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THE IMPACT OF LOCAL GOVERNMENT UNITS ON THE POSITIONING OF CULTURE IN SOCIETY

Abstract Local government units (LGUs) play a key role in shaping cultural policies and funding cultural activities. However, the dominant model, which relies almost exclusively on public budget funds, exhibits structural weaknesses: it passivises stakeholders, limits innovation, and creates dependence on political cycles. This paper analyses the impact of LGUs on the positioning of culture in society through a comparative analysis of cultural budgets and policies in four Croatian cities: Osijek, Rijeka, Split and Zagreb. The central thesis is that LGUs need to transform their role – from primary funders of cultural content towards developmental actors that strengthen capacities, foster networking and stimulate cultural entrepreneurship. Drawing on budgetary data for 2020–2024, European and Croatian cultural policy literature, and the identification of structural limitations in the prevailing grant-based model, the paper proposes a set of transformational mechanisms: capacity development programmes, cross-sectoral networking platforms, cultural entrepreneurship incentives and innovative financing instruments including matching funds and cultural vouchers. The paper situates these proposals within the context of Croatia's newly introduced Cultural Card (Kooltura @18) pilot. In this way, culture shifts from a budget expenditure to an investment with measurable social and economic returns.

Keywords: local government unit, cultural policy, cultural financing, cultural entrepreneurship, capacity building

1. INTRODUCTION

Culture is considered a fundamental characteristic of a nation that strongly influences the formation of identities of individuals, groups and society as a whole (Seleš, 2022). In the contemporary context, the cultural industry has become one of the fastest-growing sectors – in the European Union it generates 7.2 million jobs, 1.2 million cultural enterprises and a combined revenue of 155 billion euros (Eurostat, 2020; Glavaš, Seleš, & Horniš Dmitrović, 2022). The cultural sector is no longer merely a matter of symbolic value; it is also a powerful driver of economic development, contributing 4.2% of the European Union's GDP and employing almost seven million workers (Ernst & Young, 2014).
In the Croatian context, local governmentunits (LGUs) are formally the key actors in shaping and funding culture at the local level. Under the Act on Local and Regional Self-Government and the Act on Cultural Councils and the Financing of Public Cultural Needs, cities and municipalities are tasked with ensuring conditions for the development of cultural and artistic activities. However, the dominant operational model that has been applied for years relies almost exclusively on budgetary transfers to cultural institutions and associations, without systematic incentives for the development of market competencies, entrepreneurship or innovative forms of financing.

This paper addresses the structural tension between the stabilising role of LGUs – indispensable for the functioning of the cultural ecosystem – and the developmental role that has become increasingly prominent in contemporary European cultural policy. Analyses conducted within the doctoral dissertation Modern Management as a Prerequisite for the Popularisation of Culture demonstrate that an approach incorporating diverse experts in the organisation of cultural programmes, stimulating the education of the market and future cultural practitioners, is an indispensable precondition for improving the economic situation and positioning culture as a driver of social development (Seleš, 2022).
The paper aims to: (1) analyse how LGUs currently influence the positioning of culture in Croatian cities, and (2) propose a transformational support model shifting the focus from the exclusive funding of content towards capacity development and entrepreneurial ecosystem-building. In this way, culture is repositioned from a category of budgetary expenditure to an investment with measurable social and economic returns. The research questions are:
To what extent do LGUs shape the cultural offer and the perception of culture within the local community?
Does the dominant funding model create a structural dependence of stakeholders on public funds?
Which alternative LGU support models demonstrate more sustainable long-term results?
The main findings of this paper are threefold. First, all four analysed cities demonstrate a positive budgetary trend in cultural expenditure over the 2020–2024 period, yet this growth has not been systematically accompanied by a corresponding shift in the structural logic of fund distribution. Second, the prevailing grant-based model generates a set of well-documented dysfunctions – stakeholder passivisation, precarity of the independent scene, absence of performance measurement and political budget cyclicality – which collectively constitute what the literature terms "grant culture" (Bilton, 2007). Third, a viable transformational pathway exists: LGUs can progressively reorient their role from content funders towards ecosystem architects by investing in capacity development, cross-sectoral networking and entrepreneurship-oriented financing instruments. The principal contribution of this paper is the articulation of a three-horizon policy model that is both grounded in European comparative evidence and calibrated to the specific institutional conditions of Croatian local government.
The paper is organised as follows: after the introductory chapter, a theoretical framework covers cultural policy, financing models and cultural sustainability. The third chapter describes the methodology of the comparative analysis. The fourth analyses the existing financing model through the lens of four Croatian cities. The fifth discusses the limitations of the dominant model, the sixth proposes alternative support models, and the paper closes with policy recommendations and a conclusion.

