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the development of creative
industries**

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THE ROLE OF FINANCIAL INSTRUMENTS IN THE DEVELOPMENT OF CREATIVE INDUSTRIES

Cultural and creative industries are not merely current 'hot topic', but they also are the engine for regional economy. At the turn of culture and economics, creative industries stimulate business, technology and society, as well as influence regional development. That makes creative industries an important element of modern, postindustrial, knowledge-based economy. Over the recent years, the creative industries have created more jobs than other sectors and become an important factor in the process of minimizing social gaps and building coherence. Due to the peculiarity of how creative industries actually operate, EU funds play an essential role in strengthening potential of these industries.

Słowa kluczowe: cultural industries, creative industries, EU funds, regional development

Introduction

Culture formulates our identity, our aspirations, life styles, interpersonal relations. Culture shapes our homes, affects the sceneries and tempers. We exist surrounded by various fields of culture, such as art, cultural heritage, theatre, publishing or design, and recently they have been perceived as factors of economic and social growth. They constitute so called cultural and creative industries. The term 'creative industries' emerged in the United Kingdom in the 90s, however did not get widely recognized until 1997, when cross-sectoral Creative Industries Task force was appointed. Its first report included a definition of 'creative industries' that is valid in the UK up to now, i.e.: 'those industries which

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have their origin in individual creativity, skill and talent which have a potential for job and wealth creation through the generation and exploitation of intellectual property.¹ The Department of Culture, Media and Sport identifies 13 industries: architecture, film, video, photography, designer fashion, music and performing arts, software, computer games, publishing, radio, advertising, crafts, art and antiques, design and TV.²

1. The role of creative industries

The cultural and creative industries have become the main sources of value-added services, representing the base for dynamic, knowledge intensive economy. Prosperity relies less on material resources and more on ability to generate new, commercial ideas. As far as knowledge-based, urban and regional development is concerned, creative people input is crucial.³ In social capital theory, Jane Jacob's basic concept states that people rather than money contribute to economic and social growth. Particularly as regards endogenous development, social capital is perceived as the main variable.⁴ Models of this type result in assumption that a key to development is to reach high density level of well-educated, creative and productive people. This thesis is derived from the idea that exploitation of creative potential contributes to new jobs creation. As the 2010 report concerning European competitiveness indicated, the cultural and creative industries account for 3.3% of GDP and employ 6.7 million people (so 3% of total employment). Other sources mention even higher figures, i.e. 4.5% of GDP and 8.5 million employees.⁵ Between 2008 and 2011 creative and cultural industries proved to be particularly immune to the consequences of the crisis. Eurostat delivers data showing they noted stable growth and employed individuals remaining in a difficult work situation, e.g., youth. Moreover, while analyzing the last decade, one can note that the level of employment in cultural and creative industries increased threefold

¹ *Investing in creative industries – a guide for local authorities*, UK Government, Department of Culture, Media and Sport, London 2009, p. 4.

² *Ibidem*, p. 6.

³ M. Kozak, *Polityka strukturalna UE i jej główne instrumenty*, Warszawa 2005, www.lmarkoz.webpark.pl/politykastrukturalnaue05.htm (retrived: 3.04.2012).

⁴ *Ibidem*.

⁵ <http://ec.europa.eu/culture/our-policy-development/documents/120505-cci-policy-handbook.pdf> (retrieved: 27.10.2012).

in comparison to the total EU employment level.⁶ In some cases at the local and regional level, the undertakings at the crossroads between culture and creativity, e.g., festival promoting or European Capital of Culture, have been spectacularly profitable with often over tenfold leverage effect on single EURO invested. Europe is the world's biggest exporter of the creative industries' products. In order to hold that position, these industries' capability to operate outside the EU must be supported financially.⁷

