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# ***Financing. Opportunities and Risks***

## **Theme 2.2**



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# Specifics of the CCIs regarding economic value and value generation

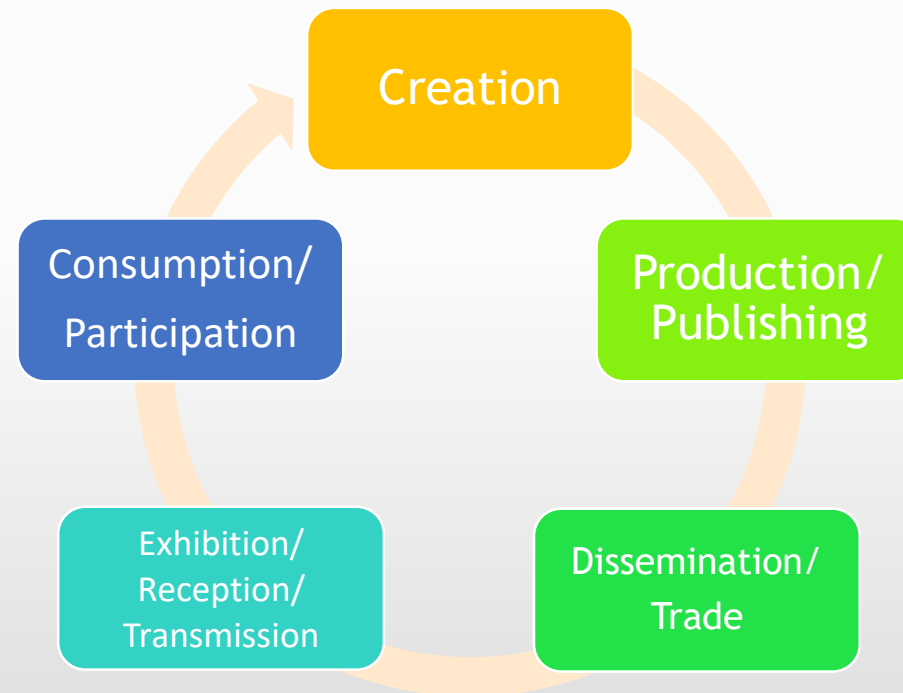
- 💡 Until 2020, the CCS were **comparable to** the sectors of Information and Communications Technology (ICT) and Accommodation and Food Services (A&F)
- 💡 **Survival rates** of CCIs enterprises after 1, 3 and 5 years of existence are **similar to** the ones in the ICT and A&F (even higher for the 3- and 5-year term than in A&F)

- !! **2,7 employees on the average** before 2019, versus 5,73 in the ICT and 5,86 in the A&F
- !! **Segmented structure, much space for networking and hubs, susceptible to macroeconomic shocks**





# Specifics of the CCI regarding economic value and value generation



Source: (United Nations Educational Scientific and Cultural Organisation, 2009)



## Value-creation cycle and relations to other industries (cross-sectoral monetization)

-  **Interdisciplinarity** - the value of the integrated product is higher than the value of the elements.
-  **Experience economy** – networking, communication and sharing
-  **Digital orientation, innovation and entrepreneurial mindset** - the spill-over is higher in more diversified communities





# Cultural and Creative Sectors in FENICE countries



## Bulgaria

- 💡 Visual arts, performing arts and books & press – give the majority of enterprises and jobs
- 💡 Traditional performing arts cannot survive without state aid
- 💡 CCI companies combine profitable with non-profitable activities from different sectors to continue offering cultural products
- 💡 Substantial reliance on public funding and extremely volatile market environment



## Greece

- 💡 Historic and cultural heritage are the pillars of the national brand
- 💡 The CCIs tend to cluster geographically – around the main urban centres
- 💡 Financing has been gradually shifted from state support to the local authorities and private sector
- 💡 Substantially affected by the crises in 2008 and 2020





