

**ISTANBUL  
FOUNDATION FOR  
CULTURE AND ARTS**

**ECONOMIC  
IMPACT**

**RESEARCH**

**DECEMBER 2012**





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IMPACT RESEARCH**

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This report  
has been prepared in the scope of  
Istanbul Foundation for Culture and Arts'  
cultural policy development projects.



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## 1 EXECUTIVE SUMMARY

Culture and arts is a field of activity with an educational function that unifies societies, increases the brand value of cities, nourishes creativity and design, and contributes directly to urban economy and indirectly to national economy through interaction with other sectors. The social and economic value generated by cultural activities is quite significant.

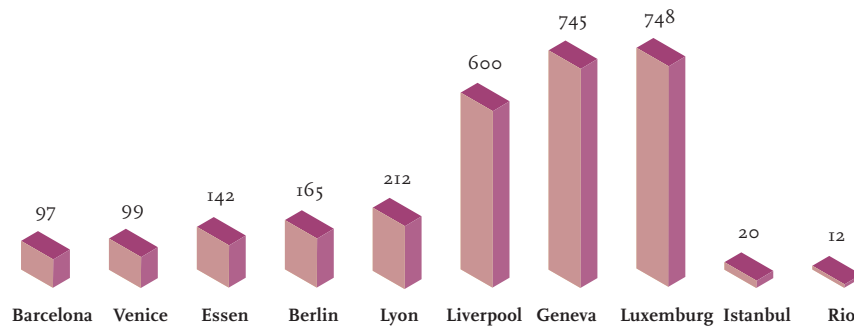
In addition to contributing to the art world and cultural experience of audiences, non-profit culture and arts institutions also contribute to the local economy by generating employment, paying taxes, spending for activities and triggering participant spending other than ticket fees. Even when considered solely from an economic perspective, it is evident that this is a sphere in which the state more than gets the return on the incentives it provides.

As the share of cultural economy grows within economy, the efforts to understand and develop its potential also increase. The economic impact research spearheaded by İKSV is the first study conducted in this field in Turkey. This research aims to present in a concrete manner the economic impact of the activities İKSV organized in 2011 and offer basic policy recommendations with regards to the necessary public support to reveal the economic return aspects of cultural activities in Turkey.

Istanbul has become an important hub of attraction for the production and consumption of culture and arts activities in recent years. Activities realized by nonprofit culture and arts institutions with their own resources and limited infrastructure up to date are pertinent steps paving the way for the process of turning Istanbul into a cultural capital. However, for Istanbul to be able to sustain this claim and reach the level of international cultural metropolises, levels of investment in culture, as well as opportunities for access and participation, have to be increased in a planned manner.

Compared to prominent countries in the sphere of culture and arts, Turkey has not yet reached the desired level in terms of culture and arts production and consumption rates. Therefore, the state should play a more active role in supporting this field and prioritize allocating regular subsidies for culture expenditures. Even though physical and human capital stock is higher in developed countries (through central and local administration channels), the state continues to support culture and arts production. While the rate of state spending for culture to national income varies between 0.3% and 0.5% in these countries, in Turkey this rate is as low as 0.1%. Direct state support to cultural investments in Turkey is low compared to European cities. In European cities with a population of over one million, the public resource allocated per person is 58 Euros. In Istanbul this amount is 20 Euros.

Public Funds Directly Allocated to Cultural Investments (EURO)

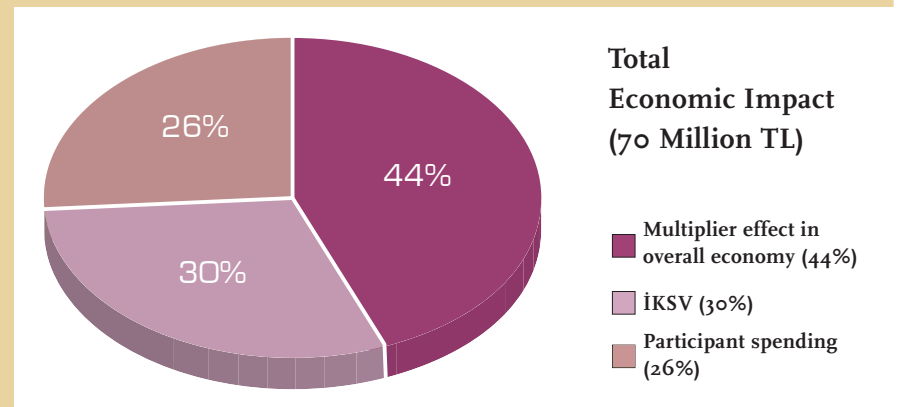


Source: Ineum Consulting report 2009

Over 400,000 viewers, approximately 10,000 foreign guests have participated in activities organized by İKSV in 2011, and in districts where the activities were organized participants have spent 17.3 million TL aside from/excluding ticket fees.

The total of direct and indirect spending triggered by İKSV 2011 activities is 38.3 million TL; this amount has generated an extra gross value added of 31.7 million TL in the economy overall.

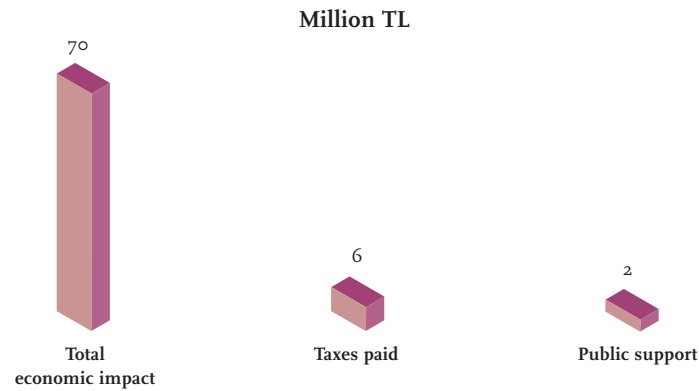
When all values are added up, İKSV activities have generated an economic impact of 70 million TL, which is almost twice as much as small and medium sized enterprises (SME) with an annual turnover of less than 40 million TL.



Taxes paid directly by İKSV, the VAT from the participant spending at events beside the ticket fees, the income tax paid by enterprises around the event venue with increased turnovers are important in terms of state revenue. In 2011, the state has provided 2 million TL financial support to İKSV, yet it has obtained nearly three times this amount in tax revenues. This income does not include the income tax of businesses which have increased turnover.<sup>1</sup> The state more than got the return for the financial support it provided in tax revenue.

İKSV events are frequently featured in the press and visual media. Furthermore, foreign guests who participate in the events share their experiences in Istanbul with their followers via social media and the Internet. The total media sponsorship of İKSV 2011 activities amounts to 15 million TL. According to data from the news monitoring agency Ajanspress, the advertisement equivalent of all the news featured in print and visual media on the national scale throughout the year corresponds to 180 million USD. However, this amount has not been assessed in the scope of this research. Media value is important both for the state and sponsor institutions.

<sup>1</sup> Since no survey has been conducted with enterprises around event venues, the information on turnover increase is not available.



