



# Cultural Industries in Slovakia

## Report on the AS-IS situation

Analysis and recommendations to boost growth in Cultural Industries in Slovakia  
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# Terms and Abbreviations

AR	Augmented Reality
AV	Audiovisual
AVF	Slovak Audiovisual Fund
CI	Cultural Industries
CCI	Cultural and Creative Industries
CCS GF	Cultural and Creative Sectors Guarantee Facility
EAO	European Audiovisual Observatory
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EC	European Commission
EEN	European Enterprises Network
EIF	European Investment Fund
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Fund
ESSnet	European Statistical System network
EU	European Union
FI	Financial Instrument
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
SRSS	Structural Reform Support Service
GVA	Gross Value Added
KPI	Key Performance Indicator
ICT	Information and Communication Technologies
IFPI	International Federation of Phonographic Industries
IROP	Integrated Regional Operational Programme
MoC	Ministry of Culture
MoE	Ministry of Economy
MoF	Ministry of Finance
MoJ	Ministry of Justice
NACE	<i>Nomenclature statistique des Activités économiques dans la Communauté Européenne</i>
OPVal	Operational Program Research and Innovation
PA3	Priority Axis 3
RIS3	Research and Innovation Smart Specialisation Strategy
RTVS	Radio and Television of The Slovak Republic ( <i>Rozhlas a televízia Slovenska</i> )
SA	Satellite Account of Culture and Creative Industry
SARIO	Slovak Investment and Trade Development Agency
SBA	Slovak Business Agency
SIEA	Slovak Innovation Agency
SOZA	Slovak Performing Rights Society
ToRs	Terms of Reference
VR	Virtual Reality
XLS	Excel

# 1. Introduction

## 1.1 Policy context

During the last decade, policymakers at local, national and European level have increasingly acknowledged the contribution of the cultural and creative industries (CCIs)<sup>1</sup> to economic growth and sustainable territorial development.<sup>2</sup> The European CCIs are internationally competitive and a great provider of wealth and employment.<sup>3</sup> In 2014, the CCIs accounted for 4.2% of the EU GDP (a similar figure to the sectors of ICT and Accommodation and Food services) and employed 12 million people.<sup>4</sup> CCIs are taking advantage of the explosion in demand for cultural content in streaming and on mobile platforms (smartphones), notably in music, video games, or audio-visual (AV) productions. Today, creative content is at the heart of the digital and creative economy.<sup>5</sup>

These trends are reflected in the increasing consideration for cultural investment as an integral part of innovation and territorial development policies. Evidence shows that cultural investment (for instance in cultural infrastructures or in local cultural production and distribution) highly contributes to retain and attract talents (social capital), investment and tourism in cities and regions through a strong cultural offer, thus improving territorial competitiveness and attractiveness.<sup>6</sup> Cultural investment has also an important social dimension related to the capacity of arts and culture to contribute to social cohesion, social inclusion and wellbeing, as well as cultural diversity.

The Government of the Slovak Republic recognised the strategic importance of CCIs as a driver for national development and the need to invest in this sector. CCIs are a growing sector in Slovakia: the overall number of CCIs companies has been growing from 2011 to 2016 (+13%) and the CCIs sector employed more than 80,000 people in 2016.<sup>7</sup>

Since 2011, the Ministry of Culture (MoC) of the Slovak Republic has adopted strategic policy documents in the field of CCIs, notably the Strategy of Cultural and Creative Industries (CCIs) Development<sup>8</sup>, complemented by the Action Plan for the realisation of the Strategy for the period

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<sup>1</sup> Cultural and creative industries correspond to “industries producing and distributing goods or services that, at the time they are developed, are considered to have a specific attribute, use or purpose that embodies or conveys cultural expressions, irrespective of the commercial value they may have. Besides the traditional arts sectors, they include film, DVD and video, television and radio, video games, new media, music, books and press” as well as “those industries that use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as sub-sectors such as graphic design, fashion design, or advertising” (EC 183/2010)

<sup>2</sup> See for instance the European Parliament Report on A Coherent EU Policy for Cultural and Creative Industries (2016/2072(INI)); the Gothenburg Declaration (2018); the New European Agenda for Culture 2019-2022 (COM(2018)267); the cases studies of the EU funded project Culture for Cities and Regions [www.cultureforcitiesandregions.eu](http://www.cultureforcitiesandregions.eu)

<sup>3</sup> Source: EIF (2019) Market Analysis of the Cultural and Creative Sectors in Europe - A sector to invest in. Available at [https://www.eif.org/what\\_we\\_do/guarantees/cultural\\_creative\\_sectors\\_guarantee\\_facility/ccs-market-analysis-europe.pdf](https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/ccs-market-analysis-europe.pdf)

<sup>4</sup> Source: EUROSTAT, Cultural Statistics 2016

<sup>5</sup> Source: KEA (2018) *Towards an integrated vision for the European Digital Media Sector*, research paper prepared for the European Commission. Available at <https://keanet.eu/wp-content/uploads/2019/09/KEA- Mapping-of-AV-support-in-existing-and-future-EU-programmes.pdf>

<sup>6</sup> Source: KEA (2016) Demystifying the risk of cultural investment. Final report. Available at <http://keanet.eu/publications/mons-2015-demystifying-the-risk-of-cultural-investment/>

<sup>7</sup> Source: EUROSTAT

<sup>8</sup> The Strategy was adopted by Government Resolution No 32/2015 on January 21, 2015. Source: Strategy of Cultural and Creative Industries (CCIs) Development (2014-2020). The document is available here (in Slovak language only):

2016-2017. The Strategy recognises that “creativity is the key to innovation and an interdisciplinary response to global and local challenges, whether economic or social”.<sup>9</sup> The Government of the Slovak Republic embraced a holistic vision of cultural policy by considering CCIs as a driver of economic growth and as a fundamental pillar of a knowledge society.

The Government recognised that supporting access to funding opportunities and stimulating private investment in CCIs is a strategic priority for the growth of the sector, as stated in the Strategy of CCIs Development (Pillar IV “Supporting Financing Instruments”). The new Vision and Strategy of The Slovak Republic Development by 2030 reiterates the necessity to create “specific and alternative forms of financing for creative industries”.<sup>10</sup>

Furthermore, the Government identified creative potential as one of the axes to leverage regional development and job creation under the Integrated Regional Operational Programme (IROP) 2014-2020 (co-funded by the European Regional Development Fund), notably Priority Axis 3 (PA3) “Mobilising creative potential in the regions”. The IROP PA3 is also in synergy with the Operational Program Research & Innovation (OPVal) Axis 3, which focuses on the support of start-ups, businesses in the creative industry in higher development stage, market building, internationalisation and the building of clusters. The Vision and Strategy of The Slovak Republic Development by 2030 also stresses the importance of developing the cultural potential of regions (including CCIs) to contribute to the overall development of the country.<sup>11</sup> Regions that show a favourable development of CCIs include Bratislava, Trnava, Trenčín, Prešov and Košice.<sup>12</sup>

Currently, the MoC is finishing the preparation of the Action Plan for CCIs in the framework of the Interreg Europe project CREADIS3, due by the end of 2019. This Action Plan is due to be implemented during 2020 and 2021.<sup>13</sup> The proposed actions will provide the background for the new strategic framework for CCIs post 2020.

As part of the new measures implemented within IROP PA3 to improve current public support to Slovak CCIs, the MoC aims to introduce new financial instruments to stimulate the growth of the sector.<sup>14</sup>

In this context, the MoC requires support to assess the current policy measures and identify appropriate incentives to support (private) investment in CCIs to influence future policy development.

Furthermore, current policy documents are based on the analysis of the CCIs from 2013 with statistical data available at that time (2011) and do not fully capture the latest development of the sector. There is a need for more updated quantitative data and qualitative evidence on the economic impact of CCIs in the Slovak Republic to sustain evidence-based policy making.

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<http://www.culture.gov.sk/posobnost-ministerstva/kreativny-priemysel-165.html>. The English translation done by the contractor for the purpose of this assignment does not constitute an official translation.

<sup>9</sup> Source: Strategy of Cultural and Creative Industries (CCIs) Development 2014-2020.

<sup>10</sup> Source: Vision and Strategy of Slovakia Development by 2030 (page 27), available at <https://www.enviroportal.sk/sk/eia/detail/vizia-strategia-rozvoja-slovenska-do-roku-2030>

<sup>11</sup> Ibidem

<sup>12</sup> Sources: Baculáková K (2018) *Cluster analysis of creative industries in the regions and districts of Slovakia*, Theoretical and Empirical Researches in Urban Management, Volume 13 Issue 3 / August 2018; Melichová, K and Fáziková, M (2014) *Spatial Perspective of Creative Industries in Slovakia*, 5th Central European Conference in Regional Science – CERS, 2014

<sup>13</sup> The new Action Plan will revolve around three main actions with the aim to improve the quality of interventions in relation to CCIs at national level and to support the development of regional policies for CCIs in Slovakia

<sup>14</sup> The MoC is currently cooperating with the Slovak Investment Holding to define Financial Instruments for CCIs SMEs to be funded via the IROP PA3 (scheme 3)



## 1.2 Objectives and scope

### 1.2.1 Objectives

KEA has been commissioned by the European Commission — Secretariat-General (Structural Reform Support Service) to assist the Ministry of Culture with a view to provide strategic advice on policy measures to support the development of Cultural Industries (CIs). KEA performed a review of statistical information and data gaps as well as an impact assessment of current policy measures to provide recommendations for new policies and financial instruments to attract investment in CIs.

This AS-IS report presents the overall picture of CIs in the Slovak Republic (the AS-IS situation) on the basis of the information collected during the first phase of the assignment.<sup>15</sup>

The specific objectives of the report are as follows:

- Provide quantitative data on the CIs sector in the Slovak Republic based on recent available data in relation to revenues, expenditures, the structure of the sector and employment, audience data and cultural consumption, financial performance for 2017 and key trends for the period 2013-2017;
- Present the key findings of the impact assessment of the formulation and implementation of the Strategy of CCIs Development and of implementing measures relevant to CIs included in the Action Plan of the Strategy of the period 2016-2017, including an overview of the relevant policy and legal framework, key actors and stakeholders;
- Describe the main barriers and challenges for growth, development and innovation of CIs in the Slovak Republic, notably access to finance and investment potential.<sup>16</sup>

The AS-IS report identifies the main strengths and opportunities for the CIs sector in the Slovak Republic as well as challenges and weaknesses as basis for the policy recommendations that will be developed during the second phase of the assignment.

### 1.2.2 Scope

The scope of the analysis is limited to Cultural Industries (according to ToRs specifications).

The definition to be used for "Cultural Industries " for the purposes of this project is the one in the European Commission study on "The Economy of Culture in Europe" (2006) undertaken by KEA (namely *film, video and TV and radio, music, computer games*<sup>17</sup>, *books and press*) and and in line with the definition of these sectors according to the Slovak NACE code classification.

The list of NACE codes considered in this assignment is included in Annex I – Scope of the study.

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<sup>15</sup> More detailed information is included in three separate deliverables submitted to the European Commission and the Ministry of Culture, notably Deliverable 1: Data Analysis Report; Deliverable 2: Report on Impact assessment and process evaluation of public policies; Deliverable 3: Report on results from structured interviews and focus groups.

<sup>16</sup> For the purpose of this assignment, it is understood that "investor" is a person or an organisation who commits financial resources (capital) into CIs expecting a return (financial or in other form). Therefore, investors can be cultural entrepreneurs within the CIs sector (e.g. producers, publishers) or outside (e.g. banks, crowdfunding platforms, sponsors, etc.).

<sup>17</sup> In the context of the study, the wording "video games" will be used instead of "computer games" as it is a more common definition for the sub-sector in European literature.



A visual representation of the scope of the study within the larger cultural and creative sectors is presented in Figure 1:



Figure 1 – Scope of the study (Source: KEA European Affairs, 2006)

Due to time and resource limitations, the scope of this study does not include all cultural and creative activities considered as fully cultural by EUROSTAT.<sup>18</sup> As a result, the report does not fully capture the contribution of the CIs to the Slovak economy.

For clarity, the list of excluded cultural activities and their corresponding NACE codes is included in Annex II – Cultural activities excluded from the scope of the study).

## 1.3 Structure

The present report is structured as follows:

- *Chapter 2 - Approach and Methodology*: this chapter describes the overall approach and methodology used for the study;
- *Chapter 3 – Key data on Slovak Cultural Industries*: this chapter presents the main findings of data analysis in relation to revenues, expenditures, structure and

<sup>18</sup> Source: Guide to Eurostat Cultural Statistics, 2018 Edition

employment, cultural participation and consumption, financial performance of the CIs sector in Slovakia for 2017 and key trends for the period 2013-2017;

- *Chapter 4 - Review of policy actions to support Cultural Industries in Slovakia:* this chapter presents the main findings of the impact assessment and process evaluation of the Strategy of CCIs Development and of implementing measures relevant to CIs included in the Action Plan of the Strategy of the period 2016-2017, including the comparative analysis on CIs strategy and action plan with comparable countries (Poland, Czech Republic and Hungary). The chapter is introduced by an overview of the main policy documents and competences in cultural policy in Slovakia;
- *Chapter 5 - Barriers to growth, access to finance and investment in CIs:* this chapter presents the key findings of stakeholder consultations (focus groups, interviews and online survey) on the main barriers to growth, development and innovation in Slovakia, chiefly related to access to finance and investment in the sector;
- *Chapter 6 – Conclusions and way forward:* this chapter summarises the main findings of the AS-IS analysis including the SWOT analysis of the CIs sector in Slovakia. The chapter also highlights the main issues to be addressed by the policy recommendations in the second phase of the assignment (TO-BE situation).

## 2. Approach and Methodology

KEA applied a multi-method approach with a view to enrich and cross-validate the findings. KEA involved stakeholders (public and private) in several stages of the assignment with a view to influence the key findings and co-create policy recommendations to enhance the uptake of the proposed measures.

The main phases of the assignment are summarised below:

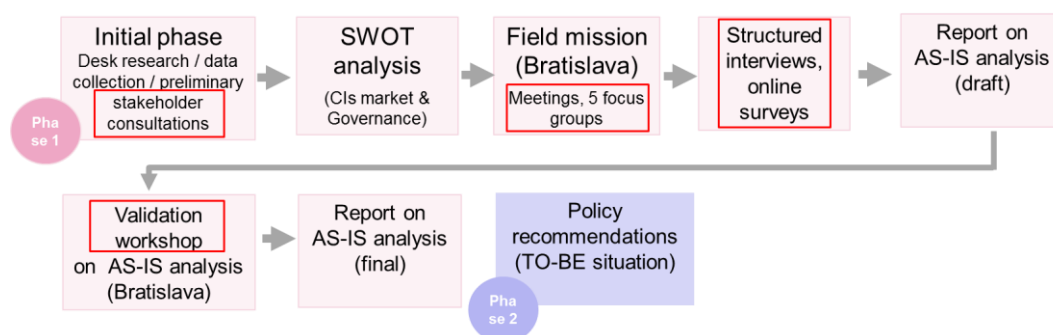


Figure 2 – Main phases of the assignment (elaboration of the service provider, 2019)

Desk research has been conducted to collect quantitative data on CIs as well as to understand the governance, policy and regulatory framework related to CIs in the Slovak Republic (with particular reference to the Strategy of CCIs Development and the related Action Plan for the period 2016-2017). Desk research also considered the main funding opportunities and financial instruments available to CIs and SMEs in the Slovak Republic.

Initial findings (in the form of two SWOT analyses) have been tested and validated through stakeholder consultations in the form of interviews and meetings, five thematic focus groups and an online survey to CI stakeholders, as visualised in Figure 3.

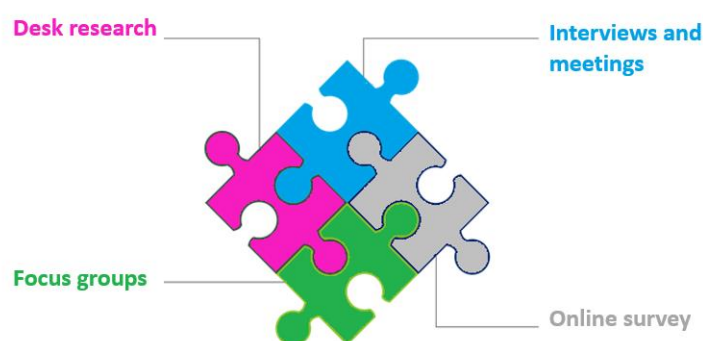


Figure 3 – Methodology applied for this study (elaboration of the service provider, 2019)

Each component of the methodology is described in details in the following paragraphs.

### 2.1 Desk research

#### 2.1.1 Desk research on statistical data

Data collection has been chiefly carried out through desk research, facilitated by the MoC, the Institute for Cultural Policy (within the MoC) as well as the Statistical Office of the Slovak

Republic (INFOSTAT) responsible for the Satellite Account of Culture and Creative Industry (CCI).

Data collection and analysis chiefly focus on revenues, expenditures, the structure of the CIs sector and employment, audience data and economic and financial performance, as defined in Appendix I of the ToRs (included in Annex III – Details on data analysis according to the ToRs).

Data collection is based on the data sources agreed with the MoC during the inception phase and summarised in Table 1:

Type of sources	Sources
Main sources	<ul style="list-style-type: none"> <li>• Register of Financial Statements managed by the Ministry of Finance</li> <li>• Business Register, Register of Non-for-profit Organisations, Trade Register and Register of Public funded institutions provided by the Ministry of Justice (MoJ)</li> <li>• KULT 2017 – cultural statistics provided by MoC</li> <li>• EUROSTAT Cultural Data</li> <li>• Statistical Office of the Slovak Republic</li> </ul>
Other sources	<p><b>Complementary statistical source and databases</b></p> <ul style="list-style-type: none"> <li>• FinStat database</li> <li>• Data provided by MoC on the support for entrepreneurs by Ministry of Economy and Slovak Business Agency</li> <li>• Audience data: <ul style="list-style-type: none"> <li>▪ ABC The Slovak Republic (Audit Bureau of Circulation) – Data on printed media circulation and sales</li> <li>▪ IAB The Slovak Republic – data on website audience</li> <li>▪ PMT The Slovak Republic – data on TV audience</li> <li>▪ IFPI The Slovak Republic, SOZA – data on Music</li> <li>▪ NOC - National Cultural Center</li> <li>▪ Median research – data on radio audience</li> <li>▪ Creative Europe Media Desk Slovakia, European Audiovisual Observatory and Union of Film Distributors SR – data on film audience</li> <li>▪ NewZoo – data on computer games audience</li> <li>▪ Clairfield International – Gaming industry and market report</li> </ul> </li> </ul>

Table 1 – Overview of sources for data collection

Considering that the scope of the data collection is mainly focused on economic and financial data on CIs, the Register of Financial Statements (RFS) has been used as primary data source for the analysis.<sup>19</sup> The RFS, operated by Datacentrum, budgetary organisation of the Ministry of Finance (MoF), established a central point for storing financial statements and related documents (annual reports, auditor reports) of Slovak businesses. The RFS contains full data from tax reports and thus represents a reliable source of information for the financial analysis of CIs.

Other data sources were required to complement the analysis to collect data on export, employment, consumption expenditures (demand side) as shown in Table 1. The description of each data source is presented in Annex IV – Description of data sources.

<sup>19</sup> Some data from the RFS is publicly available at: <https://finstat.sk/>

Data is analysed by NACE codes (if possible) and grouped into 6 sub-sectors with similar business model or value chain<sup>20</sup>:

1. Books
2. Press
3. Film, TV and video
4. Radio
5. Music
6. Video games.

Data is also analysed in aggregated form in two macro-areas (as per ToRs): Books and Press and Audiovisual, Media and Multimedia (which includes film, TV and video; radio; music and video games).

Collected quantitative data has been exported as an XLS file for easy review including the latest financial data for all the CI companies. As a part of analysis and data processing, the team has created a full list of companies and self-employed actors based on NACE codes, submitted to the MoC.

### 2.1.2 Desk research on policy measures for CCIs

Desk research focused on policy documents and recent available literature with a view to understand the overall context of the assignment including governance, policy and regulatory framework related to CIs in the Slovak Republic. The main sources are included in the table below (full list in Bibliography):

Type of sources	Sources
Relevant EU legislation and policy documents	<ul style="list-style-type: none"> <li>• Directive (EU) 2019/790 on copyright and related rights in the Digital Single Market</li> <li>• Directive (EU) 2018/1808 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audio-visual media services</li> <li>• The Work Plan for Culture 2019-2022</li> <li>• 2016/2072(INI) European Parliament resolution on 'A coherent EU policy for cultural and creative industries'</li> </ul>
Slovak Policy document related to CIs	<ul style="list-style-type: none"> <li>• Strategy of CCI Development 2014-2020</li> <li>• Action Plan for the realisation of the Strategy of CCIs Development for the period 2016-2017</li> <li>• Progress reports on the implementation of the Strategy of CCI Development 2014-2020 and the Action Plan</li> <li>• Strategy of Culture Development 2014 - 2020</li> <li>• Action plan for the realisation of the Strategy of Culture Development 2015 - 2017</li> <li>• Action plan for the realisation of the Strategy of Culture Development 2018 – 2020</li> <li>• Progress report on the evaluation of the Action Plan for Culture 2015-2017</li> </ul>

<sup>20</sup> The value chain of CIs is composed of several core activities related to the creation, the production, the distribution and transmission of cultural goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management. Source: IDEA Consult, KEA and imec-SMIT-VUB (2017) Mapping Creative Value Chains - A study on the economy of culture in the digital age. Final report prepared for the European Commission (DG EAC) available [here](#).

Policy documents related to EU Structural Funds	<ul style="list-style-type: none"> <li>• Smart Specialisation Strategy (RIS3) documents on national and regional level<sup>21</sup></li> <li>• Integrated Regional Operational Programme (iROP)<sup>22</sup></li> </ul>
Other sources	<ul style="list-style-type: none"> <li>• Compendium of Cultural Policy and Trends (Council of Europe, 19<sup>th</sup> Edition 2018)<sup>23</sup></li> <li>• Publications of the Interreg Europe project CREADIS3 (Ministry of Culture of the Slovak Republic, 2018<sup>24</sup>)</li> <li>• MoC Sectoral Mapping of CCIs (2016)</li> <li>• Analysis of the potential of CCIs in Slovakia (2013)</li> </ul>

Table 2 - Overview of main sources on policy measures for CCIs

Desk research allowed to identify the *cultural policy priorities (objectives) and measures* with special focus on the Strategy of CCIs Development 2014-2020 and the related Action Plan for implementation for the period 2016-2017 as well as the main *funding sources*; the *governance (management) structure* related to the different actors involved in the formulation and implementation of the Strategy and Action Plan, namely public authorities at national level and regional level; the *organisation and structure of the CIs* including representative bodies (e.g. collective management organisations, associations) and *outputs/results* of the Strategy and Action Plan.

The preliminary information collected through desk research has been structured into **two complementary SWOT analyses** (Strengths, Weaknesses, Opportunities and Threats) with a view to have an overview of the current situation of CIs in the Slovak Republic as basis for the whole assignment. The SWOT are as follows:

1. *SWOT of policy measures and governance*: this SWOT specifically focused on policy instruments, governance and consultation mechanisms for CCIs in the Slovak Republic;
2. *SWOT on the CCIs sector* including statistical data (preliminary overview of market data and trends on CCIs in Europe and in the Slovak Republic) and overview of funding opportunities and financial instruments available to CIs and SMEs in the Slovak Republic.

The two SWOT analyses have been discussed and validated through stakeholder consultations and are included in Annex V – SWOT Analysis.

### 2.1.3 Desk research on CIs policies from other countries

Desk research aimed to compare Slovak public policies on CIs with the ones of other EU countries with a view to identify possible best practices to feed into future strategic documents for CIs in the Slovak Republic.

The selection of the countries for the comparative analysis was validated with the European Commission SPSS and the MoC and includes three countries that are members of the Visegrád Group, namely Czech Republic, Hungary and Poland. The three selected countries share similar cultural and historical background; from the XVI century, large parts of the present-day countries became part of or were influenced by the Vienna-based Habsburg Monarchy. After WWII, the countries became satellite states of the Soviet Union till the fall of the Berlin wall in

<sup>21</sup> Available at <https://rio.jrc.ec.europa.eu/en/library/strategy-smart-specialisation-slovak-republic-ris3>

<sup>22</sup> Available at [www.mpsr.sk/download.php?fid=9759](http://www.mpsr.sk/download.php?fid=9759)

<sup>23</sup> Available at [https://www.culturalpolicies.net/down/slovakia\\_082018.pdf](https://www.culturalpolicies.net/down/slovakia_082018.pdf)

<sup>24</sup> Available at <https://www.interregueurope.eu/creadis3/library/>

1989 and the following collapse of the Soviet Union. The similar background facilitates comparability of cultural policy strategies and actions. Besides the cultural-historical justification, the countries have also been chosen for the relevance of their respective and comparable policy framework, and market challenges regarding the development of CI (linguistic, size of market and enterprises, delocalisation risks).

In addition, KEA has been looking into other EU countries which are addressing similar challenges, notably in the field of investment, to gather best practices.

Desk research on policy documents has been complemented with interviews with local policy experts, notably with Viktoria Paloczi-Horvath, Head of Unit, Ministry of Human Capacities, - Unit for EU and Multilateral Youth, Culture and Sport Affairs (Hungary); Anna Ceynowá, Head of Strategies, Analyses and Creative Sectors Division, Department of Intellectual Property and Media, Ministry of Culture and National Heritage (Poland).

## 2.2 Stakeholder consultations

Initial information from desk research has been tested and validated through structured interviews and meetings, five thematic focus groups, an online survey and a final restitution workshop with stakeholders (public and private).

### 2.2.1 Interviews and meetings

Preliminary consultation with stakeholders started at the beginning of the assignment to complement the information gathered through desk research. Phone interviews were carried out with the following stakeholders:

NAME	ORGANISATION & POSITION	Date
Michal Hladký	Director of Creative Industry Košice (CIKE)	10/05/2019
Zora Jaurová	Film producer, expert on cultural policies and creative industries and currently President of Slovak Creative Industry Forum (Slovak national platform for creative industries) as well as counsellor of Mr Matúš Vallo, Mayor of Bratislava	14/05/2019
Denisa Zlatá	Cluster Manager at the Industry Innovation Cluster Slovakia. Ms Zlatá is expert on cultural policies and creative industries and former Director of Cultural and Creative development department of Ministry of Culture of the Slovak Republic	14/05/2019

Table 3 – Stakeholders interviewed before field mission in Bratislava

The information collected through phone interviews fed into the two SWOT analyses.

Interviews and meetings with public authorities were organised during a 1-week field mission in Bratislava (from June 17 to June 21). The mission was led by Project Director Mr Philippe Kern, who animated the focus groups and facilitated the debates with public authorities. He was supported by the Deputy Project Manager Ms Elisabetta Airaghi and the local consultant Mr Vladimir Kmet', who facilitated the contacts with local stakeholders from the private sector.

Contacts with stakeholders from the public sector were facilitated by the MoC. Interviews and meetings are summarised in Table 4:



DATE	TIME	BRIEF DESCRIPTION
Monday, June 17	14.30 - 16.00	Meeting with representatives of the Film Commission, the Music Fund, the Music Centre, the Literature Fund
Wednesday, June 19	16.00 - 17.00	Interview with František Malík, BRaK Book Festival and Publishing
Thursday, June 20	16.00 - 17.30	Visit to the creative hub Nova Cvernovka and interviews with entrepreneurs
Friday, June 21	9.30 - 12.00	Meeting with representatives of the MoC, the Institute for Cultural Policy, the Ministry of Finance, the Slovak Investment Holding, the Office of the Deputy Prime Minister

*Table 4 – Meetings and interviews during the field mission in Bratislava*

Structured interviews (1 hour) via phone were conducted with stakeholders not able to attend the meetings and focus groups organised during the field visit in Bratislava.

The list of stakeholders (both from private and public sectors) was discussed and agreed with the European Commission (SRSS) and the Ministry of Culture. The list of stakeholders is included in Annex VI – List of interviewed stakeholders .

## 2.2.2 Focus groups

Five thematic focus groups took place during the one-week field mission in Bratislava, structured as follow:

DATE	TIME	BRIEF DESCRIPTION
Tuesday, June 18, 2019	9.30 - 11.30	Focus group on Books and Press
	14.00 - 16.30	Focus group on Music and Radio
Wednesday, June 19, 2019	9.30 - 12.00	Focus group on Film, video and TV
	14.00 - 16.00	Focus group on Video games
Thursday, June 20, 2019	9.30 - 12.00	Focus group with Investors

*Table 5 – Focus groups organised during the field mission in Bratislava, 17-20 June 2019*

The full list of consulted stakeholders during the field mission is included in Annex VII - List of stakeholders met during the field mission.

The SWOT analysis described above have been used as background documents to stimulate discussion and feedback from stakeholders to help validate the initial assessment.

## 2.2.3 Online surveys

To complement the stakeholder consultations, two online surveys have been designed, one targeting stakeholders from the CIs sector and one targeting financial institutions including questions on policy context. The survey to CIs specifically explored the experience of CIs as they look to grow and develop their business and specifically their experiences of accessing finance to support their ambition. The surveys are complementary to the interviews in terms of content and addressees (the surveys do not address public institutions).

The surveys were launched on July 26, 2019, with a first deadline on August 9, 2019 and relaunched on August 21, 2019 till September 3, 2019. The survey to CI stakeholders was sent to 73 companies identified as representatives of the CI sector in The Slovak Republic (the list was agreed with the MoC during the inception phase). The survey targeting stakeholders from the CIs sector had a good response rate of 30%. The majority of respondents work in the AV sector including motion picture, film, animation, video games and broadcasting (60%), bigger proportion of responses came from the video game industry. The survey targeting financial intermediaries was less successful. The questionnaire was sent to 32 organisations and had a response rate of 10 %.

The content of the surveys is included in Annex VIII – Surveys.

## 2.2.4 Restitution workshop (AS-IS workshop)

A stakeholder workshop was organised by the Ministry of Culture at the University Library in Bratislava on October 2, 2019 to discuss and validate the key findings of the overall AS-IS analysis. The feedback received during the workshop contributed to the finalisation of the current report and to inform the policy recommendations.

The workshop was animated by the KEA consortium and conceived to be interactive and to encourage participation from the audience. The workshop lasted for around three hours (from 9:00 AM to 12:00 AM) and it was structured around 3 sections, each with 15' presentation and 15' questions and answers from the public on the following topics:

- Data Analysis: key findings from data collection and analysis;
- Impact assessment of the Strategy for CCIs Development 2014-2020 and the related Action Plan;
- Supporting financing in Cultural Industries.

The format allowed participants to react upon and influence conclusions with a view to make strong policy recommendations in a « co-creation mood ».

The workshop was attended by 30 participants representing Slovak CIs (books and press, music, radio, film and AV, video games) as well as public institutions (Ministry of Culture, Ministry of Finance, Slovak Business Agency, Music Fund, Bratislava Self-Governing region).

The list of participants is included in Annex IX – List of participants in the AS-IS workshop.

## 2.3 Limitations

The following paragraphs summarise the main data gaps and limitations encountered during the carrying out of the study.

### 2.3.1 Data gaps and limitations for the data analysis

The research team is aware that the data collected on CI is subject to some gaps and limitations, as listed below.

#### Data gaps

- **Limited financial data on people working in liberal occupations and self-employed:** in cooperation with Datacentrum, the team collected financial data on 3 out of 4 types of people working in liberal occupations and self-employed : the data provided from the use of single or double entry accounting and the data of those companies that

use simplified double entry accounting for micro enterprises. However, it was not possible to access the data provided by those who have chosen the “lump sum expenses” method as this data is not public.