Being at the crossroads between arts, business and technology, cultural and creative sectors hold a strategic position to have an impact on spill-overs in other industries. For instance, creative industries deliver content for ICT applications, forming a demand for high-tech consumer electronics and telecommunication devices. Cultural and creative industries influence also growth in so called 'touristic carrying capacity of regions', generate new touristic trends through 'creative tourism' that results in higher income with same number of visitors. Furthermore, they pertain an element of luxury sector's value chain.⁸

In general, cultural and creative sectors affect innovativeness of other, related industries. Strategic document 'Innovation Union' explains innovation as stimulated by non-technological factors, i.e. creativity, design, new business processes or models. Boosting potential of creative and cultural industries may be important for social innovations too and consequently – for facing the major, modern challenges, i.e. climatic and demographic changes or cultural diversity.⁹

2. Financing of cultural and creative industries

Europe knows no alternative but to rebuild its economy, nonetheless it will not achieve convergence without social coherence. Culture and creativity are characterized as public goods and they improve life quality.¹⁰ Culture excellently completes social and economic dimensions of the European project, affects

⁶ Sprawozdanie na temat europejskiej konkurencyjności, rok 2012 – SEC 2010/1276, wersja ostateczna.

⁷ Innovation Union; ec.europa.eu/innovation-union (retrieved: 14.10.2011).

⁸ http://ec.europa.eu/culture/pdf/doc883_en.pdf (retrieved: 30.08.2011).

⁹ Unia Innowacji, see: www.mg.gov.pl/files/upload/8418/Unia%20innowacji.pdf (retrieved: 14.10.2011).

¹⁰ R. Towse, *Ekonomika kultury. Kompendium*, Narodowe Centrum Kultury, Warszawa 2011, p. 187.

prosperity in each and every sector, and contributes to the creativity increase.¹¹ Cultural projects teach to cooperate, understand the diversities and facing the reality.¹² Culture allows promoting values and goals important from the public point of view that go beyond material wealth. Recently, EU has defined culture in a wider scope and the latest European practices in the field of culture, innovation and coherence has proved that culture is being more appreciated.

European Union aims at creating single European digital market, the document *Single market for intellectual property rights* determines legal framework concerning intellectual property and cross-border operations in the domestic market. *Agenda for culture*¹³ defines culture as a tool for achieving coherence, supporting multicultural dialogue, creativity and international affairs.

Creative and cultural industries operate in the dynamic environment, shaped by digitalization and globalization.¹⁴ And within this environment, gaining access to commercial financing sources is quite a challenge. Since banking sector does not poses proper instruments to analyze business models of industries for which the main assets are knowledge and concepts, it is not capable to adequately estimate intangible value of an entity. Strong dynamics are being observed between the sectors without clear borders, e.g., film, games, music, fashion. Nevertheless, sectors remain hermetic and therefore opportunities for synergy and creation of new enterprises are limited.¹⁵

Culture and creativity are interpreted as profitable, since cultural investments are characterized by high rate of return that enables not only to gain wealth as cultural or creative industries, but also to save money through overtaking social problems, such as lack of economic activity.¹⁶ Culture reanimates and mobilizes for action – cultural activeness is an introduction towards other forms of activeness and strengthens group values and interpersonal relations.

According to the document titled *The economy of culture in Europe*¹⁷, elaborated by the European Commission, Europe's economic future is linked to its

¹¹ Dziennik Urzędowy Unii Europejskiej, www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:175:0001:0004:PL:PDF (retrieved: 27.10.2012).

¹² M. Kowalewski, A. Nowak, R. Thurow, *Czy kultura może wzmacniać spójność społeczną. Studium przypadku: szczecińskie podmioty kultury wobec problemów społecznych*, Regionalny Ośrodek Pomocy Społecznej w Szczecinie, Urząd Marszałkowski, Szczecin 2010, s. 75.

¹³ Dziennik Urzędowy Komisji Europejskiej, <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:247E:0032:0041:PL:PDF> (retrieved: 28.10.2012).

¹⁴ http://ec.europa.eu/culture/pdf/doc883_en.pdf (retrieved: 30.08.2011).

