

**EUROPEAN AGENDA
FOR CULTURE**

**WORK PLAN FOR CULTURE
2015-2018**

NOVEMBER 2015



GOOD PRACTICE REPORT

**TOWARDS MORE EFFICIENT
FINANCIAL ECOSYSTEMS:
INNOVATIVE INSTRUMENTS
TO FACILITATE**

ACCESS TO FINANCE

**FOR THE CULTURAL AND
CREATIVE SECTORS (CCS)**

OPEN METHOD OF COORDINATION (OMC)

WORKING GROUP OF EU MEMBER STATES EXPERTS

ON ACCESS TO FINANCE FOR THE CULTURAL AND CREATIVE SECTORS



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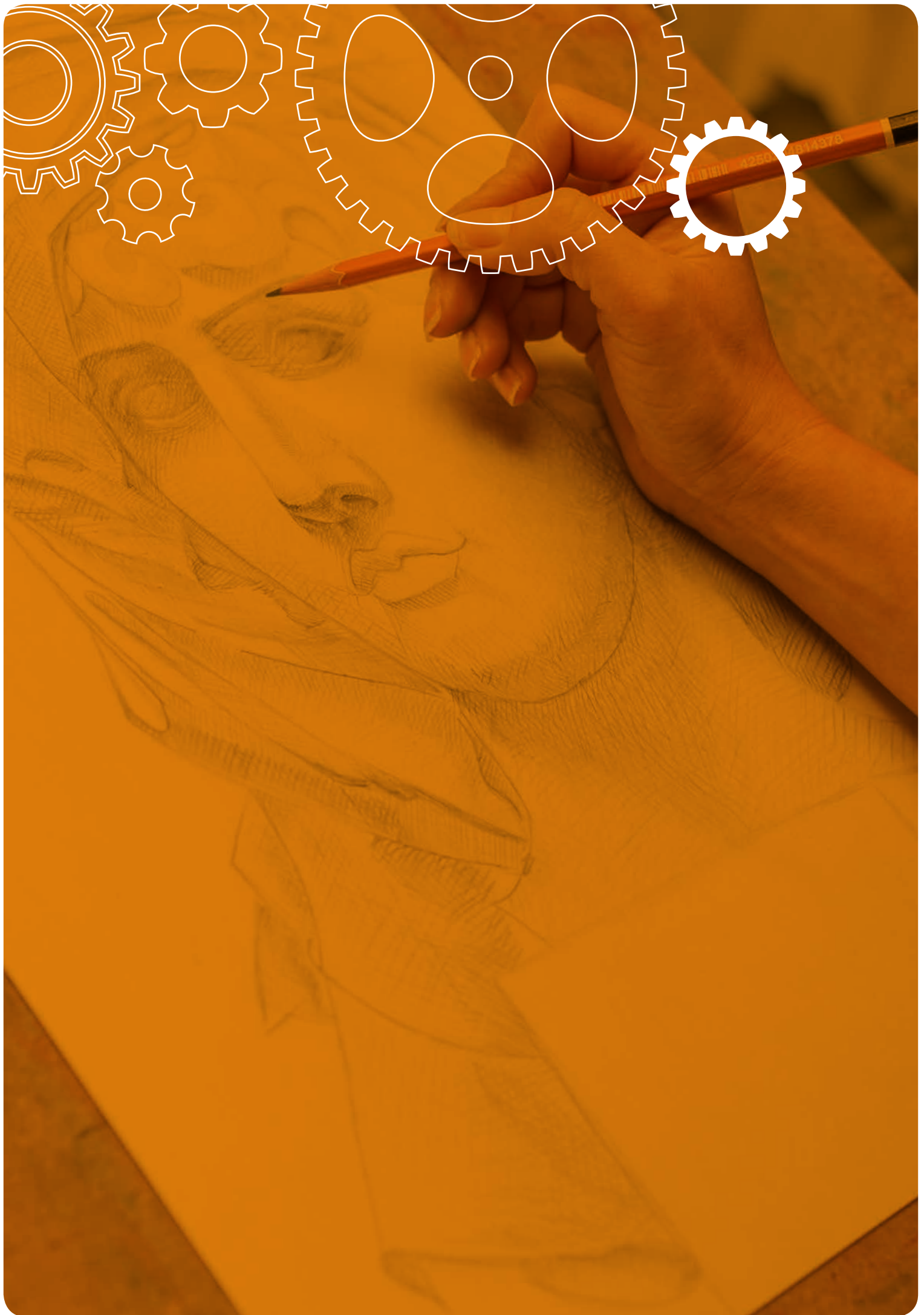
ON ACCESS TO FINANCE FOR THE CULTURAL AND CREATIVE SECTORS

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The background is a warm, orange-toned photograph of a hand holding a pencil, poised to draw on a piece of paper. The paper has faint pencil sketches of a human face. Overlaid on this image are several white, semi-transparent geometric shapes: a large vertical rectangle, a smaller horizontal rectangle, and several overlapping circles and arcs. In the lower right quadrant, there are several white line-art gears of different sizes, some overlapping each other. The overall aesthetic is technical and creative.

INTRODUCTION



1

INTRODUCTION

Objective, mandate and target groups

The OMC group's work on access to finance for cultural organisations and creative small and medium-sized enterprises¹ (SMEs) started in July 2014, in the framework of the Council Work Plan for Culture for 2011–2014². The objective was to develop a good practice manual on the financial mechanisms available to small and medium-sized enterprises in the cultural and creative sectors (CCS). Originally, it was planned that the group would only meet twice and, with the help of a mapping of financial instruments prepared by the European Expert Network for Culture (EENC), would complete its report by the end of 2014. However, given the complexity of the issue, it soon became clear that the theme merits a more profound treatment. In particular, the work on access to finance for the CCS needed to be placed in the context of current economic and social crisis on the one hand, and the political reflection on the sectors' potential for growth, job creation and social welfare as well as its contribution to cross sectorial innovation on the other³.

Subsequently, in the Work Plan for Culture for 2015–2018⁴, the Council extended the group's **mandate** as follows⁵:

'Experts will identify innovative funding schemes and investment practices in the cultural and creative sectors' and 'Focus on the financial ecosystem for the cultural and creative sectors. Examination of financial instruments, such as loans and equities. Overview and analysis of alternative financing, such as public-private funds, business angels, venture capital, crowdfunding, sponsorship, donations and philanthropy.'

Furthermore, it stated that *'the participation of finance and economy experts will be encouraged.'*

Like all OMC reports, this report has several **target groups**. First and foremost, the report targets political decision makers at European, national, and sub-national level. It also targets financiers, CCS companies and professionals, and others interested in CCS financing. The report's objective is to inspire investors to explore the obvious investment opportunities that creative SMEs offer by further deepening the target groups' understanding of specific issues related to CCS financing; in particular where there are gaps or bottlenecks in the financial ecosystem. The report's assessment and recommendations should provide political decision makers, financiers and CCS companies with ideas on and possible solutions for overcoming these issues and unlock the undisputed potential of the CCS for smart and inclusive growth.

1

See SME definition on

http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm

2

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:cu0007>

3

See Council Conclusions on cultural and creative crossovers to stimulate innovation, economic sustainability and social inclusion.

4

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2014.463.01.0004.01.ENG

5

The topic of access to finance is part of Priority Area C: 'Cultural and creative sectors: Creative economy and innovation'.

6

COM(2012) 537.

Policy context

The Commission's 2012 communication on promoting cultural and creative sectors for growth and jobs in the EU⁶ identifies access to finance as a major difficulty for the CCS. The financial and economic crisis only makes this situation more critical at the very time when investment is needed for the sectors to adapt.

The situation has not changed much since 2012. The CCS have a strategic role to play in meeting the Commission's top priority of jobs and growth in Europe, especially in providing jobs and career opportunities to young Europeans, who have been hard-hit by unemployment in the EU. However, the potential of the CCS cannot be fully exploited because of difficulties in accessing finance.

The work of the OMC group is also valuable in the context of other EU priority initiatives: the digital single market, the modernisation of EU industry, the single market strategy, and the review of the Europe 2020 strategy. It also feeds into the discussion on funding opportunities for the CCS from different EU programmes, such as the Creative Europe programme, including the CCS guarantee facility, COSME (including Erasmus for Young Entrepreneurs), Horizon 2020 and Erasmus+, the EU structural funds, and the Investment Plan for Europe.

In addition, the report complements and further develops analyses of CCS access to finance, such as the work of the European Creative Industries Alliance, the survey of CCS financial needs carried out by Idea Consult (2013), the study on the 'Entrepreneurial dimension of the cultural and creative industries' by the Utrecht School of the Arts (2010), and the European-Parliament-commissioned study on 'Encouraging private investment in the cultural sector' (2011).

The main idea behind the report is to provide impetus for the EU and its Member States to move from reflection to action, and an opportunity to learn from each other.

Evidence about the importance of the CCS

The cultural and creative sectors are some of Europe's most dynamic sectors; they are estimated to generate about 4.2% of total EU GDP⁷. According to the figures published by Eurostat in June 2015⁸, employment in the CCS at EU level increased from 2.5% in 2008 to 2.9% in 2014, as compared to total EU employment. Despite the beginning of the financial crisis in 2008, the proportion of cultural employment in total employment has increased, suggesting not only a certain resilience of the sector, but additional job creation within it. Available evidence confirms that the cultural and creative industries are highly attractive for young people and absorb them easily: on average, the CCS employed more 15-29-year-olds than any other economic sector (19.1% of total employment in CCS versus 18.6% in the rest of the economy).

According to a study carried out for the European Patent Office (EPO) and the Office for Harmonisation in the Internal Market (OHIM)⁹, Intellectual Property Rights (IPR)-intensive industries generate more than a quarter of employment and more than a third of economic activity in the EU. Overall, almost 39% of EU GDP is generated in IPR-intensive industries, with trade-mark-intensive industries accounting for 34%, design-intensive industries for 13%, patent-intensive industries for 14% and copyright for 4.2%. Interestingly, copyright-related industries have a significant trade surplus (EUR 15.3 billion), which highlights their export potential.

These figures are part of a growing evidence base showing that economic production is undergoing a fundamental transformation. Whereas in the industrial economy most investment was in tangible assets and tangibles were driving growth, in today's creative economy intangible assets are the main objects of investment, sources of value and drivers of growth. A US study on intangible asset market value¹⁰ shows the rapid and dramatic change from tangible to intangible assets as the source of market value. CCS access to finance must be seen in the context of this transformation to ensure that its importance is fully appreciated.

7

Ernst and Young (2014) Creating growth – Measuring cultural and creative markets in the EU.

8

<http://ec.europa.eu/eurostat/web/culture/cultural-employment/data/database>

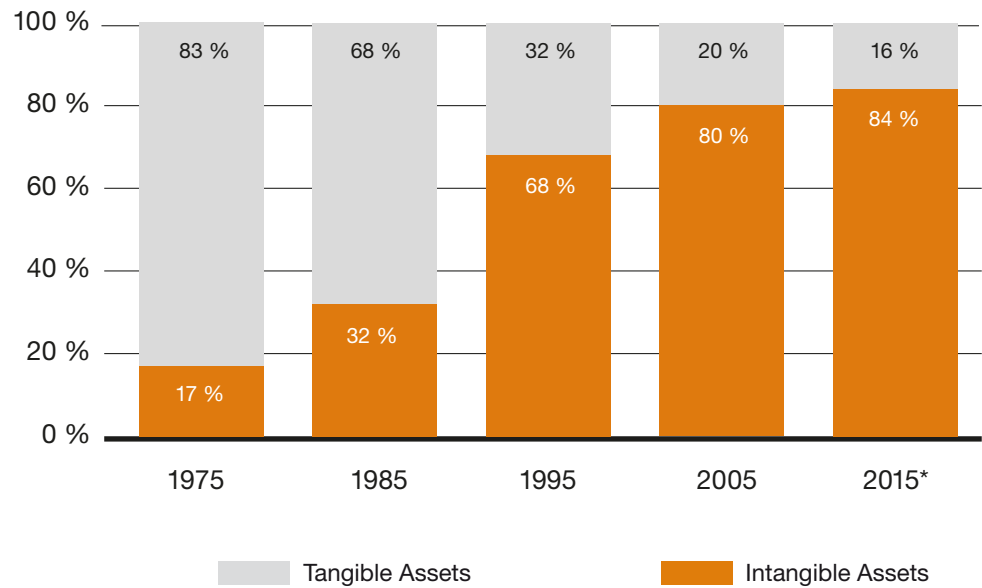
9

Intellectual-property-rights-intensive industries: contribution to economic performance and employment in the European Union industry-level analysis report, September 2013 – A joint project between the European Patent Office and the Office for Harmonisation in the Internal Market.

10

Ocean Tomo, LLC. See also: <http://www.oceantomo.com/blog/2015/05-11-valuation-tools-for-assessing-ip-risks/>

Figure 1 – Components of Standard & Poor’s 500¹¹ Market Value



Source: Ocean Tomo LLC

* January 1, 2015

Structure of the report

This report looks at the innovative instruments which can facilitate access to finance for the cultural and creative sectors. Such instruments need to be part of well-functioning and efficient financial ecosystems.

