

BETTER ACCESS TO FINANCE FOR CREATIVE & CULTURAL INDUSTRIES

Wallonia European Creative District



Creative Wallonia

WALLONIA, EUROPEAN CREATIVE DISTRICT

Forget conventions | consider rules | be creative

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EUROPEAN PARLIAMENT



European
Commission

Wallonia Creative District is a Preparatory Action proposed by the European Parliament and implemented through a Grant Agreement by the European Commission's Directorate-General for Enterprise and Industry

WALLONIA, EUROPEAN CREATIVE DISTRICT

At the end of 2012, following its success in a call for projects, Wallonia was designated a European Creative District by the European Union, along with Tuscany.

Wallonia's candidacy extends and develops the Regional Government of Wallonia's outline programme, Creative Wallonia, a multi-pronged initiative focusing on creativity and innovation as drivers of economic and social change in Wallonia.

Wallonia, European Creative District runs from January 2013 to July 2015 and pursues a four-part operational strategy comprising Mutual Transnational Policy Learning, Better Business Support, Better Financial Support and Facilitating Clusters and Networking Activities.

Five Walloon partners have formed a consortium for the project: SPW/DGO16 (lead partner), Wallonie Design, St'art, the Walloon Telecommunications Agency, and ID Campus.

CULTURAL AND CREATIVE INDUSTRIES, A FAST-GROWING SECTOR



Franco Dragone

Franco Dragone Entertainment Group / Performing Arts

« Creativity must percolate through the entire enterprise and thus, also, into other areas. The thinking needs to be extended to other areas than those supposedly considered as purely cultural. »

The Cultural and Creative Industries (CCIs) span a range of activities based on cultural values or artistic and creative expression. These include the design, production, distribution and preservation of goods and services. Sub-sectors identified as CCIs range from architecture and heritage to broadcasting, cinema, television, video games, design, fashion, music, the performing arts, publishing, radio, and the visual arts.

Recent social, cultural and technological developments have boosted our consumption of cultural products. The digital age has had a huge impact on the way cultural and creative goods and services are produced, distributed, viewed, consumed and

CCIs in Europe (EU27):
955,844 enterprises
3,17 million employed
Turnover: EUR 402.2 billion
Added value: EUR 152.9 billion

Survey on access to finance for cultural and creative sectors, European Union, 2013 (Research based on Eurostat data and the Amadeus database, 2010)

marketed. These changes offer the cultural and creative sectors considerable possibilities. To make the most of those opportunities, the CCIs need to acquire new skills and secure better access to financing to enable them to modernise their facilities, devise new methods of production and distribution, and adapt their business models.

A number of European studies have pointed up this sector as an increasingly significant driver of growth. In the case of Wallonia, a map drawn up by DG06 in 2013 shows around 9,000 CCI enterprises, accounting for some 21,250 jobs, and nearly 12,500 self-employed people. The economic indicators are currently being studied.

FINANCING FOR CCIS



Laurent Grumiaux

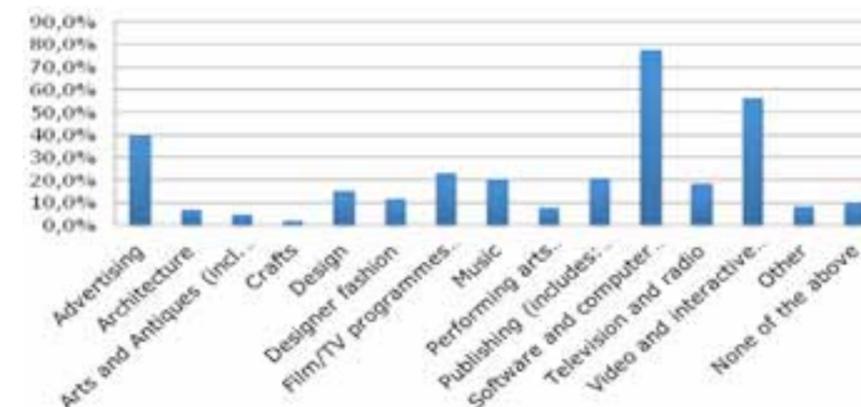
Fishing Cactus / Video Games

« The funding we received has enabled us to expand from eight to twenty-five people in one year and to invest in our own products and start really creating the Fishing Cactus brand. It's a breath of air that helps you grow. »

