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GREEN PAPER

Unlocking the potential of cultural and creative industries

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In the recent decades the world has been moving at a faster pace. For Europe and other parts of the world, the rapid roll-out of new technologies and increased globalisation has meant a striking shift away from traditional manufacturing towards services and innovation. Factory floors are progressively being replaced by creative communities whose raw material is their ability to imagine, create and innovate.

In this new digital economy, immaterial value increasingly determines material value, as consumers are looking for new and enriching "experiences". The ability to create social experiences and networking is now a factor of competitiveness.

If Europe wants to remain competitive in this changing global environment, it needs to put in place the right conditions for creativity and innovation to flourish in a new entrepreneurial culture¹.

There is a lot of untapped potential in the cultural and creative industries to create growth and jobs. . To do so, Europe must identify and invest in new sources of smart, sustainable and inclusive growth drivers to take up the baton². Much of our future prosperity will depend on how we use our resources, knowledge and creative talent to spur innovation. Building on our rich and diverse cultures, Europe must pioneer new ways of creating value-added, but also of living together, sharing resources and enjoying diversity.

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 era³.

Many recent studies⁴ have shown that the cultural and creative industries (hereafter, "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

¹ As expressed by President Barroso in his Political Guidelines for the next Commission. Full text: http://ec.europa.eu/commission_barroso/president/pdf/press_20090903_EN.pdf.

² See Communication from the Commission "Europe 2020: A strategy for smart, sustainable and inclusive growth" - COM(2010) 2020.

³ More particularly, cultural and creative industries are recognized as growth sectors in the abovementioned Commission Consultation Paper as well as in the Commission Staff Working Document "Challenges for EU support to innovation services – Fostering new markets and jobs through innovation" - SEC(2009) 1195.

⁴ Study on the economy of culture in Europe, conducted by KEA for the European Commission, 2006, abovementioned Commission Staff Working Document on challenges for EU support to innovation and UNCTAD (2008) report on "Creative Economy – the Challenge of Assessing the Creative Economy – towards informed policy-making".

high growth potential , and providing quality jobs to around 5 million people across EU-27⁵.

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, CCI's are also important drivers of economic and social innovation in many other sectors.

Imaginative solutions in many different sectors stem from creative thinking in these industries, ranging from the regeneration or "branding" of countries, regions or cities to the development of Information and Communication Technologies (ICT) skills (e-skills⁶) for lifelong learning, from stimulating research to communicating values in an accessible way, from product and service innovation to the promotion of low carbon and sustainable economic environments, from inter-generational dialogue to intercultural dialogue and community building⁷.

Through partnerships with education, CCI's can also play a major role in equipping European citizens with the creative, entrepreneurial and intercultural skills they need. In this sense, CCI's can feed into European beacons of excellence and help us become a knowledge-based society. At the same time, these skills stimulate demand for more diverse and sophisticated contents and products. This can shape the markets of tomorrow in a way which better fits European assets.

Through these spill-over effects, Europe's CCI's offer a path towards a more imaginative, more cohesive, greener and more prosperous future.

For CCI's 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 CCI's develop in their **local and regional environment** as a launch pad for a stronger **global presence**, including through increased exchange and mobility; and
- To move towards a creative economy by catalyzing the **spill-over effects** of CCI's on a wide range of economic and social contexts.

⁵ More information on this sector, and especially harmonised statistics, are needed to better monitor the situation of CCI's and allow for analyses of the current situation, trends, difficulties and challenges.

⁶ The European Commission adopted in September 2007 a Communication presenting a long term e-skills agenda: "e-Skills for the 21st Century: Fostering Competitiveness, Growth and Jobs" - COM(2007) 496 - and is currently considering to develop it further.

⁷ See study on the impact of culture on creativity, conducted by KEA for the European Commission, 2009.

At a time when some of our international partners already largely tap into the multifaceted resources of CCIs⁸, 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.

1. POLICY CONTEXT, OBJECTIVES AND SCOPE OF THE GREEN PAPER

All these dimensions are at the core of the second objective of the European Agenda for Culture⁹ inviting the EU to harness the potential of culture as a catalyst of creativity and innovation in the framework of the Lisbon Strategy for growth and jobs.

This Agenda was endorsed by a Council Resolution in November 2007 and by the European Council in December 2007. In its conclusions of December 2007, the European Council recognized the importance of the cultural and creative sectors in the frame of the Lisbon Agenda, as well as the need to reinforce their potential, in particularly as far as SMEs are concerned.

Further Council Conclusions highlighted the need to strengthen the link between education, training and CCIs as well as to maximise the potential of SMEs in cultural and creative sectors¹⁰, and called for better synergies between the cultural sector and other sectors of the economy and stronger links between cultural and other relevant policies¹¹.

In parallel, the European Parliament called among others on the Commission "to clarify what constitutes the European vision of culture, creativity and innovation and to elaborate political measures (...) in order to develop European creative industries, incorporating these in a genuine European strategy"¹².