¹⁵ *Ibidem*, s. 4.

¹⁶ M. Kowalewski, A. Nowak, R. Thurow, *Czy kultura może wzmacniać...*, s. 75.

¹⁷ *Creative economy report 2008*, UNCTAD 2008, cz. I, s. 40.

leadership in the field of creativity and innovativeness. Therefore, the European Commission urges to collect systematic data concerning creative and cultural industries, and to establish structural policies with objective of European creative industries' development as well as including them to the framework of European strategy for culture.¹⁸ Moreover, strategic documents of the EU also identify cultural and creative industries' enterprises as those contributing to the success of *Europe 2020* strategy, including its key initiatives, i.e., *EU Innovation Union*, *Digital agenda for Europe*, *Agenda for new skills and jobs* and *industrial policy for the globalization era*.

Between 2007 and 2013 EU Member States received total amount of EUR 347 billion for the benefit of achieving goals of cohesion policy of which 6 billion were allocated for culture.¹⁹ European funds have emerged as crucial for the implementation of creative policies and projects. The EU funds enabled initiation of creative policy in Estonia, Quartier de la Creation in Nantes, revitalization of Temple Bar area in Dublin. City of Nantes had assigned 18% of the ERDF (c. EUR 54 million) for revitalization projects and cultural facilities' constructions. City of Berlin allocated EUR 50 million for culture and creative industries.²⁰

These amounts are enormous sums of money – in comparison with the Culture Programme (2007–2013) with the total budget of EUR 400 million that constitutes 0.05% of the EU budget and divided by the population accounts for 0.13 EUROCENT per person yearly.²¹ Within the legal framework of the cohesion policy (2007–2013) culture is mainly associated with tourism, revitalization, access to cultural services and cultural heritage. This framework does not directly apply to culture as a source of non-technological and social innovations, input towards cities' revitalization that culture brings or an impact on ecological economy.²² In integrated Europe, local authorities aim at minimizing economic, cultural, educational and informational gap between their provinces and the developed regions. One method is to create modern, competitive, knowledge-intensive regional economy. The basic Polish document that defines priorities and using of 2007–2013 EU funds is National Cohesion Strategy (National Strategic Reference

¹⁸ Dziennik Urzędowy Unii Europejskiej C175/1 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:175:0001:0004:PL:PDF> (retrieved: 27.10.2012).

¹⁹ Data base DG REGIO.

²⁰ *Wykorzystanie funduszy strukturalnych na projekty związane z kulturą. Ekspertyza*, DG ds. Polityk Wewnętrznych Unii, PE 474.563, Bruksela 2012, p. 6.

²¹ http://eacea.ec.europa.eu/culture/index_en.php (retrieved: 29.10.2012).

²² *Ibidem*, p. 7.

Framework), approved by the European Commission on May 9–10, 2007 during the conference *Strong regions – building bridges for Europe*.

Effect on creative industries has been determined while considering individual factors influencing creative development. Those factors were defined by Richard Florida and these are: talent, tolerance and technology. Equal development of three, seemingly independent areas will result in a success of the creative regions.²³

Table 1

Measures supporting creative industries in Multiannual Financing Framework (2007–2013)

Measures	Impact on creative industries ^{a)}
1	2
OP HC ^{b)} 4.2 Development of R&D system staff qualifications and improving the awareness of the role of science in economic growth	6
OP HC 1.3 National programmes for vocational integration and activation	5
OP HC 6.1 Improvement of access to employment and support for professional activity in the Region	5
OP IE ^{c)} 1.2 Improvement of human potential of science	4
OP IE 4.5 Support for investments of high importance to the economy	4
OP HC 9.2 Improvement of attractiveness and quality of vocational education	4
OP I&E ^{d)} 11.1 Protection and preservation of cultural heritage of supra-regional importance	3
OP IE 1.3 Support for R&D projects for entrepreneurs carried out by scientific entities	3
OP IE 2.1 Development of high research potential centres	3
OP IE 3.1 Initiating of innovative activity	3
OP IE 4.1 Support for implementation of results of R&D works	3
OP IE 4.2 Stimulation of R&D activity of enterprises and support within the scope of industrial design	3
OP IE 5.2 Supporting business environment institutions providing proinnovative services and its networks of supra-regional importance	3
OP IE 5.3 Support for innovation centres	3
OP IE 5.4 Intellectual property management	3
OP HC 1.2 System support to institutions of social assistance and social integration	3