There is no shortage of studies or surveys on CCS access to finance. Based on these studies, we can say that there appears to be a consensus on the **main challenges and bottlenecks** that CCS companies face when trying to access finance. These include e.g. the predominance of SMEs and micro-enterprises, the (mis)perception that CCS companies are riskier than other types of business, the fact that many CCS companies are IP-based and cannot use their intangible assets as securities and/or collateral for financing. The OMC group corroborated these findings, as shown in **chapter 2**.

There are, however, no EU-level listings or overall assessments of the financing instruments available at regional, national and EU level, or of possible gaps or failures in financing. Therefore, the OMC group’s main task, and contribution, was to describe and analyse the financial ecosystem available to the CCS and deepen the analysis and understanding of its specificities.

The group’s preliminary work was based on the European Expert Network on Culture (EENC) report on mapping opportunities for the CCS to access finance in the EU¹², which identified over 160 different financing instruments, by no means an exhaustive list. Because of the abundance of financing instruments, and in order to be able to analyse the financial ecosystem and its strengths and weaknesses, the group decided to classify the instruments according to complementary **typologies: based on the funding model (chapter 3)** and – from the beneficiaries’ perspective – **based on**

¹¹

The S&P 500, or the Standard & Poor’s 500, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

¹²

<http://www.eenc.info/wp-content/themes/kingsize/images/upload/EENC-CCSsAccessToFinance-141118.pdf>

the needs of the CCS (chapter 4). Chapter 5 has an **assessment** of existing practices based on these classifications. The **conclusions** and **recommendations** are discussed in **chapters 6 and 7**, respectively.

The OMC group's working methods

The OMC group met six times and brought together experts from the culture, economy and finance ministries of 25 Member States. In line with the mandate to engage with finance and economy experts, 18 representatives of financiers and CCS companies participated in the group's meetings. They made presentations and participated in discussions, which greatly helped the group's work. The same can be said of several Commission representatives from different Directorates-General, including DG Education and Culture (EAC), DG Communications Networks, Content and Technology (CNECT), DG Internal Market, Industry, Entrepreneurship and SMEs (GROW) and Research and Innovation (RTD).

The OMC group was co-chaired by Kimmo Aulake (Ministry of Education and Culture, Finland) and Rasmus Wiinstedt Tscherning (Managing Director of Creative Business Cup, Denmark). The group expresses its gratitude to all the experts from the Member States and the European Commission, as well as to the financing and CCS experts, for their valuable contributions. Special thanks go to the European Expert Network on Culture and Cornelia Dümcke, Zora Jaurová and Péter Inkei, who prepared the mapping of financing instruments.

The background is a solid teal color. It features several white line-art elements: a large gear in the bottom right corner, several smaller gears of various sizes scattered throughout, and a complex network of overlapping lines and rectangles that resemble a technical drawing or a schematic diagram. The text is centered in the upper half of the image.

THE FINANCIAL ECOSYSTEM IN THE CCS



2

THE FINANCIAL ECOSYSTEM IN THE CCS

‘Ecosystem’ is typically defined as a system or network of interconnecting and interacting parts. The financial ecosystem in the CCS includes parts that are internal to CCS companies e.g. companies’ financial situation, assets, skills, know-how, business plan, and goods or services. Parts that are external to the company include e.g. finance providers and supporters, demand for the company’s goods or services, market dynamics and demand, and the regulatory and policy framework within which the company operates.

The financial ecosystem in the CCS is, therefore, far wider and more complex than the direct relationship between companies and financiers, although a financier is likely to take all relevant variables into account.

The complexity of the financial ecosystem in the CCS is presented below (Figure 2), with seven main areas and related exemplary elements listed in each of the boxes.

Figure 2 – The financial ecosystem in the CCS companies



1

To start a business, to innovate (develop new products and services), for research and development, to access new markets.

The financial ecosystem is made up of several actors who are all pursuing their own objectives, and a number of circumstances which facilitate or limit the attainment of these objectives, or which are neutral in this respect. For the ecosystem to function and be able to serve the objectives of its actors, there needs to be meaningful communication and understanding between the actors. For example, CCS companies may need funding for different kinds of tasks related to R&D, production, marketing and market entry to growth, and these may vary over time. In order to assess whether these funding needs correspond to a financier's objectives and funding criteria, the financier must have intimate knowledge of the company and its assets, goods or services and commercial potential in target markets, as well as of the nature of IP-rich and IP-based businesses in general. This calls for open communication and mutual trust.

It appears that, in the CCS, communication between the different actors within the ecosystem does not flow in an organic way, and that there are asymmetries. More often than not, CCS companies do not have sufficient information on different financial instruments, especially as regards Venture Capital financing. Furthermore, small CCS companies sometimes also lack solid business strategies and many have difficulties in describing their position in the value chain and the value and role of intangible assets, especially intellectual property, for their business and growth potential. Several stakeholders suggest increasing training for CCS entrepreneurs on these crucial skills. When CCS companies can present financiers with business plans (including on how and by whom ideas will be executed and what kind of value will be generated as a result) and information on business-critical assets, they will increase the pool of ideas and make them more visible and understandable for financiers.

For their part, financiers usually have limited understanding of the characteristics of IP-based businesses, though this seems to be more prevalent among banks and government-based financing instruments than, say, among business angels and venture capitalists. However, improving financiers' awareness and understanding of CCS, especially of the specific characteristics of its sub-sectors and the business models of CCS SMEs, which are usually typical IP-based businesses, is a fundamental issue in the EU.

There are significant differences as regards the functioning of the financial ecosystem in the CCS, both within Europe and between Europe and other parts of the world, especially the USA. Although there are financial instruments available to CCS companies in all EU Member States, there are wide discrepancies in the maturity of financial ecosystems in the CCS. There are specific cases where CCS companies and entrepreneurs moved their businesses from one country to another because of the legislative environment, availability of financing, or in order to become closer to the target market. This was, undoubtedly, sensible for the companies in question, but it is not beneficial for the countries they left or for smart growth in the EU in general.

Similarly, several experts have reported that a significant amount of available risk financing comes from the USA and that US investors are more familiar with the relevant UK regulations than those in other Member States, which makes them much more willing to invest in UK-based companies. Therefore, with several UK financing instruments, the financial ecosystem in the UK's CCS, especially in London, is well advanced and seems to have achieved a critical mass of both CCS companies and financiers with the requisite understanding of IP-based businesses. This has enabled the creation of a virtuous circle. For technology businesses, Silicon Valley is an even better example of a virtuous circle.

A significant number of the mapped financial instruments available to SMEs in the CCS is supported by public institutions and public money. The list of instruments presented in this report and the EENC report¹³ is not exhaustive and there are many private financing instruments, from banks and business angels to crowdfunding and

13
European Expert Network on Culture (2014)
Opportunities for CCS to access finance in the EU.

venture capital funds. This highlights the importance of governments and public institutions for financial ecosystems in the CCS. While public financing instruments themselves need to be adapted to the needs of IP-based businesses, governments can, and should, provide leverage vis-à-vis private financiers, from business angels to venture capital funds and banks. This is, of course, especially the case in current times of austerity in public financing. Where governments have taken an active role as intermediaries, either directly, through incubators or accelerators or together with other intermediaries, they have helped change communication and information asymmetries within the financial ecosystem. Obviously, public-private financing instruments and guarantee schemes have also proved to be effective tools to activate private financiers.

A specific question on access to finance and the financial ecosystem in the CCS relates to the role of IP rights in financing, and their use and perceived value as collateral. IP rights are important assets because they can increase a company's asset value. Understanding and valuing these assets can help a company to negotiate access to credit or other forms of financing and help acquire better terms for that financing¹⁴.

In certain countries (the UK is an example) companies now invest more in intangible assets than in tangible assets¹⁵. However, most financiers retain traditional models apportioning substantial value only to tangible assets (like real estate assets) as security. This is discussed in more detail in Chapter 2.2.

2.1 Challenges that the CCS are facing in access to finance

It is a well-recognised fact in many European countries that the cultural and creative sectors are (or have the potential to be) the fastest growing sector of the economy. However, the fact that they face challenges in accessing finance is one of the critical obstacles to their growth.

Most SMEs from the CCS have difficulties making use of traditional financing schemes. Creative SMEs often turn to private banks when seeking finance, but are usually turned down.

Research shows that the challenges and framework conditions facing SMEs in the CCS are on many levels homogenous across the different CCS subsectors. This report follows these findings and covers the cultural and creative sectors as one sector, supporting the idea that policy initiatives can be addressed across CCS subsectors.

The EENC report points out a number of challenges that SMEs in the CCS face in accessing finance. Some of these are shared by SMEs from other sectors, while some '*specific characteristics of CCS organisations reinforce the problem of access to finance*'¹⁶. The latter include:

- **Intrinsic characteristics of CCS activities:** lack of tangible assets, dependence on intangible assets, lack of collateral, high uncertainty of market demand, generation of value over long and uncertain periods of time, etc.
- **Characteristics of organisations and entrepreneurs within the CCS:** perceived lack of business skills, dependence on public investment schemes, CCS entrepreneurs' fear of losing control of their business, etc.

14

See also: European Commission (2013)
Final Report from the Expert Group on Intellectual
Property Valuation.

15

NESTA (2014) – UK investment in intangible assets:
Report for Nesta:
https://www.nesta.org.uk/sites/default/files/1402_working_paper_-_uk_investment_in_intangible_assets_report_for_nesta.pdf

16

IDEA Consult (2013).

- **Specific market conditions:** size of market (e.g. cultural and linguistic fragmentation of CCS markets across Europe), lack of good market intelligence, pressure on existing business models (due to digital shift, among others), etc.

More specifically, recent literature has addressed the following challenges experienced by SMEs in the CCS:

- **Lack of information on available sources of funding** arises as a recurrent challenge: *'Perhaps the greatest obstacle faced by entrepreneurs and enterprises in the CCS is how to locate the funds to finance their endeavours'*¹⁷.
- **The problem of mismatched information** between companies (particularly SMEs and start-ups with limited credit histories) and the market.
- **Lack of market data** on creative industry business models, past performance and industry trends.
- **Issues around valuing IP** (discussed in greater detail in Chapter 2.1.).
- **Lack of understanding of the CCS' unique characteristics by financiers**, including banks.
- **Limited forward planning among SMEs in the CCS:** *'The online questionnaire revealed that 22 % of the CCS had no financial and economic planning while 53 % had a one year forecast... Only 4 % had a financial forecast of up to 5 years'*¹⁸.
- SMEs in the CCS tend to **seek funding for individual projects, rather than their business in general:** *'One of the main reasons given to explain the limited commercial success of CCS is the trend to focus on financing projects rather than the company itself. Only 37.2 % of cultural and creative companies try to raise finance for the business itself rather than for an individual project. Greater attention needs to be paid to corporate finance if creative businesses are to succeed in attracting a wider range of investment (e.g. equity finance)'*¹⁹.
- A **systematic market failure** has been identified in the supply of debt finance for 'broader view innovation' projects and processes.

New difficulties have also been brought about by the **impact of the financial crisis**. These include stricter risk-management mechanisms in banks – departments specialising in CCS are given less autonomy to decide on the provision of loans, whereas risk-management departments, which often have a less positive view of the sector, are given more power²⁰. More generally, investors are being driven away from perceived high-risk sectors²¹, which again reinforces the particular responsibility of the public sector in responding to the needs and specificities of the CCS and devising specific schemes for them. *'Whilst access to finance has been shown to be a core challenge for creative businesses, the impact of the recent global crisis and economic recession has resulted in even scarcer availability of capital with creative businesses being in an even more competitive position to achieve finance.'*²²

Growth-oriented creative SMEs would benefit from strengthened business skills, which are a precondition for being able to improve access to finance, envisage a possible expansion to other countries in the future, or to develop new, innovative products and services. Studies have shown that SMEs from the CCS are often commercially as ambitious as SMEs from other sectors. Realising these ambitions to grow, innovate, develop new products or services, entertain, educate or improve access to finance is difficult, however. The CCS are known for the missing middle:

17

Hogeschool voor de Kunsten Utrecht (HKU), *The Entrepreneurial Dimension of the Cultural and Creative Industries* (Utrecht: HKU, 2010), p. 112.

18

HKU (2010), p. 114.

19

KEA, *Promoting Investment in the Cultural and Creative Sector: Financing Needs, Trends and Opportunities* (ECCE Innovation / Nantes Métropole, 2010), p. 5. Quoting Clayton / Mason study for BOP and Pembridge, 2006.

20

IDEA Consult (2013), p. 124.

21

Creative Industries Management Ltd (CIM) (2012), *Mapping of Nordic Creative and Cultural Industries Financial Environment A KreaNord Report* p. 31.

22

Jenny Tooth, *Mini-Study on the Access to Finance activities of the European Creative Industries Alliance* (European Commission – DG Enterprise and Industry/ Angel Capital Group/Greater London Enterprise, 2010), p. 15.

there are many small SMEs and a few large, multinational companies, but not much in between.

