THE CULTURE STRAND OF THE CREATIVE EUROPE PROGRAMME 2014-2020
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NOTE
Abstract

This note provides analytical, conceptual, and policy commentary on the proposed Culture Strand of the Creative Europe Programme. It takes into account all available commentary on this Programme from both official sources and a wide range of stakeholders, including published results of consultation and follow up discussions with key actors in the field by IMO research team. The focus is on both the plausibility and cogency of the overall policy architecture and on key points of acknowledged concern.
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LIST OF ABBREVIATIONS

AV  Audio-Visual
CCP  Cultural Contact Point
CCI  Cultural and Creative Industries
CCS  Creative and Cultural Sector
CULT  Culture and Education Committee
DG  Directorate-General
EACEA  The Education, Audiovisual and Culture Executive Agency
EC  European Commission
EENC  European Expert Network in Culture
EIB  European Investment Bank
EIF  European Investment Fund
EU  European Union
GDP  Gross Domestic Product
ILO  International Labour Organisation
IMO  Institute for International Relations, Zagreb, Croatia
MFF  Multi-Annual Financial Framework
MPGF  MEDIA Production Guarantee Fund
MS  Member State
NGO  Non-governmental Organisation
OMC  Open Method of Coordination
S3  Smart Specialisation Strategies
SME  Small and Medium Enterprise
SMEG  Small and Medium Enterprise Guarantee Facility
UNESCO  United Nations Educational, Scientific and Cultural Organisation
EXECUTIVE SUMMARY

Background

The background to this Note is a request from the European Parliament Culture and Education (CULT) Committee for expert commentary on the nature and implications of the proposed new Creative Europe framework programme, currently under consideration by both Council and Parliament, for both the established and proposed Culture Strands and in the context of the upcoming debates on the European Commission's proposal for the Multiannual Financial Framework (MFF) 2014-2020 and the Europe 2020 Strategy.

In deliberations, consultations, and research a number of concerns had been identified by the Parliament including, at the forefront, the proposed merger of Culture and Media strands and subsequent policy and funding equilibrium issues for subsidised and commercial cultural operators. Closely connected to this are concerns with the nature of the proposed Financial Facility, the related shift away from a subsidy towards an investment orientation, with lack – or loss - of parity of esteem and treatment for smaller cultural operators, the implications for the Cultural Contact Points (CCPs) and Media Desks of the proposed new Creative Europe Desks and, not least, the implications for Transnational Policy Cooperation within the Open Method of Cooperation (OMC).

In this context the CULT Committee of the Parliament commissioned Institute for International Relations (IMO) to provide commentary and analysis to inform the Parliament on the implications of the proposal for the Culture Strand - its strengths, weaknesses, opportunities, and threats - to inform Parliament’s deliberations through commentary, analysis and recommendations. This document is the result of that brief and takes the form of a critical overview of the proposal in Section 1.0, deeper analysis of the implications of the proposal for various stakeholders in Section 2.0, reflections on the programme in Section 3.0, and a series of Recommendations for consideration and action in Section 4.0. In this executive summary the overview, analytical, and recommendatory components are telescoped and synthesised for ease of reading.

Overview of the proposed Creative Europe Programme

Creative Europe is a proposal for a single framework programme bringing together within both policy and resourcing purviews the hitherto distinct but related ‘culture’ and ‘media’ strands of the Commission’s core activities in the cultural field and creating a cross-sectoral architecture for policy and support including a new Financial Facility for the whole Cultural and Creative Sector (CCS) as now defined within both background and support documentation and in Article 2, Definitions of the Proposed Regulation before Council and Parliament.

The proposal has been received by stakeholders as, on the one hand, a welcome streamlining of actions and the provision of, as referred to by the European Commission, a ‘one stop shop’ for all cultural activities by the Commission and, on the other hand, as a confusing and possibly threatening move lacking in detail on application, management and budget, and therefore generating concerns and fears for its implications, especially among the smaller CCS operators. This is especially the case with the proposed Financial Facility and its orientations towards an investment rather than a subsidy strategy. This has generated concerns about parity of regard, esteem, and treatment in resourcing and policy.
These concerns are covered indicatively in the first section of the Note and taken up in more detail in Section 2.0.

In relation to the proposed budget increase of 37% to €1.8 billion for 2014-2020 which received considerable EU-wide and international attention when it was first announced, this Note advocates caution and modesty and situates this increase in the context of the overall proposed budget for the European Union. In this light, the proposed Creative Europe Programme takes up just 0.002% of the total proposed budget. The contribution is also assessed in relation to published indicators on the extent and nature of the CCS, and its contribution to employment and to GDP, even prior to considerations of its contributions to cohesion, regional, and digital objectives, and to the overall Europe 2020 Strategy objective of ‘smart, sustainable, inclusive growth’.

In our analysis of the programme proposal we draw attention to the following key factors and issues which are crucial to its proper evaluation:

- The wider policy context in which it has to be situated
- The overall policy architecture and operational feasibility of the proposal
- The terms of stakeholder engagement.

**The wider policy context**

The wider policy context, in which the Creative Europe proposal is situated, is characterised by a new and more strategic and mainstream positioning of culture in the use of terms and concepts such as ‘creative economy’, ‘creative ecosystem’, etc., in the context of an increasingly knowledge and content-based global and digital economy. In the EU context, this also positions culture and creativity much closer, in policy and operational terms, to contiguous – and much larger – agendas in areas such as cohesion and inclusion, innovation, digital, and regional agendas.

In this context and under this heading the main recommendations for action include:

- Acceptance but careful monitoring of the proposed merger of three existing programmes;
- Ensuring parity of esteem, regard, and treatment for non-profit/not-for-profit and commercial operators in the CCS;
- Ongoing research into the nature, extent and impacts of the CCS in the context of the post 2007/08 financial crisis;
- Supporting the proposed budget increase and putting it in its proper overall budgetary and economic context, with additional information requested from the Commission on precise allocations for the proposed three strands and their functions, especially for the Creative Europe Desks and Transnational Cultural Cooperation initiatives.

**The policy architecture and feasibility of the proposal**

The Parliament should acknowledge the broad support, from all stakeholder communities, for the proposal of a framework programme for such a strategic and connective area as culture in the contexts of the goals and objective of the Europe 2020 Strategy and its key theme of smart, sustainable, inclusive growth, in particular.
In this context, and welcoming the stated objective of ‘new refocused objectives and priorities that better fit the reality of the culture sector, as well as simplifying existing instruments’, and acknowledging improvements made to the Proposal for a Regulation during the Danish Presidency, the main recommendations for consideration and action are:

- Ensuring an appropriate equilibrium of purview in consideration of the economic and intrinsic values of culture and acknowledging new conceptual, analytical and policy frameworks that are available to enable this;
- Ensuring continuity and stability in funding and support for applicants including through matched-funding and the role of Member States (MS) in the OMC;
- Immediately addressing concerns about the proposed merger of culture and media strands and of CCPs and Media Desks though the provision of more detailed information on plans and budget allocations;
- More operational and financial detail and plans for the proposed Financial Facility and especially its relationship to both the European Investment Fund and to banks; and
- Further detailed elaboration of plans for the transnational component of the Cross-sectoral Strand including goals, programme management, and budget.

**The terms of stakeholder engagement**

That ‘we are all stakeholders in culture’ is often asserted and nowhere is this clearer than in the current EU economic and policy climate. In this context, the Creative Europe proposal and its lead agency within the Commission, The Education, Audiovisual and Culture Executive Agency (EACEA), needs to be especially attentive to the terms of ongoing stakeholder engagement with the proposal - and the programme - by:

- Providing clearer explanations, definitions, and rationales for the key elements of the proposals highlighted in this Note as of immediate and pressing stakeholder concern;
- Setting up wide stakeholder consultative processes (not just for cultural operators) for ongoing monitoring and evaluation as well as agreed milestone and performance indicators;
- Establishing or consolidating mechanisms and processes for ‘joining up’ policy and programmes related to the CCS across the EU and within the framework of the OMC;
- Initiating ongoing quantitative and qualitative mapping of the CCS with research-competent entities and agencies at EU and MS levels;
- Continuing work on the refinement of both quantitative and qualitative indicators – of performance, contribution, impact, etc. – in collaboration with relevant national and international agencies including the Council of Europe.

**Concluding comments**

The Creative Europe proposal’s overall goals and ambitions are in line with the goals and objectives of the Europe 2020 Strategy and respond, broadly speaking, to the realities of a globalised and increasingly digitised creative economy. We note here, however, that Creative Europe mentions the Europe 2020 Strategy only once in its narrative. The Europe 2020 Strategy uses the word ‘cultural’ just once and the word ‘creative’ not at all. This is
not the way that smart and sustainable synergies are created or policy settings connected and harmonised in these top-level framework documents and there is a deal of work yet to be done towards this end. More information and elaboration will be necessary, especially in the two key areas of (i) the ‘philosophy of approach’ to key areas such as parity of regard, esteem, and treatment for the different stakeholders, and (ii) rationales, operational details and budget allocations for key proposed actions.

The European Parliament may wish to use the presented recommendations to address the proposal’s weak points, and indicate ways of strengthening them. It may also wish to take the opportunity to open a more fundamental debate about the nature of the creative economy/creative ecosystem and its implications for future smart, sustainable, inclusive growth in the Union and the Member States as well as a distinctive and competitive position for the EU in a globalised and digitised world which poses many threats both to European identities and to European markets but also many new opportunities for them.
GENERAL INFORMATION

In view of the upcoming debates on the European Commission's proposal for the Multiannual Financial Framework (MFF 2014-2020) and for the new funding Programme for the cultural sector, the EP CULT Committee submitted to IMO a request for the elaboration of the ‘ad hoc’ Detailed Briefing Note on the ‘Culture Strand of the Creative Europe Programme 2014-2020’. The IMO research team has been requested to produce this Detailed Briefing Note in order to review whether there is a sufficient justification in the existing documentation for the change in the funding modules in order to achieve the stated objectives, and whether the proposed architecture of the Creative Europe programme would result in bringing synergies between the Culture Strand and MEDIA Strand as well as with the Cultural and Creative Sectors Financial Facility.

According to the Terms of Reference, ‘the objective of the briefing note is to critically assess the potential and possible shortcomings of the Commission's proposal, on the basis of which suggestions for changes and revisions should be made. The note should provide a practical contribution to the work of the European Parliament's Committee on Culture and Education in upcoming debates on the implementation of the MFF and Europe 2020 Strategy (a critical analysis of the extent of the coherence between EU documents mentioning or addressing culture/media issues is welcome). Moreover, it should serve as a basis for future policy proposals for the next generation of the EU programmes for Culture, whilst taking into account that both the EU budget and national budgets will face severe constraints in the next decade’.

The work requested was carried out during June and July 2012 and was based on desk research backed by selected stakeholder consultation. The desk-based research included the review of available literature, documents, articles and data. Documents reviewed included communications, studies and related materials on relevant topics and issues published by and for the European Commission, Conclusions of the Council of the European Union, UNESCO, UNDP, UNCTAD, the Council of Europe, the Committee of the Regions, and the European Parliament as well as relevant documents of national governments and research-competent entities. Members of the research team undertook individual consultations during June 2012 ‘Helsinki trilogy’ of cultural policy events where major stakeholders of IFACCA, Compendium and Culture Watch Europe gathered, which was complemented by additional online consultations.

The research was primarily of a qualitative nature geared towards policy considerations, issues and possible actions. However, quantitative indicators were taken into account where available and relevant as an evidence base for policy determination (i.e. Eurostat data, data from selected studies etc).