In addition to the tax dimension of public income from the events, the employment dimension of activities should also be underscored. In 2011, İKSV has employed approximately 200 full-time workers including periodic workers, and nearly 1,000 youth have volunteered during the events. Youth who volunteer gain various skills they can use when they enter the labour market in the future.

The local economic value generated by culture and art activities justifies the demand for more state support. Furthermore, even though they fall beyond the scope of this study, the social benefit, social integration and educational aspects of arts and culture activities should also be underlined here. The contribution of such events to Istanbul's brand value, the promotion of Turkey, tourism, qualified workforce employment, urban quality of life exceed the direct economic contribution by far.

The major public policy recommendations to ensure the development of cultural activity in Turkey and expose its economic return potential are as follows:

Public incentives for the cultural sphere can be regulated through direct financial support or a mechanism calculated over event audience numbers.

A solution has to be devised to enable culture and arts foundations to reclaim the VAT they pay to suppliers. One possible solution is to make arts and culture investments exempt from VAT.

The possibility of writing off sponsorship spending as expense should be allowed for tax purposes.

Part of the revenue from National Lottery can be allocated to support arts and culture activities.

The share of the Ministry of Culture and Tourism in the overall budget should be increased from 0.5% to at least 1%.

Drawing from examples from around the world, possible set-ups specific to Turkey should be discussed. The state can match the amount or rate of private sector funding that private institutions, civil society organizations, volunteer organizations and individuals working in the cultural field raise through their own efforts. Such a resource allocation method will both contribute to a fair distribution of public funds among institutions and also encourage institutions to seek more extensive private sector support.

İKSV makes great contribution to Turkey's publicity and Istanbul's brand value. Therefore, it should be supported with broader opportunities by the Prime Ministry Promotion Fund. In terms of fulfilling the mission of the fund, support for İKSV is one of the best options for the allocation of resources.

Local governments assuming more prominent role in cultural, artistic and educational activities to increase quality of life is an approach that is growing more widely adopted. Since in some respects İKSV assumes these responsibilities of local governments, the contribution, at least the in kind contribution, of local governments should be increased.

## 2 INTRODUCTION

In face of the new competition environment instigated by global economy, central and local governments have begun to regard culture as one of the fundamental tools to strengthen their socioeconomic performance alongside their image and attach more weight to cultural policy. In Europe it can be observed that many countries such as Spain, England, Germany and France prioritize “culture focused urban development” projects based on accessibility, social integration and social benefit over “real estate focused development” projects. In these countries urban revival and transformation is pursued through cultural investments in regions with increasing unemployment. Bilbao, Glasgow and Liverpool are best practices for cities that implement a culture focused development strategy, and they have become an inspiration for numerous city administrations. Culture focused projects aim to integrate younger generations to society, create urban employment and new fields of economic development, develop new hubs of attraction, and most importantly increase quality of life by facilitating citizens’ participation in cultural life.

In order to turn Istanbul into a point of attraction for cultural tourism and make foreign tourists both return and stay longer in the city, in addition to preserving cultural heritage, the presentation of quality artistic events should also be prioritized. Today the prominent cities of cultural tourism across the world are those that invest in cultural activities and infrastructure. Creating new cultural spaces that will offer a pleasant stay in Istanbul at various times of the year, increasing the number and variety of arts and culture events are important for the development of cultural tourism. Istanbul has great potential for cultural tourism.

It has been observed that tourists who come to Turkey for cultural tourism spend more than other tourists. According to the “Turkey Tourism Strategy 2023” document drafted by the Ministry of Culture and Tourism in 2006, for 2023, which is the centennial of the foundation of the Republic, the target is 63 million tourists, 68 billion dollars of international tourism revenue and 1,350 USD income per foreign tourist. If the aim is to secure 1,350 USD return per foreign tourist in 2023, developing the right cultural policies should be prioritized.

Istanbul has been undergoing a significant transformation in the cultural and artistic sphere especially in the last ten-fifteen years. The arts and culture events that have been organized regularly by İKSV over the last 40 years attract hundreds of thousands of audiences each year. This dynamism in the sphere of culture has the potential to increase exponentially.

Obviously culture investments that increase by the day underlie Istanbul’s transformation into an important arts and culture attraction centre. Both local governments and the private sector have been making important investments in the sphere of culture especially in the last decade. While this progress, which gained momentum with Istanbul being selected as the European Capital of Culture in 2010, is promising, it is yet not sufficient. Activities by nonprofit culture and arts institutions and foremost İKSV, realized entirely with their own resources and limited infrastructure up to date are pertinent steps to bring Istanbul to the level of cultural metropolises of the world. However, for Istanbul to be able to sustain this claim, the level of cultural investment and consumption has to be increased further. In order to reach such an objective, the significance of incentive mechanisms for investments in the cultural field has to be fully perceived and the impact of investments should be identified accurately, and accessibility to activities and participation opportunities have to be increased. With the introduction of mechanisms to increase the volume of cultural investment, Istanbul’s vision of becoming a world capital of culture will gain sustainability.



Until today, no research has been undertaken in Turkey to determine the audience numbers or spending of nonprofit culture and arts institutions, nor has the economic impact of this spending been measured. However, through an economic impact analysis of each institution or activity, the justifications for the growing artistic and cultural field to receive more incentive can be presented based on scientific data. Of course the contribution of these institutions is not limited to audience expenditure. Institutions make significant contributions both to cultural economy and to the economy overall through their spending for the organization of activities and the workers they employ. The economic contribution of indirect spending such as theatre audiences having a meal at the nearby restaurant, parking their cars, buying products from the gift shop, and accommodation costs of out of city visitors is significant.

As a precedent in this field, this economic impact research conducted by İKSV will also provide the methodology for other arts and culture institutions to conduct similar studies on their own activities.

### 3 ABOUT İKSV

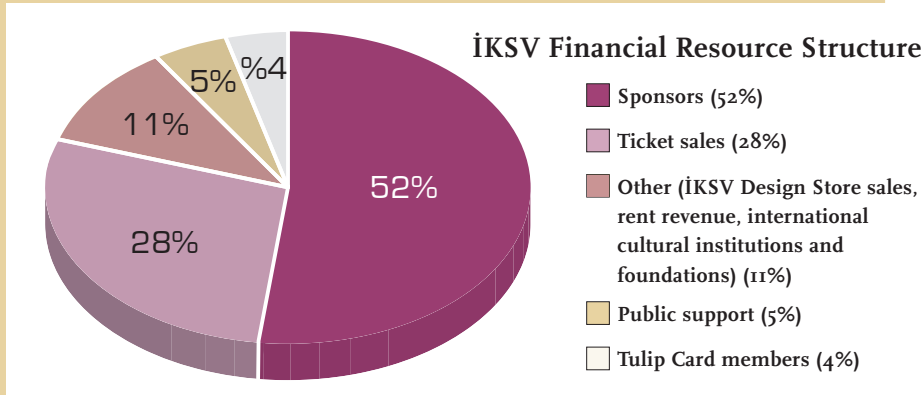
İKSV has been founded in 1973 under the leadership of Dr. Nejat Eczacıbaşı to offer the finest examples of art and culture production, introduce new initiatives and different movements from around the world to arts enthusiasts in Istanbul, while at the same time promoting cultural assets of Turkey and transforming Istanbul into a major international centre for culture and the arts.

