

## FINANCIAL PROBLEMS OF THE CULTURAL PROJECTS IN SOUTH TRANSDANUBIA

**Veronika GÁL, Diána KOPONICSNÉ GYÖRKE**

Kaposvár University, Faculty of Economic Science, Hungary  
gal.veronika@ke.hu

### **ABSTRACT**

*Accession to the European Union has created numerous opportunities for economic operators, including local governments, to carry out development plans they had been deferring for lack of funds. The seven years since Hungary's accession in 2004 is a large enough period from which to draw conclusions on the use and usability of the Structural Fund's resources. A new study has published the finding that EU resources do not reduce and may even increase the differences between villages and regions. In the present study we examine the financial problems of cultural projects implemented by local government between 2004 and 2006 in South Transdanubia.*

Keywords: cultural projects, EU, financing

### **INTRODUCTION**

#### **Cultural projects from EU sources**

The cultural sphere can get at sources from the Structural Funds of the European Union. This source is not negligible because expenditure between 1989 and 1993 from the Structural Funds was 83% of the total cultural budget (Rónai and Zongor, 2003). The Structural Funds support the culture as a tool for development, especially in the context of regional and rural development. In this term the Union support culture as a factor of this development like employment and culture, cultural tourism, social integration, service, preserve Europe's cultural heritage, etc. (Zongor, 2004).

### **DISCUSSION**

#### **Cultural projects in South Transdanubia**

In this study we regard a program as cultural in which the European Union supports cultural institutions. In addition programs are considered as cultural as well through which the developer is not cultural institution (such as in the previous case) but there is cultural essence of the program, like revitalization of villages, cultural tourism, rural visitor centres, etc. According to the above mentioned definition we should examined the following priorities of the Hungarian Development Plan between 2004 and 2006:

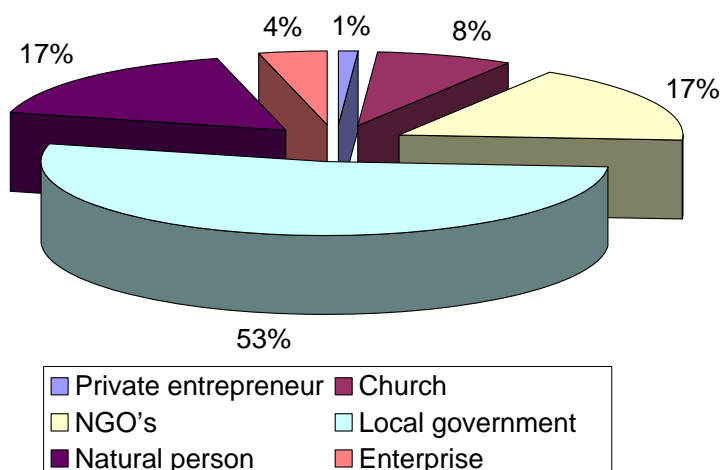
- AVOP 3.1 – The expansion of rural income opportunities
- AVOP 3.4 – Village development, protection and conservation of rural heritage

- AVOP 3.5 – LEADER +
- ROP 1.1 – Development of tourist attractions
- ROP 2.2 – Rehabilitation of urban areas

There are 165 cultural projects in South Transdanubia. The projects can be shared in eleven thematically categories like: Other tourism, Renovation of buildings, Festivals, Handicraft, Brochures, Library, Common space, Museum, Camp, Development of the town’s picture, Church (*Figure 1*).

**Figure 1**

**The distribution of the recipients of the winner projects**



It's apparent, that local government played a significant role in the period between 2004 and 2006 (83 realized projects, 50.3% of all projects). This overrepresentation of the local government is understandable, because in the examined villages and towns the local government plays the most important role in public life, also as the biggest employer or the institution realized the most investment (*Figure 2* and *Figure 3*).

Among the projects of the local governments there are only two types of sources: AVOP 3.4 and 3.5. The maximal rate of support was 85%, but the size of the projects were different in the two cases. By AVOP 3.4 it was between 1.5 and 60 million HUF and in the other case between 150 thousand HUF and 5 million HUF. The reason for this: AVOP 3.5 was the LEADER+ program of the EU in Hungary. And as it's well known the LEADER projects concentrate on the smaller investments.

One of the biggest problems for the local government is to provide deductible for their projects. The available own contribution also determines the volume of the available supports from the EU. Beside the own contribution the project coordinators should manage the problems of post-financing. In addition these projects are net-oriented so they should provide also the amount of VAT (*Figure 4*).

Figure 2

The distribution of the supports from AVOP 3.4 (pieces)