The Green Paper builds on recommendations and best practices identified by two national expert working groups - on CCIs and on synergies between culture and education - and by two civil society platforms - on CCIs and access to culture¹³ - which were set up as part of the implementation of the European Agenda for Culture. It also draws upon several independent studies and reports recently carried out for the European Commission and finds inspiration in the strategies developed in various Member States

⁸ In particular the USA or Canada.

⁹ See Commission Communication on a European Agenda for Culture in a globalising world - COM(2007) 242.

¹⁰ Council Conclusions on the contribution of the cultural and creative sectors to the achievement of the Lisbon objectives, 2007:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/educ/94291.pdf.

¹¹ Council Conclusions on culture as a catalyst for creativity and innovation, 2009:
http://ec.europa.eu/culture/our-policy-development/doc/CONS_NATIVE_CS_2009_08749_1_EN.pdf.

¹² European Parliament Resolution of 10 April 2008 on cultural industries in the context of the Lisbon strategy: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2008-0123&language=EN&ring=A6-2008-0063>.

¹³ For reports of these groupings, see: http://ec.europa.eu/culture/our-policy-development/doc2240_en.htm. Good practices identified by these groupings are mentioned in footnotes in various parts of the document.

with a view to unleashing the potential of their CCIs¹⁴. Finally, it echoes some of the messages conveyed during the 2009 European Year of Creativity and Innovation, in particular regarding the need to build new bridges between art, philosophy, science and business¹⁵.

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.

It does not aim to cover all the issues that may impact on these industries, but addresses some key areas where making full use of policies and instruments at all levels of governance and achieving a greater coherence and coordination among them can effectively unlock the potential of CCIs in Europe.

The questions raised are typically relevant to policy makers, CCIs and other stakeholders at several levels: European, national, regional and local. For each of the issues covered, the Commission particularly welcomes contributions on **priorities for action at European level**.

This Green Paper, in referring to CCIs, aims at capturing the various connotations ascribed to the terms "cultural" and "creative" throughout the EU, reflecting Europe's cultural diversity.

At European level, the framework for cultural statistics set up in 2000 identified eight domains (artistic and monumental heritage, archives, libraries, books and press, visual arts, architecture, performing arts, audio and audiovisual media/multimedia) and six functions (preservation, creation, production, dissemination, trade/sales and education) that constitute the "cultural sector" from a statistical point of view. Work is currently ongoing to update this framework and define the scope of CCIs¹⁶.

In this Green Paper, we adopt a rather broad approach based on the following working definitions.

"Cultural industries" are those industries producing and distributing goods or services which at the time they are developed are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have. Besides the traditional arts sectors (performing arts, visual arts, cultural heritage – including the public sector), they include film, DVD and video, television and radio, video games, new media, music, books and press. This concept is

¹⁴ In particular: A Creative Economy Green Paper for the Nordic Region (Nordic Council, 2007), Creative Britain – New Talents for the New Economy (UK, 2008), Creative Value – Culture and Economy Policy Paper (Netherlands, 2009) and Potential of Creative Industries in Estonia (2009).

¹⁵ See in particular Manifesto of the Ambassadors of the 2009 European Year of Creativity and Innovation, released in November 2009. <http://www.create2009.europa.eu/ambassadors.html>.

¹⁶ An ESSnet-culture has been set up in 2009 under the auspices of Eurostat. http://ec.europa.eu/culture/our-policy-development/doc1577_en.htm.

defined in relation to cultural expressions in the context of the 2005 UNESCO Convention on the protection and promotion of the diversity of cultural expressions¹⁷.

"Creative industries" are those industries which use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as subsectors such as graphic design, fashion design or advertising.

At a more peripheral level, many other industries rely on content production for their own development and are therefore to some extent interdependent with CCIs. They include among others tourism and the new technologies sector. These industries are not explicitly covered by the concept of CCIs used in this Green Paper though.

2. CULTURAL DIVERSITY, THE DIGITAL SHIFT AND GLOBALIZATION: MAIN DRIVERS FOR THE FURTHER DEVELOPMENT OF CCIS

CCIs are faced with a rapidly changing context characterized in particular by the speed of the development and deployment of digital ICT on a global scale. This driver has a huge impact in all sectors on the whole value chain, from creation to production, distribution and consumption of cultural goods and services.

Technology and the availability of broadband infrastructure in urban and rural areas opens up new opportunities for creators to produce and distribute their works to a wider public at a lower cost, independently of physical and geographical constraints. Providing that ICTs are used to the full by cultural content providers and traditional patterns of production and distribution are reviewed, this offers potentially larger audiences and markets for creators and a more diverse cultural offer for citizens. At the same time, the roll out of ICT depends on the availability of high quality and diversified cultural content. Cultural content therefore plays a leading role in the acceptance of these new technologies by the wider public and for the development of the e-skills and media literacy levels of Europe's citizens.

However, this new environment substantially changes traditional production and consumption models, challenging the system through which the creative community has up to now drawn value from content. The impact differs widely from business to business and is influenced by where a given business stands in the value chain. Economic value is being displaced towards the end of the chain, which in certain sectors affects the effective reward for creation¹⁸. Moreover, parts of the content industries, particularly the recorded content industries, have been severely hit by piracy and losses in sales of physical supports (e.g. CD, DVD), which have damaged their development, shrunk their revenue basis and consequently limited their potential to generate jobs and investment. This is why the industry also needs to develop new and innovative business models.

