

## **Section 7**

# **Funding and Sponsorship of the Visual Arts**

In what follows, the policy, legislative and institutional framework for the funding of the visual arts is summarised at a national, provincial and local level. Indirect incentives for stimulating investment in the non-profit arts sector are addressed below in relation to the Department of Finance’s role in relation to the provision of tax benefits on donations.

The White Paper envisaged the national Department of Arts and Culture playing a lead role in the promotion both of direct funding for the arts generally, and the diversification of the funding landscape for the arts through the unlocking of new resources from the private sector and international funding agencies. The White Paper outlines a basic conceptual position on the funding of the arts which seeks to both respect the autonomy and independence of the arts, and address wider social and economic objectives:

“[We] wish to develop exactly that "arms length" relationship which is fundamental to freedom of expression. At the same time, all funding from the public purse carries certain obligations with it, and these obligations of accountability must be applied with due responsibility and creativity. Promotion without undue promulgation would be our ideal.”<sup>1</sup>

One of the signal shifts that occurred in the post 1994 period involved concerted efforts on a variety of fronts to make larger amounts of grant funding available on a more equitable and transparent basis, as opposed to being sunk into the large and expensive national performing arts institutions and museums, largely located in urban areas and historically primarily servicing white audiences and consumers. This involved directly setting up particular entities (the National Arts Council, Business and Arts South Africa, the National Lottery Distribution Trust Fund), as well as looking at ways to encourage and promote greater levels of private sector and international investment.

Indeed, during the course of the last fifteen years, virtually all of the funding structures contemplated in the White Paper have in fact been realised. This has led to a situation in which approximately R15,5 million was disbursed to the visual arts sector through responsive grantmaking schemes in the 2008/9 financial year – just over 5% of the estimated R284 million made available to the arts as a whole<sup>2</sup>. The following table and charts indicates the split for all sources of public and international funding for the arts overall, and for the visual arts, for the 2008/9 financial year. These figures do not include investment through corporate sponsorship and Corporate Social Investment programmes – these are separately discussed below.

<b>Overall funding</b>	<b>2008/9 – ALL art forms</b>	<b>2008/9 – Visual Arts</b>	<b>Visual Arts as % all Arts</b>
National Arts Council	65 244 710	5 640 699	8,6
NLDTF/Lottery	168 480 624	4 011 574	2,4
BASA, ACT	2 873 500	445 500	15,5

<sup>1</sup> White Paper, 1996, preface, accessed at [www.dac.gov.za](http://www.dac.gov.za)

<sup>2</sup> Note that these figures only reflect funding schemes that involve the accessing of funds *by application*; they do not include investment through the procurement of services by national, provincial or local government, or the annual subventions to institutions such as art museums and community arts centres (this is dealt with in the ensuing section on institutions); the figures for total funding available for the arts also do not take into account projects of the national Department of Arts and Culture such as the Investing in Culture programme, which would push the overall figure for funding for the arts substantially higher.

International <sup>3</sup>	22 349 922	3 331 956	14,9
National DAC discretionary grants	not known	854 529	less than 1%
Provincial grants	28 080 458	1 172 040	4,2
<b>TOTAL</b>	<b>287 029 214</b>	<b>15 456 298</b>	<b>5,4</b>

Figure 103: Sources of Grant Funding for the Arts in South Africa

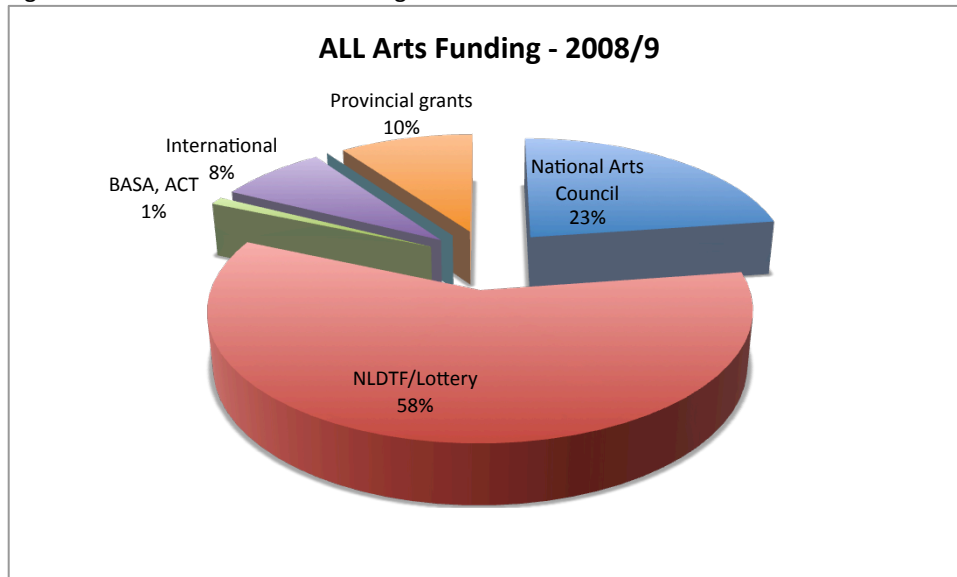
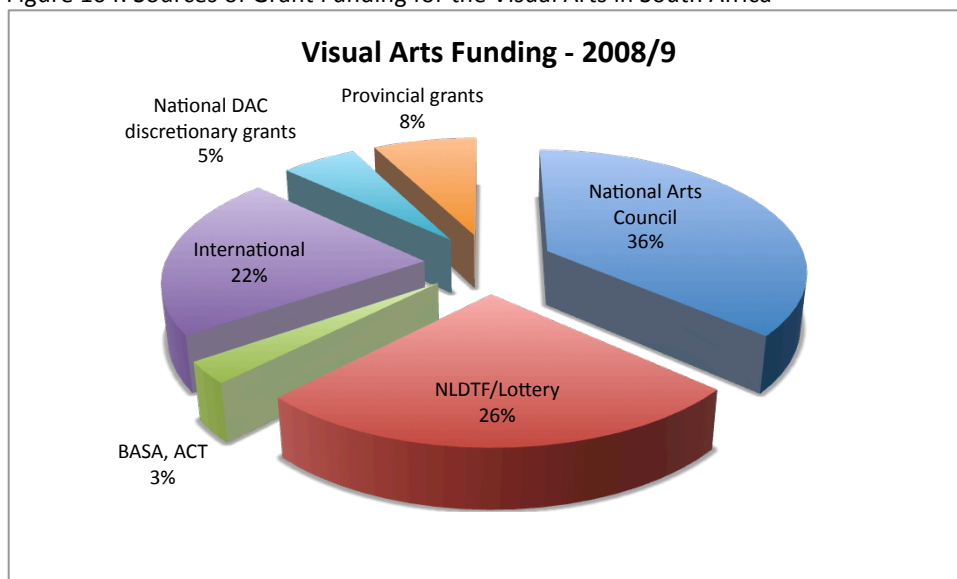


Figure 104: Sources of Grant Funding for the Visual Arts in South Africa



The mandates and funding patterns of each of these entities in relation to the visual arts are analysed in more detail in the ensuing section.

