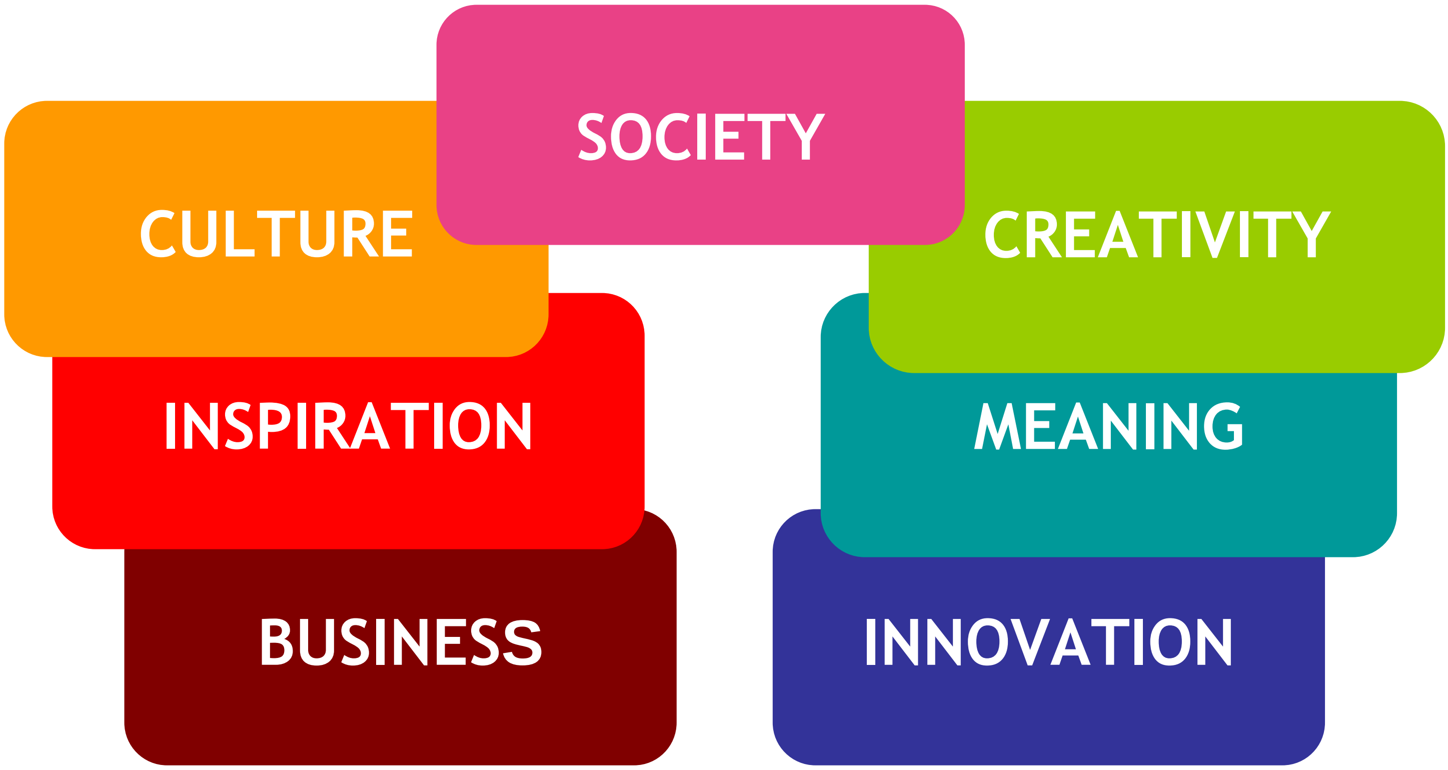
Report
(Final Draft)

OMC - Expert Working Group on maximising the potential of Cultural and Creative Industries, in particular that of SMEs

April 2010



1. Foreword

This Report of the Open Method of Coordination-Expert Working Group (OMC-EWG) on Cultural and Creative Industries (CCIs)[1] came out after eight plenary meetings taking place since April 2008 and always largely participated (22 to 25 Member States representatives or nominated experts).

During more than one year and a half, several working methods were adopted[2]: presentations by experts and external invited institutions, questionnaires and submission/consideration of 101 case studies representing good/bad practices (see Appendix 1), establishment of four focused subgroups to better focus and detail the applied knowledge extractable from those case studies (see Appendix 2), general approval of an Interim Report as a “consensus paper” (12th November 2009, 7th plenary meeting), comments on this document from three internationally recognised specialists (Walter Santagata, University of Torino; Lluís Bonet, University of Barcelona; Giep Hagoort, University of Utrecht).

Gratitude has to be expressed to the many experts and official representatives that were always available to the follow-up of the work and to make their contributions whenever asked. Nonetheless, and even if the “balance-sheet” of this OMC experience is very positive from several points of view, its outcome suffers from the different degrees and forms of interest/involvement that the 27 Member States could effectively demonstrate over time and during the most difficult moments of preparation and definition of the ways ahead[3].

The Group is also aware of the unequal degree of development the basic framework and recommendations reveal and thus considers that the European Commission (namely DG Education and Culture) should pursue and increase, in the near future, its laudable efforts on this area, so allowing national experts to widely debate their views and experiences in order to further complete/harmonize this Report (namely concerning a deeper analysis of the enormously different features and drivers of the various CCIs sectors and of the suggested level - local, regional, national, European - at which concrete interventions should take place) and to debate the more relevant question after this stage of first steps: what’s next?

[1] For comments or more information, contact the co-chairs: Dick Rijken (NL), g.d.rijken@hhs.nl, and Fernando Freire de Sousa (PT), freire.sousa@rulesinv.com.

[2] As a result, common views about a large number of topics emerged. See Appendix 3 for some explicit notes on that “Expert Working Group’s vision”.

[3] Any eventual decision of European authorities to repeat some exercise of this kind should include a direct appeal to the few Member States that were absent (or not enough present), thus failing to be part of a debate of some important aspects of the common future we are trying to build together.

2. Recommendations: Basic Framework for Policy and Main Priorities at EU level

The Group decided to structure the presentation of the general findings and results of its work according to a basic framework for policy (see figure below) that make emerge eight lines of major recommendations ("strategic agenda").

The experts also decided to elect as the main priorities to be considered ("operational agenda") the topics arising from their voting of those in which the European Union (EU) can play a large or a key role[4]; almost 75% of the votes obtained fell in 8 specific recommendations (see table below), thus justifying the related case studies referred in boxes 1 to 8 as possible examples of good practices.

	Recommendation Line	Nº	%
1. Access to finance: development of financial mechanisms and venture capital funds	4. b)	15	22,7
2. Raise general awareness about the importance and economic value of the CCIs	2. a)	9	13,6
3. Better European funding for CCIs	1. c)	5	7,6
3. Digitalisation of cultural heritage and copyright issues and policy	5. c)	5	7,6
3. Talent recognition, educational programmes and competences	2. b)	5	7,6
		39	59,1
4. Foster incubation	3. b)	4	6,1
5. Foster the technological and legal basis that enables new business models, promote the use Creative Commons licenses for intellectual property	5. b)	3	4,5
5. Develop networks and clustering: towards a creative cluster strategy	5. d)	3	4,5
TOTAL		49	74,2

[4] Experts were asked to vote in this sense by choosing the 3 topics they would consider better able to fulfil that condition of an EU level preferential policy. 22 member states participated in this exercise.