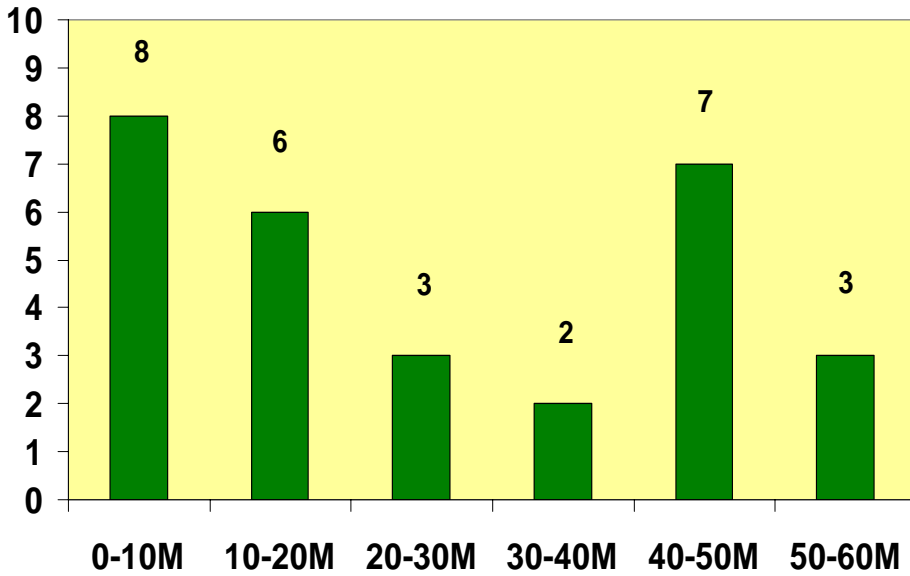
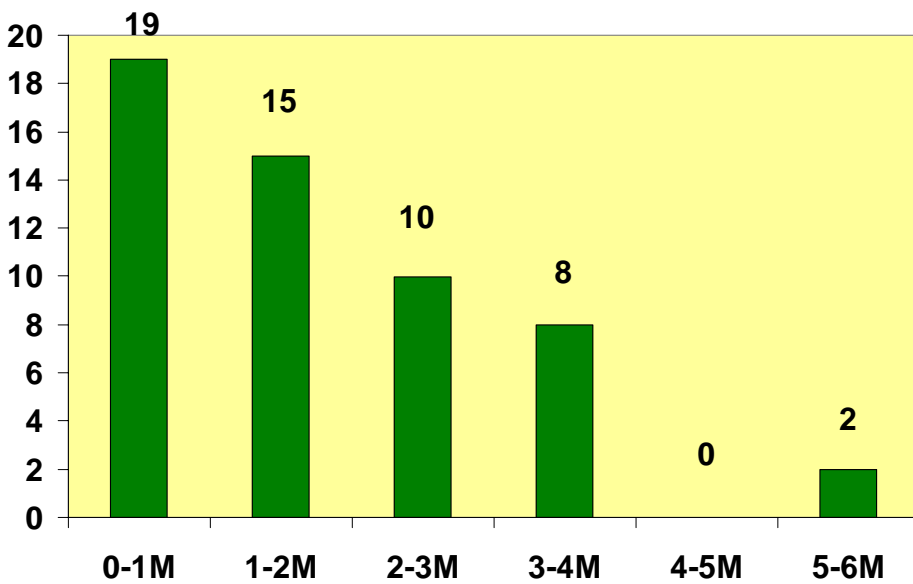
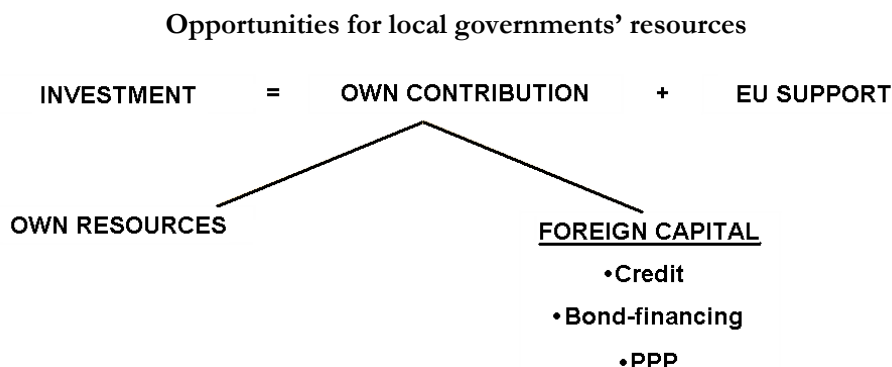


Figure 3

The distribution of the supports from AVOP 3.5 (pieces)



**Figure 4**



Beside the usual opportunities there are some new elements in the topic of the local governments deductible providing. Over the time there are some new ways to find sources for the own contribution. These are:

- A credit- and bond financing program for local governments for infrastructural investments (*Table 1*)
- EU Deductible Fund

**Table 1**

**Main differences between credit and bond-financing**

Credit	Bond-financing
Public auction	There aren't public auction
Limited appropriation	Unlimited appropriation
Risk of non-repayment is lower	Risk of non-repayment is higher
Opportunity for prolongation	Fixed capital- and discharge redemption

**Experiences of the interviews in South Transdanubia:**

- an even wide range of solutions
- smaller towns and villages: the only opportunity is credits
- bigger towns and cities: bond-financing
- the suppliers credit is widespread
- VAT-paying from other credits

**CONCLUSION**

The examined type of projects has a reason for the existence in the region. We can say that one possible way for rural development can be a culture based strategy. However, we believe that also in the future it's going to cause problems for the smaller, resource-poor local governments to raise funds for down payment or to manage the problems of post-financing. The new credit programs connecting to the

new development plans (ÚMFT and ÚMVP) and the bond-financing programs are forward-looking initiatives to solve the problems. However we should not forget that by the case of cultural projects the social utility and the project's impact for life quality are more important than its economic returns. In this term these projects will be always special compared with other projects financed from European sources. That's why we suggest a special treatment in the framework of special operational program for the cultural sector in the future. But we believe that in the new programming period starting in 2013 there is not reality for this in Hungary.

### **REFERENCES**

- Rónai, I., Zongor, A. (2003): A magyar EU tagág és a kultúra. (In Hung.) Európai Füzetek 55., Miniszterelnöki Hivatal Stratégiai Elemző Központ - Külügyminisztérium
- Zongor, A. (2004): Kultúra és gazdaság kapcsolata az európai integráció folyamatában. In: Éger, Gy., Kiss, J.L. (eds.): Stratégia és kultúra, Kulturális külpolitika az új kihívások tükrében. Teleki László Alapítvány : Budapest