The briefing note benefited from the comments and expertise of the external peer reviewers - Ilona Kish, Freelance Cultural Advisor and European Policy Expert, and Biserka Cvjetičanin, Scientific Adviser at the Institute for International Relations (IMO) and Director of the Culturelink Network.
1. OVERVIEW OF THE CREATIVE EUROPE PROGRAMME PROPOSAL

The European Commission has proposed the Creative Europe Programme as the new framework programme for the cultural and creative sectors for the next Multi-Annual Financial Framework 2014-2020. The Commission adopted its Proposal for a Regulation of the European Parliament and of the Council on establishing the Creative Europe Programme on 25 November 2011. The proposed Regulation was supplemented by a Commission Communication presenting Creative Europe (European Commission, 2011c), and the Commission Staff Working Paper dealing with the impact assessments of the new programme for each new proposed strand (European Commission, 2011b).

In drafting the Creative Europe Programme proposal the aim of the Commission is to present ‘a simple, easily recognisable and accessible gateway for European cultural and creative professionals, regardless of their artistic discipline’, and to ‘offer scope for international activities within and outside of the EU’ (European Commission, 2011c, p.2). This new single framework programme replaces the former three programmes – Culture, MEDIA, and MEDIA Mundus, and introduces a new Facility to improve access to finance for small and medium enterprises (SMEs) and ‘microenterprises’ of fewer than 10 people in the Commission’s definition of SMEs and for a number of not-for-profit organisations in the cultural and creative sector in response to a need which was strongly identified in both independent research and public consultations. Argumentation for the single programme lies in the orientation towards enabling ‘synergies and cross-fertilisation across the different cultural and creative sectors’ (European Commission, 2011c, p.2). This overview section provides an outline of the Programme proposed by the Commission – the policy context, its content and constitutive elements, and its budgetary implications.

1.1. The policy context

The foundations of the new Programme lie in the adopted proposal of the next Multi-Annual Financial Framework for the period 2014-2020 and on a budget that will deliver the Europe 2020 strategy. The new programme is also based on the conclusions and recommendations of important international documents and instruments which include the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005) which became part of the acquis communautaire, as well as the European Agenda on Culture in the Globalising World.

The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 10th of May 2007 on a European Agenda for Culture in a Globalising World is founded on three common sets of objectives. These are cultural diversity and intercultural dialogue; culture as a catalyst for creativity; and culture as a key component in international relations. Proposed changes and shifts in the priorities of the Culture Strand of Creative Europe follow all the main recommendations of the European Agenda for Culture in a Globalising World. These include the request for the Union and all other relevant stakeholders to work together to foster intercultural dialogue to ensure that the EU’s cultural diversity is understood, respected and promoted; to enhance the cross-border mobility of artists and workers in the cultural sector, and the cross-border dissemination of works of art. The second set of objectives focuses on the promotion of culture as a catalyst for creativity in the framework

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1 European Commission (2011d). In the continuation of this Note we will refer to it as The Proposal for Regulation.

of the Lisbon Strategy for growth and jobs and its follow-up Europe 2020 Strategy which corresponds to the proposed focus on the cultural and creative industries as an asset for Europe's economy and competitiveness as described in the proposed Creative Europe Programme. One of the main goals of the Creative Europe Programme will also be the promotion of culture as a vital element in the Union's international relations derived from both the European Agenda for Culture in a Globalising World and from the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Within these frameworks the EU is committed to developing a new and more active cultural role for Europe in international relations and to integrating the cultural dimension as a vital element in Europe's dealings with partner countries and regions.

The proposed Creative Europe Programme is based on multi-level dialogue and partnership and is inspired by the proposals expressed during a number of public consultations and hearings that included both non-governmental organisations (professional organisations, cultural institutions, European networks, foundations, etc.) and Member States which, following the implementation of the European Agenda for Culture in a Globalising World, took their cooperation to the next level by using the Open Method of Coordination (OMC). However, regardless of this inclusive methodology, a significant number of CCS representatives are still expressing many concerns and believe that the Commission did not take some of their important proposals and points into account.

The wider policy context is set within the parameters of the EU-wide and global growth of the 'creative economy' as measured in various ways by UNDP/UNCTAD (2008, 2010) in the first two global Creative Economy reports, by the European Commission (EC) in its 2006 study The Economy of Culture in Europe by KEA (2006), and by a significant number of CCS mapping projects at national, regional, and local levels initiated by Member States since 1997. These developments were well recognised by the 2010 Green Paper ‘Unlocking the Potential of Cultural and Creative Industries’ (European Commission, 2010a) and have resulted in a significant widening and deepening of the macro policy context in which cultural policies have acquired a new and more mature position. This is due to a number of factors which have important implications for situating Creative Europe within the wider policy architecture of Europe 2020 and its budgetary backing, including, most notably, the digital agenda, the cohesion and social inclusion agenda, the regional agenda, and the single market agenda.

What these various studies, reports and, increasingly, policy initiatives, have acknowledged, and documented, in addition to the well-recognised intrinsic values of culture, it is both the strategic and connective potential of the cultural field - public and private, subsidised and commercial - in relation to wider social and economic considerations and objectives at the heart of the overall Europe 2020 policy framework. That is to say that it is increasingly - and newly - possible to talk of culture, the economy, social cohesion and inclusion (in, for example ‘Smart Specialisation Strategies’ - S3) at the regional level, in the same breath and to give real substance to the overall strategic policy objective of smart, sustainable, and inclusive growth. That is also to say that it is not a question of culture or the economy, cultural policy or social policy but rather of integrating policies for culture into social and economic options as a whole. That would appear to be the strategic opportunity offered by Creative Europe within the Europe 2020 policy and priority architecture.

In the Creative Europe proposals these connections are sketched but not yet fully formulated and we address these issues in more detail in the analytical section below. For the present we simply note that while the strategic potential of culture has been recognised, albeit unevenly by the EU, in a globalised and increasingly digitised knowledge and content-based economy characterised by great and productive cultural diversity of both
creative practices and taste cultures, this ‘big picture’ view is not without its internal tensions and contradictions which are addressed in more detail in this Note below.

The new framework programme aims to complement other EU programmes related to cultural and creative sectors, and intends to realign them with the priorities of the Europe 2020 Strategy related to promoting smart, sustainable and inclusive growth. In this sense, the proposed programme has an inner logic which is synergistic in its ambitions and trans-sectoral in its approach. The new programme builds on the experience acquired with the following programmes and actions: the Culture Programme (2007-2013), the MEDIA 2007 and the MEDIA Mundus (2011-2013) Programmes, the European Capitals of Culture, and the European Heritage Label.

Within this budgetary and policy framework, the Creative Europe Programme (European Commission, 2011d) has the specific macro objectives of:

- Enhancing transnational capacity for the CCS
- Enhancing the transnational circulation of works and people, both within the EU and beyond, and building new audiences
- Enhanced financial capacity for the CCS, and
- Transnational policy co-ordination.

These objectives, as we note briefly above, are all within the Framework Programme objectives of:

- Providing a simplified, flexible and accessible ‘gateway’ for CCS support needs
- Establishing strategic linkages, synergies and forms of productive cross-fertilisation across the CCS
- Enhancing – and productively exploiting – European linguistic and cultural diversity in a context of globalisation and digitisation, and
- Increasing competitiveness through smart, sustainable, inclusive growth.

In the following section we present the constitutive elements of the proposal of the Creative Europe Programme.

1.2. Constitutive elements

The central thrust of the new proposal is to create clear strands, with indicative budgets, within overall framework programme and policy architecture. The architecture of the framework programme is designed to enable synergies between the existing ‘culture’ and ‘media’ components in order to enable cross-fertilisation between the distinct sub-sectors and a transversal approach in both policy and funding in order to engage and address the key policy issues, challenges and objectives of (i) a fragmented European market characterised by great cultural and linguistic diversity; (ii) the challenges and opportunities of the ‘digital shift’; (iii) the urgent need for greatly enhanced data collection and analysis to inform policy and funding decisions: and, (iv) addressing the problems of access to finance, especially for the smaller operators and SMEs who make up the great majority of CCS stakeholders.

The Culture Strand is expected to focus on ‘capacity-building and transnational circulation’ (European Commission, 2011c, p.8).
Capacity building includes the following elements:

- Support to cultural operators to develop skills and know-how to facilitate adjustment to the digital shift
- Support for artists/cultural professionals to internationalise their careers
- Strengthen European and international networks to facilitate access to new professional opportunities

Transnational circulation includes the following elements:

- Support international touring, events and exhibitions
- Support literary translations
- Support for audience building and building a long-term audience for European cultural works.

There will be a reduction of the number of calls managed by EACEA from 9 to 4 where 4 main grant instruments will apply to:

- Cooperation projects
- European networks
- European platforms
- Literary translations.

The Commission will continue to manage special actions including European Capitals of Culture, EU cultural prizes and the European Heritage Label.

The Media Strand is expected to focus on an increase in resources for distribution, including increased and more focused funding for sales agents to develop their capacities with higher buying and selling power on the international market (European Commission, 2011c, p.8). It will focus also on strengthening support for Europe-based international co-production funds which should boost co-productions between European and non-European producers. It will also focus on audience-building and market development measures.

Both Culture and Media Strands are expected to improve the offer of content available to audiences, with positive impacts on cultural diversity and European cultural identity as well as developing new markets. New direct and focused support to audience-building measures is expected to stimulate and thereby increase demand for cultural offer (European Commission, 2011c, p.8).

The Cross-sectoral Strand will have two parts: a new Financial Facility and transnational policy cooperation.

The aim of the new Financial Facility will be to improve access of cultural and creative SMEs\(^3\) and organisations to finance by providing credit risk protection to financial intermediaries building portfolios of loans; it will also support capacity/expertise building to correctly analyse the relevant risks (European Commission, 2011c, p.7). While this is a completely new instrument aimed at the cultural sector on the EU level, a pilot type of such an instrument has been put in place for the audio-visual (AV) sector under the existing MEDIA programme (i.e. the MEDIA Production Guarantee Fund - MPGF).

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\(^3\) The EC definition of SMEs categorises them, starting with 'Medium-sized', at <250, then 'Small' at <50, and 'Micro' at <10 (European Commission, 2011b, p.128). It should be noted that the great majority of SMEs in CCS are in the latter category of microenterprises with a significant number of self-employed and sole traders, especially in visual and performing arts, music, and design.
The second part of this Strand will include measures for the support of **transnational policy cooperation** through: exchanges of experience between policy-makers and operators; new approaches to audience-building and business models; cultural and media literacy; and data collection including membership to the European Audiovisual Observatory.

### 1.3. Budgetary implications

The proposed budget of the Creative Europe Programme amounts to €1.801 billion over the 2014-2020 period. This represents a 37% increase on current spending levels (European Commission, 2011c, p.2) but when looking at the overall proposed EU budget it represents just 0.002% of the total EU Budget allocations for 2014-2020. The Culture Strand of the programme will receive 30% of funding, while the MEDIA Strand and the Cross-sectoral Strand will receive 55% and 15% respectively. The new Financial Facility is designed, in principle, to develop the financial capacity and access to finance of the cultural and creative sectors, both public and private, and to help leverage significant private investment. It should be noted that according to EC data the sector also experienced significant growth of 20% over the 1999-2003 period which is 12.3% higher than the general economy (KEA, 2006). The budget proposals are cast in this context along with the recognition that while the sector has great potential it is also, in many areas, still very fragile and undeveloped and in need of support.