Line 1 - Political awareness and sensibility

- ***CCIs are rapidly growing and significantly contributing to economic and social development on a global scale (cities, regions, nations).***
- ***The flourishing of this sector in Europe requires a high level of understanding/cooperation from political representatives and institutions at all levels, namely concerning its role as a must for the EU competitiveness.***
- ***The importance of sufficient EU funding has also to be acknowledged by politicians as a "sine qua non" condition for CCIs to become valuable and fully competitive alternatives - existing funds should then be increased or made available where they currently aren't.***
- ***Given the fact that there are, within the EU, countries already having well developed CCIs policies and countries only having such an agenda in a preliminary processing phase or barely having an agenda of this focus, guidance provided to national governments by EU bodies and mapping exercises would be appropriate starting points for achieving a minimum degree of convergence.***

1. a) Mapping and Creative Programmes

- Policy and governments[5] should recognize the importance and economic value of the Cultural and Creative Industries (CCIs) and encourage the mapping of creative activities and the launching of creative programmes at all geographical levels

1. b) Foster interaction between Countries, Ministries and EU-DG's

- At EU level
  - i. Cooperation between the European Commission directorates (enterprises, industry, innovation, competition, trade, education, culture, etc.), supported by the governments of member states, as well as with the European Parliament and advisory institutions taking part in EU decision-making (like Committee of the Regions and ECOSOC)
  - ii. Conditions for a permanent and well functioning exchange of relevant information and a common database/platform[6] of good/bad practices between the member states should be provided
  - iii. Both analytical and awareness work could lead to the establishment of a specific interdisciplinary EU Task Force or Observatory[7] to collect information, compare practices about CCIs as specific sectors of the economy and follow the implementation of some major recommendations
- At national and regional levels
  - iv. Cooperation among various ministries and other authorities, as well as among various departments of regional authorities
  - v. Permanent contacts between the decision makers and the players/stakeholders of CCIs in order to define strategic goals and implement relevant interventions for national and local competitiveness

1. c) Better European funding for CCIs[8]

- At EU level
  - i. Review and ensure the coherence of existing measures/resources

[5] Involving not only the EU and national authorities but also the regional, local and city administrations.

[6] Including available funding sources, financial constructions, models, methods, mapping of projects, etc.

[7] Rather than establishing a group/task force, the same work could also be entrusted to an organisation(s), not as single commissioned study or survey but as a longer-term responsibility.

[8] See Box 1 on the Estonian experience in using Structural Funds, namely for CCIs. Interesting similar cases to consider could also be the ones of Hungary or Poland.

and of the use of Structural Funds (as well as Cohesion Fund, and sectoral/horizontal programs like MEDIA, Culture, FP7, etc.) in order to include CCIs whenever possible and rationale[9]

ii. Promote the development of CCIs by starting/innovating or by renewing/adapting direct and indirect appropriate sources and measures of support[10]

iii. Develop evaluation tools to assess the impact of the funding mechanisms in terms of employment, value added, return on investments, etc. and give particular attention to evaluation of tax credit measures and their efficiency at EU level[11]

iv. Facilitate exchanges of best practices between Member States in the field of funding mechanisms for SMEs operating in the CCIs[12]

v. Study the increase of EU support to culture and the allocation of a larger investment in CCIs from EU Structural Funds[13]

BOX 1 - DESIGNING FINANCIAL SUPPORT MECHANISMS FOR CREATIVE INDUSTRIES FROM THE EU STRUCTURAL FUNDS (ESTONIA)

Cultural and Creative Industries were included in the priorities for Estonian National Development Plan for EU Structural Funds for 2007-2013. Apart of investments for regional competitiveness (cultural heritage, museums) and tourism, creative industries were separately indicated within the Operational Programme for Development of Economic Environment.

There are special support programs for Creative Industries: awareness raising and research; building export capacity; supporting infrastructure and cooperation - incubators, development centres, export agencies, cluster program; training program (Creative Industries included in wider program); product development (Creative Industries included in wider program); international fairs (Creative Industries included in wider program). Special working group consisting of representatives of Ministry of Culture, Ministry of Economic Affairs and Communication and "Enterprise Estonia" agency facilitates the planning of those measures.

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[9] The key-word is to better accommodate culture based creativity in all relevant EU measures in line with the real needs of European cultural and creative businesses.

[10] Like Framework Programme 7, Lifelong Learning Programme – Comenius, Erasmus, Leonardo da Vinci and Grundtvig – and other tools allowing artists to work in different sectors via networks, to launch common projects, to increase knowledge exchange, to improve professional skills or to better protect intellectual property by considering the related costs as eligible in all the EU funding mechanisms. Also to be considered are venture capital initiatives in the financing of creative enterprises within the frame of JEREMIE =Joint European Resources for Micro to Medium Enterprises.

[11] These national measures create a competition between CCIs that might limit their efficiency at EU level.

[12] See Line 4. b).

[13] Taking also into account the principles and recommendations set out in "Think Small First. A Small Business Act for Europe".

Line 2 - Pre-Conditions: Culture, Communication and Education

- ***The importance and economic value of the CCIs at national and regional level is not a question of belief, but undisputedly present; furthermore, externalities of creativity do occur in a range of ways, both directly assessable and more remote and elusive.***
- ***In order to generalize the conscience of this fact, definitions and statistics have to be communicated where present, clarified and bettered where possible, and gathered where useful.***
- ***Cultural policy matters, namely because fine arts and culture are a crucial basis for creativity and innovation, and communication has to be improved by disseminating the results of good practices in several countries/regions and/or in different sectors/businesses. There are essential links between the non-commercial arts (often publicly funded) and more business-oriented subsectors such as design or advertising.***
- ***The development of one of essential element of "social capital" (human talent) requires finding as many talented (young) persons as possible and promoting the unfolding and efficient utilization of their comprehensive abilities, all levels of the educational system (from early age throughout higher education) being major contributors to achieve the potential of all students and find everybody's talent, as well as for skills training and other mentoring services needed to strengthen the business competences of a large number of CCIs players.***

2. a) Raise general awareness about the importance and economic value of the CCIs (best practices and statistics)[14]

- At EU level
  - i. A clear working definition of CCIs should be put into use[15]
  - ii. Statistical data and indicators providing a sound knowledge base and an ability to measure progress should be collected, produced and made commonly known[16]
  - iii. Detailed analysis and studies on CCIs statistics, mapping exercises outcomes and best practices databases should be developed in order to provide a sound knowledge base on the sector, thus allowing to identify the potential and different characteristics of the existent subsectors, to evaluate where the externalities of creativity (spillover effects) are mostly operating and to contribute to feeding up the global competitive strategies of the EU
- At national and regional levels
  - iv. Cultural issues and policies should be strategically considered
  - v. A statistical framework for CCIs, in coordination with the EU (Eurostat), should be implemented into national CCIs strategies
  - vi. CCIs should be carefully mapped at national and regional levels taking into account their national, regional and local distinctivenesses

[14] In Europe, the significance of CCIs' researches and policies was largely induced by the UK Blair Administration since 1997. Apart from this forerunner role and its major developments (Box 2.A), lessons could be taken from other EU countries experiences and programmes. One the most recent in place is "Creative Estonia" (Box 2.B), but mention is due to the "Development Programme for Business Growth and Internationalisation in the Creative Industries 2007-2013" (FI), "KreaNord" (Nordic Creative Industries), "Creative Value – Dutch policy on Culture & Economy" (NL), the "Plan de Fomento de las Industrias Culturales" (ES), the "White Paper on Creativity – towards an Italian model of development" (IT) or the "Third Austrian Report on Creative Industries" (AT). Initiatives on this subject are spreading all over the 27 Member States through specific working groups (e.g. Cyprus, Malta, Slovakia, Lithuania and Bulgaria).

[15] However, these are rapidly evolving sectors and no definition should therefore be carved in marble; such a debate should be left to expert statisticians.

[16] A common framework for EU cultural statistics enabling measurement and comparison of CCIs outputs and outcomes needs to be put into life (compatibility with the 2009 UNESCO Framework for Cultural Statistics (FCS) and other corresponding frameworks should be taken into consideration). Also, regarding statistics, connection should be made with the work currently made in Eurostat ESSnet framework.

BOX 2.A - CREATIVE BRITAIN

Following the launching of the "Creative Industries Task Force" (1997), the UK government and DCMS (Department for Culture Media and Sports) have been developing remarkable initiatives in favour of creative industries - from the "Creative Industries Mapping Document" (1998) to "Creative Britain: New Talents for a New Economy" (2008).
This updated strategic document for the Creative Industries - led by DCMS in partnership with the Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for Innovation, Universities and Skills (DIUS) - aims to move the creative industries from the margins to the mainstream of the UK economy: "In the coming years, the creative industries will be important not only for our national prosperity but for Britain's ability to put culture and creativity at the centre of our national life."(Gordon Brown, Prime Minister).
The key drivers of success in the creative industries are included in the strategy -main chapters are: Giving All Children a Creative Education, Turning Talent into Jobs, Supporting Research and Innovation, Helping Creative Businesses Grow and Access Finance, Fostering and Protecting Intellectual Property, Supporting Creative Clusters, Promoting Britain as the World's Creative Hub -, which also focuses on local, regional and international elements to ensure that Creative Britain will help the UK's creative industries grow domestically and globally. Over £70 million of support and 26 commitments outline how the Government is taking action in a very serious manner.