2. THEORETICAL FRAMEWORK

2.1. Cultural Policy as Public Interest

Cultural policy refers to the set of measures, programmes and institutions through which government – at all levels – regulates, promotes or constrains cultural practices and production (Gray, 2002). In democratic societies, the justification for public funding of culture rests on several arguments: culture as a public good to which the market allocates insufficient resources; culture as an instrument of social cohesion and identity formation; and culture as a generator of positive externalities in tourism, education and urban development (Throsby, 2001). These arguments constitute the normative foundation on which LGU cultural policy is built across Europe.
European cultural policy has gradually reoriented since the 1990s towards creative industries, recognising culture not only as a value in itself, but also as an economic sector with high growth potential (Hesmondhalgh & Pratt, 2005). This paradigm shift has direct implications for LGUs: local authorities are now expected to design cultural policies that simultaneously satisfy the criteria of cultural accessibility and democratisation, and those of economic efficiency and self-sustainability. In Croatia, the Act on Cultural Councils and the Financing of Public Cultural Needs (Official Gazette 83/22) defines the national framework for public cultural fund distribution, but leaves significant room for interpretation and adaptation at the LGU level. The result is a fragmented system in which cities develop differing approaches without systematic evaluation of the effectiveness of individual models.

2.2. Models of Cultural Financing

The theoretical literature distinguishes three fundamental models of cultural financing (Dragičević Šešić & Stojković, 2013). Public financing implies transfers from the budget to cultural institutions (institutional financing) or on a project basis to associations and the independent scene (programme financing). Market models are premised on a commercial logic in which cultural content must generate revenue sufficient to cover costs. Hybrid models combine these two approaches: a portion of costs is covered by public funds, while the remainder comes from market revenues and private donations.
European research consistently demonstrates that a purely market-based model is unsuitable for the vast majority of cultural activities – particularly for high culture, experimental forms and minority cultural practices (Klamer, 2004; Myerscough, 1988). On the other hand, a purely public model carries the risks of politicisation of selection, stagnation of content and a lack of market validation. Hybrid models accordingly receive growing support in the scholarly literature (Bonet & Négrier, 2011). Seleš (2022) documents how, regardless of year-on-year increases in cultural

budgets, certain stakeholders have grown accustomed to receiving public funds that result in projects of low market value – a phenomenon described in the literature as "grant culture" (Bilton, 2007).

2.3. Cultural Sustainability and Entrepreneurship

Cultural sustainability as a concept integrates ecological, economic and social dimensions, emphasising the importance of cultural capital as a resource that must be reproduced and developed over time (Throsby, 2001). In operational terms, cultural sustainability presupposes the ability of cultural organisations to diversify their sources of financing, develop audiences and build long-term relationships with the community and the private sector. An organisation wholly dependent on a single source of public funding is, by this definition, structurally unsustainable regardless of the quality of its cultural output.

Cultural entrepreneurship denotes the application of entrepreneurial principles – innovation, risk-taking, the pursuit of new markets – in the cultural sphere (Goldstein, 2016). It is not equivalent to the commercialisation of culture; the cultural entrepreneur may have a strong mission of social contribution while actively seeking ways to finance that mission through diversified and market-validated sources. Glavaš, Seleš and Horniš Dmitrović (2022) describe the Cultural Practitioner 2.0 as an interdisciplinary professional capable of implementing their own knowledge in the management of cultural and creative business and of actively collaborating with experts from other fields. This implies a need for managerial, marketing and entrepreneurial competencies that the traditional model of public financing does not systematically cultivate.

2.4. LGUs in the Local Cultural Ecosystem

The conceptualisation of LGUs as developmental actors rather than mere funders draws on the cultural ecosystem approach (Shorthose, 2004), which regards culture as an interconnected network of institutions, organisations, individual creators and audiences. In such a system, LGUs have the potential not only to fund individual actors, but also to design the infrastructure – physical and institutional – that increases the capacities of all stakeholders and enhances the connectivity and resilience of the ecosystem as a whole.

Examples of good practice in European cities – from Barcelona to Leiden – demonstrate that LGUs investing in creative industry incubators, mentorship programmes and networking platforms achieve greater long-term cultural and economic effects than those relying exclusively on grants to cultural institutions (Bianchini & Parkinson, 1993). Lamza-Maronić, Glavaš and Mavrin (2014) emphasise that the urban management of the contemporary city presupposes a synthesis between cultural, economic and social development – a synthesis realisable only when LGUs conceive of their role in terms of ecosystem architecture rather than resource allocation alone. This conclusion is further corroborated by Seleš's (2022) finding that modern management approaches can increase visitor satisfaction at cultural events, thereby improving perceptions of the cultural scene and contributing to broader social development.

