administrators in charge of economic policy, it will not be addressed.
- d) To summarize, a more active commitment from society and States vis-à-vis cultural industries must be fostered in order to check and offset the negative side-effects of an unbridled market, to link these industries with society's scientific and educational systems, to complete the integration of these countries into the world cultural marketplace as producers and exporters, and not just as consumers, and to make a concerted effort in the countries of the region for the development of these industries.