

Unlocking the potential of cultural and creative industries

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PURPOSE: to present a Green Paper on unlocking the potential of cultural and creative industries.

CONTENT: this paper begins by noting the untapped potential in the cultural and creative industries to create growth and jobs. Europe must identify and invest in new sources of smart, sustainable and inclusive growth drivers. Much of our future prosperity will depend on how we use our resources, knowledge and creative talent to spur innovation. Europe's cultural and creative industries offer a real potential to respond to these challenges thereby contributing to the Europe 2020 strategy and some of its flagship initiatives such as the Innovation Union, the Digital Agenda, tackling climate change, the Agenda for new skills and new jobs or an industrial policy for the globalisation era. Many recent studies have shown that the cultural and creative industries ("CCIs") represent highly innovative companies with a great economic potential and are one of Europe's most dynamic sectors, contributing around 2.6 % to the EU GDP, with a high growth potential, and providing quality jobs to around 5 million people across EU-27.

Furthermore, cultural contents play a crucial role in the deployment of the information society, fuelling investments in broadband infrastructures and services, in digital technologies, as well as in new consumer electronics and telecommunication devices. Beyond their direct contribution to GDP, CCIs are also important drivers of economic and social innovation in many other sectors. For CCIs to be able to make the most of the opportunities offered by cultural diversity, globalization and digitization, which are the key drivers for the further development of these industries, the challenge is:

- to put the right enablers in place by increasing the capacity to experiment, innovate and succeed as entrepreneurs, and providing easier access to funding and the right mix of skills;
- to help CCIs develop in their local and regional environment as a launch pad for a stronger global presence, including through increased exchange and mobility;
- to move towards a creative economy by catalyzing the spill-over effects of CCIs on a wide range of economic and social contexts.

At a time when some of our international partners already largely tap into the multifaceted resources of CCIs, the EU still has to develop a strategic approach to make its strong and attractive cultural assets the basis of a powerful creative economy and a cohesive society. CCIs need an increased capacity for experimenting and innovating, access to the right mix of skills and access to funding. In this context, the Green paper discusses the following issues:

New spaces for experimentation, innovation and entrepreneurship in the cultural and creative sector: the paper asks how to create more spaces and better support for experimentation, innovation and entrepreneurship in the CCIs. More particularly, it asks how to increase access to ICT services in/for cultural and creative activities and improve the use of their cultural content, and how ICTs could become a driver of new business models for some CCIs.

Better matching the skills needs of CCIs: at the crossroads of creativity and entrepreneurship, it remains difficult for companies in the CCIs, in particular SMEs, to find staff with the right mix of skills. Ensuring a better match between the supply of skills and the demands of the labour market is crucial in the medium and long run to boosting the sector's competitive potential. The paper asks how to foster art and design schools/business partnerships as a way to promote incubation, start-ups and entrepreneurship, as well as e-skills development, and how peer-coaching in the CCIs could be encouraged at the level of the European Union.

Access to funding: this is a core barrier to growth for many businesses within the sector. Many cultural and creative entrepreneurs are SMEs and enterprises consisting of one to two people represent the overwhelming majority of the companies of the sector and encompass this new type of "entrepreneurial individuals" or "entrepreneurial cultural workers", who no longer fit into previously typical patterns of full time professions. CCIs face specific challenges in achieving investment readiness for various reasons; lack of information and understanding about relevant sources of finance, difficulty in developing and presenting a business plan in a convincing way, or reliance on a failing business model. Furthermore, these businesses are ? for the greater part ? prototype or project-based, heavily dependent on their "star products" or services and largely depend on individual talent and risk taking. CCIs access to financial support is limited as many businesses suffer from chronic undercapitalization and face serious problems in obtaining adequate valuation of their immaterial, e.g. copyright assets (such as artists signed to record labels, writers signed to publishing houses or catalogues of musical or cinematographic works) when raising finance. Contrary to businesses in technological fields, the immaterial assets of CCIs have no recognised value in balance sheets and their investments in developing new talents and creative ideas are not in line with the standard concept of "research and development". Against this background, , innovative financial instruments, such as venture capital and guarantees and other risk sharing instruments that are delivered through market players can play an important role in facilitating access to finance by SMEs. Such instruments are being implemented in the context of market-oriented EU expenditure programmes (such as the Competitiveness and Innovation Programme). They have proven to be effective in helping SMEs to access finance, but have been targeting a wide range of SMEs with no specific focus on companies from the CCI.

More specifically targeting CCIs, interesting new financial models have emerged at national or regional level. Some of these ease access to loans by pooling cross-sectoral expertise to evaluate companies and their projects. Others bring together investors and companies in need of venture capital for growth, including through so-called crowdfunding. The Commission also explores the possibility to set up a Production Guarantee Fund for the audiovisual sector in the context of the implementation of the MEDIA programme.

The Green Paper goes on to note that CCIs develop at the local and regional levels, where networking and clustering function. Promoting the mobility of artists and cultural practitioners is a way to help our CCIs make the leap from local to global, and ensure a European presence worldwide. The paper asks how to strengthen the integration of CCIs into strategic regional/local development, and which tools and which partnerships are needed for an integrated approach.

Lastly, the paper discusses the spillover effects: the cultural sector and CCIs can make a fundamental contribution to responding to major challenges such as the fight against global warming and transition to a green economy and a new sustainable model of development. Art and culture have a unique capacity to create green jobs, to raise awareness, challenge social habits and promote behavioural shifts in our

societies, including our general attitude to nature. The key question here is how to accelerate the positive spill-over effects that culture and CCIs can produce on the wider economy and society.

This Green Paper aims to spark a debate on the requirements of a truly stimulating creative environment for the EU's CCIs. It includes multiple perspectives, from that of the business environment to the need to open up a common European space for culture, from capacity building to skills development and promotion of European creators on the world stage.