BOX 2.B - CREATIVE ESTONIA

Creative Estonia initiative was launched in early 2009 to bring all awareness raising activities under one umbrella. The program's activities include comprehensive web-portal (www.looveesti.ee), collection and publication of good practices and lessons learned, publication of mapping exercises and studies, newsletters and newspapers, innovative student seminars in the form of theatre plays, business plan competitions, online business plan trainings, active use of social media to promote creative industries and its possibilities (e.g. Facebook, Twitter), 8 regional conferences all over Estonia on marketing of Creative Industries, media support for other initiatives in the sector, development for online portfolios for creative entrepreneurs, facilitating cooperation network between Creative Industries centres and incubators. etc.

2. b) Talent recognition, educational programs and competences

- At EU level
  - i. Basic topics of talent educational programs[17]: knowledge investments; infrastructure development; assistance programs, events, trainings; support to the scientific career of women; scholarships supporting an international research network

[17] Educational programs are of crucial importance in developing CCIs. Under this point, a strong connection should be made with parallel OMC-EWG on Creativity and Education, which is looking for different practices in fostering creativity in schools. One example could be "Creative Britain" approach with a comprehensive "Find Your Talent" program (5 hours a week of culture for children and young people), establishing number of apprenticeships a year in creative industries and other supportive initiatives. There are various good practices around Europe to support the abovementioned aim: million pupils received a 15€ cultural card to be used in cultural establishments (NL), "Cultural Rug Sack" (Norway), "Hungarian Genius Programme", initiatives regarding bringing cultural practitioners into schools.

ii. The support of young talents has measureable effects on the economy and should therefore represent a major part of the education and training in the CCIs[18]

iii. Enhance creative competences in business education and set up business skills development networks between creative companies and education organizations to make both sides understand each other and foster interdisciplinary approaches (see Box 3); some concrete suggestions: exchange programmes at European level, promote cooperation between different sub-fields (not programs for film industry only, for music industry only, etc.), promote cooperation between different business lines, combine creativity with business skills, check the real needs of enterprises (to be included in education)

BOX 3.A - AALTO UNIVERSITY (FINLAND)

Aalto University in Helsinki represents a good case of cooperation between Ministry of Education and Culture, Ministry of Employment and the Economy and private business sector in merging three state universities (Helsinki School of Economics, Helsinki University of Technology and University of Art and Design). Aalto University has created an autonomous foundation university on joining the competences of business school, technical university and design academy, so contributing to enhance understandings and to break segregations between creative companies and education organizations. The foundation that oversees this new institution was started with 200 million € equity (40 million € coming from the business sector) and aims to attain 700 million € in 3 years (200 million € being private).

BOX 3.B - HUNGARIAN GENIUS INTEGRATED AND TALENT SUPPORT PROGRAMME

The Hungarian Talent Support Council (HTSC) was founded in 2006 as a joint effort of NGOs, aiming to maintain the heritage of state-of-the-art talent support programmes rooting deep in Hungarian educational culture. To date, there are 27 member organizations of HTSC, a non-profit association itself, whose mission is to promote various forms of talent support, ranging from identification of gifted children, through a variety of professional talent support programmes, and to the acknowledgement of high achievers as well as their mentors. A three-year European Union funded project, the Hungarian Genius Integrated Talent Support Programme started operation in 2009. It aims at developing a nationwide network of talent support organisations, which will help create or strengthen bonds between the educational and talent support processes covered in schools and such opportunitivided by NGOs or even private persons.

[18] As a highly important side-product, this initiative also creates novel jobs, both in the form of expanding the participants' abilities and enabling them to find their place in the society in a completely unpredicted high position but also in helping them to create jobs for others.

Line 3 - Environmental Conditions

- *The development of a CCIs' friendly environment is essential to induce new initiatives, risk taking and rewarding ventures within the sector.*
- *Among the factors that "make things happen" in a sustainable way, there might be quoted the following: entrepreneurship, incubation, public and private partnerships, digitalisation promotion.*

3. a) Promote entrepreneurship

3. b) Foster incubation[19]

- At EU level
  i. Specific measures for support (e.g. pilot programs, program strands, general guidelines for the Member States, etc.) could be set up in the Structural Funds over the next financial years and on the basis of closer cooperation between institutions
- At national and regional levels
  ii. Encourage the mapping of local or regional CCIs, feasibility studies which are an indispensable phase of planning the set-up of creative industry incubators[20], providing arguments for their need[21] and defining their possible profile, specialisation, stakeholders, clients, and partners[22]

BOX 4 – THE DIGITAL HUB (IRELAND)

THE DIGITAL HUB
INTERNATIONAL DIGITAL ENTERPRISE AREA | DUBLIN

The "Digital Hub Project" is an Irish Government initiative, managed by the "Digital Hub Development Agency" (July 2003), to create an international centre of excellence for knowledge, innovation and creativity focused on digital content and technology enterprises. It is defined as "a community of people – artists, researchers, educators, technologists, entrepreneurs and consumers, all working together to create innovative and successful digital media products and services which support their future."
The core development of 9 acres is located a ten minute walk from the city centre within the historic Liberties area of Dublin. Over the next decade, this initiative will create a mixed-use development, consisting of enterprise, residential, retail, learning and civic space.

3. c) Encourage public and private partnership (PPP) initiatives, including with other business lines

3. d) Promote digital infrastructure: free wireless, broadband, open standards

[19] See Box 4. Other studied experiences were Tallinn Creative Incubator – Incubation services for Creative and Cultural Entrepreneurs (EE), InSerralves (PT) or Schraubenfabrik (AT).

[20] The creative industry incubators should be included as a measure in relevant national strategies and regional development programs in order to ensure synergies among the policies concerned and to diminish the risks posed by changing political priorities within local authorities. Furthermore, national governments and regional authorities should encourage public and private partnership initiatives in developing creative industry incubators.

[21] The intrinsic diversity of the creative sector, the diversity of interest groups and different aims of creative industry incubators create the conditions for high creative output, but at the same time they make dialogue and broad consensus among the stakeholders more difficult in practical terms. Therefore, a long-term strategy and the distribution of responsibilities in supporting and managing creative industry incubators should be discussed beforehand and adopted by all the parties involved.

[22] It is important to maintain a balanced simultaneous focus on developing creative business SMEs and informing the market of the potential of CCIs. Also, there is a clear room for an effective structure when it goes to capital injections into the starting company or to the variety of services they require (from business plans to high level R&D).

Line 4 - Business skills, financing and infrastructures

- ***CCIs face a large number of barriers to their development, namely related to the specific structure of a much atomised industry that is largely dominated by SMEs and by a myriad of very particular kinds of cultural goods and services and individual/micro businesses (freelancers, artisans, clubs, value creators, etc.).***
- ***A clear perception of those barriers stands out in areas like insufficient required skills (personal, technical and managerial), lack of capital, infrastructural weaknesses and bad working conditions, thus leading to an urgent call for action in order to face the most negative constraints of those obstacles.***

4. a) Training, management skills acquirement and ongoing business monitoring and mentoring

- At EU level
  - i. Identify the needs of the CCIs that are not covered by the existing EU and national mechanisms, specially in terms of project or SMEs cycle: availability of market-business information (market analysis, business information, advisory board, training and entrepreneurial knowledge), and consultancy services
- At national level
  - ii. Improve skills-training schemes and tools[23]
  - iii. Support the gaining and development of practical entrepreneurial competences[24]

4. b) Access to finance: development of financial mechanisms and venture capital funds[25]

- At EU level
  - i. Identify different national and local environments in which cultural and creative SMEs operate, and the nature of these SMEs themselves (including crafts, micro-enterprises, family owned or social economy enterprises)
  - ii. Develop, in tandem with those providing funding, prudential analysis methods to assess the risks specific to the EU's cultural and creative SMEs[26]
  - iii. Develop financial mechanisms' benchmarking (caution, guarantees, loans, investments, bonds, export incentives, etc.) to facilitate conditions for cultural businesses/projects to accede to private funding mechanisms and for stimulating the release of capital from financial institutions dedicated to the CCIs, specially SMEs, including with the support of guarantees of the EIF
  - iv. Through European networks, enhance cooperation of financial and banking institutions operating in the CCIs and develop expertise in CCIs projects of SMEs, in order to increase transnational guarantees or finance for projects co-produced at European level
- At national level
  - v. Launch a communication plan to increase CCIs' access to finance
  - vi. Encourage financial and banking institutions to create venture capital funds addressing the needs of SMEs and micro-credit

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[23] A predominance of SMEs within the CCIs and a lack of business skills within these small organisations require further initiative on this subject.