¹⁷ See: http://portal.unesco.org/culture/en/ev.php-URL_ID=33232&URL_DO=DO_TOPIC&URL_SECTION=201.html.

¹⁸ This is, for example, clearly the case in the music sector where the revenue of digital sales does not yet generate significant remuneration for performers; on the contrary, in the video games industry, the online model seems to better remunerate developers in the absence of any other intermediary.

The challenge in many sectors is that CCIs have to cover the costs of "going digital" (digitization of content, skills development and update of staff qualifications and complex issues concerning adequate digital rights management etc.) while also investing in and testing new business models which generate a "pay back" only after some time. Keeping business going under a traditional business model while managing the transition to new business models still under development could be difficult for many creative enterprises. A business's ability to respond to these structural changes also greatly depends on a company's size and bargaining power vis-à-vis the new digital outlets. The global digital shift reinforces the position of important stakeholders such as telecom companies or consumer electronics manufacturers, and coincides with the emergence of new strong global players such as search engines and web based social platforms which – while making significant contributions to the development of the market place – can potentially act as new gatekeepers. At the same time, the vast majority of the CCIs consist of a myriad of micro-, small and medium sized enterprises, as well as freelancers, co-existing with vertically or horizontally integrated companies.

Even in sectors where major international companies play a leading role, small and micro-enterprises play a crucial role in creativity and innovation. They are typically the risk takers and early adopters and play decisive roles when it comes to scouting for new talents, developing new trends and designing new aesthetics.

A diverse range of entrepreneurs and the free movement of their services is a prerequisite for a culturally diverse offer to consumers. This is possible only if fair access to the market is guaranteed. Creating and maintaining the level playing field which ensures that there are no unjustified barriers to entry will require combined efforts in different policy fields, especially competition policy.

Interoperability can play a major role in creating fair access conditions for new platforms and equipment. Standards help to ensure interoperability between new and existing products, services, processes, systems, applications and networks. Interoperability is important not only for the producers (in particular SMEs), but also for the users. Interoperability enhances users' choice, especially their choice of the products and services of ICT-based CCIs¹⁹. Standards also help to create an innovation friendly market, which encourages innovation while avoiding systems which may restrict access to diverse content. Promoting interoperability between platforms and equipment is therefore essential.

Beyond standardisation and the price aspects, diversity of choice is a fundamental interest of consumers. According to Article 167 (ex-Article 151 EC) of the Treaty on the Functioning of the European Union, cultural aspects shall be taken into account when implementing European law.

Against this background, the Commission will be working on three major policy frameworks, which will have a significant impact on the framework conditions for CCIs in a digital environment and were based on earlier consultation processes.

¹⁹ See in particular Commission Staff Working Document "The challenges for European standardisation", October 2004.

Firstly, the Digital Agenda for Europe is one of the seven flagship initiatives of Europe 2020. Within the framework to be created by the Digital Agenda, the Commission will work, among others, to create a true single market for online content and services (i.e. borderless and safe EU web services and digital content markets, with high levels of trust and confidence, a balanced regulatory framework governing the management of intellectual property rights, measures to facilitate cross-border online content services, the fostering of multi-territorial licences, adequate protection and remuneration for rights holders and active support for the digitisation of Europe's rich cultural heritage).

Secondly, as part of the "Innovation Union" flagship initiative, specific actions will be undertaken to strengthen the role of CCIs as a catalyst for innovation and structural change. In this respect, specific attention will be paid to promote entrepreneurship, access to finance, to improve framework conditions and foresight, to identify research and skills needs, to develop new cluster concepts and better business and innovation support²⁰. The aim will be to bring the main actors at regional, national and European levels together with the objective of making more strategic use of current and planned initiatives in support of CCIs and to enhance transnational cooperation between them. This will support more innovative ideas being turned into new products and services that create growth and jobs.

Thirdly, the Strategy on Intellectual Property will inter alia build on a number of past and on-going initiatives that are directly related to several CCIs²¹. The focus is clearly on the use and management of rights, looking for a balance between the necessary protection and sustainability of creation and the need to foster the development of new services and business models. In terms of method, the Commission has clearly identified the main areas where improvements are needed and, in full respect of the internal market and competition rules, will involve stakeholders in a bottom-up approach .

3. PUTTING IN PLACE THE RIGHT ENABLERS

In order to be able to fully unleash their dual cultural and economic potential, taking full advantage of the abovementioned drivers, CCIs need an increased capacity for experimenting and innovating, access to the right mix of skills and access to funding.

3.1. New spaces for experimentation, innovation and entrepreneurship in the cultural and creative sector

Driven by new – in particular digital – technologies, new audiences, distribution channels and consumption models have emerged. Access to and participation in the arts are constantly changing shape while the frontiers between creators and consumers are blurred with the development of participatory technologies such as blogs, wikis etc.