Improving business skills would therefore be an asset, in particular because the CCS are characterised by highly dynamic and unpredictable markets together with a predominance of intangible business assets. In addition, investors are aware of the business models in traditional, well-known sectors, but not of opportunities in the CCS. This is partly due to the lack of understanding of the CCS, but also due to the absence of specific valuation tools, market knowledge, scalable products and services, business ideas and potential exit strategies.

Similarities with SMEs in other sectors

Alongside the specificities noted above, some studies have also identified similarities between SMEs in the CCS and companies in other sectors, both as regards their economic structure and financial needs and the way in which the financial sector addresses them:

- **Similarities in companies' economic structure:** the IDEA Consult survey provides data which shows that SMEs in the CCS have similar data on their **current ratio** and **solvency ratio** as do SMEs in the broader economy. This is the case in all Member States except Cyprus and Greece as well as, to a lesser extent, Italy, Latvia, Luxembourg, Malta, Portugal and Romania, where SMEs in the CCS appear to suffer more ²³.
- **Similarities in the approach of financial institutions:** some studies show that investors may not necessarily distinguish SMEs in the CCS from those in the broader economy: *'[A study in Sweden] concluded that investors and financiers do not make any difference between creative and cultural and other industries when evaluating repayment capacity and related risk (corporate viewpoint). Since CCS are strongly individual driven, it was pointed out that the focus of risk assessment [does] not reside on (specific) industry but entrepreneur (team)'*²⁴.

In this context, some authors have discussed the need to devise specific instruments for the CCS: *'More often than not, the CCS sector is not specifically targeted (or avoided) by banks. CCS can still be part of a bank's portfolio, but as part of a larger SME portfolio which happens to include CCS SMEs, rather than as the result of a specific targeting strategy towards the sector.'*²⁵ In any case, it is worth noting that some CCS subsectors (e.g. those active in ICT-strong areas such as gaming or software) may be more attractive to mainstream investors than others; this is discussed below.

2.2 Importance of intellectual property rights

Economic production is undergoing a transformation that is nothing short of dramatic. Current production relies mostly on intangible assets, in particular on intellectual property (IP), as shown e.g. by the proportion of company value accounted for by intangible assets. Subsequently, most company investment goes to harnessing intangible assets and IP, and it is from these assets that most revenue comes. CCS companies and most growth businesses in general have few or no tangible assets, and rely exclusively on IP.

Harnessing IP and improving IP-rich businesses' access to finance is crucial for Europe's economic recovery and necessary for the CCS to unlock their full potential.

23

IDEA Consult (2013), pp. 69-70.

24

Creative Industries Management Ltd (CIM) (2012),
Mapping of Nordic Creative and Cultural Industries
Financial Environment A KreaNord Report p. 31.

25

IDEA Consult (2013), p. 124.

Traditionally, financiers valued IP rights as collateral only if they were cash generating or if the company could show the contracted revenue expected from them. Beyond this, however, IP rights have been either ignored or dealt with only as part of business collateral packages, and the CCS couldn't benefit from their value for the purpose of financing. The reasons for this are discussed below.

Times are changing, however, and new tools and approaches that address these issues are appearing on the market. For example, in addition to traditional IP financing tools such as licencing or direct sales, there are new tools which give lenders additional avenues for enforcement against IP assets. One such tool is auctioning IP with companies that conduct IP auctions and online exchanges for IP. Growth finance is becoming more common and traditional lenders are setting up new departments to explore and address it²⁶.

With changes in the market and newly available tools, financiers are showing an increasing interest in IP as collateral. However, this is still more an exception than the rule, and tangible asset classes such as immovable property remain by far the favoured type of collateral for many financiers – despite the declining proportion of corporate assets that are tangible.

There are at least five main challenges to using IP as collateral:

- > the failure of all involved in the financing process to identify and value IP assets;
- > inherent risks associated with the nature of IP assets;
- > failings of security legislation which does not specifically apply to IP assets;
- > enforcement difficulties;
- > international difficulties.

Problems with identification and valuation

Unless they are acquired from a third party (rather than developed), company balance sheets currently do not include intangible assets or IP, due to these assets' nature and subsequent issues with their valuation²⁷. In addition, many IP-rich start-ups or scale-ups have difficulties with listing all their IP assets with an analysis of their value for the business and their accounting value. Without this information, it is not possible to present IP assets in a way which would enable financiers to make a decision as to whether they may form an appropriate collateral base.

Even if information is available, few financiers are willing to and capable of assessing the value of IP. Other than private equity funds, which carry out due diligence as part of an equity acquisition strategy, it is rare to see lenders engaging in a detailed due diligence process (including legal, regulatory and market due diligence) in relation to IP assets even if the relevant company's main assets base and growth strategy depends on IP.

As a result, IP is either discarded and does not form part of the security package (this is especially the case with the most common type of IP for the CCS, i.e. copyright), or it is included in a wider security package. Both of these have the same effect: the CCS does not benefit from the real and business value of the IP assets to gain additional financing.

To address this issue, a number of tools are being developed to assist companies and financiers to identify assets, understand their place in the business, and quantify their value. One such tool is the 'intellectual property assets protocol', currently being used in the UK²⁸. It helps list assets by type and value, and then links to financiers' decisions on whether due diligence should be carried out and what type of security, if any, should be granted.

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One example which the UK Intellectual Property Office looked at is the breakthrough programme run by Santander's Corporate Banking division, an initiative backed by a £200 million allocation for lending to high growth potential SMEs. It was reported that over 400 companies expressed interest in it, many of whom display the typical profile of being IP- and intangibles-rich and light on tangible fixed assets. See *Banking on IP?*, published by the UK Intellectual Property Office: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/312008/ipresearch-bankingip.pdf

27

See International Accounting Standard 38, in particular paragraphs 21, 25 to 32 and 52 to 67.

28

See http://www.olswang.com/media/48405868/intellectual_property_assets_protocol.pdf

Also in the UK, organisations are building platforms and toolkits to help companies navigate the system and help them present their IP assets in a way that financiers understand. The Intellectual Property Office published the IP Finance Toolkit earlier this year. The Big Innovation Centre set up the Entrepreneurial Finance Hub²⁹ where participant companies follow a step-by-step process towards financing.

Inherent risks in the nature of IP assets

IP assets carry inherent risks of rapid devaluation. The risks include: speed of obsolescence in innovative markets; loss of business-critical personnel carrying out the knowhow necessary to understand, create and use the IP; an adverse determination in IP litigation; the company's reputation loss; etc. Even if IP assets are identified, lenders still need to manage these risks.

A number of approaches are being developed to overcome these risks. First, it may be that a risk is more perceived than real and lenders, especially private equity lenders, increasingly carry out detailed due diligence to assess the legal and market risk, and translate this into their commercial risk model.

Secondly, insurance products are developing to cover the risks identified above. If an asset is critical to the company, both the company and its financiers have the same interest in insuring the risk. Where insurance is in place, financiers should verify its quality before including it in the security package.

IP insurance products developed from litigation insurance products. Insurance litigation has been available for some time to insure against the risk of a party incurring legal costs defending litigation and having damages awarded against it from a successful claim. Insurers will now insure these risks specifically in relation to infringement of specific IP rights³⁰.

Alongside the market for litigation insurance, insurance products that insure the value of IP rights or portfolios of IP rights are being developed. The products are still bespoke and are provided by specialist institutions, but they can cover a wide variety of risks and can be offered directly to financiers too. Subject to agreement on certain matters (such as valuation methodology and what happens in case of a partial rather than a full loss), specialist underwriters offer policies or guarantees, or find syndicates who do so.

Here are two examples of insured products:

- Underwriting the value of a portfolio of IP by providing a financier with a guarantee against the financier's payment of a fee. In the event of default and enforcement, the underwriter pays the financier, acquires the portfolio, and sells it on³¹.
- Underwriting innovation costs should registration applications fail due to unforeseen events.

29

See <http://www.biginnovationcentre.com/entrepreneurial-finance-hub>

30

There are a number of specialist IP litigation brokers.

31

This model is used particularly by a number of North American underwriters including MCAM.

32

Since the Marvel bonds, all the main studios have issued bonds either on existing libraries or future productions, including Fox, Universal, DreamWorks, Paramount and Disney.

33

Royalty Pharma is the leader in this field, with a warehouse facility structure that allows for the inclusion of additional patent interests.

In spite of the risks described in this section, certain IP rights have a long history of funding, especially if they are cashflow generating. In 1997, David Bowie was the first recording artist to issue bonds based on his back catalogue, raising £ 35 million (this has been followed by artists such as James Brown and the Isley Brothers). There have been similar deals in the film industry³². Patent securitisations (especially in the pharmaceutical and life science industries) are regularly completed³³. For smaller-sized deals, bank lenders provide funding. Currently, lending is done against artists' back catalogues, touring and ticket revenue, and sponsorship revenue, although most of these deals are private and therefore unreported.

Failings of security legislation

National legislation does not always enable the creation of a security interest that is suitable for the company or its financiers in practice.

For example when a security involving the transfer of title (e.g. an English legal mortgage) is used, the IP must be assigned to the financier, who becomes its owner. Although the financier licenses the IP back to the original owner, the change of ownership poses risks for the company's business continuity. There are also issues for the financier, such as liability for registration fees and litigation risk from competing entities.

Some legislation may exclude certain IP rights or sources of IP rights from security. In particular, in a number of EU jurisdictions rights obtained from licences-in are deemed to be personal rights which cannot be pledged. In certain companies, especially in the media, such rights may be extremely valuable to the company and it is unhelpful not to be able to rely on such value to attract financing.

There are some practical solutions. For example, one may change the corporate structure to isolate IP assets in a company within a corporate group which was set up to hold all of the group's IP (and licence it to other group members), often referred to as an IPCo, with a share charge taken over the shares in that company.

More interestingly, legislators across the EU are looking into changing current laws to make more relevant forms of security over IP assets possible.

Enforcement strategy issues

The next issue for a financier is to consider its exit and enforcement strategy. There might be a limited market for the specific IP right or a specific link to business-critical personnel.

Again, the market is slowly changing. IP exchanges, new participants, and increased familiarity with IP and insurance are creating new opportunities for sales strategies.

International issues

Studies have shown that in some CCS sub-sectors, e.g. game developing, SMEs are more internationally oriented and are more likely to want to reach foreign markets than companies from other sectors are. Unlike tangible assets which are easily identifiable, intangible assets like IP are by their nature impossible to fix in a specific location, so a financier will want to ensure that it has security in each jurisdiction in which the business operates or generates value.

The absence of international harmonisation means a fragmented and complex picture³⁴. National legislation, if it even recognises IP as a class of assets over which security can be granted, may have a range of different options for how IP rights are created and what needs to be done to perfect them (registration, notices, etc.).

Further harmonisation in this area would be welcome and would certainly help encourage financiers to lend against IP.

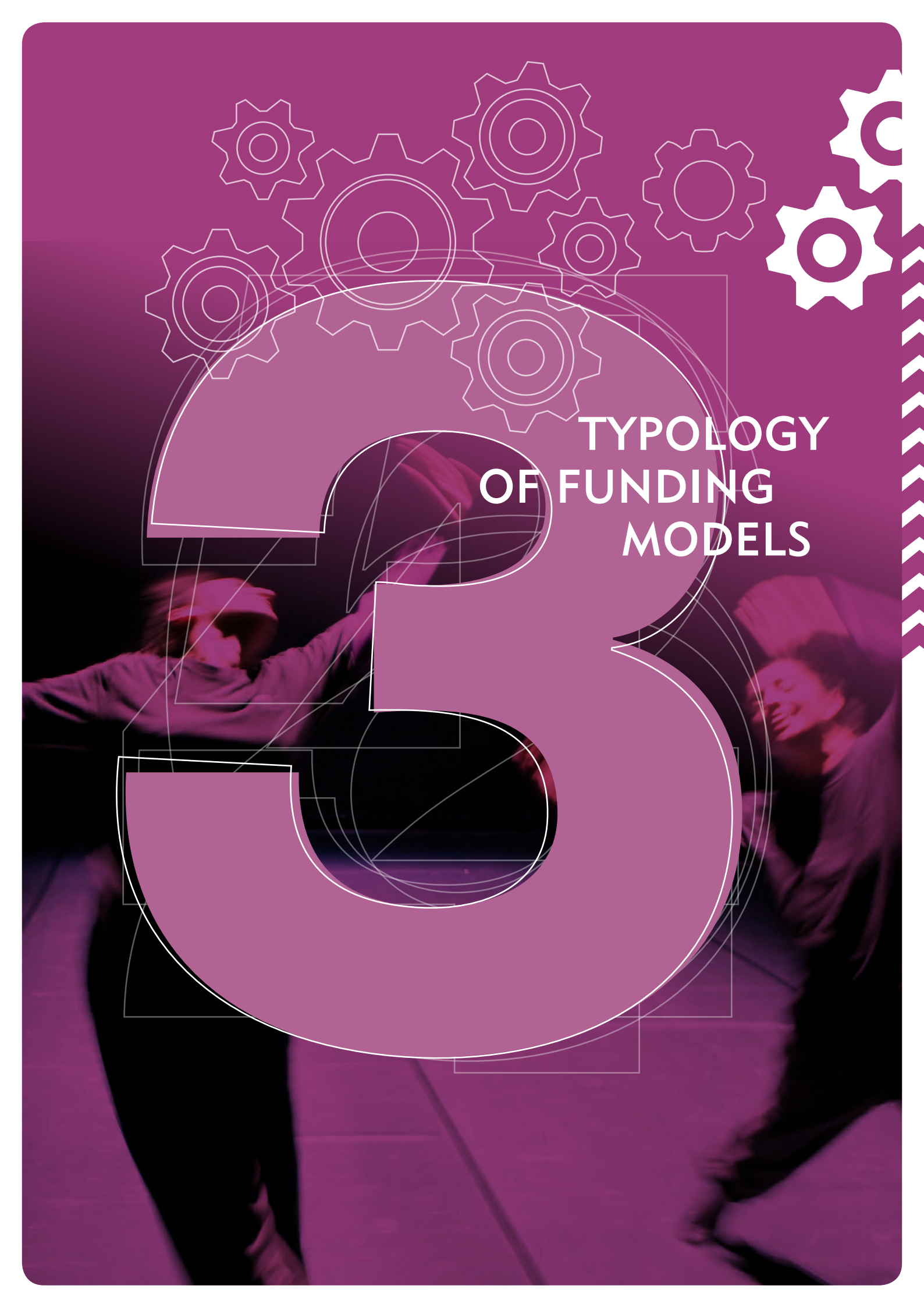
The issues in this section are discussed in more detail in the articles referenced in this footnote³⁵.