A particularly instructive international example is the city of Ghent (Belgium), which has over the past two decades systematically transformed its cultural policy from a grant-distribution model towards an ecosystem development model. The city established the Arts Centre as a hub for independent cultural producers, invested in shared infrastructure (rehearsal spaces, recording studios, digital production facilities) accessible to the broader cultural sector on a subsidised basis, and created a Cultural Entrepreneurship Fund providing seed financing for cultural businesses with a repayable component. The result has been a measurable increase in the financial resilience of cultural organisations and a diversification of the cultural offer that has in turn contributed to the city's attractiveness as a creative economy destination. While the institutional context differs significantly from the Croatian situation, the underlying logic – shift from funding outputs to building ecosystem infrastructure – is directly transferable (Bonet & Négrier, 2011).

For Croatian LGUs, the key lesson from European comparators is that the transition from a grant-based to a developmental model does not require exceptional financial resources, but it does require a different kind of institutional commitment: a willingness to invest in intangible assets (competencies, relationships, platforms) whose returns materialise over a longer time horizon than the electoral cycle. This is precisely the institutional courage that the final section of this paper calls upon Croatian LGUs to exercise.

3. METHODOLOGY

This paper applies a combined research approach that integrates the comparative analysis of secondary data with the conceptual development of normative recommendations. The comparative analysis draws on cultural budget data from the four largest Croatian cities – Osijek, Rijeka, Split and Zagreb – for the reference period 2020–2024. The selection of cities is justified by their representativeness across diverse contexts (size, regional position, economic base) and the availability of data. The research design combines two distinct methodological components. The first is a descriptive-comparative analysis of budgetary and policy data, which maps the current state of cultural financing across the selected cities. The second is a normative-prescriptive component, in which the findings of the descriptive analysis are synthesised with evidence from European comparative cases and the cultural policy literature to derive actionable policy recommendations. This two-stage design is appropriate for a paper whose objective is not only to describe existing conditions but to propose a theoretically grounded and practically implementable model of transformation. The applied model – referred to throughout the paper as the "developmental actor model" – is specified along three operational dimensions: the reorientation of financing instruments (from output-based grants towards capacity-building and co-financing); the governance architecture (from unilateral LGU fund distribution towards participatory, cross-sectoral platforms); and the temporal logic (from annual project cycles towards a three-horizon strategic framework of 1–2, 3–5 and long-term measures). This specification makes the model both falsifiable and transferable: its core propositions can be tested empirically through future pilot interventions, and its structural logic can be adapted to LGU contexts beyond the four cities analysed here.

The methodological framework draws on the multiple case study approach (Yin, 2018), which enables a deeper understanding of the specific contextual factors shaping the cultural policies of individual cities while also allowing cross-case comparison. A methodological limitation that must be acknowledged is that the analysis – based on available public data and secondary sources – is not equivalent to primary empirical research involving interviews with decision-makers and in-depth analysis of internal budget documents. Where primary data are unavailable, estimates are based on secondary sources and analogies with documented comparative European cases. These include: Ghent (Belgium), whose transformation from a grant-distribution to an ecosystem development model is discussed in Section 2.4; Barcelona (Spain), frequently cited in the literature on creative industry incubators and LGU-facilitated cross-sectoral networks (Bianchini & Parkinson, 1993); Leiden (Netherlands), which has developed participatory cultural planning mechanisms adapted to mid-sized urban contexts; and former European Capitals of Culture, particularly Matera (Italy, 2019) and Turku (Finland, 2011), whose post-title sustainability challenges are directly relevant to the assessment of Rijeka's trajectory. The analytical framework is structured around four explicitly defined comparative variables, applied consistently across all four cities: (1) the absolute and relative share of the cultural budget within the total city budget, operationalised through officially published annual budget documents and execution reports; (2) the structural model of fund distribution, distinguishing between institutional financing (direct budget transfers to city-founded cultural institutions) and programme financing (competitive public calls open to associations and independent cultural practitioners); (3) the presence and design of incentive mechanisms for entrepreneurial and self-sustaining cultural activity, including co-financing schemes, matching funds, capacity development programmes and public-private partnership frameworks; and (4) documented indicators of citizens' cultural participation and perception, drawn from available survey data, event attendance records and published research. These four variables were selected because they collectively capture both the quantitative dimension (how much is invested) and the qualitative structural dimension (how investment is organised and what behavioural incentives it creates) – a distinction central to the argument of this paper. This multi-dimensional framework is necessary because the quality of a local cultural policy cannot be reduced to the size of its budget: equally important are the mechanisms through which resources are directed and the broader governance context within which they operate. Qualitative data include strategic cultural policy documents of the cities (where available), a literature review of European and Croatian studies on models of cultural financing, and findings from the author's previously conducted research (Seleš, 2022; Glavaš, Seleš, & Horniš Dmitrović, 2022).