²⁰ The actions should build upon the discussions of the expert workshop "Towards a Pan-European initiative in support of innovative creative industries in Europe" that was held in Amsterdam on 4-5 February 2010. More information is available at <http://www.europe-innova.eu/creative-industries>.

²¹ Commission Communication "Copyright in the knowledge economy" - COM(2009) 532; Consultation Paper "Creative content in a European digital single market: Challenges for the future", A Reflection Document of DG INFSO and DG MARKT, 2009.

Subcultures are emerging that result in a multi-disciplinary mix of traditional and new artistic forms and content. While traditional institutions hold a special importance for accessing cultural services, there is a need to recognise and support new ways of experiencing culture, which plant the seeds of curiosity, analysis and demystification for a lifelong relationship with culture²².

As in all other sectors of society, the research and development aspect of creativity and creation needs to become stronger. If Europe wants to stay at the cutting-edge, further interactions between different artistic and creative disciplines, (sub)sectors, economic fields and points in the production chain are needed. A more intensive, systematic, and wide-ranging collaboration between the arts, academic and scientific institutions should be promoted, as well as private-public initiatives to support artist-led experimentation²³.

In this respect, it will be important to take a holistic approach to ensuring a favourable environment for the innovation, growth and further development of this sector. Although a number of both public and private initiatives exist already in Europe at regional or national level to support innovation and entrepreneurship in the CCIs²⁴, there seems to be a need to broaden the discussion by bringing together the various elements at all levels, including at European level, where the players can cooperate on concrete actions in a number of fields of strategic interest. As an example, the setting up of meeting places and "laboratories" for user-centred and open innovation and experimentation, where various disciplines work together should be promoted; intermediaries or brokers between different sectors and disciplines should be encouraged. Best practice in terms of accountability and transparency should also be promoted. This will help us secure world-class excellence.

In this context, it is also important to create more appropriate and favourable conditions to integrate new and in particular digital technologies in the CCIs, thus producing a more diverse and innovative professional content for EU citizens.

As a rule, CCIs build upon a rich and diverse core of cultural heritage and skilled artists and other creative practitioners and rely on the effective interconnection of various related layers of entrepreneurial and innovative services to bring creativity to the market. Moreover, the production processes of the CCIs are subject to constant adaptation and innovation, making it essential to exchange information, build on intangible assets and attract talent to refresh the process. These characteristics derive from the very nature of cultural products. Varying consumer tastes entail a high level of uncertainty in terms of consumer acceptance. Because of these constraints, the best organisational structure is often a "cultural & creative industries cluster", i.e. a concentrated set of reactive and adaptable industries²⁵. In most cases, these functional clusters are based on intense collaboration among different interlinked innovation actors and institutions. In such

²² See in particular "Policy guidelines of the civil society platform on access to culture", 2009.

²³ See in particular some good practices identified by the national experts working group and the civil society platform on CCIs.

²⁴ In this respect, it is worth mentioning that pilot projects on new approaches on how to better support innovative creative industries companies are currently being implemented under European Knowledge Intensive Service Innovation Platform of the Europe INNOVA initiative funded by the EU Competitiveness and Innovation Framework Programme.

²⁵ See "The economy of culture", op.cit.

settings, competitors frequently engage in inter-firm cooperation, which is often animated by organisational networks such as cluster organisations²⁶.

Against this background²⁷, there appears to be a need to improve the physical and social environment in which creative workers and related institutions, such as art and design schools or museums, can effectively operate in clusters. A deeper understanding is needed of how cultural and creative businesses can better benefit from being located in the same place by fostering networking, providing better support for stimulating creative start-ups and bringing the user dimension into existing clusters.

QUESTION

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

3.2. 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. Partnerships between art and design schools or universities and businesses can contribute to this aim. Incubator units, often established outside art schools but with their active cooperation, have proved successful in closing the gap²⁸.

Moreover, under the impetus of constant technological developments, the "technical" sector-specific needs of these industries are changing very quickly, calling for lifelong learning. Since CCIs do and will make increasingly innovative use of ICT, there are certain e-skills' requirements to foster innovation and competitiveness. On top of these skills, CCIs also need people who have business competences – e.g. management, commercial skills, etc. –, and who understand and can mobilise financing opportunities (banks and financial institutions, sponsorship and donation, etc) and who understand new ICT, in particular in our digital environment. Unless specific actions are implemented in this respect, there is the risk that skills shortages, mismatches and gaps will prevent Europe from using the full potential of CCIs.

Given the high growth potential of the CCIs and the constantly changing and complex environment they are working in, it would be particularly useful to better understand and map the new skills that they currently need or will need in the near future. A specific

²⁶ The national experts working group on CCIs has identified good clustering practices in many Member States, such as Ireland, the UK, Spain, Estonia, Finland or Denmark, etc.

²⁷ See the Amsterdam Declaration, adopted by the participants of the workshop "Towards a Pan-European initiative in support of creative industries in Europe", February 2010: http://www.europe-innova.eu/web/guest/home/-/journal_content/56/10136/178407.

