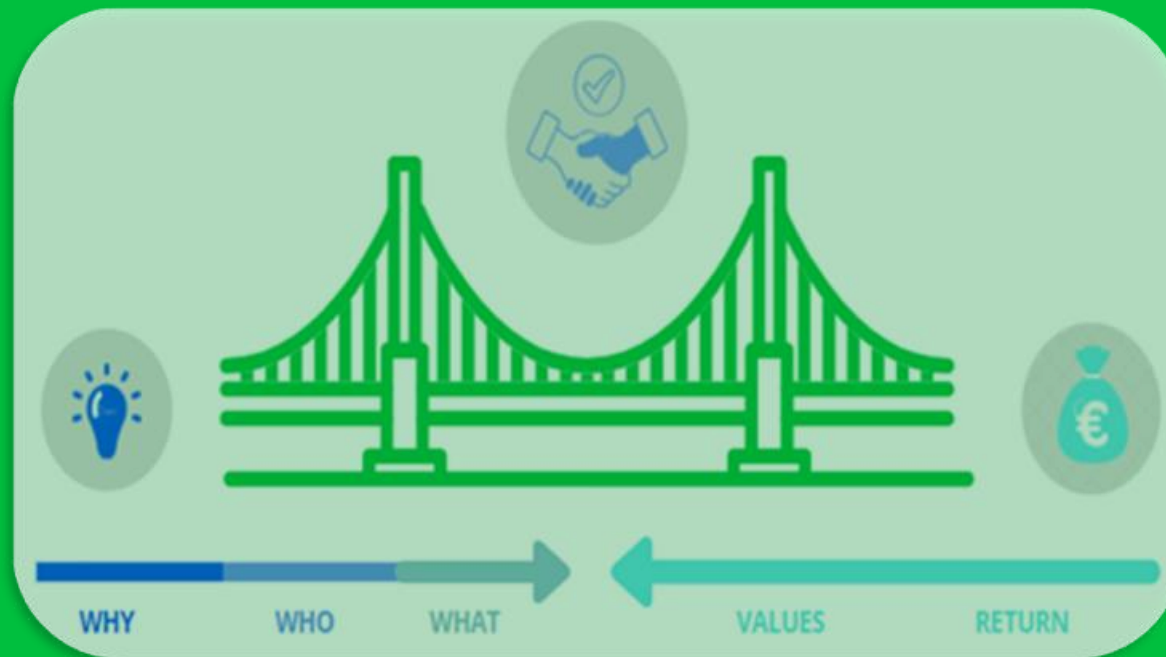


So You Need Money?

A GUIDE FOR CULTURAL AND CREATIVE ENTREPRENEURS THROUGH THE FINANCING JUNGLE



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Original: EN

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ABOUT CREATIVE FLIP

Finance, Learning, Innovation and Patenting is a Pilot project co-funded by the EU whose main objective is to support healthy and sustainable ecosystems for Cultural and Creative Industries (CCIs) with respect to these four key policy areas.

For more info, see:
<https://creativeflip.creativehubs.net/>

ABOUT THIS GUIDE

Please note that the development of this guide was started before the Covid-19 outbreak, therefore there are no specific references to the impact of the pandemic. However, considering the natural link between the aim of this guide – supporting cultural and creative entrepreneurs to find their way through the financing jungle – and the challenges raised by the pandemic, we strongly believe that the content of this guide will be even more relevant in light of the difficult economic and financial situation that people working in the cultural and creative sectors are currently facing.

Please use the following reference to cite this report:

IDEA Consult, 2021, Creative FLIP So You Need Money Guide, Brussels

Please use the following reference for in-text citations:

IDEA Consult et al. (2021)

Contents

1. About this guide.....	5
1.1 Who is this guide for?	6
1.2 Why this guide?.....	6
1.3 How to use this guide?.....	6
1.4 Before you start your financing journey... ..	8
2. Know your needs	10
2.1 Why do you need money?.....	12
2.2 Which financing sources are best suited to your needs?	13
3. Know yourself and financiers.....	19
3.1 Who are you?.....	21
3.2 Who are financiers?	22
3.2.1 Government sphere	22
3.2.2 Market sphere.....	22
3.2.3 Social and informal sphere.....	23
3.2.4 Hybrid sphere.....	23
4. Know what's on the plate	34
4.1 External finance	36
4.1.1 Which external financial instruments can you access according to your legal structure?.....	36
4.1.2 Which external financing sources are most suitable for your lifecycle phase?.....	38
4.2 Internal innovative solutions	42
4.2.1 How can you lower you need for money?	42
5. Your financing journey.....	53

6. Glossary.....	55
7. Bibliography	61
8. Endnotes	68

1. About this guide

1.1 Who is this guide for?

Are you working in the cultural or creative sectors and are you looking for finance? Then continue reading!

1.2 Why this guide?

This guide addresses the challenges you face when looking for finance, such as...

- > You find it difficult to understand the financial jargon used by bankers, investors, ...
- > You don't know which possible types of finance you or your organisation can access,
- > You are unsure about how to approach financiers and what you can bring to the table to convince them to finance your organisation, project,...

With this tool, we will help you to:

- > Better understand the language used by financiers;
- > Gain an overview of the different types of finance you can access or that are most suitable for you, depending on:
 - the reason(s) you are looking for money,
 - your values and what you can bring to the table of financiers,
 - your legal structure,
 - your stage of development,
- > Decrease your need for external finance.

Tip: go straight to [our glossary](#) or click an [underlined word](#) in the text to jump immediately to the explanation in [the glossary](#).

1.3 How to use this guide?

This tool is designed to guide you through the financing jungle by following these three steps:

WHY? Know your needs: Reflect on why you need money and match your financing needs to the most suitable financing sources. A clear understanding of your financing needs is the basis of your route to finance.

WHO? Know yourself and financiers: Understand what your values are and what you can bring to the financiers' table. Here, you will also gain an overview of what values different types of financiers are looking for, in order to understand how your values can match those that financiers are expecting.

WHAT? Know what's on the plate: Gain more insights into the external financing opportunities that you can access and that are most suited to you, depending on your legal structure and stage of development. Here, you will also find inspiration on innovative solutions that can help you to generate more revenues and to decrease your need for external finance.

In each step of this guide, you will also find:

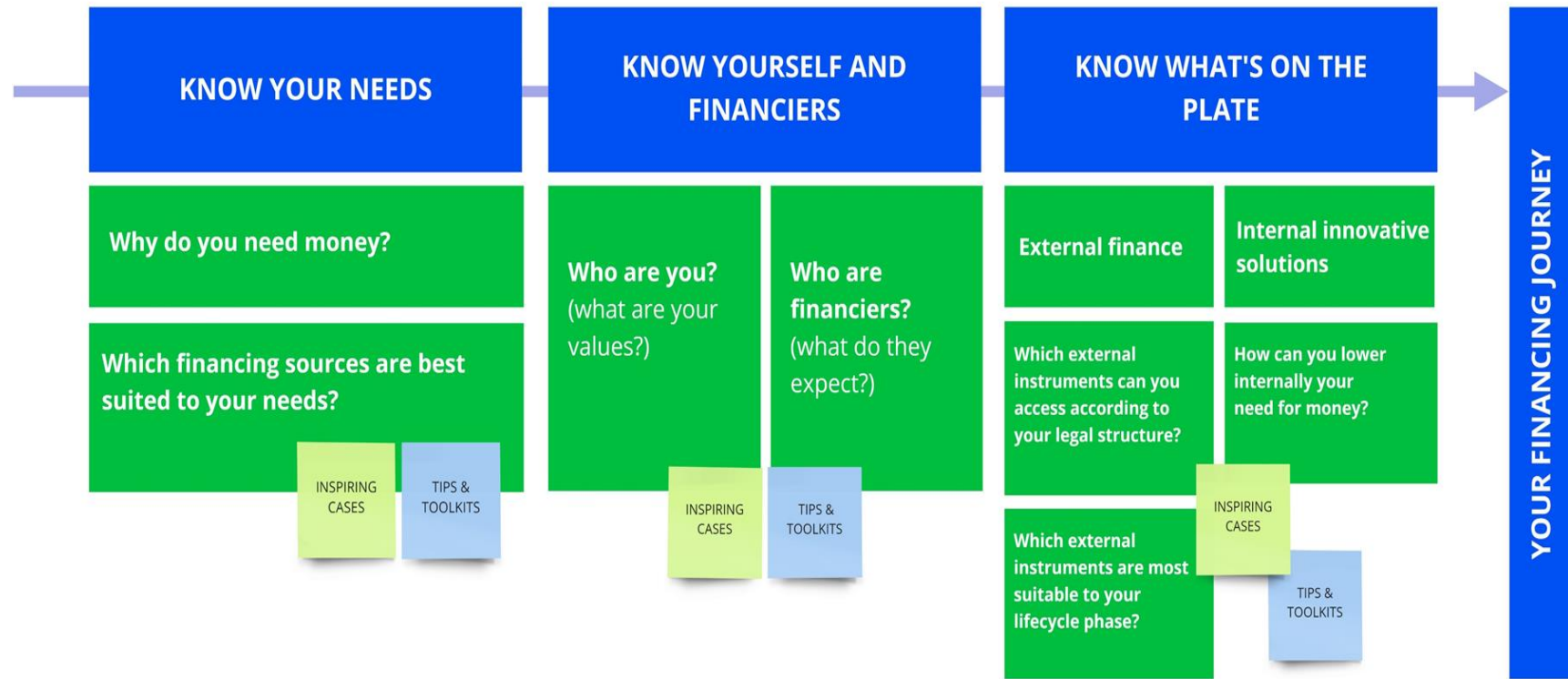
- > **Inspiring cases** of cultural and creative professionals and organisations that went through the financing journey, sharing their experiences with you.
- > **Tips and ready-to-use toolkits** that can further support you.

CHECK OUT THE **CULTURAL AND CREATIVE FINANCING JOURNEY MODEL CANVAS** ON THE NEXT PAGE



The financing journey:

A Model Canvas for the cultural and creative sectors



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1.4 Before you start your financing journey...

Before starting your financing journey, please be aware that...



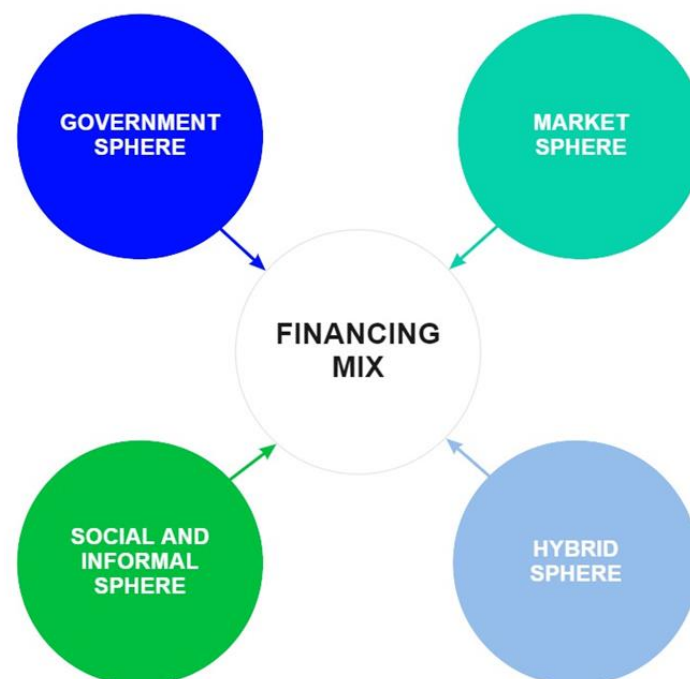
...not all money is the same

Not all the types of financing (and financiers) are the same. More specifically, you can find financing in **4 different “spheres”**:

- > The **government sphere** is where public authorities manage public funding and distribute it on the basis of [grant](#) applications, in line with their strategic priorities. For you to be able to attract finance in this sphere, it is crucial that the values of your organisation or your cultural/creative project match the public authority’s priorities set out in the grant application guidelines.
- > In the **market sphere**, market relations (demand/supply, buying/selling) and business contracts play a central role. As a cultural and creative professional or organisation, you can access finance in this sphere only if there is a ‘business case’ for it (i.e. sufficient financial return). For example, we find [debt](#) and [equity](#) finance in this sphere. For you to be able to attract finance in this sphere, it is of central importance to build a strong business case and convince financiers that their investment will generate sufficient financial return.
- > In the **social and informal sphere**, finance is provided on the basis of a personal belief in the ‘good cause’ of a project and as an individual commitment, rather than on contractual business terms or grant applications. In this sphere, we find [donations](#), [patronage](#), volunteer work, etc. In contrast to the market sphere, in this sphere individuals or organisations give money (or other resources, such as their time, expertise, etc.) without expecting a clearly defined financial return. For you to be able to attract finance in this sphere, it is crucial to have a strong story that

appeals to the (emotions of) potential financiers, so that they feel connected and somehow also responsible for making your cultural or creative project successful and generate impact. In this sphere, financiers are ‘allies’ rather than ‘business partners’.

- > **The hybrid sphere** is a category that goes beyond black and white. Here, we find financiers who are in between 100% ‘social return on investment’ and 100% ‘financial return on investment’. These financiers expect both a social and a financial return. They are, for example, [impact investors](#) or [venture philanthropists](#).