<sup>3</sup> These figures reflect a limited sample of international funders: the French Institute/French Embassy, Pro Helvetia (Switzerland), the Swiss Development Corporation, the Mondriaan Foundation (Holland), Africalia (Belgium). It was not possible to obtain funding information from a number of other key funders, such as the Goethe Institute and the Royal Netherlands Embassy. These figures also do not reflect bilateral funding agreements negotiated directly with foreign governments by the DAC; they only reflect the direct funding of organisations and projects on an application basis.

The Ministry was also responsible for setting up the National Research Foundation (NRF), which makes research grants available to higher education institutions. When the Ministry of Arts, Culture, Science and Technology was split into two separate Ministries, responsibility for the NRF was allocated to the Department of Science and Technology. It is not known what the funding profile of the NRF is in relation to the arts in general or the visual arts in particular – engagement with the targeted promotion of academic research across the visual and performing arts represents an additional avenue that the Department could pursue in the future in partnership with the NRF.

## 7.1 The National Arts Council

The National Arts Council was established in the latter part of the 1990s under the National Arts Council Act no 56 of 1997, replacing the pre-1994 Foundation for the Creative Arts. The National Arts Council is governed by a Board ('the Council'), which is composed of 9 provincial representatives and 9-14 other nominated members, who are subjected to a public interview process and are appointed by the Minister. The Cultural Laws Amendment Act (no 36 of 2001) subsequently also made the appointment of the Chairperson of the Council the prerogative of the Minister of Arts and Culture. The objects of the council are to:

- To provide, and encourage the provision of, opportunities for persons to practice the arts;
- To promote the appreciation, understanding and enjoyment of the arts;
- To promote the general application of the arts in the community;
- To foster the expression of a national identity and consciousness by means of the arts;
- To uphold and promote the right of any person to freedom in the practice of the arts;
- To give the historically disadvantaged such additional help and resources as are required to give them greater access to the arts;
- To address historical imbalances in the provision of infrastructure for the promotion of the arts;
- To promote and facilitate national and international liaison between individuals and institutions in respect of the arts;
- To develop and promote the arts and to encourage excellence in regard to these.

In fulfillment of these objects, the Council receives an annual grant from the Department of Arts and Culture, which is then distributed to the sector through (usually) the medium of a bi-annual Call for Proposals. Between 2006/7 and 2008/9 the annual allocation from the Department has grown from R47 894 000 in 2005/6 to R72 853 000 in 2008/9<sup>4</sup>.

The Council appoints advisory panels for each art form to make recommendations on the allocation of grants against submissions made to the NAC, informed by the set of overarching purposes outlined above. These panels assess submissions across the following areas:

- Visual Arts
- Crafts
- Dance And Choreography
- Literature
- Multi-Discipline

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<sup>4</sup> Annual Reports of the Department of Arts and Culture: 2006/7, 2007/8, 2008/9; accessed at [www.dac.gov.za](http://www.dac.gov.za)

- Music And Opera
- Theatre And Musical Theatre

For visual arts, eligible projects include: creation of new art works, exhibitions, touring exhibitions, visual arts catalogues, research and documentation, art teaching at community level, workshops and residencies. In addition, individuals and institutions can also apply for bursaries from the NAC to support further study in a particular art form or associated area (eg arts management).

Total funding disbursed to the arts sector grew from R48 million in 2006/7 to R67 million in 2008/9. The following two charts show the relationship between the share of funding that the visual arts receives versus the number of grants approved for each art form. The third chart shows trends in overall funding to the different art forms during the 2007-9 period. While the visual arts – together with music – has the greatest number of submission approved, it receives the third smallest total allocation of actual funds (9% vs 31% for music and opera). While there is a steady incline in the share of visual arts funding (from 4% to 7% to 9% of total NAC funds between the 06/07 and 08/09 financial years), the data demonstrates the extent to which National Arts Council funding disproportionately benefits the performing arts.