Yet 85% of creative and cultural enterprises in Europe experience difficulty in accessing funding. There are various reasons for this: substantial intangible assets, a project-based view, unfamiliarity with financial matters, a lack of reliable statistics to convince investors, and so forth. Their size is a barrier in itself, with 80% of CCIs being SMEs. The biggest enterprises (less than 1%) account for 40% of the sector's annual turnover. Microenterprises do not have access to the same resources to ensure their continued existence and growth. They have to demonstrate dynamism and be willing to take risks.

Also, investors have always tended to favour the information and communications technology (ICT) sub-sectors of the CCIs, in particular software (78%), video games and interactive games (55%) and advertising (40%).

Investor interest in creative sub-sectors



C-I Factor Research Study, Peacefulfish, 01.2013



Julien Dailly

Reservoir A / Architecture

«A sector-based fund like St'art is more than a bank. It also enables us to meet regional investors and different colleagues or counterparts in the creative sector.»

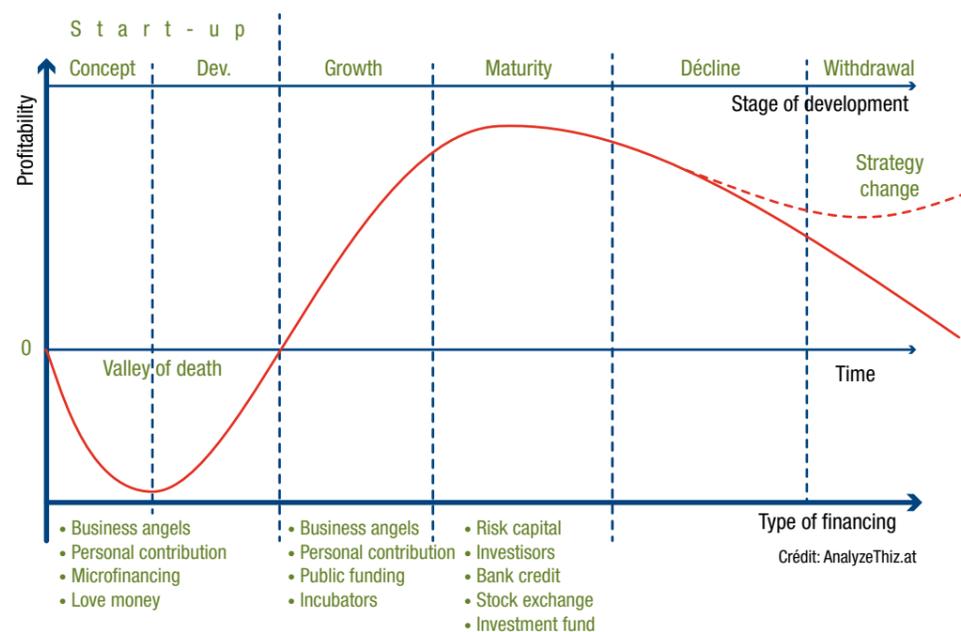


In its Europe 2020 strategy the European Commission states that the EU needs to provide more attractive framework conditions for innovation and creativity, including through incentives for the growth of knowledge-based firms, and better access to finance for the creative and cultural industries.

Creative Europe, the European Commission's new framework programme for support to the culture and media sectors (2014-2020), proposes to establish a financial facility for CCl in order to increase the number of financial institutions with experience in the cultural and creative sectors. However, it also seeks to alter the behaviour of some sectors in terms of favouring loans over subsidies and increasing competitiveness whilst reducing dependence on state aid.

Many different financing sources are available to CCl and can change as the enterprise grows: from private funding to funding by FFF (Friends, Family and Fools), state subsidies, banks, the Investis scheme in Wallonia, private investors, business angels, venture capital and even innovative financing models like crowd funding. The criteria and reasons for investing differ markedly according to the type of investor. The entrepreneur's business background, the economic model, turnover, value added, the co-financing and security available, and the conditions for withdrawal remain the main points considered.