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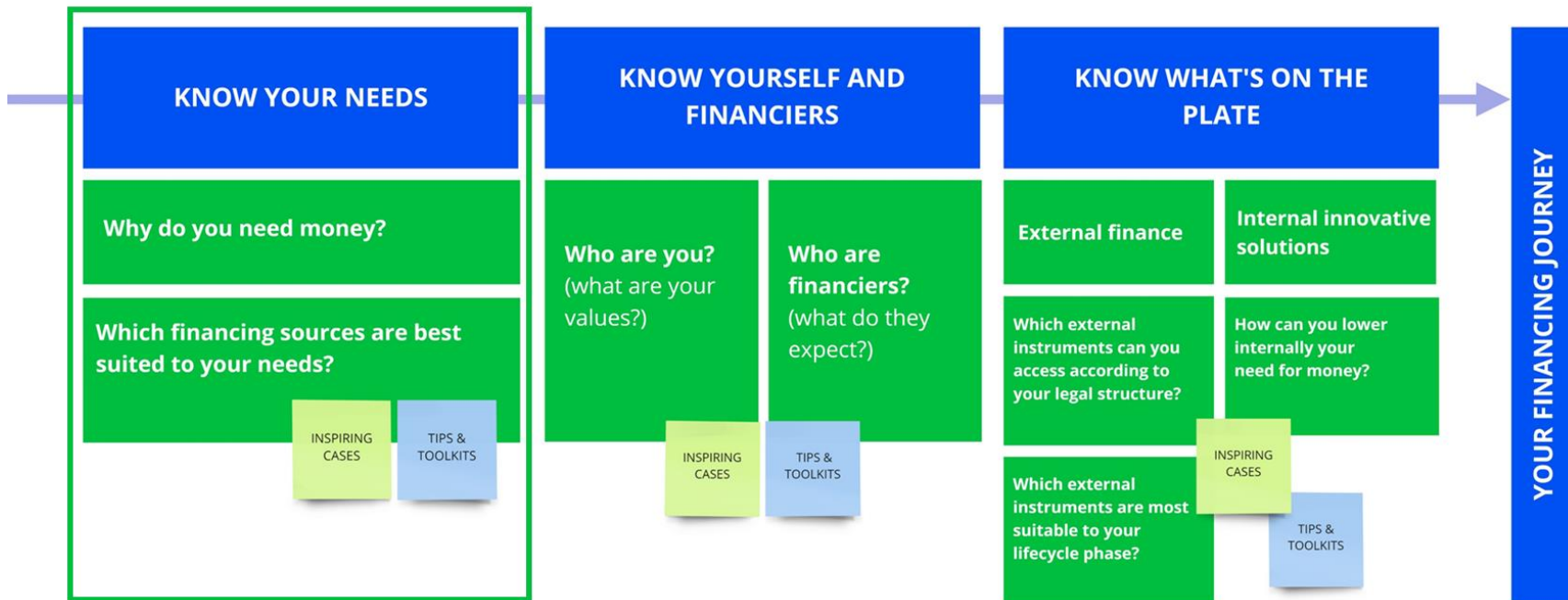
...not all the money is good for your purposes

Given the variety in the financial landscape, **not every type of finance (or financier) matches well with every activity or value that you can bring to the table.** Some types of finance will only be possible when there is sufficient financial return on investment (market sphere). With other types of finance, financiers do not expect a financial return, but rather a societal return or a mix of both (in the case of [venture philanthropy](#) for instance). On the other hand, governments expect your cultural or creative project to be in line with the strategic priorities set in the [grant application](#). Also, when you or your organisation represent specific values, these may not always match with the vision and/or values of a [patron](#) (social and informal sphere).

It is therefore crucial to understand which values you or your organisation stands for and then to carefully evaluate how these can match financiers' values and expected return.



2. Know your needs



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2.1 Why do you need money?

The first question to ask yourself when looking for finance is “Why do I need money?”. Knowing the reason why you need money is the first step to take before approaching potential financiers: different financing needs may require different financing sources. In most cases, your financing needs will fit into one of the following 5 categories:



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Need 1: to finance (or co-finance) operational costs

Operational costs include all the costs that you incur through your normal business operations, such as paying rent, wages, inventory costs, insurance,... This type of expenditure is of a **structural nature**, referring mostly to recurrent costs needed to keep your organisation, enterprise, initiative,... going in the longer run.

Need 2: to finance (or co-finance) a project

When you plan to realise a specific cultural or creative project, you are looking for [project financing](#). Project finance is characterised by its **temporary nature** and it mostly also has a short-term outlook.

Need 3: to finance (or co-finance) research & development

When you intend to investigate, develop or test new ways of cultural expression or experience, new ways to reach or expand your audience, a new business model, new approaches to include digital technologies in your work,... you are looking for Research and Development (R&D) financing. R&D usually carries an element of **risk and experiment**. This is particularly the case when you are in the process of creating a new cultural or creative product.

Need 4: gap financing

When you have already obtained financing (for your project, operations,...), but you have to wait before receiving the money, then you might need short-term finance called “gap financing”. This type of financing helps you to **bridge the period that you have to wait to receive other funds**, such as grants or earnings.

Need 5: to finance (or co-finance) long-term sustainable growth

In case you want to make an **investment for the long-term benefit of your cultural/creative organisation or initiative**, you are looking





for sustainable growth financing. Examples of these types of investments are purchases of equipment that you will use for several years or for several projects (e.g. a computer, technical devices,...), but also investments in means to broaden your work to new communities or audiences,... In short, this type of financing is intended to support your path to sustainable growth.

Tip: go to [our glossary](#) via the underlined links in the table or to [Section 3.2](#) for more information on the different types of financing sources

2.2 Which financing sources are best suited to your needs?

Once you have gained an insight into your financing need(s), the table below helps you to find out which [mix of financing](#) sources are most suited to address your specific financing needs.

The financing mix

As is clear from the table below, different financing needs require you to consider a mix of various financing sources (in combination with revenues generated from your activities – [see also Section 4](#)). The advantage of such a financing mix is that you do not depend on a single financier. Also, when one financier commits itself to financing your project, organisation, etc., you are more likely to be able to convince other financiers.

	Government sphere	Market sphere		Social and informal sphere	Hybrid sphere
	Grants and Public instruments <i>(grants/subsidies, non-financial support)</i>	<u>Debt finance</u> <i>(bank loans, leasing, factoring, crowdlending, peer-to-peer lending)</i>	<u>Equity finance</u> <i>(business angels, venture capital, mezzanine financing, crowd-equity)</i>	Philanthropy <i>(philanthropy, patronage, donations)</i> <u>Donation-based crowdfunding</u>	<u>Impact investing,</u> <u>Venture philanthropy,</u> <u>Sponsoring</u> <u>Public-private partnership,</u> <u>Reward-based Crowdfunding,</u> <u>Microcredit</u>
Operational costs	●	●			●
Project	●			●	●
R&D	●			●	●
Gap financing		●	●		
Sustainable long-term growth		●	●	●	●

● = most suitable source of financing according to your need

A balanced financing mix combines different financing sources, addressing your specific financing needs.



INSPIRING CASE 1/ NOVA CVERNOVKA

Community engagement is your best resource



Country:
Slovakia,
Bratislava

Sub-sector:
Community
& cultural
space

Legal structure:
Non-profit
foundation

Nova Cvernovka, Facebook picture, 12.08.2020

External Finance: Grants, fundraising, Polish social bank loan backed by European Easi guarantee and loan from Slovak commercial bank, Supplier loan.

Internal Finance: Rented studios, entry fees, bars and rents to external productions.

Values: Social, Cultural, Environmental and Economic

Key takeaways of this inspiring case: Nova Cvernovka's ability to engage with its community and to diversify its income streams has been key in realising its path to sustainable growth and financial resilience. The profound community involvement has brought Nova Cvernovka long-term financial benefits, as well as innovative social and cultural projects.

Understanding financing needs: Initially, the Nova Cvernovka founders were searching for funding to renovate their new building. After managing to gather loans from a Polish social bank and Slovak commercial bank group, they realised they needed to generate stable cash flows, in order to be able to repay their loans and stay resilient.

The importance of community support and diversified income streams: Through community support, they were able to achieve this objective: local community members invested their skills, time and financial means in the renovation, enabling the completion of a great part of the work, while also boosting financiers' trust in their project. The creatives and organisations who helped in the reconstruction subsequently rented the renovated studios. This reinforced the sense of social engagement and community building, which was in turn further strengthened through the renters' direct involvement in the development of creative initiatives within Nova Cvernovka. Renting out the studios also ensured a constant income stream and allowed for diversification of income sources: while public grants and fundraising support Nova Cvernovka's cultural and educational programmes, the studio rents finance the creative centre.

Nova Cvernovka as a source of inspiration on adaptive re-use to strengthen regional growth: From then on, Nova Cvernovka has shaped its strategy around collaborative values by building partnerships with the community and the local government. Nova Cvernovka has also been recognised as a source of inspiration regarding the adaptive re-use of public buildings in the region as a



driver for regional development. This is also clearly elaborated in the Nova Cvernovka book “Don’t Sell – Revitalize” on best practices in the field, also containing an overview of possible financing options to repurpose public buildings.

A clear mission and vision to strengthen future partnerships: Nova Cvernovka’s project for the future is to make their values and visions explicit, so to have a clearer internal and external communication strategy. This will be an important step to build even stronger partnerships and reach out to its own community, other financiers, and regional public bodies.

Sources:

Interview with Branislav Cavoj, Co-founder of Nova Cvernovka, 17/09/2020.

<https://nadaciacvernovka.sk/>

<https://teh.net/member/nova-cvernovka/>

<https://cooperativecity.org/2020/03/04/nova-cvernovka-a-creative-and-cultural-centre-breathing-new-life-into-an-abandoned-school-complex/>

<https://www.nadaciavub.sk/partnerske-projekty/nova-cvernovka/>

INSPIRING CASE 2/ PROJECTE INGENU



Country:
Spain,
Barcelona

Sub-sector:
Performing
arts -
Theatre

Legal structure:
Non-profit
association

Projecte Ingeniu, Facebook picture 18.04.2020

Internal Finance: Revenues from theatre productions (either from shows commissioned by established theatres or from ticket sales of touring or seasonal performances); festival revenues; workshops.

External Finance: Space for meeting, rehearsal and events provided by their cultural incubator (Nau Ivanow), partnership with Teatre Akadèmia commissioning and presenting their shows, Barcelona City Council grant and other public funding.

Values: Social, Educational and Cultural



Key takeaways of this inspiring case: *Projecte Ingenu demonstrates how a very young and small theatre company can gain non-financial and financial benefits by devising a business model that reflects its creative values and vision. What Projecte Ingenu teaches us is that good managerial planning and professionalisation can help you to better assess your financial needs and achieve long-term sustainable growth.*

Transforming your values into an organisational process: After the initial years spent working without a clear vision, nor sufficient financial support, the Projecte Ingenu team realised that they needed to define their internal organisational structure before starting to look for finance. While going through this process, Projecte Ingenu's main desire was to translate their "slow movement theatre" concept into a concrete organisational process. The "slow movement" approach means that the Projecte Ingenu team takes a longer development time for their productions, especially in the rehearsal period. This working method emphasises cooperation and team building, closely involving the cast, the crew and the audience in the process.

Thinking long term to define your audience, strategy and organisation: In order to make the "slow movement theatre" financially sustainable, Projecte Ingenu needed a new strategic planning and internal organisational structure for their shows' agenda. This process first started by rethinking how they engage with their audience and by understanding which shows better fit certain audience groups and venues. This audience development study was also in line with their "slow movement" approach, which aims to find a connection with communities and places.

Thinking about their theatre pieces in a targeted and long-term perspective helped the theatre company to organise tours and shows in multiple locations and in different time periods. This last aspect was crucial to ensure more efficient time management throughout the rehearsing and touring period. Projecte Ingenu thus decided to split its rehearsal period over different months, so as to allow the touring of several shows throughout the year. In this way, there would be a key group of actors touring for a certain show and then rehearsing in a subsequent period. This was made possible by clearly defining responsibilities and by involving new actors coming from other theatre companies in their shows.

This sound organisational model not only gave Projecte Ingenu the opportunity to develop a clearer internal structure and to enlarge their network by collaborating with others, but it also enabled them to better assess their financing needs, giving them a head start in their financing journey. Projecte Ingenu's long-term strategy was indeed beneficial to organise more and better touring and shows, thus increasing the ticket sales' revenues. Moreover, their internal restructuring increased their credibility as a financially stable and innovative cultural organisation, helping them to attract public funding.

Sources:

Interview with Marc Chornet Artells, Artistic Director of Projecte Ingenu, 9 November 2020.

<https://creativelenses.eu/wp-content/uploads/2019/05/Creative-Lenses-Models-to-manifestos-Projecte-In.pdf>

<https://creativelenses.eu/page/projecte-ingenu/>

<https://vimeo.com/285064844>





* TIP 1/ OPERATIONAL FINANCING¹

It is not easy to find external finance to support your day-to-day business. In order to attract external finance to cover (part of) your operational costs, you can increase financiers' trust in you/your organisation's competences, expertise and (business) plan, by showing them the positive results of previous projects or achievements.



* TIP 2/ PROJECT FINANCING^{2, 3}

[Cultuur+Ondernemen's Cultural Financing Guide](#) gives you hands-on advice on how to find money to realise your project:

- > **Make your idea concrete:**
 - Describe your idea as clearly as possible, highlighting why your idea is distinctive;
 - Formulate clear project goals;
 - Make your vision explicit;
 - Define the project's target groups;
 - Explain your motivation to carry out this project;
 - Describe why you/your organisation is the best placed to carry out this project.
- > **Map your stakeholders:** who is potentially interested in your project? Clearly describe what's in it for them.
- > **Map your potential financing sources**
- > **Determine how much money you need and when**
- > **Approach financiers:** determine in which order you will approach different financiers, connect personally with them to discuss financing conditions and possibilities.

- > **Create a good interpersonal network** along the way: this will increase the possibility of being successful once again when asking for money for projects.



* TIP 3/ R&D FINANCING⁴

- > **Be ready to go public:** results from publicly-funded R&D projects are often made public as these published results often benefit the whole sector by promoting innovation.
- > **Set clearly testable propositions and research questions:** (publicly) funded R&D projects are often tested as experiments to provide the sector with valuable knowledge and insights. A clear formulation of the research questions you aim to answer, will encourage financiers to give you money despite the riskiness of the investment. For R&D financing, you can approach financiers who are familiar with funding high-risk and high-potential projects, such as [venture capital](#) financiers (see also the [Know yourself and financiers](#) section of this guide)
- > **Keep it short:** R&D projects in the cultural and creative sectors generally have a shorter timeline than academic research projects.



* TIP 4/ GAP FINANCING⁵

An example of gap financing can be found in the film industry, where the timing of financiers' payments often does not correspond to the timing of the actual expenditures to produce the film.

Before you ask for gap financing, you must be sure that you will receive the long-term financing you are trying to bridge.



- > **Before** you approach any financiers for gap financing, make sure that you clearly identify **what you need the money for and when exactly you will need it**. Verify that your budget is correct and achievable.
- > **When approaching potential financiers**, show them **the written commitments** of the financiers from which you have already secured financing. Also demonstrate that you are able to manage risks by providing examples of previous situations in which you showed successful risk management.