4. CULTURAL FINANCING IN CROATIAN CITIES: ANALYSIS

4.1. Budgetary Trends, 2020–2024

Analysis of budgetary allocations for culture in the four cities reveals significant differences in absolute amounts, partly reflecting differences in city size and economic strength. For methodological consistency, 2020 figures originally in kuna have been converted to euros using the fixed rate of 1 EUR = 7.53450 HRK introduced on 1 January 2023.

Zagreb allocated approximately EUR 82.1 million for culture in 2020 (Seleš, 2022). By 2024, executed cultural expenditure reached EUR 105.6 million – a growth of approximately 35% (City of Zagreb, 2024). Particularly notable is the shift in fund distribution: allocations for public cultural needs directed to associations and the independent scene increased almost 2.5 times between 2023 and 2024, from EUR 5.27 million to EUR 12.36 million, while the total number of funded programmes rose from 1,163 to 1,384 (Culturenet.hr, 2024). Zagreb simultaneously adopted the Culture Development Programme 2024–2030, providing budgetary growth with a strategic framework that distinguishes it from the other three cities in terms of the depth of policy formalisation.

Rijeka recorded exceptional cultural allocations of approximately EUR 43.5 million in 2020, in the specific context of the European Capital of Culture title (Seleš, 2022). That figure was substantially elevated by European project funds and the special institutional attention the title commanded; in subsequent years the budget stabilised at a lower level. Nevertheless, the trend of growth in programme financing of external cultural beneficiaries remains positive, rising from EUR 580,615 in 2023 to EUR 704,118 in 2024 – a 21% increase in one year (City of Rijeka, 2023; 2024). These figures relate exclusively to programme financing and do not encompass total allocations for cultural institutions of which the City of Rijeka is the founder.

Split allocated approximately EUR 2.98 million for cultural services in 2020 (Seleš, 2022). For 2023, available data record a distribution of EUR 497,715 across 129 programmes through four cultural activity categories via the public call mechanism (Dalmatinski portal, 2023). With the standard caveat that public call data represent only a part of total cultural expenditure alongside the institutional financing of city institutions, a gradual upward trend in line with national patterns is apparent.

Osijek allocated approximately EUR 3.34 million to cultural activities in 2020 (Seleš, 2022). Data for subsequent years reveal a specific challenge: while total cultural budget allocations grow, funds directed towards the independent cultural scene via public calls increase relatively modestly. Total budgetary investment in culture reached EUR 5.39 million in 2023 and had more than doubled by 2024 to EUR 7.33 million, encompassing infrastructure investment including the construction of a new concert hall and the expansion of the Cultural Centre Osijek's programme portfolio. Viewed as a whole, the data reveal a consistent pattern of budgetary growth across all four cities over the 2020–2024 period. It is important to note, however, that a five-year window constitutes a relatively short observational period from which to draw definitive conclusions about the presence or direction of a structural trend. The figures reported here are best understood as indicative signals rather than confirmed long-term trajectories: they suggest a positive orientation of LGU policy towards culture, but the durability of this orientation across electoral cycles, fiscal constraints and institutional changes remains to be demonstrated over a longer time horizon. Continued monitoring of budgetary allocations – alongside qualitative assessment of how those allocations are structured and deployed – will be necessary to establish whether the patterns observed here represent a genuine and sustained policy commitment or a temporary conjunctural effect. With this caveat in mind, the trend is nonetheless a positive signal and warrants analysis of the underlying policy logic, which the following sections pursue.

4.2. Comparative Policy Profiles

4.2.1. Zagreb

Zagreb possesses the most developed cultural ecosystem among the four analysed cities, with a rich network of municipal cultural institutions – HNK Zagreb, the Museum of Arts and Crafts, the Ethnographic Museum, the Museum of the City of Zagreb and others – receiving a substantial portion of institutional financing. The POGON – Centre for Independent Culture and Youth model of co-governance between the City of Zagreb and civil society is frequently cited as an example of an innovative hybrid approach transcending the narrow model of direct grants. Nevertheless, this model remains an isolated case rather than a systemic transformation of cultural policy. Critics draw attention to insufficient transparency in allocation criteria and to conservatism in supporting innovative formats (Žuvela, Tonković, & Krolo, 2020).

4.2.2. Rijeka

Rijeka underwent an intensive transformation of cultural infrastructure and policy through the Rijeka 2020 – European Capital of Culture project, leveraging European funds for space reconstruction, audience development and the internationalisation of the cultural scene. What makes Rijeka particularly relevant to this analysis is its systematic approach to capacity development: education programmes for cultural managers, platforms for cross-sectoral cooperation, participatory cultural needs mapping and a clearly articulated cultural tourism strategy (Seleš, 2022). The key open question is whether these innovative approaches will endure once European funds and the special institutional attention accompanying the European Capital of Culture title have ceased – a challenge common to many former host cities across Europe.