Figure 105: NAC funding by Art Form (% of funds) – 2008/9

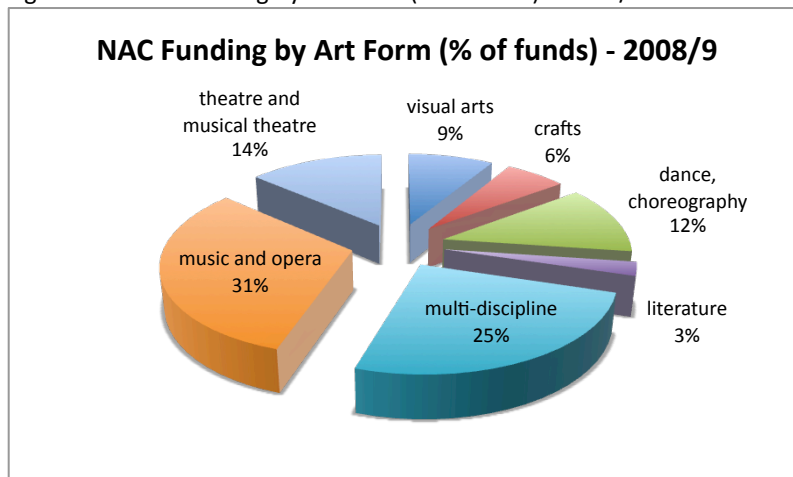


Figure 106: NAC funding by Art Form (% of total no of grants) – 2008/9

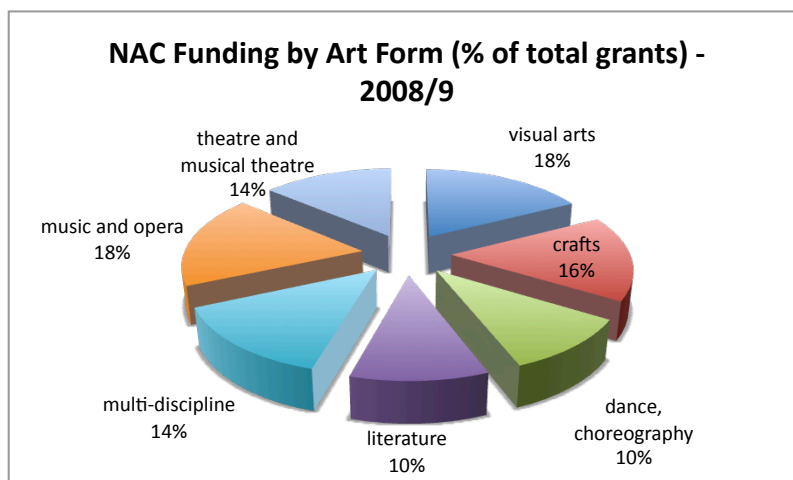
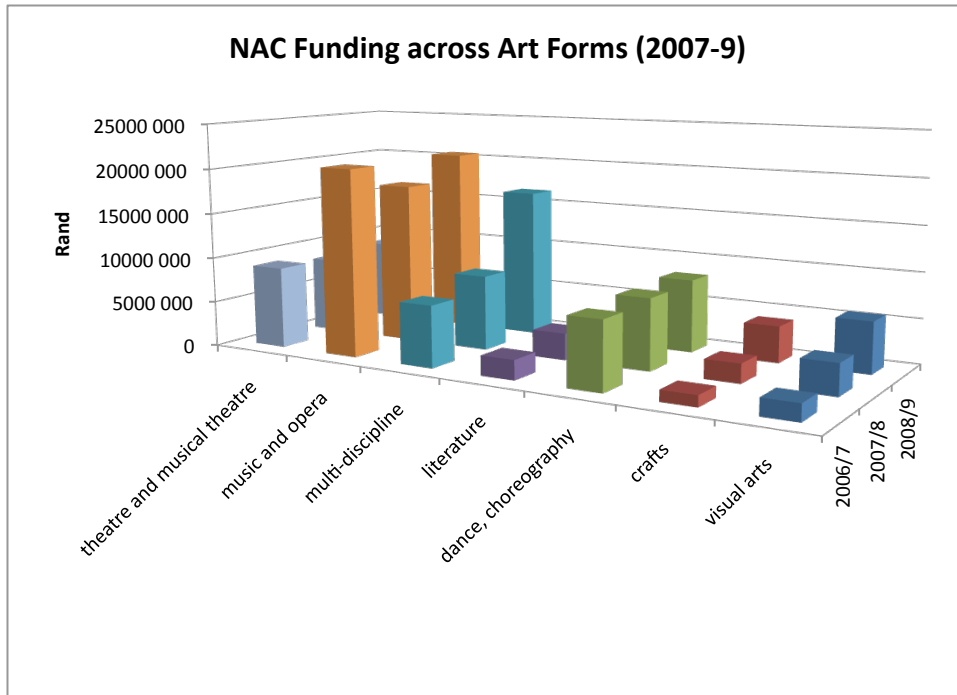


Figure 107: NAC funding Across Art Forms – 2007-9



When NAC funding is broken down by province, it is also clear that Gauteng receives by far the largest share of visual arts funding. This is even the case when one considers this funding on a per capita basis (i.e. the amount of visual arts money spent moderated against the total population of each province), as demonstrated in the following two charts:

Figure 108: NAC Visual Arts funding by province, absolute rand values – 2007-9

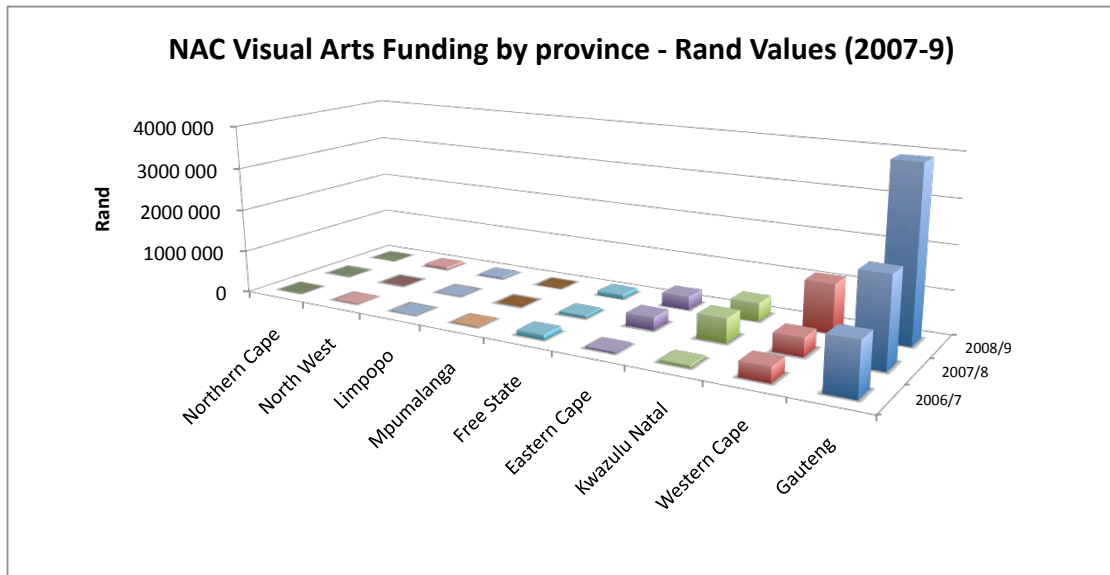
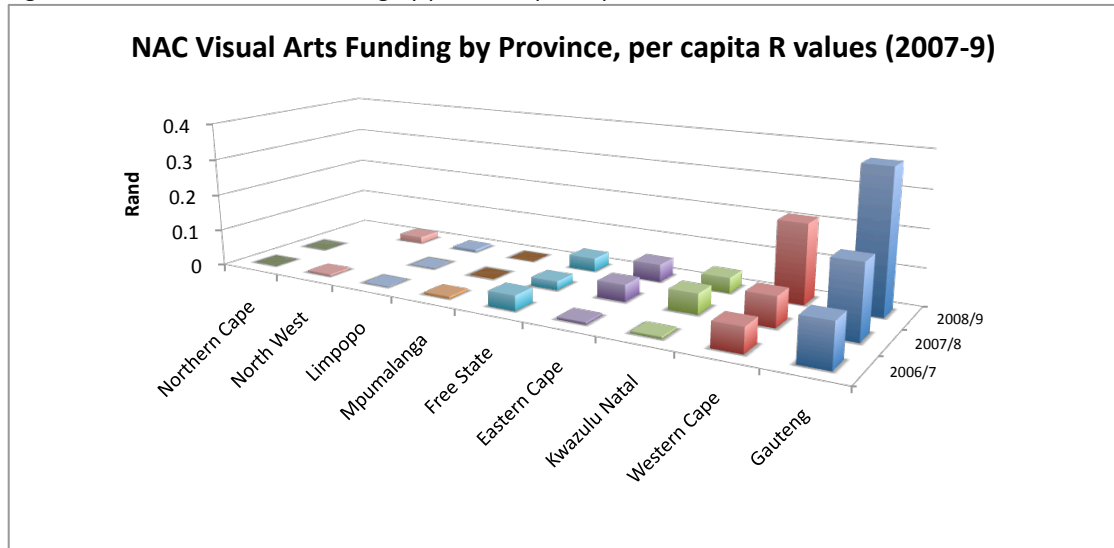
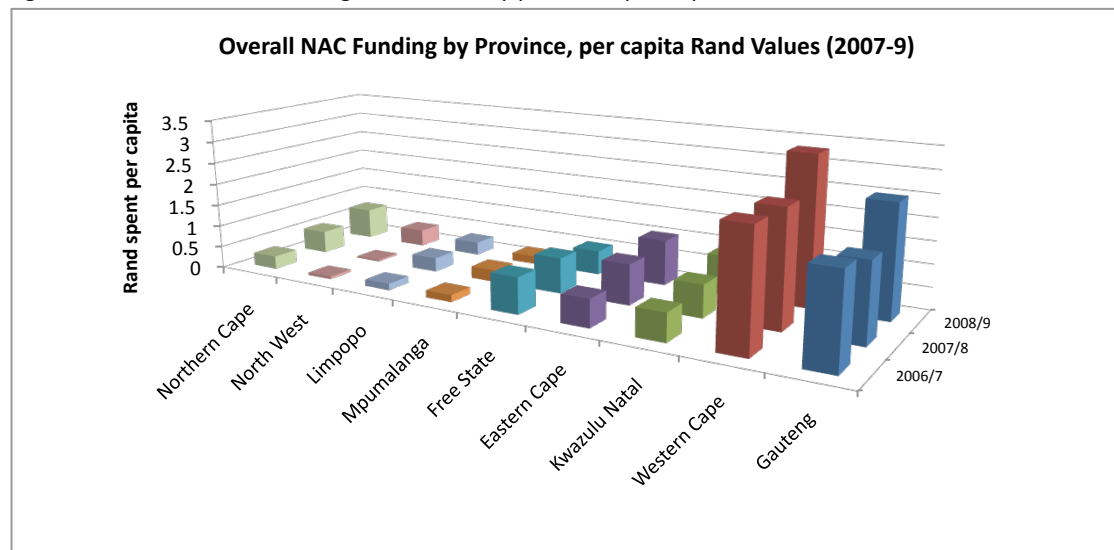


Figure 109: NAC Visual Arts funding by province, per capita rand values – 2007-9



This contrasts however with the overall spread in National Arts Council funding across ALL art forms, where the Western Cape shows higher levels of funding than Gauteng when this funding is considered on a per capita basis:

Figure 110: Overall NAC funding for the arts by province, per capita rand values – 2007-9



Consideration of National Arts Council funding patterns within an international context highlights some of the basic constraints that the Arts Council operates under in relation to its current level of subsidy from national government. In 2008/9, the Arts Council of England invested a total of £570 million (over R6,6 billion) in the arts – a significant portion (8%) of this budget was derived from the National Lottery in the UK. Over half of this budget (58%) was assigned to regularly funded arts organisations, and £67 million (circa R780 million) could be applied for directly. In the same year, the Arts Council of Australia invested A\$175.3 million (circa R1,16 billion) in the arts overall and A\$16,8 million (R111,1 million) in the visual arts alone (10% of it's overall budget). Even given the substantial differences in the national economic contexts of the countries under consideration, the comparison is indicative of an overall level of underfunding in the South African context.

## 7.2 Funding Programmes within the Department

In the normal course of things, the Department does not provide funding on an application basis – this is the function of the National Arts Council. However, the department does in certain instances provide direct programme funding in areas that it regards as being of strategic importance. For example, the Investing in Culture programme has involved substantial investment in craft projects with a job creation/skills development dimension across the country – over R45 million was spent on this programme in 2008/9 alone (down from R76,5 million in 2007/8). The Arts, Social Development and Youth directorate is also involved in funding a variety of initiatives related to community arts centres and arts in education, which cut across art forms.

Visual arts specific funding has largely been channeled through the Multi-Media: Visual Arts unit. Recent significant projects supported include:

- The Visual Century Project – a multi-part documentation of the last 100 years of visual arts practice in South Africa
- The Innovative Women in Art Exhibition – an exhibition of ten leading black South African women artists
- The Cape Africa Platform – a conference and biennale project

Funding directly to the visual arts has been extremely limited by comparison to direct DAC involvement in other sectors such as craft.

## 7.3 The National Lottery Distribution Trust Fund

The National Lotteries Board and National Lottery Distribution Trust Fund were brought into being through the Lotteries Act (Act no.57 of 1997). The Trust Fund is managed by the National Lotteries Board, and operates with funds that are received on a weekly basis from the operator licensed to run the National Lottery, against a predetermined formula. The proportion of monies transferred ranges between 10% and 40% of proceeds from Lottery ticket sales.

The NLDTF was operationalised only during the course of 2000 and 2001, with Distributing Agencies appointed by the Minister for each of the three legislated areas of funding:

- arts, culture and heritage
- sports and recreation
- charities

A fourth area for disbursement contemplated in the Act – Reconstruction and Development – has not to date been activated.