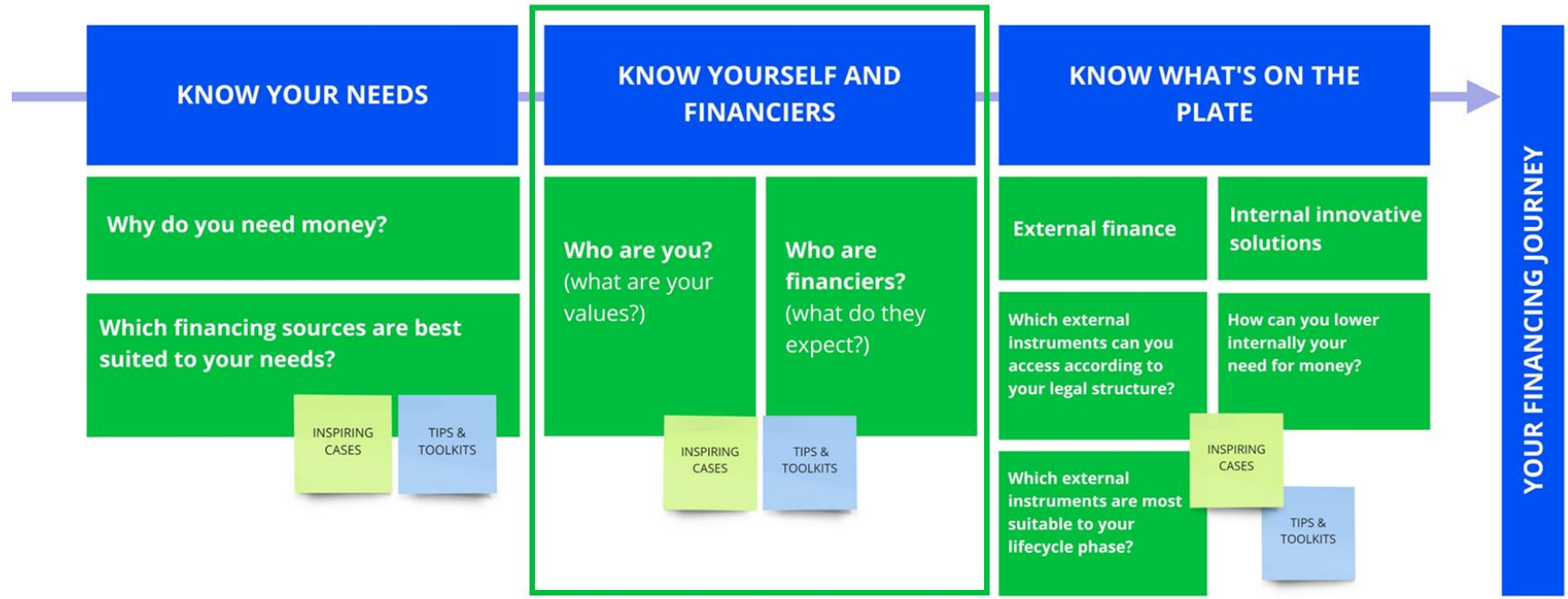
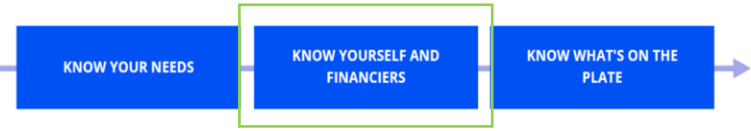


* TIP 5/ A BALANCED FINANCING MIX

When combining different types of financing, think carefully about which financier you will approach first, as you might want to show commitments from a specific financier before approaching another one.



3. Know yourself and financiers

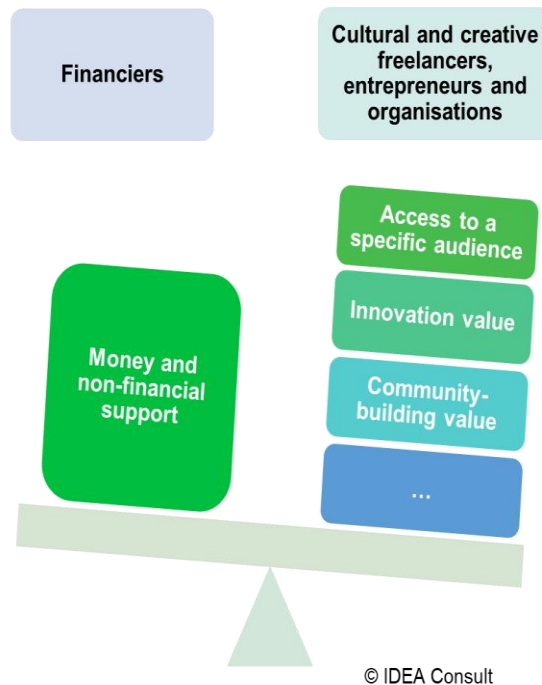


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3.1 Who are you?

Before looking for external finance, it is important that you **carefully reflect about the value that you can bring to the negotiation table**. As Nico Mansfield (National TravelOpera, Netherlands) stated: *“actors in the cultural and creative sectors shouldn’t pose the question ‘What can I get from my financier?’ but rather ‘What can I mean to my financier?’.”* Especially when approaching financiers in the government and informal sphere, their expected values do not lie (in the first place) in a financial return.



Check out the inspiring case of [Piccolo America](#) to see how a strong value proposition based on community building can successfully attract financing from multiple sources.

The values that you bring to the table can be very diverse. These values are context-specific and may differ across the different activities in which you are involved and for which you need external finance. These values, however, do influence the type of finance that you might want to attract. Here are some **examples of values** that you can bring to the table:

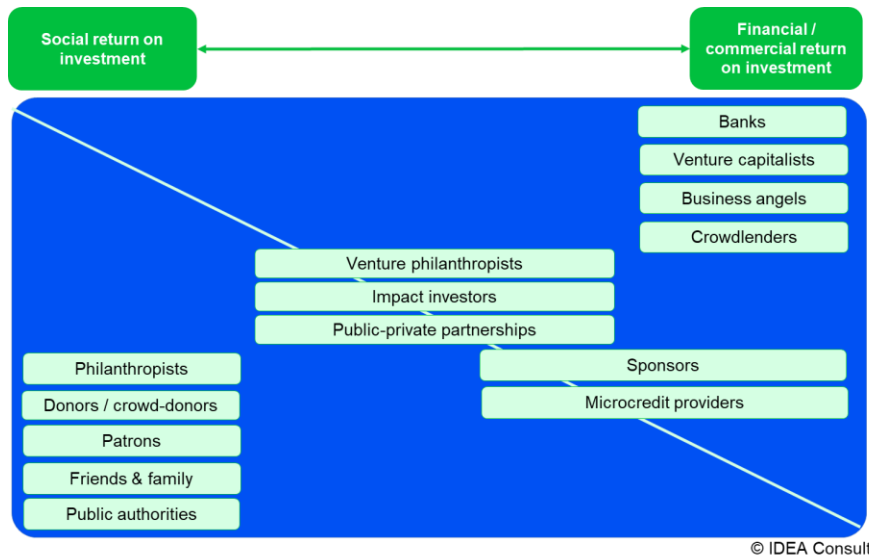
- > The **access to** and your relationship with **specific audience(s)**,
- > **Social values** linked to the impact of your activities or project on community-building, social cohesion, inclusion, health and wellbeing, etc.
- > **Educational values** related to the skills and competences that you use daily in your work (e.g. creative skills such as visioning, conceptualising, producing,...) or related to workshops, trainings, etc. that you organise,
- > **Cultural values** linked to the engagement and participation of your audiences or target groups in the cultural activities that you offer,
- > **Innovation values** connected to your abilities to (re-)imagine and (re-)design, critically reflect and question directions, collaborate with organisations in another cultural or creative sector or in other business sectors, etc.,
- > **Artistic values**, linked to your artistic creation process, artistic skills and artistic (tangible or intangible) work,
- > **Environmental values**, associated to e.g. the impact of your activities on awareness-raising in the area of climate change, sustainability, etc.,
- > **Economic values**, linked to e.g. the employment that you offer in your organisation, the visitors/tourists that you draw to your region, the local suppliers that you work with, etc.,
- > **Investment values**, related to e.g. a work of art, a music instrument or an audio-visual production, etc.,
- > Access to a **fixed asset** that you own (e.g. a building),...



3.2 Who are financiers?

As pointed out at the beginning of this guide, not all finance is the same, and nor are financiers. Instead of asking the question ‘What can I get from my financier?’, you should rather ask yourself ‘What can I mean to financiers?’ and ‘What do financiers expect from me?’. There is not a single answer to this question. As stated before, financiers largely operate in four spheres that have different notions of return on investment:

- > **Government sphere:** public authorities,
- > **Market sphere:** financiers such as banks, [venture capitalists](#), [business angels](#), [crowdlenders](#),...
- > **Social and informal sphere:** financiers such as [philanthropists](#), [patrons](#), [donors](#), [crowd-donors](#), friends and family,...
- > **Hybrid sphere:** financiers such as [venture philanthropists](#), [impact investors](#), [investors](#), [sponsors](#), [microcredit providers](#),...



3.2.1 Government sphere

Public authorities manage and distribute public funding **in line with their strategic priorities**. However different the priorities of individual governments may be, through their support to cultural and creative professionals and organisations, they all expect a development of the sector, mostly in favour of the whole society. This means that public authorities typically expect a **social return** on investment. Examples of priorities that governments put forward when supporting the cultural and creative sectors are: enabling artistic freedom of expression and creation, the development and implementation of cultural programmes or creative projects, professional growth, increased internationalisation and mobility, strengthened (cross-sectoral) collaboration and networking,...

Typically, public authorities support cultural and creative professionals and organisations through [grants and subsidies](#) or [awards](#), but they can also provide [non-financial support](#) such as access to (artistic or managerial) trainings, coaching, business mentoring, specialised advice, spaces to present your work, ... for free or at reduced rates.

Finally, governments can support you in **indirect ways** as well, through e.g. [public guarantee schemes](#), [tax incentives](#), tax exemptions,...

3.2.2 Market sphere

Cultural and creative professionals can only attract external finance from these financiers if there is a ‘business case’ for it. In other words, financiers in this sphere want to have a **financial return on their investment**. For you to be able to attract finance in this sphere, it is therefore essential to build a **strong business case** and convince financiers that their investment will generate sufficient economic return. In this sphere, we can find not only banks but also private



investment funds or individual investors, respectively called [venture capitalists](#) (VCs) and [business angels](#). Both VCs and business angels can support you financially and non-financially; but choose wisely which one to approach, based on your growth stage and needs (see also [Section 4.1.2.](#)). While VCs seek growth and innovation in high-risk and high-return businesses and might also require a seat on your Board, business angels are interested in early-stage businesses and can work with you as mentors.

Read the inspiring case of [Ilja \(Visser\)](#) to understand how private investors can support creatives not only financially but also by sharing their business and financial expertise.

3.2.3 Social and informal sphere

This category of financiers provides finance based on a personal belief in the project's 'good cause' and as a personal commitment, rather than on contractual business terms or via grant applications.

Conversely to the market sphere, these financiers give money (or other resources, such as their time, expertise, etc.) without expecting a clearly defined financial return on investment. Rather, they are moved by personal reasons or because they expect a **social return on investment**. For you to be able to attract finance in this sphere, it is crucial to have a strong story that appeals to the (emotions of) potential financiers, so they feel connected and somehow also responsible for making the project successful and for generating impact. In order to attract financial or [non-financial support](#) in this sphere, it is essential to look for potential donors whose personal values or corporate vision and mission are in line with your

(organisation's) values and vision. Remember that, in this sphere, the financiers are 'allies' rather than 'business partners'.

3.2.4 Hybrid sphere

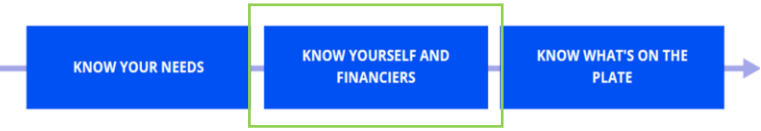
The financial landscape does not include only black and white. There is a grey intermediate zone between 100% 'social return on investment' and 100% 'financial return on investment'. These financiers expect both a **social and a financial return** on their investment. [Impact investors](#) and [venture philanthropists](#) provide financial and [non-financial support](#) (such as coaching and capacity development) to organisations (from charities to social enterprises) whose services and products benefit society. In general, financiers in this category are willing to take risks and to support organisations with a social purpose to help them maximise their long-term social impact.

Unlike venture philanthropists, impact investors need to guarantee a certain financial return alongside social impact, but, in both cases, organisations need to provide proof of a financially sustainable business model. Impact investors in the cultural and creative sectors believe in the power of arts and culture to generate social change and transform people's and communities' lives.

Furthermore, many [microcredit providers](#) find themselves in this grey intermediate zone between 100% 'social return on investment' and 100% 'financial return on investment': indeed, the purpose of microcredit is to help starting or future entrepreneurs who cannot access bank finance because they are unemployed, cannot provide a collateral, etc.

Multi-party funding also falls into this hybrid sphere: one example is [public-private partnerships](#) (PPP models) for investment in arts and culture. Government venture capital funds, for instance, are intended to produce not only a financial return, but also societal





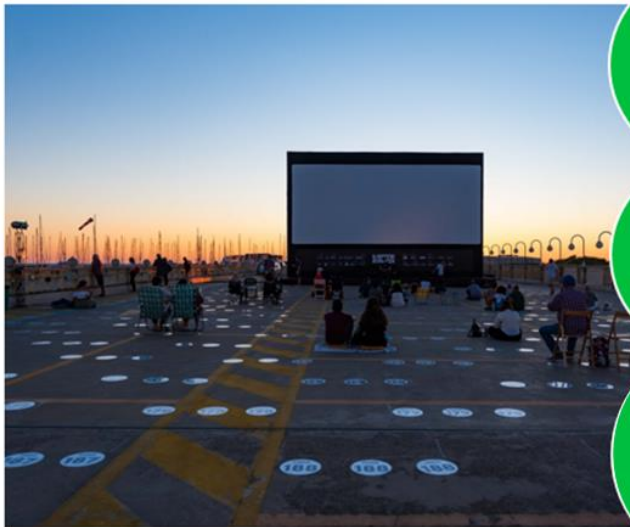
benefits, in terms of job creation, regional development or other. Many cities and regions are establishing partnerships with impact investors, private financiers, banks, foundations and venture capital funds to give birth to financing for the cultural and creative sectors.

Finally, we can consider [sponsoring](#) as part of the hybrid sphere. In return for donating money to a cultural or creative project, organisation or entrepreneur, a sponsor expects some kind of compensation in the form of advertisements, business exposure, free tickets, etc. So, in contrast to a patron, a sponsor has a clear commercial goal. Whether the sponsor is a private company or a foundation, the idea behind sponsoring cultural or creative organisations or individuals is that this could (positively) change the perception that their customers or networks have of them, or that it gives them access to a specific target group that is interesting for the sponsor.