4.2.3. Split

Split is positioned as a city with exceptional cultural heritage – the Palace of Diocletian places it among the most significant cultural and historical destinations in Europe – but with limited capacities for an active cultural policy that would leverage that heritage as a springboard for contemporary cultural production. The cultural budget is predominantly directed towards infrastructure maintenance and institutional financing, while space for experimental forms is constrained. A notable phenomenon manifests with particular clarity in Split: high tourist demand for cultural content is generated spontaneously (ancient sites, festivals such as Ultra Music Festival), yet local cultural policy has not developed mechanisms to channel that demand towards local cultural production and entrepreneurs. This unexploited synergy between tourism and culture represents one of the most significant development opportunities available to the city.

4.2.4. Osijek

Osijek is an example of a regional centre that actively uses cultural events as a tool for city positioning and branding. Osječko ljeto kulture (OLJK), held continuously since 2001, is documented as a successful cultural policy instrument combining public financing with a diverse programme accessible to a broad audience (Seleš, 2022). The event attracted 7,655 visitors in 2021 alone, and local residents' perceptions confirm OLJK's identification as a cultural event for everyone (Glavaš et al., 2022). The sustained growth of the cultural budget – exceeding EUR 7.33 million in 2024 – alongside the construction of a new concert hall and the active programme role of the Cultural Centre Osijek signal a positive developmental trajectory. Structural challenges, particularly the unpredictability of funding for the independent scene, nonetheless persist and merit ongoing policy attention.

4.3. Strengths and Structural Limitations

The fundamental strengths of the dominant model of cultural financing through LGUs are: stability and predictability for cultural institutions; accessibility of cultural content for all citizens regardless of financial means; and the ability to sustain projects that would not be financially viable on a purely market basis. These strengths are not negligible – particularly in the context of culture as a public good whose benefits extend beyond its direct consumers.

Structural limitations are, however, serious. Passivisation of stakeholders – a phenomenon in which organisations lose motivation for market orientation because they know that budgetary funds will be available regardless of programme quality or attendance – is the most prominent negative consequence. Seleš (2022) documents how certain stakeholders have grown accustomed to receiving a set sum covering costs and ensuring a profit, resulting in projects of low market value. Annual and biennial financing agreements further discourage the development of strategic partnerships with the private sector, long-term audience development programmes and investment in the professional development of cultural practitioners. Cultural entrepreneurship, as a model combining mission with market efficiency, remains a marginal phenomenon without systemic LGU support.

5. "GRANT CULTURE" AND ITS CONSEQUENCES

The phenomenon of "grant culture" (Bilton, 2007) describes a situation in which cultural actors predominantly direct their energy towards securing public subsidies rather than developing programmes, audiences or market competencies. In the Croatian LGU context, this phenomenon manifests in four distinct ways.

First, there is a tendency for cultural programmes to be shaped in accordance with the presumed priorities of donors rather than the genuine needs of the community or the innovative visions of cultural creators. This "public call logic" may result in the homogenisation of the cultural offer and the marginalisation of risky, experimental forms that lack a clearly recognisable profile suitable for competitive funding. The outcome is a cultural landscape in which the safe, the familiar and the institutionally legible are systematically favoured over the experimental and the emerging.

Second, the unpredictability of project-based financing – standing in contrast to the stability of institutional financing – creates precarity for a significant portion of the independent cultural scene. Associations and individual cultural practitioners find themselves unable to plan seasonal and multi-year activities, which in turn limits both audience development and the formation of strategic partnerships. Žuvela, Tonković and Krolo (2020) document how nearly two decades of unsystematic and inconsistent local policy support failed to provide adequate conditions and incentives for the development and affirmation of contemporary cultural and artistic creation on the independent scene.

Third, the system of public cultural financing in Croatia has not developed performance measurement mechanisms that would reflect the complex social and economic value of cultural activities. Glavaš, Seleš and Horniš Dmitrović (2022) propose the introduction of a measurement instrument modelled on the Swedish Kreametern to track developments in the cultural and creative sector; no such instrument currently exists in Croatian LGU practice. In the absence of evaluation mechanisms, it is impossible to distinguish programmes generating genuine cultural and social value from those that merely perpetuate the status quo – and, consequently, to make informed decisions about the future allocation of resources.

Fourth, the political dependence of budgetary cultural funds creates the risk of the instrumentalisation of cultural programmes for promotional purposes. In pre-election years, cultural budgets may be inflated to produce visible community investments, while during fiscal crises culture becomes one of the first items to be cut. This cyclical instability is fundamentally incompatible with long-term cultural strategy and undermines the very predictability that the institutional financing model is intended to provide.