The Distributing Agencies are appointed on the basis of a process of public nomination, and through consultation with relevant government departments – in the case of the Arts, Culture and Heritage panel, this involves the Minister of Trade and Industry consulting with the Department of Arts and Culture. The NLDTF makes grants in the following areas:

- Major projects, defined as projects of national significance
- Rural grants, targeting arts, culture, heritage, indigenous knowledge and Environmental projects in the provinces outside of Gauteng and the Western Cape
- Arts: encompasses –
  - Creative Development Grants for the development of new work
  - Grants for Festivals
  - Grants for Film Production

- Grants for Public Art Projects
- Heritage grants
- Grants for Environmental and Eco-tourism projects

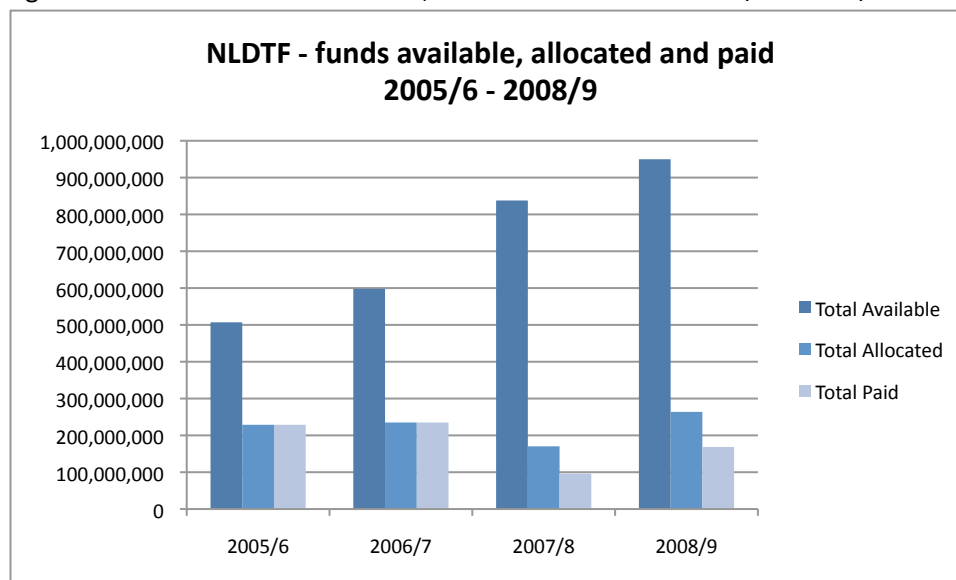
The National Lottery Distribution Trust Fund is the largest single funder of the arts in South Africa – in the 2008/9 financial year, the NLDTF had just under R1 billion available to spend on arts, culture and heritage organisations and projects, approximately **15 times** the amount that the NAC spent in the same year.

However, funding data extracted from successive annual reports reveals a number of worrying trends within NLDTF support for the arts generally and the visual arts in particular. The following table shows, for each year from 2005/6, the amount of money available for disbursement to arts, culture and heritage projects, the amount that was allocated and the amount that was actually recorded as spent.

**Table 40: NLDTF Funds Available vs Funds Distributed**

Year	Total Available	Total Allocated	Total Paid	Total paid as % of available funds	No of grants to the visual arts <sup>5</sup>	Paid to Visual Arts Organisations/ Projects	Visual Arts as a % of Total Paid
2005/6	507 000 000	228 800 000	228 800 000	45%	4	2 866 139	1,25%
2006/7	598 000 000	235 000 000	234 954 568	39%	5	8 217 713	3,50%
2007/8	837 800 000	170 300 000	96 429 232	12%	5	4 225 956	4,38%
2008/9	949 800 000	263 800 000	168 480 624	18%	10	4 011 574	2,38%

Figure 111: NLDTF: Funds Available, Allocated and Paid – 2005/6 – 2008/9



The data demonstrates an overall year-on-year decline in the capacity of the NLDTF to spend the money that it has available for arts, culture and heritage, with the 2007/8 financial year

<sup>5</sup> figures for disbursements to visual arts organisations have been based on scrutiny of the detailed lists of funds disbursed included in NLDTF annual reports. These reflect grants to organisations whose primary mission relates to the visual arts, and does not include festivals, community art centres, multi-form projects. In at least one instance, a beneficiary is recorded as being paid funds in the 2006/7 annual report when this was not in fact the case – the particular beneficiary was only contacted in early 2010 by the NLDTF, in response to a funding application made in 2005/6.

representing something of a nadir in the organisation's performance in this regard. It also indicates that the amounts allocated to the visual arts are accounted for by a small number of large grants – in contrast to the National Arts Council, which distributes a larger number of smaller grants. The proportion of all funds allocated to the visual arts is also extremely low by comparison to, for example, the National Arts Council. The Funding Practice Alliance, a coalition of non-profit organisations has conducted research that shows that the arts, culture and heritage Distributing Agency has performed the worst of the three distributing agencies which have been established, distributing just 54% of all monies available for disbursement during its eight years of existence<sup>6</sup>. The fact sheet also notes the familiar problems of the bulk of funding going to the three most resourced provinces.

While the critical problem of unspent – and accumulating – monies may to some degree be ameliorated by NLDTF expenditure relating to the 2010 World Cup, it is clear that there is a set of underlying systemic problems that will need to be resolved. A Department of Trade and Industry Presentation to the Parliamentary Portfolio Committee in February 2010 makes reference to a set of challenges relating to administration, including 'capacity constraints, communication, loss of documents, grant agreements'.<sup>7</sup>

New regulations were introduced in July 2010 which seek to promote more effective distribution of Lottery funds, and resolve a number of other issues relating *inter alia* to the framework for accountability around the NLDTF and lack of clarity in the criteria which are applied to submissions. In terms of these regulations, 50% of funds available for disbursement will be reserved for particular priority areas. In the case of the Arts, Culture and Heritage distribution agency, these priority areas have been identified as projects concerned with traditional knowledge and culture, the development and preservation of heritage sites and the promotion of arts and crafts by disabled people and women. A degree of relaxation on the administrative requirements attached to submissions will also be introduced – new applicants no longer need to submit audited financial statements, and can now submit financial statements prepared by an independent accounting officer. The February 2010 presentation also contemplates the National Lotteries Board undertaking an education and outreach campaign aimed at encouraging more and better quality applications from beneficiaries across the country.