INSPIRING CASE 3/ PICCOLO AMERICA

Cinema and social values - a success story attracting funds and international media attention



I ragazzi del Cinema, Facebook Picture, 24.08.2020

Country:
Italy,
Rome

Sub-sector:
Audiovisual
- cinema

Legal structure:
Non-profit –
cultural
association

External Finance: Funds from public agencies and the Municipality of Rome, private sponsors (local and national enterprises) and crowdfunding.

Values: Social, Cultural, Environmental and Economic

Key takeaways of this inspiring case: The *Piccolo America* case shows how a strong value proposition based on community building can successfully attract funds from multiple sources.

Recognising your values and connecting these to financiers' values: Piccolo America's primary goal is to safeguard and promote cultural and cinematographic heritage. Its cinema arenas are located in rundown areas of Rome, now revalued and opened to public cinema screening by Piccolo America in collaboration with local, national and European sponsors.

Piccolo America was able to understand the value of its initiative as a driver for change and to match this value with those of public (and private) financiers. Indeed, Piccolo America's support to local redevelopment has created lasting benefits for the municipality and region, helping it to successfully attract long-term public funding from the Municipality of Rome, the Ministry of Culture and the regional body for the management of natural parks.

Engagement with a diverse audience as leverage towards other financiers: Piccolo America has been able to create and capture value by engaging with an ever-growing and diverse audience and by attracting national and international press coverage. This positive public exposure has been crucial to attract important private sponsors, who benefit from the potential of having access to an ever-wider audience.

Sources:

<https://piccoloamerica.it/chi-siamo>

<https://www.ilsole24ore.com/art/roma-cinema-america-fa-pieno-sponsor-AChDA>



INSPIRING CASE 4/ ILJA (VISSER)

Taking the time to reflect on your business plan as the key to success



Cultuur-Ondernemen, retrieved from ready-to-wear collection on Ilja's website

External Finance: Venture capital and loan from Dutch public fund Cultuur+Ondernemen.

Internal Finance: Revenues from selling brand clothes.

Values: Creative and Economic

Key takeaways of this inspiring case: *Ilja's* experience in re-starting her business in the fashion industry is an example of how taking the time to reflect on your business plan and brand value can lead the way to the most suitable financing and growth path. Moreover, *Ilja's* financing journey shows that private investors can support creatives not only financially but also by sharing their business and financial expertise.

Reflect on your business plan to approach financiers: *Ilja* used her previous experience in the fashion industry to effectively network and communicate the creative and economic potential of her work. After undergoing bankruptcy, *Ilja* was determined to understand how she could learn from this experience and use it to her advantage to relaunch her business. Once she had a clear and realistic business plan in mind, she started pitching her business idea to potential financiers. The key strength of *Ilja's* approach was to get out of her comfort zone by actively networking and reaching out to private and public financiers. As *Ilja* claims, networking and confidence in one's ideas are key to success.

Choose the financiers that match your needs: As a freelancer coming back to business, she knew that it would be hard to borrow money from a bank. She thus first obtained a loan from the Dutch Cultuur + Ondernemen Fund. Afterwards, she approached venture capital investors with expertise in the fashion industry, so as to have the right people and resources on board to build her new brand in the highly competitive fashion industry.

Despite the risk inherent in investing in start-ups, the venture capital investors were convinced by *Ilja's* confidence and ability to learn from her experience.



Private investors can offer you financial and non-financial support:

The private investors not only provided Ilja with financial support, but also collaborated with her to strategically plan the pre-financing of her activities based on business opportunities. As such, they did not only support Ilja financially, but also with their sector-specific, financial and business expertise.

Sources:

<https://fashionunited.nl/nieuws/mode/nieuwe-start-voor-ilja-visser/2017020628070>

<https://www.cultuur-ondernemen.nl/interview-met-ilja-visser-en-haar-private-investeerder>





* TIP 6/ GOVERNMENT SPHERE⁶

- > **Find it nearby:** You have the best chance of receiving money when you apply close to home. Most municipalities have a grant for culture. Of course, you can apply for a grant from provincial or national funds for projects with a regional or national appearance or with a special signature!
- > **Be inspired:** Investigate who has won a specific grant in the past and what made their project successful.
- > **Be prepared:** Before applying, check whether your project cost and activities are in line with the public authorities' objectives, and consider whether you have enough time to submit a good application.
- > **Be clear:** Clearly communicate what you will use the money for.



* TIP 7/ MARKET SPHERE

EQUITY FINANCE

Business angels and Venture Capital (VC) finance⁷

- > Use your **network** to identify potential angel investors and VCs.
- > **Prepare a solid business plan**, including a well-documented growth plan and how the investment will be used. Private investors need evidence before giving you money. *Check out [Section 4.2 on Innovative Internal Solutions](#) to know how to master a business model.*
- > Angel Investors and VCs can also bring in **non-financial benefits** to your business such as (sector-specific) **expertise and access to certain networks** that can help you to kick-start or grow your activities.

Crowd-equity⁸

- > You can use crowd-equity if you are **in the start-up or growth phase** of your development (see also [Section 4.1.2](#) of this guide).
- > Crowd-equity means you will have multiple financiers giving money to your business. These financiers will become **co-owners** of your business and they will expect your business to be successful and to produce **financial returns**.

What if you want to use equity-crowdfunding?

- > **Keep the valuation of your organisation realistic:** Ask your platform provider or a professional advisor for advice.
- > **Provide detailed information on your business model and plans to your investors:** Encourage financiers' trust in your organisation's growth and success.
- > After the end of your campaign, **keep reporting frequently** to your co-owners about the progress of your business and finances.

There is a wide range of platforms offering equity crowdfunding services: [CrowdCube](#), [Spreds](#), [Symbid](#), [Seedrs](#), [Companisto](#) and [Invesdor](#).

Check out the [Platforms Map | Crowdfunding for Culture \(crowdfunding4culture.eu\)](#) for an overview of equity-based crowdfunding platforms relevant for the cultural and creative sectors.

DEBT FINANCE

Bank lending⁹

- > **Find the right bank:** Banks are traditionally very risk-averse and only provide loans when they feel rather secure that the money will be repaid with a financial return. Therefore, banks usually do not give loans to start-ups or to businesses that cannot present a



successful track record, sufficient [collateral](#) or a certain amount of revenues over the years. However, do not panic: there are banks giving loans to creative and cultural professionals, such as the banks and other financial intermediaries that have signed an agreement with the European Cultural and Creative Guarantee Facility, which you can find [here](#).

- > **Elaborate your business plan and financial history:** Banks often perceive cultural or creative projects as risky investments and they have difficulties in assessing the value of your organisation or project. Therefore, it is important to provide them with any and all information that can help them to better assess the riskiness of their investment, such as evidence of the economic value of your business, and a sound business and financial plan.
- > **What the bank is looking for in your business and financial plan¹⁰= indications that you will be able to repay the loan':**
 - **Business Plan:** If you have completed the [Business Model Canvas](#) (see [Section 4.2.1](#)), you already have a solid, visual basis for your business plan. The 'helicopter overview' and the broad outlines are now fixed. But there is more to a full business plan than just a business model: a business plan not only describes what your organisation stands for, what the goals are and how you are going to achieve them, but it also creates clarity about...
 - ✓ The team: who will take which steps and assume which roles?
 - ✓ The feasibility, evidence through numbers that show that there is actually a market for your product/service/work, who your potential customers/audiences/users/visitors are, how many there are, how much they are prepared to pay, etc.
 - ✓ The financial aspects: how much resources do you need to realise your plan? In which timeframe do you expect

what return? What are the worst possible and the best possible scenarios?

- ✓ The price for your work, product or service;
- ✓ The material aspects: what resources do you need? (equipment, staff, location,...);
- ✓ Your vision for the future.
- **Financial Plan:** The financial plan provides an overview of the expected income and expenditures for a period of two years. The most important parts are:
 - ✓ The balance sheet: an overview of the assets and liabilities at the end of the financial year;
 - ✓ The profit and loss account: the expected income and expenditures for the period in question.
- > **How to provide evidence to banks?**
 - Clearly show the **positive results** of past projects or achievements.
 - Show evidence of **good management**, constant **customer/audience support** for your/your organisation's projects.
 - Indicate your capacity to create a **strong interpersonal network** with key people and talents in the cultural and creative sectors.
 - **Show the commercial impact of your activities:** Banks will be mainly interested in evidence that you will be able to repay the loan. Develop your loan application as part of a strategy for diversifying your income sources.
- > **Think of alternative assets:** Your brand and copyright can be defined in banking terms as [intangible assets](#). A good presentation of their economic value to financiers and their potential use as [collateral](#) may convince banks to give you a loan.



For more tips on how to be successful in your financial application, check out the resources of the [Better Business Finance](#) website.

Crowdfunding¹¹

- > You can use crowdfunding if you are an **established** business and you can make **interest payments** and **repayments**.
- > You can use this type of crowdfunding to purchase **new equipment** and **facilities**.
- > When applying for crowdfunding, prove your **creditworthiness** and ability to repay.
- > The process usually involves an **online application**, which can either be accepted or refused by the crowdfunding platform. Once accepted, your crowdfunding campaign will be on the platform for a certain period.
- > Some sites automatically allocate you financiers (allowing them to spread their risk), others allow financiers to choose.

This form of crowdfunding is growing and there are more and more platforms offering crowdfunding services. Check out the [Platforms Map | Crowdfunding for Culture \(crowdfunding4culture.eu\)](#) for an overview of crowdfunding platforms relevant to the cultural and creative sectors.



* TIP 8/ SOCIAL AND INFORMAL SPHERE

PHILANTHROPISTS¹²

- > **Understand your donors' values** and try to align your goals and values to theirs: philanthropists care about the long-term impact that you can have on society – **prepare a well-structured plan outlining your values and showing them your potential social and cultural impact**.
- > Philanthropists can provide you not only with financial resources, but also with non-financial resources, such as skills training and access to networks.

DONATION-BASED CROWDFUNDING¹³

Most crowdfunding platforms have an “**All or nothing**” model but in **case of donation-based crowdfunding**, many also allow “**Take it all.**” What is the difference?

- > “**All or nothing**” means that if the funding goal of the campaign is not reached, all the contributions are returned to the backers. Although risky, this model shows backers that you have done your study and know exactly how much money is needed to realise a project. Any penny less simply wouldn't do. Say for instance a musician wants to buy a new violin, whose cost is 150,000€. If (s)he raises €50,000€, (s)he would still not be able to make the purchase.
- > “**Take it all**” on the other hand, means that even if you do not reach your target amount, you can still keep the amount donated into your campaign. To take the same case again, the musician would keep the 50,000€ and think of other ways to complement that amount for the violin. In other words, the campaign goal does not have to be met.



- > The model of fundraising must be chosen before the launch and cannot be changed after the start of the crowdfunding campaign.
- > Please note that platforms apply different charges depending on the model you choose. Usually, a higher percentage is charged for “Take it all” than for “All or nothing”.



* TIP 9/ HYBRID SPHERE

IMPACT INVESTING

- > This form of financing explicitly combines financial and social returns. [Impact investing](#) positions itself between [philanthropy](#) on the one hand and [equity finance](#) on the other.
- > In contrast to philanthropy, impact investing allows investors to reap the (financial) benefits when projects are successful. The expected financial return can be very modest (e.g. only the repayment of the invested capital) but likewise, a financial return in line with market rates can also be anticipated.
- > The most important objective of impact investing is that, through its investment, the investor supports the generation of social impact. Unlike philanthropy – which is still often focused on the (short-term) financing of specific projects – impact investing **provides more sustainable financing to organisations that generate social impact.**

In this light, it is useful to take the following tips into consideration when approaching impact investors:

- > Be sure that you meet the requirements and priorities of the investors: have a clear idea of your (desired) impact and look for impact investors that focus on investments in projects/organisations in this specific impact domain.
- > Demonstrate that you have the right leadership and tools in your organisation to execute plans and to monitor your impact.
- > Some impact investors are looking for positive impact with strong business opportunities – in that case: make sure you are able to repay your investment.



For an example of what impact investors may look for, please visit [Arts & Culture Finance](#) by Nesta.

SPONSORING¹⁴

- > **Stay local:** Companies might prefer to support people or organisations that work in their local area.
- > **Show your work:** Invite people from the sponsoring company to see your work and network. This will increase the chances of your application being successful.
- > **Ask for something specific:** Sponsorship can take many forms, from cash donation to the donation of materials that the company makes, so be clear about what you need (money or other), what for, and why.

REWARD-BASED CROWDFUNDING^{15,16}

- > This type of [crowdfunding](#) involves a large number of backers usually giving a small amount of money and expecting a reward or product in return. The rewards will vary depending on the amount of money donated. You will have to set rewards for different donation sizes.
- > You can choose reward-based crowdfunding as part of your financing mix if:
 - You are a creative and cultural start-up and you want to get a new project or product off the ground.
 - You do not want to incur [debt](#) or sacrifice [equity](#) (part of the ownership of your business).
 - You want to test whether customers/audiences... are interested in your cultural or creative project or idea.
- > How do you make your reward-based crowdfunding campaign a success?
 - **Choose your platform wisely:** Crowdfunding platforms are usually specialised in one crowdfunding model and target

different sectors. They can also charge different [platform hosting fees](#), [success fees](#) and [payment processing fees](#). Check out: <https://www.crowdfunding4culture.eu/platforms-map> to compare all crowdfunding platform descriptions, their sector focus and country, including crowdfunding models and fees.

- **Setting the budget and the target:** When asking for money, consider the total cost of your campaign (paying the platform fee, costs of making a pitch video...) and be realistic about what you think you might get from your funders.
- **Have a strong preparation:** Make sure people understand your product/project. Take into account that it takes a strong campaign with an active marketing strategy to attract crowdfunding.
- **Pre-launch your campaign:** Encourage people in your close network to donate to your campaign before launching it publicly. This will give you a head-start to attract additional funders. Backers tend to fund projects that have already gathered some money.
- **Create trust and fulfil expectations:** Always be clear and transparent in your communications. Explain clearly and appealingly who you are, what your product/project... is about, what the money is for and what the reward will be. Describe clearly to your backers how you will deliver the reward to them. Make sure the rewards are of quality and are delivered within the promised timeframe.