34

See e.g. the 2007 UNICITRAL Legislative Guide on Secured Transaction, http://www.uncitral.org/uncitral/en/uncitral_texts/security/Guide_securedtrans.html

35

See 'TMT Finance: Part I', *Butterworths Journal of International Banking and Financial Law*, March 2015, p. 172; 'TMT Finance: Part II', *Butterworths Journal of International Banking and Financial Law*, June 2015, p. 370; 'TMT Finance: Part III', *Butterworths Journal of International Banking and Financial Law*, September 2015, p. 520.

The cover features a large, white, stylized number '5' in the center. The background is a purple-tinted photograph of people dancing. At the top, there are several white gear icons of various sizes. On the right side, there are two large white letters 'C' and 'O' stacked vertically, with a white zigzag pattern below them. The text 'TYPOLOGY OF FUNDING MODELS' is written in white, uppercase letters to the right of the number '5'.

TYPOLOGY OF FUNDING MODELS



3

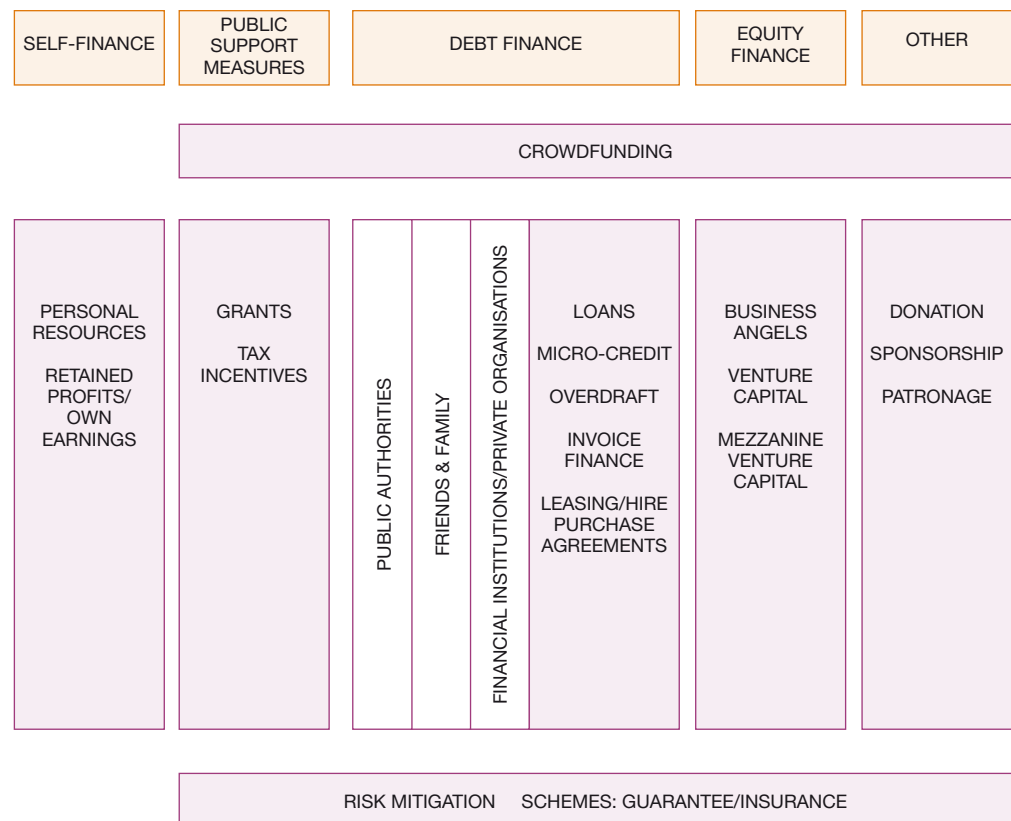
TYOLOGY OF FUNDING MODELS

The CCS can benefit from various funding instruments, ranging from self-finance, public support measures to private financing (debt and equity). In addition, there are alternative funding models which frequently have mixed forms and are the most innovative in their design and outreach. This chapter attempts to provide short definitions of different generic and specific funding models available to the CCS and illustrate them with examples.

The good practices were selected based on the availability of an assessment or evaluation, their reputation, the number of applications, budget size, how specific the practice is, and its replicability and implementability. Also, it was important to select good practices that can inspire stakeholders in all EU Member States, across different policy approaches and traditions.

Figure 3 – Typology of funding models

3.1 Public support measures



Traditionally, public support measures available to SMEs in the CCS include grants, loans, tax incentives, cash rebates, and guarantee schemes.

3.1.1 Grants

Unlike loans, grants are funding that the recipient does not have to pay back. They are direct financial contributions from the EU or national budget to finance either an action intended to help achieve an objective of a given policy or the functioning of a body which pursues an aim of general interest. Grants are intended to increase the competitiveness of certain sectors or companies and as such are subject to EU state aid rules³⁶.

EXAMPLES

- > **Enterprise Estonia (Estonia)** – start-up grants, creative industries development grants. See description and a beneficiary story in chapter 4.2. on p. 70
- > **TEKES (Finland)** – The Finnish Funding Agency for Innovation – grants and loans
- > **Invega (Lithuania)** – subsidies for promoting entrepreneurship, but also loans, etc.



3.1.2 Vouchers

Vouchers are documents that entitle the holder to a payment or a free good or service. They can take the form of a ticket or card which serves as a substitute for cash.

A number of EU Member States have put in place creative or innovation voucher schemes: Ireland, the Netherlands, Germany, Estonia, Lithuania, the UK³⁷ and Portugal. The vouchers can be used for marketing expertise, advice on IP rights, R&D, management, design or other areas.

Creative vouchers

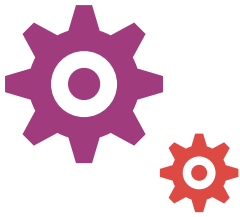
Creative voucher schemes are small amounts of credit or grants provided by governments to small and medium-sized enterprises to purchase services that introduce innovation (new products, services or processes) into their business operations. They are typically granted to strengthen collaborations between scientists, entrepreneurs and government-related bodies to promote innovation and applied research.

36

See the regulation on de minimis aid: http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf and the general block exemption regulation http://ec.europa.eu/competition/state_aid/legislation/block.html

37

Promoting Investment in the Cultural and Creative Sector: Financing Needs, Trends and Opportunities; Report prepared for ECCE Innovation – Nantes Métropole, May 2010.



EXAMPLES

> **aws Creative Industries Voucher/Kreativwirtschaftsscheck (Austria)**

The **aws Creative Industries Voucher (Austria)** is issued in the form of a grant of up to EUR 5 000 and enables SMEs from all industries to use creative services in the framework of an innovation project. The objective is to stimulate innovation projects in SMEs, especially in those from traditional sectors, through cooperation with the creative industries. Since the project's beginning in 2013, more than 1 200 companies made use of a voucher; the Ministry of Economy provided EUR 6 million for this. In 2015, EUR 1.5 million is earmarked for the aws Creative Industries Voucher.

The projects which have been supported with the aws Creative Industries Voucher show the great variety of the creative industries as well as the additional benefit of the funding instrument:

Example 1: A traditional pastry shop in Styria (Konditorei Handl – <http://tortenmeister.com/>) developed a modern online shop and personal cake design tool for cakes and other sweet dishes. The creative service provider was DiCube, whose expertise lies in technological applications for web services (responsive webdesign³⁸, etc.) and in graphic design. DiCube also brought in online marketing and e-commerce know-how. Now, customers can design their own cake and order it online. The cakes are shipped across Austria by the Austrian Post.

Example 2: ENERMENT Energie Management Systeme e.U. (<http://www.enerment.at/>), a company based in Upper Austria, is a specialist in cost- and resource-efficient energy management systems, especially in lighting, electricity and heat. One of their products is a highly efficient storage heater with low emissions. In order to also optimise the heater's surface, the company developed new attractive surfaces using geopolymer techniques, with the help of a designer, Hans Rainer. He is a ceramicist and kiln engineer, and has been working as an artist and designer in this field since the 1980s. During the course of the project, several kinds of surfaces made of geopolymers were developed – rough, glassy and velvet-like – in different colours, ranging from white to graphite or brown.

http://awsg.at/Content.Node/en/innovation_investment/creative-industries/3850.en.php

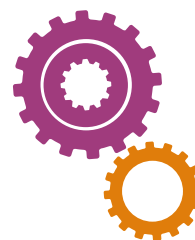
> **Creativeworks London BOOST (UK)**

The **Creativeworks London BOOST** scheme replaced the **Creative Voucher** scheme in the final stages of the Creativeworks London project. Creativeworks London BOOST is a follow-on award that had been established to enable those businesses and researchers who have already benefited from Creativeworks London and London Creative and Digital Fusion support to develop and/or commercialise their ideas through an additional collaborative research project that benefits both the SME(s) involved and the arts and humanities research base in London.

<http://creativeworkslondon.org.uk>

OTHER RELEVANT EXAMPLES

- > **A pilot programme on developing vouchers in health, care and the CCS – Tillvaxtverket (Sweden)** – the assessment showed that the pilot was a success³⁹. A key factor was that vouchers were granted to companies that did not have to provide information on annual turnover or the number of employees
- > **Creative Wallonia (Belgium)** – vouchers for the creative industries



Assessment of the creative voucher schemes

Creative vouchers give companies the opportunity to introduce more innovation. This is especially the case for smaller companies that lack experience and extensive budgets for research and development. There is proof that creative industries contribute to innovation in the wider economy⁴⁰, though many companies are unaware of the value of acquiring creative skills and services to promote innovation. Creative vouchers are a suitable tool for providing companies with an incentive to overcome barriers to horizontal or vertical cooperation in the value chain. They decrease risk and thereby enable companies to try out new approaches to innovation.

Creative SMEs also benefit from creative vouchers, as the vouchers provide an opportunity to develop Business to Business (B2B) markets. B2B markets and partnerships with large companies are important for many creative SMEs⁴¹. However, in order to benefit from such opportunities, creative SMEs need to be capable of mapping and identifying challenges, and developing services and sales channels that meet the innovation needs and demands of large companies. Creative vouchers are a good way of stimulating this development among SMEs in the CCS, especially in conjunction with matchmaking and brokerage services from qualified intermediaries.

In 2015, the Austrian Federal Ministry of Science, Research and Economy commissioned an external evaluation of the Austrian ‘creative industries voucher’ scheme to the Technopolis Group consultancy. The main outcome of the evaluation was that the scheme has succeeded in stimulating and supporting SMEs in the creative industries in creating innovative collaborations with businesses, particularly in the services sector, but also in various creative sectors and, to a lesser extent, with companies from traditional manufacturing sectors. The positive effect is particularly clear at the level of micro-enterprises.

Many of the projects were marketing-related and addressed either the ‘recipient’ company as a whole or a product/service that was in the late stages of innovation development, just about to be commercialised. Two other project clusters, overlapping and somewhat smaller, were in the area of app development and product design. It was observed that in practice it is difficult to define clear demarcation lines between different types and sub-sectors of creative, service and manufacturing industries, which makes it difficult to limit the scheme to certain sub-sectors in a meaningful way. The scheme’s success in reaching out to a high number of companies remains its greatest challenge, as demand can quickly surpass available funds.

Recommendations centred on communication issues, e.g. better communication of project content that the scheme intends and does not intend to support, and the setting up of an award for particularly good projects that would help increase awareness not only of what the scheme is about, but also of the possible benefits of cross-sectorial innovation between the creative and other industries.

39

<http://www.tillvaxtverket.se/download/18.48a604441429f388620254/1443039871298/Rapport+-+slututv%C3%A4rdering+av+pilot-program+f%C3%B6r+utvecklingscheckar.pdf>

40

Arge Creativ Wirtschaft Austria (2009): *Third Austrian report on creative Industries*; URBACT II (2012): *Creative SpIN – Creative spillovers for innovation*; Nesta (2010): *Creative clusters and innovation*.