This is a significant budgetary increase in the current economic climate but small if considered in the context of (i) the relatively small share of the overall annual EU budget that the proposed increase over six years represents and, (ii) evidence in the CCS, based on clear and documented data and trends, of:

- **Sector value of €560 billion in value added to GDP in 2008 representing 4.5% of EU GDP and employing 3.8% of the EU workforce** (TERA Consultants, 2010, p.6 and cited in European Commission, 2011b, p.9);
- **A GDP contribution greater than the chemicals and plastic products industry (2.3 %) or real estate activities (2.1 %)** (Working Group of Member States Experts OMC, 2012, p.6);
- **Growth trends in the sector especially in the context of globalisation and digitisation of distinctive cultural content reaching new markets and developing new audiences for the diverse cultural offers of the EU.**

### 1.4. Just an 'economy', or an 'ecosystem'?

We also address in this Note the question of to what extent the Creative Europe Programme answers to 'pressures' on the cultural and creative sectors in the current economic environment with its combined threats and opportunities. Although it is still necessary, it is not sufficient anymore to advocate for sectors only with arguments on public good for the arts and culture or the multiplier effects of culture on other forms of economic activity. In the transition from the 'economic impacts of the arts' which characterised earlier stages of sector recognition, to the creative industries, creative economy, and creative ecology which have developed over the past 15 years, new pressures and realities have emerged which cannot be evaluated simply by the indicator of 'percentage contribution' of government to the arts and culture and their combined social, cultural and economic impacts. The new approach to culture within the EU has been

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4 As noted in House of Lords-European Union Committee (2012) and Screen Daily (2012a).
characterised in a specialist paper commissioned by the Directorate-general for Education and Culture from the European Expert Network on Culture (EENC) in 2011 as ‘Culture 3.0’ (Sacco, 2011), and we refer to and develop the arguments of this paper in more detail below.

In this new policy context there is lack of a clearly stated ‘philosophy’ of evaluation and measurement of successes and failures, strengths and weaknesses, etc., in the proposals as they stand. By this we do not mean the identification of actual indicators and performance measures – that is not the task of the Programme document - but, rather, some clearer indication of the general approach to this crucial area that will inform both judgement and policy. This will be very important in order to address the concerns and allay the fears of those, especially the smaller operators, to whom the precise logic of resource allocation in the programme is not at all clear. This is evident in the various submissions of position papers and opinions on Creative Europe to the Commission from non-governmental organisations (NGOs) and networks and in subsequent discussions at some key events in Europe during the writing of this Note. This will also have the effect of providing a firmer and more robust evidence base for discussions around the budget allocation overall and appropriate and justified allocations to the respective strands.

A great deal of commentary has been offered on the issue of whether the new proposals represent an ‘economic policy’ or a ‘cultural policy’ and on the issue of the ‘intrinsic values’ of culture as distinct from its economic and commercial values. The proposals for Creative Europe seem designed, however, to avoid posing the issues in this way. The stress on synergies, a transversal or cross-sectoral approach, and cross-fertilisation between media and culture sub-sectors as well as the emphases in the Financial Facility strand on providing new forms of support in the forms of investment strategies and a ‘loan portfolio’ for both subsidised organisations and commercial SMEs, would seem to indicate an approach to the CCS as a complex ‘ecology’ or ‘ecosystem’, with its own threats and imbalances.

Various national and international surveys and studies, both within the EU and beyond (i.e. Holden, 2007; Jeffcutt, 2004), and notably in the work of the American economist Richard Florida (2001, 2002) have noted the importance of this co-existence of subsidised and commercial cultural sectors within a ‘creative economy’ for both a vibrant, inclusive and sustainable cultural life, for economic reasons of job creation and increased added value, and for the ‘spill-over effects’ of creativity and innovation on other industry sectors in an increasingly knowledge-based global economy. This theme is pursued in a little more detail in the following analytical section of this report and is flagged here simply to indicate that the Creative Europe proposals provide some of the enabling conditions for this sort of approach which are necessary but not yet sufficient.
2. IMPLICATIONS OF THE PROPOSAL FOR THE CULTURE STRAND

Following the Terms of Reference, in this part of the Note only the Cultural and Cross-sectoral Strands will be examined in detail. However, it is important to keep in mind that **the final position on the proposed Programme will need to take into account an inclusive analysis of all three strands**. This comes as a result of the establishment of new points of contact (Creative Europe Desks) and because of the appropriateness of the introduction of the Financial Facility which, as a pilot instrument has already been set up under the existing MEDIA programme (i.e. MPGF).

Most of the proposed changes in the existing Culture and Media Programmes as well as proposals for the new Cross-sectoral Strand are based on discussions, research papers, and consultations, as well as guidelines articulated by policy-making and legislative bodies that also include the discussions of the European Parliament. The new proposal is based on and develops a momentum from the most important strategic documents adopted by different EU bodies over the past few years. However, it is important to note that economic, political and social circumstances have significantly changed. Many of the studies quoted in the Commission’s proposal were completed before the economic crisis starting in 2007/08 and the conclusions and proposals have not been revisited in the context of radically changed economic and budgetary circumstances.

**National budgets for culture in most of the MS are undergoing serious reductions** and this puts the proposal for Creative Europe in a context in which one has to consider and analyse anticipated developments with caution. The Creative Europe proposal, however, also has to be seen in the wider policy frameworks and landscape of Europe 2020 and of contiguous strategic policy priorities on digital, regional, and inclusion agendas.

The following part of the Note analyses to what extent various proposals have been incorporated in the proposed Creative Europe Programme and identifies strengths and weaknesses, as well as areas in which it might be important to make certain adjustments, or which still require a certain degree of clarification. The constitutive elements of the Creative Europe Programme and the ways they differ from the current Programmes are investigated here in terms of the plausibility and feasibility of the proposed strands and initiatives outlined in the Creative Europe Communication. Behind these operational strands we have investigated the viability of both the conceptual and the policy architecture characterised by concepts such as 'transversal', 'cross-cutting', and 'strategic', within the overall structure of a Single Framework Programme. We have investigated the ways in which this operational and policy framework differs from the existing structure and the ways in which it responds to the actual and current realities of the cultural field undergoing major changes in the context of both digitisation and globalisation.

2.1. Expectations, pressures, strengths and weaknesses

The proposed structure for the Creative Europe Programme promises improved outcomes and efficiencies but this notion needs further investigation and testing. This will depend partly on management structure and resource allocation through, for example, an appropriate and responsive budgetary and policy architecture and this, in turn, will require

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6 See listed studies at European Commission (2011b, p.50) – i.e. the most cited KEA study from 2006. It should also be noted that the most cited data such as how the ‘CCS account for 4.5% of the Union’s GDP and employ some 3.8% of its workforce’ date from pre-recession 2008’, in a study published in 2010 (European Commission, 2011d, p.9, see footnote).
clear statements of vision, goals, objectives and strategies in both economic and social terms which are clearly measurable and based on sound and robust evidence, both quantitative and qualitative. The Commission's proposal touches on the hard quantitative needs of improved data collection for the sector and on some of the conceptual frameworks and approaches necessary for situating this data in a policy-enabling way - the value chain approach, the recognition of the hybridity and diversity of the sector, its increasingly transnational nature, and so on. It also recognises some of the key enablers and drivers of dramatic transformations in the sector including digitisation and globalisation. The recognition of these needs, drivers, enablers, and catalysts requires, however, a more systematically elaborated transversal policy architecture drawing on best practice in both research and policy, academic and field-based work, in order to situate them within a comprehensive 'map' of the cultural field and its movements to inform policy and resource allocation.

2.1.1. Policy context: arguments for the merger of existing programmes into a single framework programme

The Commission’s proposal offers the following justification for the merger of formerly separate programmes (Culture, MEDIA and MEDIA Mundus) under a new framework programme:

’[...]in order to more effectively support cultural and creative operators to take advantage of the opportunities the digital shift and globalisation offer and help them to address issues currently leading to market fragmentation. To be effective, the Programme should take account of the specific nature of the sub-sectors, their different target groups and their particular needs through tailor-made approaches within independent strands’7.

Although the Commission recognises that there are important differences between the goals, priorities and management of the existing programmes, it proposes the merger as a response to the most important argument: the fact that the sectors, however different operationally, are facing very similar challenges8. These include fragmented market, the need to adapt to the impact of the digital shift, lack of comparable data to assess technical impact and to design appropriate and responsive policies in the context of chronic difficulties in access to finance. However, it is important to note that the Culture and MEDIA Programmes in the new framework architecture will remain separate, while the third inter-sectoral strand will be the only one really confirming the shift towards more inclusive treatment of the CCS. As we point out in Section 2.2 this third strand still needs considerable clarification, especially in regards to its implications for the Culture strand. Just merging two programmes under the same framework and highlighting these new objectives in the general description of the Programme is not enough to ensure that the new programme will go beyond the established goals of the hitherto separate MEDIA and Culture programmes, and create the promised synergies and transversal approach for the sector.

The new Framework Programme can also be seen as a result of the re-definition of cultural and media policies at the European level, the introduction of the Open Method of Coordination (OMC), the fact that culture and media policies have been put under the same Directorate General, and that both existing programmes are being run and administered by the Education, Audiovisual and Culture Executive Agency (EACEA).

7 Point (15) of the Proposal for the Regulation (European Commission, 2011d).
8 Point (9) of the Proposal for the Regulation (European Commission, 2011d).
Key issues and points of concern with this proposed merger include a fear by some parts of the cultural sector that the merger and shift towards a ‘cultural industries/economic output’ orientation in the new programme has been primarily driven by the results of the analysis of the media sector. In the explanation of the proposal it is clear that there is an attempt to copy some positive aspects and practices from the MEDIA programme to the Culture programme. While this is justifiable for some parts of the culture sector that are more market-oriented, this is unlikely to be the case for a great number of non-profit oriented operators traditionally financed through the Culture Programme. This has recently been addressed during the Danish presidency when the Council of Ministers decided to introduce a new Article 5a in the Commission’s Proposal in order to establish a better balance between the recognition of the economic dimension and the intrinsic and social value of culture, and introducing the new recital on the shared cultural area.

2.1.2. Content and architecture: main priorities and objectives of the Culture Strand of the Creative Europe Programme

There are two sets of objectives of the Creative Europe Programme that need to be analysed in order to understand the shift for the cultural sector. The first set of objectives refers to Articles 3-5a of the Proposal which include general objectives for all three strands of the Creative Europe Programme. Thus, Article 4 refers to the general objectives of the programme which include firstly, ‘safeguarding and promotion of European cultural and linguistic diversity’ and secondly, strengthening of ‘the competitiveness of the cultural and creative sectors with a view to promoting smart, sustainable and inclusive growth’.

On the other hand Article 5 relates to the specific objectives of the Creative Europe Programme:

a) ‘to support the capacity of the European cultural and creative sectors to operate transnationally;

b) to promote the transnational circulation of cultural and creative works and transnational mobility of cultural players and audiovisual professionals as well as to reach new audiences and improve access to cultural and creative works in the Union and beyond with a particular focus on children, young people and under-represented groups;

(c) to strengthen the financial capacity of the cultural and creative sectors, and in particular small and medium-sized enterprises and organisations;

(d) to support transnational policy cooperation in order to foster policy development, innovation, audience building and new business models.