²³ K. Klincewicz, *Klasa kreatywna w Polsce*, Wydawnictwo Naukowe Wydziału Zarządzania Uniwersytetu Warszawskiego, Warszawa 2012, p. 145.

1	2
OP HC 2.1 Development of human resources for modern economy	3
OP HC 2.2 Support for the human resources adaptation system	3
OP HC 4.1 Strengthening and development of didactic potential of universities and increasing the number of graduates from faculties of key importance for knowledge-based economy	3
OP HC 8.1 Developing a workforce and enterprises in the region	3
OP HC 8.2 Transfer of knowledge	3
RDPe) 1.1 Vocational training for persons employed in the agriculture and forestry sectors	3
OP Sustainable Development of the Fisheries Sector and Coastal <i>Fishing</i> Areas 1.5 Socio-economic compensation for the management of the national fishing fleet	3
OP Sustainable Development of the Fisheries Sector and Coastal <i>Fishing</i> Areas 3.1 Collective actions	3
OP Sustainable Development of the Fisheries Sector and Coastal <i>Fishing</i> Areas 3.5 Pilot projects	3

- a) Impact on creative industries is defined as a sum of impacts on 3 factors determined by R. Florida as key factors in the process of knowledge-intensive economy creation. 3T Model includes: Technology, Talent, Tolerance. Equal development of those three, seemingly independent areas will result in a success of creative regions.
- b) OP HC is an abbreviation of Polish Operational Programme Human Capital. It is one of the programmes devised to implement the National Strategic Reference Framework (NSRF) 2007–2013 and it covers the entire intervention of the European Social Fund (ESF) in Poland.
- c) OP IE is an abbreviation of Polish Operational Programme Innovative Economy.
- d) OP IE is an abbreviation of Polish Operational Programme Infrastructure and Environment.
- e) Rural Development Programme.

Source: K. Klincewicz, *Klasa kreatywna...*, p. 138.

Appreciating the role and importance of creative industries within the regional development, European Commission devised establishment of ‘Creative Europe’ programme within the new financing perspective for 2014–2020. Its objective is to promote cultural and linguistic diversity, as well as to achieve an increase in creative sector’s competitiveness. The objectives of the programme are, e.g.:

- Supporting creation of cross-border networks, coping with the digitalization era’s challenges, strengthening the potential for commercial operating transnationally,
- Establishment of special financial mechanism, offering support in getting bank loans.

This programme, along with the Horizon 2020 and COSME instruments, ought to facilitate evaluation of cultural and creative projects conducted by financial

institutions, as well as support the potential for audience widening, new models testing and cross-border cooperation.

3. Interaction components of the investor and the investee at the financing mechanism at the CCI – the result of expert panel during the North Dimension Partnership Conference (Warsaw, December 2012)

Ten experts from North Europe and Italy participated in the expert panel, including the representative of FAME project – one of the most important European mechanisms supporting the development of the creative industries' enterprises. Interaction components of an investor and an investee at the financing mechanism at the CCI are a very broad topic, since creative industries are strongly divided and internally incoherent. The reasons for that is a fact that there are many branches of these industries, as well as many forms of entities associated with creative sector. When talking about financial issues (investment), there is a significant difference in the role/function on the market between profit oriented (mostly SMEs) companies and public institutions (non-profit). There are at least three possibilities of investing in CCI: financing (investing), funding or sponsorship. Experts said that interaction between an investor and the 'company' and financial instruments depends mostly on the life cycle of the organisation and the specific (different) financing needs. Talking about funding source we should focus on public and private funding boxes. There is a strong demand for the change of paradigm in public institutions, and in case of public culture organisation there is a need to develop and implement funding transition instruments for example:

- Transition period from public to private financing,
- Loan system and funding instruments,
- Public institutions keep a small % of their income (not spent) as an investment capital to create an entrepreneurial thinking.