41

In some creative subsectors, new tendencies towards business-to-business markets are already well developed, especially in sectors disrupted by digitalisation. In the music industry for example, creative SMEs are increasingly finding new revenue streams by selling musical content and musical brands to other businesses, rather than actually selling music to consumers. Other sectors, especially architecture and design, are inherently accustomed to business-to-business markets.

The evaluation builds on a considerable empirical base, including a previous internal evaluation, document and monitoring data analysis, two surveys with a total of 459 responses from scheme participants and beneficiaries, as well as small case studies.

Innovation, entrepreneurship and ICT vouchers

In addition to creative industries vouchers which promote innovation through cooperation with the creative industries, some countries, e.g. the UK, Austria and Lithuania, have innovation vouchers. In 2015 Portugal has introduced entrepreneurship vouchers.



EXAMPLES

> Innovation vouchers in the UK

Innovate UK's Innovation Voucher is worth up to £5000 and can be used to pay for an external expert to help small and medium size businesses grow. It can be used for all kinds of business expertise, including on idea development, design, and making the most of IP (to buy time and help with using specialist equipment or facilities, etc.).

> The growth vouchers research programme (United Kingdom)

The UK's **growth vouchers research programme** helps small businesses to find strategic advice from private sector suppliers who can help their business grow. It is a joint programme between the Department for Business, Innovation and Skills (BIS) and the Behavioural Insights Team in Cabinet Office and was launched in 2014.

Growth vouchers offer expert advice in areas such as: raising finance and managing cash flow, recruiting and developing staff, improving leadership and management skills, marketing, attracting and keeping customers, and making the most of digital technology.

<https://www.gov.uk/government/collections/growth-vouchers-programme>

> Entrepreneurship vouchers (Portugal)

The purpose of the **entrepreneurship vouchers** is to promote qualified and creative entrepreneurship through the Structural Fund Operational Programme for Competitiveness and Internationalisation. Competitiveness and internationalisation is both a regional and a thematic national priority stipulated in Portugal's partnership agreement for 2014-2020.

The vouchers are designed to support SMEs with less than two years of experience in the area of qualified and creative entrepreneurship. They aim to support sectors with strong growth potential, including the creative and cultural sectors and/or knowledge, scientific and technology-based companies, namely in the application of Research&Development results in the production of new goods and services.

The vouchers can be used for: consulting services in the area of entrepreneurship essential to start-up companies; business plan development; marketing and the digital economy (website, online store, mobile applications, digital catalogues and online advertising).

This incentive grant supports projects in the field of business innovation and qualified and creative entrepreneurship.

OTHER RELEVANT EXAMPLES

- > **Innovationsgutschein C, Baden-Württemberg (Germany)** – see description and a beneficiary story in chapter 4.5 on p. 61
- > **Inočekiai (Lithuania)** – innovation vouchers to encourage co-operation between business and research institutions
- > **Innovation vouchers (Austria)**, granted by the Austrian Research Promotion Agency (FFG) for cooperation with universities and research organisations



The **ICT innovation vouchers** aim to support micro-enterprises and SMEs in using digital technologies to innovate and increase their competitiveness. The scheme is a useful instrument to include in strategies for innovation and growth implemented at local and regional levels. It enables regional and national authorities to facilitate SMEs' access to digital know-how and technology by giving them the incentive to connect with ICT knowledge and service providers. The aim is to encourage the use of new ICT-based business models.

Each scheme is not only tailored to the regional situation but is also designed in such a way as to be easy for SMEs to implement. The EU regions can set up and fund an ICT Innovation vouchers scheme through the EU structural and investment funds (ESIFs). The scheme is implemented in a decentralised way by each region or country that decides to use it to trigger SMEs' digitisation and contribute to their business development. In 2013, the Commission published an EU Guide for regional authorities to develop ICT innovation vouchers schemes⁴².

3.1.3 Tax incentives

Tax incentives include deduction, exclusion or exemption from a tax liability, offered as an enticement to engage in a specified activity (such as investment in capital goods) for a certain period⁴³. The cultural tax incentives are defined as all provisions in the law resulting in a decrease in the tax charge (from the taxpayer standpoint) and, conversely, a decrease in tax proceeds collected by governments⁴⁴.

Some tax incentives implemented in EU Member States have proved to be effective. This is especially the case with audio-visual production incentives targeted to attract foreign productions. Some Member States operate broader audiovisual tax credit schemes that apply to both domestic and foreign productions, like the Lithuanian film tax incentive scheme, the tax credit for film production and distribution scheme in Italy, and the Belgian tax shelter scheme. Other types of tax incentives include the UK's Enterprise Investment scheme and Seed Enterprise Investment Scheme, which offer tax relief to venture capital investors who purchase shares in SMEs.

It should be noted that tax incentives are intended to increase competitiveness of certain sectors or businesses and as such they are subject to EU state aid rules. If they were widely used, their contribution to competitiveness would be diluted and might even lead to a 'race to the bottom' and have an adverse effect on competition.

EXAMPLE



> The Enterprise Investment Scheme and Seed Enterprise Investment Scheme (United Kingdom) – tax relief offered to venture capital investors

The UK's Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are both managed by HM Revenue & Customs (HMRC), the UK's tax authority. EIS is a tax relief offered to venture capital investors purchasing new shares in SMEs. SEIS is a tax relief offered to venture capital investors purchasing new shares in early-stage SMEs. The SMEs may be in various sectors of the economy. Companies in the CCS (particularly film, gaming, software, etc.) have traditionally benefitted from both schemes.

www.hmrc.gov.uk/eis – www.hmrc.gov.uk/seedeis

In addition to tax incentives that include deduction, exclusion, or exemption from a tax liability (like EIS/SEIS), the UK government offers a range of **payable tax credits** to the creative industries. These are:

- film tax relief;
- high-end television, animation and children's television programme tax relief;
- video games tax relief;
- orchestra tax relief (from 2016).

All above tax relief possibilities are available at 25% for all British qualifying films (intended for theatrical release), high-end television, animation and children's television, video games, and orchestras. Tax relief is available on 80% of the qualifying total core expenditure or the actual UK core expenditure incurred, whichever is lower.

43

<http://www.businessdictionary.com/definition/tax-incentive.html>

44

The Ernst & Young international survey on tax policies in the cultural sector (2009), http://www.forum-avignon.org/sites/default/files/editeur/Etude_Forum_Avignon_ERNST_Young_ENG.pdf

3.1.4 Other innovative forms of public funding

Repayable contributions are a tool financed by public authorities in Catalonia. A selected project simultaneously gets double financing consisting of a loan with zero costs and a 'repayable contribution' to be paid back totally or partially by the beneficiary company, depending on the company's performance during the period in which the repayable contribution is used.

EXAMPLE

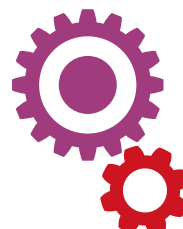
> Catalan Institute for Cultural Companies (Spain) – repayable contributions (loan + subsidy)

The ICEC's aim is to increase employment in the CCS and to increase audience numbers. The institute concentrates on repayable contributions, a combination of subsidies and interest-free loans. The loan bids must have an economically viable strategy and are focused on investment recovery. The government covers project losses, and gets its money back if the project is successful. Over time, the payback rate of subsidies has increased from 22% to 94% (only among closed cases though). repayable contributions require the mandatory submission of a guarantee whose amount is determined by economic variables. This can be a personal guarantee.

Repayable contributions increased from EUR 2.1 million to EUR 5.9 million in four years (2009-2013). The number of cases, companies and investment almost doubled in 2013, compared to the previous year. Closed cases have produced an overall return percentage of 89%.

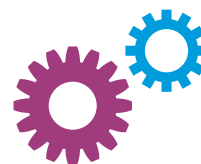
The ICEC also operates a guarantee fund for the CCS. However, it only started in 2014 and therefore has not yet produced measurable results. In addition, the ICEC offers participative loans for digital creative businesses, especially for start-ups for an amount (between EUR 40 000-200 000). The companies have to provide co-financing in the form of equity.

<http://www.gencat.cat/cultura/icec/>



Assessment of repayable contributions based on an example:

GRUP FOCUS is Spain's leading business organisation in the world of performance art. Since its founding in 1986, GRUP FOCUS has dealt with all aspects of the arts and entertainment industry, but theatrical production and management is its backbone and core activity. Nowadays, GRUP FOCUS comprises 19 companies dedicated to the comprehensive management of cultural content, all linked by a common thread: the pursuit of excellence and the commitment to creativity and culture. The group manages the entire process, from creating and producing shows, to staging and distributing them, as well as managing copyright and representing authors. GRUP FOCUS operates five theatres with consistently high-quality productions and exhibitions. Since 2002, it has benefited from repayable contributions, which have become an excellent support for the development of new and different theatre projects, such as:



- the production of large format musicals;
- performances of the musical 'Tarantos' in Madrid.

The following projects had high production budgets, so repayable contributions represented a significant part of overall resources:

- productions aimed at family audiences;
- tours in different Catalan theatres;
- exhibitions in other Spanish regions;
- minimising the operating risk in own theatres.

According to GRUP FOCUS, the main advantages of repayable contributions are that they:

- improve the company's financing capacity and resources;
- finance both the production of a show and its operation in the theatre or on tour;
- lead to savings in financial expenses;
- encourage the company to design the project with more economic criteria, involving the recovery of investment costs and profitability (as opposed to grant aid);
- encourage partnering among the public administration and the company;
- minimise show-related risk;
- create new, diversified theatre content;
- increase the company's production and activity;
- increase capacity to reach other geographical areas;
- optimise theatre programming.

According to GRUP FOCUS, the only disadvantage of repayable contributions is the need to have a guarantee for 50 % of the amount of the repayable contribution, which means having a guarantee facility with a financial institution. For some companies, this not easy to obtain given the current credit restriction policy. Nonetheless, thanks to the changes introduced in the regulation of repayable contributions in recent years, GROUP FOCUS' positive return track record (over 90 % of return from all repayable contributions granted to the company in the past) has meant that the company benefits from a guarantee exemption in 2015.

From an economic point of view, since 2002 GRUP FOCUS has received repayable contributions for a total amount of EUR 2 188 506, to be split into EUR 850 667 of a non-repayable grant plus a repayable loan of EUR 1 337 839.

96 % of the total amount granted in this period had been returned from closed projects.

3.1.5 Organisations that offer a wide range of instruments ('one stop shops')

There are a number of organisations across Europe that offer a diversified portfolio of funding instruments.

EXAMPLE

> Creative England (UK)

Creative England is dedicated to the growth of the creative industries across England. It is a one stop shop for creative companies and individuals to find and access support and investment. Creative England is a not-for-profit company that invests in talented people and their creative ideas across the creative industries, from games to film and television to digital media companies. Creative England's objectives are to: (1) develop and grow creative businesses; (2) develop and support creative talent; (3) foster the development of creative clusters; (4) identify new and expanding markets for creative content; (5) promote the talent and creativity of England; and (6) advocate for the economic and cultural contribution of England's creative industries.

Creative England provides financial support in form of direct equity investments, revenue and profit share investments, soft loans, recoupable grants and some non-recoupable grants. In addition to financial support, Creative England provides: business mentoring; skills and Continuing Professional Development training courses and workshops; access to useful business resources and mentors; access to industry news; and a wide range of industry events and networking opportunities.

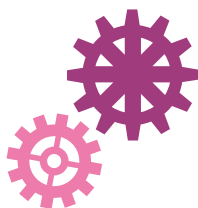
Some of the financial instruments available from Creative England include:

- zero-interest-based business loans;
- equity investments;
- revenue share and profit share investments;
- accelerator programmes for start-ups;
- start-up and early-stage financing;
- feature film development funding;
- feature film production funding;
- shorts development funding;
- shorts production funding;
- high-end TV production funding;
- funding for games development;
- vouchers schemes.

A unique aspect of Creative England's work is around building a strong supply chain – enabling small companies to build long-term relationships and do business with large corporate buyers. One example of this is its partnership with such industry leaders as Microsoft and Sony, who as a direct result of these partnerships are working with smaller games developers and studios across England to create innovative games and IP.

<http://creativeengland.co.uk>





OTHER RELEVANT EXAMPLES

> **aws (Austria)** – funds for start-ups and SMEs, grants for investments & innovation, loans and guarantees, equity, and specific training and services – see the description of aws and a beneficiary story in chapter 4.4. on p. 78

> **Cultuur & Ondernemen (the Netherlands)**

Cultuur & Ondernemen (C&O) is based in Amsterdam and encourages entrepreneurship in the Dutch creative industry. C&O supports cultural organisations, artists and creatives with advice and assistance to get more value from their activities and assists them in professional development, innovation of business models, and the development of good governance and oversight. C&O provides, researches and implements different funding mechanisms, such as microcredits, loans and guarantees. It works together with parties (such as municipalities and funds) and uses its network to increase the impact of cultural policies and investments.