Lifecycle of a Start-up



ST'ART, AN INVESTMENT FUND FOR CREATIVE INDUSTRIES

Despite this panoply of existing funding instruments, there was no single entity specialised in the creative and cultural industries. In late 2009 the Regional Government of Wallonia, jointly with the French Community of Belgium, set up an investment fund, St'art (with a capacity of EUR 17 million in 2014 following the entry of a new shareholder, SRIB), to foster the development of the creative economy through loans and acquisition of interests in companies.

The ST'ART fund complements the other financing mechanisms in place and encourages public-private co-financing.

BETTER ACCESS TO FINANCE

Within the framework of the Wallonia, European Creative District project St'art is setting up various pilot schemes that will subsequently be replicated with the common aim of connecting creative and financial circles and increasing the financing capacity of Wallonia's CCl so that businesses are helped not only to start up but also to grow.

Supporting CCl in their investor relations

According to its origin and nature, each type of financing meets different expectations which the company seeking funding must be able to understand and anticipate.

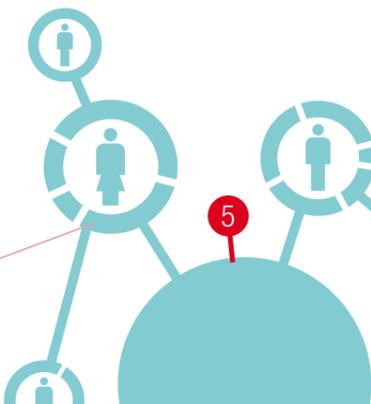
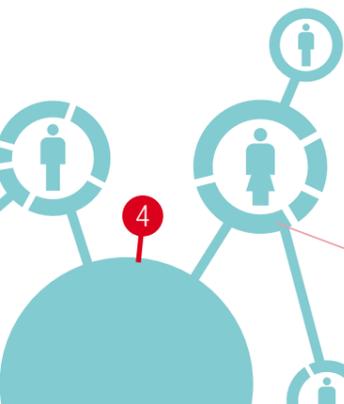
It is vital for creative entrepreneurs to prepare for their meetings with the investors, whoever they may be, so that they can pitch their project or business as attractively as possible. A number of intermediaries are available to help entrepreneurs draw up business plans, but the CCl operate in markets that have their own specific features and cycles. Security, return on investment, and added value – all basic factors in the investment decision – are often grey areas for applicants, and sometimes totally unfamiliar concepts. WECD thus conducts various business coaching and investor presentation initiatives.



Dr. Thomas Froehlicher

HEC Management School-University of Liège

«It's interesting to explore the links between taxation, accounting, and creativity and in so doing to build a very nice intellectual 'bridge' between the financial disciplines and the creative industries.»





Virginie Civrais

St'art

« There's certainly still some work to be done regarding the investors. CCI investors would be half-way between conventional investors, such as in technology start-ups, and patrons. They would expect a different sort of profitability, be more willing as well to wait for a longer-term return, and be passionate about those industries. »