On the other hand, considering the role of a public institutions, principally established not to gain a monetary benefits (non-profit) and depended on the public funds, there is a strong need to discuss the expectations of the investor (mostly public authority) towards them. The experts agreed on the fact, that the benefits out of e.g. the public cultural institution like theater cannot be measured by economic effects (profits). However they were also convinced that the funds for such cultural institutions should be shared under specific conditions to ensure a maximum added value of their activities in a sense of increasing a quality of life in the region. It means, aiming at a possibly highest level of attractiveness of the

region. The experts defined during the brainstorming session following draft of a set of condition criteria for the decision for funding:

Table 2

Draft of a set of condition criteria for the decision for funding

Develop a set of criteria	
<ul style="list-style-type: none"> – It creates an atmosphere where people have easy to: a) participate, b) to feel like being part of it – Social interest – Business plan – Visibility – Public interest/need of it – Relevance to the public – Critical review – Innovative (great, new) idea – Social + educational value – Possibility of scalable products / services 	<ul style="list-style-type: none"> – Activities / results – Interaction – reach – Effects: <ul style="list-style-type: none"> • Personal • Public • Societal – Quality – Broad access (democratic) – Multi-experience – Quantitative assessment indicators like number of audience during ex. month – Innovation – Quality – Social

Source: self-reported data.

Summary

Culture and creativity used as factors of regions' economic development should be supported by coherent policy, expressed in regional development programmes and facilitating the exploitation of outstanding cultural and creative qualities. One of the biggest issues is the creative industries' projects financing that is rather a complicated matter. It is related to difficulties in elaboration and successful presentation of business plans, as well as inapplicable business models. Since the finance market does not support enterprises operating in the high-risk sectors, and creative industries are perceived as those, it is devised to make efforts towards adaptation of financing mechanisms so they could answer to real needs of organizations.²⁴ At the same time, one must underline crucial role of human resources managing cultural infrastructure, especially in marketing and promotional area of regional culture potential. Culture in National Strategy up to year 2020 is perceived as public investment; projects supported with public funds have a positive impact in socio-economic and spatial scopes. National Strategy for

²⁴ M. Koszarek, *Diagnoza sektora branż kreatywnych na obszarze Metropolii Gdańskiej. Raport końcowy*, http://www.creativecitiesproject.eu/en/output/doc-23-2011/SWOT_Gdansk_PL.pdf (retrieved: 10.11.2012).

Social Development will replace currently bidding National Strategy for Cultural Development and will bind until year 2020.²⁵

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²⁵ Ibidem, p. 23.

ROLA FUNDUSZY EUROPEJSKICH W ROZWOJU SEKTORA KREATYWNEGO

Streszczenie

Termin „sektor kreatywny” na stałe pojawił się w ekonomii, stając się synonimem rozwoju, dynamiki i czynnikiem napędzającym rozwój całych regionów. Sektory kreatywne, sytuując się na pograniczu ekonomii i kultury, wywierają pozytywny wpływ na biznes, technologie i społeczeństwo. Zatem stają się ważnym komponentem nowoczesnej, postindustrialnej, opartej na wiedzy gospodarki. Autorzy w artykule opisują, jak fundusze europejskie wpływają na rozwój sektora kreatywnego i przedstawiają najlepsze praktyki z tej dziedziny.

Słowa kluczowe: kreatywność, sektor kreatywny, fundusze europejskie, rozwój regionalny