<http://www.cultuur-ondernemen.nl/>

> **Hamburg Kreativ Gesellschaft (Germany)**

The **Hamburg Kreativ Gesellschaft** is a municipal institution founded to promote Hamburg's creative industries. As a directly accessible contact and service facility, it is open to all creative stakeholders and companies in the Hanseatic city. It aims to develop and support an economically sustainable basis for Hamburg's creative stakeholders. This includes measures tailored to individual requirements, such as providing targeted advice, specific information and business know-how, improving working conditions based on new information, and implementing specific pilot projects or identifying funding possibilities. Whether it is start-up capital for a company, financial support for a project or quick funding for an urgent investment – almost everyone must rely on external financing at one point or another. The Kreativ Gesellschaft helps keep an overview of financial matters and find the right financing strategy. To simplify the search for best-suited funding, the Hamburg Kreativ Gesellschaft has developed a web-based register of supporters, the 'Funding Finder', and has also set up Germany's first regional crowdfunding platform.

<http://kreativgesellschaft.org>

3.2 Debt finance

This part focuses on commercial funding available for the CCS. Debt finance is a financing method in which a company receives a loan and promises to repay it⁴⁵. Debt financing includes both secured and unsecured loans. Security involves a form of collateral as assurance that the loan will be repaid.

If the debtor defaults on the loan, that collateral is forfeited to satisfy payment of the debt. Most lenders will ask for some sort of security on a loan.

3.2.1 Loans

A loan is an act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges. A loan may be for a specific, one-time amount or can be available as open-ended credit up to a specified ceiling amount⁴⁶.

EXAMPLES

- > **KredEx (Estonia)** – loans, venture capital, credit insurance and guarantees with a state guarantee

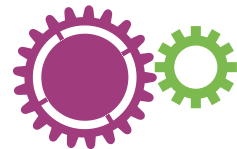
KredEx helps companies develop more quickly and expand more safely into foreign markets. It offers loans, venture capital, credit insurance and guarantees with a state guarantee. It also help people to improve their living conditions, by offering loan guarantees with a state guarantee for purchasing homes, as well as loans, guarantees and grants for energy efficiency solutions.

- **Start-up loans** are suitable for new companies and those who have been operational for up to three years. They can be used as investment and operating capital.
- **A business loan guarantee** is designed for companies that require their operations to be financed by a bank or leasing.
- **A technology loan** is suitable for export-oriented industrial companies wishing to invest in machines and devices.
- **A capital loan** is suitable for companies who have shown that their business model works, and who are planning development investments.
- **An export loan** is meant for companies wishing to finance large-scale export transactions of goods manufactured in Estonia.

www.kredex.ee/en/

- > **The Arts Impact Fund (UK)**

The **UK's Arts Impact Fund** is a new £7 million initiative launched in March 2015, set up to demonstrate the potential for social investment in the arts. Its objective is to invest for artistic, social and financial return. The fund offers repayable financing to arts organisations working in England that can show that they are sustainable, have great artistic ambitions and have a positive impact on society.



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<http://www.entrepreneur.com/encyclopedia/debt-financing>

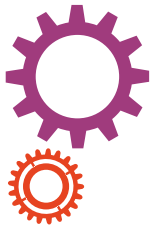
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<http://www.investopedia.com/terms/l/loan.asp#ixzz3Y1L8YjBJ>

By investing in the arts, the fund wants to support more organisations to become enterprising and resilient. By focusing on both artistic and social outcomes, it wants to promote the wider positive impact art has on society and support more organisations so that their work can benefit individuals and communities. By lending to growing and ambitious organisations, it wants to attract more social investors to the arts to benefit the sector in general.

Depending on the organisation's needs, the fund can provide repayable financing of between £150 000 and £600 000.

OTHER RELEVANT EXAMPLES



- > **Creative England Business Loans (UK)** – see description and a beneficiary story in chapter 4.2. on p. 73
- > **Cultuurinvest (Belgium)** – investment fund for creative entrepreneurs – see description and a beneficiary story in chapter 4.4. on p. 80
- > **StART (Belgium)** – offers both debt finance and equity – see description and a beneficiary story in chapter 4.4. on p. 81
- > **Creative Industry Finance (UK)** – loan finance
- > **Les fonds d'avances remboursables de l'Institut pour le financement du cinéma et des industries culturelles (IFCIC)** – repayable funds of the Institute for the financing of film and cultural industries (France) – loans for cultural industries (FAIM), press companies (FAREP), independent bookstores (FALIB), art galleries (FARGA) and young fashion designers (FAJEC)
- > **Rentevrije Lening (the Netherlands)** – interest-free loans
- > **Innovate UK (UK)** – catalysts: R&D funding which focuses on specific priority areas and aims to help take projects from research to commercial viability. Also collaborative R&D: helping businesses and researchers to work together on science, engineering and technology innovation.



3.2.2 Microfinance

Microfinance or microcredit organisations have developed platforms, mostly on the internet, that facilitate a modified form of (indirect) peer-to-peer lending where the microcredit organisation typically sources capital from the crowd. The microcredit fund lends to companies at reasonable rates, and provides other financial services (such as coaching) to entrepreneurs. Microfinance consists mainly of micro-loans (less than EUR 25 000) tailored to micro-enterprises (91 % of all European businesses) and people who would like to become self-employed but are facing difficulties in accessing traditional banking services. Throughout the European Union, 99 % of all start-ups are micro- or small enterprises and one-third of these were launched by unemployed people.

EXAMPLES

- > **Micro Bank la Caixa (Spain)** – micro loans
- > **NRW.Bank.Kreativwirtschaftsfonds (Germany)** – micro loans for start-ups and SMEs

NRW.Bank supports micro start-ups with credit requirements of up to EUR 25 000 via the **NRW/EU.Mikrodarlehen**, which is funded by the European Regional Development Fund (ERDF) and the state of North Rhine-Westphalia. Applications for promotion funds under the latter programme are channelled through the **STARTERCENTERS** in North Rhine-Westphalia which, acting as NRW.BANK's cooperation partners, provide promotion advice to potential company founders and accept their loan applications. As no collateral is required for the micro loans, they also allow unemployed people to set up self-employed businesses, thereby facilitating their return to working life. To increase the attractiveness of this programme, the fixed standard interest rate was reduced significantly in the third quarter of 2014.



3.2.3 Debt finance instruments less commonly used in the CCS

- **Overdraft:** also called credit line. Business borrowing under which a bank extends credit up to a maximum amount against a current account customer. Interest is charged only on the amount used (drawn balance). An overdraft is approved only for a fixed period (usually one year) after which it must be renegotiated. It is a common instrument in the CCS, though is not possible for start-ups unless there is a guarantor.
- **Invoice finance/factoring:** the bank advances the amount invoiced, deducting a commission. Normally short-term finance. Not very common in the CCS.
- **Leasing:** Contract by which an owner of a specific asset grants a second party the right to its exclusive possession and use for a specific period and under specified conditions, in return for specified periodic rental or lease payment. Not very common in the CCS, linked to fixed assets.
- **Hire-purchase:** A system by which a buyer pays for a thing in regular instalments while enjoying the use of it. Upon the full payment of the loan, the title passes to the buyer. Not very common in the CCS, linked to fixed assets.

3.3 Equity finance

Equity finance is a financing method in which a company issues shares of its stock and receives money in return. How much ownership a company must relinquish depends on the value of the company and the size of the equity finance investment.

3.3.1 Venture capital

Venture capital is one of the more popular forms of equity financing used to finance high-risk, high-return businesses. The amount of equity a venture capitalist holds is a factor of the company's stage of development when the investment occurs, the perceived risk, the amount invested, and the relationship between the entrepreneur and the venture capitalist.

Venture capital firms provide capital for start-ups and young high growth-companies in innovative sectors such as ICT and life sciences. Venture capitalists typically require a high return on their investment due to the perceived high risk, as it is very difficult to predict future success of the start-up company. In order to mitigate some of the business risk, venture capitalists tend to get involved in their investments and to provide a valuable network and knowledge. Investors usually have personal experience with starting a risky venture or experience in a particular sector. Therefore, the contribution of venture capitalist can be decisive in the company's success.

EXAMPLES



> Vertis SGR spa (Italy)

Vertis SGR spa PRIVATE EQUITY/VENTURE CAPITAL – Vertis SGR spa has launched two closed funds, one of private equity and one of venture capital, to support SMEs located in the southern region of Italy. It has established agreements with 14 research centres and 7 universities in the south of Italy to better define investment opportunities. Vertis works with companies in the fashion, ICT, media and other sectors at various phases, from the start-up stage (early-stage financing) to expansion capital and buy-out steps. In the screening phase of private equity projects, applicants need to provide information on their business plan, previous experience, and principal competitors (the company's SWOT analysis). For venture capital, Vertis adopts the following criteria to select new investment opportunities: process or product innovation with digital technologies, location in the south of Italy, and management with expertise in the relevant field.

<http://www.vertissgr.it>

> Vækstfonden – Venture Capital and Equity Fund (Denmark)

Vækstfonden (The Danish Growth Fund) is a state investment fund that contributes to the creation of new companies by providing capital and expertise. The Danish Growth Fund is expected to support creative companies through investment with a total amount of EUR 27 million between 2013 and 2015. At the end of 2015, the support to creative companies is at EUR 30 million, i.e. above target in the creative sector. The Danish Growth Fund provides capital in the forms of equity, loan or guarantee instruments. It operates on market terms but is less adverse to invest in business with a higher risk profile.

The initiative stems from the Danish government's plan for the creative industries 'Denmark at work – Plan for growth in the creative industries and design', launched in February 2013. Since 1992, the Danish Growth Fund and private investors have together co-financed growth in more than 5 400 Danish companies, with a total commitment of more than EUR 2 billion. The almost 6 000 companies which the fund has co-financed since 2001 today represent a total turnover of approximately EUR 9 billion and employ approximately 41 000 people all over the country.

<http://www.vf.dk/>

> VC Fonds Kreativwirtschaft Berlin II (Germany)

The VC Fonds Kreativwirtschaft Berlin II is one of two venture capital funds which have been set up by the IBB Beteiligungsgesellschaft in Berlin, and which are currently in their investment phase. The IBB Beteiligungsgesellschaft provides venture capital to innovative Berlin-based companies and has established itself as a market leader in the field of early-stage financing in Germany. Its funds are used primarily for the development and market launch of innovative products and services, as well as for the business concepts of creative industries. The VC Fonds Kreativwirtschaft Berlin II has a fund size of EUR 40 million and is financed by the Investitionsbank Berlin (IBB) and the European Fund for Regional Development (ERDF) administered by the Federal State Berlin. Since 1997, the IBB Beteiligungsgesellschaft and its partners have made EUR 1.006 million available to creative and technology-orientated companies. Of this, the portion invested by IBB Beteiligungsgesellschaft itself, as leader, co-leader or co-investor, was approximately EUR 141 million.

<http://www.ibb-bet.de>

> The Creative Industries Fund – Portugal Ventures (Portugal) – private equity investments for SMEs in the CCS

Portugal Ventures is a venture capital and private equity firm active in all sectors including the CCS. It focuses on investment in innovative, scientific and technology-based companies as well as in companies from the more traditional Portuguese cultural, tourist and industrial sectors, with significant competitive advantages and export-oriented towards global markets. Portugal Ventures' aim is to partner with entrepreneurs and help them achieve new levels of competitiveness and success at all stages of the development of their companies, in a number of different sectors. Portugal Ventures works alongside entrepreneurs, enabling high-growth Portuguese companies to achieve global status.

Portugal Ventures was founded in June 2012 as a result of the merger of the three state-backed venture capital and private equity firms – AICEP Capital Global (founded in 1988), InovCapital (founded in 1989) and Turismo Capital (founded in 1991). Members include: APCRI – Portuguese Venture Capital and Private Equity Association, EVCA – the European Private Equity and Venture Capital Association and NEVCA – New England Venture Capital Association. Portugal Ventures has (circa) EUR 450 million assets under management.

www.dgtf.pt



OTHER RELEVANT EXAMPLES

- > **Austria aws Gründerfonds** – funds/equity for start-ups and SMEs
<https://www.awsg.at/Content.Node/footer/presse/98992.php>
- > **ELEVEN – Eleven Accelerator Venture Fund (Bulgaria)** – venture capital fund for early-stage companies – see description and a beneficiary story in chapter 4.2. on p. 69
- > **Royal Majestics Fashion and Design Fund (Finland)** – private equity fund
- > **ALMI funds for startups and SMEs (Sweden)** – see description and a beneficiary story in chapter 4.6. on p. 90
- > **Nextury Ventures (Lithuania)** – investment in early-stage start-ups and new fast growth and high-potential-value ideas
- > **Practica Capital (Lithuania)** – there are two funds: Practica Seed Capital and Practica Venture Capital. They invest in early-stage (seed, start-up) development of high-potential business ideas and later-stage expansion of established businesses in Lithuania
- > **Arengufond (Estonia)** – the aim of the Estonian Development Fund’s investment activities is to offer funding to Estonian start-ups by developing the Estonian venture capital market by investing together with private investors who have an in-depth knowledge of the specific fields

3.3.2 Business angels

As venture capital firms increasingly focus on later-stage ventures, business angels are becoming a more important source of funding for start-ups in some sectors. Entrepreneurs should seek out business angel networks, which are becoming more commonplace as a means of bringing entrepreneurs and investors together. Although angel investors will consider companies at an earlier stage than most venture capital firms, they will still expect to see a business plan that is convincing and promising. Entrepreneurs should seek out angels who are active in their sector and deal size. This may include current customers of the business. Business angels can be defined as knowledgeable private individuals, usually with business experience, who directly invest part of their personal assets in new and growing unquoted businesses. Besides capital, business angels provide new entrepreneurs with business management experience⁴⁷.