- **Data on consumption expenditures on video games:** there is no data for 2017 (and the previous years) as KULT started to collect data on video games as from 2018. As a consequence, the report only presents global data about game players, missing specifics on consumption expenditures on Slovak video games.
- **Data on export:** the data from EUROSTAT about exports is very limited as presented in aggregated form and not based on NACE codes. Data does not allow for an in-depth analysis of, for example, what causes growth or decline in exports.
- **Missing complete data on 2018:** the deadline for submitting the 2018 Financial Statements is the end of March, but it can be extended until the end of September (for companies with revenues from foreign countries). As a significant number of companies used this option, 2018 data was not complete at the time of data collection, thus preventing 2018 from being used in the analysis. For this reason, data from KULT report 2018 are not included to ensure the overall coherence (as the trends analysis relates to 2013-2017).<sup>25</sup>

## Data Limitations

- **Inadequacy of current international statistical metrics:**
  - **NACE classification:** the study faced a certain lack of recognition of relevant economic activities related to CIs in the current classification system, especially in some sub-sectors (e.g. there is no NACE code for video game development). Since companies can define themselves which NACE code is closer to their main activity, the lack of dedicated NACE codes leads to the fact that some companies active in the CIs sector are not classified as “cultural”. This issue is particularly problematic for some CI sub-sectors such as video games, as the majority of game developers report themselves as IT companies<sup>26</sup>. This results in an underestimation of the contribution of CIs to the economy;
  - **Standard International Trade Classification (SITC):** International trade in goods statistics provide data on trade in tangible goods only. They do not cover services, licences, intellectual property rights or digital content such as music, films and video games available via streaming platforms.<sup>27</sup>
- **Inaccurate data on employment:** the data regarding the number of employees provided by the Statistical Office are only in ranges (the exact number of employees per company is not specified). Current ranges include: 0, 1-3, 3-4, 10-19, 20-24, 24-29, 50-249, 250-499. In addition, data on employment for RFS are not always reliable, as during our research we found out that multiple companies report numbers of employees that

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<sup>25</sup> Also, it should be noted that KULT report 2018 was not available at the time of data collection (it was only published in October 2019)

<sup>26</sup> For instance, according to the Register of Financial Statements, Satellite Account of Culture and Creative Industry and EUROSTAT the video game sector in Slovakia report revenues lower than EUR 500.000 (only 2 companies are reported as game publishers according to NACE code 5821) while the Slovak Game Developers Association reports revenues of about EUR 45 million in 2018.

<sup>27</sup> Only some data on the online consumption/purchase of cultural content are available through surveys on information and communication technologies.

are not realistic.<sup>28</sup> It should also be noted that comparison of data between the Statistical Office and the RFS shows very similar numbers, which indicates that the Statistical Office also takes into account data from financial statements from the RFS.

- **Difficulty to capture the economic value of non-profit actors related to CIs:** for instance, there is no common system to collect and analyse data about volunteers or other non-profit organisations which represent an important part of the CIs sector.
- **Only aggregated information on public funding:** for the analysis of public funding we have used KULT statistics. However, the lists of respondents also include stakeholders from other sectors not covered by the current study. The team also analysed other data sources, including the Central Register for Evidence of De Minimis and State Aid as source of information about state aids. However, this data base does not provide information about NACE code and it limits a data enquiry to a single company by ID at a time, providing the total amount of state support for that company in last for 3 years. Thus, it is not feasible to check manually all stakeholders. Also, the team was not able to identify the amount of funding for a specific year.

The team adopted the following corrective measures to address the identified data gaps and limitations:

Gaps/Limitations	Corrective measures
<b>Inaccuracy of NACE reporting</b>	<p>Review of key sectoral companies list to check if NACE code was selected properly. Large miss-reported companies causing significant statistical impact with no information on website or internet related to NACE code have been removed from the list.</p> <p>Review of sectoral databases to verify that all key actors within the CI sector are listed according to NACE code. If they were not included (e.g. game developers that report themselves as IT companies), they have been included in the sectoral list of companies.</p> <p>In addition, the study used complementary statistical sources (e.g. sectorial reports) to complete data collection.</p>
<b>Inaccurate data on employment</b>	<p>Total employment was calculated by using lower value from range. If a company was reported having 250-499 employees, the team used a 250 to count total sectoral employment. In case of largest employers, the exact number was verified from website or annual reports.</p> <p>Non realistic data on employment, with very large employment and very low revenues was removed from report.</p>

Table 6 – Measures to overcome data gaps and limitations

Furthermore, it should also be noted that the data from the Satellite Account (SA) of Culture and Creative Industry could not be used in the context of the study for several reasons:

- the SA is currently in its test phase and it does not contain data for 2017;
- the SA does not provide the financial data as requested by the ToRs (as listed in Annex II) such as equity ratio, sales profitability etc.;
- SA used different methodology for data processing. Data collected from RFS are adjusted after collection based on own research in order to remove non-creative activities from specific NACE codes. For instance, revenues reported for NACE 47.61 Book retail are only 25% of revenues as reported by companies to RFS;

<sup>28</sup> For example, a company with revenues less than EUR 10,000 reports more than 2,000 employees, which would not be possible according to the minimal wage regulations.

- some of the NACE codes included in the SA are only 2-digit (such as NACE 60 Broadcasting), while this analysis requires 4-digit codes (such as 6010 Radio broadcasting and 6020 TV Broadcasting);
- there is no data about video games;
- there is no possibility to get full list of stakeholders from SA (ToRs page 7).

In addition, the methodology of the Satellite Account of Culture and Creative Industry is based on the ESSnet definition from 2012. Since 2012, Eurostat has been improving its definitions and the updated versions are part of the Guide to Eurostat Cultural Statistic, 2018 edition, page 13.<sup>29</sup> The analysis of the SA of CCI carried out during the current study shows that it does not include multiple NACE codes that are part of the recently revised Eurostat Cultural Industries definitions.

### 2.3.2 Data limitation for impact assessment

The Strategy of CCIs Development and the related Action Plan do not have an earmarked budget. Actions are funded either through general state budget under the responsibilities of the different implementing bodies or EU structural funds. The MoC does not have an available overview of the amount allocated to each task.

In addition, the Strategy and Action Plan do not include Key Performance Indicators (KPI) in relation to given tasks nor quantitative targets and output indicators. Regular monitoring of quantitative data related to the number of beneficiaries for each measure is not in place (especially for measures under the responsibilities of non-cultural public bodies such as the Slovak Business Agency or the Slovak Innovation and Energy Agency).

These limitations lead to several methodological constraints to assess the Strategy and the related Action Plan in relation to the methodological approach adopted for the impact assessment (described in Annex X) and the five evaluation criteria, notably:

- *efficiency*: the lack of visibility of the allocated budget for each task prevents an understanding of the financial priorities, the adequacy of means granted to the implementation as well as the efficiency in spending resources (value for money)
- *effects (efficacy, impact and sustainability)*: lack of impact indicators and insufficient data limit the capacity to compare and assess the overall efficacy, impact and sustainability of the proposed measures for CIs.

In addition, it should be noted that the measures have been introduced only recently (in 2016 or later for some tasks). As a result, the timeframe is to assess the long-term effects (impact) of the policy measures is rather limited.

### 2.3.3 Data limitation on investment potential in CIs

The focus groups, the structured interviews and the online survey to stakeholders from the CIs sector allowed coverage of the following information (page 8 of ToRs):

- the administrative form of the organisation;
- the region where the main business takes place;
- the specialisation of the investor;

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<sup>29</sup> Available here: <https://ec.europa.eu/eurostat/documents/3859598/9433072/KS-GQ-18-011-EN-N.pdf/72981708-edb7-4007-a298-8b5d9d5a61b5>

- full-time staff employed in the organisation;
- the investor's annual turnover;
- any barriers in the process of investing in Cultural Industries;
- whether lack of support by a) State authorities b) associations of cultural entities c) the cultural entities identified for the investment, is experienced when looking at investment in Cultural Industries
- partial information on type of investments (e.g. marketing/publicity/sponsorships, philanthropy/corporate social responsibility, return/profit).

The collected information is presented in Chapter 5.

However, the low response rate to the survey sent to financial institutions / investors (10%) and the low turnout at the focus group on investors (2 participants) limit data collection on these stakeholders and prevent a complete overview on some indicators notably in relation to:

- expectations and motivation in investing in Cultural Industries;
- how often the investor invests in Cultural Industries (frequency of investment);
- the aggregate capital in Cultural Industries invested so far / amount invested per type of investment (the latter being confidential information, interviewed stakeholders did not share it).

### 3. Key data on Slovak Cultural Industries

This chapter presents the results of the data collection and analysis on Slovak Cultural Industries. The first paragraph introduces a general overview of CIs while more detailed information is included in the second paragraph on revenues, expenditures, structure and employment, cultural participation and consumption, financial performance of the CIs sector.

Data is chiefly presented in aggregated form in 2 macro-areas of CIs, namely books and press and audiovisual, media and multimedia (which include TV, film and video; music, radio and video games). More detailed information on each of the six sub-sectors and NACE code categories is included in Deliverable 1 – Data Analysis report.

#### 3.1 General overview

Key figures resulting from data collection and analysis reveal that CIs is a dynamic sector in Slovakia, which grew at a constant pace in recent years. The sector relies on the talent of Slovak artists and creators recognised internationally, including video games developers<sup>30</sup>, film directors<sup>31</sup>, writers<sup>32</sup>.

In the period 2013-2017, the revenues of the sector grew significantly especially in video games (+267%), music (+30%) and AV sub-sectors, notably in cinema projection activities (+123%), film production (+32%), postproduction (+36%) and distribution (+33%). Revenues from export are also growing in some sub-sectors, in particular book publishing (+19,4% in the period 2013-2017) and video games (according to the survey and the interviews, almost 100% of the revenues of the video games sector come from international sales).

In relation to the structure of the sector and employment, the large majority of Slovak CIs (98%) is composed of micro and small enterprises with less than 10 employees. Between the period 2013-2017, employment in the audiovisual, media and multimedia macro-area increased by 16% (while the employment in the books and press macro-area overall remained stable).

The analysis also shows a flourishing production of cultural content: in 2017, 8,220 new book titles were published (31% digitally published)<sup>33</sup>; 257 new audiovisual works were produced (of which 23 featured films)<sup>34</sup> and 55 new video games were released.<sup>35</sup>

The demand for Slovak cultural products in Slovakia is also high: for instance, 2017 registered the highest number of cinema viewers since 2014.<sup>36</sup> Cinema admissions increased by 18.1% in 2017 compared to 2016.<sup>37</sup>

The Slovak music industry registered +23% growth of digital distribution in 2017.<sup>38</sup> This trend was associated to the growth of platforms like Apple Music, Spotify, Deezer and Google Play,

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<sup>30</sup> An example mentioned during the focus group Video Games is the Slovak company Pixel Federation, which is considered one of the fastest growing start-up companies in the Central and Eastern Europe. They currently employ over 200 people and focus on developing browser and app games. The popular Facebook game Train Station is among its products. Source: <https://portal.pixelfederation.com/en/>

<sup>31</sup> Slovak films are regularly presented in the most important cinema festivals worldwide including Cannes, Venezia Film Festival, Berlinale

<sup>32</sup> In 2019, a Slovak writer (Ivana Dobráková) has been awarded the EU Prize for Literature (EUPL)

<sup>33</sup> Source: KULT report 2017

<sup>34</sup> Source: Creative Europe Media Desk Slovakia, Report on the Slovak audiovisual situation in 2017

<sup>35</sup> Source: Slovak Game Developer Association Report 2017

<sup>36</sup> Source: Creative Europe Media Desk, Report on the Slovak audiovisual situation in 2017

<sup>37</sup> Source: Ibid.

<sup>38</sup> Source: IFPI Global Music Report, 2017



which are responsible for 86% of digital revenue in the Slovak Republic. The Slovak market for video games is growing, boosted by huge international demand (the revenues of the video games sector come almost entirely from export).

## 3.2 Detailed analysis

### 3.2.1 Revenues

In 2017, the **total revenues of the analysed CI subsectors amounted to EUR 963.7 million**. The audiovisual, media and multimedia macro-area generated the majority of revenues (54%), as shown in Figure 4:

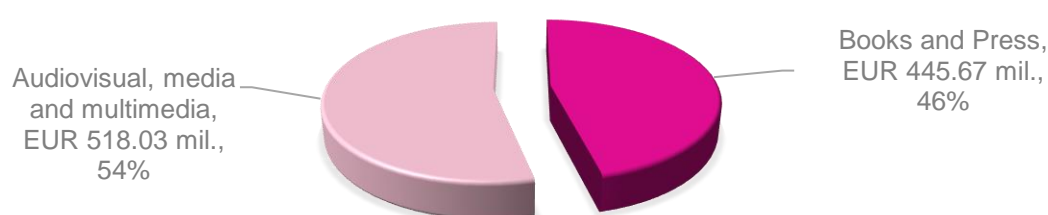


Figure 4– Revenues by macro-areas of CIs (Source: data from Register of Financial Statements in 2017, in million EUR)

In relation to the revenues of each sub-sector, in 2017 almost half of the revenues are generated by the sub-sector film, TV and video (47%) followed by press (28%) and books (18%) as visualised in Figure 5:

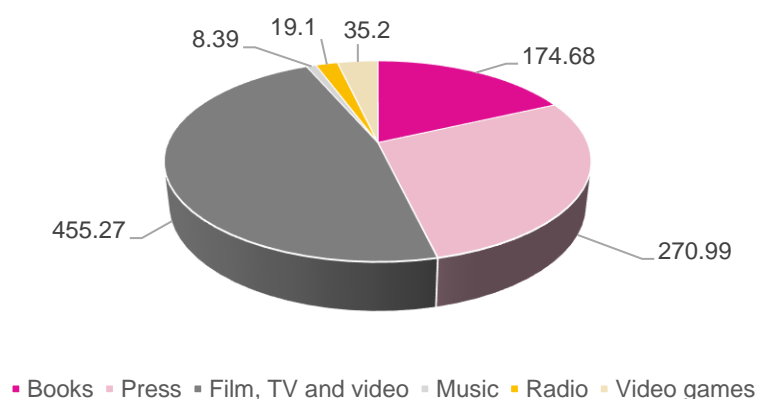


Figure 5 – Revenues per sub-sector (Source: data from Register of Financial Statements in 2017, in million EUR)

Looking in more details at film, TV and video, the most relevant activities are film production activities (39% of total revenues in 2017) and TV programming and broadcasting activities (36% of total revenues in 2017). In the books sub-sector, “retail sales of books in specialised stores” is the largest activity (51% of total revenues in 2017)<sup>39</sup> while in the press sub-sector it is “publishing of journals and periodicals” (54% of total revenues in 2017).

<sup>39</sup> The importance of retail sales in the books sub-sector has also been confirmed during the focus group books and press : participants mentioned that Slovakia benefits from a very good distribution system

It should be stressed that data on music and video games are based on NACE codes, thus do not capture the full contribution of these sub-sectors to the economy due to methodological limitations as explained in paragraph 2.3.1 Data gaps and limitations for the data analysis. Notably, the music sub-sector does not include live music and revenues from royalties collection while video games does not include game development. In addition, several video games companies register themselves as IT companies, thus their revenues are not properly allocated to the sector.

The **audiovisual, media and multimedia macro-area registered an impressive revenue growth between 2013 and 2017 (+49,6%)** increasing from EUR 346 million in 2013 to EUR 518 million in 2017. The macro-area books and press also registered revenue growth during the same period, even if more modest (+4,6%), as shown in Figure 6:

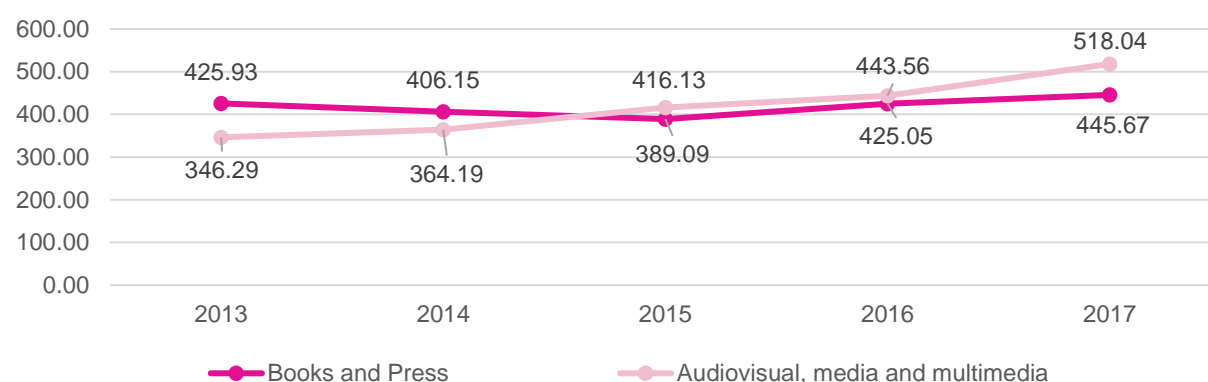


Figure 6 – Revenue trends by macro-areas of CIs (Source: Register of Financial Statements, 2013-2017, in million EUR)

The **video games sub-sector registered the most impressive growth between 2013 and 2017: +267% of revenues, +92% of profits and +1568% of employment.**<sup>40</sup>

The sub-sector of film, TV and video also registered important revenue growth between 2013 and 2017, notably in cinema projection activities (+123%), film production (+32%), postproduction (+36%) and distribution (+33%).

In terms of business performance, the **audiovisual, media and multimedia macro-area has created an overall added value of 18% in revenues** between the period 2013-2017. On the other hand, the book and press macro-area overall generated losses, partially caused by larger investments, higher administrative costs as well as new forms of consumption (especially in the press sub-sector), as shown in Figure 7:

<sup>40</sup> This is in line with global market trends on video games: between 2011 and 2015, the global video games market has increased from USD 54.2 billion to 71.3 billion. It is predicted to grow to 90.1 billion in 2020 (Source: Gaming industry and market report, Clairfield international)

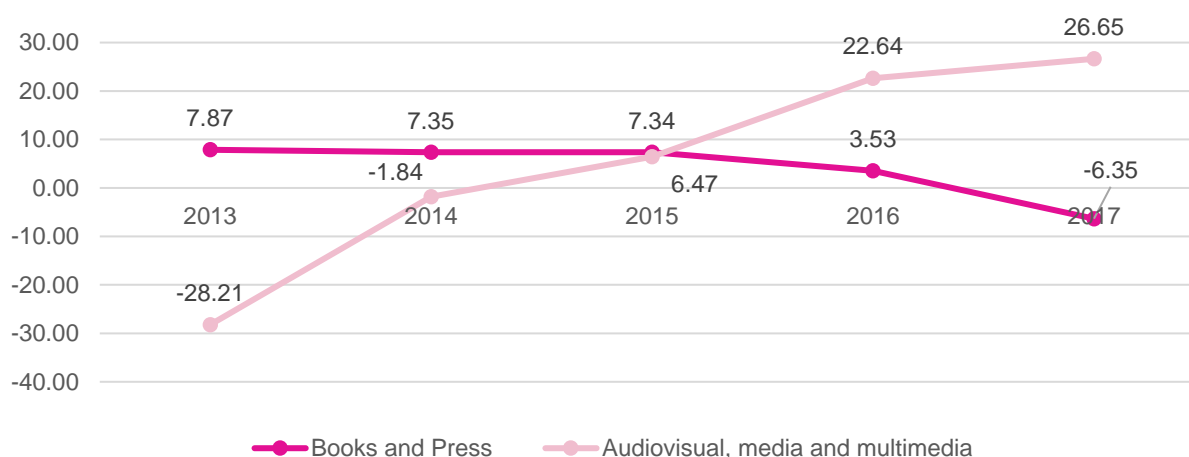


Figure 7 - Profit/Loss trends by macro-areas of CIs (Source: Register of Financial Statements, 2013-2017, in million EUR)

It should be noted that the overall downward trend of the books and press macro-area (in particular the segments publishing of journals, periodicals and publishing of newspapers) reflects the overall figures in Europe, considering the rise of new forms of consumption based on digital distribution.<sup>41</sup> Although the overall trend of the books and press macro-area, the analysis shows a very positive profit/loss trend of the book publishing segment (+120%) and retail sale of books in specialised stores (+807%).

Looking at the overall Slovak economy, the contribution of the audiovisual, media and multimedia macro-area was 0.24% in 2017, while the contribution of the books and press was slightly lower (0.21%). Together, CIs accounted for 0.46% of the country GDP in 2017.<sup>42</sup>

### 3.2.2 Expenditures

The analysis shows that the majority of expenditures for CIs are related to production, as shown in Table 7.

	3-rd party products	Production consumption	Personnel expenses	Wages and salaries
Books and Press	135.64	184.54	89.84	59.6.
Audiovisual, media and multimedia	16.41	329.0	48.76	32.98
Total amount of the sector	152.04	513.55	138.6	92.67

Table 7 - Expenditures by macro-areas (Source: Data from Register of Financial Statements, 2017, in million EUR)

In the books and press macro-area, 30% of revenues are dedicated to purchasing products from 3<sup>rd</sup> parties while only 3% of revenues are dedicated to this in the audiovisual, media and

<sup>41</sup> Source: EIF (2019) Market Analysis of the Cultural and Creative Sectors in Europe - A sector to invest in. Available at [https://www.eif.org/what\\_we\\_do/guarantees/cultural\\_creative\\_sectors\\_guarantee\\_facility/ccs-market-analysis-europe.pdf](https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/ccs-market-analysis-europe.pdf)

<sup>42</sup> It should be noted that the GDP of the culture and creative industries as a whole represented around 1.32% of the GDP of the economy in 2015. (source: CREADIS3 report).

multimedia. Personal expenses in books and press represent 20% of revenues, while Audiovisual, media and multimedia spends only 9.2% on personal expenses.

### 3.2.3 Structure of the sector and employment

In relation to the structure of the sector, **the large majority of Slovak CIs (98%) is composed of micro and small enterprises** with less than 10 employees. This reflects the overall figures of CIs in Europe (95%).<sup>43</sup>

In 2017, the total number of CIs was 6,436, including companies of different types (Ltd, Inc., etc.) the self-employed and people working in liberal occupations. Notably, the **self-employed represented 61% of the total number of CIs** (3,939 people).

The **books and press macro-area accounts for the majority of CIs (58%)** compared to audiovisual, media and multimedia, as shown in Figure 8:

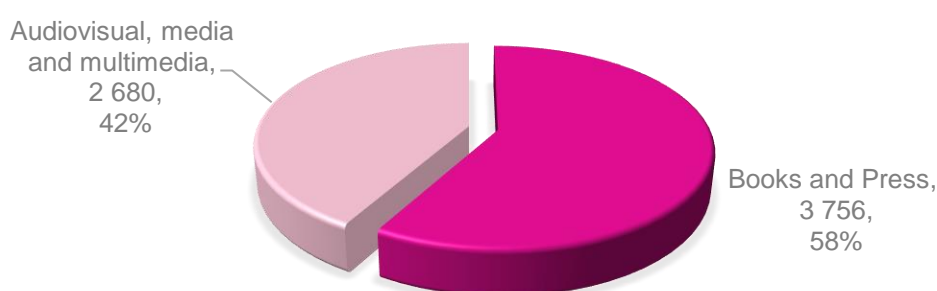


Figure 8 - Number of companies by macro-areas of CIs (Source: Data from Register of Financial Statements, 2017)

In terms of employment, **between the period 2013-2017, employment in the audiovisual, media and multimedia macro-area has increased of +16%** while the employment in the books and press macro-area overall remained stable, as shown in Figure 9:

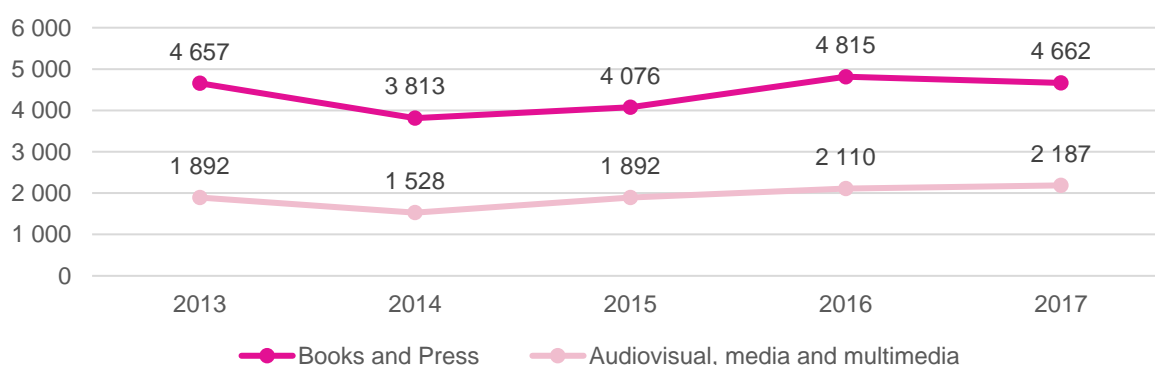


Figure 9– Employment trends by macro-areas of CIs (Source: Data from Register of Financial Statements 2013-2017)

<sup>43</sup> Source: EUROSTAT

The books and press macro-area also accounts for the large majority of number of CI employees (68%).

Looking more in detail at the type of contracts of CI professionals, the analysis of aggregated data shows that only 31% of people work as full-time employees in both macro-areas, as shown in Figure 10. The preferred form of cooperation is self-employment. Volunteering (a non-for-profit form of employment) is also very important for the CIs sector.

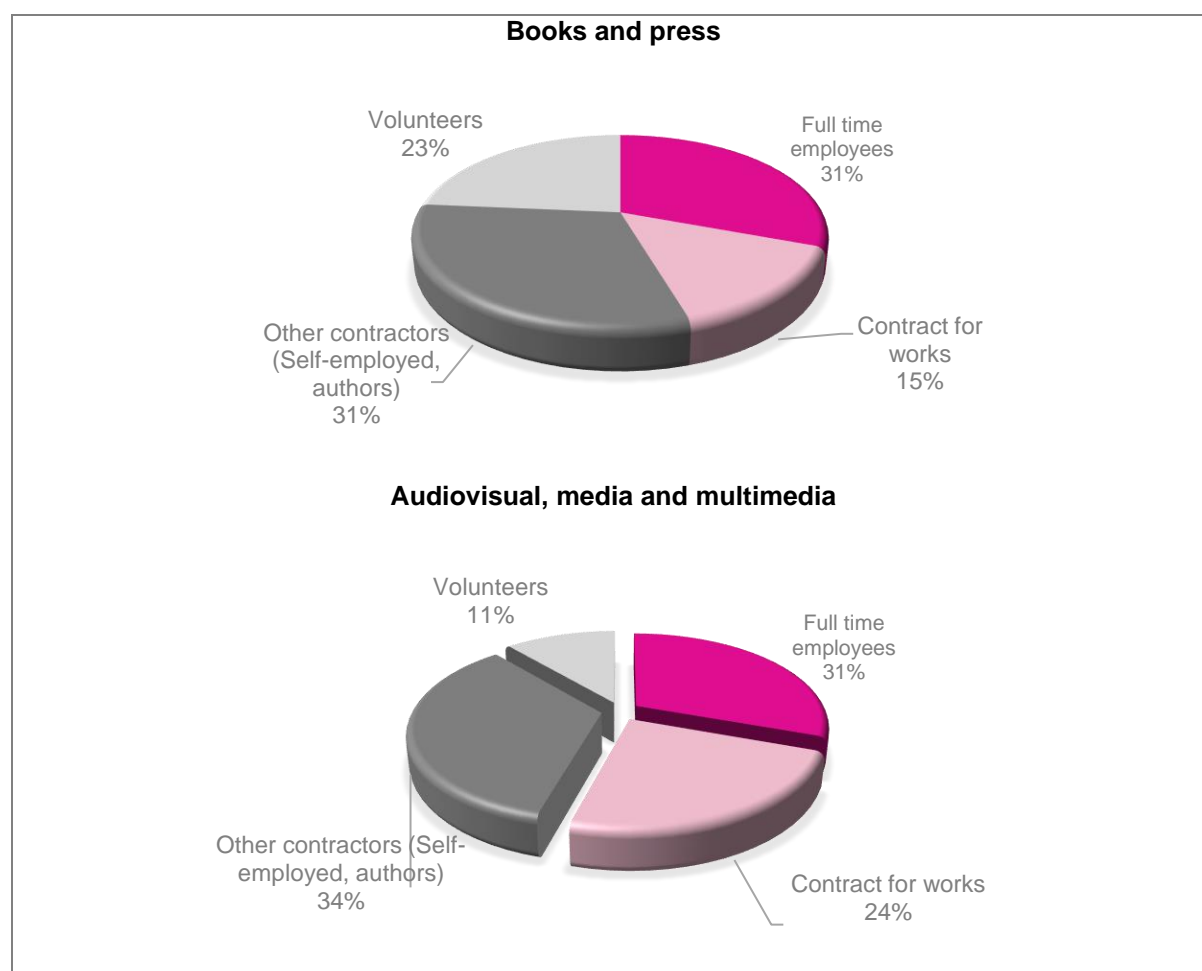


Figure 10 – Percentage of employment by contract type (Source: KULT statistics 2017)

Notably, in the music sub-sector only 12% of employees work as a full-time employee. The most preferred form of cooperation is self-employment / people working in liberal occupations (42%). The self-employed are also numerous in the books sub-sector (87% of the total number of companies in 2017 is composed by mostly of self-employed translators) and the press sub-sector (74% of the total number of companies in 2017).