[24] In several member states specific training facilities have already been developed. Good examples are the Center for Creative Business of the London Business School (UK), the Refinery-Project (FI) and InovContacto (PT).

[25] See Boxes 5.A on the Flemish initiative "CultuurInvest" and 5.B on the French institution IFCIC. Further relevant initiatives complying with the needs of the CCIs through partnership between government and private institutions are NRW.BANK.Kreativwirtschaftsfonds (DE), Advantage Creative Fund (UK), Impulsprogramm (AT), DigiDemo (FI) and the financing facilities of the Instituto de Crédito Oficial (ES).

[26] One of the main challenges related to access to finance is the development of expertise within SMEs as well as within the financial institutions in assessing the specific risks linked to SMEs in the CCIs.

businesses in the CCIs, including through tax reduction measures and investment of public capital in those funds

- At regional level

vii. Organize networks to develop competences in capital demands required by SMEs and micro-credit businesses of the CCIs

viii. Encourage State/Region joint-investments in dedicated venture capital funds

BOX 5.A - CULTUURINVEST (BELGIUM)

CultuurInvest is essentially an investment fund; not a subsidising institution; it operates under the auspices of ParticipatieMaatschappij Vlaanderen NV (PMV) so that the market would distinguish clearly between an instrument that presupposes a payback and financial return and the existing subsidies in Flanders.
CultuurInvest aims at assisting dynamic entrepreneurs producing high-quality and culture-related products or services (in the fields of the new media and computer games, the audiovisual industry and digital design, the music and concert industry, design and designer fashion, printed media and graphic design, publishing and book retailing, musical and performing arts, distribution within the plastic arts, etc.) and presenting a market potential they wish to bring to test on the basis of a well-balanced business model.
The investment fund amounted to 21.5 million € in 2007, expecting to grow towards 30 million € in few years. Half of this capital was provided by PMV and half was raised (10-year bond loan with bullet repayment) by eight strategic private partners (Dexia, Ethias, Fortis, ING, KBC, Landbouwkrediet, Sabam and Triodos). During the initial operational period (November 2006 to March 2009), CultuurInvest received 216 investment applications and its Investment Committee took 38 investment decisions (30 of which had already been implemented by March 2009).
CultuurInvest takes stakes in creative enterprises but it can also provide short term or long term subordinated loans. The envisaged market impact after ten years amounts to 100 million €.

BOX 5.B – IFCIC (FRANCE)

Institute for the Financing of Cinema and Cultural Industries (IFCIC) is a specialised private credit institution, whose capital is owned by the largest French banks, some public institutions (Caisse des Dêpots et Consignations, Oséo) and the French State.
IFCIC has been entrusted by the Ministries of Culture and Finance with the general interest service of sustaining the development of cultural industries by helping them to gain access to bank financing.
The activity of IFCIC is, mainly, the offer of guarantees to the banks (typically covering 50% - up 70% in exceptional cases - of the amount of the loan) and the use of its expertise to act as a counselling intermediary on the evaluation of the specific risks of cultural industries. Complementarily, IFCIC also runs, since 2006, direct loans through a Fund for Musical Industry (75 reimbursable advances representing a global amount of 9,75 M€ in favour of labels, publishers, distributors, etc. and contributing to finance 20,4 M€ of investments).
Some recent results that demonstrate the increasing significance of IFCIC are the growth of 30% of business on its guarantee activity (2009) and the 6,7 m€ of direct loans granted in 2009 (vs. 3,4 M€ on the period 2006-2008).

4. c) Better infrastructure (physical and virtual) for the production, distribution and consumption of creativity

Line 5 - New business models, networks and clusters

- *The large interdependence between legal frameworks and business models has to be highlighted: the current business models are adjusted to the legal regime, while looking for new business models might also imply to be open to legal changes.*
- *Intellectual property regulations, while balancing the interests of right owners and users, are an asset more than a hindrance for the creative use and reuse of cultural products.*
- *The development of new business models requires the acceptance that remixing, mashing and appropriation art in general is an important part of artistic and cultural expression. For instance, it would be possible to produce digital cultural content widely useful, portable and durable - in other words, 'interoperable' resources - if new legislation enables the legal production of these cultural and artistic practices.*
- *Support to new business models is justified if they foster rewards to creativity, creative professionals that do not rely on current IPR legislation and diversity. The launching of a European creative cluster strategy could go in this same direction, namely relying on the learnings from recent and multiple developments of European ICT and innovation policies.*

5. a) Value intangible assets and enable new business models[27]

- Pay special attention and develop expertise on the valuing of the intangible assets[28] that most CCIs' companies possess
- Support and subsidise (e.g. flat rate and subscription models) the easing of content distribution, so helping professionals and SMEs to develop new business models

5. b) Foster the technological and legal basis that enables new business models, promote the use of Creative Commons licenses for intellectual property[29]

- Improve the quality of business environment (infrastructure, taxation, legal regulation) in order to stimulate the development of new business models
- Enhance and support investments in Creative Commons

BOX 6 - CREATIVE COMMONS (THE NETHERLANDS)

creative commons nederland

A system of licenses - supported through a website - that allows for innovations and a larger public domain within the boundaries of the existing IPR laws. Subsidized by the Dutch Ministry for Education, Culture and Science, "Creative Commons Netherlands" (CC-NL) has been working on promoting and supporting the use of Creative Commons Licenses in the Netherlands since 2004 through activities including workshops, presentations, on and offline support as well as academic research into legal questions raised by the use of the Creative Commons Licenses.
CC-NL is operated by a consortium of university researchers (Institute for Information Law - IViR), a think tank (Knowledgeland) and a cultural institution in the new media (Waag Society), in cooperation with Creative Commons International, a not-for-profit organization, founded in 2001, that promotes the creative re-use of intellectual and artistic works.

[27] The combination of globalization/Internet/IPR issues are the underlying conditions for the redefinition of the "creative value chain" that is at work.

[28] Particularly through the evaluation of their intellectual property rights.

[29] See Box 6 as one of the several good examples existing in Europe.

5. c) Digitalisation of cultural heritage and copyright issues and policy[30]

- Make digital content and information more accessible and usable, namely using specific funding programmes
- Review the current intellectual property practices and legislation, which is seen as problematic by many museums, archives and libraries[31]
- Enact think tanks on European copyright policy at different levels[32]

BOX 7 – ITALIAN MINISTRY FOR CULTURAL HERITAGE AND ACTIVITIES (ITALY)

The Italian "Ministero per i Beni e le Attività Culturali" is employing a considerable amount of resources in various main actions for systematic gathering of information and digitisation of a critical mass of cultural content in Italy.
The project for the Italian culture portal ("CulturaItalia") was launched with the mission of communicating the various aspects of Italian culture (arts, archaeology, landscape, cinema, music, literature, architecture, etc.) and creating a unique and integrated point of access to Italian cultural heritage. From a close cooperation with MICHAEL Italy Service – forming a thick network of reference points belonging to all sectors of cultural heritage throughout the national territory and whose resulting comprehensive map of digitisation activities in Italy is a useful tool for decision makers and public administrations at all levels (national, regional and local) to monitor the results of their funding and to enter partnerships for further digitisation activities – it drew international standards/good practices and guaranteed that the main Italian public and private digital cultural content providers are covered.
Additionally: "Biblioteca Digitale Italiana" is a program including a platform of initiatives connected to the digitization of Italian bibliographic resources, "Internet Culturale" is a portal of the catalogues and digital collections of thousands of Italian libraries, SAN (National System of Archives) manages all the information on cultural goods concerning the Italian state archives and its regional administration offices, ICCD (Central Institute for Cataloguing and Documentation) is a body defining the standards and tools for cataloguing and documentation in agreement with the Regions (national archaeological, architectural and art history and ethno-anthropological heritage) and managing SIGEP (General Information System for Cataloguing), OTEBAC, (Observatory for Digitisation in Cultural Heritage) aims to guide both private and public cultural institutions (museums, archives, libraries, etc.) in applying quality criteria in all digitisation activities and different partnerships between cultural public institutions and the private sector allow for new ways of funding digitisation of cultural material.