The general objectives of the Foundation are; to make Istanbul one of the world's foremost capitals of culture and the arts; to create continuous interaction between national and universal values and traditional and contemporary values via culture and the arts; and to contribute actively to the development of cultural policies.

In addition to organizing festivals, biennials and events in Turkey and abroad, the Istanbul Foundation for Culture and Arts is involved in conserving traditional arts and cultural heritage, encouraging and facilitating artistic production in diverse disciplines, and contributing to the development of cultural policies.

The main source of income for İKSV, which is a non-profit civil society organization, is the support from private sector institutions. Other components of the foundation's income structure include the Tulip Card programme, ticket and rent revenues, sales from the İKSV Design Store and contributions of public institutions, international donors, cultural institutions and foundations.

The major state institutions that provide public funds to İKSV are the Ministry of Culture and Tourism and the Prime Ministry Promotion Fund on a project basis. Istanbul Metropolitan Municipality and district municipalities provide support to İKSV for items such as exterior outfitting or allocation of event venues.



## 4 ECONOMIC IMPACT RESEARCH

### 4 1 AIM, SIGNIFICANCE AND SCOPE OF THE RESEARCH

Politicians and funders of culture and arts activities are usually only interested in the verifiable impact of cultural investments and activities. However, cultural activities are abstract, they constitute a subjective experience. Because they are experience products they do not have any use value. Evaluating cultural activities with an assessment method only based on financial flows will be inadequate. An evaluation of all financial and nonfinancial benefits of cultural activities is a more realistic approach.

Research on the impact of culture and art investments in the USA and Europe indicate that investment in culture and arts also generates economic outputs such as creating employment and increasing welfare. Art investments also play a crucial role in increasing the allure and quality of life of cities. Cultural investors, finance providers and donor institutions who consider the aesthetic, social and economic impact of arts and culture for cities can be more consistent in their decisions to sustain their investments.

The research aims to present the economic impact of all arts and culture activities İKSV organized in 2011 in a concrete manner and offer recommendations. Exposing this economic impact is significant for other arts and culture institutions, as well as the Ministry of Culture and Tourism, as much as for İKSV, since the findings will underline the local economic added value generated by cultural events, and provide the basis that will allow for an effective allocation of public funds to arts and culture activities.

Geographically the study covers municipalities of Beyoğlu, Şişli, Kadıköy, Fatih and Eyüp, where İKSV organizes culture and arts events.

İKSV Activities Main Actors



İKSV activities interact with various groups. The interactions in question may be direct or indirect and lead to the emergence of both social and economic potentials of the activities.

The total value generated by arts and culture activities is actually more than the economic value. The social and educational value of arts and culture activities that are of great significance for social welfare, the promotion and brand value including the potential to turn the city into a point of attraction for tourists, are excluded from the scope of the study. The next step of the research will be to evaluate other values and integrate them into the economic impact analysis.

Total Value						
Economic Value			Social benefit value	Media value	Promotion and brand value	Public value
Direct economic impact	Indirect economic impact	Multiplier effect in overall economy				

4 2 RESEARCH METHODOLOGY: ECONOMIC IMPACT ANALYSIS

“Economic impact analysis” has been employed as the methodology of the research. Economic impact analysis is a widely used methodology in Europe and USA academic circles to measure the economic impact of cultural activities.

In order to measure the impact of a cultural activity on regional economy it is important to determine what type of income it generates. If the generated income is in the form of income coming to the district from outside (audience from other regions, viewers who would otherwise stay at home and not make any spending, foreign guests, etc.), it can be said that the cultural activity has a clear contribution to the region’s economy; if the generated income only constitutes an internal income within the district (for example, if the person coming to the event already resides in the district; if he or she would go to the cinema and still make the spending in that district even if it were not for the event), then the cultural activity does not have a net economic contribution. The event will only affect the distribution of income within the given region, it will not increase the total income level.

It is possible to discuss four types of economic impact of culture and arts activities:

**a) Direct Impact**

The direct impact of cultural investments is measured by the employment and income they generate. Institutions that organize cultural events generate new work opportunities, and employment increases. On the other hand, as the number and variety of activities increase, the audience numbers rise and there is an increase in audience expenditure. Together with increased activity, sponsorship spending and other institutional spending also increase. If there is idle workforce or capacity in the region, the additional demand triggered by cultural activities contributes to the economy.

**b) Indirect Impact**

Cultural investments interact indirectly with a number of different sectors. Cultural economy becomes a significant tourism instrument to contribute directly to sectors such as tourism, entertainment, hotels and gastronomy, and indirectly to other sectors such as production, public, and construction. When cultural economy is considered together with creative industries, the sectors that concern other export items (textiles, electronic equipment, souvenirs) should also be taken into account.

**c) Multiplier Effect**

Culture focused activities such as congresses, art organizations and festivals have direct and indirect reflections in regional and national economies. Cultural products also include intermediate input production of non-cultural sectors.

The multiplier effect of cultural activities in essence is the same as the Keynesian multiplier mechanism in economic literature. Increase in spending increases national income; however the increase in national income is higher than the increase in spending. The relationship between the increase in spending and increase in national income is called multiplier coefficient. In general economy spending has broad impacts at the level of national income and employment. For example, audiences who participate in festivals, especially foreign guests, not only participate in that event, but also shop from stores, stay at hotels, eat at restaurants. In the first level, the spending by visitors and tourists has a direct income impact on the economy for accommodation facilities, shops, restaurants, transportation enterprises, etc. The spending of the units acquiring direct income on the other hand constitutes indirect income. Increased consumption spending in parallel to increasing personal income, causes induced impact on the economy and leads to a revival. The shift in spending transforms into a shift in income and the shift in income transforms back into a shift in spending. This process continues until the ultimate induced national income value decreases to a very low level.

The multiplier coefficient changes for different countries, regions and industries.

**Inter-country comparison of multiplier coefficients of the cultural activities sector**

Countries	Multiplier Coefficients
Norway	1.3
The Netherlands	1.2
Switzerland	1.4
Spain	1.3
England	1.2
USA (State of Pennsylvania)	1.9
USA (State of Texas)	3.2
<b>Turkey</b>	<b>1.7</b>

**Source:** TÜİK 2002 Input Coefficient Matrix; Bowitz, Ibenholdt 2009 p.5; Getty Conservation Institute 1998, p.33; Scherer, Strauf, Bieger, 2002, p.7; Lord, Strauss, 1998, p.269; Llop, Arauzo, 2007, p.13; Adams, Sapsford, Southern, 2008, p.14.

A study of the multiplier effect of cultural investments in the general economy in Turkey has been conducted by Ş. Zeynep Ekşioğlu in 2012.<sup>2</sup> With an input-output analysis method, the sectorial multiplier coefficient of cultural activities for the general economy in Turkey has been calculated as 1.7; marginal employment coefficient as 0.37; marginal gross value added increase coefficient as 0.82. In other words, activity in the cultural field is effective in terms of inducing other sectorial production; for an increase of 1 unit of cultural product production, there is need for a total of direct and indirect 1.72 units of input (intermediate goods) in economy. The intermediate goods necessary for the production of cultural products are derived from sectors such as energy, insurance, transportation, travel agency activities, publishing, post, telecommunication, etc.