The Impact Assessment (European Commission, 2011b, p.11) and analysis of the present Culture Programme indicated that the main priorities of the Culture Programme needed to be redefined in order to better fit the reality of the culture sector and to ensure a greater clarity in defining specific priorities. While intercultural dialogue, European citizenship or mobility were perfectly legitimate goals, the analysis showed that these goals were not the

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10 European Commission, 2011d.
11 Points (c) and (d) of Article 5 will be analysed in the next sub-chapter as they refer more to the Cross-sectoral Strand of the Creative Europe Programme.
principal reasons why operators cooperated across Europe. **Article 5** responds to this need for a shift of the objectives. **Article 5 also offers general objectives for all three strands and provides the most direct link between the formerly separate objectives of existing programmes.**

Article 5, point (b) includes one of the most important new objectives which is a **cohesive factor of the new programme as it can be applied across sectors.** It addresses the issue of circulation of cultural and creative works across Europe and the transnational mobility of cultural and AV professionals which has, regardless of all the financial incentives distributed under the previous programmes, not achieved the anticipated results. The Impact Assessment (European Commission, 2011b) and studies across different cultural and audio-visual disciplines show that still only a small percentage of people in Europe are accessing cultural works from other European countries and the audiovisual market continues to be dominated by Anglo-American works distributed by multinational corporations specialising in the cultural and 'content' industries. While this is not good for cultural diversity, it is also not good for the economy, especially at MS level. This is also pertinent to the third, social aspect, insofar as it is a missed opportunity for promoting intercultural dialogue.\(^{12}\)

This new objective will be coupled with the objective of reaching new audiences. According to the Commission this should provide for a change of paradigm where we will be going from a situation where ‘cultural organisations decided what you were going to see’, to the digital world where people are – or want to be - more interactive, involved and engaged in programming and production as they already are, for example, in the video games industry and in projects such as Wikipedia. The Commission believes that the new programme will, under this objective, finance transnational cooperation projects that will accelerate learning and exchange of good practice on audience-development. The aim of the programme will be to help more cultural works reach more audiences around Europe. Already the Impact Assessment has identified a need for massive adjustment across Europe by the cultural and creative sectors and the acquisition of new know-how in terms of how to promote cultural works and engage with new audiences in the digital age. We also address this issue in more detail in Section 2.4 below.

However, it is important to mention here that on a linguistic level there has been a significant semantic shift where, in many documents, the Commission refers to ‘consumers’ in preference to the more common concept for the field of culture and audiovisual of ‘audiences’. While this might appear to be simply a linguistic nuance, it is important to keep in mind that this kind of change of rhetoric can be an indicator to many stakeholders of a change in the prevailing ‘philosophy’ of the programme.

**Specific concerns of the cultural sector have been taken into account by introducing Article 5a** which highlights the recognition of the combined intrinsic and economic value of culture and states that the ‘Programme shall support actions and activities presenting a potential European added value in the field of culture and the cultural and creative sectors’. This wording opens a possibility for the Commission to recognise the specificities, needs and interests of a non-market oriented cultural sector when designing the Programme Guide for the Culture Strand. **This reflects concerns voiced by the sector that there has been too much focus on the ‘competitiveness’ of the cultural sector as stated in the second general objective (Article 4) while the diversity issues (first general objective in Article 4) have been neglected.**\(^{13}\)

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\(^{12}\) As stated by Ann Branch, Head of Unit, Culture Programmes and Actions, interviewed by Chris Torch (European Commission, 2012a).

\(^{13}\) Council of the European Union (2012, p.3).
The second set of objectives refers to Articles 9 and 10. In comparison with the existing Culture Programme, specific priorities of the Culture Strand of the Creative Europe Programme elaborated in Article 9 are much better articulated and offer a good starting point for designing the Programme Guide.

Regarding Article 10, defining support measures of the Culture Strand, it can be noted that while the wording of the article differs significantly from the Fields of Action (Article 4) of the existing Culture Programme, the focus of the Programme remains similar. The changes include specific reference to transnational cooperation projects bringing together cultural organisations from different countries to undertake sectoral or cross-sectoral activities as well as activities by organisations providing a promotional European platform for the development of emerging talent and stimulating the circulation of artists and works, with a systemic and large scale effect.

Proposed general and specific objectives and priorities described in this sub-paragraph respond well to the expectations of the sector and follow recommendations of relevant studies, impact assessments and consultations, but it is impossible to assess its possible impact before the Commission publishes the draft of the Programme Guide which will ensure the translation of the general goals to more specific rules and procedures.

2.1.3. Technical and procedural changes and improvements

The Commission has announced that the number of calls for proposals managed by the EACEA under the Culture Strand will be reduced from 9 to 4 which can be taken as a positive step in light of the fact that some calls and strands were overlapping, and this made it difficult for operators to decide which call or strand to follow. Other announced changes and improvements will be visible once the Commission publishes Draft Guidelines for the Programme. Greater use will be made in general of flat rates, grant decisions and framework partnership agreements, and an advanced electronic portal which will be introduced to reduce paperwork for applicants and beneficiaries with regard to application and reporting processes. Another significant simplification measure announced by the Commission will be the merging of the two information networks (CCPs and MEDIA Desks) to benefit from economies of scale, and to provide higher quality service and greater transparency for the public by having only one EU entry point.

In the majority of Member States short-term projects were the ones with the biggest number of applications as they did not require significant financial contributions and guarantees. A smaller number of operators had the capacity to apply for longer-term projects as it was very difficult to commit to ensure co-financing for such a long period (5 years). This problem might become even more visible with the current cuts in culture budgets across Europe and this needs to be taken into account by the Commission when drafting the Programme Guide. Also the percentages and ratios of co-financing in comparison with EU financing should be carefully examined. When determining rules, thresholds and percentages for co-financing contributions, the Commission should keep in mind the current developments with the budget cuts in the

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14 Other support measures already existing in the Culture Programme include: activities of European networks of cultural organisations, support for literary translation and special actions aiming to achieve greater visibility for the richness and diversity of European cultures, and stimulate intercultural dialogue and mutual understanding including through initiatives such as European cultural prizes, the European Heritage Label, and the European Capitals of Culture.
number of Member States and take into account complex financial situations in many countries resulting in acute difficulties for cultural operators to commit to co-financing for a longer period of time. This is particularly the case with the not-for-profit oriented parts of the cultural sector which depend very much on steady public support in the form of various grants and other financial instruments, including loans. **Through the OMC process, Member States should also discuss this issue and regularly monitor developments across the Union with the aim of ensuring a level playing field wherever possible.**

A number of organisations have advocated a special support scheme for ‘kick-off projects’ or ‘laboratorium projects’ on a pan-European level which could also be explored in the future Programme Guide for the Creative Europe Programme.

During the consultation a number of organisations and networks expressed their opinion and proposed a number of improvements and simplifications of the overall management rules which range from the very technical to the more substantive.

One of the general proposals refers to the need for the guidelines, and particularly the criteria and administrative rules, to take into account the **diversity of the cultural sector**, and the fact that the Culture Strand of the Creative Europe Programme will be open to operators across the cultural sector from heritage, museum and libraries, to theatres or dance companies and visual arts as well as those producing in the new media environment.

On a more technical level, it was proposed that award criteria should be better defined with a clearer definition of European Added Value. This has already been partly taken into account in the latest revisions of the Commission Proposal (May 2012). **The second level is the further development of indicators for the overall evaluation and assessment of the results of the Creative Europe Programme which could and should then also be used for policy development at the EU level and at the level of MS** which we address in broad terms below. Suggestions for improvement of financial and administrative rules regarding project and operational grants from a number of stakeholders also include the following:

> [...] for multiannual support schemes, a two stage process of assessment of applications, with the submission of a concept note in a first evaluation phase, should be put in place, as already used in other EU programmes; financial reporting and budget headings should be simplified and clarified (both for flat rates and detailed budgets) through a dedicated chapter in the Programme guide including examples of reporting; the time gap between the application period and the notice period should be further reduced; profit and income should be distinguished, in-kind contribution allowed, and it should be possible for organisations supported by operational grants to build up reasonable cash reserves to cover social costs; the degressivity rule applied to operational support should be made applicable only during the duration of the grant and start at the initial level in the next grant period; eligible budgets for operational grants should not be limited from one contracting period to another (an application with a larger budget should be made possible in the next application period); the contracting period for operating grants should be harmonised to at least 3 years, to promote better organisational sustainability, planning and development.\(^\text{15}\)

\(^{15}\) Source: *We Are More* Position Paper on the new Creative Europe Programme (*Wearemore, 2011, p.8*). *We are more* is a Europe-wide arts advocacy campaign set up by Culture Action Europe in strategic partnership with the European Cultural Foundation.
The new Proposal for Regulation takes into account a number of these suggestions as visible in the new wording of Recital 27.

### 2.2. Implication of the Cross-sectoral Strand for the CCS

The strengths and weaknesses of the newly proposed Cultural and Creative Sectors Facility are tackled in relation to the Culture Strand. We pose the issue here of the ways in which these new strengths and emergent opportunities as well as hard evidence might best be mobilised for both the profile and the effectiveness of the proposed Cultural and Creative Sectors Facility and as a strategic and inclusive transversal policy mechanism. We also assess to what extent this new financial instrument is attuned to all stakeholders in the CCS, especially grassroots culture and art stakeholders from whom most concerns have been expressed about lack of clarity, and the dangers of a possible imbalance between qualitative and quantitative factors of evaluation. This is particularly the case with those developing European-wide projects in various arts and culture disciplines that might have difficulties meeting established and traditional criteria of economic performance or visibility in the digital environment. The new Facility aims to contribute to a new proactive approach to financing, and we also pose the question as to whether such mechanisms can encourage private investment in the cultural sector in Europe. The study on this theme for the European Parliament indicated that ‘very few new policy measures for encouraging private investment in culture have been implemented, thus showing that policies lag in their responses to current trends and challenges’ (European Parliament, 2011, p.18). The extent to which new policies and instruments such as the CCS Facility can be used to fill this gap needs further investigating as does the modus operandi of the European Investment Fund (EIF) in incentivising banks to be more responsive to the needs and circumstances of the CCS.

#### 2.2.1. A new Financial Facility

One of the rationales for launching a new Financial Facility is the well-documented difficulty experienced by CCS operators in accessing finance. While this is a common challenge for SMEs in general, the situation is significantly more difficult for small cultural and creative companies (European Commission, 2011b, p. 19-20). The Impact Assessment for the CCS financial instrument estimates a funding gap for these SMEs of some €2.8 to 4.8 billion (European Commission, 2011b, p.129). The problem is more acute in some MS than in others as there is very uneven development in relevant expertise and sensitivity developed by financial institutions with good practices to be found only in a very limited number of countries.

While the Culture and Media strand of the Creative Europe Programme will be managed by the EACEA, management of the CCS Financial Facility will be mandated to a financial institution - most likely the European Investment Fund - due to the nature of the expertise required for a facility providing a guarantee on a bank loan. The management of the instrument will be delegated to third party intermediaries that will be selected after an open call for expressions of interest and it is noted that one or two such financial intermediaries per country or region will be selected (European Commission, 2011e, p.7).

The Facility will deal with the difficulties for CCS SMEs and projects in accessing bank loans but the Commission believes that it is equally important to foster the spreading and


17 ‘[...]one of the weaknesses of the national schemes with regards to access to financing is, with the exception of France, Germany, Spain and maybe the UK, the lack of institutions specialised in the cultural and creative sectors’ (European Commission, 2011b, p.136).
dissemination of **expertise among financial institutions** in the area of financial analysis of cultural and creative SMEs and projects throughout the Union. The objective is to change the perception that the CCS is a high-risk sector that is not interesting for investments\(^{18}\). With a modest budget of €211 million, the Financial Facility is still expected to have a long-term systemic effect on the banking sector across the Union promoting investment in this sector. 