5. d) Develop networks and clustering: towards a creative cluster strategy[33]

- Foster networks between CCIs and other sectors, but also within CCIs ,and provide finance for these networks[34]

[30] See Box 7 on the Italian experience.

[31] New legislation is namely demanded for a better access to XXth century contents.

[32] There are, at least, three possible levels: a) academic think tank consisting of economists, sociologists, members of artistic academies and political sciences, being highly important that participants are impartial and do not profit from any alteration in copyright law; b) the former plus lawyers, and representatives of the creative sector, the traditional content industry, the consumers and the telecom industry; c) the former plus political representatives and of the WIPO (World Intellectual Property Organisation) to complete a rethinking of a European copyright strategy.

[33] See Boxes 8.A and 8.B as possible and limited illustrations in an area where a sound expertise has been recently built under the stimulation of the EU Commission (DG Entreprise and Industry).

- Prioritize creative clusters and expertise centres instead of small one company projects
- Emphasize the special conditions necessary for the Commission, according to the "Small Business Act" and in consultation with Member States, to develop a creative cluster strategy, assuming measures to encourage greater participation of SMEs in innovative clusters, facilitate clusters' access to new markets and stimulate initiatives of pan-European/transnational cluster cooperation

BOX 8.A - REGIONAL HUBS (SWEDEN)

KK-stiftelsen UPPLEVELSEINDUSTRIN

The "experience industry" is a concept used in Sweden as a collective label for individuals and companies with a creative approach, marketing experiences in one form or another; apart from traditional creative industries, sectors like tourism and gastronomy are also included.
Established to help institutions of higher education to strengthen Sweden's international competitiveness and ability to create value by stimulating research environments, long-term working on strategic profiles and increasing cooperation between academia, industry, institutes and society, "The Knowledge Foundation" selected eight places as "regional hubs" (i.e., being already or wanting to be part of "the experience industry"): the cities of Karlshamn, Hultsfred, Trollhättan, Piteå and Hällefors (2003) and Stockholm, Gothenburg and Malmö (2005).
The inspiration to the "regional hubs" came from, among others, the Swedish Governmental Agency for Innovation Systems (Vinnova) and the Swedish Agency for Economic and Regional Growth (Nutek). Working with a triple helix model, those institutions enhance the possibility for different sectors of the society to meet, connect and cross boundaries. Each regional hub focuses on one major business area and at least one minor one (design and advertising, movies, moving media, fashion and design, design and gastronomy, tourism, computer games, music); their major focus areas constitute "national nodes of competence" (platforms for increasing knowledge and competence in the sector, a possible way of developing a future cluster strategy?) and are co-financed by local and regional investors.
In 2007, Upplevelseindustrin ("Swedish Creative Industries") - a non-profit association devoted to developing the "experience industry" and to provide a networking forum within the CCIs -, introduced the FUNK model - an acronym for the Swedish words Forskning (research), Utbildning (education), Näring (business) and Kultur (culture) - as a national action plan. The plan, now used at all eight regional hubs, challenges the current industrial and cultural policies, and is listing concrete measures within research, education, industrial and cultural policies.

BOX 8.B - CAP DIGITAL (FRANCE)

cap·digital Paris Region

Capital Digital (CD) is a Paris Regional business cluster for Digital Content, Service and Knowledge Industry, created in 2005 in the context of a French Government policy initiative ("Pôles de compétitivité").
With the main goal of fostering the development of the French digital content and services industry (150000 jobs and 70 to 80% of the French digital market, counting for 12b€) while bringing together laboratories and companies (170 labs, 30 universities and schools, 15000 researchers and PhD titulars, 500 SMEs and 25 large enterprises), CD uses fund raising through governmental call for projects as its main tool (248 R&D projects funded over 770 proposed and 515 M€ of private and public funding in 4 years).
The Cluster's scope and strategy is defined by 9 "Domain Communities": Image, Sound&Interactivity, Games, Knowledge Engineering, Digital Heritage, Digital Design, e-Education&e-Training, Digital Lifestyle&Services, Robotics&Smart Environments, Cooperation&Free Software. The role of CD is to contribute to the renewal of governance forms by providing members with essential information, networks, and resources (including ongoing competitive intelligence, training, partnerships, funding solutions, and project reviews)

[34] A good example of the development of networking between CCIs and the rest of the economy is the Dutch "Creative Challenge Call", a € 8 million subvention scheme (2005-2008) aiming at the creation of networks between creative industries, the other sectors of the Dutch business community and knowledge institutes.

Line 6 - Creativity and Innovation

- ***CCIs are increasingly called to greatly position themselves as sources of innovation, this term being frequently seen and understood as a primarily commercial one (which is relevant).***
- ***On the other hand, the question is obviously more complex and a great diversity of innovation drivers exist and emerge in different countries and sectors; but the pivotal role of creativity in processes of technological and non technological innovation (focused on scientific research, markets, business, marketing products and creative services) has to be recognised.***
- ***Richard Caves ("Creative Industries", 2000) referred that innovation is "the visible tip of the iceberg of everyday creativity", must "carry the credentials of manifest face value" (or operate between) "novel and traditionally accepted goods" and also "involves a broadly based process in which the creative inspiration of an artist or group is a necessary condition".***

6. a) Organize knowledge transfer networks[35] - CCIs as new "network industries"?

- It is indispensable to anchor innovation policy into the regional and local levels - most innovations come about from local cooperation and the development of local innovation is the only way to secure the impact of major innovation policy inputs; with the view of concrete results, regional, local or municipal plans should be drawn up regarding ways to implement innovation strategies and to enhance local ecosystems
- Open and public network-based innovation environments should be created[36] with the purpose of integrating creative economy knowledge into corporate innovation[37]

6. b) Support connections between creativity and technology: from awareness to facilitation[38]

- Cultural and creative industries play a critical role in enhancing innovation and supporting connections between creativity and technology in the transition to the digital era; innovation activities between different business lines and authorities could be strengthened by forum work which gathers different actors together

6. c) Non technological-driven innovation[39], service innovation and user-driven innovation

- Innovation is not a concept limited to ICTs and requires much wider levels of organization/practice in products and services development (namely including quality, traditional know-how, industrial design, life-style, symbolic values, societal issues, tacit knowledge) than the very important achievements that technology obviously allows

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[35] See international examples like "Creative Cities Network", "Districts of Creativity" network or "European Urban Knowledge Network".

[36] Suggestions were presented in order to start a European program facilitating artists to work in different sectors via networks.

[37] Examples abound; just to mention one, we could refer to the social media Finnish company Tori.In.

[38] One interesting initiative could be the set up of a high level enterprise counselling.

[39] Design, for example, makes other products and services better in more than one way: more suited to rapidly evolving markets, cheaper, more durable, cheaply transported and environmentally friendly.

- Core products and services of CCIs are an artistic expression and therefore they rarely can be user-driven, while users can be involved in parts of the CCIs

6. d) Incite business to employ creative people and artists (vouchers issue)[40]

[40] The way this scheme should work is out of the scope of this document. Within the Dutch system, for example, "the government gives vouchers to small companies, allowing them to source the expertise (mostly consultants) they need from public research institutes".

Line 7 - Linkages to other sectors and social goals

- ***Walter Santagata ("Libro Bianco sulla Creatività", 2007) suggests the significance of emphasizing the focus of creativity on the "world of material culture" (i.e. the set of goods and services which man has produced since the dawn of humanity to modify his relationship with nature and society as it developed).***
- ***In this sense, the real impact of CCIs goes largely beyond its consideration in terms of markets and business in order and highlights their great importance for "social quality" ("the extent to which people can participate in social, economic and cultural life and in the development of their communities in conditions, which improve well-being and individual potential").***
- ***The model of "creativity for social quality" refers preferentially to culture, territory, society, cultural districts and creative cities.***
- ***Registering the enlargement of CCIs' content throughout increasingly diffuse frontiers, the Group assumed a broad definition of CCIs and so included activities that either foster the demand or call for mechanisms of valuation of the sector. The case of cultural tourism was specifically mentioned and considered***

7. a) Regeneration of places (e.g. industrial towns)

- Collect good practices in the field of regeneration of place, specially of derelict/declining industrial towns[41], which can lie with local governments and with private initiatives from artists and companies
- Relate CCIs to positive image of places[42]
- Relate arts and other creative industries to social goals, such as the repopulation of the countryside and fostering social inclusion (poor, disabled, old and risk people)

7. b) Cultural tourism

- Culture is, on one hand, a key factor of tourism development but, on the other hand, culture it is increasingly connected to and dependent on tourism; some cultural attractions able to generate economic profit are: built heritage, arts fairs, museums and exhibitions, performing arts, festivals, film tourism, gastronomic tourism and rural tourism
- Take care of cultural heritage is essential, but cultural tourism has also a huge potential as one main contributor to the attractiveness of a region (for tourists, students, investors and inhabitants)
- The challenge is often to find the synergies and right ways to all parties' collaboration (culture, tourism and local authorities); in such ideal case, cultural tourism can have a large contribution to the community by preserving cultural heritage, pointing out the value of cultural goods and services, enlarging communication between tourists and local people, livening up the cultural and social life, improving education and knowledge, creating new jobs and bringing new financial resources

7. c) Local and regional development projects

- Stimulation to culture is an element of regional identity and might evolve to be a differentiated territorial-based competitive factor[43]
- CCIs can contribute to an environment where the economy thrives and, in this sense, their contribution to social cohesion is an important indirect effect on economic life

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[41] There is a huge amount of researches and experiences all over Europe on this topic.