The labour intensive characteristics of cultural activities lead to an increase in employment. Considering the marginal employment coefficient is 0.37, a 100 TL production will generate an additional (marginal) 37 TL in employment and 82 TL in gross added value in the general economy.

#### d) Regional Development

Cultural investments, culture and art activities make the given region more viable, enjoyable and attractive. The dynamism in the region evokes the desire to live and work there and raises the reputation of the region. The economic development starting in a certain region gradually intensifies. Companies that want to benefit from scale economy and positive externality exhibit the tendency of congregating in the same region. Companies prefer to shift their headquarters to the more lively and creative region. The developing region begins to receive active labour force migration and capital transfer from the stagnant regions. Qualified workforce migration increases the labour force potential in the region.

<sup>2</sup> Input-output analysis of the relation between cultural capital and economic development and its evaluation for Turkey using benefit cost analysis methodology. Unpublished Doctoral Thesis, Istanbul: Kadir Has University, Department of Finance and Banking.

## 5 INTERNATIONAL CASE STUDIES

The increase in both academic studies on measuring the economic impact of culture and arts, as well as those conducted by international organizations such as the United Nations Conference on Trade and Development (UNCTAD), the World Bank, and civil society organizations is indicator that culture is becoming more prominent in economic development. The results of some of these studies are summarized below. Detailed information can be accessed in the references section.

### USA

The “Arts and Economic Prosperity III” report published by Americans for the Arts in the USA in 2005 argues that on the national level each one dollar art investment generates a tax revenue of 7 dollars for the state. The report indicates that the 4 billion dollar public support provided to nonprofit arts and culture institutions generated a total of 30 billion tax revenue for local, state and central administration budgets.

In 2009, a report drafted by Pew Research Center for Americans for the Arts association found that for the USA each 1 dollar cultural investment had a multiplier effect of 5 dollars and together with direct and indirect spending constituted an economy of a total of 166 billion dollars. Another study conducted in South Carolina, which is a state with abundant cultural tourism in the USA, it has been argued that the state made 640 million dollars of revenue from cultural tourism and each 1 dollar spending generated a 1.72 dollar income.

### THE NETHERLANDS

The government of the Netherlands conducted a study in 1997 to measure the impact on general economy of the public funds provided to property owners for restoration of historical works. This study calculated that the state makes 1.10 dollars of tax revenue (VAT over goods and services procured for the repairs, income tax) per 2.87 dollars of funds.

**ENGLAND**

The most comprehensive academic study in England is the research by Allen and Shaw conducted between 2000 and 2002 on the economic impact of 137 arts festivals. The result of the study indicates that 100 pounds in festival spending induces a 249 pound spending in general economy and the spending of festival audiences creates an economic impact of 199 pounds.

According to the 2004 research by British Arts Council on the economic impact of theatres in England, the contribution of 259 theatres outside London to the general economy is 2.6 billion pounds. This contribution is earned from the 121.3 million sterling incentive provided by the public sector to all theatres including those in London. In England theatres have paid 100 million pounds only in VAT. The multiplier effect in general economy has been calculated as 1.5.

The most successful case in regional transformation in England has been the Tate Modern Museum. According to the results of the economic impact study conducted by McKinsey & Company for the Tate Modern Museum in 2001, the museum has attracted 5.25 million visitors in its first year and the annual visitor numbers have never fallen below 5 million in the subsequent years. Tate Modern Museum brings an additional income between 50-70 million pounds to the Southwark Municipality it is located in. Since its foundation it has indirectly generated employment for 3,000 people in the district. The report estimates that considering all economic impacts (rising real estate prices, new hotels, restaurants, etc.) the museum makes an annual contribution of 100 million pounds to London.

**AUSTRIA**

A research by Erasmus University in 2005 identified the economic impact of cultural investments in 10 different European cities based on statistical data and results of surveys conducted with relevant individuals and institutions. According to the results of the report, the city that benefits most from cultural investments is Austria's capital Vienna. In Vienna cultural economy and creative industries are very far advanced. Even though Vienna is a small city (population of 1.6 million), it hosts 13 million tourists annually. Each year 1 million tourists come to the city only to go to classical music concerts. 14% of the workforce in the city works in the cultural field and creative sectors. In addition to federal budget contribution, Vienna receives 2% budgetary support from the local government annually. The total public support amounts to nearly 0.89% of national income.

**FRANCE**

Metz local government has spent 70 million euros for Pompidou Museum and has pledged to allocate a 10 million subsidy annually. The local government has aimed to promote Metz, highlight the international identity of the district and attract more tourists by opening a branch of the world renowned Pompidou Museum here. The objective is to contribute to the economic development of Metz and Lorraine regions, change the image of the region, diversify its textiles, iron and steel based economy with a model based on the service sector. During the first two months of the museum's opening, 330,000 tourists visited Metz, and this has generated momentum for regional development.

A new branch of the Louvre Museum has been opened in Lens, a poor provincial city of France. The museum that opened in December 2012 is expected to attract 500,000 visitors annually. Lens local government aims to revive economy by changing the image of the city, as was the case in Bilbao and other cities and decrease the rate of regional unemployment which is currently at 15%. The annual maintenance budget of the museum, which cost the local government 150 million euros, is 15 million euros. The museum will first exhibit 500-600 works from Louvre Museum's warehouses in Paris. The aim of establishing the museum at Lens is to revivify the economy, as in the case of the Spanish Basque city Bilbao that went into economic depression after the decline of industry and was revived by the opening of the Guggenheim Museum in 1997.

#### SCOTLAND

After being selected the European Capital of Culture, Glasgow has managed to transition from a worker and industrial city image to a contemporary city image drawing attention with its cultural assets, dominated by the service sector and has become a centre of attraction for tourists.

43 million pounds has been allocated from the state budget to transform Glasgow into a cultural centre. The 2009 economic impact analysis study conducted by the University of Liverpool has identified the net economic benefit as 14 million pounds. With the city becoming a tourism centre, the environment to keep creative capital in the city has been created.

#### SPAIN

In the 1980s Bilbao was the centre of ship building and iron and steel industry. However, with the heavy industries crisis and increase of unemployment, the local government had both to restructure the city to make it more attractive for tourism and to transition into a service based economy. The future master plan of Bilbao was approved and transformation of the city was launched in 1989. In the framework of the plan, the famous Guggenheim Museum was constructed and while the museum became a symbolic image for the city, it has also become a centre of attraction for tourism.