Even though the Commission maintains that all companies and organisations responding to the EU definition of SMEs will be eligible, we note that only market-oriented SMEs (primarily commercial creative industries including the audio-visual sector) are likely to be able to fulfil the goals and convince the banks of the ability of the company or organisation to return the loan. The proposed Financial Facility has not been fully conceptualised with regard to the whole 'ecology' of the CCS\(^{19}\), resulting in an orientation mainly towards media enterprises and thereby leading to the possible subsequent marginalisation of smaller cultural operators. It could therefore be said that this is a prolongation of the existing MEDIA Production Guarantee Fund - MPGF that has been ‘stretched’ towards other AV activities, but not towards the whole sector as is claimed in the Communication (European Commission, 2011c). This is also evident in the Impact Assessment documents where it has been stressed that the assessment of the financial instrument was supposed to be part of the MEDIA Impact Assessment but, due to its complexity, has been taken as a separate element (European Commission, 2011b, p. 118). This orientation is also evident in other Commission documents regarding the Programme, where it is noted that 'in principle' this Facility is open to other cultural organisations\(^{20}\). Thus, these other organisations are potentially structurally marginalised, - if not by policy intent - as can be seen from the Impact Assessment (European Commission, 2011b).

The selection criteria and control mechanisms in the Facility have not been elaborated for the longer term period, thus making the level of EU involvement not entirely transparent and its implications for the EU budget unclear. In addition, the nature and terms of the involvement of the EIF and European Investment Bank (EIB) is not sufficiently explained. Anticipations and projections on their involvement are still in the making and not available for public scrutiny\(^{21}\). This relationship is also relevant from the point of view of policy co-ordination and the expected synergies resulting from the Programme, which are highlighted as key arguments of the merger of the different strands. It is difficult to anticipate how these synergistic and transversal elements of the Programme are going to be achieved especially as it has been noted that, for example, the CCS has not benefited from the Small and Medium Enterprises guarantee (SMEG) instrument, or that there are connections to other actions in favour of CCS access to finance (European Commission, 2011b, p.134). Nor does the current proposal for the Programme make connections to programmes for culture in the Structural Funds. This is a significant weakness as it is stated in the Communication that it is supposed to complement them (European Commission, 2011c, p.2).

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18 The Impact Assessment highlights data that show high levels of productivity and profitability of the CCS sector 'As a general rule, a profit margin of 5% up to 10% is considered as an indication of a healthy level of profitability for service industries similar to those included in the CCS. The average European level of 9% is therefore a sign of highly satisfactory profitability existing in the cultural and creative sector across Europe' (European Commission, 2011e, p.128).

19 Partly this can also be attributed to the not so clear definition - or at least confusions over the definition - of the CCS that has been under scrutiny.

20 ‘The definition of an SME being based on turnover and number of employees, irrespective of its legal form, micro-enterprises, self-employed persons, non-profit organizations and non-governmental organizations are in principle eligible’ (European Commission, 2011b, p.128).

21 In her speech to European Parliament's Culture Committee in Brussels, 19 June 2012, Commissioner Androulla Vassiliou stated: 'We are working closely with the European Investment Fund on the design of the Facility, and I am happy to say that preliminary tests are promising' (European Commission, 2012b).
Applying for a loan guarantee under the Financial Facility and applying for grants under other strands of the Creative Europe Programme will not be mutually exclusive. Loans are not meant to replace grants but it is expected that they will be in some cases complementary. Grants, in most cases, will be used for financing of programmes, cooperation, and networking, while loans will be used to finance investment in improving distribution, digitisation, etc. Even if there will not be a criterion of ‘cultural contribution’, the banks will have to see that the SME is providing a return on investment and it is still expected that the banks will have to undergo training in order to be able to understand and assess the specificities of the CCS.

In the current documentation outlining the proposed instruments with which the new financial instrument is going to be created, it can be anticipated that this Facility will be more attuned, on current settings, towards bigger players in the cultural and creative sector, while the microenterprises that are the majority of the operators in the sector may not receive parity of esteem and treatment. This is especially important in its implications for the Culture Strand where other types of stakeholders in culture are involved who may be operating, for example, in a ‘not-for-profit’ and/or ‘non-profit’ mode. Furthermore, the issue of geographical balance also comes into focus as some the strongest players in the CCS tend to come from the larger countries of Europe. Of course, the size of a country cannot be taken as a normative basis for this as there are some smaller countries in the EU and EEA with extraordinary performances in the CCS. These are some of the issues and concerns that the proposed financial instrument model gives rise to, thus giving additional support to the notion that this proposal for the Programme puts the stress on ‘competitiveness’ while the issue of ‘diversity’ and transnational cooperation is rather neglected. We address this issue more directly below.

The Financial Facility proposal rests partly on drawing the attention of national and regional stakeholders to the potential of new forms of private investment in the cultural sector. However, a number of stakeholders have expressed fear of the lack of interest of banks in investing in the CCS. This has also been highlighted in the study done for European Parliament (2011) and it has also been noted in the 2012 May meeting of the Council of Ministers. The Commission has recognised this and it is one of the reasons for the creation of this financial instrument, but it can be noted that the elaboration of the proposed instrument lacks detail. It is evident that at this point, it is not a question of changing the model of the Facility, but of having it or not. Banks will only invest in profit-making ventures and the main point is to educate them to better understand the risks and models of cultural projects. As there is a lack of research data on whether there is any interest from banks at the national level for investing in the CCS, or if there is any level of interest in such a Financial Facility, this will be both a test by the EC and a mechanism to stimulate interest and better understanding of the CCS in the banking sector.

2.2.2. Transnational policy cooperation: building a knowledge and evidence base

Having a strand with a cross-sectoral remit and a transversal orientation is clearly an important and significant move in Creative Europe and offers the possibilities of a joined up approach to the CCS as well as synergies with other EU frameworks, programmes, and

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22 ‘A key notable feature of this sector is that it is overwhelmingly made up of small businesses (less than 10 employees), micro-businesses and self-employed/free-lancers’ (KEA, 2006, p.99).

23 As delineated in KEA study ‘The five largest EU Member States (UK, Germany, France, Italy and Spain) account for almost three quarters of the economy of the cultural and creative sector in Europe’ (KEA, 2006, p.66).
agendas. In this context the actions of the strand and the Facility will need to be especially attentive – and informed by a sound knowledge and evidence base regularly refreshed by new research and data – of the relatively fragile and precarious nature of the cultural ecology or ‘ecosystem’ with which it is dealing. Data, information and knowledge needs will need to be clearly identified through an ongoing mapping of the CCS sector at both EU and MS levels, in collaboration with other agendas and Directorate-Generals (DGs) where appropriate in terms of programme management and budgeting.

However, for this segment of the Creative Europe Programme, the Commission should provide much more information as to how the proclaimed goals are going to be achieved, who will be managing this part of the programme, what the budget will be and how it is going to be distributed. The current division of the budget allocates to the Culture Strand approx. €540 million or 30%, the Media Strand approx. €990 million or 55%, and 15% for the Cross-sectoral Strand: approx. €211 million for a Financial Facility. This means that there is approx. €59 million left for the Transnational policy cooperation part of the Cross-sectoral Strand, which amounts to approximately €8.5 million per year. There will be fixed costs for the contribution fee for the Union membership of the European Audiovisual Observatory and fixed costs for co-financing of Creative Europe Desks, which leaves very limited funding for achieving the very ambitious goals set under Article 8 of the Proposal for Regulation.

Article 8 of the Proposal for Regulation states that ‘the Cross-sectoral Strand shall provide support for:

(a) transnational exchange of experiences and know-how on new business and management models, peer-learning activities and networking among cultural organisations and audiovisual operators and policy makers related to the development of the cultural and creative sectors, promoting digital networking where appropriate;

(b) market data, studies, analysis of labour market and skills needs, policy analysis, support for statistical surveys and evaluations including measurement of all aspects of the impact of the Programme;

(c) contribution fee for the Union membership of the European Audiovisual Observatory to foster data collection and analysis in the cultural and creative sectors;

(d) testing of new and cross-sectoral business approaches to funding, distributing and monetising creation;

(e) conferences, seminars and policy dialogue including in the field of cultural and media literacy promoting digital networking where appropriate;

(f) the Creative Europe Desks set out in Article 8a to carry out their tasks’.

We address only points (a), (b), and (d) here as of direct and strategic significance to the issue of equilibrium and parity of esteem and treatment as identified above. The Creative Europe Desks are addressed in the following sub-section.

The issues of both knowledge-transfer and networking addressed in point (a) are particularly important, especially among the smaller operators who have benefited from the previous Culture Strand. These organisations, often working within informal rather than professional or business networks, have in many cases been pioneers in new forms of knowledge and experience transfer including mentoring, informal skill-transfer initiatives, ‘business angel’, creative incubator, and ‘collaboratory’ initiatives which have been subsequently taken up by larger public and private organisations in the CCS.
In this context, it needs to be made clear in the Proposal for Regulation that, while there are clear skills needs identified for the smaller operators in areas such as business planning and management, full exploitation of digital skills and opportunities, etc., the approach to this area needs to be sensitive to the complex needs of the smaller operators and cannot be addressed simply by importing knowledge-transfer models from other industry and institutional sectors elsewhere. It also needs to be recognised that the smaller operators have extensive experience in these areas and need to be supported in the further development of the skills and knowledge necessary for the CCS and involved as active partners in the processes of knowledge transfer.

In relation to point (b) on market and skills analysis, research, impact assessments, etc., it needs to be recognised that conceptual and practical work in all of these areas which is both relevant and sensitive to the specificities of the CCS is at a very early stage of development.

In these circumstances the key concerns of point (b) - market, research, skills, impacts - need to be approached with caution and not simply imported from industry sectors and practices elsewhere. There is a full-scale effort needed toward the building of a more comprehensive and systematic knowledge base for cultural policy and more collaboration will be necessary between operational and research components of the EU infrastructure to enable this. At local and regional levels the general orientations of Smart Specialisation Strategies (S3) might be an appropriate means of developing this collaborative knowledge base involving cultural operators, industry bodies, universities, and other research-competent entities with stakeholder communities in regional policy frameworks and commensurable with principles of subsidiarity. The solid and continuing work of the Council of Europe in this area over decades should also be acknowledged and provides an example of where it would be possible to build wider European synergies with different stakeholders working on the development of indicators and monitoring the development of cultural policies.

In relation to the central concerns of point (d) - new business models, distribution, monetisation - the most important driver here is the process of digitisation. In the global creative and digital economy, the single most important factor affecting the nature of business models has been what is called ‘the long tail’ (Anderson, 2006) which describes a retailing strategy of selling a large number of unique items with relatively small quantities sold of each ‘selling less of more’. The implications for CCS stakeholders should be clear: what Amazon.com, Apple, and Netflix - and many others in what has been termed the ‘experience economy’ - specialise in is cultural and creative content and the diverse and growing demand for it. The implications of ‘selling less of more’ should also be clear in policy terms in a fragmented European market which wants to be more unified, especially in non-linguistically defined cultural offer such as design, visual arts, dance and music. Significantly, the original ‘business model’ for the now corporate giants of the digital world - Microsoft, Apple, Facebook - was the garage, the study, the bedroom, and informal meetings of a small number of participants: an *atelier* in the classical artistic sense. The overall health and sustainability of these ‘micro-organisms’ in the wider CCS and creative ecosystem is a matter of great concern in the new context of commons-based peer production which characterises the digital cultural and creative environment and in this context cross-sectoral, inter-DG, and inter-Framework Programme attention needs to be paid to the major implications of digitisation for the nature and composition of the entire ‘culture cycle’ or value production chain from the moment of creation, through production and reproduction, marketing, distribution, and consumption of cultural content, expression and experience.
We elaborate these themes in more detail below but for the present it is important to stress that it is in this context that the provision for ‘testing of new and cross-sectoral business approaches to funding, distributing and monetising creation’ is most urgent. It is also in this new context that the needs of the smaller operators and the formal and informal networks of the CCS become most visible, urgent, and in need of continuing balanced assistance and support and where the role of the proposed Creative Europe Desks will be crucial.