6. ALTERNATIVE MODELS: FROM FUNDER TO DEVELOPMENTAL ACTOR

The proposed transformation of the LGU role is not synonymous with the withdrawal of the state from the cultural sphere. On the contrary, it represents a qualitative change in how LGUs act as cultural development actors: rather than predominantly allocating funds, they invest in preconditions – competencies, infrastructure, networks and standards – that enable the cultural sector to develop its own dynamism and diversify its financing sources. The distinction is between financing outputs (completed cultural events and products) and investing in the systemic conditions that determine the quality, sustainability and reach of those outputs over time.

6.1. Capacity Development Financing

The most direct form of transformational support is the allocation of a portion of the cultural budget towards educational programmes for cultural practitioners and organisers: cultural project management, marketing of cultural content, fundraising, digital communication and financial management. Such programmes have a multiplier effect: a single trained cultural manager strengthens an organisation's capacities for far longer and to a far greater extent than any single project grant. Seleš (2022) argues that involving diverse experts in cultural activity planning and stimulating the education of both current and future cultural practitioners creates the preconditions for improving the economic position of the cultural sector as a whole.

LGUs can design annual professional development programmes in collaboration with faculties of economics and cultural studies, scholarships for participation in international cultural management programmes, and mentorship schemes in which experienced cultural managers from well-established cultural institutions support the development of smaller organisations and independent actors. This logic – education as investment rather than expenditure – should become a systemic principle of LGU cultural policies rather than an occasional, project-dependent activity.

A critical component of capacity development is building financial literacy among cultural practitioners. Many cultural organisations in Croatia lack the internal competencies to prepare applications for EU structural funds, negotiate co-financing arrangements or develop multi-year financial planning frameworks. LGUs that invest in training programmes specifically addressing these competencies effectively open entirely new financing channels for their local cultural ecosystems – channels that do not require additional budgetary expenditure once the initial training infrastructure is established.

6.2. Cross-Sectoral Networking Platforms

The cultural ecosystem functions optimally when mechanisms exist that enable the exchange of information, resources and ideas among diverse actors – cultural institutions, associations, private enterprises, tourist organisations, the academic community and citizens. LGUs can play a key role in establishing and facilitating such platforms. A model that has proved effective in the European context is the organisation of annual cultural forums or roundtable discussions bringing together all stakeholders in a constructive dialogue about priorities and challenges. Beyond dialogue, LGUs can support digital collaboration platforms: shared calendars of cultural events, databases of available spaces for cultural activities, and portals for the crowdfunding of cultural projects.

Lamza-Maronić, Glavaš and Mavrin (2014) emphasise that the urban management of the contemporary city presupposes a synthesis between cultural, economic and social development. Networking platforms operationalise that synthesis concretely: they connect the cultural sector with tourism, hospitality, education and digital enterprises, generating joint projects that benefit all stakeholders and create cultural value that neither sector could produce in isolation.

The value of such platforms extends beyond the facilitation of individual projects. Over time, repeated interaction across sector boundaries builds the mutual trust and shared vocabulary that are preconditions for genuine strategic partnership. LGUs that invest in this relational infrastructure are, in effect, building the social capital of their local cultural ecosystem – an intangible but decisive determinant of long-term cultural vitality and economic resilience. The Croatian cities examined in this paper vary significantly in the extent to which such infrastructure has been developed: Rijeka's participatory planning mechanisms represent the most advanced example, while the other three cities offer significant room for growth in this dimension.

6.3. Cultural Entrepreneurship Incentives

The development of a cultural-entrepreneurial ecosystem – an environment in which cultural actors possess the competencies, resources and incentives to pursue market revenues while retaining their cultural mission – is one of the most sustainable long-term shifts LGUs can stimulate. The distinction between cultural entrepreneurship and commercialisation lies precisely in the preservation of cultural and social mission alongside the adoption of entrepreneurial methods (Goldstein, 2016). The cultural entrepreneur may have a strong public mission, but finances it through diversified and market-validated sources.

Concrete mechanisms that LGUs can introduce include: micro-grants with a market validation requirement (small grants conditional on demonstrated audience interest or partner co-financing); co-funding schemes in which the LGU provides a share while the remainder comes from market sources; and matching fund models in which the LGU provides funds equivalent to those raised from private sources. Goldstein (2016) documents European creative incubators and accelerators combining precisely these mechanisms. For Croatian LGUs, pilot incubator programmes for cultural and creative industries – providing access to space, mentorship, education and networking – represent a replicable and evidence-supported policy option.

6.4. Innovative Financing Instruments

In addition to transforming how budgetary funds are distributed, LGUs can actively promote the diversification of financing sources through innovative instruments. Public-private partnerships in culture – in which a private partner cofinances a cultural project in exchange for media visibility or tax benefits – are a relatively rare model in Croatian practice but carry significant potential. Crowdfunding supported by LGUs is a model in which local government raises a campaign's credibility and legitimacy through public endorsement or matching financing: if a project raises a defined amount from citizens, the LGU adds an equivalent sum. This model simultaneously develops participatory engagement – citizens become active stakeholders in cultural production – and encourages market validation.