The Guggenheim Museum cost the local government 132 million euros in 1997. The first month of its opening, the museum was visited by 100,000 people, and by the end of the year the visitor numbers had risen to 1.36 million. The annual visitor potential was budgeted as 500,000; however, between 1997 and 2001 the museum attracted over one million visitors each year. 25% of these visitors are foreign tourists coming to the city. Guggenheim Museum has been regularly featured in the media, creating an awareness of Bilbao, and the city has become a point of interest for tourists. According to Ineum Consulting's report, in its first two years, visitors have directly spent 433 million euros, national income has increased by 337 million euros and local government earned an additional tax revenue of 63 million euros as a result of the increasing consumption and income. The museum paid for itself by the end of its first year. Thus a project exemplifying how a famous museum can transform a city's economy and status has been realized.

**SWITZERLAND**

The Lausanne Festival organized annually in the city of Lausanne in Switzerland is an internationally renowned, esteemed cultural festival. Lausanne Municipality has commissioned an economic impact study for the measurement of the traditional Lausanne Festival's contribution to local economy.

In 2000 when the study was conducted, Lausanne local government spent 5.5 million Swiss francs for the festival. On the other hand the spending of foreign tourists coming to the city for the festival (the multiplier coefficient was postulated as 1.4), spending of institutional sponsors and participants have generated an income of 30 million Swiss francs for the local economy. The spending has mostly been in hotel and gastronomy sectors. The festival has contributed to the international promotion and visibility of Lausanne. As a result of the festival the city has been prominently featured in news outlets such as television, newspapers and the Internet. It has received countless hits over the Internet alone. The monetary value of all these no cost advertising activities is 1.3 million Swiss francs.

**6****CULTURAL PRODUCTION AND CONSUMPTION PATTERNS OF ISTANBUL AND TURKEY**

Compared to developed countries, it is evident that the state support for culture and art production and consumption in Turkey is insufficient.

The difference in cultural spending per person cannot be explained solely with the difference in income. Rate of the Ministry of Culture and Tourism budget to the national income (GDP) in Turkey is only 0.1%, which is an indicator of the fact that the state has been very inadequate in the generation of cultural capital in Turkey. Budget of the Ministry of Culture and Tourism is quite limited in comparison to the other ministries. According to the 2013 budget draft, the ministry budget is around 1.85 billion TL. Its share in the total budget pool is 0.47%.<sup>3</sup> The share of the Ministry of Culture and Tourism in the overall budget has remained around 0.45% - 0.50% for years.

**Direct Cultural Spending of the State in Selected Countries (2010)**

Countries	Budget of the Ministry of Culture (€)	Its GDP rate (%)	State's culture spending per person (€)
Germany	8.3 billion	0.3	101
France	12 billion	0.6	197
England	8.8 billion	0.5	143
Italy	6.7 billion	0.4	112
Russia	4.4 billion	0.5	30
<b>Turkey</b>	<b>690 million<sup>4</sup></b>	<b>0.1</b>	<b>10</b>

Source: Silier (2010), p. 9; Ministry of Finance, 2010 Operational Report, pp. 36, 116; www.bumko.gov.tr; Compiled from Eurostat 2010 data.

<sup>3</sup> Ministry of Finance, 2013 Budget Presentation Speech, 30 October 2012 (www.bumko.gov.tr)

<sup>4</sup> Ministry of Culture and Tourism subsidy for 2010: 1.55 billion TL. €/TL: 2.24.



Local administrations do not allocate sufficient subsidies for cultural spending either. Compared to European cities, the direct state support for cultural investments is very low. In its 2009 report prepared for the Forum d'Avignon, one of Europe's most prominent organizations in fields of culture, economy and media, the Ineum Consulting company measured the public spending for cultural activities per population in various European cities including Istanbul, and established that in cities with urban population exceeding 1 million, the average public resource allocated per capita is 58 euros. This amount is 20 euros for Istanbul.

#### Direct Cultural Spending of the State in Selected Countries (2009)

Countries	Cities	State's culture spending per person living in the city (€)
Spain	Barcelona	97
Italy	Venice	99
Germany	Essen	142
Germany	Berlin	165
France	Lyon	212
England	Liverpool	600
Switzerland	Geneva	745
Luxemburg	Luxemburg	748
<b>Turkey</b>	<b>Istanbul</b>	<b>20<sup>5</sup></b>
Brazil	Rio	12

Source: *Culture -a Symbolic or Economic Success Factor for Urban Development Planning*, Ineum Consulting, 2009, p. 10; Aksoy, Enlil, *Kültür Ekonomisi Envanteri (Cultural Economy Inventory)*, 2010, p. 232.

<sup>5</sup> In Istanbul, the state's culture spending per person has been calculated as 40 TL, based on the total public culture spending of 513.5 million TL (local administrations + Ministry of Culture and Tourism + Provincial Special Administration) and the population of 12.5 million. Average exchange rate for 2009 has been set as 2.00 €/TL.

In its *World Cities Culture Report 2012* published in 2012 and coordinated by the Mayor of London, the BOP Consulting created a database for the evaluation of culture and art production and consumption patterns of 11 world cities including London. These cities selected by the Mayor of London are; Istanbul, Berlin, Mumbai, New York, Paris, Johannesburg, Shanghai, Tokyo, Singapore, Sidney and São Paulo. While there are certain discrepancies in the report, and the missing cultural statistics of some cities and the inconsistency of definitions among countries make it difficult to conduct an inter-city comparative analysis, the report does provide for a general assessment.

#### Cultural Production – Istanbul and Other Cities (2010)

	Istanbul	Berlin	Londra	New York	Paris	São Paulo
City population (millions)	10.4	2.3	3.8	5.4	7.2	6.7
Number of national museums	7	18	11	5	24	1
Number of private museums	71	140	162	126	113	110
Number of libraries per 100,000 people	0.3	2.5	5	3	7	1
Annual number of theatre performances	6,900	6,349	32,448	43,004	26,676	
Live music venues	91	250	349	277	423	294
Art galleries	267	421	857	721	1,046	
Number of cinemas per 100,000 people	38	77	73	61	85	25
Film festivals	35	33	61	57	190	29

Source: BOP Consulting (2012), *World Cities Culture Report 2012*, Mayor of London, pp. 1-77.

### Cultural Consumption – Istanbul and Other Cities (2010)

	Istanbul	Berlin	Londra	New York	Paris	Sao Paulo
Number of visitors of the 5 most visited museums (millions)	7.1	4.7	25.3	15.4	23.4	2.2
Annual number of theatregoers (millions)	2.3	2.3	14.1	28.2	5.7	–
Annual number of moviegoers (millions)	10.3	9.1	41.6	–	58.2	50
Number of film festivalgoers (thousands)	150	484	132	410	152	250
Annual number of foreign tourists (millions)	8.06	2.87	15.22	8.38	13.3	1.6
Annual number of foreign tourists (percentage of city population) %	59	82.9	194	102	113	14

Source: BOP Consulting (2012), *World Cities Culture Report 2012*, Mayor of London, pp. 1-77.

Another important point indicated by the *World Cities Culture Report* is the efforts to develop culture and cultural economy by the administrations in the aforementioned world cities. Especially cities like London, New York and Paris have already grasped the relation between culture and economy and employ cultural economy as an instrument of economic development. In recent years, many developing cities including Istanbul have started to take action on cultural economy, trying to catch up with London, Paris and New York on both infrastructure and cultural production and consumption.