²⁸ See good practices identified by the national experts working group on CCIs.

CCIs sectoral initiative should be launched in the "new skills for new jobs" initiative, pooling analysis and experience at EU level with the help of relevant stakeholders²⁹.

In order to bridge the gap between professional training and professional practice, "peer-coaching" (i.e. the up-grading of skills and processes through the exchange between peers facing the same challenges, as a way to learn from others' mistakes or successes, fine-tune one's projects thanks to experienced tutors, explore new technologies or expand one's contact base) could prove a very useful instrument to speed up the response of CCIs to changes. It would provide access to high-level professionals who are not necessarily available in other contexts and help to build Europe-wide networks.

QUESTIONS

- 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?
- How could peer-coaching in the CCIs be encouraged at the level of the European Union?

3.3. Access to funding

Access to finance is a core barrier to growth for many businesses within the sector³⁰.

As mentioned, many cultural and creative entrepreneurs are small to medium sized enterprises. Among them, 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 professions³¹.

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 model³².

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

²⁹ Communication "New skills for new jobs: Anticipating and matching labour market and skills needs", European Commission - COM(2008) 868.

³⁰ See in particular, the mini-study carried out for the European Commission on the "Access to finance activities of the European Creative Industry Alliance", Jenny Tooth, 2010, available at www.europe-innova.eu/creative-industries.

³¹ See preliminary documents produced in the framework of the study on the entrepreneurial dimension of cultural and creative industries, carried out for the European Commission by the Utrecht School of the Arts, 2010, at <http://cci.hku.nl/>.

³² Jenny Tooth, op.cit.

publishing houses or catalogues of musical or cinematographic works) when raising finance. Contrary to businesses in technological fields, the immaterial assets of CCI 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".

Investors and banks need an improved awareness of the economic value and potential of CCIs. Guarantee systems and other financial engineering mechanisms should be in place to encourage funding in CCIs.

The world of creation and the world of finance – which are often "worlds apart" – need help to find a common language, through which CCIs can have fairer access to funding.

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 projects³³. Others bring together investors and companies in need of venture capital for growth³⁴, including through so-called crowdfunding³⁵. 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.³⁶

QUESTION

- How to stimulate private investment and improve CCIs access to finance? Is there added value for financial instruments at the EU level to support and complement efforts made at national and regional levels? If yes, how?
- How to improve the investment readiness of CCI companies? Which specific measures could be taken and at which level (regional, national, European)?

³³ See interesting examples identified by the national experts working group and the civil society platform on CCIs.

³⁴ See in particular Jenny Tooth, *op. cit.*, as well as documents produced in the frame of the study on the entrepreneurial dimension of CCIs (*op. cit.*) highlighting the need for venture capital for innovative cultural and creative SMEs within the single market. See also good practices identified by national experts working group on CCIs.

³⁵ Crowdfunding sites help gathering small-scale investors, for example for independent film financing (e.g. indiegogo.com).

³⁶ The fund will share the financial risk related to the loans granted by banks to European independent audiovisual producers, by guaranteeing to cover a certain percentage of the loss in case of failure by the producer to reimburse the loan, thus encouraging local banks to grant credits to film producers.

4. LOCAL AND REGIONAL DEVELOPMENT AS A LAUNCHPAD FOR GLOBAL SUCCESS

CCIs develop at the local and regional levels, where networking and clustering function. If creativity is locally rooted, it is however global in its reach. 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.

4.1. Local and regional dimension

CCIs often contribute to boosting local economies in decline, contributing to the emergence of new economic activities, creating new and sustainable jobs and enhancing the attractiveness of European regions and cities.

Indeed, regional and local development strategies have successfully integrated CCIs in many areas: promotion of cultural heritage for business use; development of cultural infrastructure and services to support sustainable tourism; clustering of local businesses and partnerships between CCIs and industry, research, education and other sectors; setting up of innovation labs; development of cross-border integrated strategies to manage natural and cultural resources and revitalise local economies; sustainable urban development.

EU cohesion policy has recognised culture's multiple contribution to its strategic objectives (convergence; competitiveness and employment; and territorial cooperation)³⁷. It is however hard to define the extent to which CCIs are supported through the funds allocated to culture – or indeed under other relevant headings such as research and innovation, promotion of innovative SMEs, clusters and networks, information society (including digitisation of and e-access to culture), urban regeneration and human capital.³⁸ Rural Development Policy funded by the European Agriculture Fund for Rural Development (EAFRD) also supports culture notably through preservation of rural heritage, including renewal of villages, protection of natural and cultural heritage as well as leisure activities. Local development strategies developed and implemented by LEADER local partnerships in rural areas can also contribute, as culture brings economic diversification and quality of life in rural areas. And it appears that this potential is insufficiently tapped.

The distinctive role which CCIs can play in regional and local development should be duly taken into account when designing policies and support instruments at all levels³⁹.