Finally, we need to highlight another issue addressed in many the documents preceding the Creative Europe Programme. This is the urgent need for developing indicators and a need to ensure more evidence-based policy making at the EU level, especially in a context of transparent programme budgeting identified as important above and covered in more detail in the following sub-section. This is a legitimate goal that will, for sure, go beyond the seven years period covered by the Creative Europe Programme.

2.3. Budgeting, programming, policy co-ordination and outcomes

2.3.1. Elements of the financial provisions and commentary on context and key issues

The increase in the proposed budget has been received as a positive step by a number of stakeholders and it can be clearly stated that there is consensus in the cultural and creative sector that the proposed increase in the budget for Creative Europe should be retained in the final budget for the Programme. Although the increase of the budget of 37% seems comparatively high in a general climate of fiscal constraint, it has to be recognised that even with this high increase the budget for Creative Europe amounts to just 0.002% of the total budget. This is in a context where, overall, the ‘creative economy’ including both subsidised and commercial sectors, continues to demonstrate resilience and capacity to develop new markets and audiences, especially with the increasing digitisation of cultural content and offer. Taken together with the budget for culture in the Structural Funds this would amount to approximately 0.1% of the total proposed EU budget for a sector that contributes 4.5% of EU GDP and growing. In addition, as was stressed at legislature level as recently as the May 2012 discussion of the Council of Culture Ministers such an increase has to be put in the context of the increased number of Member States. The merger of the CCPs and MEDIA Desks, the establishment of new Creative Europe Desks and the (re)education of a number of actors (in regards to the Financial Facility, etc.), also account for a part of this increase in the budget. This also has implications for Member States and their national budgets, which also have to be taken into consideration. Taking all of these issues into account, the increase can be reasonably viewed as retaining the former levels of funding.

The low percentage of the EU budget intended for culture is undoubtedly informed by the principle of subsidiarity, but with the proposed merger of Culture, MEDIA, and MEDIA Mundus, it will be important to maintain an appropriate equilibrium for the different ‘culture’ and ‘media’ stakeholders of the previous strands. It will be crucial to ensure that the ways in which the new Financial Facility handles this equilibrium, using evidence-based

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25 Approximations based on the proposed budget of MFF.
26 Point (4.3) of the Opinion states: ‘this increase must be seen in the context of a greater number of beneficiary countries and the expansion of the programme’s scope to include the creative industries’ (European Economic and Social Committee, 2012).
policy in a cross-sectoral approach, is made absolutely clear to all stakeholders. This should include clear statements of policy objectives and desired outcomes and both quantitative and qualitative establishment and assessment of agreed performance indicators and milestones within a transparent programme budgeting and management structure.

In the bigger picture of the 'Culture 3.0' (Sacco, 2011) creative economy, the 'pressures' or threats experienced are perhaps most visible as financial and budgetary constraints. These are accompanied by new opportunities requiring the development of new – especially business - skills and related financial and planning capacities for both subsidised and commercial operators. In policy, programme and funding terms the merging of the content and intellectual property-based creative industries formerly covered by the separate Culture and Media Programmes is an explicit response to this situation together with the shift from a 'grant mentality' towards enabling investment. There is also now an emergent knowledge-base about the more qualitative dimensions and 'spill-overs' of the CCS including creativity, innovation and knowledge transfer to and with other industry sectors, pay-offs in social inclusion and cohesion, the mobilising of cultural diversity as a crucial positive and constitutive asset of European culture rather than a 'problem' or deficit for it, and effects on cultural tourism and inward investment strategies which are now well recognised. These factors need to be more fully explained and mobilised not 'in addition to' the hard economic facts but at the same time and side by side with them as different and more qualitative types of 'capital': economic, cultural, social, and human.

Linking financial and budgetary matters to the wider policy landscape now, and especially in the context of relating the aims of Creative Europe to Europe 2020, more attention needs to be given to the issues of policy co-ordination and strategic resource allocation within a framework of programme budgeting both within and between DGs.

A programme budgeting approach clearly links resource allocation to wider strategic policy goals. It enables the formulation, through both consultation and research, of specific objectives and the establishment of clearly formulated goals for a wide range of interdependent activities hitherto 'vertically' contained within separate departments and with line-item budgets. It is a system of budgeting for programmes which entails both a more distinct operational and public profile for the allocation of resources, and an inbuilt system of performance evaluation in order to move towards stated policy objectives and goals: for example 'smartness', 'sustainability' and 'inclusiveness'. With programme budgeting, agencies and officials are required to define, in consultation with stakeholders, and from a sound evidence base, what their goals and objectives are and what are the measures that will be applied, both quantitative and qualitative, to assess progress towards those goals and objectives. Programme budgeting is about harnessing the potential of a wide range of interdependent activities which may be organisationally distinct. The logic of Europe 2020 and the aims of a smart, sustainable, and inclusive Europe clearly require something like this policy and programme architecture.

Programme budgeting enables increased forms of stakeholder scrutiny of - and input to - decisions on the allocation of resources to declared objectives. Goals, strategies and performance measures can be publicly evaluated and commented on. The two key points here are that programme budgeting is (i) more open and responsive to its client group – various stakeholders and their changing needs and interests and, (ii) to achieve this, increased integration of service delivery around specific and negotiated programme objectives is necessary. Simply because programme budgeting requires the specification of clear objectives and therefore a certain amount of research into and consultation on the various needs of stakeholders, it lays itself open to more accountable decision making.
procedures and to more efficient and accountable forms of resource management. This is especially important in a field of policy and resource management as diverse as culture in the European context. In the EU context programme budgeting is used by, for example, the DG Environment for its strategic Life Programme funding instrument\textsuperscript{27}. In a cultural policy field as strategic, connected – and connective - with other social, economic and personal domains as the environment, such an approach would appear to be well-suited to Creative Europe.

2.3.2. Establishment and role of Creative Europe Desks

After the adoption of the new Creative Europe Programme, Cultural Contact Points and MEDIA Desks that currently exist in each Member State and other countries participating in the existing Culture and MEDIA Programme will be merged in the new **Creative Europe Desks**. Following this merger, existing CCP and MEDIA Desk networks will be merged on the European level to form a new network of Creative Europe Desks.

The main tasks of the Creative Europe Desks will remain more or less the same as before with regard to the promotion of the Culture and MEDIA Programmes and assisting CCS operators by providing basic information and guidelines on the Programme. According to the Proposal for Regulation, the Creative Europe Desks will have some new tasks which include distributing basic information about the new Financial Facility and also support the Commission by providing assistance regarding the cultural and creative sectors in the countries participating in the Programme, for example through the provision of available data on these sectors. The Creative Europe Desks will also provide support to the Commission in ensuring proper communication and dissemination of the results and impacts of the Programme.

In the EC’s Proposal for Regulation, point (29), it is stated that: ‘Provisions should be made for measures governing the transition from Culture 2007, MEDIA 2007 and MEDIA Mundus Programmes to the Programme established in this regulation’ (European Commission, 2011d, p.13). The Commission anticipates that the merger of information desks will only help CCS operators to get information in one place. Following the establishment of a new Cross-sectoral Strand, it will be easier if they are working under the same structure.

From the beginning of the discussion about the launch of the new framework programme the issue of merging CCPs and MEDIA Desks has been widely canvassed and many concerns have been raised by their respective networks as well as by cultural operators used to working under existing rules and partnerships. Other than the announcement of the creation of Creative Europe Desks, so far it is not possible to identify those ‘provisions’ referred to in point (29) of the Proposal for Regulation which suggest that the Commission has not yet started preparing guidelines for this transition.

A number of issues need to be addressed:

- There is a **specific accumulation and clustering of expertise in CCPs and MEDIA Desks** that has been developed over many years on the particularities, needs, and interests of each programme, on those sectors most in need of support, and with a focus on reducing the duplication of administrative tasks and costs. While, in theory, the merged information desks will provide CCS operators with relevant information on all strands in one place, in reality, CCS operators usually require specific and targeted information and not general overviews of one or the other programme;

\textsuperscript{27} Orawietz (2012).
- CCPs and MEDIA desks in most of the Member States are established and managed under different competent authorities. While it is only logical to leave it to the decision of each Member State to decide on the way they are going to merge the two offices, a concern of CCPs and MEDIA desks in many countries as to their future organisation and establishment should be addressed as soon as possible;
- The Commission and EACEA have not yet announced details on how the new Creative Europe will be managed within the Agency;
- CCPs are particularly concerned with the need to start preparing for distributing information on the Cross-sectoral Strand and in particular a Financial Facility as it is still very unclear how it is going to work, who will be responsible for information sharing (CCPs and MEDIA desks do not have the necessary knowledge, skills and resources).

Furthermore, in terms of guidelines, the Commission should provide information for CCPs and MEDIA Desks regarding the completion of previously approved projects under separate Culture and MEDIA programmes continuing in the new budgetary period beyond 2014.

### 2.3.3. Cooperation of Member States, OMC, role of the Commission and the EACEA

Articles 17 and 18 of the Proposal for a Regulation determine the responsibilities of the Commission for the overall running of the Programme and the responsibility and competences of Member States through the work of the future Creative Europe Committee which is expected to replace the existing Culture and Media Committees. This is a logical progression given that both media and culture are dealt with by one European Parliament Committee and that many of the competences of the current culture and media committees overlap. However, the key issue will be how to ensure that discussions on questions having direct impact on the CCS sector which are under the competence of other committees (i.e. intellectual property, competition etc.), do take into account the specificities of the CCS.

With the recent changes to Article 17 of the Proposal for Regulation adopted by the Council of Ministers in May 2012, the jurisdiction of Member States regarding the Programme has been increased by introducing a comitology rather than the advisory procedure that was written into the first draft. Culture Action Europe has already announced that they will ‘strengthen their activity targeted at the European Parliament in order to consolidate the achievements made in the Partial general approach, promote additional changes to meet the remaining demands for adjustments and, where necessary, to put the controversial elements under analysis’ (Wearemore, 2012). Culture Action Europe is particularly concerned that this complicated procedure will be applied when discussing Annual Work Plans and General Guidelines for Implementation.

In relation to competences, the Proposal for a Regulation and other documents clearly identified the responsibility of the EACEA for the Culture and Media Strand and, most probably, the responsibility of the European Investment Fund for a Financial Facility. The Commission will be responsible for the European cultural prizes, the European Heritage Label, and the European Capitals of Culture. However, with the introduction of the OMC the competences of the Commission with regard to facilitating the collaboration of Member States and preparing background documents and analysis has expanded significantly in the

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28 MEDIA desks are in most of the cases linked with the film institutes or film foundations, while CCPs are established either within the ministries of culture, attached to some existing institutions or as independent public or private entities.
past few years. Even though the documents are not clear on the management of transnational policy cooperation under the Cross-sectoral Strand, it is most likely that the Commission will have a key role. However, as it is difficult to imagine that this part of Creative Europe will be covered by the Programme Guide, the Commission should be asked to present a clearer work-plan and to outline priorities as to how this part of the Cross-sectoral Strand will be managed, developed and monitored.

During the consultation period, some Member States expressed concerns about the merger of two committees into one joint programme committee due to the differences involved in the contents of the Culture and Media Programmes but this will most probably be resolved in such a way that representatives with specific competences will be delegated to represent Member States in the Creative Europe Committee depending on the issues discussed.

2.4. Economics and culture: economy or ecosystem?

2.4.1. The policy object – culture

Questions of definition of the policy object – culture – are much more than merely semantic concerns. What gets defined as ‘culture’ in policy frameworks is what gets recognised and resourced. Such questions of definition also appear to be at the core of stakeholder concerns with the Creative Europe proposals: subsidised or commercial? private or public? for profit or not for profit? and so on. But the options do not have to be posed in this way.