[42] In these globalisation times, when competition simultaneously forces companies to lower their expenses and opens them possibilities to operate anywhere in the world, the image of the places not only influences the flow of economic and social sources in the region/place but also their outflow. Whether a negative image can mean a dangerous blockade, a positive image can bring value added to local/regional products.

[43] At this point, there is much to be learnt from the Italian "industrial districts".

Line 8 - European dimension and cultural diversity, access to markets and internationalisation

- ***The cultural diversity within the EU-27 is essential and has to be protected (respect of national subsidiary policies) and promoted (regulatory and subsidy policy measures are to support that goal), thus conducting to the exchange of experiences, the understanding of differences, the bridging of gaps, the creation of wider levels of consensus/tolerance and the increase of harmonisation/cooperation, as much as to the international affirmation of the example of openness the Europe model represents.***
- ***Being a growing sector, CCIs can have a large impact in EU competitiveness and must be considered as full integrating the "2020 Strategy" presently under discussion.***
- ***There is a call for common political actions able to foster foreign trade and to improve the position of EU players on the external markets, making worldwide recognition/domination viable whenever possible.***

[44]

8. a) Protect[45] and promote[46] cultural diversity[47] and invest in CCIs as a significant component of the EU "2020 Strategy"

- Consider cultural diversity as an EU asset – "one mission, different roads" and the possible special role of EU institutions
- Harmonize framework conditions and regulatory/subsidy policy measures to secure the viable economic existence of CCIs' core activities[48]
- Set up exchange programmes leading to improved CCI's cooperation and sales in the single market
- Strengthen the conditions for EU to further/better exercise its worldwide and geo-political challenges and responsibilities

8. b) Support exports[49] and internationalisation

- Promote market access, namely to third countries and especially to (potential) candidate countries and to those non member states with which the EU has concluded international agreements
- Encourage transnational networks, businesses and clusters between different EU players in different sub-sectors
- Promote European creativity and innovation, power up Europe as a world class brand and stimulate the international leadership potential of European based companies

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[44] To be reviewed and approved during the next plenary meeting (13th April).

[45] Also including the preservation and safeguard of freedom of expression within the cultural field.

[46] Protection and promotion of cultural diversity are among the founding principles of the European Union. They are incorporated in the Treaty on European Union (Article 151), in the Charter of Fundamental Rights of the European Union (Article 22), and in the Treaty of Lisbon (Article 2 and 188c). EU also binded itself to protect and promote cultural diversity by ratifying UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

[47] Some experts suggest that, to secure this goal and assess the impact of EU measures, a "market compatibility test for SMEs and freelancers in the cultural sector" should be introduced as a binding process.

[48] Even respecting competition's cultural policy borders, the dialectic between standardization and differentiation, as well as the one between legitimacy and efficiency, is the result of both ideological and lobbying strategies, and their effect on governmental programs and legislative design.

[49] The growth of cultural exports strengthens the creative core of society and improves the EU's chances of success in global competition, including maintaining jobs and creating new ones.

Appendix 1

The 101 Case Studies submitted[50]

1. Audiovisual – The example of Austria (AT)
2. Departure and Impulsprogramm - Two support mechanisms to creative industries (AT)
3. Schraubenfabrik - a place for 20 creative companies (AT)
4. Third Austrian Report on Creative Industries (AT)

5. Audiovisual – The example of the French speaking community of Belgium (BE)
6. CultuurInvest (BE)
7. Kunstenloket (BE)
8. Publishing – The example of the French speaking community of Belgium (BE)
9. State support to the international promotion and export (BE)
10. Vlaams Audiovisueel Fonds (BE)

11. Mapping of the creative industries in the city of Plovdiv (BG)
12. Sofia Film Fest & Sofia Meetings (BG)

13. The Educational Programmes and Community Outreach Programme of the Cyprus Symphony Orchestra (CY)

14. Career and Transfer Service Center (DE)
15. Die Kunst von Kunst zu leben - The art to make a living from Art (DE)
16. Federal Government's Initiative for the Culture and Creative Industries (DE)
17. Law on artists' social security (DE)
18. MFG Baden-Württemberg mbH – Innovation Agency for ICT and Media (DE)

19. Cultural entrepreneurship (DK - bad practice)
20. Tax deductions for company art purchases (DK)
21. The Centre for Cultural and Experience Economy – a joint venture by the Ministry of Culture and the Ministry of Economic and Business Affairs (DK)

22. Creative Estonia – LoovEesti (EE)
23. Designing financial support mechanisms for Creative Industries from EU Structural Funds (EE)
24. Tallinn Creative Incubator – Incubation services for Creative and Cultural Entrepreneurs (EE)

25. Eiken, the audiovisual cluster of the Basque Country (ES)

[50] Details about the majority of these cases – arising from the expert's answers to the above mentioned questionnaire – can be found in CIRCA service (You can use the following link (http://circa.europa.eu). A small number of them were just suggested, considered or discussed in the work of the 4 working sub-groups.

26. Facility for the Internationalisation of Spanish Enterprises from the Instituto de Crédito Oficial (ES)
27. Financing facilities of the Instituto de Crédito Oficial (ES)
28. Plan de Fomento de las Industrias Culturales (ES)

29. Aalto University (FI)
30. Cooperation between ministries in Finland (FI)
31. Creative Tampere (FI)
32. Development Programme for Business Growth and Internationalisation in the Creative Industries (FI)
33. DigiDemo Programme supporting creative industries (FI)
34. MEDA – Training project (FI)
35. Providing Sparring Services for Creative Industries (FI)

36. Cap Digital – Paris Region Business Cluster for Digital Content (FR)
37. IFCIC – Funding Facility for Cinema and Cultural Industries (FR)
38. Industrial District (china and stain-glass) in Limoges (FR)

39. Hungarian Genius Programme (HU)
40. Use of structural funds for developing creative industries (HU)

41. Film tax incentive scheme in Ireland (IE)
42. Income tax exemption for artists in Ireland (IE)
43. The Digital Hub (IE)

44. Experience Rome (IT)
45. Filas Audiovisual Fund – Lazio (IT)
46. The Italian example of Ministry for Cultural Heritage and Activities in digitalisation (IT)
47. Torino 2008 World Design Capital (IT)
48. White Paper on Creativity (IT)

49. Audiovisual – The example of Malta (MT)
50. The Culture of Festivals in Malta (MT)
51. Valletta Grand Harbour Regeneration (MT)

52. Beelden voor de Toekomst - Images for the Future (NL)
53. Creative Challenge Call (NL)
54. Creative Commons Netherlands (NL)
55. Creative Value - Dutch policy on Culture & Economy (NL)
56. Cultural Biography Limburg (NL)
57. Cultural Investment Funds: Triodos Cultuurfonds and Pak-C (NL)
58. Digitale Pioniers (NL)
59. Eurosonic/Noorderslag Festival and Seminar - European Rock and Pop Music (NL)

60. Kunstenaars&CO – Artists, Culture and Entrepreneurship (NL)
61. Laboratories in the new Media (NL)
62. Picnic – cross-Media Festival and Conference in Amsterdam (NL)
63. Young Designers and Industry (NL)