While the latter measures will make it easier for first-time organisations to apply, the Department of Trade and Industry has also indicated that applicants will be required to 'attend training prior to allocation of funds on the utilisation of funds, [relating to] reporting of funds, record keeping for accounting purposes, possible areas of improvement'. It is unclear how the new regulations and proposals will address the problems of 'capacity constraints, communication, loss of documents, grant agreements', which would appear to be among the key factors in impeding the effective distribution of funds – indeed such requirements for training will place further demands on the administrative and management capacity of the NLDTF.

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<sup>6</sup> Funding Practice Alliance. 2010. NLDTF and NDA Literature Review Fact Sheets. Accessed at [http://www.inyathelo.org.za/downloads/NDA\\_and\\_NLDTF\\_Literature\\_Review\\_Fact\\_Sheets.pdf](http://www.inyathelo.org.za/downloads/NDA_and_NLDTF_Literature_Review_Fact_Sheets.pdf)

<sup>7</sup> Department of Trade and Industry. 2010. Challenges on National Lotteries Distribution Fund: Presentation To The Portfolio Committee On Trade And Industry. Accessed at [http://www.thedti.gov.za/parliamentary/020310\\_dti\\_presentation\\_NLB.pdf](http://www.thedti.gov.za/parliamentary/020310_dti_presentation_NLB.pdf)

## 7.4 Business and Arts South Africa and the Arts and Culture Trust

The Arts and Culture Trust was established during the course of the 1990s prior to the formation of the National Arts Council and the National Lottery Distribution Trust Fund, partly in response to the need to address continuity of funding to organisations and projects in the absence of these structures being in place yet. The Department of Arts and Culture was one of the founding trustees for the organisation, contributing a portion of the seed capital for the Trust. The trust capital has now evolved into a substantial fund from which the organisation can run its core operations, and ACT now runs a variety of modest funding schemes supported by both international donors (such as the Royal Netherlands Embassy) and development funders (such as Breadline Africa). It has continued to play a small but significant role in the funding of the sector and has achieved a reputation as a responsive and professionally run grant-making body.

Business and Arts South Africa was established in 1997 as a joint initiative between the (then) Department of Arts, Culture, Science and Technology (now the Department of Arts and Culture) and the private sector – the culmination of the White Paper’s stated commitment to investigate the formation of a “National Association for Business Sponsorship of the Arts”.

BASA plays a role in facilitating business sponsorship of the arts and runs a matching grant scheme aimed at incentivising partnerships between the arts community and the corporate world. The matching grant scheme is able to leverage complementary sponsorship from corporates at a ratio of up to 1:16<sup>8</sup>. Aside from funding, BASA also plays a significant role in research and advocacy, commissioning research into audience trends, and staging events such as the BASA Awards (sponsored by Business Day) aimed at recognizing and promoting exemplary arts/business partnerships.

BASA is registered as an independent legal entity, registered as a section 21 company, and receives an annual grant from the Department, in addition to revenue generated through corporate membership and project-specific funding. The Department’s allocation to BASA has grown from R4 349 000 in 2005/6 to R5 180 000 in 2008/9<sup>9</sup>.

While the overall funding allocations of BASA and ACT are small, they play an important role in the overall funding map of the sector as small, flexible agencies able to add value to projects beyond simply making financial resources available.

## 7.5 Provincial Government

The White Paper also envisaged provincial government playing a complementary role in the provision of funding at a provincial level. Provincial government has been involved in funding for the visual arts in two ways: through the establishment of provincial arts councils and through direct funding to the arts from provincial departments carrying the arts and cultural mandate. Along similar lines to the regional structures of the Arts Council of England, the Provincial Arts Councils were envisaged as regional counterparts to the National Arts Council, supporting arts and cultural organisations and projects producing significant work at a regional level.

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<sup>8</sup> personal communication, Michelle Constant, BASA CEO.

<sup>9</sup> Department of Arts and Culture. Annual Reports, 2006/7, 2007/8, 2008/9. Pretoria

A variety of models have been followed in the establishment of provincial arts councils, and the scale of funding administered by these structures has varied greatly between provinces and departments. The overall scale of funding has generally been modest, and the proportion assigned to the visual arts small. The following represents a breakdown of allocations during the 2008/9 financial year based on data that could be obtained from provincial departments.

**Table 41: Provincial Arts Councils: Funds Disbursed to All Arts and the Visual Arts**

Provincial Arts Councils	2008/09 – ALL arts	2008/09 – Visual Arts	Visual Arts as % of ALL arts
Gauteng	6 742 500	190 000	2,8
Western Cape	10 147 595	258 570	2,5
Kwazulu Natal	not known	not known	
Eastern Cape	5 409 139	383 500	7,1
Free State	5 000 000	280 000	5,6
Mpumalanga	not known	not known	
Limpopo	0	0	-
Northern Cape	not known	not known	
North West	781 224	59 970	7,7
<b>TOTAL</b>	<b>28 080 458</b>	<b>1 172 040</b>	<b>4,2</b>

In addition to these allocations through arts council-type structures, other finance is made available for projects and initiatives seen as being of strategic significance at a regional level, though there is extreme variation in levels of investment between regions. In the Western Cape, for example, an additional R10,72 million was made available through the Micro-Economic Development Strategy (MEDS) of the provincial Department of Economic Development and Tourism (DEDT) – R1,15 million of this went to the visual arts. In Gauteng, substantial investment over and above funds allocated by the Gauteng Arts and Culture Council (reflected in the above table) went into the visual arts through support for the Joburg Art Fair and the Soccerex exhibition in the same financial year. In the case of Limpopo however, no budget allocation was made to the Limpopo Arts and Culture Council during the 2008/9 financial year. An independent non-profit organisation, the Limpopo Arts and Culture Association, invested R478 000 of NLDTF, Corporate and international funding into the visual arts in the province in 08/09, of which approximately R300 000 went to the visual arts.

Funding for the visual arts from provincial arts and culture councils and provincial departments is likely to remain modest, as reflected in the data above. Particularly in the more rural provinces where visual arts infrastructure is very limited, priority is given to investment in craft projects and organisations, where social and economic outcomes are more immediately recognizable from a public policy point of view.

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## 7.6 Local Government

Local government does not generally play a direct role in the provision of grant funding. This is both a function of the public finance management framework that local government operates within (the Municipal Finance Management Act) which does not accommodate the

disbursement of grants, and of the fact that the resources of local government are substantially more constrained than is the case with the other spheres of government. It is only in the major Metropolitan municipalities any investment in the visual arts is possible – this generally happens in three ways:

- The regularised funding of municipal museums and municipally owned community art centres (addressed in ensuing section)
- The development of institutional and capital infrastructure which supports the arts
- The commissioning of projects – exhibitions, festivals and the like.