# Cultural and Creative Sectors in FENICE countries



## Romania

- 💡 Cluster around three centres: Bucharest - radio and advertising, Cluj - performing arts and music festivals, Timis – gaming
- 💡 Funding for the cultural sector comes mainly from the state
- 💡 CCS provided a higher GDP contribution before 2020 than agriculture and construction



## Portugal

- 💡 Cultural heritage, audiovisual and multimedia, visual arts, performing arts, publishing & bookselling, architecture & design, crafts, interdisciplinary arts
- 💡 Small cultural agents, cultural associations, non-profit making bodies, private institutions of social solidarity
- 💡 Cultural policies - cultural heritage, promotion and development of national networks of activities and facilities





# Cultural and Creative Sectors in FENICE countries



## Serbia

- 💡 CCS showed a higher growth rate before 2020 than the average growth-rate of the national economy
- 💡 Growing trend for establishment of creative hubs - managed by professionals from the arts and culture and are initiating a lot of projects with international recognition

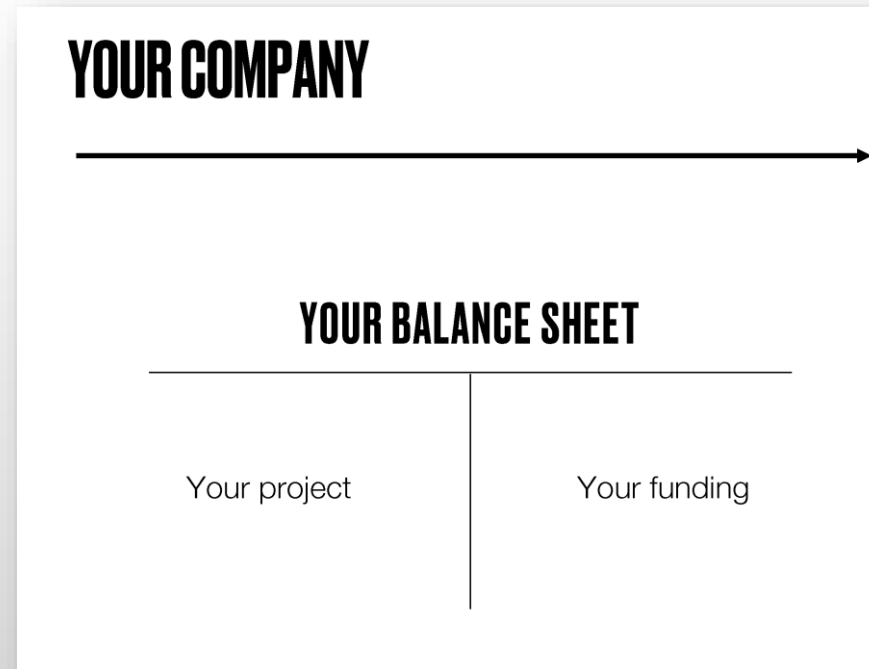






# Sources of funding

## Profit vs. non-for-profit



Source: (European Investment Fund, 2019)