64. Cultural Incubator - Art Incubator (PL)
65. National strategy for the development of culture 2004-2020 in Poland (PL)
66. Polish Film Institute (PL)
67. Polish Institute of Industrial Design (PL)
68. Use of structural funds – The Polish Example (PL)

69. Addict – Agency for the Development of Creative Industries (PT)
70. Building Regeneration – Portimão Museum (PT)
71. Cultural and Creative Sector in Portugal - Study for the Ministry of Culture (PT)
72. InSerralves – An Incubator for the Creative Industries (PT)
73. Inov Artes Programme (PT)
74. Inov Contacto Programme (PT)
75. Tourism Programmes – PIT (PT)
76. Tourism Programmes – SIVETUR (PT)
77. Y Dreams (PT)

78. Supporting creativity within the cultural sector in Romania (RO)

79. Airis, Artists in Residence (SE)
80. Icehotel (SE)
81. National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-13 (SE)
82. Regional Hubs (SE)
83. The Knowledge Foundation (SE)
84. Upplevelseindustrin - Networking Forum of the Swedish Creative and Experience Industries (SE)
85. The Swedish example of a reinforced cooperation between the Ministry for Culture and the Ministry for Enterprise and Energy (SE)

86. Music Festival Pohoda (SK)

87. Portal Kamra (SL)

88. Advantage Creative Fund (UK)
89. Creative London – London Development Agency (UK)
90. Creative Britain – National Creative Programme (UK)
91. Developing Small Business Survival Skills (UK)
92. Film Club (UK)

93. **Knowle West Media Center (UK)**
94. **Mediacity (UK)**
95. **Pembridge – Finance and Advice to help Creative Businesses grow (UK)**
96. **Practical Skills Development for Graduates (UK)**
97. **Rainhill High School (UK)**
98. **The Centre for Creative Business of the London Business School (UK)**
99. **When Doctor Who came to town – BBC Wales (UK)**

100. **Baltic-Nordic cooperation Network of Ministries of Culture (EE + LV, LT, FI)**
101. **Nordic Council of Ministers (Norden) – KreaNord (FI + DK, SE, Iceland, Norway)**

Appendix 2
The Expert Working Group process

Early on this process, the EWG decided to work in subgroups. Four themes seen as covering the debate in a meaningful way were identified, together with their associated questions, as follows:

1. **Context**[51]

   What is the context of the cultural and creative industries? How do they connect to other sectors in society, like economy or other ones? What is the nature and extent of innovation through culture and how can this be stimulated by policies at European, national, or regional levels?

2. **Use and re-use of culture**[52]

   How and by whom is culture used? How can we make sure that there is an optimal flow of inspiration? And, with the rapid rise of digitization in every domain thinkable, how can we facilitate new forms of cultural production that feature inspiration in its purest and most literal form: the re-use of cultural products in order to create new meaning?

3. **Method**[53]

   How do the cultural and creative industries operate in terms of entrepreneurship and business models? How can this huge collection of SMEs be stimulated and facilitated in its business practices?

4. **Content**[54]

   Focusing on cultural products and its content, how can quality be improved, sustained, and taught?

All four subgroups produced documents with conceptual analyses and policy recommendations. Based on these documents, the EWG decided to consider the presented eight lines of recommendations in order to structure a list of possible policy interventions to be critically evaluated and revised in the near future.

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[51] This Group was hosted by the Netherlands (Bart Hofstede), having as other participants Denmark, Finland, Greece, Latvia, Poland and the United Kingdom. Interested other countries were Bulgaria, Belgium/Wallonia, Hungary and Lithuania.

[52] This Group was hosted by Italy (Andrea Granelli and Rosanna Binacchi), having as other participants Austria, Belgium/Wallonia, Germany, Ireland and Romania. Interested other countries were the Netherlands and Finland.

[53] This Group was hosted by France (Philippe Chantepie), having as other participants Belgium/Flanders, Bulgaria, Estonia, Lithuania, Portugal, Slovenia, Spain and Sweden.

[54] This Group was hosted by Hungary (Istvan Halasi), having as other participants Cyprus, the Czech Republic, Malta, Portugal and Slovakia. Interested other countries were Romania, Estonia, Greece and Italy.

Appendix 3

Some Notes on the Expert Working Group's Vision[55]

A. Introduction[56]

Creativity and Culture

'Creativity' refers to the act of producing new things or ideas. It is the process through which new ideas are pioneered, while innovation is the process through which they are implemented. 'Culture' has many definitions and connotations, but the production of meaning is almost always involved. Although they are formally independent (new things are being created outside the culture sector, and many meaningful cultural artefacts are not new), there are strong and important relationships between creativity and meaning. The production of meaning more often than not requires new ways of seeing the world, new interpretations, and new forms that express these new insights. We shall frequently refer to 'culture-based creativity' as a term that unites both concepts—'new' and 'meaning'. New meaning. It includes businesses as well as 'not for profit' or state supported (cultural) organisations, since the borders between these different kinds of institutions are fading in public-private partnerships that are becoming more common.

Now that our western societies are transforming from industrial societies into information societies, meaning is more and more becoming a driving force behind innovation in our economy and in other sectors of society. Digital technologies and their application in countless domains facilitate, catalyse and accelerate this. If a

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[55] This is not an academic publication. This appendix aims to clarify the nature of the discussions and visions that the group has addressed. For a more thorough academic approach, the reader is referred to: <ref to KEA study>

[56] In our analysis we were fully aware of the various meanings and connotations ascribed to the term throughout its evolutionary development. Discussions of the cultural industries usually start from Adorno who with his colleagues of the Frankfurt School first coined the term "culture industries" in 1940s. During the 1980s Culture Industries developed to what is known as Cultural Industries. The concept of 'culture industry' was gradually transformed from a derogatory term into the potentially more constructive concept 'cultural industries' in the context of the global culture and trade debate. Cultural industries relate to the creation, production and commercialisation of the products of human creativity, which are copied and reproduced by industrial processes and worldwide mass distribution. They are often protected by national and international copyright laws. They usually cover printing, publishing and multimedia, audiovisual, phonographic and cinematographic productions, crafts and design. Creative industries encompass a broader range of activities than cultural industries including architecture, advertising, visual and performing arts. The cultural industries bring to the forth issues related to the relationship between culture and economics, and between art and commerce. Moreover, in the framework of the social impact of the arts which dominated in the 1990s bring to the forth the social dimension of cultural development. The positive impact of the cultural industries, the creative clusters and the cultural quarters to the "image of the city", to the regeneration and the promotion of social cohesion and social integration are but a few of the characteristics of contemporary discourse with respect to the cultural/creative industries; there is a conscious attempt to exemplify all the above aspects in our analysis as well as in selecting the case studies.

product or service is not meaningful, it will not sell. ‘Added value’ is more often than not a matter of ‘added meaning’, rather than ‘added functionality’. We may buy a specific mobile phone instead of another because our friends and loved ones are easier to find than on another model. We don’t want more buttons, we want more meaning and we are willing to pay for it. Different designs based on similar technologies create meaningful differences. These differences that determine economical success or failure are cultural in nature. In general, intangible assets (R&D, marketing, product innovation, IP) in many forms are becoming more important for our economy, and the cultural and creative industries are a crucial source of innovation in our information society. It is our view that this is a strategic issue for the European Union.

Meaning

Meaning as the key notion of the cultural and creative industries, does not operate like knowledge does in the world of science and technology. Thus, innovation in an information society works differently than it does in an industrial society. When we want to make a car engine more efficient, we know exactly what we are aiming at and how we can measure success, but when we want to create an information service that allows us to communicate more intimately with our loved ones, it is difficult to phrase this in terms of objectively measurable indicators. Intangible assets can be hard to measure.[57]

Science and technology work on the basis of knowledge and understanding, but culture and creativity work on the basis of intuition, meaning and inspiration. This is not to say that there is no intuition in science, or no reasoning in cultural production, but important differences exist along these lines. Designers in strategic design firms, art directors in advertising agencies, musicians in ensembles, curators in museums, they all depend on inspiration in order to create new meaning, new added value, or new economic benefits. And, more often than not, they get their inspiration from other forms of culture that may be ‘difficult’ for a broader audience. This does not mean that cultural production is some kind of magic that defies structured reflection. On the contrary, culture-based creativity features hard work and systematic application like any other profession, and much of that can and is taught in art schools and universities.