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http://ec.europa.eu/growth/access-to-finance/funding-policies/business-angels/index_en.htm

EXAMPLES

> **Invicta Angels** – Association of Business Angels from Oporto (Portugal)

Invicta Angels is a private non-profit entity that aims to link companies that are in the process of being created or of implementing growth plans with business angels and venture capital, with a specific fund for creative industries. The objective of the business angel is the valuation of start-ups, acquiring a stake in the share capital, and for a certain period of time providing financial support for the project's implementation and growth. The ultimate goal for the business angel is to sell its holding with a capital gain, and this can only happen if the project reaches the expected success. During their participation in the project, the business angel assumes the project risk in the same way as the project's own promoters. The Invicta Angels business angels developed the creative industries, through an Investment Fund NSRF 2007-2013 operational programme, 'Compete', and the investment Fund 'Finova' for creative industries.

<http://www.invictaangels.pt/>



> **Business Angels Scheme for Culture (ACCME'14)** (Spain)

The '**ACCME'14: Angels and Culture for the creation of more jobs**' is a project that aims to encourage entrepreneurship in the cultural and creative industries as a source of growth, value creation, economic wealth and cultural excellence.

ACCME'14 is an investment readiness program that includes professional training for entrepreneurs and an investment forum to encourage the private sector's participation in the financing of cultural entrepreneurial projects.

Promoters: from April 2014 until the first quarter of 2015, ACCME'14 was run by the Business Angels Network Catalonia – BANC, a private institution created in 2002 which connects private investors (business angels) and entrepreneurs seeking funding to develop their business projects. BANC addresses private investors interested in participating in new business ventures to provide smart capital: experience, contacts, capital and confidence.

Through '**ACCME'14 – Angels and Culture for the creation of more jobs**', BANC proposed a comprehensive way for innovative projects in the cultural and creative industries to access financing.

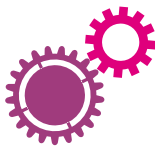


3.3.3 Seed capital

Seed capital funding is a form of financing provided to study, assess and develop an initial concept. The seed phase precedes the start-up phase. The two phases together are called the early stage⁴⁸.

Seed capital:

- concentrates on the very early stages of young innovative companies, which are characterised by high levels of investment risk;
- is aimed at supporting companies in moving from the idea or prototype stage to first commercial revenue;
- offers limited amount of equity capital (typically in the range of EUR 200 000-300 000 and usually not beyond EUR 500 000)⁴⁹.



EXAMPLES

> AIB Seed Capital Fund (Ireland)

> Most seed investment schemes in the UK benefit from **SEIS (Seed Enterprise Investment Scheme)** tax relief provided by the UK government to investors investing in the seed round (for companies less than two years old).

> White Star Capital (UK)

White Star Capital, a London-based fund targeting the UK, Europe and the USA, is a seed and early-stage investment company for digital and mobile technology start-ups. With worldwide connections, it can help companies go global. Investment level: seed and early-stage venture capital. Portfolio companies: Key Me, DICE, Dollar Shave Club.

<http://whitestarvc.com/>

> London Venture Partners (UK)

London Venture Partners invest exclusively in online, social, mobile and tablet games. They never stray outside this and they've built their team and expertise specifically for this sector, in other words they know the games industry well. Investment level: everything from pre-seed to series. A portfolio from £20 000 (EUR 28 000) onwards. Companies: Omidrone, Applifier and Playraven.

<http://www.londonvp.com/>

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<https://www.fi-compass.eu/info/glossary/s>

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European Commission: The public role in financing innovative companies: shifting from venture capital to seed investment –

http://ec.europa.eu/research/innovation-union/pdf/expert-groups/i4g-reports/i4g_policy_brief_5_-_seed_capital.pdf

3.4 Crowdfunding

Crowdfunding is the practice of funding a project or venture by attracting small amounts of funding or donations directly from multiple investors using social media and internet channels, allowing innovators, entrepreneurs and business owners to use their social networks to raise capital. In the past few years, crowdfunding has become increasingly popular, particularly in creative industries such as film and publishing, and in social enterprises. Crowdfunding was originally a debt instrument rather than for equity, due to restrictions in some countries on providing equity stakes through crowdfunding. It evolved in recent years and the spectrum currently consists of five different types: donation (no reward, debt or equity stake), reward (entrepreneurs pre-sell a product or service to launch a business concept without incurring debt or sacrificing equity/shares), lending (the backer receives interest and the loan will amortise), equity (the backer receives shares of a company, usually in its early stages, in exchange for the money pledged), and hybrid forms. Reward-based models are the most common form of crowdfunding. They made up 43 % of the total in 2012, with growth of 524 % that year. The donation model is the second most important form with 29 %, followed by the equity model (15 %) and the lending-based model (13 %) ⁵⁰.

Main types of crowdfunding:

- **Peer-to-peer lending**
Individuals lend money to a company with the understanding that the money will be repaid with interest. It is very similar to traditional borrowing from a bank, except that you borrow from lots of investors.
- **Equity crowdfunding**
Sale of a stake in a business to a number of investors in return for investment. The idea is similar to how common stock is bought or sold on a stock exchange, or to venture capital.
- **Rewards-based crowdfunding**
Individuals donate to a project or business with expectations of receiving in return a non-financial reward, such as goods or services, at a later stage in exchange for their contribution.
- **Donation-based crowdfunding**
Individuals donate small amounts to meet the larger funding aim of a specific charitable project while receiving no financial or material return.
- **Profit sharing/revenue sharing**
Businesses can share future profits or revenues with the crowd in return for funding now.
- **Debt-securities crowdfunding**
Individuals invest in a debt security issued by the company, such as a bond.
- **Hybrid models**
Offer businesses the opportunity to combine elements of more than one crowdfunding type.

Crowdfunding has been placed high on the agenda of the European Commission. In 2015, the Commission published a **guide for SMEs on crowdfunding** (23 languages available) ⁵¹. A number of studies are being carried out, including a general one on 'Crowdfunding: Mapping EU markets and events' to gather comprehensive data on the volume of the crowdfunding market in the EU. A specific project on crowdfunding for the cultural and creative sectors is also ongoing.

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Difass (2014): Creative industries and crowdfunding, http://s3-eu-west-1.amazonaws.com/difass-production/downloads/files/000/000/128/original/DIFASS_Theme_7_Creative_Industries_and_Crowd_Funding_Policy_Recommendation_paper.pdf?1400503181

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European Commission, Crowdfunding explained (2015), http://ec.europa.eu/growth/access-to-finance/funding-policies/crowdfunding/index_en.htm

All types of crowdfunding can be used by the cultural and creative sectors, but so far reward-based and donation-based crowdfunding have been the most common.

According to a study carried out by Culturecrowd⁵², equity crowdfunding 'offers the arts sector and the creative industries a significant new investment tool that has the following potential:

- to encourage existing arts investors to invest further in the arts;
- to attract and encourage new atypical arts investors to begin investing in the arts;
- to require the arts sector to consider arts projects, where appropriate, as sustainable financial ventures⁵³.

Crowdfunding is most often used by start-up companies or growing businesses as a way of accessing alternative funding. It is an innovative way of sourcing funding for new projects, businesses or ideas.

It can also be a way of cultivating a community around your offering. By using the power of the online community, you can also gain useful market insights and access to new customers⁵⁴.



EXAMPLES

> KissKissBankBank (France)

KissKissBankBank is a crowdfunding platform which helps people to raise funds to realise their ideas and projects, by creating an alternative space dedicated to creativity, innovation, solidarity and entrepreneurship. Key data about KissKissBankBank (since its founding in March 2010):

- 56 787 created projects;
- 16 551 presented projects;
- 493 live projects;
- 674 923 KissBankers;
- EUR 37 224 860 collected.

> Voordekunst (the Netherlands)

Voordekunst is a crowdfunding platform which was founded in 2009 at Amsterdam's Fund for the Arts and which received initial funding from the Ministry of Culture. It is a non-profit foundation with two main goals: improving entrepreneurial skills among artists and art institutions and visualising public support for the arts.

Key data about Voordekunst:

- It is donation/reward based;
- 76 377 donors;
- EUR 7 508 803 donated;
- 1 363 projects successfully financed;
- 17 partners, both public and private;
- success rate over 75 %.

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<http://www.culturecrowd.co.uk/wp-content/uploads/Equity-Crowdfunding-for-the-Arts-June-2013.pdf>

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<http://www.culturecrowd.co.uk/wp-content/uploads/Equity-Crowdfunding-for-the-Arts-June-2013.pdf>

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Crowdfunding Explained,
<http://ec.europa.eu/DocsRoom/documents/9721>

> Fund It (Ireland) – Crowd Fund Creativity

Fund It is a crowdfunding platform to help raise money for creative ideas and projects from Ireland. It is based on the premise that a creative idea can attract small amounts of money from a large number of people, whether they are family, friends, supporters, or simply members of the general public who would like to see a great idea realised in return for rewards.

It covers all of the culture and creative sectors, from fashion, to food and fine art.

Relevant criteria, including allocation of resources: all-or-nothing funding – every Fund It project or idea must reach or exceed its target amount before the time expires, otherwise the project does not receive funding and funders do not get charged.

Business to Arts – <http://www.businessstoarts.ie>

Fundit.ie – <http://fundit.ie/info/faq/>

Business to Arts New Stream training project:
<http://www.businessstoarts.ie/newstream/>

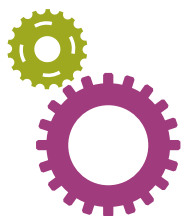
OTHER RELEVANT EXAMPLES

- > **PPL Crowdfunding (Portugal)** – see description and a beneficiary story in chapter 4.1 on p. 63
 - > **Nordstarter (Germany)** – see description and a beneficiary story in chapter 4.1 on p. 64
 - > **Wspieramkulture.pl (Poland)**
 - > **Crowdfunder (United Kingdom)** – reward-based
 - > **Crowdcube (United Kingdom)** – equity crowdfunding – see description and a beneficiary story in chapter 4.1 on p. 65
 - > **Seedrs (United Kingdom)**
 - > **Funding Circle (United Kingdom)** – peer-to-peer
 - > **Hooandja (Estonia)** – <http://www.hooandja.ee/en>
 - > **Hithit.com (Czech Republic)** – reward-based, also cooperating for example with the Vodafone Foundation on the ‘V pohybu’ project <http://nadacevodafone.cz/programy/vpohybu/>, combining a crowdfunding campaign with the foundation’s contribution
 - > **Poligon (Slovenia)** – <http://www.poligon.si/en/>
-



3.4.1 Linking crowdfunding with other sources of funding

Recently, new initiatives have emerged linking crowdfunding with other forms of financing, including loans and risk capital schemes. Crowdfunding is also being increasingly seen by the banks as an opportunity, as it provides starting capital that may identify potential markets for investors.



EXAMPLES

> GOTEIO (Spain) – mixed crowdfunding and feeder capital

GOTEIO is a platform for crowdfunding or collective financing and distributed collaboration (apart from monetary contributions, it is possible to collaborate through services, material resources, infrastructure or by participating in specific micro-tasks needed for the development of the project). Goteio sources feeder capital, i.e. contributions from public and private institutions and businesses to be used for co-responsible investment with a multiplying effect in projects that rely on the support of civil society.

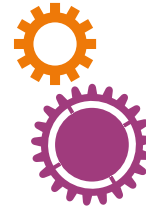
Goteio favours projects that highlight the public good (apart from individual returns, the system is based on collective returns to the community), favouring free culture and social development.

Experience: from EUR 6 000 to EUR 100 000 per project.

These are the points that differentiate Goteio from other crowdfunding platforms:

- Common, open and free: promotes projects that work for the common good, open code and/or free knowledge, with a focus on the public and favouring free culture and social development.
- Free and/or open licences: projects that wish to be co-funded with the help of Goteio must permit, through the use of licences, the copying, public communication, distribution, modification and/or use of part or all of each creation.
- Collective return: seeks a social return on investment and for this reason, apart from individual returns, the system is also based on collective returns for the common good.
- Social investment market: manages feeder capital with contributions from public and private institutions and businesses for co-responsible investment with a multiplying effect in projects that rely on the support of civil society.
- Distributed collaboration: in Goteio, apart from monetary contributions it is possible to collaborate through services, material resources, infrastructure or by participating in specific micro tasks needed for the development of projects.
- Two crowdfunding rounds of 40+40 days: there are two co-funding rounds, each with a duration of 40 days. The first is an 'all or nothing' round for the minimum essential budget, while the second is for an optimum sum to carry out additional improvements.
- Community of local nodes: Goteio is a community of communities, a network of local, independent, inter-coordinated nodes which serve to localise the digital, and to contextualise it.

www.goteio.org



> Market Development Fund (Denmark)

The Market Development Fund helps companies bring their new innovative products to the market faster – a perfect match to creating growth and employment in Danish companies. In 2015, it launched a new initiative that matches funding raised through crowdfunding for consumer related products. The fund offers companies the possibility of validating their market potential through reward-based crowdfunding on a platform of their own choosing. If their campaign turns out to be a success, the fund can match the financing from the crowd. Through a reward-based campaign, the company will establish its first contact with consumers, create awareness of the product, and raise money for the first production. The Market Development Fund finances a product's test and adaptation phase – the phase during which many crowdfunding projects struggle with unforeseen problems regarding for example the scaling of production.