The City of Johannesburg (CoJ) has been the most active municipality in the latter two areas within the visual arts. The CoJ was involved in the setting up of the Joburg Art Bank in the mid 2000s, an agency involved in purchasing work from artists and making this work available on a for-hire basis to government departments and corporate clients. The City has also commissioned a volume of public art during the course of the last five years, much of it through the Johannesburg Development Agency, and the majority of work located in the inner city of Johannesburg. The City of Cape Town, the Ethekwini Municipality and the Nelson Mandela Bay Municipality have all also been involved in the procurement of public art over the last two years, much of it linked to the 2010 Soccer World Cup. These are all however projects which have been procured against a terms of reference, and the resources attached to them are only accessible to artists through a competitive bidding process.

## **7.7 International Funding**

As noted in the preceding section, international funding of the arts played a significant role during the 1970s and 80s in South Africa in promoting alternative creative work within the larger context of the liberation struggle. In line with the provisions of the White Paper, the Cultural Development and International Cooperation Programme within the national Department has been involved in negotiating a number of bilateral agreements which have involved investment in the arts from other countries in the post-apartheid period. These have included funding agreements with Flanders (focused on community arts and local cultural policy development) and Sweden (focused on collaborative projects between art museums in the two countries). These programmes have not generally involved a process of open calls for applications to the arts sector, and have usually been developed around particular organisations and public institutions. This has sometimes been cause for concern within the arts community, with the Department being viewed as a gatekeeper for international funding.

International funders have also continued to play a significant role in the direct funding of projects and organisations, without any direct interface or connection with the national Department. This funding is usually linked to ideas of exchange and collaboration between artists and organisations from different national contexts. This kind of direct international funding has also not been as encumbered as local funding agencies with expectations around developmental impact. The small sample of the major funding agencies from whom funding information could be accessed for this report suggests that direct international funding accounted for approximately 22% of all funding for the visual arts in the 2008/9 financial year. The actual proportion is likely to be substantially higher.

Figure 112: International Funding: All Arts vs Visual Arts (2007-9)

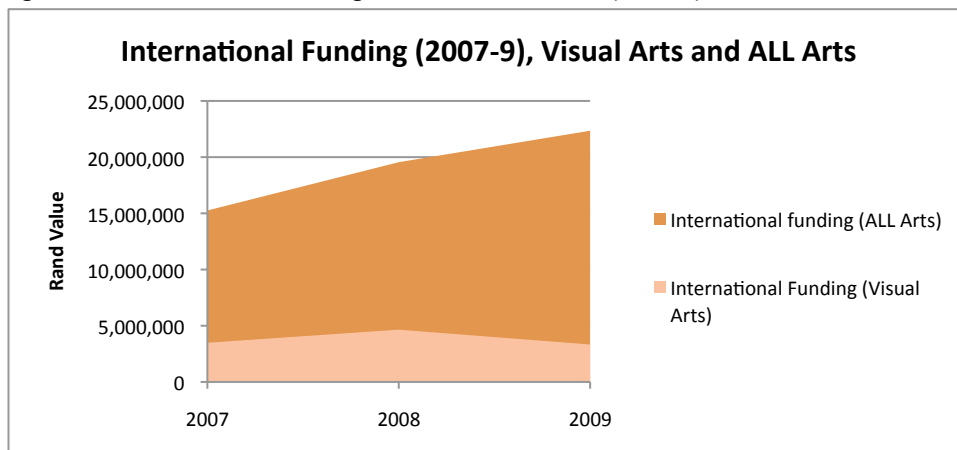
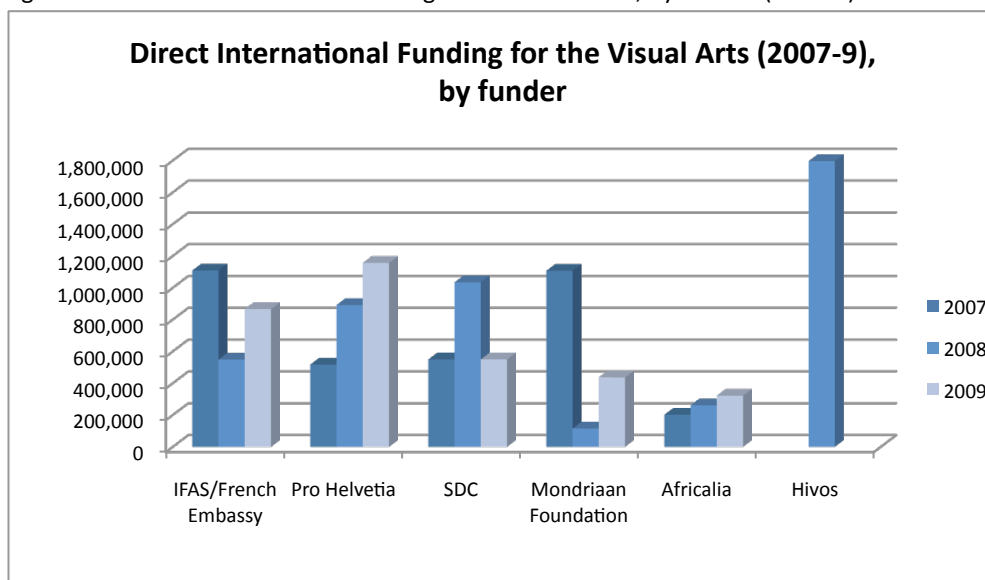


Figure 113: Direct International Funding for the Visual Arts, by Funder (2007-9)



## 7.8 Corporate Sponsorship and Tax Benefits

Successive versions of the King Report on Corporate Governance have increasingly compelled the corporate sector to consider social investment as a core concern of the private sector in building a conducive environment for business in South Africa. This has led to the rise of Corporate Social Investment (CSI) programmes, many of which have an arts and cultural component. The Triologue annual survey of CSI investment for 2009 lists 22 corporate entities who have CSI programmes which include the arts.

While it was not possible within the scope of this research to get accurate figures for the proportion of corporate sponsorship and investment in the visual arts sector, the BASA Artstrack 2009 research report also provides some important insights into corporate support for the arts. The report estimates that in 2009, the corporate sector would spend in the region of R358 million on sponsorships across all arts disciplines – about 10-12% of what is

was envisaged to spend on sports sponsorships in the same year. Of this amount, nearly half (R173 million) would be accounted for through the sponsorship of music events<sup>10</sup>.