*IF YOU WANT MORE INSPIRATION, TAKE A LOOK AT THESE TOOLKITS:

[CREATIVE INDUSTRIES - ROUTE TO FINANCE](#)

This guide outlines the forms of funding used in arts and creative industries and examines funding opportunities from traditional sources and non-traditional ones. It also includes useful tips and advice.

**Ideal for all cultural and creative organisations and freelancers.*

[CROWDFUNDING4CULTURE](#)

This website gives you access to an incredible variety of resources, tools and tips on crowdfunding for the cultural and creative sectors.

[EUROPEAN CROWDFUNDING NETWORK](#)

This website has a great selection of videos guiding you through the most important steps necessary to make your crowdfunding campaign a success, from understanding the type of crowdfunding needed for your project to maintaining funders' relationships at the end of your campaign.

[OMC REPORT ON ACCESS TO FINANCE](#)

This report looks at different financing instruments that can be used in the creative and cultural sectors to access finance. Links to relevant financing instruments platforms are provided, as well as case studies to inspire you in your financial journey.

[WHAT IS VENTURE PHILANTHROPY?](#)

A useful guide to dive into venture philanthropy and impact investing.

[CREATIVE HUBKIT](#)

> Target group: creative hubs

This toolkit helps you to define your vision by identifying specific gaps, needs and demands to be fulfilled by your creative hub. It also helps you to define your goals, create a network, plan your finance and measure your impact for future scaling.

[EU FUNDING SUPPORT OPPORTUNITIES FOR AUDIO-VISUAL AND NEWS MEDIA SECTORS](#)

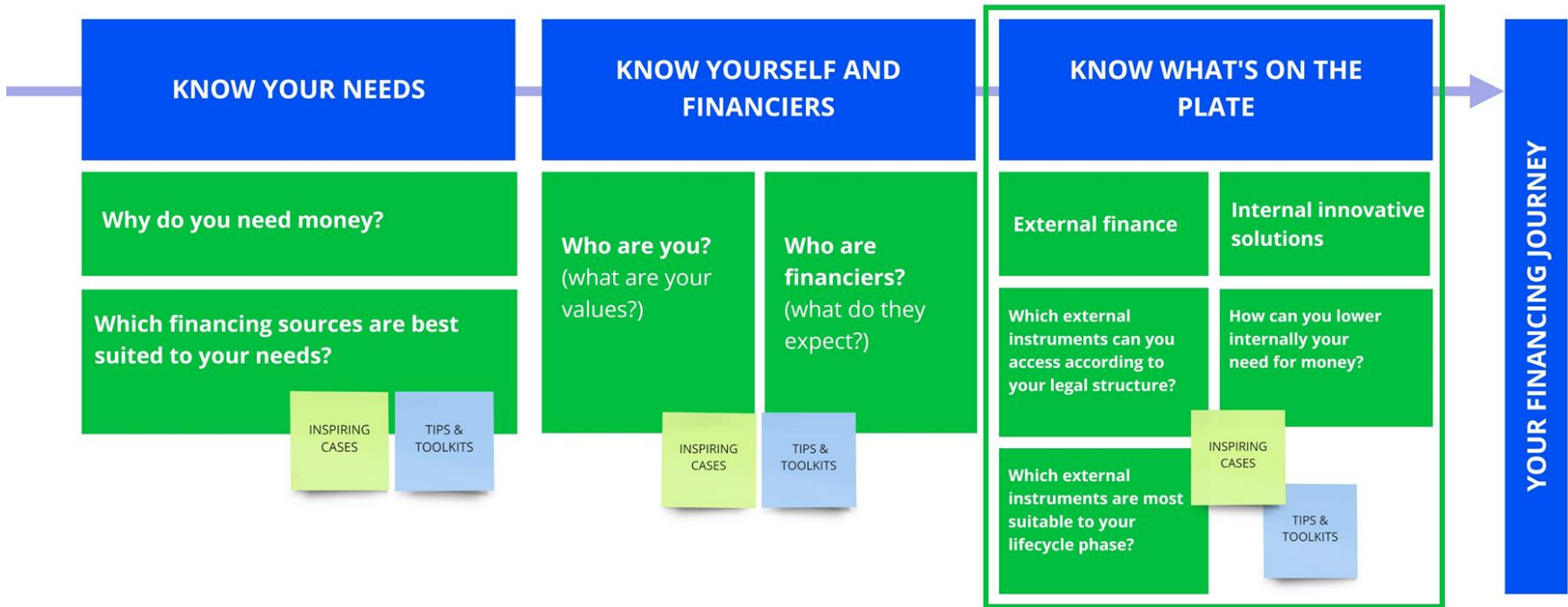
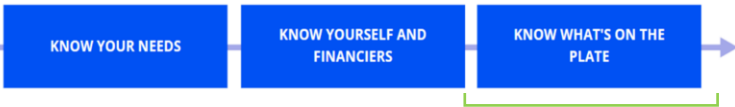
This interactive tool (Beta version) outlines the main EU-related support opportunities for audio-visual and news media sectors, as of 2021.

[EUROPEAN INNOVATION PLATFORM FOR CULTURAL AND CREATIVE INDUSTRIES](#)

The European Innovation Platform aims to increase awareness of EU funding opportunities for professionals and organisations working in the cultural and creative sectors. Registered users receive an up-to-date overview of the funding options relevant to them.

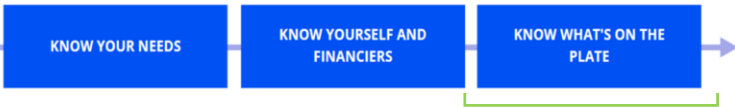


**4. Know what's on the
plate**



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4.1 External finance

4.1.1 Which external financial instruments can you access according to your legal structure?

The legal structure of your organisation is a crucial element to consider when looking for external funding. Although this is not the place to provide advice on which is the best legal structure for your business, you should keep in mind that legal structures can influence your access to the various financial instruments. It is therefore necessary to understand what role they play, in order to focus your attention only on accessible financial facilities.

The following table and the description below will allow you to identify accessible funding, depending on whether you are a freelancer, a for-profit company or a non-profit organisation with legal personality.

	Government sphere	Market sphere		Social and informal sphere	Hybrid sphere
	Grants and Public instruments (grants/subsidies, non-financial support)	Debt finance (bank loans, leasing, factoring, crowdlending, peer-to-peer lending)	Equity finance (business angels, venture capital, mezzanine financing, crowd-equity)	Philanthropy (philanthropy, patronage, donations) Donation-based crowdfunding	Impact investing, Venture philanthropy, Sponsoring Public-private partnership, Reward-based Crowdfunding, Microcredit
Freelancers	Green	Yellow	Red	Green	Yellow
For-profit organisations	Green	Green	Green	Yellow	Yellow
Non-profit organisations	Green	Yellow	Red	Green	Yellow

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- = fully accessible according to your legal structure
- = accessible according to your legal structure, but with conditions
- = not accessible according to your legal structure



Government sphere

In the government sphere, [grants and public instruments](#) are potentially accessible to all cultural and creative organisations and freelancers. Throughout Europe, there are different types of [grants and subsidies](#), and public instruments specific to your category. Please note that grants are often highly competitive and that, despite being accessible, they follow funders' priorities. This means that applications are often long procedures where you need to strictly comply with the grant's goal and requirements. You should therefore look not only at whom the grant or public instrument is accessible to, but also at the financial need the instrument is meant to fulfil (see [Section 2.2](#)).

Besides the typical grants and subsidies, other public sector instruments are available, for example to help you increase your chance of obtaining external finance or to decrease your tax burden. In many countries, [indirect financial support](#) is available to the cultural and creative sectors, such as [public guarantee schemes](#) or [tax incentives](#). Tax incentives are especially accessible to non-profit organisations or, in some cases, to for-profit companies that run specific activities for charitable purposes. If you belong to these categories, check out if at local or national levels there are tax or VAT exemptions and tax reliefs available.

Market sphere

In the market sphere, [debt finance](#) is the best-known financing source. It includes instruments such as [bank loans](#) but also [leasing](#) and [factoring](#). The main characteristic of any debt finance instrument is that the creditor "wants his money back." For-profit organisations might therefore have an advantage when applying for a [bank loan](#) or other [debt financing](#) instruments: their 'profit' nature makes it easier for them to provide a [guarantee or collateral](#) and to demonstrate the

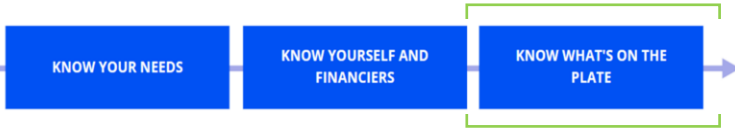
ability to repay the loan. If you plan on asking for a bank loan, check if there is a [public guarantee scheme](#) available in your country whereby public authorities vouch for a loan from a bank to you. [The Cultural and creative sectors Guarantee Facility](#) provided by the EU is currently available in some countries and it can increase your chances of receiving a loan from a bank. Please check [here](#) to see if the Guarantee is available in your country.

[Factoring](#) and [leasing](#) are two other options that any for-profit organisation might consider pursuing: factoring can help you to fill a temporary cash-flow need whereas leasing can be a way to finance equipment (e.g. a computer) without having to make the (often high) investment yourself. If you are a freelancer, you can also access [debt finance](#), but your road to have your request accepted might be harder than that of a for-profit organisation. Personal loans do exist and target the self-employed, but the requirements to obtain them are quite demanding: the bank might ask you for your income statement, job stability, account movements, credit score, in addition to a (personal) [collateral](#). Two other, more accessible forms of [debt finance](#) are [crowdfunding](#) and [peer-to-peer lending](#): in these cases, banks and financial institutes are not involved. Although money must still be repaid, the whole process can be more flexible, especially in the case of peer-to-peer lending.

In the end, if you are a non-profit organisation, debt finance might not be the right way to go, unless you target loan programmes specifically aimed at not-for-profit organisations, which are usually run by public authorities, [microcredit](#) providers (see [Section 3.2.4](#) - hybrid sphere), etc.

Although still not so widespread in the cultural and creative sectors, [equity finance](#) is a solution accessible to for-profit companies that have bold risky ideas with great market potential. As better explained in our [Glossary](#), [business angels](#), [venture capitalists](#) and [crowd-equity](#)





[investors](#) are inclined to provide risk capital to newly born companies or companies that are growing, as long as there is a chance of high financial return. Therefore, you can access this type of finance only if your company has a high market potential and a good dose of innovation (often technological/digital).

Social and informal sphere

In the social and informal sphere, [philanthropy](#) includes financing sources that have been widespread in the cultural and creative sectors for centuries, such as [donation](#), [patronage](#), and other forms of philanthropic support (financial or [non-financial](#)). If you are a non-profit organisation, this is one of the most accessible and suitable forms of financing. But be aware that often, a consistent promotion of your activities and values is needed. If you are a freelancer, you can access tailored philanthropic instruments or you can look for private patrons.

[Donation-based crowdfunding](#) is also a source of financing included in this social sphere. It consists of many individuals each donating small amounts of money to your project, without receiving any financial or material return. It is especially suitable for non-profit organisations but also accessible to freelancers. When considering donation-based crowdfunding, you have to take into account that setting up and managing a good crowdfunding campaign is a demanding process that requires numerous resources (communication, business plan, storytelling, marketing, community building, etc.). On the other hand, crowdfunding has a leverage effect that can go beyond the funding of one project, whereby a crowdfunding campaign can also support e.g. audience development, community building, internal strategy and skills development, communication and marketing, and market research.

Hybrid sphere

Besides the more “traditional” sources of financing, hybrid models can be a valid solution to build your financing mix. Financing sources such as [impact investment funds](#) and [venture philanthropy](#) and funding obtained through [public-private partnerships](#) are mainly accessible and suitable for organisations (and not, or much less, for freelancers) that can show a social impact but also have a solid and sustainable business model. On the other hand, [sponsoring](#) and [reward-based crowdfunding](#) are potentially accessible to all, but are more appropriate for non-profit organisations or freelancers. As for [reward-based crowdfunding](#), you will need to balance the rewards and the efforts needed to set up and run a crowdfunding campaign with the potential return you will get out of the campaign, not only in terms of money but also in terms of audience and community development, marketing,...

Finally, whether you are a for-profit organisation or a freelancer, [microcredit](#) could be a suitable solution for you: these are small loans granted to starting or potential [micro-entrepreneurs](#) who lack collateral, a starting capital, a verifiable credit history or who work in a specific sector where it is typically more difficult to obtain a loan, such as the cultural and creative sectors.

4.1.2 Which external financing sources are most suitable for your lifecycle phase?

As you are preparing to apply for funding, it is important to be reflective of the stage of development that you or your organisation is in. The financing needs and difficulties in accessing finance vary significantly at different stages of your development cycle. For example, as a pre-starter, you might have an idea requiring funding for the development of a prototype product you want to bring to the market. However, at this stage of your development, it might be



more beneficial to seek business guidance and advice, rather than financial support.

One way to frame your thinking is through the **lifecycle framework**. The four stages in an organisational or entrepreneurial lifecycle are: **vision**, **start-up**, **growth**, and **established**. This framework will help you to determine how best to position your proposal and understand who is best to approach and what you will be approaching them for:

- > The **vision** stage coincides with ideation, when there is an idea for a new business or non-profit activity.
- > Organisations or enterprises in **start-up** phase are launched but are still working on developing the model for their business or non-profit activity.
- > After the model is defined, organisations in the **growth** stage are focused on continuing to grow their activities and business.
- > **Established** enterprises or organisations have a proven model and run successful activities, regardless of their size. Small (and sometimes **micro**) organisations can in fact be established, in the sense that they can have a settled and successful model for their business or non-profit activities and may not have the objective to grow further.

However, regardless of your lifecycle phase, you should aim for a balanced **financing mix**, as explained previously. This means that, instead of looking for and relying on a single financing source, you should try to combine different financing sources.

Vision

Friends, family and optimistic private investors (“the 4Fs: **Family, Friends, Fans and Fools**”) still play a key role in helping individuals to make their creative dreams come true. Financing from friends, family and other insiders is often vital at the very early stages of your development. This is the stage in which you are still developing your

product, concept,... and you still lack a **collateral**, or you only own **intangible assets**, such as your brand or your copyright. Relying on your network at this stage is a necessary condition to gain access to external finance. **Incubators** to develop your business idea are another important support at this stage: they can be run by public or private entities. Specifically for the cultural and creative sectors, creative hubs can offer you support and access to knowledge for your further development. Check [here](#) to see if there are any creative hubs in your area. **Crowdfunding** and **grants** that support ideation are two other sources that suit the vision phase.