The film, TV and video sub-sector is an exception, as 71% of employees work as full-time employees. This difference compared to other sub-sectors is related to the TV segment which includes the public TV channel RTVS (Radio and Television of the Slovak Republic).<sup>44</sup>

In terms of education level, the percentage of employees with a university degree is higher in the books and press macro-area (69%) compared to audiovisual, media and multimedia (44%) as shown in Figure 11:

<sup>44</sup> Source: Register of budgetary organisations, KULT Statistics 2017

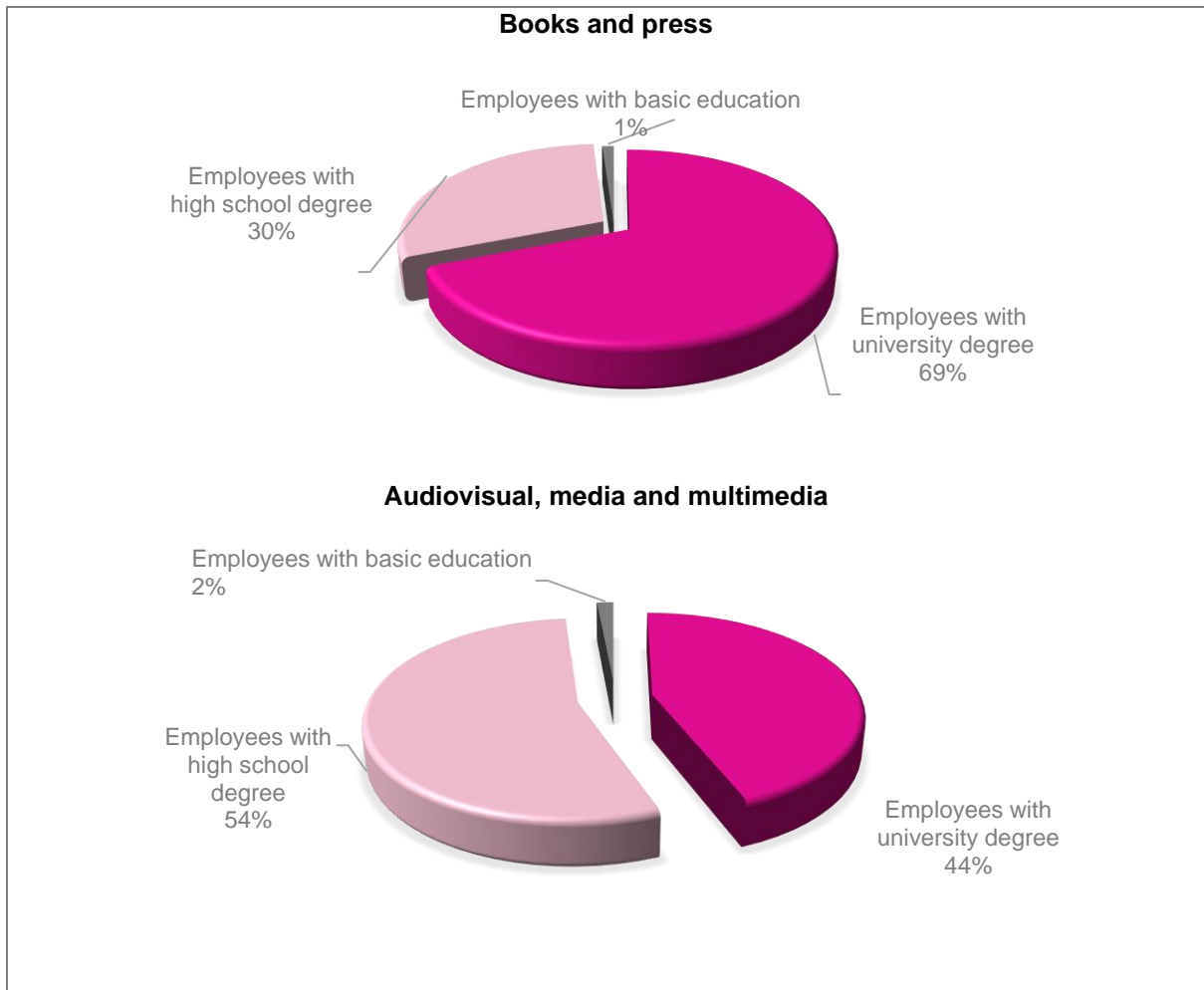
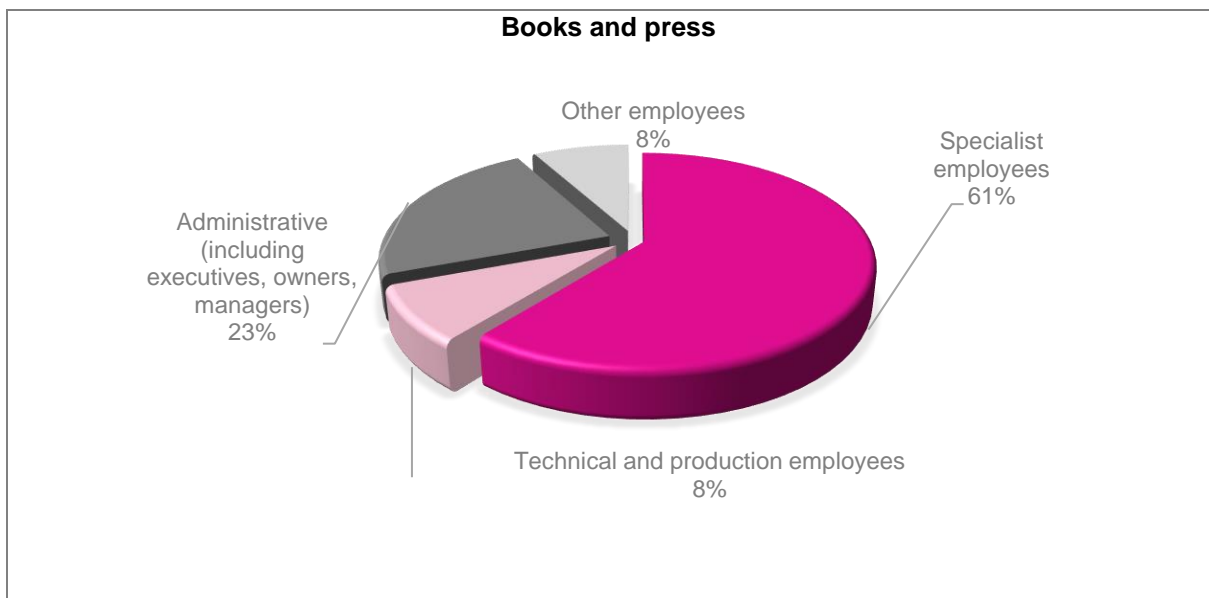


Figure 11 – Percentage of employment by education level (Source: KULT statistics 2017)

This data can be explained by the fact that most employees (61%) in books and press work as specialists, while in AV media and multimedia most employees (29%) work in administrative positions, as shown in Figure 12:



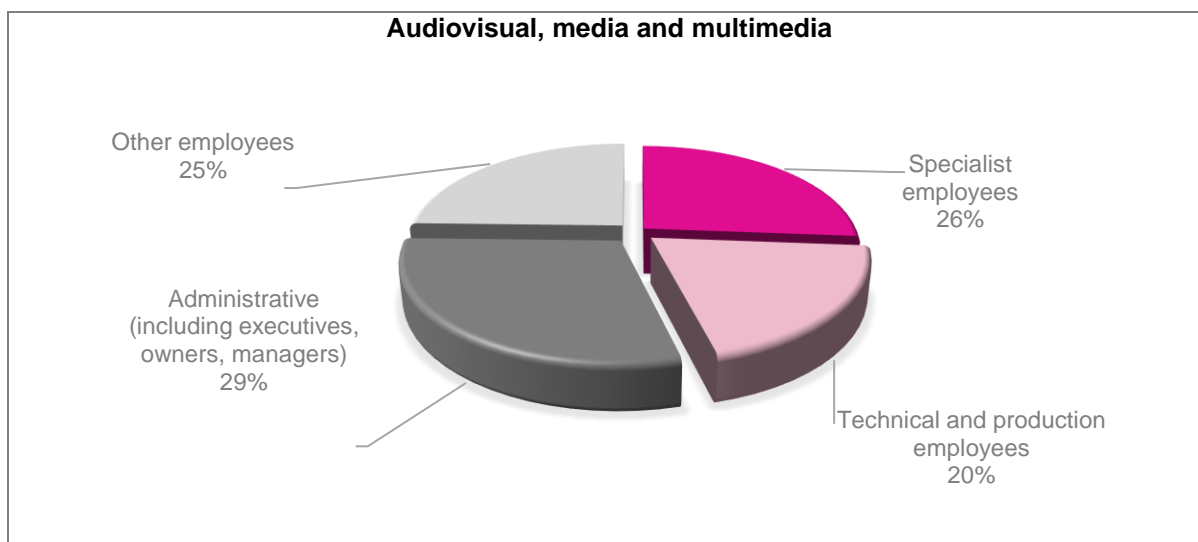


Figure 12 – Percentage of employment by work type (Source: KULT statistics 2017)

### 3.2.4 Cultural consumption and participation

The analysis shows a **flourishing production of cultural content in Slovakia**: in 2017, 8,220 new book titles were published (31% digitally published); 257 new audio-visual works were produced (of which 23 featured films) and 55 new video games were released.

The **demand for Slovak cultural products is also high**: for instance, 2017 registered the highest number of cinema viewers since 2014.<sup>45</sup> Cinema admissions increased by 18.1% in 2017 compared to 2016.

In 2017, more than 50% of Slovaks attended cinema and music concerts, as shown in Figure 13:

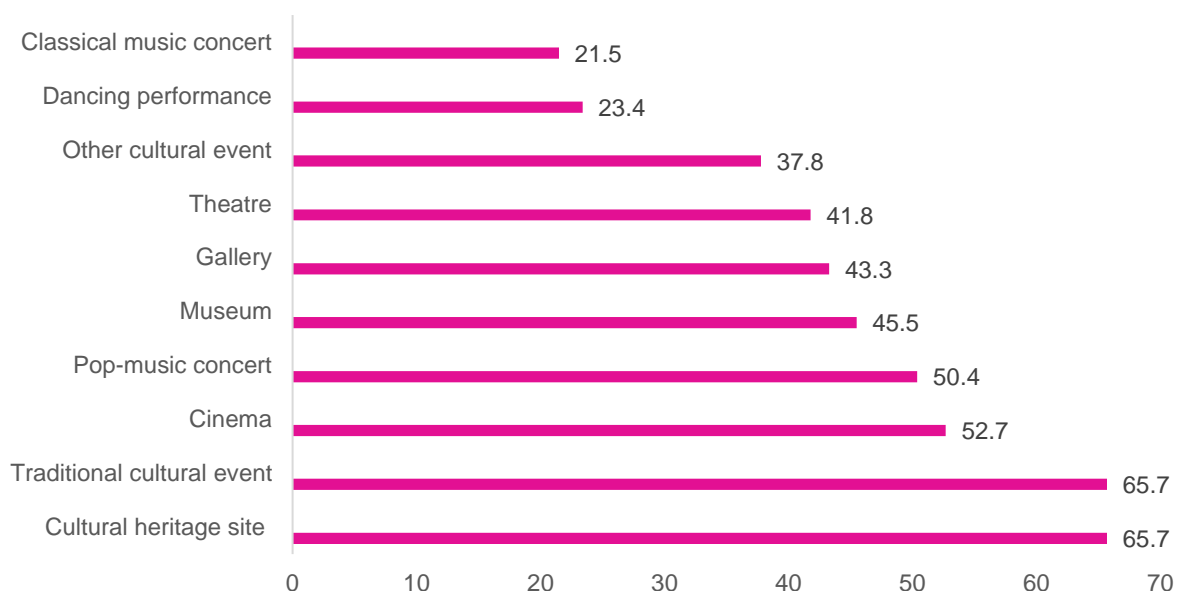


Figure 13 - Frequency of participation (visited at least once per year) Source: National Cultural Centre, Cultural and value orientation of inhabitants SR 2018

<sup>45</sup> Source: Creative Europe Media Desk, Report on the Slovak audiovisual situation in 2017



According to the data of the National Cultural Centre, newspapers and magazine, cinema and books are the most consumed cultural products in Slovakia. Notably, 28.7% of consumers spent on average EUR 20-50 per year in the purchase of newspapers and magazines, and 21.7% spent more than EUR 50. Expenses in cinema are prevalently below EUR 20 (28%), while expenditures in books are more considerable: 20% of consumers spent between EUR 20-50 (20%) and 18% more than EUR 50.

In terms of cultural consumption and participation, the analysis seems to indicate that new distribution and consumption models driven by the digital shift (e.g. streaming, downloading) are emerging also in Slovakia, notably in the music and video games sub-sectors:

- the Slovak music industry registered a growth of digital revenues of 246% in last 5 years (2017-2013) and +23% growth of digital distribution in 2017, associated to the growth of platforms like Apple Music, Spotify, Deezer and Google Play (responsible for 86% of digital revenue in Slovakia).<sup>46</sup> The rise of digital distribution is an opportunity for Slovak musicians to reach a larger audience including in the international market; Almost all music published in Slovakia is also available on Spotify. From IMT Smile to Miro Jaroš. Unfortunately, Spotify and other global player do not provide detailed data on audience by countries. But thanks to Spotify new albums are immediately available globally.
- the Slovak video games market is increasingly making use of new distribution channels, for instance streaming and mobile. In 2017, 71% of games were developed for streaming platforms, followed by mobile (36%).<sup>47</sup> Game streaming brings new opportunities for new business models, such as free-to-play (which offers an alternative to buying games and access for players that cannot afford to buy expensive gaming hardware) and e-sports and live streaming.<sup>48</sup> For example the game Trainstation by Pixel Federation, reports more than 30 million players according to Pixel Federation. According to Pixel Federation's Facebook page their games reach 80 million players in total. Games from Pixel Federation are based on the free-to-play model and reach audiences far beyond Slovak borders. Virtual reality and augmented reality are also playing an increasingly important role in the gaming market, although they are still not dominant (11% in 2017).<sup>49</sup>

The impact of the digital shift has yet to impact other sub-sectors. In the book sub-sector, 31% of titles were published digitally in 2017; however, only 1.36% of copies are sold in digital format.<sup>50</sup> In relation to AV works, only 0.8% of AV works are distributed online via local distribution.<sup>51</sup>

### 3.2.5 Financial performance

#### 3.2.5.1 Equity indicators and sales profitability

The equity ratio and the return on equity indicate more profitability in the macro-area Audiovisual, media and multimedia in 2017, as visualised in Table 8 below.

<sup>46</sup> Source: IFPI Global Music Report, 2017

<sup>47</sup> Source: Slovak Game Developer Association available at [http://press.sgda.sk/SGDA\\_Infographic\\_2017.pdf](http://press.sgda.sk/SGDA_Infographic_2017.pdf)

<sup>48</sup> Source: EIF (2019) Market Analysis of the Cultural and Creative Sectors in Europe - A sector to invest in

<sup>49</sup> Source: Slovak Game Developer Association available at [http://press.sgda.sk/SGDA\\_Infographic\\_2017.pdf](http://press.sgda.sk/SGDA_Infographic_2017.pdf)

<sup>50</sup> Data from KULT statistics in 2017

<sup>51</sup> Source: Data from KULT statistics in 2017

	Sales Performance	Equity ratio <sup>52</sup>	Return of equity <sup>53</sup>
Books and Press	-0.9%	20.1%	-4.8%
Audiovisual, media and multimedia	7.5%	30.7%	25.6%

Table 8 - Equity indicators and sales profitability by areas (Source: Data from register of financial statement 2017)

### 3.2.5.2 Altman-Z score

The analysis of the financial health of CI companies helps to understand the sector's ability to obtain a commercial loan.<sup>54</sup> From a financial perspective, more than 45% of companies are in good financial health according to the Altman-Z score (which indicates a high probability to get a commercial loan).

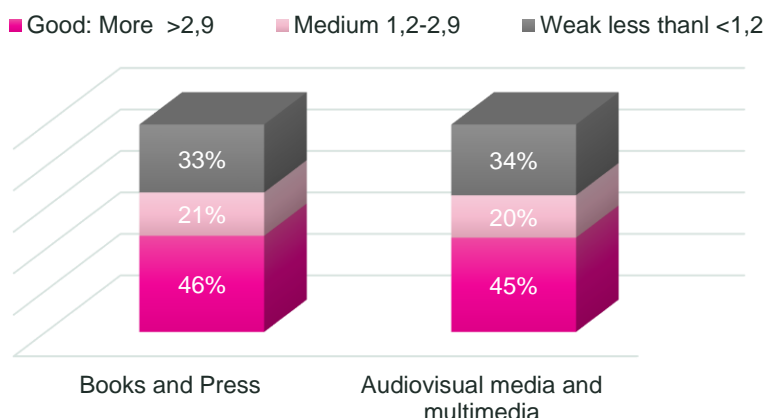


Figure 14 - Altman – Z Score for all CCI (Source: Register of Financial Statements in 2017)

<sup>52</sup> Equity ratio is a ration between Equity value and Profits, and it shows how effective is investment into a company equity in returns

<sup>53</sup> Sales profitably is the ratio between revenues and EBITDA (earnings before interest, taxes, depreciation, and amortization) and shows profit from sales

<sup>54</sup> For the analysis it has been used an index that is usually used by commercial banks, the Altman Z Score. The Altman Z Score model, defined as a financial model to predict the likelihood of bankruptcy in a company. It uses weighting system combined with a set of four or five financial ratios. Lower the Z-Score, the higher is the company's risk of bankruptcy. Source: <https://strategicccfo.com/z-score-model/>

## 4. Review of policy actions to support Cultural Industries in Slovakia

This chapter presents the key findings of the process evaluation and the impact assessment of the Strategy of CCIs Development and the implementing measures related to CIs in the Action Plan for the period 2016-2017, including the results of the comparative analysis with comparable countries.

To introduce the topic, the first paragraph describes the main cultural policy objectives and competences in the management of cultural policy in Slovakia (both at national and regional level) with particular focus on the Strategy of CCIs Development and the related Action Plan. The second paragraph presents the main findings on the process evaluation and impact assessment. The third paragraph illustrates the main conclusions of the comparative analysis with Czech Republic, Hungary and Poland. The chapter is concluded by a final paragraph which summarises the main conclusions and key issues to be addressed in the policy recommendations.

### 4.1 Overview of cultural policy objectives and management

#### 4.1.1 Cultural policy objectives

Cultural policy objectives are currently formulated in the Strategy of Development of Culture for 2014–2020 prepared by the MoC. The Strategy is based on the recognition that culture now stands alongside the state and the economy as one of three interconnected strategic pillars of the development of the Slovak Republic.<sup>55</sup> It contains seven strategic priorities:

1. Cultural Needs and Demand for Culture through Education.
2. Preservation and Accessibility of Cultural Heritage.
3. Systematic Support of the Original Artworks.
4. Set up of Access to finance for Culture.
5. Functional Model of Utilisation of Creativity and Culture in the Economic Development of the Slovak Republic.
6. Systematic Support for Research in the Field of Culture.
7. Culture as Co-founder of the Image of the State Abroad.

This Strategy (and in particular Priority 5 related to CCIs) is complemented by the **Strategy of CCIs Development**, adopted by Government Resolution No 32/2015 on January 21, 2015. The Strategy clearly identifies CCIs as one of the main drivers of economic growth and innovation in the country and its main strategic objective is to *increase the share of CCIs in the country GDP*.

To achieve this overarching goal, the Strategy of CCIs Development identifies 4 complementary strategic priorities and 11 actions, as visualised in Figure 15 below:

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<sup>55</sup> Source: Council of Europe (2018) Compendium of Cultural Policies; Ministry of Culture of the Slovak Republic (2018) CREADIS3: Report on Territorial Diagnosis Slovak Republic.

Overall strategic objective: increase the share of CCIs in the country GDP		
Priorities	Objectives	Actions
<b>Priority 1 - Efficient system for the development of CCIs</b>	<ul style="list-style-type: none"> <li>Exploit the potential of physical infrastructure in the creation, dissemination and economic exploitation of creative activities</li> </ul>	Action 1.1: Developing of physical infrastructure
<b>Priority 2 - Quality of human resources</b>	<ul style="list-style-type: none"> <li>Increase the potential of human resources in the creation, dissemination and economic exploitation of creative activities</li> <li>Increase the contribution of education to the exploitation of creative ideas and generating demand for creative industry products</li> <li>Ensure effective support for the acquisition of experience and new knowledge creativity</li> </ul>	Action 2.1: Education to foster individual creative potential Action 2.2: Training in creative activities Action 2.3: Promote the growth of the quality of human capital through mobility and knowledge transfer
<b>Priority 3 - Increasing the absorption market capacity</b>	<ul style="list-style-type: none"> <li>Increase social awareness and understanding of creativity as an important tool to support industry, export and country image abroad</li> <li>Increase the share of creative industry in exports</li> <li>Include creative industry into standard tools</li> <li>Promote networking between the creative, technological and business sectors</li> <li>Create an effective system of all forms of IPR protection as well as raising awareness of its importance</li> </ul>	Action 3.1: Raising awareness of the creative industry Action 3.2: Support for the export and internationalization Action 3.3: Creating conditions conducive to business Action 3.4: Support to clusters Action 3.5: Intellectual Property
<b>Priority 4 - Support financing instruments</b>	<ul style="list-style-type: none"> <li>Develop creativity and create unique works and concepts</li> <li>Create tools and programs to allow greater access to capital for the sector industry</li> </ul>	Action 4.1: Subsidies Action 4.2: Access to finance

Figure 15 - Priority actions of the Strategy of CCIs Development

These goals and priorities are in line with other strategic policy documents of the Slovak Republic, notably the Programme Declaration of the Government of the Slovak Republic 2016–2020 (which recognises that “culture has a significant potential to contribute to the social and economic development of society” and considers CCIs as a cross-cutting cultural and economic sector with strong economic and growth potential<sup>56</sup>); the Smart Specialisation Strategy (which defines CCIs as one of the most promising sector in relation to R&I and territorial development) and the Operational Programmes for the use of Structural funds, in particular the Integrated Regional Operational Programme Priority Axis 3 (IROP PA3) 2014-2020 and the Operational Programme Research and Innovation Priority Axis 3 (OPVaI PA3) 2014-2020.

The Strategy of CCIs Development is complemented by the **Action Plan for the implementation of the Strategy for the period 2016-2017**, which was adopted on December 15, 2015. It sets out the implementation plan for the actions under each priority through 37 tasks. Each task indicates the responsible body for implementation including:

- *Ministries*: the Ministry of Culture; the Ministry of Economy and related agencies (the Slovak Business Agency - SBA, the Slovak Innovation and Energy Agency - SIEA); the Ministry of Education, Science, Research and Sport; the Ministry of Foreign Affairs
- *Other public bodies*: the Arts Council; the AV Fund; cultural institutions (museums)
- *Self-governing regions*.

The Strategy and the Action plan are a coherent set of policy documents to achieve the overall objective as exemplified in Figure 16 below:

<sup>56</sup> The full text of the programme declaration can be found at:

<http://www.culture.gov.sk/ministerstvo/dokumenty/programove-vyhlasenie-vlady-180.html>

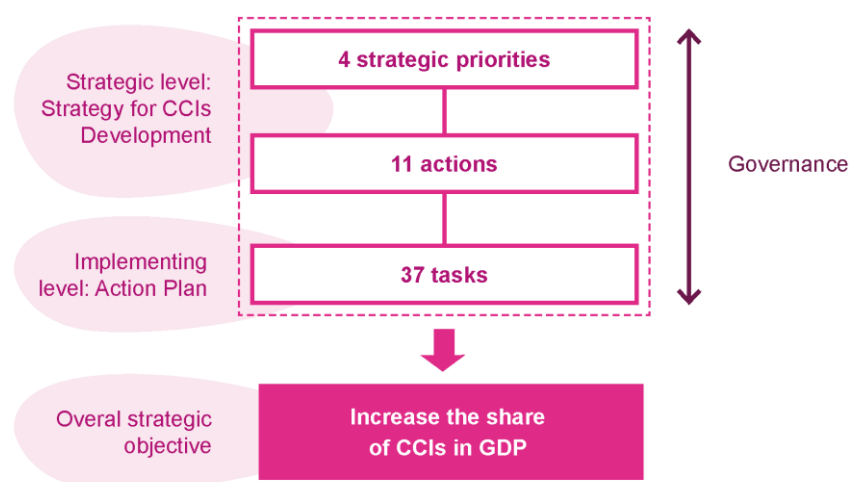


Figure 16 – Relation between the Strategy of CCIs Development and Action Plan for implementation

The Strategy of CCIs Development and the related Action Plan show that CCIs are a policy priority of the Slovak Government as stressed in the new Vision and Strategy of the Slovak Republic Development by 2030.

## 4.1.2 Cultural policy management

### 4.1.2.2 National level

The Ministry of Culture is the central state administrative body for culture. The duties and responsibilities of the Ministry of Culture of the Slovak Republic are defined by section 18 of Act 575/2001. Its responsibilities include the definition of laws relating to culture, amendment procedures, coordination of the preparation of sectoral strategies. The Department of Arts and Creativity within the Division of Art is currently responsible for the CCIs agenda in charge among others, strategic and legislative proposals in the area of culture and creativity, horizontal coordination with relevant central authorities of state administration and local authorities; monitoring of trends in given areas at national and regional level; cooperation with intermediate bodies for the use of structural funds for CCIs.<sup>57</sup>

The MoC directly manages various public organisations related to CCIs, for example in the research area of the CCIs the National Cultural Centre, the Music Centre, the Slovak Film Institute and the Literary Information Centre.

More recently, two institutions that are independent from the MoC have been established which operate on the arm's length principle to provide support for creative production:

- the Slovak Arts Council (established under Act 284/2014 and entered into force on 12 September 2014) providing support for artistic activities, culture and creative industries;
- the Audiovisual Fund (established under Act 516/2008 and entered effect on 1 January 2009), which aims to support and develop audiovisual culture (grants, scholarships and loans) and industries.

<sup>57</sup> Source: Ministry of Culture of the Slovak Republic

In addition to culture public bodies, other Ministries have competences in the field of CCI:

- the Ministry of Economy (MoE) of the Slovak Republic, which provides general supporting measures for entrepreneurship (specially focused on SME without sectoral specialisation). Furthermore, in relation to ESIF, while the MoC has competence for Cultural Industries, the Ministry of Economy has competence for the Creative Industries (Architecture, Design, Advertising), the latter being considered more business-oriented. In this regard, the MoE is responsible for the implementation of measures in the Operational Program Research & Innovation (OPVal) supporting the development of SMEs in the Slovak Republic particularly for internationalisation and export /foreign trade;
- the Ministry of Education in relation to education policies;
- the Ministry of Finance and the Slovak Investment Holding, which are currently supporting the MoC in designing a new Financial Investment scheme funded through ESIF (EUR 56 million from IROP Priority Axes 3) to provide tailored Financial Instruments (FIs) to CCIs.<sup>58</sup>

#### **4.1.2.2 Regional and local level**

The decentralisation of state power and the transfer of some competences in the area of culture to autonomous regions, towns and villages were stipulated in Act 302/2001 and other legislation concerning culture. The law does not specify any direct connection between legislation on the level of the Ministry of Culture and the regulations of general application issued by lower bodies of the public administration.<sup>59</sup>

Coordination of the strategies for cultural development of individual self-governing regions (and to some extent also towns and villages) and assessment of their conformity with the strategy at national level is not established by any law or agreement between the Ministry of Culture and the public administration bodies.

Recently, municipalities and self-governing regions have shown interest in the development of CCIs. In particular, according to the Cultural and Creative Cities Monitor<sup>60</sup> the municipality of Bratislava scores first within the group of large cities in relation to the “Creative Economy” index, which captures how the cultural and creative sectors contribute to a city's employment, job creation and innovative capacity. Bratislava hosts several creative hubs and coworking spaces for CCIs (notably Impact Hub Bratislava, A4 - ZERO SPACE, etc.), often supported by the municipality (such as Nová Cvernovka). The possibility to receive financial support from the Integrated Regional Operational Programme 2014-2020-Priority axis No. 3 to create the infrastructure for CCIs in Slovak regions supported this interest. The regions and municipalities started to partly include the CCIs agenda into some strategic documents, such as integrated territorial and urban strategies. For instance, the municipality of Košice developed a “Creative

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<sup>58</sup> The FI scheme was due in 2018. However, the process has been delayed due to administrative issues (difficulties for the SIH and the MoF to find suitable schemes compatible to Slovak regulatory framework) as well as difficulties for the SIH in finding data and information to allocate the money to suitable projects. The SIH is currently elaborating a scheme with the MoC and the MoF

<sup>59</sup> Source: Council of Europe (2018) Compendium of Cultural Policies; Ministry of Culture of the Slovak Republic (2018) CREADIS3: Report on Territorial Diagnosis Slovak Republic.

<sup>60</sup> The Cultural and Creative Cities Monitor is a new tool developed by the Joint Research Center of the European Commission to monitor and assess the performance of 'Cultural and Creative Cities' in Europe vis-à-vis their peers using both quantitative and qualitative data. Source: <https://composite-indicators.jrc.ec.europa.eu/cultural-creative-cities-monitor/>



Economy Master Plan” with a view to coordinate the city transformation from being known primarily as “the Steel City” to becoming recognised as “a Creative City” by 2020.<sup>61</sup> Currently, Košice self-governing region is in the process of preparing a new concept of cultural development for 2020-2030, where one of the main programmes focuses on CCIs (in addition to Regional Cultural Identity and Cultural Tourism) including the introduction of a grant scheme for CCIs.<sup>62</sup> Bratislava also benefited from coaching in cultural policy development as part of the Culture for Cities programme funded by Creative Europe (2015-2017).<sup>63</sup>

The majority of the regional strategic documents, however, cover the topic of CCIs only in terms of the IROP PA3 supporting schemes. To fully use the potential of CCIs it is necessary for regions to understand the territorial particularities of their creative ecosystem. The difficulties in creating territorial strategies for CCIs could stem from the lack of administrative capacity with experience in the CCIs; missing methodology applicable for CCIs strategies as well as low awareness about the positive effects of CCIs on regional development.<sup>64</sup>

## 4.2 Process evaluation and impact assessment of the Strategy of CCIs Development 2014-2020 and related Action Plan

The following paragraphs present a synthesis of the key findings and the main conclusions of the process evaluation (policy design and formulation) and the impact assessment of the Strategy of CCIs Development 2014-2020 (hereafter indicated as the Strategy) and the implementing measures related to CCIs in the Action Plan for the period 2016-2017 (hereafter indicated as the Action Plan).

It should be noted that the review and assessment of the governance and process evaluation of the Strategy and Action Plan is integrated in the overall analysis as a transversal element, since it influences the overall formulation and implementation of the policy measures

The first paragraph introduces the preliminary observations while the second paragraph describes more detailed considerations on the measures for CCIs in the Action Plan. The last paragraph summarises the results of the comparative analysis with Czech Republic, Hungary and Poland.

### 4.2.1 Preliminary observations

The evaluation found that efforts were made to assess the needs of the CI sector, notably through the *Basis of CCIs Development in Slovakia* and the *Analysis of the potential of CCIs in Slovakia*.<sup>65</sup>

The Strategy was developed on the basis of inter-ministerial cooperation and in consultations with public bodies.<sup>66</sup> Consultations involved the Ministry of Culture, the Ministry of Economy and related agencies (the Slovak Business Agency – SBA and the Slovak Innovation and Energy Agency - SIEA), the Ministry of Education, Science, Research and Sport, the Ministry of

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<sup>61</sup> Source: <https://www.cike.sk/wp-content/uploads/2019/01/masterplanen-web1.pdf>

<sup>62</sup> Source: Interview with the Kosice Self-Governing region

<sup>63</sup> Source: Culture for cities and regions project (<https://keanet.eu/projects/culture-for-cities-and-regions/>) The report on the Bratislava coaching visit can be found at the following page: <http://www.cultureforcitiesandregions.eu/culture/resources/201610-Bratislava-Identifying-driving-forces-of-the-Bratislava-cultural-and-creative-ecosystem-WSWE-AF4GMK>

<sup>64</sup> Source: Results from the CREADIS3 stakeholders group meeting 2019.

<sup>65</sup> Source: Ministry of Culture of the Slovak Republic (2018) CREADIS3: Report on Territorial Diagnosis Slovak Republic.

<sup>66</sup> Source: Interviews; Council of Europe (2018) Compendium Cultural Policy and Trends, country profile Slovakia



Transport and the Ministry of Foreign and European Affairs with a view to identify existing actions and supporting measures relevant for CIs, for instance to support SMEs.<sup>67</sup>

Consultations also involved cultural public bodies related to the MoC (the Music Fund, the Literary Fund, the AV Fund<sup>68</sup>) and CIs representatives through meetings and public debates.<sup>69</sup>

The overall objective of the Strategy (*“increase the share of CCI in the country GDP”*) indicates the vision and political will of the MoC to inscribe its policies and actions within the overall strategy to boost the economic growth of the country including contribution to GDP, job creation and innovation, in line with the Programme Declaration of the Government of the Slovak Republic 2016–2020. The Strategy recognises that CIs “play a key role as drivers to promote innovation” and “their impact is not limited to the field of culture and creativity but also affects many other sectors of the economy”.<sup>70</sup>

The Strategy clearly shows the intention of the MoC to support the development of CIs holistically through the creation of a dynamic creative ecosystem to foster Slovak cultural production and cultural and creative entrepreneurship. The Strategy has a modern view of cultural policy by linking culture and CIs to different policy areas, as visualised in Figure 17:

- entrepreneurship and support to CIs (mobilisation of opportunities for SMEs in relation to training, capacity building and access to finance);
- territorial development and attractiveness (regional creative centres);
- education and skills development;
- internationalisation;
- innovation and ICT (support to clusters, cross-overs with other sectors).

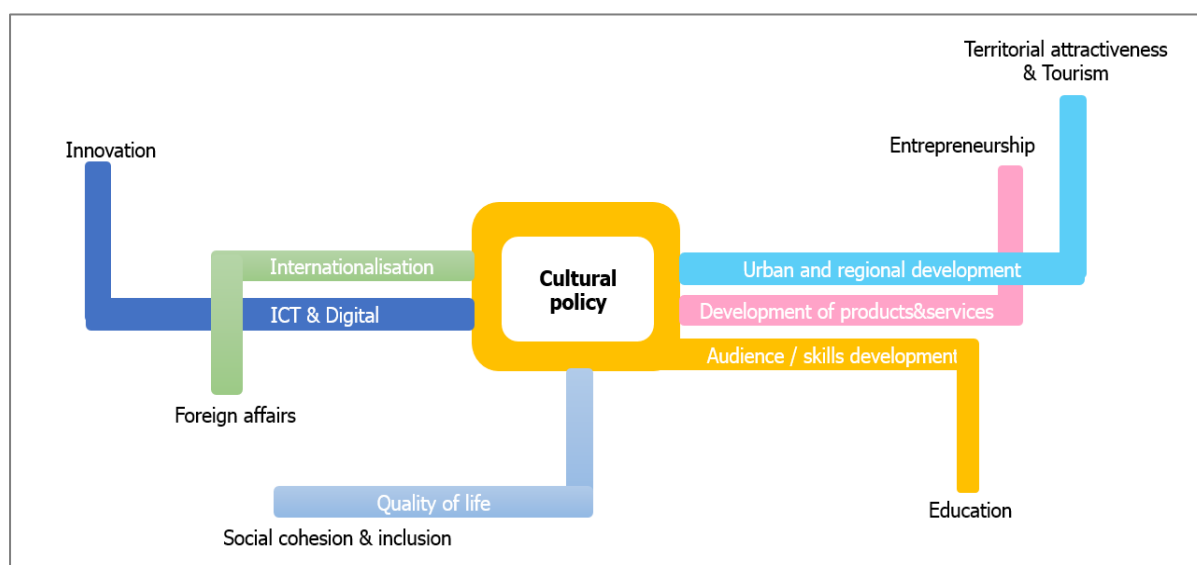


Figure 17 – Cross-sectorial approach of the Strategy of CCIs Development 2014-2020

More specifically, the Strategy and the Action Plan rightly encompasses considerations on:

<sup>67</sup> The involvement of the Ministry of Finance has not been confirmed since the interviewed representatives were not in office at that time. Source: Interview with the Ministry of Finance of the Slovak Republic

<sup>68</sup> The Arts Council has not been involved in the formulation of the Strategy since it was established only in 2014

<sup>69</sup> Source: Meetings with Music Fund, the Literary Fund and focus groups/interviews and CI representatives

<sup>70</sup> Source: Strategy of Cultural and Creative Industries (CCIs) Development (2014). The document is available in Slovak language only. The English translation done by the contractor for the purpose of this assignment does not constitute an official translation

- i) existing general policy measures to support SMEs (such as the services offered by the National Business Centres and the European Enterprises Network, start-ups and the microloan schemes managed by the SBA; the scheme to support business angels investors for start-ups managed by the MoE) and highlights opportunities for CIs to benefit from such broad non-sectorial financial assistance;
- ii) cross-fertilisation between culture, science and technology by addressing media and digital skills in primary and secondary schools (update course curricula, competitions) and support to clusters to promote networking between the creative, technological and business sectors in order to contribute to the country's innovation goals;
- iii) infrastructure and networking spaces (notably through regional creative centres offering opportunities for business incubation, acceleration schemes, consultancy services for CI entrepreneurs);
- iv) human resources (including modernisation of the school education system for the development of creative skills in primary and secondary schools, reinforcement of business skills for CI entrepreneurs);
- v) business conditions and market access to increase competitiveness (considering raising awareness of CIs to stimulate demand of cultural products, internationalisation and export, IPR protection and awareness, support to clusters; support to start-ups);
- vi) access to finance (from public and private sources).