CCIs are knowledge-driven industries that tend to gravitate towards specialised labour markets. Academic research suggests that large scale industrialization of creativity and cultural innovation occurs in large urban areas. Nonetheless, there is no straightforward connection between CCIs and labour market size or population. Regional distribution of

³⁷ For the programming period 2007-2013, planned EU expenditure for culture amounts to around EUR 6 billion representing 1.7% of the total budget.

³⁸ EU Cohesion Policy – the Thematic Pages: http://ec.europa.eu/regional_policy/themes/index_en.htm.

³⁹ See good practices identified by the national experts working group on CCIs.

industrial and innovation systems, including CCIs, is much more diverse⁴⁰. In rural areas, new business models can help bring innovation and sustainability to traditional forms (i.e. local crafts) and lead to economic viability⁴¹.

Creativity and innovation have a strong and distinctive regional dimension⁴². Policies and support instruments need to be determined locally, building on local specificities and assets and tapping into local resources ("place-based development approach"). At the same time, effective coordination between different policy and administration levels is essential for success. Impact assessment and evaluation tools should be built into development strategies to support the design of evidence-based policies.

Successful strategies are built on a medium- to long-term (i.e. 10-20 years) development model combining infrastructure and human capital investments. Investment should target areas crucial for CCIs, such as new business models, creativity and innovation, digitisation, skills and improvement of human capital, and creative partnerships with other sectors. A strategic approach in the context of an integrated development model means that support to CCIs is not considered a "luxury" or an isolated policy option, but a joint contribution to the economic development and social cohesion of a territory. To be successful, integrated development strategies should be defined at relevant territorial levels, in partnership between the authorities in charge of the different public policies (such as economic development, employment, education and culture) and the representatives from the civil society, namely business, workers and citizens associations.

Exchange of best practice is crucial and all possible networks across Europe should be utilised to facilitate knowledge and capacity transfer between areas lagging behind and growth centres.

QUESTION

- How to strengthen the integration of CCIs into strategic regional/local development? Which tools and which partnerships are needed for an integrated approach?

4.2. Mobility and the circulation of cultural and creative works

Promoting the mobility of artists and cultural practitioners – who are essential for the flourishing of CCIs – contributes significantly to their professional skills and/or artistic development, developing their own research and exploration ambitions, opening up new market opportunities and enhancing their career possibilities in particular through their participation in residencies, festivals, live touring performances, international exhibitions or literary events. Mobility can also more directly impact positively on the performance of CCIs by opening up new market opportunities through schemes which improve

⁴⁰ Creative and Culture Industries, Priority Sector Report (draft version), European Cluster Observatory, 2010.

⁴¹ Study carried out for the European Commission on the contribution of culture to local and regional economic development as part of the EU cohesion policy.

⁴² Sixth Progress report on economic and social cohesion - COM(2009) 295.

industry export strategies, promote international job placement schemes or reinforce capacity building⁴³.

On the other hand, the circulation of works benefits European audiences, offering them new perspectives, challenging the individual and collective mind to understand and live in complexity (a set of skills – including intercultural communication – which is of crucial importance in today's world), and offering them access to a more diverse cultural landscape. At another level, circulation beyond national borders within the European Union helps European citizens to better know and understand each other's cultures, to appreciate the richness of cultural diversity and to see for themselves what they have in common.

Finally, the mobility of artists, cultural practitioners and works are also essential for the circulation of ideas across linguistic or national borders, and giving to all a wider access to cultural diversity.

For all these reasons, they are a key component of the European Agenda for Culture, as well as of the EU Culture Programme (2007-2013).

However, obstacles to mobility are numerous. Some of these obstacles are linked to visa regulations, social and fiscal regime and other administrative barriers or to the lack of access to accurate information⁴⁴ on the different legal, regulatory, procedural and financial aspects underlying mobility in the cultural sector. Work on these obstacles is already ongoing⁴⁵ and will not be addressed in this document.

Beyond these broader aspects, there is also some scope to further strengthen the mobility of works, artists and cultural practitioners, acting on the chain of actors, both private and public, to deliver cultural diversity across borders. These actors are many and they greatly differ from one sector to the other. Within this chain, impetus for cross-border circulation and online access may be relevant at different points of intermediation between creators/producers of cultural expressions and citizens/consumers. On a different level, actions addressing specific challenges, i.e. helping emerging talents, lesser-known repertoires or collections⁴⁶ to break through national and linguistic border, could be useful.

It would therefore be helpful to better understand what form of partnerships, cooperation or support could contribute to ease, accelerate and expand mobility of works, artists and cultural professionals beyond national borders at European level.

⁴³ See in particular the study carried out by Ericarts for the European Commission on "Mobility matters: Programmes and schemes to support the mobility of artists and cultural professionals", 2008.

⁴⁴ See feasibility study carried out by McCoshan et al for the European Commission on "Information systems to support the mobility of artists and other professionals in the culture field", 2009.

⁴⁵ A national expert group on artists' mobility set up as part of the implementation of the European Agenda for Culture is working on a number of these issues while restrictions to market access and mobility of artists and cultural practitioners should have been addressed by Member States in the context of the implementation of Directive 2006/123/EC on the internal market for services.