Cultural vouchers, analysed in depth by Seleš (2022) using the Slovak model as an example, represent a particularly promising instrument: citizens receive designated funds for the consumption of cultural content, simultaneously increasing cultural participation and introducing an elementary market logic into the distribution of cultural resources. Citizens gain the right of choice, while individuals from the creative and cultural sector must compete on the basis of quality and relevance to attract the allocated amounts. In this way, the instrument addresses both the demand side (cultivating audiences) and the supply side (creating genuine competitive incentives for cultural producers) of the cultural equation (Seleš, 2022).

It is precisely in this vein that Croatia introduced its Cultural Card (Kulturna iskaznica) pilot in 2025/2026. Adopted by the Government of the Republic of Croatia on 6 November 2025 in accordance with the Government Programme 2024–2028 (Official Gazette, 137/2025), the scheme provides every person turning 18 in calendar year 2026 with EUR 100 in designated cultural spending funds – valid until age 19 – accessible via the e-Citizens system under the brand Kooltura @18 (Ministry of Culture and Media, 2025). Eligible venues include museums, cinemas, bookshops, theatres, concert halls and cultural centres that applied to the Ministry's public call. The instrument carries two critical policy dimensions: audience development (creating cultural consumption habits at the threshold of adulthood, a critical moment in cultural socialisation) and market logic (cultural providers must enter a competitive accreditation system to attract younger audiences). Croatia thereby joins Italy, France, Germany and Spain in implementing similar instruments (Secondary School – COO, 2026). For LGUs, the scheme further offers a stimulus to design complementary local voucher schemes targeting age groups or cultural content not covered by the national pilot – an approach fully consistent with the transformational logic advanced in this paper: not passive reliance on national instruments, but the active design of a local cultural ecosystem directing incentives and resources towards long-term cultural participation and audience development.

7. POLICY RECOMMENDATIONS FOR LGUS

On the basis of the conducted analysis, concrete recommendations for LGUs seeking to transform their cultural policy towards a developmental model are organised into three time horizons.

7.1. Short-Term Measures (1–2 Years)

LGUs should redefine the criteria for the allocation of public cultural needs funds to include – alongside traditional criteria – the dimensions of cultural innovativeness, audience development potential and the capacity for income diversification. The introduction of evaluation mechanisms – outcome reports, audience reach and satisfaction measurement – is a precondition for informed decision-making. Without such mechanisms, it is structurally impossible to distinguish programmes generating genuine cultural and social value from those that simply reproduce the status quo. Simultaneously, LGUs should initiate participatory dialogues with cultural sector stakeholders to map concrete needs for capacity development, establishing the empirical basis for designing relevant educational programmes.

In operational terms, this means revising public call documentation to include reporting templates that track not only the outputs of funded activities (number of events, participants) but also broader indicators of audience development (repeat attendance, demographic reach) and organisational sustainability (revenue diversification ratio, partnership engagement). These revisions are low-cost but systematically consequential: they signal to applicants what is valued and gradually reshape the culture of how cultural organisations present and evaluate their own work.

7.2. Medium-Term Measures (3–5 Years)

LGUs should establish structured capacity development programmes for the cultural sector in cooperation with higher education institutions and civil society, accessible to practitioners in both established institutions and the independent scene, with particular attention to digital and entrepreneurial competencies. These programmes should be conceived not as one-off training events but as sustained professional development frameworks with mentorship, networking and access to international exchange. Cross-sectoral networking platforms integrating the cultural sector with tourism, local entrepreneurship and the academic community – anchored by an annual city-level cultural forum and a supporting digital portal for cooperation and scheduling – can serve as the point of departure for building a more dynamic and resilient cultural ecosystem.

The medium-term horizon is also appropriate for piloting matching fund and co-financing mechanisms on a small scale, with a view to learning from initial implementation before mainstreaming. European experience suggests that matching funds are most effective when combined with capacity development support: organisations that receive matching grants alongside mentorship are significantly more likely to sustain diversified revenue streams after the initial grant period ends. This sequencing – first competencies, then financing incentives – is therefore not merely logical but empirically supported.

7.3. Long-Term Framework

In the long term, LGUs should adopt a combined financing model that predictably secures basic stability for cultural institutions while directing a growing share of resources towards capacity development, entrepreneurial initiatives and matching financing. European recommendations suggest that approximately 20–30% of an LGU's cultural budget should be allocated to developmental rather than purely operational measures (Bonet & Négrier, 2011). The introduction of a sectoral measurement instrument at the LGU level – inspired by the Kreametern model proposed by Glavaš, Seleš and Horniš Dmitrović (2022) – would enable the systematic monitoring of trends and evaluation of the effectiveness of cultural policies, transforming cultural governance from intuitive to evidence-informed. Without such an information base, even well-intentioned transformations of cultural policy risk replicating the same structural weaknesses in new institutional forms.