In addition, the Strategy and the related Action Plan consider the improvement of cultural statistics through the establishment of the Satellite Account of Culture and Creative Industry (to be operational by 2020).

As such, the Strategy shows understanding that cultural investment contributes to wider policy goals and the strong vision by the Ministry of Culture to associate its policy efforts with other stakeholders by pooling resources from:

- other Ministries, notably the Ministry of Economy and related agencies (the Slovak Business Agency and the Slovak Innovation and Energy Agency), the Ministry of Education, Science, Research and Sport, the Ministry of Transport and the Ministry of Foreign and European Affairs;
- cultural institutions (notably the AV Fund and Arts Council) and other national organisations (Intellectual Property Office);
- self-governing regions.

Remarkably in the European context, the MoC called on the European Union Structural funds (ESIF), more specifically European Regional Development Fund (ERDF), to extract considerable additional financial resources for cultural investment to play an integral part in the country's economic development strategy. The extent of ERDF resources to implement a cultural policy is without precedent in the EU:

- *Integrated Regional Operational Programme 2014-2020 - Priority Axis 3 (IROP PA3) "Mobilisation of creative potential in the regions"*, which contributes to thematic objective no. 8 "Supporting sustainable employment and labour force mobility". The MoC is the intermediary body for IROP PA3 (while the Ministry of Agriculture is the responsible body

for the whole IROP). The total available amount under the IROP PA3 is more than EUR 270 million (EUR 270 424 175 to be exact) via three schemes<sup>71</sup>:

- the so-called “decentralised scheme” (scheme 1) which enables the access to tangible and intangible assets for SMEs in CCIIs with the aim of new jobs creation through a call for proposals (de minimis scheme). The indicative budget allocated to scheme 1 is EUR 70 million;
- the so-called “centralised scheme” (scheme 2) which enables building of creative centres as regional infrastructures supporting CCIIs by hosting incubation, accelerations and other business support schemes (“soft” activities such as professional consultancy, capacity building actions, ...);
- Financial Instruments (scheme 3) coordinated by the Ministry of Finance at national level via the Slovak Investment Holding (SIH). The SIH is collaborating with the MoC to design a Financial Instruments (FIs) scheme in order to provide FIs to SMEs in CCIIs.

It should be noted that the third scheme is not mentioned in the Strategy and Action Plan, while scheme 1 and 2 are clearly referred to (notably in Task 2 and Task 9 of the Action Plan).

- *Operational Programme Research & Innovation (2014-2020) - Priority Axis 3 (OPVal PA3) (“Strengthening Competitiveness and Growth of SMEs”*. Implementing bodies are the Ministry of Economy and the Ministry of Education, Science, Research and Sport. However, it should be noted that activities funded through the OPVal PA3 are exclusively dedicated to Creative Industries (Architecture, Design and Advertising) which fall under the responsibility of the MoE in the means of ESIF programmes.

The intention to make use of EU Structural Funds to help local authorities establish regional creative centres suggests that the MoC embraced the strategic vision that cultural policy should best be decentralised and recognised that local authorities have a leading role to play in achieving policy goals, for instance following the example of Košice as European Capital of Culture in 2013. This vision is in line with the EU recommendations and the New Agenda for Culture 2019-2022, which emphasises the role of regions and municipalities “ideal partners for experimentation and exploration of new models for social and economic innovation thanks to greater local autonomy and their proximity to their inhabitants”.<sup>72</sup>

However, it remains to be seen how and whether this EU funding resources from the IROP PA3 will be mobilised. The implementation of the decentralised scheme to support cultural and creative projects has not started yet as the final administrative processes of the call for proposals (contracting of successful applicants) are still ongoing.<sup>73</sup> The call for proposals to establish regional creative centres has been launched in July 2019 after considerable delays (as described more in detail in point 4 below).<sup>74</sup>

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<sup>71</sup> Source: CREADIS3 project (Mapping 2: regional creative ecosystem in the Slovak Republic, 2017)

<sup>72</sup> European Commission (2018) New European Agenda for Culture (SWD(2018) 167)

<sup>73</sup> Source: Interviews with the Ministry of Culture and CI stakeholders

<sup>74</sup> The published call is available here: <http://www.culture.gov.sk/podpora-projektov-dotacie/irop-po3-mobilizacia-kreativneho-potencialu-v-regionoch-vyzva-centralizovana-podpora-2fe.html>. According to the published call, the overall amount dedicated to the establishment of the creative centres is EUR 87,819,458 (of which EUR 14,818,790 for Bratislava region).

The modern and visionary approach distinguishes the Slovak Republic from neighbouring countries (Czech Republic, Poland, and Hungary) but also numerous other EU countries which have yet to develop yet a dedicated Strategy and Action Plan for CCI.

Notwithstanding the efforts made by the Ministry of Culture, the evaluation revealed that the Strategy and the related Action Plan for implementation could have benefited from more consideration for the following points:

### **1. Incomplete consideration of the entire value chain of CIs**

While aiming at addressing the full value chain of CIs<sup>75</sup>, the Strategy and the Action Plan essentially focus on measures to support the production of cultural content. Less attention is devoted to supporting other sections in the value chain of CIs, notably creation, distribution (including marketing and promotion) as well as audience development or management, especially in the face of new digital challenges affecting consumption and business models. The digital shift has a tremendous impact on CIs. This impact is not sufficiently taken into account or rarely referred to as an area of policy attention. The European Union is focusing its policies on ways to make Europe's audiovisual industry more competitive. In this context it has taken important steps to adapt its copyright legislation and regulatory regime of the AV sector with a view to support the sector.<sup>76</sup> The issues at stake and that require policy attention include:

- market internationalisation and concentration notably at distribution level that affects availability of Slovak content on powerful international digital platforms;
- global data management and artificial intelligence (AI) for marketing and distribution purposes;
- new forms of storytelling (virtual reality, augmented reality) and digital media;
- promotion of local cultural consumption and access in the face of international offering.

For a better understanding of digital challenges in the context of EU policies we recommend reading of the latest KEA studies for EU institutions on the topic.<sup>77</sup> Implementation of the new copyright acquis<sup>78</sup> and the Audiovisual Media Service Directive (AVMSD) will be the opportunity for the MoC to review its Strategy and Action Plan.

### **2. Specificities of CIs**

The Strategy and Action Plan fails to take sufficiently into account the specifics of developing and managing cultural and creative enterprises. Whilst it is right to include CIs in overall support policies for SMEs, it is also important to consider the specifics of an industry essentially composed of micro enterprises, driven by passion, underfunded, evolving in a small linguistic market and relying on intangible assets for funding.<sup>79</sup> These considerations should influence policy making.

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<sup>75</sup> See footnote 20 for a definition of value chain

<sup>76</sup> Notably Directive (EU) 2018/1808 of the European Parliament and of the Council of 14 November 2018 amending Directive 2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive) in view of changing market realities

<sup>77</sup> Source: KEA (2018) *Towards an integrated vision for the European Digital Media Sector*, paper prepared for the European Commission, DG CNCT; KEA (2019) Research for CULT Committee – Culture and creative sectors in the European Union – key future developments, challenges and opportunities, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

<sup>78</sup> Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC (Text with EEA relevance.)

<sup>79</sup> IDEA Consult (2016) Access to finance for the Cultural and Creative Sectors. Publication office of the European Union

Such specificities often require tailor-made supporting measures, notably support for access to finance or access to market (regulations). In relation to access to finance, 75% of respondents to the survey on CIs are not satisfied with the current financial environment. The lack of tailored financial instruments ranked second amongst the main constraints for CIs to obtain financial support and scale up their business (as discussed more in details in paragraph 5.2 Main challenges and barriers for Slovak CIs).

Furthermore, information collected during the field mission seems to indicate that there is little awareness of the opportunities provided for cultural entrepreneurs by the Action Plan besides the subsidies earmarked for CIs by the Arts Council and AV Fund.<sup>80</sup> Little is provided to encourage and help CIs businesses to make use of existing support infrastructures for SMEs (such as the Creative Business Centres, the EEN services, the microloans promoted by SBA).

### **3. Stakeholder engagement and coordination**

The Strategy and the Action Plan are very ambitious in their goals. This requires the ability to engage and coordinate with multiple stakeholders with a view to ensure support for the plan and proper implementation, notably:

- CIs stakeholders (associations, collective societies, cultural and creative entrepreneurs);
- Self-governing regions and municipalities;
- Ministries, agencies and other national public bodies.

Stakeholder engagement and empowerment is the first step to deliver an action plan that has fully considered the real needs of the beneficiaries and sustain future implementation and alignment on the long-term vision as well as to set up an efficient and cost-effective process.<sup>81</sup>

In relation to the engagement with CIs stakeholders, the results of focus groups and interviews (both with CI representatives and public bodies) seem to indicate that consultations with the MoC are rather a “pro forma” than a constructive dialogue to co-create policy measures in a bottom-up approach.<sup>82</sup> The results of the online survey backs this consideration: according to our survey 47% of cultural entrepreneurs are not satisfied with the interaction with national authorities (MoC). The majority of the CI representatives (including associations) met during focus groups and interviews feel that policy makers “do not listen” and the requests of the sector are not taken into consideration, increasing the perception that policy measures are taken top-down.

Furthermore, stakeholders reported lack of information regarding the status of the implementation of the Action Plan, particularly in relation to the delayed tasks funded via the EU Structural Funds. This situation caused a sense of frustration and deteriorated the trust of the CI sector in public institutions, as also shown by the results of the SWOT analysis validated with stakeholders (see Annex V – SWOT Analysis on policy and governance). This is an important element to consider, as without trust in governments and institutions, support for reforms is difficult to mobilise. Furthermore, stakeholders questioned whether the development of CIs is still a priority for the Government and the MoC considering the recent political changes. These issues will need to be addressed in the future.

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<sup>80</sup> Source: interviews and focus groups with CIs stakeholders

<sup>81</sup> Source: The URBACT II Local Support Group Toolkit (2013) available at [https://urbact.eu/sites/default/files/urbact\\_toolkit\\_online\\_4\\_0.pdf](https://urbact.eu/sites/default/files/urbact_toolkit_online_4_0.pdf)

<sup>82</sup> Source: interviews and focus groups with CIs stakeholders. Interviewed public bodies (notably Arts Council, SBA) also stated that the collaboration with the MoC was aimed at identifying activities independently existing to be included in the Action Plan instead of jointly creating new tailored-made support

In relation to the engagement with self-governing regions and local authorities, stakeholder consultations indicate that regional and local authorities were insufficiently associated with the development of the regional creative centres. EUR 20 million were potentially available for each region for the establishment of regional creative centres (funded via IROP PA3 – centralized scheme) but only Košice had a local strategy to support CIs in place (while other regional strategies focus more on cultural development<sup>83</sup>). Therefore, it seems difficult for regions and municipalities to integrate the creative centres into local development plans (also to ensure their sustainability in the long term) without preparatory work to support them to fully appreciate the potential of this opportunity to drive territorial development through CIs.<sup>84</sup> While aiming at improving decentralisation, the Action Plan does not include any specific actions to support the institutional collaboration with the self-governing regions or municipalities to align national strategies with local priorities and measures to support creative entrepreneurship.

In relation to the engagement with Ministries, agencies and other national public bodies (e.g. AV Fund, Arts Council, cultural institutions) it is not clear in which way this multiple stakeholders' engagement should take place and how the inter-ministerial collaboration will operate. Does the MoC have the competence and financial resources to carry out the plan? According to the collected information, there are no regular meetings, inter-ministerial permanent structure or tools to supervise the implementation of the Strategy and Action Plan. Institutional stakeholders (e.g. Arts Council, SBA) only reported an “administrative” exchange of information to compile the annual monitoring report.<sup>85</sup>

#### **4. Use of financial resources**

While ambitious in its goals, it is difficult to understand the financing of the various initiatives and proposals. As mentioned, the Strategy and Action Plan proposals are funded through state budget and EU structural funds. State budget funds the majority of tasks (27 tasks out of 37) under the responsibility of each implementing body (e.g. Ministry of Economy, Ministry of Education, etc).

According to the collected information, however, it is unclear whether the MoC has an overview on the use of state budget by other administrative bodies for the implementation of the Action Plan, and the matter would deserve more transparency in the context of an evaluation.

The lack of information on the amount allocated to each action and task prevents the full assessment of the efficiency of the Strategy and Action Plan. It also makes it more difficult to understand, analyse and rank policy priorities.

Furthermore, the destination of EU structural funds could be clarified:

- as stated in the paragraph above, local regional authorities were not fully aware of the potential of the Action Plan for regional development whilst they could have each benefited from around EUR 20 million to support their local CIs. It seems that local authorities have not been sufficiently associated with the design of the Strategy and the related Action Plan (as well as the IROP PA3) and that the approach has been too top down;

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<sup>83</sup> As underlined by the mapping carried out in the context of the CREADIS3 project, some regions are more traditional in their perception of cultural policy. Source: Ministry of Culture of the Slovak Republic (2017) CREADIS3: Mapping 1: Competences per administrative level in the Slovak Republic, Bratislava

<sup>84</sup> Source: interview with Denisa Zlatá

<sup>85</sup> Source: meetings and interviews with public authorities (notably the Arts Council, SBA)



- it is not clear whether the CIs sector and the financial sector have been involved in the decision and implementation of the financial instruments now funded with an additional EUR 50 million from IROP PA3;
- some potentially relevant measures for CIs (such as Task 13 - New Business Models or Task 31 - innovation vouchers) are funded under the OPVal PA3 which is dedicated to creative industries (Architecture, Design and Advertising). Therefore, CIs cannot benefit from such measures.

It also remains to be seen how and whether the EU funding resources from the IROP PA3 will be mobilised. Several key measures relevant for CIs (notably Task 2 on the establishment of regional creative centres and “de minimis” scheme for CI SMEs and Task 9 on “soft” activities and services for CI SMEs) are dependent on the use of EU structural funds (IROP PA3) under the responsibility of the MoC.

According to the information collected through desk research and stakeholder consultations, Task 2 and Task 9 suffer from important delays due to administrative and political constraints related to the use of EU structural funds:

- the call for proposals for the establishment of regional creative centres has been postponed numerous times during the last 3 years., but according to some interviewees the conditions “were often not clear or well designed... putting at risk the sustainability of the project”.<sup>86</sup> While the calls have finally been launched in July 2019 after considerable delays<sup>87</sup>, there is a high risk of losing a substantial part of the allocated budget from the EU structural funds;
- the “decentralised” scheme, launched in 2016, has yet to be awarded due to administrative issues related to the evaluation procedures of the submitted proposals.<sup>88</sup> Several representatives of the CI sector expressed their disappointment in the delay as well as the lack of information regarding the status of the call.<sup>89</sup>

As a result, there is a risk of losing a substantial part of the allocated budget from the EU structural funds considering the upcoming end of the current European Multi Annual Financial Framework (MFF) 2014-2020.<sup>90</sup>

The situation affects the capacity to implement as well as the sustainability of the policy. To a large extent the implementation of important measures for CIs in the Action Plan is dependent on the availability of EU structural funds (which could considerably increase the budget of the MoC<sup>91</sup>). The potential loss of the EU structural funds to the development of a coherent cultural and creative ecosystem in the country would be a terrible blow considering the traditional budget resource of the Ministry of Culture and its agencies.

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<sup>86</sup> Source: interview with self-governing regions

<sup>87</sup> The published call is available here: <http://www.culture.gov.sk/podpora-projektov-dotacie/irop-po3-mobilizacia-kreativneho-potencialu-v-regionoch-vyzva-centralizovana-podpora-2fe.html>. According to the published call, the overall amount dedicated to the establishment of the creative centres is EUR 87,819,458 (of which EUR 14,818,790 for Bratislava region).

<sup>88</sup> Source: interview with the Ministry of Culture

<sup>89</sup> Source: Interviews with the Ministry of Culture and focus groups and interviews with CI representatives. According to the collected information, around 400 proposals have been submitted (with maximum EUR 200,000 each)

<sup>90</sup> It is important to recall that EUR 50 million from IROP PA3 have now been relocated to the Slovak Investment Holding to design a new Financial Investment scheme to CCIs in addition to EUR 6 million initially assigned in 2015.

<sup>91</sup> According to the Slovakia Compendium of Cultural Policy and Trends (2018), the expenditure of the Ministry of Culture in 2017 was EUR 243,687,741



The state of play shows the importance of reflecting on:

- the organisation of the MoC and its capacity to influence the management of EU structural funds;
- the way to involve stakeholders in the design and the implementation of strategic documents. The beneficiaries should be involved in their preparation following a participative approach especially in relation to the destination of financial resources: “financial programmes should be created in cooperation with self-governing regions based on better knowledge of the region and their priorities”.<sup>92</sup>

#### **5. Data collection, analysis and dissemination of cultural statistics, including measurement of policy actions (KPI and monitoring)**

The Action Plan has Key Performance Indicators (KPIs) only for a small number of tasks (14 out of 37), mostly in terms of number of activities provided (e.g. number of lecturers, number of trainings). KPIs are mostly intended as “fulfilment” indicators without any quantitative targets. Also, the Action Plan lacks impact indicators in relation to outputs (direct consequences of the action, such as number of meetings held with target beneficiaries, number of grants allocated, number of people trained, etc.) and impact/outcome (overall long-term effects of the measure such as the impact on the economy; the increase of private investment in CIs, etc.). Indicators are key for decision-makers to design a policy or support measure, to decide on the allocation of the resources (inputs) needed to produce the deliverables (outputs), as well as to foresee the results in the medium and long term (outcomes and impacts). The establishment and implementation of a monitoring system with clear impact indicators (social and economic) is increasingly regarded as a fundamental component of evidence-based policy making to make informed policy and budget decisions, mitigate risk by identifying underperforming programs, and strengthen accountability by providing citizens with clear information on the effectiveness of services and by tracking progress on important measures.<sup>93</sup>

The lack of impact indicators and insufficient data limit the capacity to compare and assess the overall efficacy, impact and sustainability of the proposed measures for CIs and has made the impact analysis more difficult and less rigorous.

As highlighted in paragraph 2.3.1 Data gaps and limitations for the data analysis, the SA for CCIs could not be used in the data analysis. Also, the SA has not integrated the latest adjustments agreed with the countries represented in the working group on culture statistics as regards the scope of ‘culture’ in a few statistical domains, as explained in the latest Guide to Eurostat cultural statistics 2018.<sup>94</sup> While not mandatory, the latest recommendations of the working group on culture statistics would allow for better comparability with other countries that are implementing such recommendations.

Lastly, the Satellite Account does not currently support data collection and analysis related to the monitoring and assessment of the Strategy and the Action Plan (e.g. collecting data linked to KPIs).

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<sup>92</sup> Source: interview with self-governing regions

<sup>93</sup> KEA (2015) Feasibility study on data collection and analysis in the cultural and creative sectors in the EU. Study prepared for the European Commission, DG EAC

<sup>94</sup> In 2016, the Eurostat’s working group on culture statistics agreed to extend the scope of culture for statistical purposes as proposed by ESSnet-Culture. The Guide to Eurostat cultural statistics 2018 is available at <https://ec.europa.eu/eurostat/documents/3859598/9433072/KS-GQ-18-011-EN-N.pdf/72981708-edb7-4007-a298-8b5d9d5a61b5>

#### 4.2.2 Detailed considerations on the measures for CIs

Taking into consideration the general observations above, the paragraph presents more detailed considerations on the implementation of the Strategy and Action Plan notably focusing on the specific measures targeting CIs. The full list of tasks included in the Action Plan is presented in Annex XI – Overview of the Action Plan.

According to the progress monitoring report 2018, 32 tasks out of 37 have been fulfilled (or are regularly fulfilled in the case of annual activities). The 5 non-fulfilled tasks are all funded through the EU structural funds, notably:

- Task 2 and Task 9 related to the establishment of regional creative centres and related services to CIs, funded by the IROP PA3 under the responsibility of the MoC (previously discussed);
- Task 30 related to the national project “Increasing the Use of protection of IPR” and Task 31 related to the establishment of call for proposals for the protection of IPR in CCIs, funded by the OPVal under the responsibility of the Ministry of Economy and SIEA;
- Task 36 related to a scheme to support angel investors for start-ups, funded by the OPVal under the responsibility of the Ministry of Economy.

According to the progress monitoring report 2018 and the information collected through stakeholder consultations, delays on the implementation of the 5 non-fulfilled tasks are due to the difficulty of managing the financial implementation of the EU structural funds and the related procurement rules at ministerial level.

In relation to the fulfilled tasks, the progress monitoring report 2018 does not provide quantitative data on the number of CIs making use of the different measures. Desk research and stakeholder consultations showed that non-cultural public bodies such as the Slovak Business Agency do not collect sector-specific data and therefore it is not possible to quantify the number of beneficiaries from CI sectors.<sup>95</sup> This limitation affects the assessment of the efficacy and long-term effects of the policy measures in relation to the overall objectives of the Strategy.

However, qualitative information collected through stakeholder consultations provides ground to complement the progress monitoring report 2018 and assess the contribution of the different measures to CI development.

#### Cultural infrastructure

The development of cultural (physical) infrastructures is addressed under Priority 1 of the Strategy through 4 tasks in the Action Plan. The most relevant to CIs is Task 2 related to the establishment of regional creative centres, whose existence is now at risk considering uncertainties on availability of EU funding.

The other tasks aim at mobilising the potential of existing infrastructures for CIs, notably the National Business Centers (Task 1) and digitised cultural heritage through the portal of the National Cultural Centre (Task 4). However, no data on the actual use of these measures from CIs could be found. The interview conducted with the SBA confirmed that no information can be retrieved on the use of the National Business Centres’ services by CIs. However, interviews and focus groups with CI stakeholders seem to indicate that these services are not often used or

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<sup>95</sup> Confirmed by interview with Slovak Business Agency

known about by the sector.<sup>96</sup> Regarding digitised cultural heritage, only stakeholders consulted during the focus group Book and Press were aware of this measure but did not use it for their activities.<sup>97</sup>

While the idea of making available National Business Centres' services and digital cultural heritage for CIs is valuable, the analysis and stakeholder consultations suggest that there is potential to further improve support in this area. Notably, stakeholders from the AV sector (including the Slovak Film Commission) underlined that Slovakia lacks large film studios, which could be instrumental to attract foreign investors in the sector, notably Netflix (which is largely investing in Europe), HBO or Sky.<sup>98</sup> According to APAF (Slovak Association of Animated Film Producers), work on co-productions with other countries is hampered by the high demands on the capacity and speed of production that the Slovak studios have been unable to fully satisfy so far.<sup>99</sup> In the music sector, stakeholders underlined the insufficient number of rehearsal studios as well as quality venues for concerts especially in some regions (most of the locations are concentrated in Bratislava and Košice).<sup>100</sup> Stakeholders met during the field visit to Bratislava (including Nová Cvernovka, part of the European Network of Creative Hubs) underlined that there is insufficient support to further improve existing creative hubs and co-working spaces already used by CIs.<sup>101</sup> In particular, existing spaces could be reinforced in terms of ICT equipment for the use of new technologies which might require substantial capital investment, often not affordable by individual artists and creators (according to the result of the online survey, modernisation of ICT equipment ranked third amongst the investment priorities of the sector).

## **Skills development**

Skills development (both for students and CI entrepreneurs) is addressed under Priority 2 of the Strategy and by several tasks in the Action Plan.

### *Creative, digital and entrepreneurial education in primary and secondary school*

The Action Plan includes several activities targeting the development of entrepreneurial, digital and creative skills in primary and secondary schools for students (Task 5, Task 7, Task 8, Task 14) and teachers (Task 12) in cooperation with the Ministry of Education and the Ministry of Regional Development (Task 14) mostly in the form of lecturers, competitions and shows. Task 11 (upgrade of education programs) seems to have been implemented mostly in relation to craft and design curricula.<sup>102</sup> Consultations with CI representatives indicate that measures to foster creative, digital and entrepreneurial education are crucial for the sustainability of the sector to nurture new talents and cultural entrepreneurs. Current measures could be reinforced particularly in relation to modernisation of school curricula. On the one hand, stakeholders reported that they are not fully adapted to popular and contemporary culture (e.g. contemporary

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<sup>96</sup> The interview conducted with the SBA Director for International Services confirmed that no information can be retrieved on the use of the EEN services by CIs. Interviews and focus groups with CI stakeholders seem to indicate that these services are not much used or known by the sector.

<sup>97</sup> Participants in the focus group Book and Press reported considerable delays in implementing the national project to digitise cultural heritage funded by the Operational Program Information of Society (Priority Axis 2).

<sup>98</sup> Netflix is on course for 141 projects in Europe consisting of 81 original productions and 60 co-productions or programmes licensed from other producers. In 2019 it will make 221 projects, including 153 originals. Source: <https://www.ft.com/content/924ce2f8-f312-11e8-ae55-df4bf40f9d0d>

<sup>99</sup> Source: focus group on Film and AV

<sup>100</sup> Source: focus group on music and radio

<sup>101</sup> A mapping of Slovak hubs, co-working spaces, incubators was carried out in the CREADIS3 project (Mapping 2: regional creative ecosystem in the Slovak Republic)

<sup>102</sup> Source: progress monitoring report 2018

music genres such as jazz, rock, electronic music; digital media studies) also with a view to grow new audience for new Slovak cultural content (music festivals, serious gaming). On the other hand, they reported the lack of local trained professionals/skilled labour force in relation to specific professional figures for CI industry, especially in the AV sector and video games (e.g. skilled animators, game designers and programmers).<sup>103</sup>

#### *Skills development of CI professionals on entrepreneurship through training, knowledge transfer and mobility*

The bulk of targeted support to CIs including professional business consultancy services for CI entrepreneurs (budgeting, business plan preparation, marketing, etc.) should have been provided through “soft activities” in the regional creative centres (Task 9), not yet established as discussed.

Other supporting measures are foreseen through cooperation with the Ministry of Economy and the related agencies (SIEA and SBA).

Tasks under the responsibility of SIEA related to “development of business models” (Tasks 13, 16 and 18) are funded through the OPVal and therefore not available for CIs (eligible beneficiaries are only from architecture, design and advertising sectors).

Other supporting measures are provided through non-sector specific services for SMEs managed by the SBA, notably the National Business Centres (Task 1); events and seminars to promote entrepreneurial education (Task 6); advice offered by the European Enterprise Network to support business skills for internationalisation (Task 21); the Start-ups Support Scheme (“de minimis” aid) to provide information, service and advice to SMEs (Task 26), and events and information activities to promote the Internet Economy and the use of e-commerce tools (Task 27). However, the interview conducted with the SBA confirmed that no information can be retrieved on the use of these measures by CI entrepreneurs and on their contribution to strengthen entrepreneurship. While “it might be possible that some participants come from the cultural sectors”, there is no data.<sup>104</sup> According to SBA, most of the participants come from the IT/ICT sector (especially in relation to the support program to start-ups) and participants from the cultural sector are most likely to be from creative industries (architecture, design). Focus groups and interviews with CI entrepreneurs seem to confirm that CIs do not make much use of these services. Possible reasons include lack of awareness (while all of these measures are publicised on the SBA website, several CI stakeholders were not aware of such opportunities) and the little targeted support: measures are perceived as too generic and complex (e.g. “de minimis” schemes funded by EU structural funds).

No other sector-specific training or capacity building is provided to empower CIs to develop marketing skills for internationalisation, develop pitching skills to interact with banks and financial institutions through life-long learning training (e.g. to foster branding and marketing skills to support internationalisation).

#### **Creation of cultural content**

The Action Plan does not directly support CI entrepreneurs in content creation, especially in relation to the enormous potential offered by digitisation (new immersive AV experiences boosted by virtual reality, augmented reality, increased demand of gaming and AV content on digital media). In the face of these opportunities, there should be reflection on the opportunity

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<sup>103</sup> Source: focus group on Film and AV, video games

<sup>104</sup> Source: Interview with SBA

to support to digital storytelling for augmented reality, virtual reality or other forms of innovative creation linked to immersive experience. Consulted stakeholders during the focus groups on books and press, music and radio, AV and video games highlighted the insufficient support to contemporary music creation, game design, storytelling for animation and artistic writing, also in education. The Arts Council recently undertook some initiatives in this regard, notably the new scheme to support digital games creation (gaming and non-gaming multimedia works) introduced in 2017 and 2018 (highly praised by the video game sector in Slovakia)<sup>105</sup> and dedicated schemes to support modern music genre (1 for jazz and the other for experimental music). However, it seems that this initiative is not part of the Action Plan: the support offered by the Arts Council (Task 34) does not address these topics and mostly focuses on production, research and promotion of cultural content.<sup>106</sup> This seems to indicate the possibility to further involve the Arts Council in the future development of the Action Plan. On the other hand, stakeholders from the book and music sectors raised questions about the support offered by other cultural institutions such as the Literary Fund and the Music Fund, which have in their view “a more conservative approach to culture” (e.g. scholarships, prizes) as well as their role/value added in face of the Arts Council.<sup>107</sup>

### **Distribution and audience development**

While supporting cultural production (e.g. grants provided through the Arts Council and AV Fund), the Action Plan provides less targeted measures to increase the demand of local cultural products and services. The Action Plan foresees only two tasks directly supporting social awareness and exhibition of cultural content in Slovakia under Action 3.1 “Awareness raising for the CCIs”. Task 18 “Creation of new business models III” is funded through the OPVal and thus does not address CIs. Task 19 involves cultural institutions in all regions under the responsibility of the MoC to organise events, shows and competitions related to cultural and creative content for the public of the museums (adults and children). While several events have been organised (e.g. 98 competitions by the National Cultural Centre in 2017<sup>108</sup>), stakeholders consulted during the focus groups pointed out the lack of more specific measures to increase the demand of local content especially for children and the young generation, for example targeted awareness-raising campaigns to promote serious games and edutainment or children’s books, following the model of other countries.<sup>109</sup> In particular, the children’s books segment (including audio-books) has been mentioned several times by stakeholders in the book publishing business to further boost the growth of the sector (+3.7% revenues in the period 2013-2017<sup>110</sup>). Stakeholders of the video games sector underlined that there is still a prejudice about the negative influence of video games on users (especially children and youngsters) in relation to violence and harmful content and underlined the lack of measures to raise social recognition of the positive use of video games (e.g. towards parents, schools).<sup>111</sup>

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<sup>105</sup> Source: <http://sgda.sk/slovak-arts-council-grants-to-support-digital-games-creation/>

<sup>106</sup> Source: <https://www.fpu.sk/en/structure-of-funding>

<sup>107</sup> In relation to music, support from the Music Fund was around EUR 120,000 for 2017. The Music Fund has limited budget and capacity: it awards prizes, many grants/scholarships for classical music and some grants for popular music and jazz. Source: Panteia and KEA (forthcoming publication) Analysis of market trend and gaps in funding needs for the music. Report produced for the European Commission in the context of the Music Moves Europe pilot project

<sup>108</sup> Source: progress monitoring report 2017

<sup>109</sup> Source: focus groups and interviews with CI entrepreneurs. <https://www.booktrust.org.uk/what-we-do/programmes-and-campaigns/time-to-read/>

<sup>110</sup> Source: Data Analysis report

<sup>111</sup> Source: focus group video games



Measures to stimulate the consumption of cultural content are also missing, for instance in terms of reduced VAT rate for cultural products and services as underlined by stakeholders in the press (in relation to journals and newspapers), book (in relation to e-books<sup>112</sup>), AV and music (cinema and concert tickets) sectors.