⁴⁶ A national expert working group is working on the mobility of museum collections in the framework of the European Agenda for Culture.

This Green Paper seeks therefore more specifically to understand how this mobility can be increased and improved.

QUESTION

- What new instruments should be mobilised to promote cultural diversity through the mobility of cultural and creative works, artists and cultural practitioners within the European Union and beyond? To which extent could virtual mobility and online access contribute to these objectives?

4.3. Cultural exchanges and international trade

The EU's perspective on international cultural exchanges and trade is framed by the 2005 UNESCO Convention on the protection and promotion of the diversity of cultural expressions. Under this Convention, the EU is committed to fostering more balanced cultural exchanges and to strengthening international cooperation and solidarity in a spirit of partnership with a view, in particular, to enhancing the capacities of developing countries in order to protect and promote the diversity of cultural expressions. These objectives are in keeping with some of the guiding principles of the Convention, in particular the principles of equitable access⁴⁷ and of openness and balance⁴⁸.

In this context, the European Union has preserved the capacity, for itself and for the Member States, to define and implement cultural policies for the purpose of preserving cultural diversity⁴⁹. At the same time, the Union has strengthened its commitment to supporting the role of culture in development and promotes different forms of preferential treatment for developing countries. The EU is also committed to promoting intercultural dialogue worldwide. In doing so, it must also contribute to the diffusion of its cultural diversity - including the goods and services produced by its CCIs - across the globe.

This specific approach to cultural exchanges is a reflection of the shared values at the heart of the European project. These are the fundamental pillars on which a distinctive and dynamic "image of Europe" can be shaped, an image of an attractive and creative Europe, building on its rich heritage and on its openness to cultures from across the world. Europe's long tradition and vast assets in cinema, music, art, architecture, design or fashion clearly have a positive contribution to make to the EU's relations with the rest of the world.

Nurturing world-class CCIs and exporting their works, products and services obviously entails developing links with third countries. SMEs in particular require support to establish contacts and to have their activities promoted abroad. Industry-to-industry

⁴⁷ See Article 2 of the Convention, Principle 7.

⁴⁸ See Article 2 of the Convention, Principle 8.

⁴⁹ As many other partners in the World Trade Organisation, the EU and its Member States, when joining the General Agreement on Trade in Services (GATS), have preserved their capacity to define and implement policies for the purpose of preserving cultural diversity by notifying exemptions from the application of the Most Favoured Nation rule in accordance with Article II of the GATS and by consistently refraining from making specific commitments on market access and national treatment in cultural services, in particular in the audiovisual sector.

dialogue, scouting missions and market intelligence, and collective representation in international fairs are among the specific tools developed to support exports. Cooperation schemes⁵⁰ offer both an opportunity for mutual learning and a network of contacts abroad. Facilitating artistic exchanges with third countries is also important to stimulate cultural diversity⁵¹.

Europe has numerous agreements with third countries or regional associations of countries. Technical assistance and cooperation schemes could include CCIs as priority areas for economic exchanges. Policy dialogues with third countries or regional groupings could also in certain cases support industry-to-industry dialogues and specific EU tools could be developed to facilitate exchanges and exports⁵².

QUESTION

- Which tools should be foreseen or reinforced at EU level to promote cooperation, exchanges and trade between the EU CCIs and third countries?

5. TOWARDS A CREATIVE ECONOMY: THE SPILLOVERS OF THE CCIs

Reports published in several European countries show that CCIs play a greater role in national and regional innovation systems than has previously been recognised by policymakers⁵³.

First, these industries provide content to fuel digital devices and networks and so contribute to the acceptance and further development of ICTs, for instance to broadband rollout. As intensive users of technology, their demands also often spur adaptations and new developments of technology, providing innovation impulses to technology producers.

Second, through their specific role at the core of the digital shift and the new trend towards the "experience economy" as well as through their ability to shape or amplify social and cultural trends, and – therefore – consumer demand, CCIs play an important role in contributing to an innovation-friendly climate in Europe.

Third, it appears that firms that make proportionately greater use of services from the CCIs perform significantly better on innovation. Although the specific mechanisms by which this occurs are not yet well documented, it seems that creative innovation services provided by CCIs are inputs to innovative activities by other enterprises and organisations in the broader economy, thereby helping to address behavioural failures,

⁵⁰ Such as the ones supported in the MEDIA International preparatory action (2008-2010) and MEDIA Mundus (2011-2013).

⁵¹ As highlighted by the platform on the potential of cultural and creative industries.

⁵² See good practices identified by the national experts working group on CCIs.

⁵³ See in particular Bakhshi, H., McVittie, E. and Simmie, J., *Creating Innovation. Do the creative industries support innovation in the wider economy?* 2008; Pott, J. and Morrison, K., *Nudging Innovation*, 2008, consideration of the NESTA Innovation Vouchers Pilot, 2008; *The role of creative industries in industrial innovation*, Müller, K., Rammer, C. and Trüby, J., 2008.

such as risk aversion, status quo bias and myopia. Design is a good example of a creative process potentially leading to user-centred innovation⁵⁴.