Raising investors' awareness of the potential offered by CCI companies

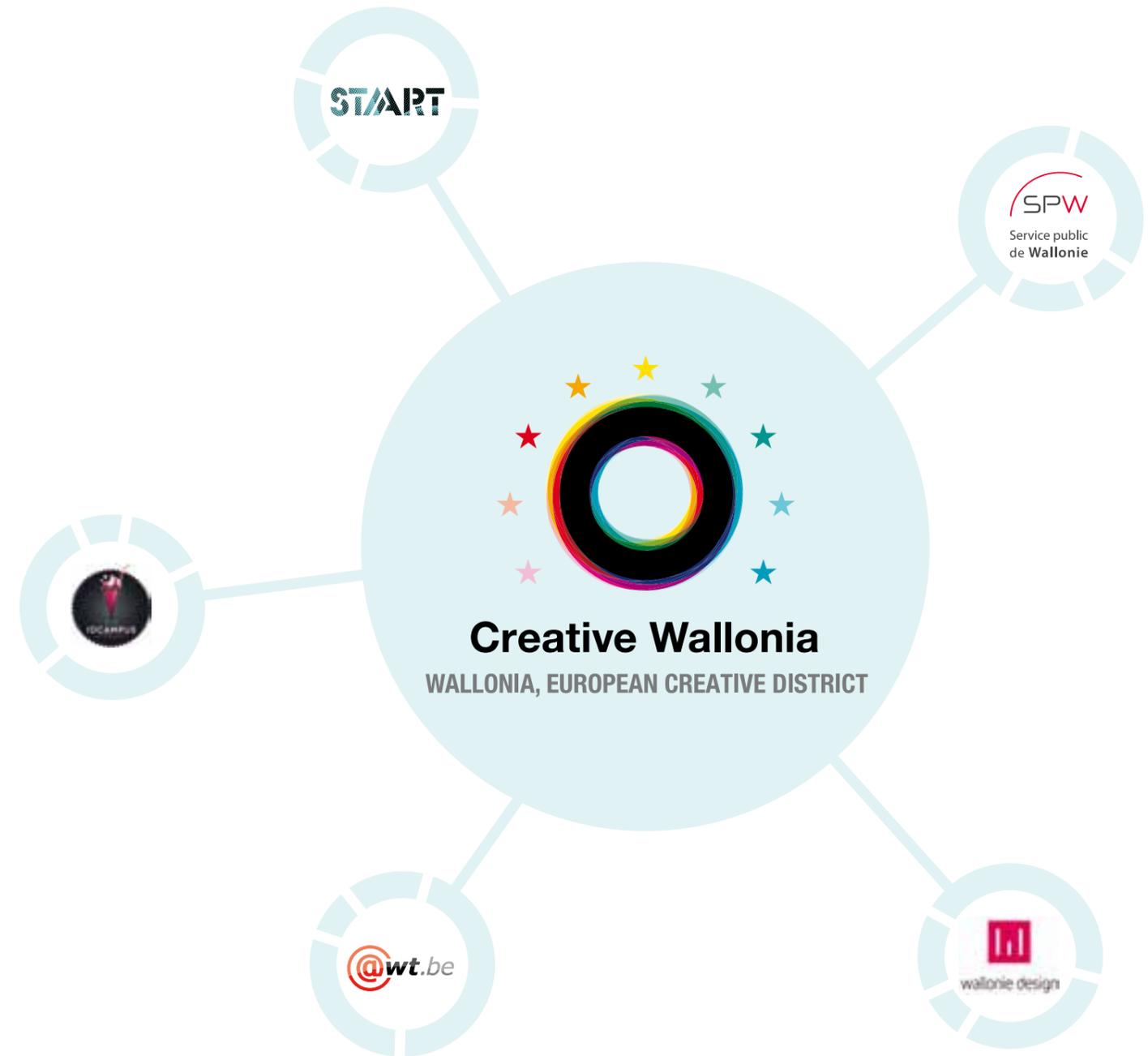
In order to boost the CCIs' financing capacity and, thus, their economic growth it is essential for private stakeholders to get involved alongside the public instruments.

In the context of WECD, St'art and ID Campus arrange training sessions for private investors, banks (analysts and business services) and accountants and corporate auditors. The training gives them an idea of the creative economy and CCIs' scope, enables them to measure performance indicators and assess the sector's economic development potential, introduces them to innovative economic models, and helps them to see how the value of intangible assets can be enhanced from both a legal and an accounting point of view. All of these things are essential in order to stimulate private investment in CCIs.

New funding instruments

All over Europe, the introduction of innovative financial instruments, such as venture capital and guarantees and other risk-sharing instruments that are delivered through market players, can play an important role in facilitating SMEs' access to financing.

Within WECD, groups of experts are working on a European inventory and the possible modelling of a fiscal framework which is attractive to investors in order to develop the CCIs' funding potential. Another topic under consideration is the launch of a guarantee fund pilot project for bank investments, on the one hand, and business angels in CCIs, on the other.



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