Policy and research communities within the EU and elsewhere have been actively concerned with this issue since the concept of the ‘creative industries’ was first introduced, in the European policy context by the UK Government in 1997. The Department for Culture, Media and Sport’s definition of ‘creative industries’ identified 13 sub sectors, commercial and subsidised, private and public, which make up the creative industries based on the principle of ‘generation and exploitation of intellectual property’. This definition of the sector has been widely used, especially at local, regional and national levels by EU member states and elsewhere – in Africa, Asia, Australia, the Caribbean, Latin America, and Oceania and more widely by UNESCO and UNDP.

Within the EU a process of elaboration and sophistication of this theme, in both conceptual and policy terms, has taken place, most notably in the KEA report for the Commission, The Economy of Culture in Europe, in 2006 and, at EC policy level in the 2010 Green Paper – ‘Unlocking the Potential of Cultural and Creative Industries’ – where the definition of the new policy object – the Cultural and Creative Industries (CCI) is elaborated. This definitional framework for the CCI has subsequently been developed in other EU policy contexts, especially in regional and digital agendas. It directly informs the Creative Europe Proposals29 and, more recently and in the context also of the Open Method of Coordination, the Working Group of EU Member States Experts (OMC) on Cultural and Creative Industries Work Plan for Culture 2011-2014 Policy Handbook of the European Agenda for Culture (European Commission, 2012a).

In the Policy Handbook the Green Paper definition is accepted as a sufficiently generic and inclusive one which is, furthermore, enabling in its openness to policy and programme synergies with other EU agendas, especially in the context of the Europe 2020 Strategy target of smart, sustainable, inclusive growth. As the Policy Handbook states in its opening

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29 As stated in Article 2 - Definitions, point (1), of the Proposal for Regulation (European Commission, 2011d, p.8).
paragraph ‘Cultural and creative industries are in a strategic position to promote smart, sustainable and inclusive growth in all EU regions and cities, and thus contribute fully to the Europe 2020 Strategy, which is the EU’s growth strategy for the coming decade’ (European Commission, 2012, p.3).

In the context of the OMC and relating to new regional agendas, especially Smart Specialisation Strategies (S3), cohesion policy, the digital agenda and innovation policy, the CCI/CCS sector assumes a more strategic and connective role within EU policy settings.

This is not just to do with an ‘economy’ however. It is also about an ‘ecology’ or an ‘ecosystem’ in which, to quote the much cited Richard Florida, we are dealing with a ‘broad ecosystem which nurtures and supports creativity’ (Florida, 2002). And as with biological diversity in natural ecosystems, cultural and creative diversity is crucial to the cultural ecosystem and this concept enables policy makers to recognise and establish new and dynamic connections – rather than policy and operational demarcations – between public investments in culture and the broader creative industries and economy.

This gradual but significant shift in both the meaning and positioning of the policy object – culture – and therefore of the policy settings which can best capture it, is evident in both the Creative Europe proposals and in many of the responses to them. Creative Europe is not, however, sufficiently clear about the significance of the change and this, understandably, generates uncertainties and fears about policy focus and priorities and about the emergence of ‘Culture 3.0’ in the 2014-2020 framework proposals (Sacco, 2010).

2.4.2. The digital shift and ‘Culture 3.0’: culture cycles and value chains

If Culture 1.0 was the period when cultural policy was characterised by a traditional patronage model and Culture 2.0 was characterised by the policy recognition of the cultural industries and mass markets, then Culture 3.0 – still tentative and emergent – is characterised by ‘the pervasiveness of culture, which ceases to be a specific form of entertainment to become an essential ingredient of the texture of everyday life’ (Sacco, 2011, p.4). Nowhere is this clearer than in the massive transformations in the ‘culture cycle’ or value production chain of creativity, expression, production and reproduction, marketing and distribution and, above all, consumption, of cultural content, product, experience and value being wrought by the ‘digital shift’. As Yochai Benkler has put it, ‘[...] the practices of cultural consumption and cultural creation are at the very core of the battle over the institutional ecology of the networked information economy’ (Benkler, 2006, p.277).

The Creative Europe proposal refers frequently to the importance of digitisation but perhaps not sufficiently to the transformations in the cultural value production chain being wrought by the development of new social media platforms and by Web 2.0 and Web 3.0 where cultural consumers also become cultural creators and producers. This is one example of a shift of focus from the economic outcomes of cultural activity to the new forms of active cultural participation and behaviours enabled in the digital environment by new platforms and new portable devices. This suggests a fruitful line of policy focus and development in relation to The Digital Agenda for Europe which is very relevant to the Creative Europe Programme and which is not fully developed in the current proposal. As the 2011 EC Green Paper on Online Distribution of Audiovisual Works in the EU puts it, ‘digital technology and the internet are rapidly changing the way in which content is produced, marketed and distributed to
consumers... The traditional value chains are in flux and business models are evolving to meet consumer expectations’ (European Commission, 2011f).

To approach this area, and in the spirit of the emphases and analytical pointers in Creative Europe including the emphasis made that ‘the various sub-sectors have very diverse value chains’ (European Commission, 2011c, p.7) and the observation, in the context of audience-building and development, that ‘...[t]he benefits of increased demand would flow through the value chain to stimulate increased circulation of works, new revenue streams and to improve the competitiveness of the sectors’ (European Commission, 2011c, p.8), **we would suggest that, for both resourcing and policy reasons, the model of Value Production Chain Analysis be more fully developed for analytical and strategic purposes of identifying strengths and weaknesses, appropriate points for intervention, and as a conceptual framework of identifying data and information needs and priorities**

In some local area studies, for example, this model has enabled the identification of the crucial – but ‘statistically invisible’ – networks of social support, reciprocity and trust (social capital) which distinguish and characterise the innovative milieus necessary for cultural production, exchange and consumption. That is to say, it enables the identification, at micro level, of the sorts of social and cultural capital inputs which fall below the horizon of more traditional macro-economic forms of calculation and assessment that work on a more restricted spectrum of ‘inputs’ and ‘outputs’ from supply to demand stages.

Of direct relevance to current EU concerns, value production chain analysis provides both a co-ordinated and strategic approach to research and a framework for policy enabling knowledge management to inform outcome and output oriented programme budgeting by way of targeted, structured and context responsive data collection and analysis.

The approach is therefore well geared to address – and organise evidence and knowledge for – the various areas of ‘macro’ policy priority – globalisation and the European single market, smart sustainable and inclusive development, intersectoral and interdisciplinary co-ordination, intercultural dialogue, cultural and creative diversity – which feature on EU and international agendas. It is also well geared to address issues at micro levels of the cultural ecology. It is, in the first instance, a framework for evaluation of economic vitality and diversity but is a sufficiently comprehensive framework to enable doors to open to other more qualitative values of vitality and diversity. **Because this model adopts a ‘whole of ecology’ approach and draws on both quantitative and qualitative data sources it does not prioritise economic growth and development as the lead factor and indicator.** Value Production Chain Analysis, then, while based on a core economic logic,

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30 ‘Value Production Chain Analysis enables the identification of strengths and weaknesses at every stage of cultural product and service – and value – development from the moment of conception or creation through the production process, marketing and distribution, to the moment of demand and consumption. It assesses strengths and weaknesses, that is, from ‘supply-side’ to ‘demand side’ and provides a diagnostic framework for policy and intervention as appropriate. It is, in principle, as attentive to the enabling conditions for actual creativity and production in the cultural field (the supply side – including infrastructure, training, funding) as it is to the opportunities for participation and consumption of cultural products and experiences (the demand side). For purposes of evaluation and indication for policy and planning the value production chain also provides the basis for an analysis of the input-throughput-output process for performance assessment’ (Mercer, 2002, p.63). The approach is ‘neutral’ with regard to sector, content and scope and is not purely concerned with either ‘products or services’ or with commercially oriented value-adding activities. It is equally applicable to non-tangible outcomes and to non-commercial human and developmental values. This method is widely used, normally in the context of developing countries, by The World Bank and the International Labour Organization (ILO), and by the EU extensively in relation to primary industry sectors, especially agriculture. Since the early 1990s, this approach has also been applied in developed economies with reference to the cultural and creative industries in Australia, Canada, Czech Republic, Denmark, Iceland, the UK, and Spain.
has the virtue of providing a framework for ‘input-throughput-output’ analysis for cultural processes and informing data collection priorities and needs\textsuperscript{31}.

This model also now informs UNESCO's 2009 Framework for Cultural Statistics and its further development in the EU through Eurostat and member states would be a useful complement to both Creative Europe and Europe 2020 because of its combined diagnostic and strategic value for policy, planning and resource allocation.

\textbf{2.4.3. Policy settings}

As noted above, Creative Europe mentions the Europe 2020 Strategy once in its narrative. The Europe 2020 Strategy uses the word ‘cultural’ just once and the word ‘creative’ not at all. For smart and sustainable synergies to be developed and policy settings connected and harmonised in there is good deal of work to be done.

At other and more operational levels, however, the connections are being made, the thinking joined up, and synergies created in conceptual, policy and practical terms. The Work Plan for Culture 2011-2014 Policy Handbook (Working Group of Member States Experts OMC, 2012) does make the explicit connections between the CCS/CCI and regional and cohesion policy and with S3 strategies especially. Similarly, the Work Plan for Culture 2011-2014 of the EU Council (Council of the European Union, 2010) also makes the connections in its 6 Priority Areas for both Commission and Member State actions as follows:

- Priority Area A: Cultural Diversity, Intercultural Dialogue, and Accessible and Inclusive Culture
- Priority Area B: Cultural and Creative Industries
- Priority Area C: Skills and Mobility
- Priority Area D: Cultural Heritage and Including Mobility of Collections
- Priority Area E: Culture in External Relations
- Priority Area F: Culture Statistics.

These priority areas of the Work Plan that are aligned with the European Agenda for Culture might be re-organised or modified in some way in the context of both Europe 2020 and Creative Europe but the overall logic of ‘joining things up’ does not change, and with new developments and initiatives on regional, digital, and cohesion agendas, this becomes even more urgent.

\textsuperscript{31} For data collection and performance assessment purposes, inputs would typically be those of funding or investment, training and skills, policy settings and measures, infrastructure, etc: the enabling conditions for cultural life. Throughputs would typically be the processes of creation and production, circulation, promotion, marketing, etc. Outputs would typically be levels and forms of access and participation, consumption/audience and market development, ‘satisfaction levels’, etc.
3. **FINAL REFLECTIONS**

The Creative Europe proposal’s overall goals and ambitions are in line with the goals and objectives of the Europe 2020 Strategy and respond, broadly speaking, to the realities of a globalised and increasingly digitised creative economy. More information will be necessary, however, in the two key areas of (i) the ‘philosophy of approach’ to key areas such as parity of regard, esteem, and treatment for the different stakeholders, and (ii) rationales, operational details and budget allocations for key proposed actions.

It is worth noting that this Note comes rather late in the policy process which is why we have tried to highlight those areas where there might still be some room for manoeuvre given that the autumn discussions at the Parliament will be very much overwhelmed by the general budget negotiations. The European Parliament may wish to use the present Note and recommendations to address the Programme’s weak points, question some of the options proposed and suggest alternative, more suitable solutions. It may also wish to take the opportunity to open a more fundamental debate about the nature of the creative economy/creative ecosystem and its implications for future smart, sustainable, inclusive growth in the Union and the Member States and a distinctive and competitive position for the EU in a globalised and digitised world which poses many threats both to European identities and to European markets but also many new opportunities for them.