Furthermore, reports also show that creative workers are more integrated in the wider economy than was previously thought: there are more creative specialists that have been trained in arts schools working outside the CCIs than within, acting as "conduits for knowledge, innovation and new ideas" initiated in the CCIs.

On a more general note, first-class cultural amenities and high-tech services, good living and recreational conditions, the vibrancy of cultural communities and the strength of local CCIs are increasingly seen by cities and regions as soft location factors that can help them boost their economic competitiveness by establishing a positive environment for innovation and attracting highly-skilled people as well as companies.

At the same time, 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**. They can also open new avenues to tackle the international dimension of such issues. To respond to these challenges, various levels of governance must design the right environments for creativity strategies to be developed. At the same time, reflections should be pursued with respect to evaluating a creative environment to complement more traditional innovation indicators. 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.

One way of doing that is to maximise the links between culture and education so as to promote creativity in a life-long perspective. The main assumption here is that creativity is not exclusively an innate gift. Everyone is creative in some way or another, and can learn to use his/her creative potential. In our complex and rapidly-changing world, we should therefore strive to foster creative, entrepreneurial and intercultural skills that will help us better respond to new economic and social challenges⁵⁵.

Quality cultural and art education has an important role to play in this regard, as it has the potential to reinforce imagination, originality, concentration, interpersonal skills, taste for exploration, critical and nonverbal thinking, etc. among learners⁵⁶. Against this background, synergies between culture and education should be further explored. The principle in this area should be "joint responsibility" from the education and cultural sectors, and systematic and sustainable partnerships between both sides should therefore be sought for⁵⁷.

⁵⁴ Commission Staff Working Paper "Design as a driver of user-centred innovation" - SEC(2009) 501.

⁵⁵ The new strategic framework for European cooperation in education and training ("ET 2020") adopted by the Council in May 2009 clearly takes on this challenge in highlighting the need to enhance creativity and innovation, including entrepreneurship, at all levels of education and training.

⁵⁶ See good practices identified by the national experts working group on synergies between culture and education.

⁵⁷ See good practices identified by the national experts working group on synergies between culture and education.

Media literacy education is also a very important way to promote citizens' creativity and participation in the cultural life of society. Today, the media are a very important means of distribution of cultural content and a vector for European cultural identities, and the ability of European citizens to make informed and diversified choices in their role as consumers of media content should be encouraged.

On a macro economic level, the links between CCIs and other industries should be strengthened for the benefit of the economy at large. In this respect, it would be interesting to better understand how to foster the use of creativity in other industries, the type of creativity which enterprises are looking for as well as the right mechanisms to facilitate such interactions.

For effective links to be made between the CCIs and fields such as education, industry, research or administration, real "creative partnerships" should be built and effective mechanisms for transferring creative knowledge such as design into other sectors should be implemented. Innovation voucher schemes such as the "Creative Credit" that helps business to develop their ideas by teaming up with CCIs seem very promising in this respect⁵⁸.

In this context, innovation support mechanisms to benefit CCIs not only allow CCIs to innovate better and more, but they also enable them to provide more innovative solutions to other sectors or industries, and therefore help Europe's overall economy to unleash its full innovation potential. Furthermore, intermediary institutions have an essential role to play in acting as an interface between worlds which are only starting to know each other, helping to build trust and understanding of objectives and expectations, and developing or fine-tuning working methods⁵⁹.

QUESTIONS

- How to accelerate the spill-over effects of CCIs on other industries and society at large? How can effective mechanisms for such knowledge diffusion be developed and implemented?
- How can "creative partnerships" be promoted between CCIs and education institutions / businesses / administrations?
- How to support the better use of existing intermediaries and the development of a variety of intermediaries acting as an interface between artistic and creative communities and CCIs on the one hand, and education institutions / businesses and administrations, on the other hand?

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<http://www.creative-credits.org.uk/> by NESTA, UK

⁵⁹

See in particular study carried out by Tillt (Sweden), Disonancias (Spain) and WZB - Social Science Research Center Berlin (Germany) as part of the work of the Policy Grouping Tillt Europe, funded under the Culture Programme Culture:

<http://creativeclash.squarespace.com/storage/ComparativeAnalysis%20TILLT%20EUROPE.pdf>.

Call for comments

The Commission invites all interested parties to comment on the questions and/or substance set out in this Green Paper. Answers and comments, which may cover all or only a limited number of the above issues, should reach the following address by 30 July 2010:

European Commission
DG Education and Culture
Green Paper on cultural and creative industries
MADO 17/76
B-1049 Brussels

Or by email to:

EAC-Creative-Europe@ec.europa.eu

If stakeholders wish to submit confidential responses, they should indicate clearly which part of their submission is confidential and should not be published on the Commission's website. All other submissions, not clearly marked as confidential, may be published by the Commission.

Organisations are invited to register in the Commission register for Interest Representatives (<http://ec.europa.eu/transparency/regrin>). This register was set up in the framework of the European Transparency Initiative with a view to provide the Commission and the public at large with information about the objectives, funding and structures of interest representatives.