## 7 ECONOMIC IMPACT OF İKSV 2011 ACTIVITIES

### 7 1 ECONOMIC IMPACT VALUE

Details of the data and sources that enable the measurement of the activities' economic impact have been specified in the Annexes section.

It has been assumed that the amount spent for participation in cultural activities in 2011, excluding ticket costs and tourism, was 36 TL in average. This spending amount may include transportation, food-beverages or purchase of cultural products such as books, CDs, DVDs. Such expenses might be incurred even when there are tickets or invitations for the attended activities. A total audience of 403,600 people has attended activities organized by İKSV in 2011. The number of people times the average amount of spending per person, excluding the ticket, gives a total of 14.5 million TL for the year of 2011. Audience attendance to more than one activity will not cause a significant change in the result of the study, because the audience who participates in more than one activity will again incur similar ticket and non-ticket expenses.

The *Istanbul 2010 European Capital of Culture Impact Assessment Report* prepared by Ernst&Young in May 2011, has evaluated the socioeconomic impacts generated by the projects realized in process of Istanbul 2010 European Capital of Culture, and has found that in this process the hotel occupancy rates in Istanbul have increased by 5-10%, and the average length of stay has extended from 2.7 nights to 4 nights. Postulating that the increased hotel occupancy rates mentioned in the Ernst&Young report continued through the year of 2011 as well, it can easily be claimed that during İKSV activities, especially during the Istanbul Biennial, the occupancy rates of the hotels located around the activity venues have increased by 5-10%. Furthermore, since İKSV activities stretch across a long timeframe through April – October, hotels' increased occupancy rates can be sustained for longer periods.

According to *The Hotel Price Index 2011*, a global review of hotel prices prepared by one of the world's biggest hotel accommodation suppliers Hotels.com, the average hotel prices in Istanbul are; 65 pounds (182 TL) for 3 star hotels, 88 pounds (246 TL) for 4 star hotels, and 147 pounds (411 TL) for 5 star hotels.<sup>6</sup> Assuming that the 10,000 foreign viewers and guests, who came to Istanbul for İKSV activities in 2011, stayed at a hotel for at least one night and that they preferred the cheapest 3 star hotel, it is evident that 1.8 million TL was spent only on accommodation. For the foreign guests it hosted in 2011, İKSV made contracts with hotels at a monetary value corresponding to the accommodation cost of 1 million TL.

Assuming that the foreign guests of the activities spent a daily average of 100 TL on food, beverage and transportation, it follows that a total of 1 million TL has been spent in addition to accommodation costs.

According to the Turkish Statistical Institute (TÜİK) data, foreigners spent an average of 637 dollars (1,064 TL) per person in 2011. Optimistically, based on TÜİK's calculation of average spending per person, it can be deduced that the amount spent by foreign guests reaches 10.6 million TL. In this study it has been postulated that a total of 282 TL (182 TL for accommodation at a 3 star hotel + 100 TL for non-accommodation expenses) has been spent per foreign guest.

<sup>6</sup> 2011 average TL/GBP= 2.8.

<sup>7</sup> Central Bank of the Republic of Turkey (TCMB) 2011 average exchange rate: TL/USD= 1.67.

### Total Economic Impact (2011)

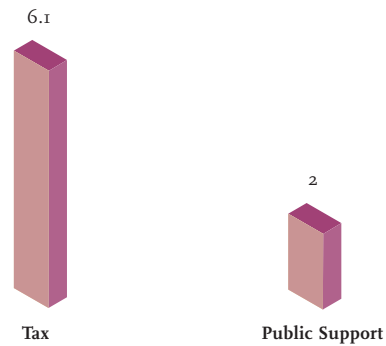
	Million TL
<b>Direct economic impact</b>	
İKSV spending <sup>8</sup>	21
<b>Indirect economic impact</b>	
Audience spending (Number of viewers x non-ticket expenses)	14.5
Foreign guests' spending (Accommodation, food-beverages, transportation, etc.)	2.8
<b>Total direct and indirect impact</b>	<b>38.3</b>
<b>Multiplier effect in the overall economy</b>	
Multiplier effect in the overall economy (marginal gross added value multiplier coefficient = 0.82)	31.7
<b>Total economic impact</b>	<b>70</b>

## 7 2 PUBLIC VALUE: TAX AND EMPLOYMENT

İKSV generates a net budgetary source for the state by creating employment and a tax revenue much higher than the public support it receives. In return for the 2 million TL financial support İKSV receives, the state makes at least 3 times higher revenue in taxes.

<sup>8</sup> Headings of İKSV's spending are indicated on page 44.

Comparison of Taxes Paid to the State and Public Support  
(Million TL) 2011



### Tax

The state collects 3 types of tax revenue through İKSV activities:

- Tax payments transferred to the state by İKSV
- Value added tax (VAT) revenue collected through the spending of viewers and guests.
- Corporate tax: It is comprised of the taxes paid by local businesses whose turnover has increased. The turnover of local businesses increases during the course of the activities. Assuming that the average profitability ratio is 7%, at the given rate of 20% corporate tax, there will be an increase in corporate tax revenue (1.4%). However, the amount of increase in the corporate tax could not be calculated due to missing information on businesses' turnover and increase percentages.

### Comparison of Tax and Public Support

	2011 (Million TL)
İKSV	4.7
VAT income through the spending of viewers and foreign guests (Average 8%)	1.4
<b>Total tax paid</b>	<b>6.1</b>
<b>Public financial support</b>	<b>2</b>

### Employment and Volunteers

İKSV has employed a total of 184 people in 2011. Prioritizing works geared especially towards the youth, and aware of the role culture plays in the country's development, İKSV also focuses on training programmes in scope of its activities. The *BitamBiöğrenci* (OneAdultOneStudent) project launched in 2007 and expanded in 2012, enables thousands of students between the ages of 7-21 to participate in all İKSV activities free of charge.

Aiming to encourage the young individuals' development, İKSV employs a large number of volunteers in its activities. In 2011 around 1,000 volunteers have been employed. Volunteering young people can both participate in the activities free of charge, and acquire various skills that they can use in the future when they join the labour market (such as; sensitivity towards people and environment, openness to change, team work, creativity, organization and leadership skills, communication, flexibility, tolerance, self-confidence, etc.)