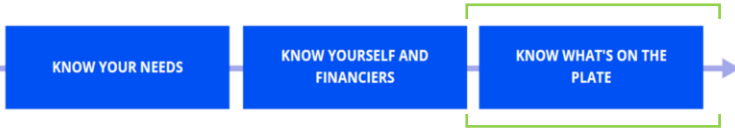
Start-up

Throughout the start-up stage, entrepreneurs develop a formal business plan, which can be used as a “sales” document to obtain **business angel finance** from large corporations or individual angel investors. They invest in early-stage companies with high growth potential in exchange for shares.

Crowdfunding is a relatively new method to fund start-ups. After its successful implementation in the field of non-profit cultural and social projects in recent years, it is now innovating in the domain of start-up financing. Depending on your legal structure and business idea, in this start-up phase you might be more or less able to raise finance through different types of crowdfunding, such as **donation-based** and **reward-based crowdfunding**, **crowd-equity** and **crowdlending**. Check which crowdfunding platforms are active in your country or at European level through the [Crowdfunding4culture Platforms Map](#).

The fact that you are able to raise finance through crowdfunding can also be a signal that there is a market for your product/project. In turn, this can convince other external financiers like banks to invest in your product, activities, project,...





An additional financial instrument that is suitable to entrepreneurs in the start-up stage is a [microcredit](#). Microcredits can bridge the gap between financing from your personal network and external finance (such as bank loans,...). Once you have provided evidence that you are able to pay back your first loan, depending on your needs, another loan may be awarded more easily.

[Incubators](#), business [accelerators](#) and [grants](#) are yet other instruments that are suitable to support you in this phase of your development.

Growth

As your enterprise or organisation grows, you can gain access to external finance on the [equity](#) side and on the [debt](#) side:

- > On the [debt side](#): once business operations are stabilised, [bank loans](#) can be a valid and accessible instrument to raise money. Bank loans will be made available to businesses whose balance sheets show substantial [tangible assets](#) that might be used as [collateral](#).
- > On the [equity side](#): once a concept/product... has been successfully tested, [venture capitalists](#) will finance the full-scale marketing and production. Venture capitalists often invest in companies that have already received [angel finance](#) - these two types of funding are often complementary. Also, [mezzanine financing](#) can come at this stage in the growth cycle, meaning that your project finance will be a hybrid of debt and equity.

If your organisation has an explicit expected social impact and a financially sustainable business model, you can also access [impact investing](#) and [venture philanthropy](#).

Business [accelerators](#) and [grants](#) continue to be accessible instruments also in the growth phase.

Established

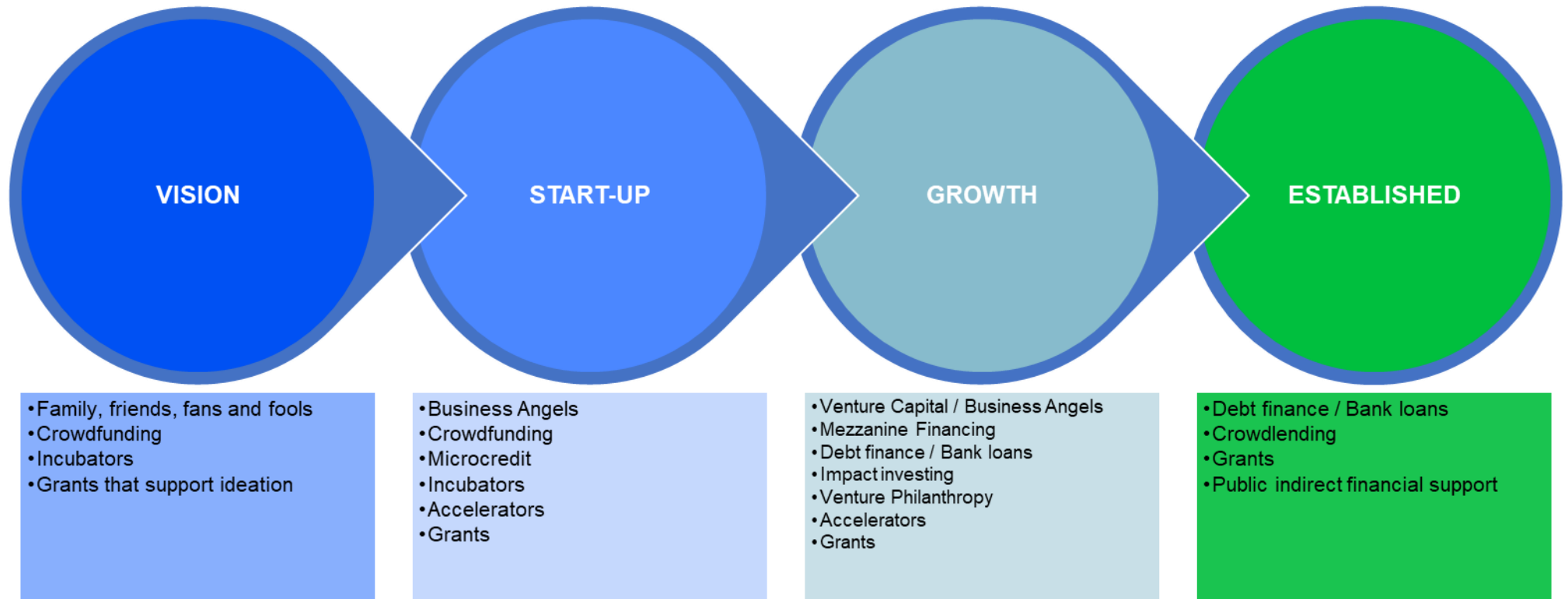
Appropriate financing is an important issue not only for newly starting and growing organisations, but also for existing established ones.

Once your growth/expansion goals are satisfied, whatever the size of your organisation, banks and [crowdlenders](#) are more inclined to provide loans, as long as your operations prove to be stable and sustainable.

In this last phase, [grants](#) and public [indirect financial support](#) such as [tax incentives](#) are still an important source of financing and support. Combined with [debt financing](#), they can contribute to build a strong [financing mix](#).



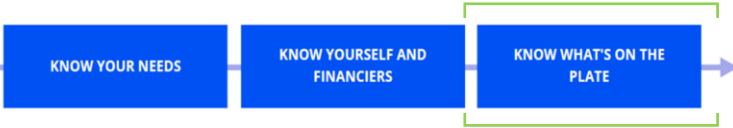
Overview: External financing throughout your lifecycle



© IDEA Consult

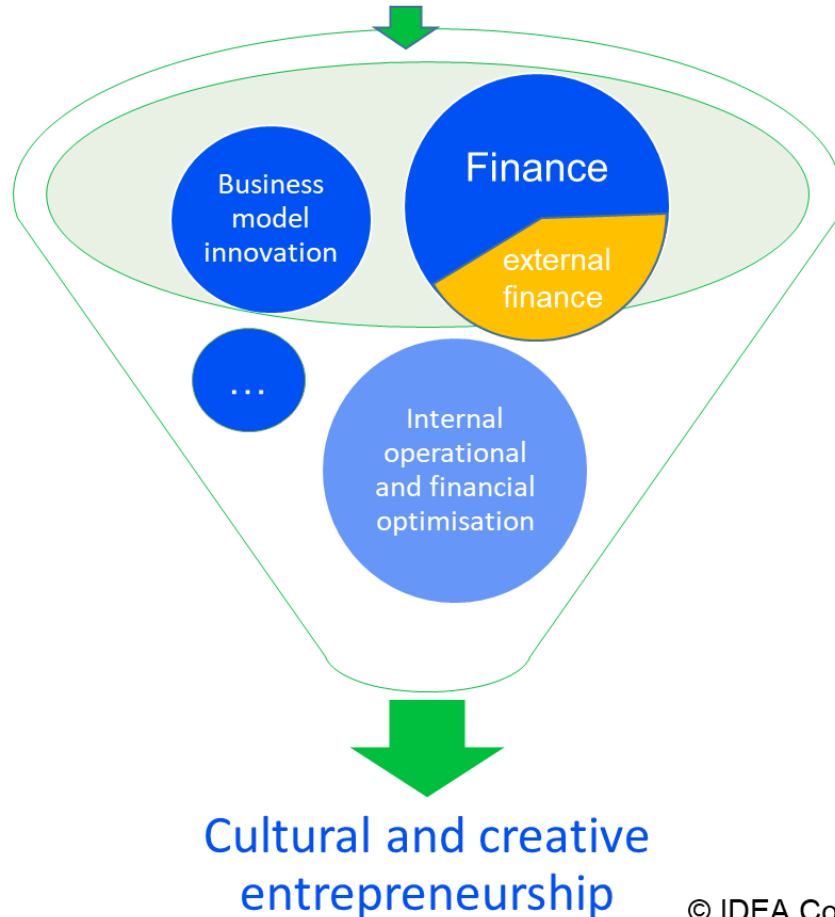
A Balanced Financing Mix throughout your lifecycle





4.2 Internal innovative solutions

YOUR MISSION AND VISION



© IDEA Consult

4.2.1 How can you lower your need for money?

Exploring external financing is only one part of the much broader strategic and financial management of a cultural organisation or business. As the figure on the left shows, the right financing mix should be situated within this broader framework, with an equal focus on ways to reduce costs (through internal operational and financial optimisation, etc.), sustainable and innovative business models and the proactive generation of income from e.g. own sales.

From the perspective of financiers, it seems that it is specifically the cultural and creative organisations' and entrepreneurs' business model that poses obstacles to providing finance to the sector. Often, but not always, the business models of creatives and cultural organisations do not correspond to the traditional models of companies in the general business sector. This can lead some types of financiers to not understand completely your value proposition. At the same time, working on your business model can also be a way to lower your need for external finance.

In this section we will give you some tips on **how to innovate your business model towards financial sustainability**.

Reflect on and structure your current business model

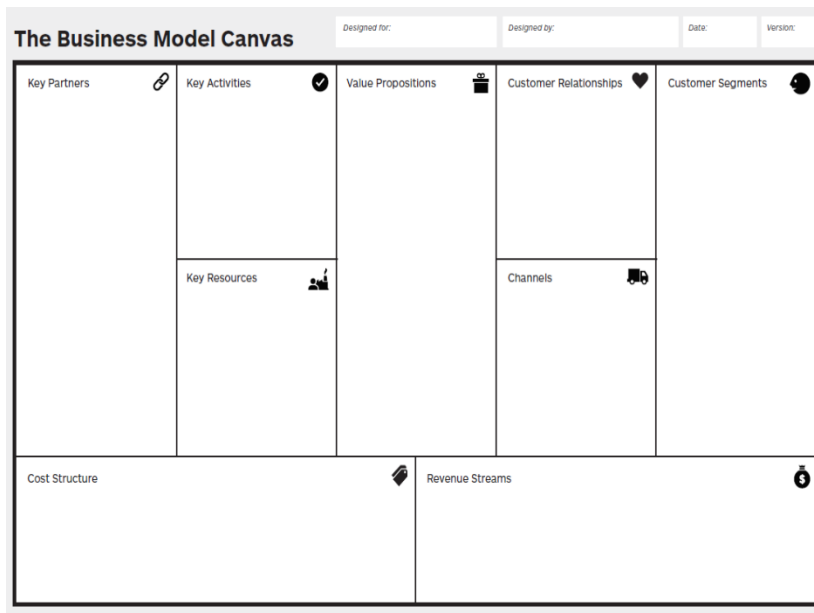
Start by reflecting on your current business model and putting it on paper, in order to be able to take it further in an innovative way. Whether you are an organisation, profit or non-profit, or you are a freelancer, you already have your own business model. It may not have been put in black and white, but if you run a business or any sort of activity (even if it doesn't aim for a profit), you definitely have a model that shapes and defines your value proposition, your customers or audience, the processes and resources you adopt and, last but not least, your financial formula (in other words, how you make money). Even if you have already adopted these things



unconsciously, it is time to translate them on paper for two main reasons:

- > Whatever financing sources you are applying or looking for, the starting point is a clear business model and plan to present to your potential financiers.
- > It is only once you have a clear and complete view of your current business model that you can reflect on how to introduce changes that would increase your internal revenues and lower your need for external finance.

You can reflect on your business model using a **business model canvas**, such as this one, designed by Alex Osterwalder:



Designed by: [Strategyzer AG](#)

A business model canvas consists of 9 building blocks: ^{17, 18}

- > Your **value proposition** includes all the activities, products, projects, services, etc. through which you create value for your customers, audiences, visitors, participants, etc. It refers to the main reasons why a customer or user pays for or uses what you offer,
- > **Customer segments** i.e. all the people and organisations for whom you create value and that you aim to reach and serve, i.e. your audiences, your clients, your users, your visitors, your target groups, etc.,
- > **Channels**: These are the ways you keep in touch and communicate with your customers, audiences, etc. such as your communication, distribution and sales channels,
- > **Customer Relationships** include all the types of relationships you build with your clients, audiences, users, etc.,
- > **Revenue streams** refer to the money you generate when you successfully match your offer with the needs of your customers.

These first five building blocks on the right-hand side of the Business Model Canvas are also called the “front end” of your business model. This is the part of your business model that relates to your customers, audiences, visitors, etc. The four other building blocks, on the left-hand side of the Model Canvas, make up the “back end” of your business model. These building blocks relate to all the elements that are necessary to fulfil your promises towards your customers, audiences, etc.:

- > Your **key resources** are the people you work with, the equipment you use, the technology you work with, the building you are located in, etc.,
- > The **key activities** building block is reserved for your organisation’s most important activities, which realise your value



proposition. These activities might be performances, exhibitions, workshops, etc.,

- > **Key partners** are those partners that help you deliver value to your customers such as your suppliers, the volunteers, other artists or cultural organisations you work with, your funders, etc.,
- > The **cost structure** refers to the main costs within your business model.

Now that you have a general overview of what a business model canvas looks like, you can also work with the [IETM Business Model Canvas for Arts and Cultural Organisations](#)¹⁹ which is more tailored to non-profit organisations.

Moving towards business model innovation²⁰

You can use the Business Model Canvas to map your current Business Model but you can also use it to explore possible innovations in your model by taking a more detailed look at potential innovations in each of the building blocks.

When starting this process, you should take into account that introducing an innovation in one specific building block will also affect the other building blocks. It is important not to lose sight of this necessary coherence and alignment between the different building blocks. If you want to introduce a completely new product, service, activity,... it is recommended to start from a completely blank canvas.

Interested to find out more about other business model tools that could help you? Go straight to the case on [The Organic Process Method \(OPM\)](#) developed by the Swedish Transit Art Incubator.