# Sources of funding

**Public Funding/State Support**

**Project-based funding/grants**

**Philanthropy and angel investors**

**Business incubators/accelerators**

**Crowd-funding**

**Loans and credits**

**Earned income**

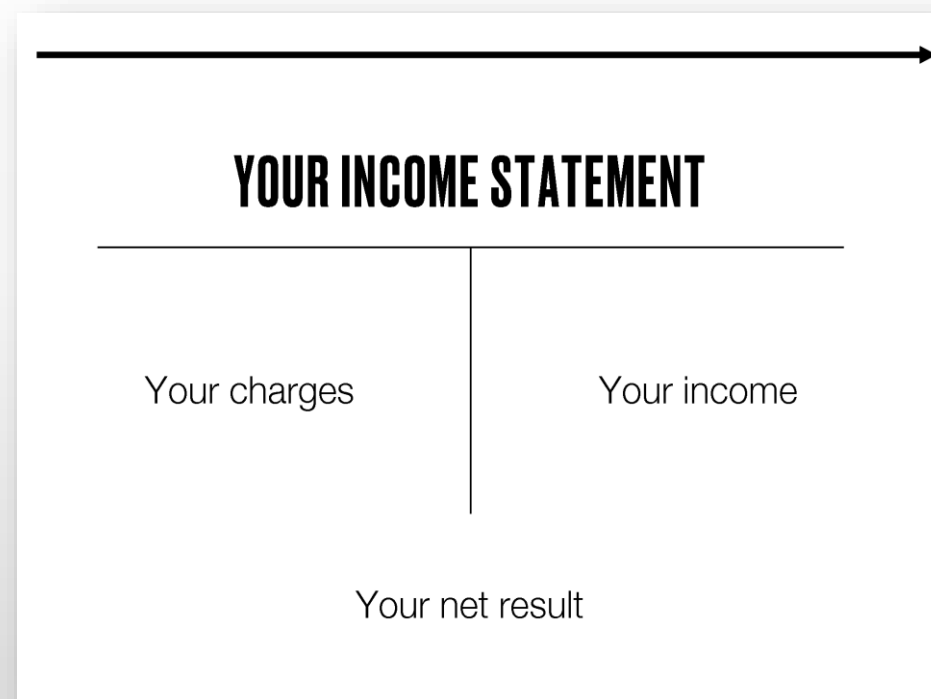
**Equity/Shares**

**Self-financing**





# Budgeting and pricing



*Source: (European Investment Fund, 2019)*





# Budgeting and pricing



**Business entities** – brings profit to the owners/shareholders, i.e. the mission of the enterprise it to increase the financial resources => Business activities



**Non-for-profit entities** - create a product or service for the profit of society and not economic profit => Non-for-profit activities





# Financial sustainability

- 💡 **Financial sustainability** is achieved when an enterprise is selling a product or service at a price that **not only covers the expenses but also generates a profit.**
- 💡 The **profits** allow the enterprise to enlarge **particularly** when part of it invested back into larger productions, better facilities, more performers and co-creators and so on.
- 💡 In the **non-for-profit entities**, the surplus which remains at the end of a project or a period is **reinvested back in total in order to allow the organisation to stay independent from external funding** (donations, sponsorship, loans, etc.) and develop initiatives at its own discretion or free for the audience.





## Some opportunities and risks

- 💡 All CCI sectors grew over a 6-year period with up to 4% before 2020 - with video-games, advertising, architecture and music being the leaders
- 💡 The strongest growth was experienced in Eastern and Central Europe
- 💡 Over 80% of internet users in the EU used the Internet for music, videos and games (and not so much for shopping or social networking)
- 💡 The innovative potential of the CCIs has been extremely high
- 💡 It is common of the CCI enterprises to perform for-profit and socially benevolent activities – and access public funds

- !! CCI market is highly fragmented market and depends on the culture and languages of different peoples and generations
- !! The fast-runners in central and Eastern Europe were hit and lost most
- !! Social distancing measures lead to increased consumption of digital content but decreased consumption of paid digital content
- !! Increase in on-line subscriptions but a decrease in on-line advertising
- !! Lack of uniform statistics and qualitative analyses for all EU Member States





# Suggested readings

- ✓ **The CulturEU Funding Guide: EU Funding Opportunities for the Cultural and Creative Sectors 2021-2027** (2021), European Commission
- ✓ **Rebuilding Europe – The Cultural and Creative Economy Before and After the COVID-19 Crisis** (2021), EY Consulting, European Grouping of Societies of Authors and Composers (GESAC)
- ✓ **Be Creative - Call the Bank: Cultural and Creative Sectors Guarantee Facility** (2019), European Investment Fund
- ✓ **Capacity-building in the Cultural and Creative Sectors Guarantee Facility: A guide to assessing loan applications from CCS SMEs** (2019), European Investment Fund





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