In this regard, the role of broadcasters (notably RTVS) and online platforms to promote local cultural production seems underestimated, as underlined by several stakeholders especially during the focus groups on Film/AV. As underlined by one participant to the focus group on Film/AV, if children are not exposed to Slovak content “they will turn to foreign content”.<sup>113</sup> While quotas on radio broadcasting were introduced in 2016,<sup>114</sup> several stakeholders in the AV sector pointed out the lack of dedicated quotas to promote national AV works or works in a national language on linear broadcasters or on-demand service providers or TV channels to promote Slovak cultural content (like the Czech CT Art).<sup>115</sup> The recent reform of the AVMS Directive (which increased obligations to promote local and European works also for on-demand service providers) offers opportunities to reinforce the role of broadcasters to promote local and EU content.<sup>116</sup>

Furthermore, stakeholders in the music and video games sectors underlined that there are no measures to support CIs to take advantage of new technologies to target audience (machine learning, artificial intelligence) for online distribution. Revenues from online distribution are increasing globally as well as in Slovakia, especially in music. SOZA (Slovak Performing and Mechanical Rights Society) noted an increase in income compared to the previous year in the area of music usage via internet and mobile networks.<sup>117</sup> Revenues from online sales are also growing in other sectors, even if at slower pace.<sup>118</sup> In particular, online platforms seem to be less present in the book (“Amazon is a no player” quoting a participant in the focus group Books and Press) and AV sectors (subscriptions to VoD services were only 0.6% of the total of AV revenues in 2017, mostly due to the policy of RTVS which first requires broadcasting rights<sup>119</sup>).

The Action Plan also does not consider any measures to encourage international collaboration and mutualisation of resources with neighbouring countries for production but also distribution, notably in the AV sector (film or broadcasting), as advanced by consulted stakeholders during the Film/AV focus group.<sup>120</sup> For instance, as underlined by APAF, Slovak animation successfully

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<sup>112</sup> Revenues from sales of e-books were less than 2% in 2017 (Source Data Analysis report)

<sup>113</sup> European Audiovisual Observatory figures show that European films make up 27.5% of the European film market compared with 66.2% for US movies. European TV series episodes represent 19% of subscription VoD catalogues and 24% of titles available on transactional VoD. Source: EFAD (2019) Mapping of national rules for the promotion of European works in Europe. Report prepared for the European Audiovisual Observatory

<sup>114</sup> In particular, stakeholders appreciated the revising of the broadcast law in 2016 requiring Slovak music to make up at least 25% of private radio stations' playlists. On state-run radio the quota is even higher (at least 35% as from 2017), and a fifth of the Slovak songs must have been recorded in the past five years

<sup>115</sup> Source: focus group on Film and AV and interviews with AV entrepreneurs Mapping of national rules for the promotion of European works in Europe <https://rm.coe.int/european-works-mapping/16809333a5>

<sup>116</sup> Source : <https://ec.europa.eu/digital-single-market/en/revision-audiovisual-media-services-directive-avmsd>

<sup>117</sup> Total income in this area amounted to 344,870.59 Euros, which is 66,514.61 Euros more than in the year 2017. Source: SOZA Annual report 2018 available at <http://www.sozaslovakia.sk/stranka/vyroczne-spravy>

<sup>118</sup> Source: Interviews with stakeholders in the press sector (N Press, Martinus)

<sup>119</sup> Source: Interviews with HBO Europe

<sup>120</sup> An interesting example is the collaboration of five Nordic public service broadcasters to join forces and distribute drama production. Source: <https://www.ebu.ch/news/2017/10/nordic-ebu-members-pledge-enhanced-drama-collaboration>

established cooperation with Czech Republic, Hungary and Poland and it is actively involved in co-organising the Visegrád Animation Forum (VAF).<sup>121</sup>

## **Export and internationalisation**

The Action Plan addresses support to export and internationalisation through different tasks, mostly in cooperation with different Ministries:

- Ministry of Transport and Construction to make synergies with the Tourism Development Strategy 2020. While the vision of connecting culture and tourism and leveraging on tourism organisations to promote Slovak cultural production is promising (as underlined during stakeholder consultations), it is not clear whether the related tasks have been beneficial to CIs. Notably, Task 22 focused on “marketing activities aimed at promoting authentic and traditional craftsmanship as attraction for tourism”, while Task 23 is a mapping study on creative industries and tourism organisations;
- Ministry of Foreign Affairs of the Slovak Republic, notably Task 20 related to the Slovak Presidency of the EU Council in 2016 as an opportunity to promote Slovak culture in Europe and Task 24 focused on internationalisation of creative industries in Finland (notably in the occasion of the Finnish-Slovak Innovation Forum in 2016) in cooperation with the MoC and SARIO (Slovak Investment and Trade Development Agency);
- Ministry of Economy and Slovak Business Agency through Task 21 focused on synergies with the EEN, which provides opportunities for international networking. However, there is insufficient data to assess the number of beneficiaries in CIs. According to the SBA, as the service is opened to all kind of SMEs it might be “likely that some entrepreneurs from the cultural sector might have benefited”, but no evidence is available nor this opportunity has been mentioned by the interviewed stakeholders.

Lastly, support for international mobility is provided by subsidies offered by the Arts Council and the AV Fund (Task 33), both praised by all the consulted stakeholders together with the role played by the Film Commission to promote AV content to international fairs (however, the activities of the Film Commission are not covered by the Action Plan since it was only established in 2018).

While the Action Plan is careful to mobilise existing opportunities, the proposed measures are too generic and not inscribed in a clear strategy to support the export and internationalisation of Slovak businesses. Quoting one of the interviewees, support is provided through “isolated projects and initiatives with little long-term sustainability”.<sup>122</sup> According to the results of the online survey to CIs, international market access ranked second amongst the investment priorities of the sector. The majority of interviewees is not satisfied with the current support to internationalisation and export, especially in the music and video games sectors. Slovak music is present on Spotify<sup>123</sup> and almost 100% of the revenues of Slovak game companies come from international sales, while only a small percentage come from the local market.<sup>124</sup> This is an opportunity considering the small size of the Slovak market. The proposed measures in the Action Plan (and more in general the support offered by other cultural institutions such as the Literary Fund, the Music Fund) do not sufficiently equip CI stakeholders to trade internationally

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<sup>121</sup> Source : focus group on Film and AV and AFAP Annual report 2017 available at <http://www.apaf.sk/wp-content/uploads/2017/05/APAF-Brochure-2017-web.pdf>

<sup>122</sup> Source: focus group on video games

<sup>123</sup> Source: focus group on music and radio

<sup>124</sup> Source: focus groups, survey and interviews



in terms of funding opportunities (e.g. support for translation of Slovak books for the foreign market), supporting infrastructures (e.g. Bureau Export for the whole industry) and skills (marketing, branding).

### **Cross-sectorial collaborations and innovation**

The Action Plan addresses the cross-fertilisation between culture, science and technology and innovation in several tasks. However, according to the collected information it seems that limited support is effectively available to CIs (pending the establishment of creative centres):

- Task 10 focuses on cross-fertilisation between culture, science and technology through measures to develop media and digital skills in primary and secondary schools (update course curricula, competitions);
- Task 32 “innovation vouchers” is funded through OPVal and thus not available for CI but only to creative industries (Architecture, Design and Advertising);<sup>125</sup>
- Task 28 “Support to Clusters”: according to the monitoring report 2018, no CI benefited from this measure.

Consulted stakeholders especially in the AV, music and video games sectors underlined that opportunities for cross-collaboration would be beneficial for their business to foster innovation, especially with the ICT sector. While the support to Digital transformation and ICT is one of the flagship initiatives of the Slovak Government (notably the creation of the Digital Coalition in 2017<sup>126</sup>), there is no concrete synergy with CIs.

### **Protection and Enforcement of IPR**

The Action Plan includes one task aimed to raise awareness on copyright (Task 15) through events organized in cooperation with SOZA and LITA. Both organisations attended the focus groups (on music/radio and books and press) and reported that these activities have been organised and well attended by stakeholders. On the other hand, the specific tasks under the Action 3.5 on protection and use of IP (Task 30 and Task 31) have not been fulfilled.

However, the focus groups and interviews show that the CI industry is overall satisfied with the degree of copyright law upgrade in 2016. The main issues relate with the ability of the judicial system to cope with infringement, notably the length of judicial procedures and lack of dedicated tribunal. In this regard, the Action Plan does not address copyright enforcement and this issue could be looked at in the future. Furthermore, the new Directive (EU) 2019/790 on Copyright and related rights in the Digital Single Market should also be considered.

### **Financing instruments**

The Action Plan aims to improve access to financing instruments for CIs through subsidies (notably innovation vouchers and grants from the AV Fund and Arts Council) and access to capital (micro loans, angel investors). The mix of funding sources is coherent with the recognition of the importance of public funding to support the creation and production of cultural content, vital for several capital-intensive CI sub-sectors such as film and TV (quoting one participant to the focus group on Film and AV, “the Slovak film market will not exist without public

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<sup>125</sup> This is confirmed by the database of supported projects made available by the MoC: no project has been awarded to a company that fits with the NACE codes considered in the study (only few creative projects related to fashion, design, architecture and ICT)

<sup>126</sup> Source: <https://ec.europa.eu/digital-single-market/en/news/digital-coalition-launched-slovakia>

funding”<sup>127</sup>). According to the survey sent to CI entrepreneurs, 40% of respondents use public funding from cultural public institutions to finance their business.

In relation to subsidies, the Action Plan includes two tasks managed by the Arts Council and the AV Fund to support artists and creators for pre-production, including interdisciplinary projects (Task 33) and development of artistic potential (Task 34). These measures have been unanimously praised by all consulted stakeholders as very useful to develop new projects and support their business. Stakeholders from the AV sector underlined the strong support received by the AV Fund and praised the dialogue with this institution. Besides, they also highlighted the substantial rise in the number of Slovak films produced (also associated with the growth of films with majority co-production) as well as the continuously growing audience and international acclaim occurred after the establishment of the AV Fund in 2009.<sup>128</sup> Stakeholders from the video games sector regretted that they cannot benefit from the same support (for instance the cash rebate).<sup>129</sup> Stakeholders from all CI subsectors met during focus groups and interviews also strongly appreciated the dialogue and support provided by the Arts Council (“it is great” has been frequently mentioned) and underlined how the situation improved after the establishment of this institution in 2016. According to the Arts Council, however, these tasks have not been designed specifically for the Action Plan but are part of the regular activities of the institution, and there is room to further increase its role in the future Strategy.<sup>130</sup>

No specific measures, however, are included to support access to EU funds (such as Eurimages, Creative Europe, Horizon 2020, COSME).

The Action Plan is also careful to introduce measure to encourage the use of private investment. CIs are notoriously relying on own resources as well as on public support to develop their business (as explained more in detail in paragraph 5.1 Current sources of financing, prospects and needs). However, this is problematic to scale-up companies: as underlined by several stakeholders, there is a need to “move from a project-based to an enterprise-based”<sup>131</sup> form of financing to expand the business. According to the survey, 82% expect to expand their business in the next 12 months and 90% of respondents would find it useful to get external financial support (in terms of loans or equity fund) to grow their business, which are currently underused. This finding is backed by the results of focus groups and interviews, where CI stakeholders underlined the difficulty of overcoming the “valley of death” especially for fast-growing companies like those in the video games sector. However, collected information seems to indicate that the measures included in the Action Plan are not effective in answering their needs:

- Innovation vouchers (Task 32) are not available to CIs as funded by the OPVal (as previously underlined);
- Microloans (Task 35) seem not to be used by CI representatives. While no quantitative data is available<sup>132</sup>, focus groups and interviews with CI entrepreneurs seem to confirm that CIs do not make much use of these services. Reasons include lack of awareness (while all of these measures are publicized on the SBA website, several CI stakeholders

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<sup>127</sup> Source: focus groups on Film and AV.

<sup>128</sup> This is backed by the recent figures of the Annual report of the AV Fund for the year 2018 (available at [http://www.avf.sk/Libraries/V%c3%bdro%c4%8dn%c3%a9\\_spr%c3%a1vy/Vyrocn%C3%A1\\_spr%C3%A1va\\_2018\\_final.sflb.ashx](http://www.avf.sk/Libraries/V%c3%bdro%c4%8dn%c3%a9_spr%c3%a1vy/Vyrocn%C3%A1_spr%C3%A1va_2018_final.sflb.ashx))

<sup>129</sup> Source: focus groups on video games.

<sup>130</sup> Source: Interview with Arts Council

<sup>131</sup> Source: focus group Film/AV

<sup>132</sup> This is confirmed by the analysis of the register for de minimis, made available by the MoC: the only available information is the total amount of support per one company received for last 3 years without any other description. Its not possible search register by NACE code, or access it via API or manually (6000+ companies)

were not aware of such opportunities) and the lack of targeted support (SBA is perceived as “super complicated”<sup>133</sup>);

- Support to business angels (Task 36) is not fulfilled as already mentioned.<sup>134</sup>

In particular, these considerations suggest that generic support to SMEs can be useful (providing adequate preparatory measures) but not sufficient. There is a lack of tailored financial instrument guarantee funds or tax incentives (that could also be useful to attract foreign investment). Interviews with public authorities (Ministry of Finance and SIH, SBA) suggest the possibility to work out more targeted support to CIs (taking into account current procurement rules). Furthermore, nothing is provided to raise awareness of the economic importance of CIs to financial institutions. Lack of interest from financial institutions ranked first amongst the main constraints to obtain financial support for the sector (as discussed more in details in paragraph 5.2 Main challenges and barriers ). This consideration is also backed by interviews with the Ministry of Finance (difficulty in finding financial intermediaries for the FI for CIs) and the lack of interest from financial institutions to participate in the focus group (only 2 representatives) and in the online survey (only 10% response rate). According to the results of the online survey aimed at CIs, building capacity of financial institutions to understand CIs (for instance following the example of the EU Guarantee Facility scheme) is the preferred measure the Government should take to improve business financing.

The Strategy and the related Action Plan clearly show the ambition to develop as a modern cultural Ministry putting cultural investment at the heart of The Slovak Republic’s industrial, innovation, decentralisation, education and social policies.

### 4.3 Comparative analysis on CIs strategy and action plan with comparable countries

The comparative analysis focused on cultural public policies and more specifically on policies for CIs in neighbouring countries members of the Visegrád group (namely Czech Republic, Poland and Hungary) with a view to compare policy priorities and measures with the Slovak Republic and identify possible best practices to feed into future strategic documents. The main findings are summarised in Annex XII - Overview of CIs policy in Czech Republic, Poland and Hungary.

The comparative analysis shows that the Slovak Republic compared well to other neighbouring countries, in particular with Hungary which do not have a dedicated Strategy of CIs development. In particular, Hungary shows a more traditional understanding of cultural policy with little attention to its cross-sectorial dimension. The modern and holistic approach to cultural policy introduced by the Slovak Government and the Ministry of Culture looking at CIs as contributor to different sectors of the economy could be a source of inspiration for other countries.

However, in terms of policy design and formulation Poland has put in place several measures that could be inspiring for the Slovak Republic, notably in terms of data collection and use of cultural statistics (socio-economic sectorial analysis of CI sub-sectors) in collaboration with the National Statistical Institute, structured inter-ministerial cooperation system, mapping and consultations with regional authorities to feed policy design. Furthermore, the Government

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<sup>133</sup> Source: quote from interview

<sup>134</sup> Source: progress monitoring report 2018

monitors the advancement of the work of each Ministry through a shared online platform which supports transparency and accountability. Information on implemented projects and policy measures are also published for dissemination to citizens.

In terms of policy measures to support CIs, neighbouring countries implemented the following measures that could be inspiring for Slovakia:

- Support for inter-ministerial cooperation: analysis of the possibilities and development of cooperation between the Ministry of Culture, the Ministry of Industry and Trade and the Government Office on the development of cultural and creative industries;
- Targeted support to export and internationalisation:
  - Poland established a Music Bureau Export;
  - Czech Republic introduced specific support for participation to international fairs (in particular in relation to international book fairs to promote Czech contemporary literature abroad) and cooperation with the Ministry of Foreign Affairs to boost the diplomatic network and support the presentation of Czech films abroad;
  - Both the Czech Republic and Poland included a state-funded translation programme aiming to promote local literature internationally;
- Measures to support access to finance and private investment:
  - Hungary introduced a highly competitive tax incentive scheme for film production (raised from 25% to 30% in 2018) with the aim to preserve Hungary's leading position and competitiveness in the European film industry;
  - Poland will introduce a tax incentive for video game production (in 2019) as a test to open up this incentive to other CI sub-sectors.
  - Both Poland and the Czech Republic made use of the Creative Europe Guarantee Facility for CCS. Notably, Polish and Czech financial intermediaries benefited from the Capacity Building scheme funded by the European Investment Fund;
  - The Czech Republic introduced a specific action to support CCIs to access the EU Creative Europe programme in terms of conception and preparation of new projects and new artistic cooperation.

The comparative analysis also highlights that some challenges are common to all countries notably in terms of internationalisation and access to finance. This suggests that might be opportunity to mutualise resources to address these issues notably in relation to funding productions for international market.

## 4.4 Conclusions

The following paragraphs present a synthesis of the key findings on the process evaluation and the impact assessment of the Strategy for CCIs Development 2014-2020 and the implementing measures in the related Action Plan. The conclusions will serve as basis for the recommendations to be proposed in the TO-BE report, in line with the overall strategic objectives put forward by the Vision and Strategy of Slovakia by 2030 in relation to CIs.

### 4.4.1 Conclusions of process evaluation on the formulation of the Strategy and Action Plan

In relation to policy design and formulation, efforts were made to assess the needs of the CI sector (notably through the *Basis of CCIs Development in Slovakia* and the *Analysis of the potential of CCIs in Slovakia*) as well as to involve CI stakeholders through consultations (workshops and public debates).

The Strategy was developed on the basis of inter-ministerial cooperation and in consultations with cultural public bodies. The Strategy shows the strong willingness to associate other Ministries (in particular the Ministry of Economy) and develop a cross-sectoral approach to support the growth of the CIs sector as part of innovation, decentralisation and industrial policy.

The Strategy and the Action Plan also aimed to associate regions in the implementation of the policy through financial incentives for the building of regional creative centres.

Notwithstanding the efforts made by the Ministry of Culture, the evaluation shows different shortcomings in the formulation of the Strategy and Action Plan:

- Lack of sufficient capacity to engage a structured dialogue with CI stakeholders and contribute to inter-ministerial dialogue for culture and cultural industries to be at the heart of the country's innovation policy;
- Consultation and coordination with local authorities (notably self-governing regions) on the content of the Strategy and the use of EU Structural Fund could be improved. This has resulted in the limited participation of the self-governing regions in the implementation of the Action Plan as well as insufficient alignment with regional strategies and priorities;
- Capacity to raise awareness on the importance of CIs for the economy and for citizens to support policy actions;
- Capacity to understand market development and the impact of the digital shift on the entire CIs value chain through market studies and better cultural statistics.

These considerations are supported by the comparative analysis, especially considering the case of Poland which is providing valuable proposals with a view to streamline decision making processes and organise dialogue with stakeholders.

On this basis, our recommendations in the TO-BE report will focus on:

- **Improve dialogue with stakeholders including:**
  - Representatives of the cultural sectors including artists and industry;
  - Public authorities from self-governing regions and municipalities which are playing a driving role in establishing a creative ecosystem;
  - Other ministries and public agencies involved in the design and implementation of the Action plan;
  - Financial intermediaries to improve understanding on the potential of the sector;
  - Awareness raising campaign on the strategic importance of cultural investment.
- **Improve data collection process and analysis of cultural statistics** (also to align the SA for Cultural and Creative Industries to the latest recommendations of the working group on culture statistics) as well as **the use of KPIs** to monitor and assess the Strategy and Action Plan;
- **Improve the capacity of the Ministry of Culture with a view to:**
  - engage and coordinate with other ministries, local authorities (self-governing regions and municipalities), other public institutions (notably Arts Council and AV Fund) and industry stakeholders;

- support the swift and complete implementation of the Strategy and Action Plan through hierarchical support;
- manage the formulation and implementation process at staff level, including the administrative and financial management of the EU structural funds.

Organisation, structured dialogue and better data to gather evidence will contribute to building trust between the MoC and stakeholders. Transparency and accountability will serve to mobilise interested parties to support the implementation of the modern vision developed by the Ministry of Culture.

#### **4.4.2 Conclusions on the Impact Assessment of the Strategy and Action Plan**

The Strategy and the related Action Plan clearly show the ambition to develop as a modern cultural Ministry putting cultural investment at the heart of Slovakia's industrial, innovation, decentralisation, education and social policies. The vision is holistic looking at a range of measures to build a creative ecosystem that will make the most of local artists and talents, foster entrepreneurship in CIs whilst promoting the expression of Slovak culture.

The policy documents rightly consider traditional support measures for the sector (such as subsidies, IP support) as well as access by CIs entrepreneurs to existing policy measures aimed at supporting SMEs in general. The Strategy envisages the potential of synergies with other national initiatives (notably in the field of tourism or education).

While progressive and ambitious in its intentions, the evaluation shows different shortcomings:

- Incomplete consideration of the entire Value Chain of CIs especially in light of recent trends (digital shift, EU policy development);
- Underestimation of the specificities of CIs (insufficient targeted measures);
- Collaboration with neighbouring countries (notably the Visegrád group).

The review of the Strategy and Action Plan will give opportunities to address the following issues:

- The development of a competitive industry capable of addressing the global digital challenges across the value chain and make the most of digital media;
- Give prominence to local content and create appetite amongst citizens and young generation for local creation and quality cultural content (including arts education), also in the context of the implementation of EU rules on intellectual property as well as on the promotion of local content on digital platforms (revised AVMSD);
- The use of EU structural funds to build a cultural and creative ecosystem across the country;
- Potential of collaboration with neighbouring countries to mutualise and pool resources to boost production and funding capacities;
- Develop tailor-made support measures that take into account the specifics of the sector to encourage:
  - entrepreneurial skills development;
  - internationalisation of cultural SMEs taking into consideration the opportunities offered by the development of a global market for cultural content;
  - cross-sectorial collaboration and innovation;
  - the financing of the CIs sector from projects-based to enterprises-based, including support measures for foreign investment.



## 5. Barriers to growth, access to finance and investment in CIs

The following paragraphs present the main challenges and barriers to growth, development and innovation for CIs, notably in relation to access to finance and investment as resulted from stakeholder consultations, notably the five focus groups carried out with CI representatives and investors during the field mission in Bratislava (June 17-21, 2019), the interviews and the online survey to CIs stakeholders.

The first paragraph describes the current situation of Slovak CIs in relation to sources of financing, prospects and needs of Slovak CIs. The second paragraph presents an overview of the main challenges and barriers, notably in relation to access to finance and investment. The last paragraph presents the main challenges for potential investors not belonging to the CIs sector itself.

### 5.1 Current sources of financing, prospects and needs

It is widely recognised that the potential of CIs to be one of the fastest growing sector of the economy is seriously challenged by the CIs difficulty in accessing finance, and that the CIs sector notoriously relies its on own resources as well as on public support.<sup>135</sup>

The results of the survey, validated by stakeholder consultation, indicate that it is also the case for Slovak CIs. As visualised in Figure 18 below, the large majority of respondents to the survey (90%) make use of 'informal' funding, notably own resources (e.g. capital, profits from activities) as the first source of financing.

Public funding, in particular public grants, are indicated as the second main source of financing by 40% of respondents. Stakeholders unanimously praised the support received from the AV Fund as well as Arts Council<sup>136</sup> which greatly contributed to the development of the sector in recent years.<sup>137</sup> Public support is particularly vital for capital-intensive sectors such as the AV sector, which high relies on the AV Fund to finance film productions.<sup>138</sup>

Debt financing (loans from financial institutions, micro-credit) is the third most used financing source (15%) and varies according to the subsector and the size of the company.

Equity finance is the least used source of financing (5%) as CIs are often perceived as too risky from financial institutions and investors. Crowdfunding and others sources (donations, sponsorship, patronage) are underused (in 2017, sponsorships and non-budgetary gifts accounted for less than EUR 1.2 million in Slovakia<sup>139</sup>).

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<sup>135</sup> Working Group of EU Member States Experts on Access Finance for the Cultural and Creative Sectors, *Good Practice Report: Towards More Efficient Financial Ecosystems: Innovative Instruments to Facilitate Access to Finance*, 2016

<sup>136</sup> Introduced in 2016, the Arts Council streamlined support to CIs as MoC's arm length body.

<sup>137</sup> It should be noted that stakeholders from the Book and Music sectors raised questions about the support offered by other cultural institutions such as the Literary Fund and the Music Fund which provide support mostly in terms of prizes and grants/scholarships

<sup>138</sup> Source: focus group on Film and AV. Since the introduction of the AV Fund in 2009, the number of Slovak films produced increased considerably (also associated with the growth of films with majority co-production) as well as the audience and international acclaim. Source: [http://www.avf.sk/Libraries/V%20c3%bdro%20c4%8dn%20c3%a9\\_spr%20c3%a1vy/Vyrocn%C3%A1\\_spr%C3%A1va\\_2018\\_final.sflb.ashx](http://www.avf.sk/Libraries/V%20c3%bdro%20c4%8dn%20c3%a9_spr%20c3%a1vy/Vyrocn%C3%A1_spr%C3%A1va_2018_final.sflb.ashx)

<sup>139</sup> Source: Data analysis report



Source of financing used by the respondents

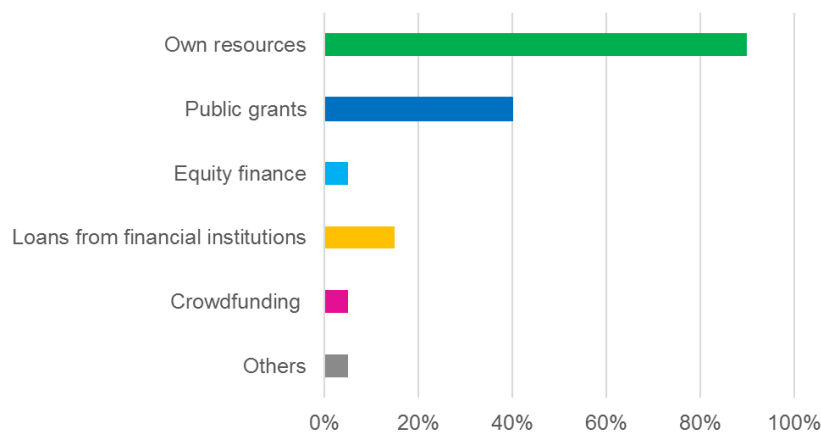


Figure 18 – Source of funding used by the respondents of the survey

While stakeholders unanimously praised the support received from the AV Fund as well as Arts Council, they also underlined that it is project-based and not sufficient to grow the business. There is a widespread necessity to move from a project-based to a company-based support (e.g. equity) especially for companies interested in scaling-up their activities.

According to the results of the survey, Slovak CIs are ambitious: 82% of the respondents expect their business to grow in the next 12 months. This information is backed by the results of the data analysis in Chapter 3, which show that the CIs sector is growing in Slovakia.

According to the results of the survey, production of creative content is the top investment priority for Slovak CIs (which is also the main sources of expenditures in most CIs sub-sectors, as shown in paragraph 3.2.2 Expenditures). International market access is the second top priority, followed by marketing and promotion: Slovak market is small (5.4 million people) and digitisation offers opportunities to export and reach a global audience for Slovak content (music, AV, video games, e-books). Technology update is also important for Slovak CIs taking into consideration the digital shift affecting the whole CI value chain. The results of the survey are visualised in Figure 19:

Ranking of investment priorities

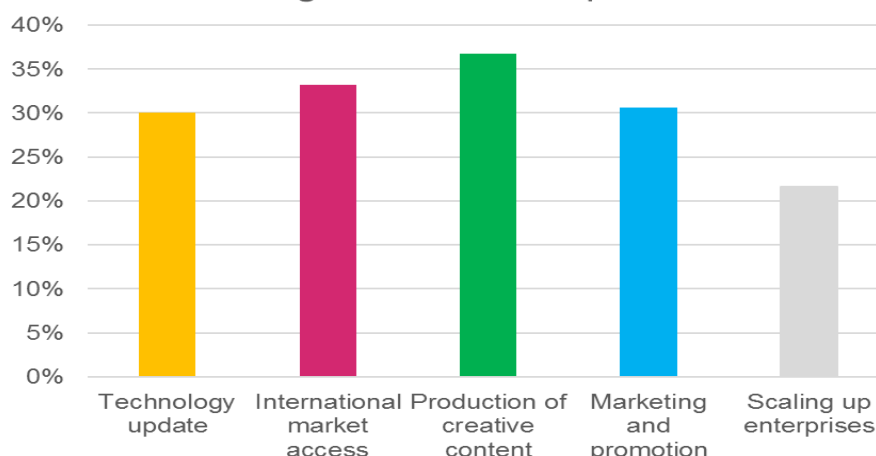


Figure 19 - Ranking of investment priorities according to the respondents of the survey

However, according to the results of our survey, funding to maintain growth is an issue for 45% of businesses.

Public intervention can play an important role in favouring access to finance for CIs and investment in the sector. A reflection is ongoing at European level (notably the CCS Guarantee Facility scheme developed by the European Commission and the European Investment Bank) but also in Slovakia. Currently, Slovak CIs can benefit from the following supporting measures:

- **Non-sectorial funding schemes to support SMEs** (the micro-loans programme offered by the SBA) included in the Strategy for CCI Development 2014-2020 and the related Action Plan 2016-2017
- Slovak Investment Holding is currently supporting the Ministry of Culture in designing a **new Financial Investment scheme** funded through ESIF (EUR 56 million from IROP Axes 3) to provide tailored Financial Instruments to CCIs;
- **Cash rebate scheme** for AV production (film and TV) managed by the AV Fund **will raise from 20% to 33% in January 2020**, under amendments to the country's audiovisual law.

However, 75% of the respondents to the survey are not satisfied with the current financial environment in the Slovak Republic, and 90% declared that it would be useful to receive external financial support in terms of loans or equity fund, which are currently underused. 45% of the respondents would be interested in considering equity providers and 40% banks.

## 5.2 Main challenges and barriers for Slovak CIs

According to the survey, access to finance and lack of private investment in the CI sector are two of the most pressing issues for CIs as shown in Figure 20:

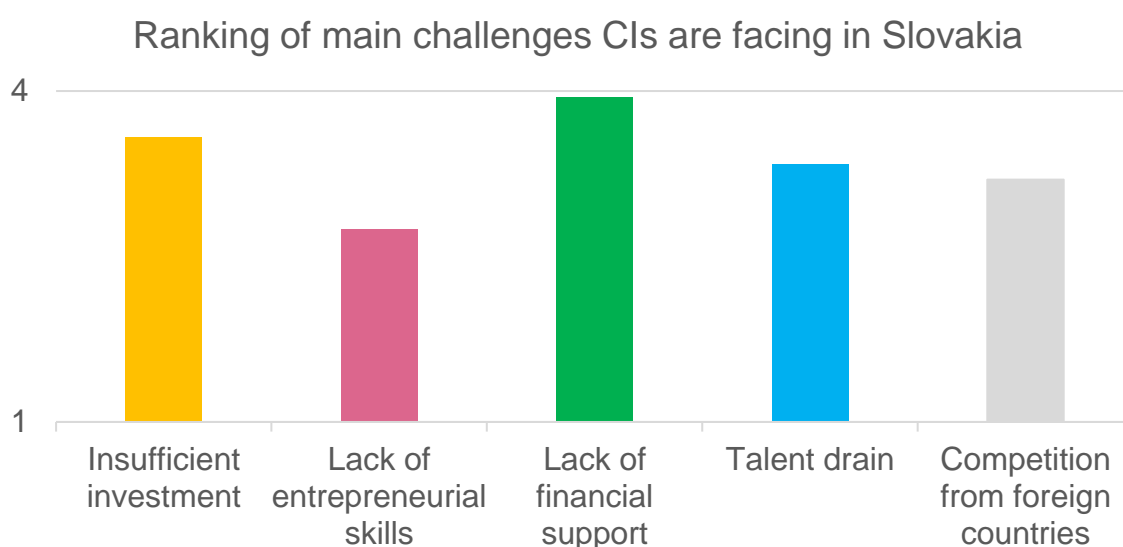


Figure 20 – Ranking of main challenges CIs are facing according to the respondents of the survey

These results reflect a situation common to other CIs in Europe. Most SMEs from the CIs have difficulties making use of traditional public financing schemes and when they turn to private banks are usually turned down.<sup>140</sup> This happens not only because of the general challenges

<sup>140</sup> Working Group of EU Member States Experts on Access Finance for the Cultural and Creative Sectors, Good Practice Report: Towards More Efficient Financial Ecosystems: Innovative Instruments to Facilitate Access to Finance, 2016.

faced by SMEs compared to larger organisations in any sector, but also due to specific characteristics of CIs organisations which reinforce the problem of accessing finance. These relate to:

- Intrinsic characteristics of CIs activities: lack of tangible assets, dependence on intangible assts, high uncertainty on the market,
- (perceived) characteristics of CIs organisations and entrepreneurs by financial institutions: lack of business and managerial skills, dependence on public investment schemes, difficulty in assessing risks<sup>141</sup>;
- Specific market conditions: size of the market, lack of market intelligence, pressure to change existing business models in the context of the digital shift.<sup>142</sup>

It is interesting to note that access to finance and lack of private investment are ranked above other challenges reported by stakeholders during consultations, notably:

- **Talent drain:** many young talents leave the country to look for better educational, financial and career perspectives in neighbouring countries, putting Slovak CIs at risk (less artists and creative entrepreneurs);
- **Lack of entrepreneurial skills:** the majority of CI stakeholders underlined the insufficient support to develop entrepreneurial skills, especially in terms of business skills and capability to pitch project ideas to publishers or financial institutions. Entrepreneurship skills are fundamental to translate creativity into real outputs, for instance to sale products abroad, to identify market niches or to analyse the competition, especially in the case of self-employment or small companies. In particular, stakeholders underlined the need for more tailored life-long learning opportunities and professional training/mentoring schemes to develop such skills, including peer-learning or mobility schemes, and tailored advisory services in relation to administrative, legal, fiscal and financial advice. Current support is offered by sectorial associations such as SOZA or LITA;
- **International competition:** the overall population of the Slovak Republic is composed by 5.4 million people, which makes the size of the market relatively small. Bratislava is a relatively small capital compared to other neighbouring capitals (e.g. Vienna, Prague). This hampers the possibility to distribute cultural products and services locally without specific supporting measures to boost demand, such as reduced VAT rates on cinema tickets or tickets to cultural events, press, e-books (at the moment it is only on books) and audience development campaigns. Furthermore, the small market does not allow for economy of scale (e.g. in book publishing) compared to neighbouring countries, notably Czech Republic which has a similar language but a market of twice the size (10.6 million people).