Read the inspiring case of the [IRIE! Dance Theatre](#) on the next page to discover what business model innovation can mean for your organisation.



INSPIRING CASE 5/ IRIE! DANCE THEATRE

Understanding your needs and values to diversify income sources



Country:
UK,
London

Sub-sector:
Performing
arts - dance

Legal structure:
Non-profit
charity

IRIE! Dance theatre, Facebook page,
photo credits Alleyne Dance, 28.08.2020

External Finance: Public funding from local government, trusts and charities, Cultural Impact Development Fund loan by Nesta (a UK innovation foundation).

Internal Finance: Revenues from performance, workshops, room rents, tuition fees from BA programme in diverse dancing styles.

Values: Social, Educational and Cultural

Key takeaways of this inspiring case: *The establishment of a fully accredited degree [in African and Caribbean dance practices](#) has been a milestone in the achievement of income sources diversification for [IRIE! dance theatre](#). IRIE!'s investment in the Moonshot Centre building and facilities was key to create value for its students and community. In the long term, these improvements should attract additional diversified income sources and applications to the BA programme.*

Boost your social impact to achieve long-term growth: Based in the historic Moonshot Centre in New Cross, South London, IRIE!'s mission is to support the personal wellbeing and community cohesion of the diverse population in its local area through dance. In 2018, IRIE! developed the first ever UK's BA programme in diverse dance styles with a particular focus on African and Caribbean dance practices, validated by the University of Roehampton. Setting up this degree was not only driven by financial needs, but it was also perfectly in line with IRIE! educational values and local community relations. The BA course is run at the Moonshot Centre, reinforcing the engagement of students with the local community.

Understanding your financing needs and diversifying your income as a foundation to achieve your mission: Given the potential of the BA programme as a support for long-term financial resilience, IRIE! realised that it was necessary to invest in equipment and technology to further enhance the Moonshot Centre, so as to make students feel valued and provide them with a more professional learning environment. At the same time, IRIE! also realised that improvements to the Moonshot Centre would allow to resource and scale up their rooms for hire to local businesses and community organisations. Based on this clear understanding of their financial needs, the IRIE! team decided to apply for an unsecured loan from NESTA, a UK innovation foundation, and invest most of it in the



refurbishment of the Moonshot Centre. Ultimately, the additional revenues allow IRIE! to finance the programmes and services that are key to the realisation of its mission.

Understanding and communicating about your values as a key to future development: In addition to the loan, IRIE! received one-to-one support from NESTA in the evaluation of their social impact. Together with the success they experienced from applying for the loan, this helped the dance theatre to have confidence in their projects and reach out to other financiers. IRIE! is now planning to apply for capital funding to further expand the building and to develop the performance company. In their growth plan, community values and students' fulfilment are at the core, where the additional revenues would allow to further increase engagement and have an even wider social and educational impact.

Sources:

Interview with Beverly Glean, IRIE! Artistic Director, 28 September 2020.

<https://www.artsculturefinance.org/case-studies/irie-dance-theatre/>

<https://www.riedancetheatre.org/>

<https://www.anewdirection.org.uk/blog/dance-anddiversity-and-the-search-for-new-training-pathways-by-irie-dance-theatre>

<https://prezi.com/5mx5dhrrcsjr/irie-partnerships/>

INSPIRING CASE 6/ ASTRA NATIONAL MUSEUM COMPLEX

A win-win partnership – collaborating with local craftspeople to diversify income sources



Romanian Insider, 14.03.2019

External finance: Budget from the County Council, European Economic Area (EEA) grants, and sale of replica houses at the Fair of Traditional Houses.

Internal finance: Revenues from ticket sales and taxes paid by businesses having activities in the museum.

Values: Social, Cultural, Environmental and Economic



Key takeaways of this inspiring case: [ASTRA National Museum Complex's](#) innovative collaboration with local craftspeople, singers and dancers has been key to develop additional income streams and create value for the local community by attracting tourists to the region and introducing modern insights in the understanding of Romanian craftsmanship. Building sustainable relations can create value for local artists, the museum and the local community alike.

Understanding the potential of interaction: The ASTRA open-air museum involves local museum curators, local artists and Romanian communities with different ethnic backgrounds to promote the preservation of the cultural landscape and diversity and to raise awareness of the multi-ethnic heritage collection. Traditional crafts are revived and repurposed in a contemporary context. For instance, craftspeople use ancestral building skills to explain the ecological down-sides of certain materials employed in modern constructions.

Sharing your knowledge with society to strengthen your mission and create value: Interactive engagement with cultural heritage and co-creation of new meanings for old craft skills form the core of Anima ASTRA's learning programme. In this programme, local craftspeople are involved in cultural animations and trained to deliver interactive workshops on traditional building restoration each year. This is a clever move to contextualise the collection, while enabling the museum to create value for the local community and artisans. Indeed, the Anima ASTRA programme successfully connects people to local culture. Moreover, by sharing knowledge, the local craftspeople are able to gain considerable public exposure and recognition for their craftsmanship.

Traditional craftsmanship and additional finance: The museum curators' collaboration with local artisans and communities is a win-win teamwork; while the craftspeople have the chance to give workshops to locals and to be paid for it, they also help the museum to build replicas of traditional houses. Communities then participate to transform these replicas into learning settings that recreate a genuine and traditional household. Additional services are provided to create more funding streams for the museum, such as consultancy for people interested in having a traditional wooden house as well as the sale of one of the replica houses. By creating these replicas, the museum not only increases its revenues and services, but it also preserves the cultural landscape of the region.

Local crafts promotion to achieve economic growth: Besides generating additional streams for the museum, the Anima ASTRA programme also revealed the route for sustainable economic and touristic growth in the region. These achievements have not gone unnoticed and the museum has been formally recognised on a national and European level for its outstanding ability to promote the local cultural landscape through innovative events, that differentiate it from other heritage institutions.

Sources:

Interview with Stefan Ciprian, ASTRA National Museum Complex General Director, 7 December 2020.

<https://www.agerpres.ro/english/2019/09/23/astra-first-romanian-museum-that-receives-european-oscar-of-museums--373941>

<https://muzeulastra.ro/>

https://ilucidare.eu/sites/default/files/2019-07/nemo_2018_publication_museums_and_creative_industries_case_studies_from_across_europe.pdf



INSPIRING TOOL 7/ THE ORGANIC PROCESS METHOD

Taking the time to reflect on your artistic practice is an important basis for your future development

The Organic Process Method (OPM) is a development method co-created by artists and the Swedish [Transit Art Incubator](#). Transit Art Incubator is a non-profit association for professional filmmakers, musicians, performance artists, visual artists and designers. It offers office space, workshops and coaching as a type of scholarship and residency. In total there are 25-30 freelance artists in an open-plan office space who share contacts and knowledge on a daily basis. Transit is financed by the Region of Stockholm.

About the Organic Process Method

The OPM is tailored to each individual artist and puts the artistic practice at the core.

- **Aim:** To support artists to reach artistic and economic sustainability and create a foundation for their further development.
- **Approach:** In order to achieve this aim the method helps artists to structure their work. In turn, this enables them to create more space for areas that are important to them.
- **Implementation:** The OPM is implemented through multidisciplinary, peer-to-peer learning workshops, structured around 3 elements:

1. Mapping the current situation (present)

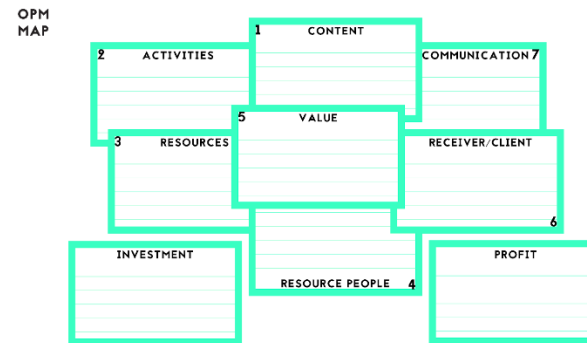


Image provided by Sara Lönnroth director of Transit Art-Incubator on 08/10/2020

2. Reflecting on desired outcomes and necessary adjustments to your art (future).
3. Developing a concrete action plan (way forward).

Key lessons from OPM for your own development:

- Take the **time to reflect** on yourself and your practice.
- Put your **artistic practice at the centre of your development**.
- Define the outcome you need in order to **achieve long-term sustainability** as a professional artist: in terms of income, artistic development and freedom, and other aspects that are important to you as a professional.
- **Understand what your artistic practice is today and what you want to accomplish in the future.** Gaining a good insight in your current practice, values, stakeholders, resources as well as your desired future outcomes will help you to:
 - recognize the key strengths you can build on in your further development;



- identify the steps you need to take to realise your future goals;
- reach out to other stakeholders that can help you in this process.
- **Learn from others.** Discuss your work and your plans with other artists (in other disciplines) to acquire new perspectives. This will help you to fine-tune your development plans further.

Tip from Sara Lönnroth – Director of Transit Art Incubator

“If you understand your process and values, it will be easier to price your art and explain it to customers.”

Sources:

Interview with Sara Lönnroth director of Transit Art-Incubator on 17/09/2020 and 08/10/2020 and last accessed <http://transitsthlm.se/#om-transit> 06/10/2020.

OPM TOOL IN PRACTICE - INTERVIEW WITH EMMA LÖFSTRÖM



Emma Lofstrom in her studio – picture provided by Emma 21/10/2020

Why did you choose Transit KulturInkubator?

I applied to Transit to get the opportunity to develop my artistic practice through coaching, workshops and presentations. I had studied and worked abroad, so applying to Transit was also a way to make connections in Stockholm where I now live. I also applied to get a physical space to work, and a social context that allowed me to participate in the exchange of ideas with colleagues.

At what stage of your artistic career did you apply to be a resident in Transit Kultur-Inkubator?

I had been working for some time as an illustrator with commercial clients, but I felt I wanted to develop my independent artistic practice more. The goal was to find time to develop self-initiated projects, apply for funding and find other ways to finance an artistic practice that allowed me to work on more long-term, research-based projects. I had had some exhibitions and artist residencies, but as an artist I was still at an early stage of my career.



Why did you choose to apply for OPM workshops?

I applied to the OPM workshops to learn to formulate and define what is the core and passion in my practice. Also, to learn to structure my time better, making sure I put my energy in the right places and moving my work in the direction I'd like it to take.

What did you learn throughout the process of applying the OPM?

It was very valuable discussing the artistic process in depth with colleagues and other creatives, learning from each other's experiences. It was great to talk to others and find out how much of the creative process we shared across many different artistic fields and backgrounds. We all sometimes face the same financial difficulties and insecurities, and talking to colleagues helped me think about these things more structurally and less personally. Talking to others also helped me think about and define my practice, and to set clear goals in terms of where I'd like to go next.

Did the OPM working method affect the future development of your artistic practice and approach, and how?

The workshop helped me to better understand and value my time, and in that sense also pricing my work. I learnt about putting a value on my expertise and my time, and it helped me to visualise how much energy I put into my work and to appreciate the progress and goals I have reached so far.

Also accepting difficult moments was something we talked a lot about in my group, because the artistic practice is never a straight road and certain times do and always will need great effort. To still accept those periods and appreciate the time you put into your work during those times is important.

Believing in your work, feeling confident in your role as an artist, and finding joy in what you do is essential. From the joy grows everything else, such as marketing and approaching financiers, but I learnt how important it is to keep that joy as a place for departure and to return to. In this sense I also learnt the importance of turning down jobs that didn't feel right. To have the courage to say no to work I felt didn't lead me in the right direction, to free up time to focus on developing a practice that I felt passionate about and sustainable over time.



Sussuration of the Spruce – picture provided by Emma 21/10/2020





TIP 10 / RETHINK YOUR BUSINESS MODEL IN AN INNOVATIVE WAY ACCORDING TO YOUR DOMAIN

TIPS FOR ALL: WHAT DOES IT MEAN TO BE INNOVATIVE?²¹

- > **Collaborate and be inter-disciplinary:** Explore new ideas, combine artistic and creative expressions and new technologies to develop new forms based on audience needs.
- > **Audience development:** Create a connection with your audience based on your own mission and values.
- > **Be digital:** Your work can be enjoyed in many forms and in different venues. Being digital can also open your business up to new market channels, new audiences,...
- > **Measure your impact:** As a creative professional or cultural organisation, you have an impact on society, try to develop ways to measure this impact in the long term.

*IF YOU WANT MORE INSPIRATION, TAKE A LOOK AT THESE TOOLKITS:

[CULTUUR_ONDERNEMEN – ENTREPRENEURSHIP ROUTE- INCREASE YOUR CHANCES IN 8 STEPS](#)

This tool is for artists and creative entrepreneurs. The guide aims to help them find their professional identity and to build a stable foundation for this identity by developing a business model. The guide also gives tips on how to negotiate and what sources of financing might suit you best. Case studies are integrated throughout the toolkit to give you inspiration.

[IETM – TO SELL OR NOT TO SELL?](#)

This toolkit explains everything you need to know about business modelling and business model innovation in the cultural and creative sectors. It also provides you with some inspirational stories from the sectors.

[CREATIVE HUBKIT](#)

- > For creative hubs.

This toolkit helps you to define your vision by identifying specific gaps, needs and demand to be fulfilled in your creative hub. It also helps you to define your goals, create a network, plan your finance and measure your impact for future scaling. All these aspects are crucial to create a long-term strategy for your creative hub.



[CREATIVE MUSEUMS – TOOLKIT STRATEGIES FOR SUCCESS](#)

This toolkit presents a collection of innovative and creative museum practices that add value in three key areas: ‘Connecting to Communities’, ‘Spaces for Yes’ and ‘Strategies for Success’. Despite being a toolkit addressed to the museum sector, each section provides mini toolkits for a variety of objectives that may fit other cultural organisations or individual businesses.

[NESTA – PATHS TO SCALE: FINANCE LESSONS FROM EUROPEAN ENTREPRENEURS](#)

This is a general toolkit aimed at entrepreneurs wanting to scale up their business. It can help you to understand and consider a wide range of financing sources and to make informed decisions. The toolkit provides tips, resources and a visual overview of the financing application process per financing source and per stage of business development.

[NESTA – IMPACT MANAGEMENT CANVAS FOR ARTS AND CULTURAL ORGANISATIONS](#)

The impact management canvas helps you to understand how to measure your impact and how best to collect data on your impact, so that impact measurement can become part of your operations and strategy. Impact measurement is important if you want to convince financiers, and especially impact investors, of the value of your business.