### 7 3 MEDIA VALUE

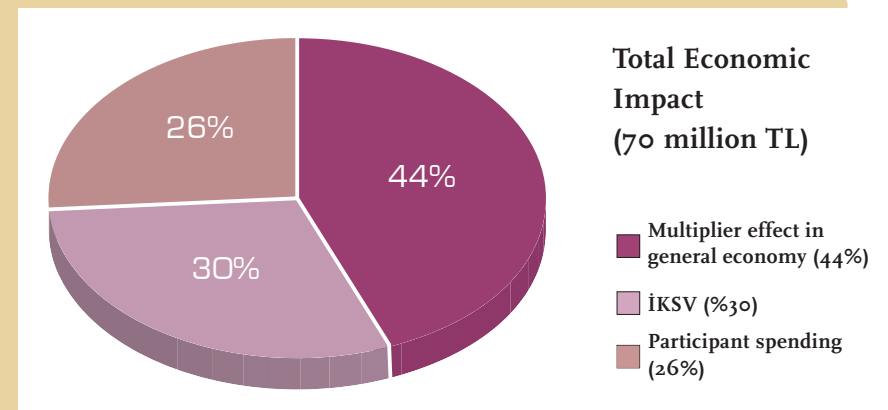
Media value is measured through the extent of media coverage of the activities. All culture and art activities of İKSV are frequently featured in print and visual media. Additionally, there are also news shared by sources outside İKSV, foreign press members, bloggers, and participating artists with their Facebook and Twitter followers. For instance, the works exhibited in the Istanbul Biennial and photographs have been shared with around 100,000 Facebook and over 385,000 Twitter users.

Alongside traditional media outlets like newspapers, television and radio, İKSV activities also find extensive coverage in the online media that is spreading rapidly in our present day. Around 300,000 people have visited the İKSV website in 2011. Furthermore, information on all activities has been shared regularly with 35,000 e-news members. All activities have been covered in the print and visual media.

Total monetary value of media sponsorships for İKSV activities in 2011 is 15 million TL. Furthermore, the fact that foreign guests participating in the activities then share their Istanbul experiences with their followers via the social media provides a unique advertisement opportunity for both the city's touristic promotion, and the international visibility of the sponsoring corporations. In line with the reports received from the news monitoring agency Ajanspress, a rough calculation of advertisement value corresponding to the news coverage of İKSV activities in national print and visual media, yields an amount around 180 million dollars. Complimenting this amount with the advertisement value corresponding to the news covered also in the international press yields big numbers. The monetary value of the media coverage on activities and their sponsors is of utmost importance both for the state and the sponsoring corporations. However, if media value can be included in the economic impact analysis following a calculation that will reflect the reality, it would no doubt render more comprehensive results. Only the monetary value of media sponsorships has been included in this study.

## 7 4 GENERAL EVALUATION

Results of the economic impact research coordinated by İKSV show that the spending for all activities organized in 2011 and non-ticket spending of viewers and foreign guests, together with the multiplier effect generated in general economy have made a contribution of around 70 million TL to the economy.

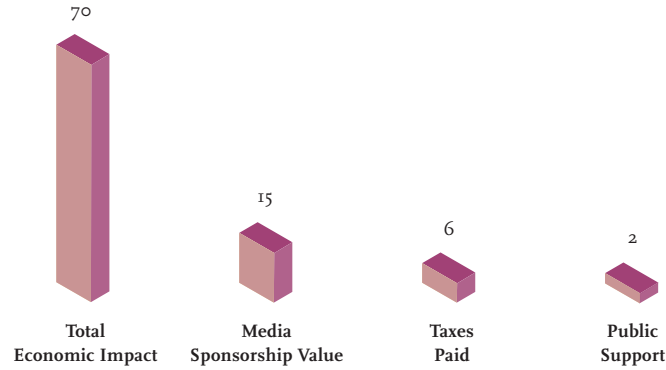


Adding the media advertisement value corresponding to 15 million TL to this number, the total economic value of İKSV activities will amount to 85 million TL. In 2011, Istanbul's urban economy has reached nearly 298 billion TL (share within Turkey's economy 23%). The total economic impact generated by İKSV activities in 2011 constitutes 0.03% (three per ten thousand) of the economy of Istanbul city. The 70 million TL economic value generated by culture and arts activities organized by İKSV underscores the activities' contribution to the city economy.

In 2011, İKSV has received a public support of 2 million TL, and made tax and legal payments of 4.7 million TL to the state. İKSV has returned to the public an amount in taxes exceeding twice the public support it received.

<sup>9</sup> According to the TÜİK data, 2011 gross domestic product (GSYH) value of Turkey at current prices has reached 1,298,062 million TL. According to Istanbul Metropolitan Municipality data, Istanbul's share in the GSYH of Turkey is 23%.

Comparison of Taxes Paid to the State and Public Support  
(Million TL) 2011



Concrete demonstration of culture and arts activities' economic impact justifies the demand for more public support. Assessment in terms of public resource allocation reveals that a public resource of 2 million TL has generated an economy of 70 million TL, media value of 15 million TL and VAT revenue increase of 1.4 million TL. Increase in the corporate tax revenue has not been included in this calculation.

Impacts discussed in this study are values that can only be expressed in monetary value. Additionally, the social benefits and educational aspects of the activities that pose great importance for the welfare and development of the society which are more difficult to express in monetary value should also be discussed.

## 8 CONCLUSION AND RECOMMENDATIONS

İKSV and other nonprofit culture and arts institutions have been trying to realize quality activities with an educational function through their own limited resources for many years. However, increasing costs are obstructing the outreach of given events, therefore insufficient activity is produced and consumed by individuals.

Based on the fact that the driving force for human focused development is culture and education, cultural policies should be designed as part of a long-term sustainable development strategy. The state should provide regular support to the field of culture and arts for the transformation of cultural wealth to economic value.

The economically reviving, tax revenue and employment generating impact of cultural activities has been demonstrated by the research conducted by İKSV. However, social benefits of cultural activities should be prioritized over their economic value. As cultural policies are being devised, the social benefit of activities should be reviewed alongside their verifiable economic impact, and the development of public incentive mechanisms to render the events accessible and available also in non-central districts should be ensured.

The major policies that require state support to ensure the development of cultural activities in Turkey and for unveiling their economic income generating aspect are as follows:

Public incentives for the field of arts and culture can be provided through direct financial support or a mechanism calculated over event audience numbers.

The VAT that culture and art foundations pay suppliers is burdensome for these not for profit institutions. A solution must be devised to enable foundations to reclaim the VAT they pay.

Even though tax exempt foundations do not accrue value added tax, they still pay VAT for their procurements for cultural activities, and because there is no opportunity to deduce the tax, this amount increases costs by 18%. The proposal in this case is to either enable foundations to offset the VAT amount from their other tax or legal payments and enable them to reclaim the remaining sum or to deduce the tax rate for culture and arts procurements to a symbolic rate such as 1%.

It is also possible to devise a solution along the lines of VAT exemption in culture and arts investments. For a flexible application, legislative provisions should be addressed through a protocol signed by relevant ministries. The opportunity to write off sponsorship spending as expense for tax purposes should be provided. In the framework of the laws on the Foundation and Duties of the Directorate of Youth and Sports, and the Turkey Soccer Federation, sponsorship spending can be written off as expense for tax purposes. It would be appropriate for such expense reductions to be expanded to cover sponsorship spending on culture, arts, and education.

One of the most important financial resources for cultural spending is National Lottery income. A portion of National Lottery income can be allocated to support arts and culture activities. In many countries throughout Europe national lottery income is allocated to cultural investment. For example, 28% of the England National Lottery income is allocated to sports, education, culture, environment and health projects. In Germany this rate is 20%. In Turkey on the other hand, the National Lottery Administration General Directorate has transferred 44% of its 2011 income (390 billion) to the Ministry of Finance. The Ministry of Finance has transferred this fund to the Defense Industries Support Fund, Social Services and Child Protection Funds and Olympics Organization Fund. There are no funds transferred to cultural expenditures.<sup>10</sup>

The share of the Ministry of Culture and Tourism in the overall budget should be increased to at least 1% from 0.5%. While in developing countries the ratio of state cultural spending to national income ranges from 0.3 to 0.5%, in Turkey this rate is only 0.1%.