According to the results of stakeholder consultations, there are two main constraints to obtain financial support in Slovakia, as shown in Figure 21:

- **Lack of interest from financial institutions:** according to the results of the survey, lack of interest from financial institutions ranked first amongst the main constraints to obtain financial support for the sector. This finding is backed by evidence from the study (no banks or financial institutions attended the focus group or answered the survey) and interviews. Notably, interviewed stakeholders lamented the difficulty in getting bank

<sup>141</sup> KEA (2019) How to lure the creative investor <http://www.keanet.eu/lure-creative-investor/>

<sup>142</sup> IDEA Consult et al, Survey on access to finance for cultural and creative sectors, 2013

loans due to the low understanding of the specificities of the sectors by financial institutions (lack of knowledge of CI value chain; dependency from intangible assets which are difficult to quantify in bankable terms; the difficulty to predict the demand for cultural products).<sup>143</sup> The majority of respondents to the survey (50%) indicated that access to finance is more difficult for CIs than for other business sectors;

- **Lack of tailored financial instruments:** according to the results of the survey, the lack of tailored financial instruments ranked second amongst the main constraints for CIs to obtain financial support and scale up their business. More in detail:
  - Insufficient competitive tax incentives to attract (foreign) investment in the sector: The Slovak Republic only has one incentive in place a cash rebate of 20% for the AV industry which will be increased up to 33% as from January 1<sup>st</sup>, 2020 (on expenses spent on film or TV production in the Slovak Republic)<sup>144</sup> but no other forms of dedicated tax incentives (for instance to support sponsorships or donations or to reward crowdfunding). According to consultations with the Ministry of Finance, this is mostly due to a political orientation of the Government to support legislative simplification and avoid the multiplication of sector-specific legislative measures (such as lower tax liability, items deductible from the tax base);
  - Insufficient support for capital investment (public support focused on project funding): no dedicated guarantee schemes (e.g. EU Cultural and Creative Sector Guarantee Facility), match-making equity schemes (also for crowdfunding) or angel co-investment funds. CIs can apply for standard guarantee schemes offered by commercial banks or the SIH. However, interviewed stakeholders underlined that it is “very difficult to get a commercial loan” and “it would be great to have a mechanism to support that”,<sup>145</sup>
  - No schemes to support private donations or sponsorships, for instance through tax incentives (e.g. tax deduction). Some stakeholders mentioned that private investors are currently supporting their activities (e.g. Orange in the case of Pohoda Festival), but this can be increased. According to the data analysis, the share of sponsorship on total revenues is very small (less than 0.5%<sup>146</sup>). In addition, there is little awareness of the importance to support CIs in the private sector, for instance bank foundations.

As anticipated in Chapter 4, the Slovak Investment Holding (SIH) is currently elaborating a Financial Instrument (FI) scheme in collaboration with the MoC to be funded via EU Structural Funds (IROP PA3) with a total budget of EUR 56 million. The FI scheme was due in 2018. However, the process has been delayed due to administrative issues (difficulties for the SIH and the MoF to find suitable schemes compatible to Slovak regulatory framework) as well as difficulties for the SIH in finding data and information to allocate the money to suitable projects. At the moment, CIs can benefit from generic support measures for SMEs (e.g. micro-loans). However, the results of the focus groups (validated by the SWOT analysis) and the interviews indicate that CIs rarely access them. Only 1 respondent to the survey declared using non-

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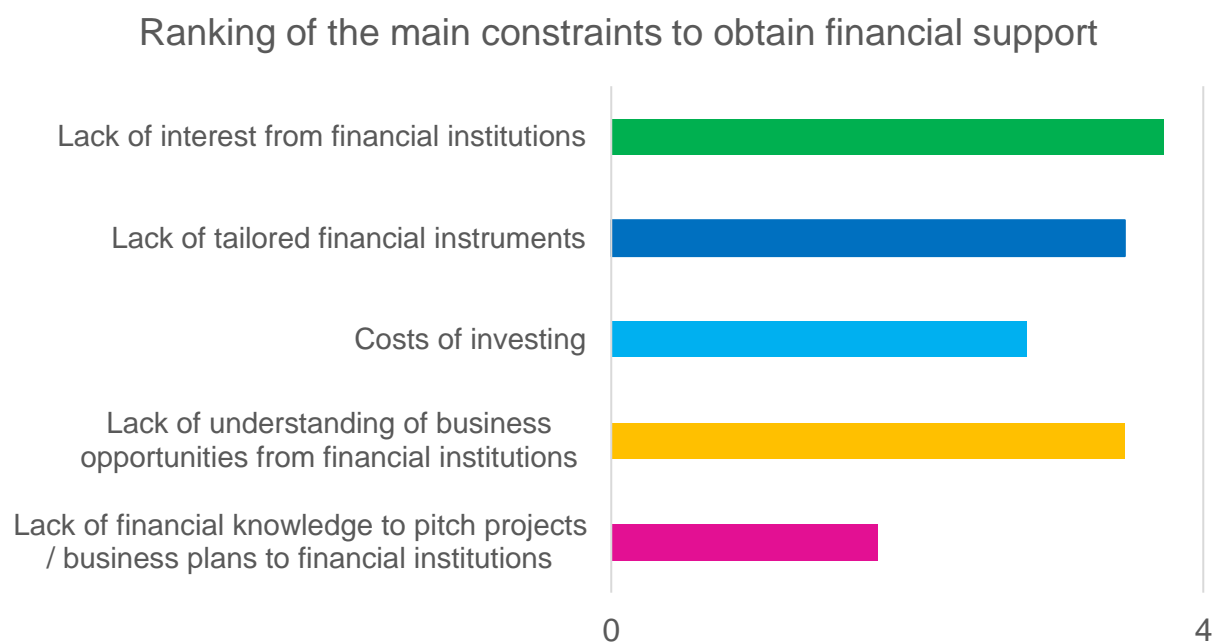
<sup>143</sup> IDEA Consult (2016) Access to finance for the Cultural and Creative Sectors. Publication office of the European Union

<sup>144</sup> EUR 300,000 for TV features (or series), slates of films (max. 3 films per slate) spent in the Slovak Republic over a period of 3 years, after project registration; EUR 150,000 for individual feature films, documentary films and animated film.

<sup>145</sup> Source: participants to focus groups

<sup>146</sup> Source: Data Analysis report

cultural public bodies (such as the SBA). There is little awareness (while all of these measures are publicised on the SBA website, several CI stakeholders were not aware of such opportunities) as well as capacity to use of these opportunities. Several stakeholders stated that these instruments are too complex in terms of paperwork/administrative burden and the SBA “super complicated” compared to cultural institutions such as the Arts Council. Instruments to support innovation such as the innovation vouchers proposed by the SIEA are not tailored for CIs (too focused on technological innovation).



*Figure 21 - Ranking of the main constraints to obtain financial support according to the survey*

During focus groups, some stakeholder mentioned the difficulty to access to EU funding especially for music, video games and publishing. The Creative Europe programme offers little earmarked calls for these sectors and stakeholders seemed not aware of other opportunities (e.g. Erasmus+). Furthermore, stakeholders remarked that the application procedures are very complex and time-consuming (especially for small organisations) and there is no specific support to apply.

### 5.3 Potential Investors and barriers to invest in CIs

Potential investors outside the CIs sector (local or foreign) providing private sources of financing in the CIs sector include:

- Banks and financial institutions
- Individual or corporate donors / sponsors / advertising
- Crowdfunding platforms
- Business angels
- Foundations

A list of identified investors in CIs in The Slovak Republic (all invited to the online survey) is included in the inception report.

In relation to banks and financial institutions, the study found a general low interest in investing in the CIs sector, as highlighted by the results of the survey to CIs. The low turnout to the focus group dedicated to investors outside the CIs sector (only 2 participants, none of them from banks or financial institutions) as well as the low response rate to the online survey dedicated to investors (10%) reinforce this finding. The Slovak Investment Holding (SIH) also remarked a low interest from Slovak financial institutions to become financial intermediaries for the tailored financial instruments for CIs currently under elaboration in collaboration with the MoC.<sup>147</sup> Furthermore, no Slovak financial institutions have yet expressed interest in taking part in the Cultural and Creative Sectors (CCS) Guarantee Facility scheme set up by the European Union, which guarantees 70% of the loans granted to CI organisations by financial institutions which have signed up for the programme.<sup>148</sup> The scheme is an interesting opportunity to fill the financing gap currently preventing the CIs market from scaling up and enjoying its full economic and social potential. However, consultation with the Ministry of Finance indicates that the government is currently not promoting the possibility to make use of the EU CCS Facility to commercial banks or financial intermediaries.

As shown by the survey, the lack of awareness of business opportunities and capacity to understand the sector by financial intermediaries are amongst the main constraints to obtain financial support for CIs. The reluctance of banks is mostly due to the perception that investing in CIs is riskier than in other businesses and that CIs value chain is too complex, or the long-term period needed to create profits (while the money would need to come in at the beginning). Evidence from the CCS Guarantee Facility project (in which KEA is the CCIs specialist) shows that financial intermediaries do not know the CIs market well and often do not have risk-assessment tools adapted to the specificities of CIs, which results in CIs being turned down when asking for a debt loan.<sup>149</sup> The low capacity of CIs to pitch business plans and projects to banks also reinforce the misconception that CIs are a “risky business” to invest in.

However, interviews indicate that commercial interest is not the only reason to invest in CIs. Notably, donors are mostly driven by philanthropy as well as some business angels.<sup>150</sup> Reasons are linked to civic activism, the willingness to contribute to society (e.g. establish an independent media or support local independent culture) or branding/reputation, for instance in the case of sponsorships for festivals or cultural events.<sup>151</sup> The selection criteria for projects are mostly assessed on case-by-case. Interviewed stakeholders stressed the low public measures to support private donations and sponsorships, notably in relation to insufficient measures to raise awareness on the importance to support the sector (“we need to make people proud to support culture”, quoting one interviewee) and the lack of a sponsorship law (tax deduction to support culture). Donation does not currently allow the donor to reduce his tax base by the cost associated with the value of the donation.<sup>152</sup>

The lack of tailored supporting measures has also been raised by the crowdfunding platforms participating in the focus group<sup>153</sup>. The crowdfunding internet platforms are relatively new in The Slovak Republic and have started to form after 2013.<sup>154</sup> The survey indicates that a minority of

<sup>147</sup> Source : interviews

<sup>148</sup> [https://www.eif.org/what\\_we\\_do/guarantees/cultural\\_creative\\_sectors\\_guarantee\\_facility/index.htm?lang=-en](https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/index.htm?lang=-en)

<sup>149</sup> <https://keanet.eu/be-creative-call-the-bank/>

<sup>150</sup> No information is available on the amount invested (confidential)

<sup>151</sup> Orange is financing

<sup>152</sup> Source: CREADIS3 project (2017) Mapping 2: Ecosystem of the Slovak Republic. Additional information is available at [http://www.fundraising.sk/download/Text\\_Kultura\\_Ako\\_financovat\\_projekty.pdf](http://www.fundraising.sk/download/Text_Kultura_Ako_financovat_projekty.pdf)

<sup>153</sup> No information is available on the amount invested (confidential)

<sup>154</sup> Source: CREADIS3 project (2017) Mapping 2: Ecosystem of the Slovak Republic

CIs use this form of financing. The main challenge in investing in the sector is related to the lack of tailored financial instruments to support private investment, instance a match-making fund for equity crowdfunding (currently in use in some European countries). The Ministry of Finance and the SIH currently do not provide tailored match-making funding. According to consultations, this is due to several reasons, including the current regulatory framework (state-aid funding rules) and administrative burden (the establishment of an equity fund would be difficult in terms of procurement/management).



## 6. Conclusion and way forward

This chapter presents the main conclusions of the analysis of the current situation of CIs in Slovakia. The conclusions highlight the main issues to be addressed by the recommendations to be proposed in the TO-BE report in the second part of the assignment.

### 6.1 Main findings

Key figures resulting from data analysis reveal that CIs is a dynamic sector in Slovakia and it grew at a constant pace in recent years, fuelled by local talents.

In the period 2013-2017, the revenues generated by the sector grew significantly especially in video games (+267%), music (+30%) and AV, notably in cinema projection activities (+123%), film production (+32%), postproduction (+36%) and distribution (+33%). Revenues from export are also growing in some sub-sectors, in particular book publishing (+19,4%) and video games (according to the survey and the interviews, almost 100% of the revenues of the video games sector come from international sales).

In relation to the structure of the sector and employment, the large majority of Slovak CIs (98%) is composed of micro and small enterprises with less than 10 employees. Between the period 2013-2017, the employment in the audiovisual, media and multimedia macro-area increased of 16% (while the employment in the books and press macro-area overall remained stable).

The analysis also shows a flourishing production of cultural content in Slovakia: in 2017, 8,220 new book titles were published (31% digitally published); 257 new audio-visual works were produced (of which 23 featured films) and 55 new video games were released.

The demand for Slovak cultural products in Slovakia is also high: for instance, 2017 registered the highest number of cinema viewers since 2014.<sup>155</sup> Cinema admissions increased by 18.1% in 2017 compared to 2016.

The Slovak music industry registered +23% growth of digital distribution in 2017. This trend was associated to the growth of platforms like Apple Music, Spotify, Deezer and Google Play, which are responsible for 86% of digital revenue in The Slovak Republic.<sup>156</sup> The Slovak video games market is growing, boosted by huge international demand (the revenues of the video games sector come almost entirely from export).

The country is well positioned to benefit from the huge demand for cultural and creative content on digital platforms worldwide.<sup>157</sup>

The important contribution of culture and CIs to the socio-economic development of the country is acknowledged by the Slovak Government and clearly spelled out in national strategic policy documents (notably the Programme Declaration of the Government of the Slovak Republic 2016–2020 and the Vision and Strategy of the Slovak Republic by 2030).

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<sup>155</sup> Source: Creative Europe Media Desk, Report on the Slovak audiovisual situation in 2017

<sup>156</sup> Source: IFPI Global Music Report, 2017

<sup>157</sup> Growth forecast for entertainment and media predict fast growth for Virtual reality (VR) and over-the-top videos (OTT). The total global Entertainment and Media (E&M) revenue will see a 4.4% CAGR (Compound Annual Growth Rate) rise over the five-year forecast period through 2022, reaching USD 2.4 trillion in that year, from USD 1.9 trillion in 2017. Source: EIF (2019) Market Analysis of the Cultural and Creative Sectors in Europe - A sector to invest in.

The ambitious Strategy of CCIs Development was developed in 2014 with a view to build Slovakia's creative ecosystem and increase the attractiveness of the country.

The Strategy clearly shows the intention of the MoC to support the development of CIs holistically through the creation of a dynamic creative ecosystem to foster Slovak cultural production and cultural and creative entrepreneurship. The Strategy has a modern view of cultural policy by linking culture and CIs to different policy areas:

- entrepreneurship and support for CIs (mobilisation of opportunities for SMEs in relation to training, capacity building and access to finance);
- territorial development and attractiveness (regional creative centres);
- education and skills development;
- internationalisation;
- innovation and ICT (support to clusters, cross-overs with other sectors).

As such, the Strategy shows understanding that cultural investment contributes to wider policy goals and the strong vision by the Ministry of Culture to associate its policy efforts with other stakeholders by pooling resources from:

- other Ministries, notably the Ministry of Economy and related agencies (the Slovak Business Agency and the Slovak Innovation and Energy Agency), the Ministry of Education, Science, Research and Sport, the Ministry of Transport and the Ministry of Foreign and European Affairs;
- cultural institutions (notably the AV Fund and Arts Council) and other national organisations (Intellectual Property Office);
- self-governing regions.

Stakeholders unanimously praised the support received from the AV Fund as well as Arts Council which greatly contributed to the development of the sector in recent years. Public support is particularly vital for capital-intensive sectors such as the AV sector, which highly relies on the AV Fund to finance theatrical productions.

The opportunity to increase cultural investment with EU Structural Fund (notably via IROP PA3) was well apprehended by the Ministry of Culture as it would in effect double the financial resources of the MoC.

The intention to make use of EU structural funds to help local authorities establish regional creative centres suggests that the MoC embraced the strategic vision that cultural policy should best be decentralised and recognised that local authorities have a leading role to play in achieving policy goals. Furthermore, a reflection on the need to support private investment in the CIs sector and introduce dedicated financial instruments is currently ongoing at national level:

- The Strategy of CCI Development and the related Action Plan for implementation for the period 2016-2017 address the need for CIs to access funding not only in terms of subsidies but also in terms of capital funds, notably through non-sectorial funding schemes to support SMEs (the micro-loans program offered by the SBA) and specific scheme to support angel investors (not yet fulfilled);
- The Slovak Investment Holding is currently supporting the Ministry of Culture in designing a new Financial Investment scheme funded through ESIF (EUR 56 million from IROP Axes 3) to provide tailored Financial Instruments to CCIs;

- The existing cash rebate scheme for AV production (film and TV) managed by the AV Fund to attract foreign investment will raise from 20% to 33% in January 2020, under amendments to the country's audiovisual law.

Notwithstanding these policy efforts, the AS-IS analysis highlighted some issues to be considered to improve the current situation, summarised in the SWOT analysis below:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• CIs sector is growing</li> <li>• Strong talent base, dynamic entrepreneurship</li> <li>• Targeted support for CIs - regulatory and funding (e.g. dedicated Strategy of CCIs Development and Action Plan; dedicated institutions such as Arts Council and AV Fund; bold use of EU Structural Funds)</li> <li>• Increased political awareness on the potential of CIs at regional level</li> </ul>	<ul style="list-style-type: none"> <li>• Size of the market</li> <li>• Insufficient private investment / access to finance</li> <li>• Structured dialogue mechanism with stakeholders to be improved</li> <li>• Transparency in financial resources to implement the Strategy and Action Plan</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Growing consumer demand for cultural products and services</li> <li>• New market opportunities driven by digitisation</li> <li>• Increasing support at regional and city level (Bratislava, Kosice, Nitra, Trnava...)</li> <li>• Increasing support at EU level for CIs (funding and regulatory)</li> </ul>	<ul style="list-style-type: none"> <li>• Talent drain</li> <li>• Digital shift (change of business models)</li> <li>• Lack of investment (public and private)</li> <li>• Lack of political will to build a creative economy</li> </ul>

Figure 22 – SWOT analysis of CI sector and policy

The SWOT analysis was discussed and confirmed by stakeholder consultations and will be considered in the context of the policy recommendations.

## 6.2 Key issues to be addressed

Based on the SWOT analysis, the following three sets of key issues are to be the object of policy recommendations during the second part of the assignment:

### Capacity of the Ministry of Culture to formulate and implement the Strategy and Action Plan in relation to:

- Stakeholder engagement and coordination
  - *With other Ministries, public agencies and public institutions*
  - *With self-governing regions and municipalities (to make the most of decentralization)*
  - *With the cultural sector and citizens*
- Use of financial resources (transparency, management of EU Structural Funds)
- Data collection, analysis and dissemination of cultural statistics, including measurement of policy actions

### Competitiveness of CIs industry taking into consideration technological changes and territorial attractiveness in relation to:

- CIs value chain and digital shift, considering CIs specificities (skills, access to market, distribution of local content)
- Cross collaboration and innovation
- Internationalisation and export

#### Access to finance and investment in relation to:

- Awareness of the economic and social importance of CI
- Capacity of financial institutions to understand the sector
- Tailored financial instruments for CIs

Table 9 – Key issues to be addressed by policy recommendations

The following paragraphs explain each set in more detail.

### 6.2.1 Capacity of the Ministry to formulate and implement the Strategy and Action Plan

Notwithstanding the efforts made by the Ministry of Culture, the evaluation shows different shortcomings in the formulation of the Strategy and Action Plan:

- Capacity to engage a structured dialogue with CI stakeholders and contribute to inter-ministerial dialogue for culture and cultural industries to be at the heart of the country's innovation policy;
- Consultation and coordination with local authorities (notably self-governing regions) on the content of the Strategy and the use of EU Structural Fund could be improved. This has resulted in the limited participation of the self-governing regions in the implementation of the Action Plan as well as insufficient alignment with regional strategies and priorities;
- Capacity to raise awareness on the importance of CIs for the economy and for citizens to support policy actions;
- Capacity to understand market development and the impact of the digital shift on the entire CIs value chain through market studies and better cultural statistics.

These considerations are supported by the comparative analysis, especially considering the case of Poland which is providing valuable proposals with a view to streamline the decision making processes and organise dialogue with stakeholders.

#### Stakeholder engagement and coordination

The process evaluation found that the formulation and the implementation of the Strategy and the Action Plan require the Ministry of Culture to ensure that there is improved engagement and coordination with all stakeholders involved:

- **With other Ministries, public agencies and public institutions:** the framework of collaboration with other Ministries and agencies could be improved to develop cooperation instruments (education, industry/economy...);
- **With self-governing regions and municipalities:** local authorities could be better associated in cultural policy design to align national strategies with local priorities and ensure that the regional institutions have a comprehensive understanding of what cultural investments are (not only in Bratislava but in the whole countries). This has resulted in the limited political support and participation of the self-governing regions in the implementation of the Action Plan as well as insufficient alignment with regional strategies and priorities;
- **With the cultural sector and citizens:** stakeholders reported that the current dialogue with national authorities can be improved to become co-creation opportunities to develop policy

measures in a bottom-up approach. According to the survey of CIs, 47% of respondents are not satisfied with the interaction with national authorities;

### **Use of financial resources (transparency, management of EU Structural Funds)**

The partial visibility on the budget for the implementation of the Strategy and the Action Plan prevents from understanding, analysing and ranking policy priorities as well as assessing the efficient use of the resources (transparency issue).

Furthermore, the uncertainty regarding the allocation of the EU Structural Funds from IROP PA3 should be addressed<sup>158</sup>, considering the upcoming end of the current European Multi Annual Financial Framework (MFF) 2014-2020 and which would effectively double the budget for Culture.

Lastly, a number of measures (e.g. innovation vouchers, support to business models) are not available to CIs as funded through the Operational Program Research and Innovation under the Ministry of Economy (reserved to Architecture, Design and Advertising).

### **Data collection, analysis and dissemination of cultural statistics, including measurement of policy actions (KPI and monitoring)**

The Action Plan includes Key Performance Indicators (KPI) and deadline for implementation of a number of tasks (14 out of 37), and an annual monitoring is in place. However, the use of KPI can be further reinforced including impact indicators and target measures to ensure the full assessment of the overall efficacy, impact and sustainability of the proposed measures for CIs. The Satellite Account of Culture and Creative Industry is currently not mobilised to support monitoring and impact evaluation.

Data collection process and monitoring of cultural statistics could be also improved, considering the data gaps and limitations encountered during the data analysis in relation to:

- Limitation in the use of experimental data from Satellite Account in the analysis
- Inaccuracy of data on cultural employment
- Limited financial data on freelancers and self-employees
- Inadequacy of current international statistical metrics (e.g. NACE codes).

Non-cultural public bodies (such as the Slovak Business Agency) which do not collect sector-specific data, thus limiting the assessment of the use of some measures by CIs (e.g. microloans). Improved dissemination of data on CIs to citizens could also be considered to increase awareness of the importance of CIs for the economy and society.

### **6.2.2 Competitiveness of CI industry taking into consideration technological changes and support through the entire CI value chain**

The Strategy provides a good conceptual basis to support the development of CIs. However, it requires revision essentially on the following fronts to foster the competitiveness of Slovak CIs industry taking into consideration technological changes and territorial attractiveness:

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<sup>158</sup> Delay to launch of the calls for proposals to establish regional creative centres (call published in July 2019) / “de minimis” scheme to finance creative projects yet to be awarded (EUR 70 million) due to administrative constraints; use of additional EUR 50 million from IROP to design dedicated financial instruments (measure not included in the Action Plan)

- **CIs value chain and digital shift:** measures to target entire value chain with support to distribution and marketing, consumption and audience development including the update of the regulatory regime;
- **CIs specificities:** the Strategy and the Action Plan rightly highlight opportunities for CIs to benefit from non-sectorial assistance and existing initiatives.<sup>159</sup> Nonetheless, the evaluation found that CIs stakeholders are not fully aware of these opportunities (lack of awareness, difficulty to apply, focus on other creative sectors such as design or craft). The need to introduce measures more tailored to the specifics of CIs was also stressed by the survey sent to CIs organisations and stakeholder consultations, notably in relation to entrepreneurial skills development, cross-sectorial collaboration with other sectors (notably ICT);
- **Internationalisation of Slovak cultural production and services:** cultural policy needs to look beyond the local market to benefit from positive international trends, consider collaboration with neighbouring countries to pull resources;
- **International attractiveness:** the Slovak Republic shows a more progressive strategic vision on the impact of cultural policy than neighbouring countries. However, neighbouring countries put in place some interesting measures to support CIs at sectorial level which can act as a talent drain or as a disincentive to invest in the Slovak Republic (publishing or AV).

### 6.2.3 Access to finance and investment for CIs

According to the results of stakeholder consultation, access to finance and lack of private investment are amongst the most pressing challenges of CIs in the Slovak Republic. 75% of the respondents to the survey of CIs are not satisfied with the current financial environment in the Slovak Republic.

Investment is essential to support the growth of the sector especially in fast-growing sub-sectors such as video games. According to the results of the survey, priority investment areas are production of creative content (ranked first by 50% of the respondents), international market access and technology update.

Notwithstanding the measures put in place by the Slovak Government, our analysis and stakeholder consultations indicate that there is a low investment readiness in the Slovak Republic:

- **Lack of tailored financial instruments** to support investment such as loan guarantees or match-equity fund. Non-sectorial funding schemes to support SMEs, such as the microloans managed by the SBA, are rarely known or used by CI entrepreneurs;
- **Financial intermediaries have low interest in investing in the CIs sector**, as highlighted by the difficulty to find financial intermediaries for the Financial Instruments to CCIs and the fact that no Slovak banks have yet applied for the CCS Guarantee Facility scheme. The reasons are generally related to limited experience with cultural and creative entrepreneurs, insufficient knowledge of their business models and understanding of the investment opportunities in this growing sector;

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<sup>159</sup> For instance supporting measures for SMEs under the responsibility of the Ministry of Economy / Slovak Business Agency or internationalisation and marketing opportunities through events organized during the Slovak Presidency of the EU (2016) or promotional activities in line with the Tourism Development Strategies 2020



- **Neighbouring countries have more competitive incentives** to attract foreign private investment, notably Hungary (for film).

Based on the feedback gathered so far from focus groups and interviews and on a mapping of existing incentives in other countries (included in Annex XIII – Overview of existing incentives to stimulate investment across the EU), a preliminary overview of potential incentives for investors is presented in Table 10 below as basis for the recommendations in the TO-BE report.

	<b>Tax incentives</b>	<b>Guarantee</b>	<b>Matching Funds</b>
<b>Investors from CI sector</b>	<b>x</b>	<b>X</b>	<b>x</b>
<b>Donors (individual donors, companies)</b>	<b>x</b>		
<b>Foundations</b>	<b>x</b>		
<b>Banks and financial institutions</b>		<b>X</b>	<b>x</b>
<b>Business angels</b>	<b>x</b>		<b>x</b>
<b>Crowdfunding platforms</b>			<b>x</b>

*Table 10 - Incentives relevant to potential investors in the Slovak Republic*

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- Regulation (EU) No 1300/2013 on the Cohesion Fund
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- MoC Sectoral Mapping of CCIs (2016)
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- Strategy of state cultural policy 2014 – 2020 Available at <http://www.culture.gov.sk/posobnost-ministerstva/kreativny-priemysel-165.html>
- Action plan for the realisation of the Strategy of Culture Development 2015 - 2017
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- Integrated Regional Operational Programme (iROP) available at [www.mpsr.sk/download.php?fID=9759](http://www.mpsr.sk/download.php?fID=9759)
- Smart Specialisation Strategy (RIS3) documents on national and regional level available at <https://rio.jrc.ec.europa.eu/en/library/strategy-smart-specialisation-slovak-republic-ris3>
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- Vision and Strategy of The Slovak Republic Development by 2030 (page 27), available at <https://www.enviroportal.sk/sk/eia/detail/vizia-strategia-rozvoja-slovenska-do-roku-2030>

#### **Consulted website**

- EU funded project Culture for Cities and Regions [www.cultureforcitiesandregions.eu](http://www.cultureforcitiesandregions.eu)
- RIS3 Smart Specialisation platform - RIS3 eye@RIS3 Tool <http://s3platform.jrc.ec.europa.eu/>
- EIF [https://www.eif.org/what\\_we\\_do/guarantees/cultural\\_creative\\_sectors\\_guarantee\\_facility/index.htm](https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/index.htm) website
- Cultural and Creative Cities Monitor <https://composite-indicators.jrc.ec.europa.eu/cultural-creative-cities-monitor/>

## Annex I – Scope of the study

The scope of the study according to NACE code classification of CIs as mentioned in the ToRs is as follows:

Area	NACE code	Name of economic activity
<b>Books and Press</b>	5811	Book publishing
	4761	Retail sale of books in specialized stores
	7430	Translation and interpretation activities
	5813	Publishing of newspapers
	5814	Publishing of journals and periodicals
	6391	News agency activities
	4762	Retail sale of newspapers and stationery in specialized stores
<b>Audiovisual, media and multimedia</b>	5911	Motion picture, video and television programme production activities
	5912	Motion picture, video and television programme postproduction activities
	5913	Motion picture, video and television programme distribution activities
	5914	Motion Picture projection activities
	6020	Television programming and broadcasting activities
	7722	Renting of video tapes and disks
	5920	Sound recording and music publishing activities
	4763	Retail sale of music and video recordings in specialised stores
	6010	Radio broadcasting
	5821	Publishing of computer games



## Annex II – Cultural activities excluded from the scope of the study

NACE code	Name of economic activity
<b>18</b>	<b>Printing and reproduction of recorded media</b>
1810	Printing and service activities related to printing
1811	Printing of newspapers
1812	Other printing
1813	Pre-press and pre-media services
1814	Binding and related services
1820	Reproduction of recorded media
3220	Manufacture of musical instruments
7410	Specialized design activities
7420	Photographic activities
<b>90</b>	<b>Creative, arts and entertainment activities</b>
9001	Scenic Art
9002	Supporting activities related to performing arts
9004	Operation of cultural facilities
9003	Artistic creation
<b>91</b>	<b>Libraries, archives, museums and other cultural activities</b>
9101	Library and archives activities
9102	Museums activities
9103	Operation of historical sites and buildings and similar visitor attractions
7111	Architectural activities
8552	Cultural education

There are more NACE codes that are related to CCIs, but that are not considered as fully cultural by EUROSTAT. It includes more commercial creative areas, such as Design, Advertising, Architecture, Fashion and others.