Overall sponsorship of the visual arts by the corporate sector can be estimated at between R10 and R15 million per annum – a significant portion of this being accounted for through First National Bank’s sponsorship of the Joburg Art Fair, and the support of Spier Holdings for the Africa Art Centre programmes, which include the Spier Contemporary Art Competition.

#### *Tax Benefits*

The White Paper for Arts Culture and Heritage envisaged that the Ministry would “explore how the current frameworks may best be utilised for such tax efficient donations, and at the same time seek to widen tax benefits for the promotion of the arts, culture and heritage.” In the United States for example, tax incentives have played a far more significant role than direct funding for the visual arts sector, as noted by a Rand Corporation study on the Visual Arts in America:

“The creation of tax incentives for philanthropy as part of the new federal income tax in 1913 and 1918 was a boon for museums and other arts organisations thereafter... [government’s] primary influence on the operation of [the visual arts system] system is largely indirect, via regulations, tax policies, and other government actions that create incentives for private individuals to act in particular ways... indirect government support for the arts through tax policy provides considerably more funding for the arts than does direct funding.”<sup>11</sup>

In the South African context, modest provision exists within section 18(A) of the Income Tax Act of 1963 for donations to organisations registered as Public Benefit Organisations to be tax deductible. This provision applies to any amount that is less than 10% of the donating entity’s taxable income in a given financial year, up to a maximum of R100 000 per annum. Originally this provision only applied to religious, charitable and educational activities. Though the Katz Commission of Inquiry (1999) widened the application of this provision to explicitly encompass non-profit activities in the arts and cultural sector, this provision has however not been very widely utilised in the arts sector. Reasons for this include widespread ignorance of the precise nature of the benefits on the part of non-profit organisations<sup>12</sup>, as well as general disinterest from the corporate sector. Business and Arts South Africa’s Artstrack 2009 research report notes that 79% of corporate respondents to the survey indicated no special preference for supporting organisations that have this tax status<sup>13</sup>. Anecdotal evidence suggests that the bureaucratic complexities (and potential scrutiny of company’s tax affairs) that accompany the usage of this provision outweigh the benefits.

The likelihood of a more robust set of tax benefits being successfully advocated for seem small beyond the changes effected through the Katz Commission of Inquiry. Appeals from the publishing industry regarding the reduction or abolition of import duties on books have been rejected by the Department of Finance, which is inclined to err on the side of caution with regard to tax dispensations related to special interests, due to the potential for abuse of these arrangements.

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<sup>10</sup> Business and Arts South Africa, BMI Sport Limited. 2009. ArtsTrack 2009. BASA: Fordsburg. p. 49

<sup>11</sup> McCarthy, K. Ondaatje, E. Brooks, A & Szanto, A. 2005. *A Portrait of the Visual Arts: Meeting the Challenges of a New Era*. Rand Corporation: California. pp 10;136-7

<sup>12</sup> see for example: Brewis, T. 2006. A Review of the Income Tax Benefits for non-profit organisations in South Africa. Cape Town: the NGO Consortium

<sup>13</sup> Business and Arts South Africa, BMI Sport Limited. 2009. ArtsTrack 2009. BASA: Fordsburg. p. 51

Brazil represents an interesting point of reference for international comparison in this area, involving a hybridized public/private funding system in an economic context comparable to our own. The so-called *Rouanet Law* introduced in 1991 establishes a framework that enables companies to claim substantial tax breaks on investment in cultural projects and organisations. Cultural organisations apply to the Brazilian Ministry of Culture to have projects approved for the purposes of tax deductibility and can then approach private sector companies, which can deduct between 30% and 100% of the sponsored amount. This system is presently under review, with a view to making these benefits accessible to a wider range of cultural organisations – one the criticisms leveled at the Law is that it privileges organisations that are already in a strong position and linked to the private sector in the major Brazilian urban centres.<sup>14</sup>

## 7.9 Key Issues

A number of key points can be extracted from the above review of funding patterns:

The National Arts Council has, during the period of review, functioned relatively well as a responsive grantmaking organisation in the wake of some of the governance and management crises of the early 2000s – it has managed to award a significant number of grants to the visual arts and progressively grow the visual arts share of the overall funding allocation.

The visual arts sector generally receives low levels of funding by comparison to the performing arts. This is partly a function of the organisational structures within the visual arts: these tend to be focused around individual artists rather than groups or companies as in the performing arts. The legal entities that do exist, such as galleries, are overwhelmingly commercial in character (which excludes them much public funding) and less able to effectively articulate connection to public policy goals. In the case of the National Arts Council, some progress has been made in addressing this imbalance.

International funding represents an exception to this trend – the visual arts sector benefits significantly from international funding, receiving a larger share of this funding relative to other art forms than is the case with the proportions received from most local funders. This may also be indicative of the more open-ended nature of this funding in relation to public policy goals.

There is a very marked overall skew in the allocation of national sources of visual arts funding to artists and organisations based in Gauteng – a general trend for arts funding that is even more pronounced for the visual arts. This is partly a function of the proximity of arts organisations to funding organisations, which are largely located in Gauteng, and partly a function of the fact that the capacity for effective fundraising is most concentrated in Gauteng.

The National Lottery Distribution Trust Fund represents possibly the single greatest area of blockage and weakness within the funding system for the visual arts – and also potentially the single greatest opportunity for new revenue funding for both public institutions and independent non-profit arts organisations. The funding available from the NLDTF for arts, culture and heritage is of a scale (more than ten times that of the National Arts Council) that could have a ‘sea change’ impact on the position of these organisations. In the case of

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<sup>14</sup> SICA (Dutch Centre for International Cultural Activities). 2009. Cultural Mapping Brazil. The Netherlands. Pp26-7

public infrastructure such as national and municipal museums and collections as well as community arts centres, NLDTF funding could play a major role in enhancing the capacity for new exhibitions and outreach programming, as well as the financing of infrastructure development. In the case of the independent non-profit visual arts sector, the NLDTF could play a significant role in addressing the core costs of running these organisations, which most other funding organisations are unable to or reluctant to address directly, preferring to fund project costs where linkage to a very specific outcome or product is readily apparent.