Looking at cases from around the world, while we see that each country has adopted a different model, we observe that generally speaking arts and culture activities are supported by funds created collectively by a variety of actors. Be it public or private sector support, models based on one single resource are losing validity. Emerging concepts such as cultural entrepreneurship that have become discussed widely, alternative methods for the support of culture and arts, and unique models that can be developed for Turkey have to be discussed. For example, the state can match in amount or rate the private sector funds that private institutions, civil society organizations, volunteer organizations or individuals working in the cultural field raise through their own initiative. Such a resource allocation method will both contribute to a fair distribution of public funds among institutions and encourage them to seek more extensive private sector support.

İKSV makes significant contribution to the promotion of Turkey and Istanbul's brand value. Therefore the foundation should be supported more extensively by the Prime Ministry Promotion Fund. In terms of fulfilling the mission of the fund, support for İKSV is one of the best options for the allocation of resources.

Local governments assuming more prominent role in cultural, artistic and educational activities to increase quality of life is an approach that is growing more widely adopted. Since in some respects İKSV assumes these responsibilities of local governments, the contribution, at least the in kind contribution, of local governments should be increased.

## 9 ANNEXES

The assumptions and data rendering the economic impact analysis possible are enumerated below.

### Assumptions

Certain assumptions have been made in order to measure the impact of İKSV 2011 culture and arts activities on the local economy:

1. For local viewers, non-ticket spending is 36TL. 831 people have responded to the survey sent by email in 2010 by GfK to the 30,000 persons in İKSV's database. The responses of these 831 people constitute the sample of the study. The analysis conducted by GfK Turkey has indicated that the spending besides ticket and tourism expenditures for attending cultural activities in 2010 is an average of 34 TL. No separate viewer spending survey has been conducted for 2011 activities, however taking into account the average consumer price index rate for 2011, the average (local) audience spending has been assumed as 36 TL.
2. Foreign tourists have spent at least one night in at least 3 star hotels. The daily non-accommodation spending of foreign guests is 100 TL.
3. The average VAT rate over local audience and foreign guest spending has been calculated as 8%.
4. If local viewers were not to participate in the event, they would not leave their own district and make no external spending.

### Data Collection

For the measurement of the direct and indirect economic impact of İKSV activities in 2011, data has been compiled from: the audience spending surveys conducted by GfK in the scope of the 2010 research titled *Economic Contribution of Nonprofit Culture and Arts Institutions*, İKSV 2011 Operational Report, TÜİK Statistics, "2010 European Capital of Culture Impact Assessment Report" prepared by Ernst&Young in May 2011. Data from İKSV's Marketing and Media departments have been used as the resource to calculate media value.

### Data

1. Audience spending
  - (a) Number of viewers attending the events
  - (b) Separation of audience as local and foreign (tourist)
  - (c) Audience spending for event participation excluding ticket fees (food and beverage, transportation, accommodation, shopping, parking, other)
  - (d) Accommodation and daily spending of foreign audiences (= period of accommodation x daily spending + period of accommodation x average accommodation cost)
2. Participant expenditures
  - (a) Artists, technical team
  - (b) Foreign guests
  - (c) Sponsor institutions' expenditure
3. İKSV spending
  - a) Copyrights
  - b) Fees paid to employees
  - c) Goods and service costs paid to suppliers
  - d) Insurance expenditures of the event
  - e) Other activity costs

11 The research was conducted with the collaboration of GfK Turkey, İKSV, İstanbul Bilgi University Cultural Policy and Management Research Center (KPY) in İstanbul in 2011. The research investigated the volume and diversity of the economic contribution and employment opportunities generated by nonprofit culture and arts institutions in İstanbul.



## Limitations of Economic Impact Analysis Methodology

The major limitations of the economic impact analysis methodology are the lack of data in the field of culture and arts and existence of externality.<sup>12</sup> Since, most of the cultural goods and services are merit (beneficial for consumer society) goods, both social and economic benefits and costs should be taken into consideration in their evaluation. Economic impact analysis is an analysis method that only measures financial benefit and cost flows. It does not take externalities into consideration.

In order to reach a meaningful conclusion from economic impact analysis the parameters of the event area have to be identified.

The net economic contribution to the local economy will be comprised of the spending of participants, institutions and suppliers coming from outside the district. The point to be considered overall is the need for the spending to be included in the economic impact study to be explicable in a cause-effect relationship. The only triggering factor for the spending has to be the event itself. For example sponsor institutions have made a financial contribution of 13.3 million TL to İKSV in 2011. Since there is no definite information on how these sponsor institutions would use this budget if it were not for İKSV activities, sponsor institution payments will not be included in the economic impact analysis. Still, the fact that such a financial resource is allocated to İKSV activities rather than other cultural events is indicative of the fact that the media and prestige value of cultural events organized by İKSV are highly esteemed by sponsor institutions.

<sup>12</sup> According to principles of public economy, the concept of externality implies that the benefit incurred through the consumption of a good or service reaches beyond the only consumer, to the society and environment. For example, as in education decreasing crime rates.

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[www.americansforthearts.org/](http://www.americansforthearts.org/) economicimpact: Americans for the Arts

[www.bwmi.de](http://www.bwmi.de): Germany Ministry of Economy and Technology

[www.bumko.gov.tr](http://www.bumko.gov.tr): Republic of Turkey Ministry of Finance General Directorate of Budget and Financial Oversight

[www.camelot\\_group.co.uk](http://www.camelot_group.co.uk): UK National Lottery Administration

[www.culture.gov.uk](http://www.culture.gov.uk): UK Ministry of Culture, Media and Sports

[www.destatis.de](http://www.destatis.de): Germany Statistics Institute

[www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat): Eurostat European Union Statistics

[www.kultur.gov.tr](http://www.kultur.gov.tr), [www.kultur.gov.tr/dosim](http://www.kultur.gov.tr/dosim): Republic of Turkey Ministry of Culture and Tourism

[www.lotto-berlin.de](http://www.lotto-berlin.de): Germany National Lottery Administration House

[www.louvre.fr](http://www.louvre.fr): Louvre Museum, Lens

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[www.tuik.gov.tr](http://www.tuik.gov.tr): Turkish Statistical Institute

[www.turofed.org.tr](http://www.turofed.org.tr): Turkish Hoteliers Federation

[www.tursab.org.tr](http://www.tursab.org.tr): Association of Turkish Travel Agencies

[www.undp.org.tr](http://www.undp.org.tr): UNDP United Nations Development Program

[www.unesco.org](http://www.unesco.org): UNESCO United Nations Educational Scientific and Cultural Organization

[www.unwto.org](http://www.unwto.org): UNWTO United Nations World Tourism Organization

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