[NESTA – CREATIVE ENTERPRISE TOOLKIT](#)

This toolkit guides you through essential business concepts to start up your creative business idea. It also provides guidance on how to make your business work by understanding your customers, who you can partner with and how you can finance your business. It focuses especially on customer relations through marketing and it also provides some inspirational stories of other cultural and creative organisations and entrepreneurs.

[EUROPEANA IMPACT PLAYBOOK](#)

This toolkit targets organisations and professionals working in the cultural heritage sector. The Europeana Impact Playbook consists in a step-by-step approach to help design, measure and narrate your impact.

[STAMP WEBINAR SERIES](#)

To learn more about entrepreneurship in the music industry, have a look at these webinars from the European Music Council.

[ARTS COUNCIL ENGLAND – MAKING DIGITAL WORK TOOLKIT](#)

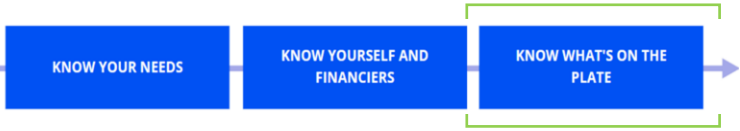
‘Making Digital Work’ is an easy-to-use toolkit for arts and culture organisations who wish to develop digital products and services. The toolkit takes you through the why, who, what and how of digital product development.

[ARTS COUNCIL ENGLAND - CULTURE CHANGE TOOLKIT](#)

This toolkit will help you learn from best practices in recruitment and to develop a diverse workforce and leadership. The toolkit is divided into 7 sections, guiding you through the different steps involved in creating a diverse talent pool within cultural and creative organisations. The tool is presented in the form of a website page with some PDFs digging deeper into each issue.



5. Your financing journey



The **Model Canvas** below provides an overview of the different steps that can guide you through your financing journey. By following these steps, you will be able to find your way through the financing jungle:

WHY? Know your needs: Different financing needs require a (mix of) different financing sources. Therefore, reflecting on and **understanding why you need money** is the first step to finding your way through the financing jungle.

WHO? Know yourself and financiers: Different financiers look for different types of values: social values, financial values or a mix of both. Therefore, **understanding what your values are and how they match the with financiers' values** is the second step on your route to finance.

WHAT? Know what's on the plate: having an overview of the different **external financing opportunities** that you can access and that are most suited to you, **depending on your legal structure and stage of development**, will help you to make a **final selection of the mix of**

financing sources that match your needs and values. At this point, it is also interesting to consider **innovative solutions** that can help you to **generate more revenues** and to decrease your need for external finance.

As the **inspiring practices** throughout this guide show: the cultural and creative freelancers, organisations and entrepreneurs **who have already followed the steps in this financing journey**, have been able to **successfully attract financing** from various sources. **Now it's your turn!**



6. Glossary

Accelerator

Like incubators, these are organisations offering services for your development. However, accelerators focus on companies that have already defined their business plan, and help them to accelerate their time to market.

Award (government sphere)

Prizes awarded by public authorities to put a spotlight on remarkable projects, initiatives, organisations, personalities, achievements,... in (specific) cultural and creative sectors. Typically, these awards (also) include monetary prizes.

Bank loan

A loan that an authorised credit institution (such as a bank or public investment group) grants to an organisation, freelancer or entrepreneur, with the agreement that the money will be repaid, with or without interest (percentage of the principal amount). Loans can be paid over short (< 1 year) or long terms (> 1 year), depending on the initial agreement with the credit provider. As a general rule, you will have to provide a [collateral](#) to the bank in order to be able to obtain a loan.

Business Angels

Business Angels are (ex-)entrepreneurs who want to invest in promising start-up or fast-growing companies. On average, they invest between 25,000€ and 250,000€. In addition to financial support, they also put their years of experience and expertise at the disposal of the entrepreneur. Business angels often have extensive networks of contacts that are relevant to the companies in which they invest. These aspects can bring significant added value to the start-up or growing company. After a few years of growth, an “exit” will be generated whereby the shares are sold at a certain added value.

Collateral/guarantee

Business assets (business collateral) or personal assets (personal collateral) that you put up to guarantee the repayment of a loan to a bank or other financial intermediary. If you put up personal assets (such as your real estate or other) as collateral, these assets can be claimed by the bank in case you are not able to repay the loan.

Crowdfunding²²

Crowdfunding stands for a variety of different ‘fundraising’ models. Crowdfunding can take the form of charity, when people donate to an individual, project or organisation; pre-selling, when people donate towards the creation of a specific product, such as a CD, design, gadget etc.; as well as the form of investment, when people lend money to individuals or organisations with interest, or invest money in exchange for company shares.

Crowdfunding models:

Crowdfunding models can be categorised under:

- > **Donation-based:** Donating small amounts to meet the larger funding aim of a specific project while receiving no financial or material return in exchange;
- > **Reward-based:** Donating small amounts to meet the larger funding aim of a specific project with the expectation of receiving a tangible (but non-financial) reward or product in return;
- > **Crowdlending** (subdivided into consumer and business lending): Borrowing from a number of lenders via an online platform, each lender lending a (small) amount in return for financial compensation;
- > **Crowd-equity:** Invest in a business via an online crowdfunding platform in return for a share in the business.



Debt finance

Form of financing in which the cultural/creative actor borrows money from a third party (i.e. financiers such as banks, crowdlenders,...) and the financier in turn expects a pre-agreed remuneration (in the form of interest) for lending the money. In addition to the remuneration, it is also expected that the loan amount will be fully repaid within an agreed period of time.

Donation

Amount of money donated by an individual or organisation. The donation differs from patronage by the often (much) lower amount and the one-off character of giving.

EU Cultural and creative sectors Guarantee Facility²³

To encourage the engagement of financiers in the cultural and creative sectors, the European Commission, through this Guarantee Facility, has committed to partially cover financial intermediaries' potential losses on loans provided for cultural or creative projects. The Guarantee Facility allows businesses to access loans more easily, since financial intermediaries are more willing to extend financing for CCS projects and are better trained to understand and address their specificities.

Cultural or creative SMEs or small public enterprises established and operating in any EU Member State, Iceland or Norway are eligible to benefit from EU-supported financing. To apply for a loan, cultural and creative sectors companies must contact the nearest [financial intermediaries](#) selected for each country.

Equity finance

Form of financing in which an investor provides capital (and know-how) to an organisation in exchange for a share in the organisation's equity. The financier does not receive an interest payment for lending money (as is the case in debt financing), but does hope to be

able to share in and benefit from any added value realised through the organisation's growth in the longer term.²⁴

Factoring

In factoring, an intermediary called a "factoring company" will buy your account receivables, namely the invoices that you have issued but that have not yet been paid. In this way, you will be able to gain immediate cash flow, instead of waiting until the due date of the invoice. In return, you will have to pay a commission to the factoring company.

Financing mix

It refers to the combination of financing sources that a cultural actor or organisation uses to finance its activities and operations. An example of a financing mix is the simultaneous use of forms of own income, a loan and crowdfunding.

Foundation²⁵

Public-benefit foundations are purpose-driven and focus on areas ranging from the environment, social services, health and education, to science, research, arts and culture. They have an established and reliable income source, which allows them to plan and carry out work over a longer term than many other institutions such as governments and companies.

Fundraising

The process of seeking and collecting money for a project or an organisation, by engaging with potential donors in an organised way.

Grants/Subsidies

Grants and subsidies are a financial aid (amount of money) given by public authorities to a person, company or organisation for certain activities. In order to receive this support, the recipient of the grant must meet certain criteria. The government provides grants to achieve policy objectives.²⁶



Impact investing

This is a kind of investment that is intended to mainly generate a positive social impact, in addition to a financial return. The organisations in which investments are made are explicitly expected to monitor the social impact of their activities and to report on it to investors, so that the latter can also effectively assess their investment in this area.

Incubators

Organisations helping start-ups at an early stage of their development to devise a clear business plan and action plan to achieve objectives. For instance, incubators could help you develop products and services, while introducing you to an innovative working environment. These organisations are usually fee-based and the time you spend there may vary.

Indirect financial support (government sphere)

This refers to public support to the cultural and creative sectors such as tax reductions, tax exemptions or [public guarantee schemes](#) supporting cultural or creative organisations, entrepreneurs or freelancers, or [tax incentives](#) for e.g. donations made to cultural organisations. Since the government forgoes tax revenue or incurs tax expenditure, it is categorised as public indirect financial support.²⁷

Interest rate

It is the rate a bank or other lender charges you to borrow its money. It is due per period as a proportion of the amount lent.

Intangible assets

An intangible asset is that which is not physical or tangible by nature. Examples of intangible assets include customer relationships, intellectual property, goodwill and brand awareness.²⁸

Leasing

Contract whereby the owner of a specific asset grants a second party the right to its exclusive possession and use for a specific period and under specified conditions, in return for specified periodic rental or lease payment. Leasing offers organisations a way to finance goods and equipment without having to make the (heavy) investments themselves. The most common objects that qualify for leasing are cars, machines and computer equipment.^{29, 30}

Mezzanine financing

The term mezzanine comes from the construction sector and means mezzanine floor. But the term mezzanine can also be used in a comparable fashion in the financial world: it is a form of financing situated somewhere between a [bank loan](#) and [equity finance](#). It is usually a type of loan in which elements of debt and equity are combined. There is no [collateral](#) required from the borrower for this loan, but this also implies that mezzanine financing is considerably more expensive than an ordinary bank loan. The loan is paid off in one go at maturity.³¹

Microcredit

A small loan, usually up to max. 25,000€ (EU definition).³² A microcredit helps starting or future entrepreneurs who cannot access bank finance because they are too young or too old, are unemployed, cannot provide a collateral, work in a more difficult sector... In contrast to a traditional bank loan, micro-credits do not require any collateral but higher interest rates are usually charged. A microcredit often also involves non-financial support, such as business development advice.

Micro-enterprise

A micro-enterprise is an enterprise with fewer than 10 employees and an annual turnover or balance sheet below 2,000,000€.³³



Non-financial support

Non-monetary support given to an organisation or an individual. It can consist of e.g. access to (specialised) infrastructure such as spaces to present your work, (free) (artistic or managerial) educational trajectories, trainings, coaching, business mentoring, specialised advice,...

Patronage

In the case of patronage, an individual or organisation receives money from a patron: someone who donates money to scientists, universities and/or artists to support the activities of the beneficiaries. This usually involves larger sums of money and therefore a wealthy donor, who in principle does not damage his or her own quality of life by donating. One speaks of patronage when the donation does not serve the personal interests of the patron.

Peer-to-peer lending

Peer-to-peer lending is the lending of money between parties, without the intervention of traditional financial institutions such as banks. This form of lending most often takes place when people close to you, the so-called Family, Friends, Fans & Fools (4Fs), lend you money.³⁴

Philanthropy

In the case of philanthropy, finance will not originate from public authorities or financial institutions, but rather from individuals or organisations, possibly through an intermediary organisation (e.g. a foundation). There are different ways individuals and organisations can donate money, via [donations](#), [patronage](#),... This type of financing is situated in the Social Sphere i.e. philanthropists expect a social return on their donations.

Platform Hosting Fee

Some – although not all – crowdfunding platforms charge an initial cost just for hosting your campaign. This cost varies from 0-300€ and will be charged to all projects, be they successfully fundraised or not. Ask platforms what their fees are before starting your campaign.

Payment processing fees

Crowdfunding platforms work closely with payment providers in order to facilitate money transfer from your backers into your campaign. However, the payment providers apply their own service fee for every transaction made, on average 3%. For instance, for every 100€ donation/investment, only 97€ reaches the campaign.

Project financing

Financing that is used to realise a specific project (e.g. production of a film).

Public guarantee scheme

A public guarantee scheme aims to facilitate access to (bank) loans. Typically, such a guarantee scheme entails that public authorities vouch for a loan from a bank (or another financial intermediary) to a cultural and creative professional or organisation, so that the bank (or other intermediary) is more likely to accept it. As such, it is a mechanism acting as an insurance for banks and financial intermediaries that offer financing to the cultural and creative sectors. The freelancers, entrepreneurs or organisations that receive the loan still have to reimburse it.

Public-Private Partnership

This is a long-term partnership between a private party and a government entity, to provide a public asset or service in which the private party bears significant risk and management responsibility, and receives a remuneration that is linked to its performance. In the case of the cultural and creative sectors, many cities and regions are



establishing partnerships with private financiers such as impact investors, banks, foundations and venture capital funds to give birth to specific financing models for the cultural and creative industries.

Secured/unsecured loan

A secured loan implies that the cultural actor who received money (the borrower) is covered by some collateral, while an unsecured loan does not include any collateral. In the first case, if the borrower does not repay the loan in the agreed terms, the lender can automatically take possession of the collateral; in the second case, the lender cannot do it.

Self-finance

Source of funding that occurs when the organisation or the project generates its income from own revenues, without resorting to external sources such as investors or lenders.

Sponsorship/sponsoring

Financial support given by a sponsor to a person or organisation (e.g. in support of a specific project), in exchange for compensation from the sponsored person or organisation. This compensation is often in-kind, in the form of e.g. an advertisement, tickets, invitations to a play, concert,... In contrast to a patron, a sponsor has a commercial goal.

Success fee

The majority of crowdfunding platforms are for-profit organisations. If a project is successfully funded, platforms will take a percentage of the total amount raised. The percentage varies from platform to platform and ranges between 3% and 12% of the total amount raised.

Tangible assets

Tangible assets are assets with a physical form and that hold value. Examples include property and equipment.³⁵

Tax incentives

Government measure that is intended to encourage individuals and businesses to spend money or to save money by reducing the amount of tax that they have to pay.

Venture capital³⁶

Venture capital is one of the more popular forms of equity financing used to finance high-risk, high-return businesses. Venture capital firms provide capital for start-ups and young high-growth companies. Venture capitalists typically require a high return on their investment due to the perceived high risk, as it is very difficult to predict the future success of the start-up company. In order to mitigate some of the business risk, venture capitalists tend to get involved in their investments and to provide a valuable network and knowledge. Investors usually have personal experience with starting a risky venture or experience in a particular sector. Therefore, the contribution of venture capitalists can be decisive in the company's success.

Venture philanthropy

A form of financing that combines both financial and non-financial support to create stronger "investee" organisations, enabling these organisations to increase their social impact. This approach can cover the whole spectrum of financial (grants, debt, equity...) and non-financial (advisory, coaching and business mentoring, network access, financial management, fundraising and revenue strategy, governance) support.



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