8. CONCLUSION

This paper proceeded from the thesis that LGUs are key actors in the positioning of culture in society, but that the dominant model of their operation – based almost exclusively on budgetary transfers – limits long-term cultural sector development and creates a structural dependence conducive neither to innovation nor to cultural entrepreneurship. The comparative analysis of four Croatian cities confirmed significant differences in approach to cultural policy: Rijeka has positioned itself as a city with a more ambitious developmental model, partly owing to the specific context of the European Capital of Culture, while Osijek, Split and Zagreb display various modalities of predominantly institutional financing with limited developmental components. All four cities demonstrate a consistent trend of budgetary growth for culture, confirming that LGUs recognise culture as a priority – yet the distribution of funds and the developmental effects they generate remain the more critical policy variables.

The proposed transformational model does not negate the necessity of public cultural financing. Culture remains to a significant extent a public good that the market cannot adequately finance – particularly in the segments of high culture, experimental forms and cultural activities for marginalised groups. The key transformation is the shift of focus from financing cultural content towards investing in preconditions: the competencies of cultural practitioners, infrastructure for cooperation and networking, and incentives for market validation and entrepreneurial orientation. As Glavaš, Seleš and Horniš Dmitrović (2022) note, this creates a circle in which all stakeholders benefit – cultural practitioners, organisers, the local community and private partners alike.

The introduction of the Cultural Card (Kooltura @18) as a national pilot instrument represents a concrete policy step in the direction advocated by this paper: an instrument that simultaneously addresses audience development and market validation, and that opens space for complementary local initiatives by LGUs. It exemplifies the kind of structural innovation that transforms culture from a budget line to a genuine policy investment with demonstrable returns.

Ultimately, culture must not be merely a cost in the public budget, but an investment in the social and economic development of the community. The evidence reviewed in this paper suggests that this transformation is both practically achievable and empirically justified. Realising it requires LGUs to have the institutional courage to evolve their role – from passive financiers of cultural content to active architects of sustainable cultural ecosystems.

9. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Several limitations of the present study warrant acknowledgement. First, the comparative analysis relies primarily on publicly available budgetary data and secondary sources rather than on primary data collected through interviews with decision-makers or systematic analysis of internal policy documents. This methodological choice, while practically necessary, limits the depth of insight into the decision-making processes and institutional logics that shape cultural policy in each city. Future research should employ primary qualitative methods – structured or semi-structured interviews with cultural policy actors at the municipal level – to complement and contextualise the quantitative budgetary analysis.

Second, the paper focuses on four Croatian regional centres – Osijek, Rijeka, Split and Zagreb – which were selected precisely because they represent the most complex and resource-intensive LGU cultural policy contexts in Croatia, and because the availability of comparable budgetary and policy data is greatest for this group of cities. As the largest and most institutionally developed LGUs, they constitute a natural starting point for the analysis of systemic cultural policy patterns. However, it must be explicitly acknowledged that smaller cities, rural municipalities, island communities and industrial centres face fundamentally different structural constraints – lower absolute budget envelopes, thinner institutional infrastructure, less developed civil society and distinct demographic profiles – that may significantly alter both the diagnosis and the prescriptions offered in this paper. The transformational model proposed here is not intended as a one-size-fits-all solution; rather, its underlying logic – investing in ecosystem preconditions rather than output

financing – is conceived as adaptable across LGU scales and typologies, provided that it is preceded by a context-specific baseline analysis of the local cultural ecosystem. Extending the comparative analysis to medium-sized cities (populations of 20,000–80,000), rural municipalities and post-industrial centres would be a valuable direction for future research, and would allow for a more differentiated and economically grounded understanding of how LGU size, economic base and demographic structure interact with cultural policy choices and outcomes.
Third, the transformational model proposed in this paper is normative and conceptual rather than empirically tested. While it draws on European examples and evidence from the Croatian context, the specific mechanisms proposed – matching funds, cultural incubators, voucher schemes, capacity development programmes – have not been piloted in the Croatian municipal setting. Rigorous evaluation of pilot interventions, using pre-post comparative designs and robust outcome indicators, would be necessary to validate the model's applicability and effectiveness in the Croatian institutional environment. The introduction of the Cultural Card (Kooltura @18) pilot provides a timely opportunity for exactly this kind of policy evaluation research, and future studies analysing its outcomes could yield evidence of direct relevance to the LGU-level policy recommendations advanced in this paper.

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