The proposal has been received by stakeholders as, on the one hand, a welcome streamlining of actions and the provision of a ‘one stop shop’ for all cultural activities by the Commission and, on the other hand, as a confusing and possibly threatening move lacking in detail on application, management and budget detail and structure, thereby generating concerns and fears for its implications, especially among the smaller CCS operators. This is especially the case with the proposed Financial Facility and its orientations towards an investment rather than a subsidy strategy. This has generated concerns about parity of regard, esteem, and treatment in resourcing and policy. These concerns are covered indicatively in the first section of the Note and taken up in more detail in Section 2.0.

In relation to the proposed budget increase of 37% to €1.8 billion for 2014-2020 which received considerable EU-wide and international attention when it was first announced, this Note advocates caution and modesty and situates this increase in the context of the overall proposed budget for the EU. In this light, the proposed Creative Europe Programme takes up just 0.002% of the total budget. The contribution is also assessed in relation to published indicators on the extent and nature of the CCS, and its contribution to employment and to GDP, even prior to considerations of its contributions to cohesion, regional, and digital objectives, and to the overall Europe 2020 Strategy objective of ‘smart, sustainable, inclusive growth’.

The present level of information does not enable us to give a definite answer as to whether Creative Europe will have the envisaged impact on improvement of outcomes and efficiencies in the fields of culture across the Union. The goals of the Creative Europe Programme are framed in an ambitious way, with the biggest shift expected to happen with the newly introduced Cross-sectoral Strand which, as we indicate in this Note, remains the weakest point of the new Programme and is still unclear as to how both segments of this Strand are going to be put in place.

At a session of the EP’s Committee for Culture and Education on June 19, 2012 the German MEP Helga Trüpel posed the question to Commissioner Vassiliou ‘what she would do if the net payers in the European Council achieved their goal of having the budget for the MFF reduced by 10% for 2014-2020 - whether the funding for the Culture strand would be guaranteed and the €200 million loan guarantee facility be cut in the case of a lower MFF
In her response, Commissioner Vassiliou stated: 'If my budget is cut to such an extent that I will not be able to cope, I will prefer to leave that [the guarantee facility] aside and not touch the Culture and MEDIA Programmes' (Screen Daily, 2012b).

This quote indicates that all the solid preparatory work and thorough analysis of research papers, results of consultations and other resources used to draft the Creative Europe proposal and accompanying documents, still cannot be seen as a sufficient guarantee that all the proposed changes will indeed be implemented. And this uncertainty will continue until the budget decision is finally made.

We should point out, however, that in the event that the budget and ‘brands’ of Culture and MEDIA Programmes are preserved, meaning, in effect a severe budget restriction for the proposals and, therefore, a need to leave the ‘guarantee facility aside’ with all its implications for transversal impact, this would have a profound impact on the entire approach and rationale of merging the existing programmes. It would particularly throw into question the idea of the creation of Creative Europe Desks through the merging of the CCPs and MEDIA Desks simply in order to manage more or less similar programme strands but under a new name, or new ‘brand’, to use the Commissioner’s terms.  

Nevertheless, regardless of the developments with the Cross-sectoral Strand, in the long run, the question of the merger of the two programmes will have an impact in terms of the long-term policy approach of the EU rather than favouring one sector or another in the short-term administrative framework. The strong message from the Commission was to ‘simplify and streamline’. As such, the combination of the two strands combined with a fairly strong market-oriented language would tend to push towards the generalised trend we see across Europe of loans over grants, market-driven funding decisions and diminishing public subsidies which, on a more general level, we have dealt with in this paper when raising cultural ecology questions.

If the key policy stakeholders (the European Parliament, Member States, the Commission) are convinced of the idea and concept of the Creative Europe Framework Programme with its three strands and that this can contribute to advancing the position of the growing but fragile CCS and ensure improved outcomes and efficiencies of the sector, it will be crucial that all stakeholders insist on adopting and launching the Programme as proposed by the Commission but with necessary clarifications and improvements. It is clearly felt to be crucial by the CCS to generate a sufficient critical mass to keep cultural actions alive and give them more political leverage and mainstream positioning in the EU policy and programme landscape.

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32 'EC Commissioner Androulla Vassiliou denied ‘unofficial rumours’ that the MEDIA brand would disappear after 2013 when she appeared at a session of the European Parliament’s Committee for Culture and Education on Tuesday afternoon' (Screen Daily, 2012b).
4. RECOMMENDATIONS

In the text of this Note, we have outlined some of the areas in which amendments and elaborations of proposals might be appropriate. In view of the observations made there, the European Parliament might want to take the following recommendations into account, during the debate on the proposed Creative Europe Programme.

The recommendations are organised in the three categories of Wider Policy Context, Architecture of the Proposal, and Engaging Stakeholders.

4.1. Wider policy context

4.1.1. Acknowledgment and support of the positive aspects of the proposal, in particular:

- Acknowledge the generally broad support for a more unified and coherent approach to the CCS in the Creative Europe Proposal and a more strategic and integrated role for culture in the context of the Europe 2020 Strategy, synergies with regional, digital, and cohesion agendas, and distinctive actual and potential contributions of the CCS to the goal of smart, sustainable, inclusive growth.

- Recognise the increasingly important role that cultural and creative industries are playing in a globalised and digitised creative economy for new jobs, new skills, new value-added, new values, and promote access of the CCS to other funding schemes of the Union in particular Structural Funds (with special emphasis on the European Social Fund) and Competitiveness and Innovation Programme coupled with the newly introduced Financial Facility.

- Welcoming the proposed merger of the existing Culture, MEDIA and MEDIA Mundus programmes into Creative Europe Programme, while keeping in mind that the effects of the merger will have to be carefully monitored and advise the Commission to be ready to address challenges especially in light of the evaluation report which is to be drawn up by the end of 2017 on the Programme’s achievement of its objectives, its efficiency and European added value.

- Address the clearly expressed and documented concerns about the status of the non-profit or not-for-profit cultural sector within a joint framework programme.

- As the large part of the background research for the Programme was completed before the beginning of the financial crisis, continue research into new conditions and circumstances in this context.

4.1.2. Support for the proposed increase of the budget and other budgetary implications:

- Welcome the proposal of the 37% overall increase of the budget bearing in mind that, if adopted, it will still represent only 0.002% of the Union’s overall budget.

- Welcome the proposed division of the budget between Culture, Media and Cross-sectoral Strands, asking to the Commission to provide more detailed approximations of the allocation of the budget to each particular strand and actions as an annex to the Proposal and with an urgent request for some indicative projection on the spending for the Transnational cooperation part of the Cross-sectoral Strand.
Advise the Commission to assess all budgetary implications in light of the financial crisis, monitor implementation of the Programme and inform the Parliament, with special emphasis on monitoring the instruments of co-financing at the level of Member States through OMC and other forms of consultations.

4.1.3. Develop new approaches to sector assessment, governance and budgeting in the context of the new policy and economic environment for culture and creativity by:

- Developing strategic whole of sector approaches such as value production chain analysis as identified in this Note for assessment of strengths and weaknesses to inform policy and priorities for intervention and assistance as well as priority data needs to inform policy.
- Applying models of strategic, integrated, responsive and outcome oriented programme budgeting as identified in this Note and as used and promulgated elsewhere in the EU for purposes of policy coordination and resource allocation according to agreed outcomes, milestones and performance indicators.

4.2. The architecture of the proposal

4.2.1. Acknowledgement of broad support for a Framework Programme for Culture, acknowledging its potential strategic role in the context of Europe 2020 and articulating, in particular, specific recommendations regarding the Culture Strand:

- Welcome the stated objective of ‘new refocused objectives and priorities that better fit the reality of the culture sector, as well as simplifying existing instruments’.
- Acknowledge that there were already some improvements approved during the Danish presidency when the Council of Ministers decided to introduce a new Article 5a in the Commission’s proposal in order to encompass a better balance between the recognition of the economic dimension and the intrinsic and social value of culture with the introduction of the new recital on the shared cultural area.
- Highlight the importance of stability and continuity for applicants; insist on sustainability for projects funded under the Culture strand, express once again concerns for matched-funding at the national and regional levels and emphasise the role of MS in this context.
- Address the wide stakeholder concerns that the merger of the former programmes and the proposed merger of the CCPs and MEDIA desks could create unnecessary confusion, result in a loss of attained levels of specialised know-how and compromise transnational policy cooperation efforts in the context of OMC.

4.2.2. Challenges of introducing the Cross-sectoral Strand

- The idea of a new Cross-sectoral Financial Facility and its contribution to the capacity building of the CCS is broadly accepted by the sector but at the same time there are some strong concerns about parity of regard, esteem, and treatment for all stakeholders, the funding focus of the Facility, and its capacity and terms of engagement with the European Investment Fund.
- The Commission should be asked to provide more concrete information on the expected functioning of the Financial Facility including the following: address the
concern of creating new imbalances and clarification of the terms, conditions and *modus operandi* of the financial instrument in order to address the widest spectrum of CCS operators to be eligible, including those that are not exclusively profit-making; provide solid evidence as to how the focus on microenterprises and ‘geographical positive discrimination’ is to be achieved.

- The Commission should have a strategy to inform and encourage interest of banks at the national level for such an instrument and should follow-up on its announcement that during 2012 a study on the needs of various sub-sectors of the CCS will be carried out.

- The Commission should, prior to the launch of the Programme, be asked to prepare activities for sharing specific knowledge about the CCS in particular with the EIF and the selected intermediaries in the Member States.

- Special effort should be made by the Commission to publicise the Financial Facility and distribute information about this newly introduced instrument as widely as possible including emphasis on the information available for distribution through the network of Creative Europe Desks.

- The transnational cooperation component of the Cross-sectoral strand remains the least elaborated part of the Proposal even though it is the most important element providing for the anticipated shift towards achieving the goals of Creative Europe and in the context of the OMC. The European Parliament should request the Commission to provide information as to how proclaimed goals are to be achieved, how this part of the programme will be managed, what will be the budget and the policy and terms of its distribution.

### 4.3. Engaging stakeholders

#### 4.3.1. Ensure that the future Programme responds to the needs and expectations of the Cultural and Creative Sector (CCS) by, in particular;

- Providing clearer explanations and guidelines in relation to the issues and concerns raised within this Note with special attention to the need for simplification of administrative and financial procedures; providing more details on application, management and budget in order to address concerns and fears for its implications, especially among the smaller CCS operators.

- Involving a wider range of stakeholders in processes and forums (real and digital) of democratic integrated planning of cultural objectives, programme goals, performance indicators and resource allocation as well as the development of the programme guide and application procedures.

- Continuing to work with Eurostat and other EU and relevant agencies, and in the OMC, with Member States towards a more unified European Framework for Cultural Statistics commensurable with the UNESCO *Framework for Cultural Statistics* in order to provide a robust evidence base, both quantitative and qualitative, for policy as a whole and responsive sector-specific performance indicators in particular.
4.3.2. **Policy recommendations and the need for continuous collaboration and consultations of all stakeholders including the Commission, the European Parliament, the Committee of Regions, Member states through the OMC and the Creative Europe Committee and others involved in management of the Creative Europe Programme;**

- Initiating ongoing processes, within the OMC, of quantitative and qualitative mapping of the strengths, weaknesses, opportunities and threats of the CCS as a whole, including targeted consultations and surveys in vulnerable sub-sectors and using new approaches such as value production chain analysis as identified in this Note.

- Encouraging Commission and other stakeholders to continue developing indicators on two levels: ones in order to be able to assess the results and outputs of the Creative Europe Programme funded projects and the others translating these achievements into the base for a more evidence-based policy-making at the level of the Union and MS.

- Ensure the outcomes of these actions are regularly fed into and inform programme goals and performance indicators in the context and framework of programme budgeting as identified above.
REFERENCES


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