## Annex III – Details on data analysis according to the ToRs

### 1.1) Income of the sector:

- Commercial revenues, including the share of revenues from exports
- Business performance indicators: turnover, value added
- Public support:
  - transfers from national budgetary resources
  - national subsidy schemes
  - transfers from the budgets of the local self-governing regions and their subsidy schemes
  - EU subsidy schemes and resources
- Financial support from private investors
- Other revenues

### 1.2) Expenditures of the sector:

- Current expenditure (i.e. salary expenditure, operational expenses, etc.)
- Capital expenditures

### 1.3) Structure of the sector and employment data:

- Number of enterprises / employees
- Enterprise size structures
- Number of jobs (by classification: regular permanent employment, self-employed, freelancer, etc.)
- Assessment of the average wage (according to education, occupation)

### 1.4) Participation, consumption, use of products from the sector (to form a picture of the demand-side):

- Number of visitors per type (group, schools, individuals) attending events of the operators in these sectors
- Use of the services
- Product sales.

### 1.5) Financial performance indicators: equity ratio, sales profitability

## Annex IV – Description of data sources

### Register of Financial Statements

The primary data source for data in relation to CI companies (e.g. employment, income/expenditures, financial performance) is the Register of Financial Statements. The RFS is operated by Datacentrum, budgetary organisation of the MoF. It contains data for the last 5 years about revenues, profits, assets, number of employees. Some data about commercial companies or other entities listed in the Trade Register is available as public open data. Data can be accessed via website, API or via third party registers (such as FINSTAT) that combine data from multiple registries.

Data about self-employees / freelancers and non-for-profit organisations is not available as open data, but only accessible for public bodies (this data is considered as sensitive information and therefore there is a high level of protection because of the General Data Protection Regulation - GDPR). In order to grant access such data, the MoC organized a meeting of researchers and related bodies on the 18th September 2019 at Datacentrum, Bratislava. Participants included Datacentrum, the MoC, the MoF and OneClick representative (responsible for the Data report). As the outcome of this meeting, Datacentrum generated aggregated data and provided 3 types of financial data on self-employed, people working in liberal occupations and non-profits based on accounting type and NACE codes.

Self-employees have 4 options on accounting evidence and tax report:

1. No accounting evidence with only personal tax report based on lump sum expenses
2. Single entry accounting evidence
3. Double entry type of accounting evidence for micro accounting units
4. Full double entry type of accounting evidence

When freelancers, self-employees decide to use lump sum expenses and report income only in personal tax report, there are no NACE codes used, so it is not possible to collect the related data. Thus, Datacentrum provided us data for related NACE codes for the other 3 types of accounting.

The gathered data refer mostly to those companies listed in the Trade Register, which represents approximately the 90% of revenues. It also includes data from self-employees, people working in liberal occupations and not for profits, but the impact of these in the aggregated data in terms of revenue or full-time employment is of less than 10%. In addition, it should be noted that data about public institutions is also part of the report. In this sense, there are only two public institutions that fit in a definition by NACE code: firstly, RTVS (Radio and TV of Slovakia); secondly; TASR – the Slovak Press Agency. Their data are included in terms of employment but not in terms of revenues as they are budgetary (revenue from selling ads on TV is collected by another company, 12 Media, which is owned by RTVS but corresponds to a different NACE code within the domain of advertising and therefore it is not included in our scope).

### KULT 2017 Statistics

KULT statistics are survey based. Surveys are sent to companies and organisations in the database of the MoC. These data are not based on NACE codes, but rather on products. KULT

focuses, for example, on book publishers regardless on their NACE code. Their published report includes aggregated data as well as list of research participants.

For analysis of sector production and audience, revenue sources and public funding in specific NACE codes, we use relevant KULT 2017 statistics publicly available from the MoC website. Using NACE codes as a base, we have identified 3 relevant KULT reports (KULT 04-01 Non periodical publications; KULT 11-01 Audio vision; KULT 19-01 Recording and distribution of music works).

Data on Computer games are not available from KULT statistics for 2017. There is a new KULT report planned, starting in 2018, related to Multimedia which includes Publishing of computer games.

Individual interviews with some of respondents of KULT 2018 multimedia and relevant stakeholders, such as Slovak game developed association (SGDA) that participated on preparation of KULT 2018 Multimedia, show that this report can provide insights into sector of Computer games as well, although definition of KULT Multimedia is much wider than just computer games. Part of a report will be list of respondents, that needs to be analysed, because stakeholders from sector reports, that not all of their companies receive invitation to participate in this research.

### **EUROSTAT database<sup>160</sup>**

The Eurostat database was used for the analysis of exports. Nevertheless, it should be noted that Eurostat data on exports are not based on NACE codes, but classified following these categories: Books; Newspapers, journals and periodicals; Audio-visual and interactive media (films, videos and video games excl. video game consoles); Music in manuscript, gramophone records, recorded magnetic tapes and optical media (CDs).

### **Statistical office of Slovak Republic**

The data from the Statistical Office of the Slovak was used in order to analyse employment and ownership structure. The data of the Statistical Office is accessible via their website and via third party databases such as that of FINSTAT.

#### *Satellite Account of Culture and Creative Industry*

The Statistical Office (namely, Infostat) is preparing the Satellite Account (SA) of Culture and Creative Industry. However, following the meeting of Mr. Kmet' with the MoC and the Institute of Cultural Policies on June 7, 2019, it was finally agreed not to use the SA as a source for this report for several reasons:

- the SA is currently in its test phase and it does not contain data for 2017;
- the SA does not provide the financial data as requested by the ToRs (as listed in Annex II) such as equity ratio, sales profitability etc.;
- SA used different methodology for data processing. Data collected from RFS are adjusted after collection based on own research in order to remove non-creative activities from specific NACE codes. For instance, revenues reported for NACE 47.61 Book retail are only 25% of revenues as reported by companies to RFS;
- some of the NACE codes included in the SA are only 2-digit (such as NACE 60 Broadcasting), while this analysis requires 4-digit codes (such as 6010 Radio broadcasting and 6020 TV Broadcasting);

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<sup>160</sup> Source: <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/44960.pdf>

- there is no data about video games;
- there is no possibility to get full list of stakeholders from SA (ToRs page 7).

Thus, RFS provides full data, including individual companies' data, which enabled us to analyse and understand the sector in a deeper and more accurate extent.

### **FINSTAT database**

FINSTAT database was used as a complementary data source. FINSTAT contains data from the Register of Financial Statements (RFS) and as well as from other public registries and websites, providing services for sectoral analysis and several financial indicators to evaluate a company's financial performance. Through the tool "FINSTAT Ultimate", researchers can have access to this sectoral analysis. Thus, from FINSTAT we have used their sectoral reports for trend analysis as well as in order to compose the full list of stakeholders. With regard to the latter, the list contains not only the company names but also other notable interesting data, including public business contacts. This data is considered to be related to business and not personal information in terms of GDPR.

# Annex V – SWOT Analysis

## SWOT ON POLICY AND GOVERNANCE

### Strenghts

#### **Targeted public support for CCS including CIs (regulation and funding)**

- Steady increase of the Ministry of Culture budget since 2010
- Dedicated CCIs Strategy (2014) and Action Plan (2016-2017) subject to review
- Dedicated national public institutions and funds : Arts Council (€15 mln in 2016), AV Fund (€ 9 mln in 2018), Film Commission, Film Institute
- Policy vision to make use of EU structural funds to support CCS (unique in the EU - € 270 mln from the Integrated Operational Program – Axis 3)
- Music quotas on radios, support market access (publishing, film), review copyright framework (2016), 20% cash rebate AV .....

### Weaknesses

- **Insufficient awareness on the economic and social importance of CCS from other ministries and opinion leaders**
- **Accountability and communication process with CCS** (no structured dialogue and consultation)
- **CCS insufficiently organized as a lobbying force (sectorial and cross sectorial)**
- **Skills/human resources in public administration**
- **Silos and inter-institutional collaboration at national and local level (decentralisation)**
- **Statistics to better reflect the real size and contribution of CCS to the economy and employment.**
- **Awareness of EU funding opportunity in some areas (e.g. ERASMUS+, Creative Europe – support to translation of literary works for instance).**



## Opportunities

- **More EU funding for CCS might be available during the next programming period 2021-2027** (e.g. budget for Creative Europe – MEDIA to be increased by 32%; budget for Erasmus+ tripled; New Structural Funds and Smart Specialisation Strategy)
- **Plan to increase cross-ministerial cooperation with MoE (SBA) and MoF (SARIO)**
- **Improvement of current support measures (debate to increase cash up to 33% and enlarge the scope)**
- **New strategy to support ICT sector** (Support measures to reinforce ICT/digital skills in Slovakia e.g. Digital Coalition)
- **Synergies with the Strategy (2019) to boost Tourism (recreational vouchers and lower VAT on accommodation)**
- **Decentralisation process : Increasing synergies with regional and local authorities in driving cultural investment.**

## Threats

- **Funding to CCIs from the Operational Program diverted to other policy areas**
- **Ministry of Culture marginalised as actor to drive policy and support to entrepreneurship**
- **Risk for the Ministry of Culture of losing credibility and trust with the CCS**
- **Low involvement of regional and local authorities**
- **CCS insufficiently organised and structured to be a serious interlocutor in policy making**
- **Lack of established structured dialogue with stakeholders.**

## SWOT on CCIs sector

### Strengths

- **Strong talent base, dynamic entrepreneurs**
- **Increase political awareness on the potential of CCS** (Bratislava, Košice, Nitra, Prešov, Žilina; Trnava and Trenčín)
- **Rich cultural offer and cultural assets** (e.g. 5 UNESCO World Heritage Sites, 14 sites in the tentative list)
- **CCS sector is growing**
  - The number of CCS companies increased steadily between 2011 and 2016 (+13%)
  - The people employed in CCS represent 8,08% of the total employment in the economy in 2016\*
  - Contribution to GVA of the total economy was 6,5% in 2015 (above the EU average of 5,3%)

### Strengths / Sub sectors

**Strong internationalisation potential – very dynamic sectors – risk talent drain – demand in management skills**

#### **PUBLISHING**

- Publishing market is growing steadily which benefits local authors (strong printing industry and in illustration)

#### **MUSIC & RADIO**

- The music sector is benefiting from digital growth, growing independent and live performances (festivals, concerts) – Slovak music on Spotify

#### **TV, FILM & VIDEO**

- Cinema production is growing (very state funding dependent) - co-productions with neighbouring countries – opportunities to attract more investment also in service industry

#### **VIDEO GAMES**

- Fast growing gaming industry: +25% of companies in the last 10 years (source: SGDA)
- Internationally competitive

## Strengths

### Targeted public support for CCS including CIs (regulation and funding)

- Steady increase of the Ministry of Culture budget since 2010
- Dedicated CCIs Strategy (2014) and Action Plan (2016-2017) subject to review
- Dedicated national public institutions and funds : Arts Council (€15 mln in 2016), AV Fund (€ 9 mln in 2018), Film Commission, Film Institute
- Independence / autonomy of Arts Council and AV Fund
- Policy vision to make use of EU structural funds to support CCS (unique in the EU - € 270 mln from the IROP – Axis 3)
- Music quotas on radios, support market access (publishing, film), review copyright framework (2016), 20% cash rebate AV, .....
- Good access to Creative Europe program

### Development of CCS infrastructures and training facilities (local and private initiatives)

- Bratislava creative hubs (e.g. New Cvernovka), Kosice (CIKE) ...
- Tailored support to CCS from the National Business Center in Bratislava (Creative Point)

### Legacy in art education and infrastructure (maintenance of art education is an issue )

## Weaknesses A) MARKET

- **Size of the market** (5 million) : small linguistic market
- **Competition from neighbouring countries** (in publishing, distribution and pricing conditioned by release in the Czech market; music venues and promotion in Austria, Hungary; Czech, Polish and Hungarian markets more attractive for TV/movies production – better financial conditions and skilled professionals; Poland and Czech Republic strong in video games publishing and distribution ...) risk of talent drain
- **Market concentration** in distribution in some sectors
- **Insufficient private investment**
- **Insufficient quality infrastructures** (AV studios, music venues)
- **Lack of entrepreneurial and cultural management skills**
- **IP Enforcement is a problem** (training and competence of tribunals, MoE more on the side of users than creators)
- **Public institutions do not play fair** - for instance National Library public lending (low royalties)

## Weaknesses B) POLICY

- **Insufficient awareness on the economic and social importance and value of CCS (citizens, policy makers, opinion leaders)**
- **Measure to attract investment**
  - Insufficient competitive tax incentives to attract (foreign) investment (only cash rebate of 20% for AV industry, )
  - VAT rates on ebooks and attendance to cultural offer
  - No legislation to encourage private investment
  - Financial mechanisms available for SMEs but CCS not aware (innovation vouchers, micro-loans, loans)
  - Insufficient funding to accompany growth and enterprises
  - Risk of losing opportunity of EU Guarantee Facility for CCS
  - Public support to move from project funding to enterprise funding (matching fund?)
- **Influence of the Ministry of Culture in policy making**
- **No structured dialogue mechanisms with CCS**
- **CCS insufficiently organized as a lobbying force (sectorial and cross sectorial)**
- **Clarifying role of some organisations (Literary and Music Funds / Music Center)**

## Weaknesses B) POLICY

- **Funding to implement the Action Plan ?**
- **Policy synergies between CCS and ICT sector (digital and creative economy) and Tourism**
- **Cultural diversity on digital platforms (access to Slovak artists)**
- **Delays in digitisation programme for publishing (e.g. National Library)**
- **Decrease importance given to art education, audience development (youth)**
- **Insufficient collaboration with VISEGRAD countries (pooling of resources – export with Poland, Czech Republic)**

## Opportunities

### MARKET OPPORTUNITIES

- **With increase wealth, consumer demand for cultural products and services will grow in Slovakia**
- **Growth of the internet/digital economy: new segments for CCS (e.g. mobile apps), openness of the global market (access to digital platforms)**
- **New applications (e.g. edutainment / serious gaming / virtual reality / augmented reality)**
- **New market opportunities (e.g. possibility of Slovakia to become a hub of co-productions with neighbouring countries provided there are better incentives)**
- **Sector stimulates youth entrepreneurship (e.g. game development, creative hubs)**

### POLICY OPPORTUNITIES

- **Current policy debate related to increase of cash rebate for films from 20% to 33% (enlarge the scope to music, games ?)**
- **New strategy to support ICT sector** (Support measures to reinforce ICT/digital skills in Slovakia e.g. Digital Coalition)
- **Synergies with the Strategy (2019) to boost Tourism (recreational vouchers and lower VAT on accommodation)**
- **Increasing support at regional and city level** (Bratislava, Košice, Nitra, Prešov, Žilina; Trnava and Trenčín)
- **Increasing support at EU level for CCS: new instruments** (e.g. EU Guarantee Facility, mobility schemes), increasing funding in future financial framework (MFF 2021-2027)

## Threats

- **Talent drain:** talents to leave the country for better conditions (educational, professional, personal) – fewer young creative entrepreneurs
- **Increasing competition from other countries:** Competition from neighbouring countries in attracting investment and setting up more favourable conditions for the CCS ecosystem (e.g. in the AV sector, music sector – Vienna; more attractive ecosystem - Brno)
- **Digital shift and change of business models with potential impact on AV funds – lower advertising revenues for broadcasters) and remuneration of creators.**
- **Value captured by internet digital platforms with no consideration to Slovak cultural output. Digital platforms to contribute ?**
- **Lack of investment (public and private)**
- **Lack of political will to build a creative economy**
- **Audience insufficiently exposed to local creation and educated to cultural diversity**
- **Bratislava marginalised** as cultural hotspot vs Vienna

## Annex VI – List of interviewed stakeholders

### Public institutions

Organisation	Name	Title/position
Slovak Arts Council	Jozef Kovalčík	Director
SBA	Marian Letovanec	Director of the National and International Programmes
Ministry of Finance	Martin Polonyi	
Regional representatives	Rastislav Trnka	Head of the Self Governing region Kosice

### Other stakeholders

Name	Company	Role in the CI value chain (producers / distributors)
Lukáš Fila	N Press	Press
Lucia Gertli	Film Europe	Film Distribution
Dáša Karpelová	IAB The Slovak Republic – Assoc. Digital Media	Association
Daniel Marek	Systemios	Investors
Sasha Michailidis	Acquisition manager HBO Europe	Foreign international investors
Anton Zajac	ESET	Investor
Michal Meško	Martinus	Book
Michal Kaščák	Festival Pohoda	Festival
Zuzana Mistríková	Pubres, s.r.o.	Press
Maroš Brojo	Fest Anča/APAF	Association
Zuzana Zaťovič	StartLab	Crowdfunding
Marian Urban	SAPA / Slovak Audiovisual Producers Association	Association
Petra Nemecková	SITA	Press
Peter Nagy	Founder of Games farm	Games producer
Eva Pauliaková	Slovak Print and Digital Media Association	Association



## Annex VII - List of stakeholders met during the field mission

### Participants in Focus Groups

NAME	ORGANISATION & POSITION	TYPE OF ORGANISATION
<b>Focus Group Book and Press -Tuesday, 18.6.2019 (9.30 AM – 11.30 AM)</b>		
Jana Vozárová	LITA Authors Association	Association
Gabriela Belopotocká	IKAR	Book Publisher
<b>Focus Group Music and Radio -Tuesday, 18.6.2019 (14.00 AM – 16.30 AM)</b>		
Michal Berezňák	Sharpe	Festival
Alexander Červenka	LALA Slovak Music Export	Export
Jaro Slávik	StarHouse Media	Producer
Tomáš Miks	SOZA	Collective Society
<b>Focus Group Film, Video and TV - Wednesday, 19.6.2019 (9.30 AM – 11.30 AM)</b>		
Ladislav Dedík	Studio 727	Rental, Postproduction
Patrik Pašš	Trigon Production	Full Stack production
Juraj Krasnohorský	Assoc. of Animated Film Producers	Association
<b>Focus Group Video Games - Wednesday, 19.6.2019 (14.00 AM – 16.00 AM)</b>		
Marián Ferko	Bohemia Interactive SGDA	Game studio/Association
Filip Fischer	Charged Monkey	Game Studio
<b>Focus Group with Investors - Thursday, 20.6.2019 (9.30 AM – 11.30 AM)</b>		
Zuzana Zaťovič	StartLab	Crowdfunding platforms
Viktor Mikulášek	Launcher	Crowdfunding platforms

## Participants to meetings with public authorities

NAME	ORGANISATION & POSITION
<b>Monday, 17.6.2019 (14.00 AM – 16.00 AM)</b>	
Zuzana Bieliková	Film Commission
Igor Valentovič	Music centre
Matúš Jakabčíč	Music fund
Miroslava Vallová	Literature centre
Miroslav Ulman	Slovak Film Institute, Creative Europe Media Desk
<b>Friday, 21.6.2019 (09.30 AM – 11.30 AM)</b>	
Maria Simoncicova	Ministry of Culture
Daria Hamajova	Ministry of Culture
Zuzana Borošova	Ministry of Culture
Marcel Čas	Ministry of Culture
Sandra Salamonová	Office of the Deputy Prime Minister of the Slovak Republic
Martin Sebok	Slovak Investment Holding
Ján Bruncko	Slovak Investment Holding
Martin Spiritz	Ministry of Finance

## Individual interviews

NAME	ORGANISATION & POSITION	TYPE OF ORGANISATION
Zora Jaurová	Creative Industry Forum	CCI Policy Expert
Denisa Zlatá	Former Director of the Department of Culture and Creativity, MoC	CCI Policy Expert
Šymon Kliman	Nová Cvernovka – co-founder	Creative hub
Viliam Csino	Nová Cvernovka – co-founder	Creative hub
Boris Meluš	Nová Cvernovka – co-founder	Creative hub
Braňo Čavoj	Nová Cvernovka – co-founder	Creative hub
Martin Lipták	Čierne diery	Book Publishing
František Malík	BRaK	Book Festival

## Annex VIII – Surveys



## Annex IX – List of participants in the AS-IS workshop

Sector	Name	Organisation
Book and Press	Eva Pauliaková	Association of Press Publishers
Book and Press	Martin Gajdoš	Association of publishers and Bookstores ZVKS
Book and Press	Matúš Mládek	Tatran
Book and Press	Jana Vozárová	LITA
Book and Press	Silvia Stasselová	Univerzitná knižnica Bratislava
Music and Radio	Tomáš Mikš	SOZA
Music and Radio	Martin Noga	World Music Festival
Music and Radio	Robert Pospíš	Real Music House
Music and Radio	Jozef Mikulášik	TRUESELF Records
Film, Video and TV	Alžbeta Calpaš Mordinová	TV JOJ
Film, Video and TV	Matúš Leviczky	TV JOJ
Film, Video and TV	Lucia Tandlich	TV Markiza
Film, Video and TV	Michal Hradický	Council for Broadcasting and Retransmission
Film, Video and TV	Jakub Viktorín	Visegrád Film Forum
Film, Video and TV	Ivana Sujová	Fest Anča
Game	Marián Ferko	Bohemia Interactive SGDA
Game	Ivan Trančík	Cellense
Game	Pavol Buday	REBOOT / Digital Adventure LLC/ SGDA
Game	Peter Nagy	Games Farm
Game	Maroš Brojo	Slovak Game Developers Association, Game Days Trnava
Game	Imrich Orosz	Grindstone
CI Focus Group	Martina Slezáková	Všeobecná Úverová Banka (“VÚB”) Foundation
Public institutions	Igor Valentovič	Music Centre
Public institutions	Jana Bieliková	Slovak Business Agency
Public institutions	Martin Spiritza	Ministry of Finance
Public institutions	Martina Čeretková	Ministry of Culture
Public institutions	Miriám Horváthová	Ministry of Culture
Public institutions	Elena Gyurcssová	Ministry of Culture

<b>Municipalities / self-government regions</b>	Katarína Formánková	Bratislavský samosprávny kraj - BSK
<b>Other</b>	Šymon Kliman	New Cvernovka, Bratislava,
<b>Other</b>	Michela Foresti	European Commission
<b>Other</b>	Elisabetta Airaghi	KEA European Affairs
<b>Other</b>	Philippe Kern	KEA European Affairs
<b>Other</b>	Vladimír Kmeť	One Click Systems
<b>Other</b>	Mária Šimončíčová	Ministry of Culture
<b>Other</b>	Dária Hamajová	Ministry of Culture



## Support to Cultural Industries in the Slovak Republic - Survey

### 1. About you

#### 1. Contact information

Name

Company/Organisation

Function in the  
company/organisation

Website

Email Address

Phone Number

#### 2. What is the region of your organisation's headquarters?

#### 3. Which sector do you work in? (multiple answers possible)

☐

Books / Publishing

☐

Video games

☐

Motion Picture, Film (Audiovisual), animation

☐

Broadcasting (TV and Radio)

☐

Music (sound recording, studio)

☐

Press

☐

Other (please specify)

#### 4. What is the turnover of your company/organisation?

☐

< 100.00 euro

☐

> 100.000 < 2.000.000 euro

☐

> 2.000.000 euro < 50.000.000 euro

☐

> 50.000.000 euro

#### 5. What percentage of your turnover comes from international sales?

6. How many permanent employees are there in your company/organisation?

- ☐ < 10
- ☐ > 10 < 100
- ☐ > 100
- ☐ I do not have employees
- ☐ Other (please specify)

7. Does your company/organisation include the following profiles (multiple answers possible):

- ☐ Marketing/Communication specialist
- ☐ Sales manager
- ☐ Business developer
- ☐ Financial officer
- ☐ Other (please specify)

8. Do you expect your business to grow in the next 12 months?

- ☐ Yes
- ☐ No
- ☐ I do not know

Why? Please explain















## Support to Cultural Industries in the Slovak Republic - Survey

### 2. Source of financing

9. What type of sources of funding/financing are you using? (multiple answers possible)

- ☐ Own resources
- ☐ Public grants (awarded through tenders)
- ☐ Public subsidies
- ☐ Equity investment
- ☐ Loans from financial institutions
- ☐ Crowdfunding
- ☐ Other (please specify)

10. Please rank the following sources of funding/financing in order of importance for your company/organisation

-    Own resources
-    Public grants (awarded through tenders)
-    Public subsidies
-    Equity investment
-    Loans from financial institutions
-    Crowdfunding

11. What type of finance provider are you using? (multiple answers possible)

- ☐ Cultural public body (e.g. Arts Council)
- ☐ Non cultural public body (e.g. Slovak Business Agency)
- ☐ Equity provider (Venture Capital, Business Angels)
- ☐ Other (please specify)
- ☐ Bank
- ☐ Family, friends

12. Do you have sufficient funding to maintain or grow your business?

☐ Yes

☐ No

Why? Please explain

13. How useful would be external financial support (e.g. loans, equity funds) to grow your business?

☐ Extremely useful

☐ Not so useful

☐ Very useful

☐ Not at all useful

☐ Somewhat useful

Why? Please elaborate

14. Are you satisfied with the current financial environment to obtain external financial support in the Slovak Republic?

☐ Yes

☐ No

Why? Please explain

15. What are the main constraints to obtain financial support? Please rank:



Lack of interest from financial institutions



Lack of tailored financial instruments



Costs of investing



Lack of understanding of business opportunities from financial institutions



Lack of financial knowledge to pitch projects / business plans to financial institutions

16. Do you feel that access to finance is more difficult in your business sector than for other business sectors?

- ☐ Yes
- ☐ No
- ☐ I do not know

Why? Please explain

17. Will you be interested in considering one of the following finance providers in the future? (multiple answers possible)

- ☐ Cultural public body (e.g. Arts Council)
- ☐ Non cultural public body (e.g. Slovak Business Agency)
- ☐ Equity provider (Venture Capital, Business Angels)
- ☐ Bank
- ☐ Other (please specify)

## Support to Cultural Industries in the Slovak Republic - Survey

### 3. Financial needs

18. Please rank your investment priorities amongst the following:

- ☰  Technology update
- ☰  International market access
- ☰  Production of creative content
- ☰  Marketing and promotion
- ☰  Scaling up enterprises

19. Do you have any other investment priorities not listed in the previous question (Question 18)?

20. What measures should the Government take to improve financing in your business? Please rank:

- ☰  Build capacity of financial institutions to understand the Cultural and Creative sector
- ☰  Build capacity of Cultural Industries to pitch business plans / projects
- ☰  Set up dedicated financial instruments
- ☰  Set up dedicated institutions to provide funding
- ☰  Raise awareness on the economic and social potential of the sector through dedicated events

## Support to Cultural Industries in the Slovak Republic - Survey

### 4. Public Policy

21. Are you satisfied with the current dialogue with national authorities?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

Why? Please elaborate

22. In your view, which are the main challenges Cultural Industries are facing? Please rank:

- ☰  Competition from foreign countries
- ☰  Talent drain
- ☰  Lack of financial support
- ☰  Lack of entrepreneurial skills
- ☰  Insufficient investment

23. Do you identify other challenges not listed in the previous question (Question 22)? Please explain

24. What type of measures you recommend for boosting growth of Cultural Industries in the Slovak Republic?

## Support to Cultural Industries in the Slovak Republic - Survey

25. Please indicate your interest in being invited to a stakeholder workshop in Bratislava on October 2, 2019 to discuss about the initial findings of our analysis on current policy measures to support Cultural Industries

- ☐ Available
- ☐ Not available

26. Please indicate your interest in being invited to a stakeholder workshop in Bratislava on October 29, 2019 to discuss about policy recommendations to boost the growth of Cultural Industries in the Slovak Republic

- ☐ Available
- ☐ Not available

27. Personal data protection

- ☐ I agree with processing personal data for the purpose of this research according to the EU General Data Protection Regulation (GDPR) 2016/679

## Survey - Support to Cultural Industries in the Slovak Republic

### 1. About you

#### 1. Contact information

**Name**

**Company/Organisation**

**Function in the  
organisation**

**Website**

**Email Address**

**Phone Number**

#### 2. What is the region of your organisation's headquarters?



## Survey - Support to Cultural Industries in the Slovak Republic

### 2. Your experience with Cultural Industries

3. Do you have customers in the Cultural Industry sector?

☐ yes

☐ no

If yes, in which sector?

4. What is the total amount of loans or investment in Cultural Industries (in euro)?

Loan:

Investment:

Other (please specify):

5. If you invest in Cultural Industries, which type of investment do you make? (multiple answers possible)

☐ Marketing/sponsorship

☐ Philanthropy/Corporate social responsibility

☐ Return/profit

Other (please specify)

6. If you invest/would invest in Cultural Industries, what are/would be your motivations? Please rank:



Return on investment



Marketing strategy / Branding



Relation with the local community/territory

7. If you invest/would invest in Cultural Industries, what are your expectations? Please rank:

☰  Commercial revenues

☰  Reputation

☰  Brand

☰  Awareness

8. Are you planning to invest more in the future in Cultural Industries?

☐ yes

☐ no

☐ not applicable

Why? Please explain

9. Do you think Cultural Industries in Slovakia are a risky business to invest in?

☐ Yes

☐ No

Why? Please explain

10. What are the main challenges to invest in Cultural Industries? Please rank:

☰  Lack of knowledge of the sector and its potential

☰  Difficulty in risk assessment

☰  Lack of collaterals

☰  Lack of business plan and management skills of cultural entrepreneurs

11. According to you, are there any other challenges not listed in the previous question (Question 10)?

☐ yes

☐ no

If yes, which one(s)?

12. Would you invest more if the Slovak Government was to provide incentives?

☐ yes

☐ no

Why? Please explain

13. What kind of policy incentive(s) would trigger more interest for your organisation in Cultural Industries?

Please rank:



Loan guarantees



Matching equity fund



Tax incentives for private investment



Tax incentives for sponsorship/donation



Capacity building/training to understand the sector

14. According to you, there are other incentives not listed in the previous question (Question 13)?

☐ Yes

☐ No

If yes, which one(s)?

## Survey - Support to Cultural Industries in the Slovak Republic

15. Please indicate your interest in being invited to a stakeholder workshop in Bratislava on October 2, 2019 to discuss about our initial assessment of current measures to support Cultural Industries in the Slovak Republic

- ☐ Available
- ☐ Not available

16. Please indicate your interest in being invited to a stakeholder workshop in Bratislava on October 29, 2019 to discuss about policy recommendations to boost the growth of Cultural Industries in the Slovak Republic

- ☐ Available
- ☐ Not available

17. Personal data protection

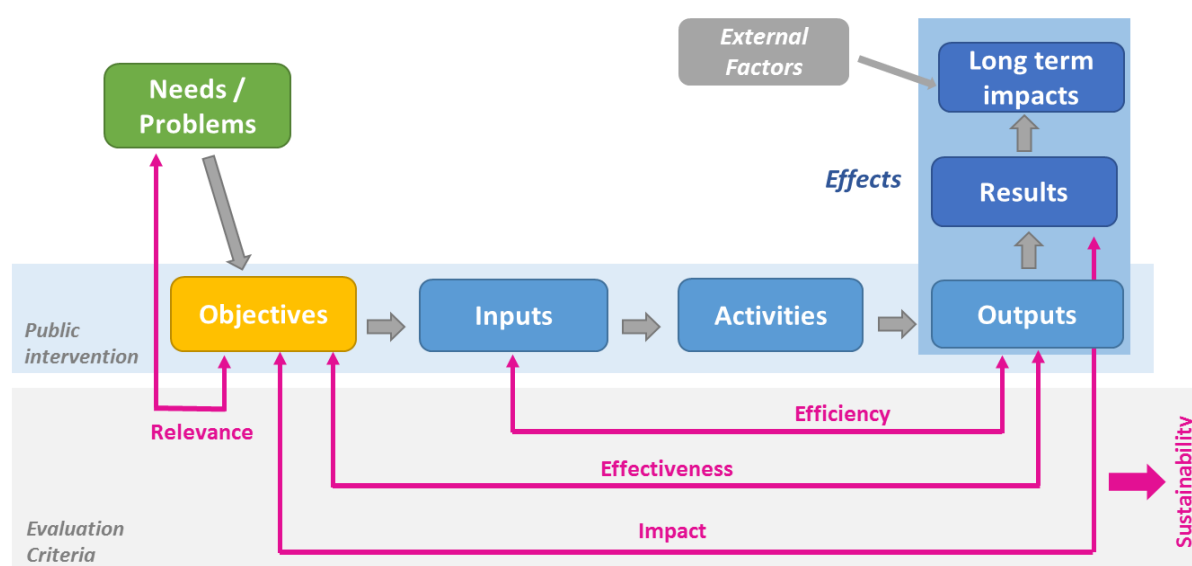
- ☐ I agree with processing personal data for the purpose of this research according to the EU General Data Protection Regulation (GDPR) 2016/679

## Annex X - Approach to the impact assessment

The approach to evaluate the formulation and assess the impact of the Strategy of CCIs Development (2014) and of implementing measures relevant to Cultural Industries included in the Action Plan of the Strategy of the period 2016-2017 considers five evaluation criteria that are commonly used in policy impact assessments, briefly explained below<sup>161</sup>:

- **Relevance:** The relevance of a policy or support measure can be seen as the extent to which the objectives of the support measure are consistent with the local CIs' needs. The relevance will mainly be assessed by understanding the purpose of the measure, including the policy context, the rationale for intervention and the initial objectives;
- **Efficiency:** Efficiency is a measure of how inputs (i.e. resources: funds, expertise, timeframe, management model, administrative infrastructure and governance, etc.) are converted to results (outputs). This criterion is particularly relevant in the context of public policy to ensure an optimal use of public resources vis-à-vis taxpayers;
- **Effectiveness:** Effectiveness is the extent to which the initiative's objectives are achieved, or are expected to be achieved, taking into account their relative importance. Effectiveness implies measuring the performance of the measure against its initial objectives and assessing whether all the expected outputs have been produced as foreseen initially;
- **Impacts:** Assessing the impact of a support measure relates to the effects (usually in economic terms) produced by the support measure on beneficiaries;
- **Sustainability:** Assessing the sustainability of a support measure means looking at whether the benefits produced by the support measure continue after the latter ends.