Cultural professionals (artists, designers, art directors, etc.) produce meaning and content and, thus, are of paramount importance in our developing ‘experience economy’, where there is ample uncertainty about the perception, understanding and

[57] They may be hard to measure, but it is not impossible. The reader is referred to... (include good refs!)

acceptance of a service or product. Immaterial value in combination with the EU context of large diversity and many small economic markets leads to the fact that meaning is a different game, with different rules, and these rules are the domain of our working group.

It is our challenge to formulate principles and policies for the creation of meaning and the flow of inspiration.

B. The debate

To make better use of culture-based creativity, there are two main questions: one, which external effects of culture-based creativity can we identify, and two, how could policy intervene to stimulate these externalities? These questions are approached through a somewhat outflanking movement, by starting with the *outcome* of culture-based creativity. The interim recommendations of this report relate to cultural and creative industries so we will remain in these borders.

One, what are the economic effects of cultural and creative industries?

Effects of culture-based creativity exist not only on an individual level, when we enjoy a piece of music, writing, design or a moving image, but also on a social level. Focussing on economic issues, we can speak of the *direct* and *indirect* economic effects of creative industries.

1. Direct effects

Direct effects are measurable in terms of employment, contribution to GDP etc., and on the whole the direct contribution of culture-based creative sectors to the economies in member states is increasing. Direct economic effects ('welfare creation') are also visible when sectors such as design or marketing operate within the production chain. Direct effects are fairly easy to measure; the only problem is that of the delineation of culture-based creative industries. Some EU member states exclude government-funded organisations, whereas others explicitly include them. In practice, there are vital links between public and private organisations at crossovers between fine arts and more commercial applications of culture and creativity.

2. Indirect effects

2a. Indirect economic effects occur basically when culture-based creative sectors influence others parts of social and especially economic life. The most evident is when heritage attracts foreign visitors who fuel the tourism industry, but they also trickle down in other sectors that see their turnover grow through the influence of thriving culture-based creative industries (accountants, taxi drivers, catering, etc.). Not only fleeting visitors are attracted by creative cities: Richard Florida, and before him Jacobs and Zukin suggested that creative quarters may renovate entire city economies on an impressive scale. In fact, amenities like arts and heritage represent an option value to consumers in the housing market, even if they do not use these amenities themselves. Moreover, they also contribute to an environment where the economy thrives, and in this sense their contribution to social cohesion is an important indirect effect on economic life. Not surprisingly, creativity is a truly urban phenomenon. Furthermore, *design* makes other products and services better in more than one way: more suited to rapidly evolving markets, cheaper, more durable, and environmentally friendly (e.g. because they can be transported cheaply). One of Philips' recent successful new products is the 'Wake-up Light', which is technically an alarm clock connected to a bright lamp, but in reality gives new meaning to the experience of waking up in the morning. These developments are summarized by terms as 'experience economy' and 'creative economy'.

2b. However, culture-based creative industries have other strong indirect effects, which intervene deeply in modern economies, especially through the influence of its most experimental core, the arts. Even educational programs with a strong commercial design focus position themselves in an art and design tradition. When we look at the flow of inspiration, we often find that it starts with experimental art, inspiring more audience-friendly art, inspiring designers and art directors, inspiring consumers to spend their money on meaningful products and services. Culture-based creative industries can be a source of business innovation. They create wealth with novel ideas that find an application in other fields. Perhaps most importantly, they provide novel models to develop processes, strategies and businesses. In short, indirect effects are significant, and unquestionably there, but *intangible*. This does not mean that they cannot be measured, as different studies have shown[58].

[58] What is the best report to reference here?

3. The structure of the cultural and creative industries

The scope of cultural and creative industries comprises very diverse sectors (telecom, cinema, design but also higher education institutes). It is therefore hard to speak about "the structure" of CCI as there is a huge diversity of structures: the structure of ICT (economies of scale and monopoly patterns) has nothing to do with the structure of the cultural industries (uncertainties and prototype + economy of scale)—not to mention the specificity of the non-industrial cultural sector (design, performing arts, etc.) Nevertheless, we want to highlight some important issues that may be more common in the cultural and creative industries than elsewhere.

3a. Creative industries are like a zoo with many different animals. We see that in some EU member states, part of the creative and cultural industries are state owned and state financed; in others, all are privatized (or, more precisely: 'destatized') though sometimes still partly financed and regulated by the state. In this respect they resemble institutions for higher education. We understand that different sub sectors have different needs, depending on what they produce, how they operate financially, and how they interact with their environment. An art laboratory is not an advertising agency and should be treated differently.

3b. When looking at the structure of creative industries, we notice a few aspects which make them stand out. Firstly, they are strongly dominated by SMEs. Secondly, they tend to flourish on creative competition, but are amazingly vulnerable to form monopolies that kill competition, the so-called best-seller effect.[59] This lead to the dominance of the global multimedia and advertising industries, based in North-America.[60] Thirdly, they are not always well organized in terms of lobbies, employers' associations etc. Fourthly, no creative industry is solely oriented towards the market. Indeed, all of them combine the presence of a market-oriented side with an 'autonomous' or art-oriented side. The artistic side is often, but not always, endowed by states, municipalities or sometimes private patronage. The market side derives often, but not always, its innovations from research done in the artistic domain. Therefore, subsidies to art production can be treated as Research and Development monies – not unlike science, where fundamental and applied researches each have their place and meaning. Copywriters and art directors in advertising agencies get their inspiration more often than not from art exhibitions and other forms of non-

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[59] An assertion based on the seminal work by American economist Richard Caves: *Creative Industries: Contracts between Art and Commerce* (2000).

[60] Historically this is not a unique phenomenon: 100 years ago, it was the French multinational Pathé which destroyed all media production in Belgium and 'colonized' the silver screen from Los Angeles to Tokyo and Moscow. The same monopolistic processes are to be witnessed in regard to the Indian film industries and the Egyptian film industry in their respective regions

commercial artistic experiments. Finally, now that the links between ‘art’ and ‘commerce’ are becoming stronger, it also becomes apparent that some sub sectors are insufficiently capable of innovating their own business models, while at the same time their ‘content’ is becoming a source of business innovation.

4. Hard facts

Creative industries are fast growing. Though they may be vulnerable to market trends, virtually no one still doubts that they represent a strong asset to our economies, in global competition with East Asia and the United States. For example, UNCTAD's *Creative Economy Report 2008*[61] provides empirical evidence that the creative industries are among the most dynamic emerging sectors in world trade.[62] Over the period 2000-2005, trade in creative goods and services increased at an unprecedented average annual rate of 8.7 per cent. World exports of creative products were valued at $ 424.4 billion in 2005 as compared to $ 227.5 billion in 1996, according to preliminary UNCTAD figures. Creative services in particular enjoyed rapid export growth – 8.8 per cent annually between 1996 and 2005. This positive trend occurred in all regions and groups of countries and is expected to continue into the next decade, assuming that the global demand for creative goods and services continues to rise. And no economist questions the presence of intangible effects, only their size.

Conclusion: external effects do occur in a range of ways, both directly assessable and more remote and elusive. They are not a question of belief, but undisputedly present.

Two, what policy interventions are in order?

As to state intervention in creative industries, three basic requirements should be met: legitimacy, effectiveness and efficiency. State intervention is *legitimate* when society (a.k.a. the market) fails to solve its problems by itself. State intervention is *effective* if it is able to reach a set goal. State intervention is *efficient* is the social revenues are higher than the costs involved. It is a matter of intellectual hygiene to apply these constraints consistently, and it requires wisdom and vision to relate public financial investments in the arts to social revenues.

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[61] The Creative Economy Report 2008 states that “There is no unique definition of the “creative economy”. Nevertheless, in its calculations it takes a very broad definition of creative goods taking into account carpets, celebration, paperware, wickerware, yarn, film, graphic, fashion, glassware, interior, jewellery, toys, records, printed music, digital records, video games, books, newspapers, painting, photography, sculpture, antiques.

[62] United Nations/UNCTAD: *The challenge of assessing the creative economy: towards informed policy making. Creative economy report 2008.*

From the perspective of the European Union, its member states and the industries itself, the crucial question is how to support the growth of creative businesses, or, in other words: how to foster both the direct effects of creative industries and fire up their indirect effects. To make the most of the economic effects of creative SMEs, we should focus our efforts to fostering strong industries, but at the same time we must keep fulfilling our obligation to preserve our cultural diversity, which is an essential value of the European Union.