The evaluation framework including the five criteria is visualised in Figure 1 below:



The five evaluation criteria are used as basis to assess the success of policy and implementing measures by answering a set of key questions and indicators<sup>162</sup>:

<sup>161</sup> Source: KEA (2011) Towards a "Benchmarking raster": A selection of indicators to measure policies for culture and creative industries. Prepared for CREA.RE project

<sup>162</sup> KEA 2011, Ibid.

Evaluation criteria	Evaluation Questions	Main indicators to support impact assessment
Relevance	<ul style="list-style-type: none"> <li>Are the objectives/priorities consistent with Cls' needs?</li> </ul>	<ul style="list-style-type: none"> <li>Is the policy based on an initial mapping of Cls' needs?</li> <li>Have Cls stakeholders been consulted?</li> <li>Have relevant public bodies been consulted in the formulation process (governance)?</li> <li>Opinion of stakeholders</li> </ul>
Efficiency	<ul style="list-style-type: none"> <li>Were the effects (benefits) achieved at a reasonable cost?</li> </ul>	<ul style="list-style-type: none"> <li>Is there a management plan for implementation?</li> <li>Are there appropriate administrative structures in place (governance)?</li> <li>Is there a regular monitoring process in place?</li> <li>Opinion of stakeholders</li> </ul>
Effectiveness	<ul style="list-style-type: none"> <li>How effective is/was the Strategy (and Action Plan) in achieving its objectives?</li> </ul>	<ul style="list-style-type: none"> <li>What is the ratio between accomplished vs planned actions and outputs?</li> <li>How many beneficiaries have been reached?</li> <li>Opinion of stakeholders</li> </ul>
Impact	<ul style="list-style-type: none"> <li>What have been the impacts, observed in quantitative and qualitative terms that help to improve the local creative ecosystem?</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the number of jobs in Cls created in the country</li> <li>Growth in the turnover and profitability of Cls in the country</li> <li>Growth in the number of creative businesses in the country</li> <li>Number of networks/clusters created</li> <li>Increase in investment in the CI sector</li> <li>Opinion of stakeholders</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>Will the results be self-sustainable after the end of the policy measures?</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability will be assessed by looking at outcome/impact indicators</li> </ul>

## Annex XI – Overview of the Action Plan

Priority	Action	Responsible Body	Timeline	KPI	Source of funding	Implementation Status
<b>Priority No.1: Efficient system for the development of creative industries</b>	<b>Action 1.1: Development of physical Infrastructures</b>					
	Task no. 1: Use of National Business Centre in Bratislava and regional Business Centres to support CCIs	MoE + SBA	n/a	n/a	European Structural funds	Fulfilled on ongoing basis
	Task no. 2: Call for tender for the development of physical infrastructures to support the development of CCIs in Slovak regions <b>(New)</b>					<b>Task not fulfilled</b>
	a) Call for projects	Regions	December 2016	Call	European Structural Funds (IROP)	Call not issued
	b) Call for SMEs	MoC	December 2017	Call		Called issues but delay the awarding procedure
	Task no. 3: Use of existing activities of cultural institutions under the responsibility of the MoC and the self-governing regions to develop creative activities <b>(New)</b>	Institutions under the MoC	December 2017	New program	Own resources	Task fulfilled
<b>Priority No.2: Quality of Human Resources</b>	Task no. 4: Establish active cooperation with relevant Ministries to ensure the availability of digitized cultural content <b>(New)</b>	MoC in cooperation with relevant Ministries	December 2016	Project funded by ESIF	European Structural Funds	Task Fulfilled
	<b>Action 2.1: Education to foster individual creative potential</b>					
	Task no. 5: Promote entrepreneurial education and develop digital skills in primary and secondary schools	MoE in cooperation with Min. Education	n/a	n/a	National budget	Fulfilled on ongoing basis
	Task no. 6: Program to promote successful entrepreneurship and entrepreneurial education (events, seminars, competitions, ...)	MoE + SBA	n/a	n/a	National budget	Fulfilled on ongoing basis
	Task no. 7: Creative events within existing infrastructure (exhibitions, workshops, lecturers, ...)	MoC	n/a	n/a	National budget	Fulfilled on ongoing basis
	Task no. 8: Encourage creativity by conducting competitions, shows, exhibitions and non-formal education in the field of arts, non-professional artistic creation, traditional crafts and folk artistic production	MoC + Slovak Design Center and other institutions	n/a	n/a	National budget	Fulfilled on ongoing basis
	Task no. 9: Announcement of call for building incubation and acceleration schemes in the field of CCIs in Slovak regions <b>(New)</b>					<b>Task not fulfilled</b>



a) Call for projects	Regions	December 2016	Call	European Structural funds	Call not issued
b) Call for SMEs	MoC	December 2017	Call		Called issues but delay the awarding procedure
Task no. 10: Encourage activities for the development of creativity in the arts, technology in the field of ICT in the form of competitions for children in primary and secondary schools <b>(New)</b>	Min of Education	December 2017	4 Contests	National budget	Task Fulfilled
Task no. Figure 11: Upgrade music education programs drama, dance, art and craft education according to market requirements <b>(New)</b>	Min of Education	December 2017	Update the program	National budget	Task Fulfilled
Task no. 12: Developing professional competences in kindergarten, primary and secondary school teachers in the field of education and creativity, media and digital education <b>(New)</b>	Min of Education	December 2017	Create training program (2)	National budget	Task Fulfilled
<b>Action 2.2: Training and creative activities</b>					
Task no. 13: Creation of new business models I	MoE + SIEA	n/a	n/a	European Structural Funds + National budget	Fulfilled on ongoing basis
Task no. 14: Contribute to training in creative activities with an emphasis on cooperation with vocational and artistic schools	Institutions under the MoC + Ministry of Agriculture	n/a	n/a	own resources	Fulfilled on ongoing basis
Task no. 15: Raising awareness of copyright and other intellectual property rights <b>(New)</b>	Min of Education through ICT center + MoC	Sept 2017	Lecturers (2)	National budget	Task Fulfilled
<b>Action 2.3: Promote the growth of the quality of human capital through mobility and knowledge transfer</b>					
Task no. 16: Creation of new business models II	MoE + SIEA	n/a	n/a	European Structural Funds	Fulfilled on ongoing basis
Task no. 17: Mobility of memory and fund professionals institutions in acquiring new knowledge in the field of creativity	Institutions under the MoC + Ministry of Agriculture	n/a	n/a	own resources	Fulfilled on ongoing basis

<b>Priority No. 3: Increasing the absorption market capacity</b>	<b>Action 3.1: Raising awareness of the creative industry</b>					
	Task no. 18: Creation of new business models III	MoE + SIEA	n/a	n/a	European Structural Funds	Fulfilled on ongoing basis
	Task no. 19: Awareness raising activities (competitions, events, ...) <b>(New)</b>	Institutions under the MoC + Ministry of Agriculture	n/a	n/a	National budget	Fulfilled on ongoing basis
	Task no. 20: Cultural and social presentation of The Slovak Republic during the Slovak Presidency	Min Foreign Affairs + MoC	December 2016	Realised events	National budget	Task Fulfilled
	<b>Action 3.2: Support for the export and internationalization in creative industries</b>					
	Task no. 21: Promoting the internationalization of creative businesses through the Enterprises Europe Network (EEN)	SBA + EEN	n/a	n/a	COSME	Fulfilled on ongoing basis
	Task no. 22: Marketing activities aimed at promoting authentic and traditional craftsmanship to attract tourism <b>(New)</b>	Xx + regional/urban tourism offices	2016-2020 (tourism strategy)	n/a	National budget	Fulfilled on ongoing basis
	Task no. 23: Mapping of creative industries in tourism <b>(New)</b>	Xx + regional/urban tourism offices	2016-2020	n/a	National budget	Fulfilled on ongoing basis
	Task no. 24: Internationalization of the creative industry in Finland <b>(New)</b>	Min Foreign Affairs + MoE + SARIO	December 2016	Realised events	National budget	Task Fulfilled
	<b>Action 3.3: Creating conditions conducive to business</b>					
	Task no. 25: Analysis of the business environment and proposing measures to reduce administrative burdens and remove legislative barriers for SMEs and self-employed	MoE + SBA	n/a	n/a	European Structural Funds	Fulfilled on ongoing basis
	Task no. 26: Support program for Start-up	MoE + SBA	n/a	n/a	National budget	Fulfilled on ongoing basis
	Task no. 27: Promotion of the Internet economy	MoE + SBA	n/a	n/a	National budget	Fulfilled on ongoing basis
	<b>Action 3.4: Support of Clusters</b>					
	Task no. 28: Support for industrial cluster organisations	MoE + SIEA	n/a	n/a	National budget	Continuously fulfilled (but no calls in 2017 <sup>163</sup> )

<sup>163</sup> Source : [http://www.sbagency.sk/sites/default/files/sprava\\_o\\_stave\\_msp\\_v\\_sr\\_v\\_roku\\_2017\\_aj.pdf](http://www.sbagency.sk/sites/default/files/sprava_o_stave_msp_v_sr_v_roku_2017_aj.pdf)

	Task no. 29: Networking activities to support creative business	Institutions under responsibility of the MoC + Ministry of Agriculture	n/a	n/a	Own resources	Fulfilled on ongoing basis
	<b>Action 3.5: Intellectual Property</b>					
	Task no. 30: Enhancing the use of Intellectual Property Rights	MoE + SIEA (in cooperation with IPO and MoC)	n/a	n/a	European Structural Funds	<b>Task not fulfilled</b> No call issued (task to be cancelled)
	Task no. 31: Promoting the protection and use of Intellectual Property in the creative sectors of the economy	MoE + SIEA	n/a	n/a	European Structural Funds	<b>Task not fulfilled</b> No call issued (task to be cancelled)
<b>Priority No. 4: Support financing instruments</b>	<b>Measure 4.1: Subsidies</b>					
	Task no. 32: Innovation vouchers	MoE	n/a	n/a	National budget	Fulfilled on ongoing basis (but no calls in 2017) <sup>164</sup>
	Task no. 33: Support for pre-production of creative activities <b>(New)</b>	AV Fund / Slovak Arts Council	Dec 2017	Subsidies (2016-2017)	National budget	Fulfilled
	Task no. 34: Promoting the arts to increase the creative potential <b>(New)</b>	Slovak Arts Council	n/a	n/a	National budget	Fulfilled
	<b>Action 4.2: Access to finance</b>					
	Task no. 35: Micro loan program	MoE with SBA	n/a	n/a	National budget	Fulfilled <sup>165</sup>
	Task no. 36: Scheme to support business angel investors	MoE	n/a	n/a	National budget	<b>Task not fulfilled</b> No legal basis for this kind of support – review undergo
	Task no. 37: Production of data and establishment of a Satellite Account for CCIIs <b>(New)</b>	MoC	Dec 2017	Provision of data	National budget	Data is provided on a regular basis - the Satellite Account is due to be fully operational by 2020

<sup>164</sup> Source: [http://www.sbagency.sk/sites/default/files/sprava\\_o\\_stave\\_msp\\_v\\_sr\\_v\\_roku\\_2017\\_aj.pdf](http://www.sbagency.sk/sites/default/files/sprava_o_stave_msp_v_sr_v_roku_2017_aj.pdf)

<sup>165</sup> More information at <http://www.sbagency.sk/en/microloan-programme>

## Annex XII - Overview of CIs policy in Czech Republic, Poland and Hungary

	Czech Republic	Poland	Hungary
<b>State expenditure on support for culture</b>	1.3% of GDP – government expenditure on culture and recreation (2017)	1.1% of GDP government expenditure on culture and recreation (2017)	3.5% of GDP – government expenditure on culture and recreation – the largest amount in the EU28 (2017) <sup>166</sup>
<b>Cultural Policy: Strategies and main objectives</b>	<p><b>State Cultural Policy for 2015-2020 (with the objective of 2025)</b> focusing on both culture and cultural sectors and on creative industries.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>- Foster cultural identity</li> <li>- <b>Development creativity and support CCS</b></li> <li>- Preserve cultural heritage</li> <li>- Digitise cultural assets</li> <li>- Promote access to culture</li> <li>- <b>Promotion of cultural activities</b></li> </ul> <p>In addition, in 2018 the Czech Republic undertook a project co-financed from the European Social Fund and the state budget (total budget CZK 19,085,866.80) with a view to create a system of support and development of cultural and creative industries through the creation of a comprehensive CCI development and</p>	<p>Strategy for Development of Culture 2004-2007 extended to <b>National Development Strategy Supplement for 2004-2020</b>. The main objectives include:</p> <ul style="list-style-type: none"> <li>• Promotion of Polish culture internationally</li> <li>• preservation of cultural heritage</li> <li>• digitisation of cultural resources</li> <li>• Support for CCIs</li> </ul> <p>Poland is currently updating the Strategy for 2030 with the overall objective to “develop social capital” in the country. <b>Creativity will be at the core of the revised Strategy</b> which will be structured around three pillars:</p> <ul style="list-style-type: none"> <li>- cooperation with non-profit organisations including synergies with sport and tourism;</li> <li>- development of Polish culture</li> <li>- CCI development and economic growth</li> </ul>	<p>Starting from 2018, under the newly restructured government system, (the development of) the creative industries (is) are under the responsibility of the Ministry of Innovation and Technology.</p> <p>According to our research, the issue of culture's role in the 2014-2020 planning period (in the <i>Széchenyi 2020 programme</i>, as the plan is called in Hungary) is almost absent from public discourse.<sup>169</sup></p> <p>The Partnership Agreement signed with the European Commission in August 2014 nevertheless foresees further investment into cultural heritage in the context of regional development.</p> <p>The overall <b>focus is on cultural heritage and less on creative industries</b>.</p>

<sup>166</sup> Eurostat, *Government expenditure on culture, recreation and religion in EU28, 2018* [https://ec.europa.eu/eurostat/statistics-explained/index.php/Government\\_expenditure\\_on\\_recreation\\_culture\\_and\\_religion](https://ec.europa.eu/eurostat/statistics-explained/index.php/Government_expenditure_on_recreation_culture_and_religion)

<sup>169</sup> Source: Council of Europe (2014) Compendium of Cultural Policy Hungary

	support strategy. <sup>167</sup> In November 2019, the Minister of Culture and the Minister of Industry and Trade signed a Memorandum of Understanding for the design and implementation of the future strategy. <sup>168</sup>		
<b>Action Plans for Culture and CIs</b>	The above Strategy details the main objectives into specific sub-objectives which are proposed to be attained via different actions.	<p>The above strategy contains <b>5 National Culture Programmes</b><sup>170</sup> which function as action plans and guidelines for implementation.</p> <p>The new Strategy 2030 will not have an Action Plan as the Strategy contains concrete actions for implementation. The Strategy will include:</p> <ul style="list-style-type: none"> <li>• Guidelines for implementation</li> <li>• KPI and output indicators to measure the results and impact over the 10-year period of implementation. Indicators relate to both social and economic impact and will be measures by the National Statistic Institution in cooperation with the MoC</li> <li>• Specific data collection and analysis per CI sub-sector (music, video games, film...) with biannual publication of data (brochures) for the public</li> </ul>	To our knowledge there is no specific Action Plan for Culture and CIs, apart the above-mentioned foreseen investment into cultural heritage

<sup>167</sup> The whole duration of the project is 27 months and the strategy should be released in the first quarter of 2020. Source: <https://www.mkcr.cz/zpracovani-systemu-rozvoje-a-podpory-kulturnich-a-kreativnich-prumyslu-ministerstvem-kulturni-1883.html>

<sup>168</sup> Source: <https://www.mkcr.cz/novinky-a-media/ministr-kulturni-l-zaoralek-a-ministr-prumyslu-a-obchodu-k-havlicek-podepsali-memorandum-o-spolupraci-obou-rezortu-v-oblasti-kulturnich-a-kreativnich-prumyslu-4-cs3585.html?fbclid=IwAR1cqn10uE8fAhg1VkfMxYFNxht-ttfGayR4WT4-gjcyCGSW4NxlznC848A>

<sup>170</sup> Poland country report, Cultural industries and tourism, 2016

[https://www.ndpculture.org/media/W1siZiIsIjIwMTcvMTEvMTYvN2VjbGZzcGg1a19Db3VudHJ5X3JlcG9ydF8yMDE3X1BvbGFuZGF8ucGRmI1d/Country%20report\\_2017\\_Poland\\_.pdf?sha=43504f6c9ec0ce4a](https://www.ndpculture.org/media/W1siZiIsIjIwMTcvMTEvMTYvN2VjbGZzcGg1a19Db3VudHJ5X3JlcG9ydF8yMDE3X1BvbGFuZGF8ucGRmI1d/Country%20report_2017_Poland_.pdf?sha=43504f6c9ec0ce4a)

<b>Main actions</b> (not exhaustive, but exemplifying)	<p>The current Strategy includes:</p> <ul style="list-style-type: none"> <li>• cooperation between the Ministry of Industry and Trade and the Ministry of Culture to support projects in the CCS in the framework of the ESIF Operational Programme ‘Enterprise and Innovation for Competitiveness’</li> <li>• cooperation between the Ministry of Culture, the Ministry of Tourism and the Ministry of the Interior to map cultural sites and to develop cultural heritage tourism</li> <li>• organisations of seminars, lectures and consultations on copyright by the Ministry of Culture and National Information and Consulting Centres for Culture (NIPOS) to the staff of semi-budgetary entities of the state, staff of semi-budgetary entities established by local governments, employees of authorities, NGO representatives and other stakeholders.</li> <li>• Cash rebate scheme for film production (2010) to attract foreign investment in the film industry</li> </ul>	<p>The current Strategy includes the following flagship projects:</p> <ul style="list-style-type: none"> <li>• <b>Creation of the Centre for Creative Industries</b> under the management of the Ministry of Culture to improve data collection and analysis of the CCS and to address market needs in the sectors<sup>171</sup>.</li> <li>• <b>Cooperation between the Ministry of Culture and the Ministry of Foreign Affairs</b> for the development of the web portal ‘culture in the network for children’; both ministries promote Poland abroad;</li> <li>• <b>The Poland Translation Programme</b> aiming to promote Polish literature internationally; it is aimed at foreign and Polish publishers interested in publishing Polish books in foreign-language translations;</li> <li>• <b>Introduction of a cash rebate for film production</b> (2018, came into effect in 2019) to support the film industry and trigger inward investment.</li> <li>• support to <b>music bureau export</b></li> <li>• <b>Creative Europe Guarantee Facility for CCS</b></li> </ul> <p>Poland will also introduce a <b>tax incentive for video game production</b> (in 2019) as a test to open up this incentive to other CI sub-sectors.</p>	<ul style="list-style-type: none"> <li>• large budget increase (8 mn EUR in 2012) for the Hungarian Academy of Art (MMA) whose purpose is to protect the cultural values, especially to preserve, transfer and present the nation’s artistic traditions, to preserve the national consciousness</li> <li>• raise the tax incentive for film production from 25% to 30% in 2018 with the aim to preserve Hungary’s leading position and competitiveness in the European film industry. In 2015, film production in Hungary accounted for 0.15% of the GDP – one of the highest proportions in Europe. The volume of film production spending reached \$400 million in Hungary in 2017</li> <li>• <b>Creative Europe Guarantee Facility for CCS</b></li> </ul>
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<sup>171</sup> The creation of the centers has been delayed and it will be included in the new Strategy 2030

## Annex XIII – Overview of existing incentives to stimulate investment across the EU

There is a wide range of public policy incentives to stimulate private investment that have been increasingly implemented for the cultural and creative sectors across Europe in past years. Below we present the most popular, along with examples of their implementation in Europe.

### **Tax incentives**

Tax incentives are recognised as straightforward and effective policy tools to develop various economic sectors by stimulating private investment into different stages of the value chain (e.g. production or distribution). Tax incentives benefiting CCIs have become increasingly popular across the EU especially in the audiovisual industry, where they encourage private investment in audiovisual production (feature films, animations video games etc).

In recent years, a number of European countries, such as Lithuania, the Netherlands, or Italy have implemented tax incentives to stimulate audiovisual production, joining the already-experienced countries with such measures, like France, UK, Belgium, Ireland, Hungary or Spain. This reflects the broader trend in Europe towards encouraging investment in the audiovisual sector, as opposed to direct state aid, as a holistic measure to support the industry, develop the local economy and promote countries internationally.

There are 2 main types of tax incentives specific to the audiovisual industry commonly used in Europe: tax shelters (tax deductions) and tax credits (tax rebates).

- a. *Tax shelters* are designed to attract investment from individuals or firms who are permitted to deduct investments made in qualifying production costs from their taxable revenues, while still being able to realise profits from a project.
- b. *Tax credits* are driven by the production spend against the producer's tax liabilities in the way that the incentive will directly reduce the amount of tax due, after a corporate annual return is filled in.

Tax incentives are considered a viable complementary source of finance in the film industry. Public grants, both at national and EU level, are offered as awards in contest set-ups, thus tend to be more competitive and subjected to more formal and content-related criteria than tax incentives. By contrast, the access to tax incentives (or other forms of private investment – see below) relies more on business skills, diligence, on developing business relations between the different involved sectors and understanding the various specificities of each sector.

#### ***The Production Finance Market (PFM)<sup>172</sup>***

*PFM is an annual two-day financing event for film, run in association between Film London and British Film Institute. It helps the private sector understand and invest in film projects, by facilitating communication and forging long-term business relations between filmmakers, producers and investors and subsequently securing various forms of investments in companies and film projects. PFM addresses both projects with higher budgets (thus supporting already competitive filmmakers), but also new talents with smaller budgets.*

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<sup>172</sup> Source: <http://filmlondon.org.uk/industry/pfm>



### ***The Lithuanian tax shelter scheme for film production<sup>173</sup>***

*The Lithuanian tax scheme came into effect in January 2014 for a five-year period. It was approved by the European Commission in 2012, as part of State Aid review. The scheme was designed as a policy measure to boost local and foreign film production in Lithuania and to attract inward investment through a private investment scheme.*

*The support is provided as a donation (which does not exceed 20% of the production budget) by an undertaking entity and is backed by a tax relief on profits. Thus, the beneficiaries are:*

- **Private donors (investors)** (i.e. entities with a Lithuanian corporate tax liability, including foreign entities acting through a permanent office in Lithuania)
- **The film producers** get a financial aid for filmmaking in Lithuania if their production meets the eligibility criteria.

*The mechanism is deployed in two steps:*

- 75% of the donation to the film production can be deducted from the taxable profits to be paid by the investor
- The corporate tax to be paid by the investor can be decreased by the amount of the donated funds

*In order for a production to be eligible, at least 80% of all expenses have to be incurred in the Republic of Lithuania and the expenses in Lithuania are at least EUR 43,000. In order to be eligible, the film has to meet at least two of the following criteria for cultural content:*

- the film script or the main topic is based on the cultural, historical, religious, mythological or social life events of Lithuania or Europe;
- the film tells the story of a famous Lithuanian or European cultural, historical, religious, mythological or society personality;
- the film script or the main topic is based on a prominent Lithuanian or European literary creation;
- the film promotes important Lithuanian and European values: cultural and religious diversity, human rights and public spirit, democracy and solidarity, minority rights and tolerance, respect for cultural and family traditions;
- the film tackles the issue of national and European identity.

*The intensity of the benefit for the investor is up to 11.25%. The tax benefit can be exercised by the investor upon receiving the investment certificate for the return period in which the investor receives the certificate. The donation from the private investor can be combined with other state aid, but the cumulated aid amounts are limited to 50% of the production budget of the film, with a couple of exceptions: low budget and difficult films may receive cumulated aid up to 90% of the production budget starting from 2018 (in the 2014-2017 period the maximum intensity for these films was 75%) and co-productions up to 60%.*

### ***Results***

*Since the implementation of the tax scheme, Lithuania's film industry has shown ability to increase its market share and meet consumers' demand for local stories (Lithuanian films*

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<sup>173</sup> Lithuanian Film Centre, European Commission, SA.35227 (2012/N) – Lithuanian film tax incentive, Brussels, 18.12.2012, KEA, *Evaluation of the fiscal incentive scheme for film production in Lithuania*, 2018

21.47% in national cinema market share in 2017). As a result, the national gross box office augmented between 2013 and 2017 from € 10.8 million to € 20.2 million (registering an increase of 87%), with the admissions per capita increasing during the same period from 1.05 to 1.43.

The tax scheme has helped channelling an additional EUR 24.4 million of foreign investment in Lithuania from countries such as the USA, the UK, Canada or Russia and helped in generating an estimated EUR 43.5 million in expenditure in Lithuania between 2014-2017. The tax scheme alone (via productions that were not supported by state aid, but only by the tax incentive) generated an estimated 10.583 employment positions (freelance based) in the film production sector and approximately EUR 6.6 million of personal net income in the 2014-2017 period. The incentive mechanism equally brought significant income for the state, estimated at EUR 6.8 million of tax revenue (in labour taxes, social security contributions and VAT).

**Renowned film productions realised with the Lithuanian tax scheme:**

- *War and Peace* (2015): EUR 7.3 million - total budget in Lithuania, out of which – EUR 1.5 million of investment via the tax shelter
- *Tokyo Trial* (2016): EUR 2 million total budget in Lithuania, out of which – EUR 0.5 million of investment via the tax shelter
- *Chernobyl* (2019): budget not disclosed in the moment of the research.

Tax incentives can be applied to sponsorships and donations as another way of encouraging investment of external private capital in the wider cultural and creative industries. However, whereas sponsorship (or “patronage”) is part of a commercial strategy which includes quantifiable returns, no financial return is expected when making donations.

A corporate donation is a gift in cash or kind made by companies and other legal subjects to cultural organisations or individual artists. A taxation policy measure to encourage corporate donations is mostly implemented via a *tax deduction* on the donation (*tax shelter*), i.e. the taxable income of the donor is being reduced with the value of the donation. This is a well-established measure in countries of Anglo-Saxon cultural policy tradition<sup>174</sup>, however, more and more countries are starting to encourage donations in the cultural sectors via tax incentives for both individuals and businesses.

Sponsorship is becoming an even more strategic measure for increasing investment in CCIs. Sponsorship of cultural institutions, organisations or events can be treated the same as other expenses for advertising (i.e. it is fully deductible) with the condition to be linked to business activities that are sources of taxable income. Several EU Member States such as Austria, Bulgaria, Denmark, Ireland, Malta, Portugal or the UK, have introduced tax incentives (in particular *tax deductions*) for sponsorship actions.

*In Bulgaria, to encourage private sponsorship, a tax deduction is provided to resident and non-resident natural persons and legal entities. The deduction amounts to up to 10% of the taxable income of the donor for the purpose of conservation and restauration of historical*

<sup>174</sup> Institute for International Relations, *Encouraging Private Investment in the Cultural Sector*, 2011 for the European Parliament.

*and cultural monuments. In the Netherlands, investments in arts and cultural projects that generate profits up to EUR 54,000 are exempted from charges on capital returns.*<sup>175</sup>

### **Public loan guarantees**

Guarantees can mobilise and leverage debt financing by mitigating and/or protecting risks, notably commercial default risk in the case of CCIs. Through a public guarantee, governments or other public executive bodies agree to bear a certain amount of risk, typically by assuming a borrower's debt obligation in the case of a default.

The public loan guarantee established at EU level for the CCIs has become increasingly popular as more and more financial intermediaries have signed an agreement with the EU in the past 2 years.

The **Creative Europe Guarantee Facility for CCS** has been reinforcing the European trend of private investment in the audiovisual sector, by seeking to incentivise banks and other financial intermediaries (FI) to extend loans to SMEs within the cultural and creative sectors. In 2016, the EIF designated a free-of-charge guarantee instrument of an overall value of EUR 121 million (extended to EUR 181 million in 2017) to financial intermediaries across Europe. The guarantee takes the shape of a portfolio of eligible debt financing, meant to cover eventual losses incurred by FIs if a CCIs business falls into default on loan repayments (i.e. it covers 70% of outstanding final loss after recovery procedures are terminated). However, a cap on losses is set by EIF at a maximum level of 25%. The Guarantee Facility is expected to generate more than EUR 1 billion in loans for thousands of cultural and creative SMEs.<sup>176</sup>

Until now, financial intermediaries in 9 EU countries have signed agreements with EIF for an overall portfolio guarantee of over EUR 62 million<sup>177</sup>, further proving the growing interest of the private sector in investing into the development of the creative sectors.

There are other examples of public loan guarantees set up at national levels in several EU Member States. For instance, in 2006 the Dutch Triodos Bank launched the Triodos Culture Investment Fund which gives loans to cultural organisations at preferential rates.<sup>178</sup> Due to the company privacy measures, we were not able to find out more details about its financial instruments in place for the CCIs.

### ***Financing Institute for Cultural Industries and Cinema (IFCIC)***<sup>179</sup>

*The public-private IFCIC is the reference institution in France for the financing of CCIs. It was established in 1983 on the French ministries of Culture and Economy's initiative. Today, 49% of IFCIC's capital is held by the French government and the group Bpifrance and 51% by private shareholders, including most of the commercial banks and lending institutions established in France. IFCIC offers two sets of financial instruments:*

- ***Loans to cultural and creative companies*** and financial/banking expertise; the loans usually finance development investments (post-seed financing) and

<sup>175</sup> idem

<sup>176</sup> Source : <https://ec.europa.eu/digital-single-market/en/financial-guarantee-facility-culture-creative>

<sup>177</sup> [https://www.eif.org/what\\_we\\_do/guarantees/cultural\\_creative\\_sectors\\_guarantee\\_facility/businesses\\_active\\_in\\_the\\_ccs](https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/businesses_active_in_the_ccs)

<sup>178</sup> Source : <https://www.triodos-im.com/funds/triodos-cultuurfonds/>

<sup>179</sup> Source : <http://www.ifcic.eu/>

expenditures on intangible investments; IFCIC loans are unsecured (no guarantee, security, mortgage or insurance is required).

- **Loan guarantees to banks**, co-financing ability and expertise in assessing the specific risks of CCI companies and projects; the IFCIC guarantees take the form of a participation in risk in which IFCIC shares the final capital risk of the credit transaction with the bank. All maturities (from short to long-term) are eligible. The guarantee rate usually varies between 50% and 70% of the credit's amount.

In 2016, the total volume of loans granted or guaranteed by IFCIC amounted to €1 billion for the benefit of nearly 1000 cultural and creative companies.

IFICI also provides medium-term loans in particular to music businesses for structural development through the 'Fonds d'Avance aux Industries Musicales' (the loans cover up to 70% of the costs for a maximum of EUR 800,000).

### **Matching funds**

Matching funds require that a private donation or investment has to be matched by a certain amount proportional to the value of the donation or investment from a third party, such as the state or local community. Matching funds exemplify a positive correlation between public subsidy and private investment, in which the two are not substituting each other, but are complementary, to the benefit of the CCIs.

#### ***Matching funds in the UK<sup>180</sup>***

*The high level of public support for the CCIs in the UK has allowed the sector to develop, thus securing an increased profit. This success attracted more private investment in the sector from businesses and donors that capitalize from the public investment made by the state, as previously mentioned.*

*Matching funds are a particularly attractive mechanism. In 2018, the Arts Council England has created the National Lottery Project Grants as an open-access programme for arts, museums and libraries projects that is intended to support a broad range of not-for-profit projects that create and sustain quality work and help people across England to engage with arts and culture. The programme supports development by allowing artists, cultural practitioners and organisations to work in new ways and to get their work out to new audiences. Project grants will support in particular the organisations working in creative and digital media. In order to obtain funding, applicants must secure 10% of the funding from private sources. Submitted projects may work in the creative media and wider creative industries (i.e. film, audiovisual, design or gaming), in order to secure the interest of private investors.*

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<sup>180</sup> Source: <https://onewalsall.org/funding-arts-council-england/>