Today, the Market Development Fund co-finances innovative products and inventions that are on their way to market. It is a unique possibility for companies to obtain a grant to finish a product's development from a prototype or beta-version to a market-ready product. This phase of testing and adaptation is not covered by any other private or public investors in Denmark.

> PRODUZIONI DAL BASSO (Italy) – mixed crowdfunding and bank loans

PRODUZIONI DAL BASSO is an Italian web platform open to anyone who wants to submit their project or idea, whether it is a social, cultural or personal project, or promote a product or service. It exists since 2005 and is one of the first crowdfunding platforms in Europe. Its purpose is to support ideas/projects by helping them find financial resources on the web and among people. It has different sections dedicated to the cultural and creative sectors (art and culture, music, theatre and dance, movies, festivals). It has financed 517 projects with EUR 1.3 million and 54 800 supporters. It uses two basic types of crowdfunding, rewards-based and donation-based, but has created a network that also supports hybrid models (for example loans offered by Banka Erica).

www.produzionidalbasso.com

> UNICREDIT BANK AUSTRIA ART AWARD (AUSTRIA) – bank and crowdfunding

Unaccredited Bank Austria AG has traditionally seen its corporate commitment to the arts as an element of its corporate social responsibility framework. It is dedicated to supporting a mutually dependent, growth-stimulating, and partnership-based interplay of economy, culture and society. The resulting initiatives are based on the ongoing evaluation of offerings and proposals, especially with regard to the trends and needs of the creative scene in the area of cultural sponsorship.

From its inception in 2010, the annually staged Bank Austria Art Award was conceived as a sponsorship award. With its total prize money of EUR 218 000, it is Austria's highest private endowment of the arts. Now in its fifth year, the award has been redesigned to better meet the sponsorship needs of the art

community. Starting in 2015, Bank Austria has been presenting its Art Award as a crowdfunding campaign for 32 regional, smaller projects (EUR 110 000), as a Great Honorary Prize of the Jury for outstanding domestic projects (EUR 100 000), and as a Prize of the Jury for Cultural Journalism (EUR 8 000).

In 2015, some 75 projects were submitted for the Art Award and the jury recommended 32 projects for reward-based crowdfunding campaigns. As soon as a project reaches the first third of its financing needs with at least twenty supporters, Bank Austria pledges the second third of the total funding goal. The last third must, again, be crowdfunded. With private financiers (the crowd), the Bank Austria Art Award therefore becomes an active ‘accelerator’ of innovative, regional art projects that triples the Bank’s total award money. Bank Austria has partnered with *wemakeit*, one of the largest crowdfunding platforms and Europe’s most successful one, which places a strong focus on cultural projects.

www.kunstpreis.bankaustria.at

> **PHUNDEE (United Kingdom)**

Phundee is a crowdfunding and social networking platform/resource that is dedicated to entertainment and arts projects and businesses. It caters to all kinds of projects created by inspired individuals who wish to drive a project forward to the point of performance, creation or production. It provides both reward- and equity-based crowdfunding options, allowing projects to offer rewards but also raise money in return for an equity stake. It has a simple model – campaigners seeking funding for their projects ask their fans to support these projects to help them realise their dreams. They offer exclusives in return for each tier of funding, enabling their supporters to get closer to the projects and the campaigners themselves. Once a project becomes successful and has an established fan base, campaigners can then use the equity model to raise investment for their company and ask fans to become shareholders.

www.phundee.com



3.5 Risk mitigation schemes

3.5.1 Guarantee schemes

A **guarantee** is an agreement under which a third-party (guarantor) agrees to be directly or collaterally responsible for the obligation of a first party (e.g. reimbursement of a loan to a bank). The guarantor is liable to cover all or a specified amount of shortfall or default on the borrower's debt⁵⁵. Very common in the CCS.

Guarantee schemes aim to stimulate investment in CCS by sharing the risks of investors. There are two main categories of guarantee that could be used by CCS:

- public guarantee schemes for SMEs, and
- public-private guarantee instruments intended specifically for the creative sectors.

EXAMPLES

> **IFCIC – Institut pour le Financement du Cinéma et des Industries Culturelles (France) – guarantee loans and risk analysis**

IFCIC is a credit institution which has been commissioned by the French government to contribute to the development of the cultural and creative industries in France and to facilitate their access to financing. In recent years, IFCIC has developed repayable advance funds, particularly for the sectors of fashion, publishing, art galleries and recorded music.

As of 31 December 2014, the total amount of guaranteed loans and advances granted by the IFCIC amounts to almost EUR 720 million, with more than EUR 350 million in outstanding risk.

> **CREA SGR (Spain)**

CREA SGR (former Audiovisual SGR) is a company created in 2005 to manage a private-public guarantee fund to facilitate access to finance for SMEs in the CCS by reducing/eliminating the risk of the lender.

CREA SGR has secured more than EUR 250 million in guarantees, beginning its activity in the audiovisual sector and moving to other subsectors within CCS in recent years.

It has a team specialised in the CCS and offers a guarantee of 100% of the loan/financing (when needed) – this has allowed it to get into any market and region, regardless of its level of development.



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http://ec.europa.eu/regional_policy/sources/thefunds/instruments/doc/fls_stocktaking_final.pdf



> Creative Europe Loan Guarantee Facility

The Cultural and Creative Sectors Guarantee Facility is a facility implemented by the European Commission, through the European Investment Fund (EIF). Its aim is to provide guarantees and counter-guarantees on debt financing to financial intermediaries to improve CCS SMEs' access to finance.

Thanks to the CCS Guarantee Fund, financial intermediaries selected by the EIF will be able to provide additional debt financing to SMEs in participating countries.

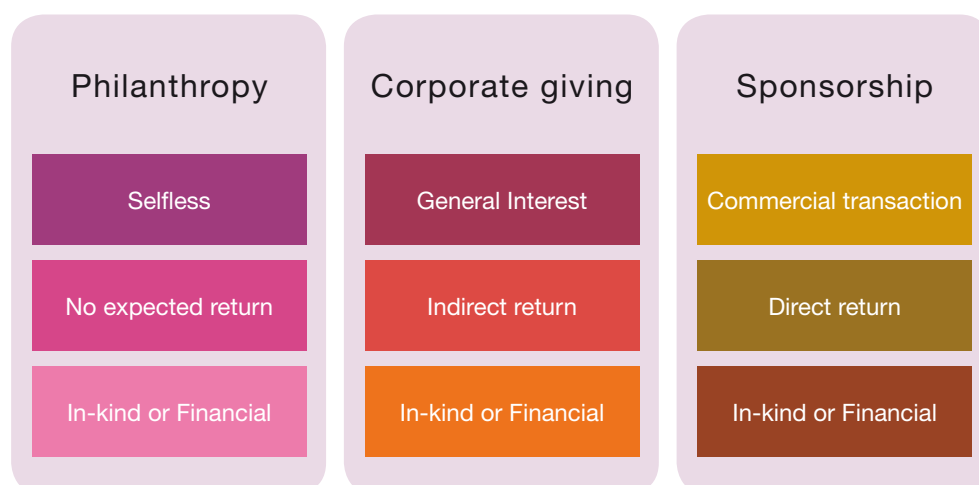
The budget of the CCS Guarantee Fund will be EUR 121 million, and the projected leverage effect is 5.7.

It is being funded from the Creative Europe programme (cross-sectoral strand).

3.6 Other alternative forms of funding

Private investment for culture can also take the form of direct investment (including public-private partnerships), sponsorship, or patronage/donation⁵⁶.

Figure 4 – Alternative forms of funding



Source: Prométhea (2015)

3.6.1 Sponsorship

In its most general form, sponsorship refers to support with returns, in which the sponsor receives something in return for his or her support, either directly or indirectly. When describing sponsorship, it is useful to separate two forms: associative sponsorship which is the standard form of sponsorship, especially in the arts, in which the sponsor does not influence content and programming, and deep sponsorship in which the sponsor actually determines the form and the content of cultural production⁵⁷. Sponsorship is the payment of money by a business to an arts, heritage or museum organisation with the explicit objective of promoting its name, its products or its services. Sponsorship is part of a business' general promotional spending and may be part of corporate social responsibility. It is usually deductible as a business expense, within certain legally defined limits.

EXAMPLE

> Sponsorship agreement for Coliseum (Italy)

Mibact and the municipality of Roma signed a sponsorship contract with Diego della Valle Group (Tod's) in 2011 to realise specific restoration projects and set up new infrastructure (a visit centre) inside and outside the Coliseum, the most important monument in Italy with five million tourists per year. It is the first Italian example of a sponsorship agreement that includes a public/private partnership and project financing scheme with a private contribution of EUR 25 million. In return, Della Valle Group has exclusive use of the royalties on the Coliseum for 15 years.



3.6.2 Corporate giving/donations

Donations are considered to be one-sided business transactions, from which the donor expects no direct benefit. Reasons to donate are therefore moral and not economic. Two forms of donations can be distinguished: 'pure' donations, in which the donor stays anonymous, and 'public' donations, in which the donor is publicly announced, and receives indirect benefits from the promotion of his name in public. In some environments the subcategory of patronage provides support with some return⁵⁸. Donations can be individual, corporate or channelled through grant-giving bodies.

EXAMPLE

> Prométhéa (Belgium/Wallonia)

Prométhéa aims to develop corporate philanthropy and patronage for culture and heritage. It facilitates exchanges between different sponsorship actors from political, economic and cultural spheres, and support to businesses in their patronage strategy. Its objective is to increase the number of contributors to and resources for patronage, mainly in Belgium, while also being a player in European discussions in this area. Prométhéa is active in various sectors and receives public financial support from the Wallonia region and the Brussels region, as well as from private companies. Thanks to this support, Prométhéa has been contributing to the development of business sponsorship for over 25 years.

<http://www.promethea.be>



57

McGuigan (2004), Rethinking Cultural Policy.

58

Klamer, Petrova and Mignosa (2006), Financing the arts and culture in the European Union. A study funded by the European Parliament.

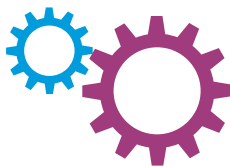
3.6.3 Venture philanthropy

Venture philanthropy is about matching the soul of philanthropy with the spirit of investing. It is about achieving the highest possible impact from charitable investment, but instead of a financial return it aims for the highest benefit to society. Success in venture philanthropy means achieving a social impact by investing time and money in charities and social enterprises.

Figure 5 – Venture philanthropy, definitions



Source: EVPA presentation at the 3rd meeting of the OMC group in Riga, 10 March 2015



EXAMPLE

> Corpus Hominis Arti (Italy)

The **Corpus Hominis Arti** project aims to boost the identity of the city of Brescia (IT), by reinforcing the social dimension of the arts. The project encompasses a series of cultural, socio-political, religious and economic activities in several fields (including theatre, research and training), focusing on community building and valorisation of religious heritage. The project also promotes participation and access to culture for the local community. The activities create crossovers, by connecting different organisations, breaking the ‘silo’ approach and promoting networking among cultural actors. A big festival takes place once a year during the Corpus Hominis event to showcase the project results and share them with the Community. As a result, the city ‘rediscovers’ its identity and makes it more visible, and becomes a promoter of innovation, where culture plays a key role in the development of urban areas.

The total cost of the three-year project is EUR 1 023 000, of which EUR 650 000 is contributed by the Cariplo Foundation and the remaining EUR 373 000 comes from project promoters and private entities involved through fundraising and sponsorship.

www.corpushominis.it – <http://bko.fondazione cariplo.it/en/index.html>

3.6.4 Public-private initiatives

The introduction of fiscal incentives, matching grants and the involvement of private companies in the management of cultural institutions can be used as tools to direct private support towards specific objectives. Matching grants would stimulate the involvement of more stakeholders. The policy of matching grants does not imply a reduction of public resources. If governments choose this form of financing cultural projects without reducing the total amount of public resources, the amounts available would increase. The number of projects could therefore also increase.

EXAMPLES

> Funding of galleries by means of purchasing art from public museums (Austria)

The art section of the Austrian Federal Chancellery provides funding for state and *länder* museums, earmarked for the purchase of art works from Austrian galleries. This innovative funding instrument improves the economic situation of the creative industries (galleries), is linked with art development objectives (supporting emerging artists' entrance onto the market), and can only be used by museums that also invest their own funds (private-public-partnership). The economic actors (the galleries) are not burdened with applications and other administrative work, which is also a clear advantage.

http://www.kunstkultur.bka.gv.at/site/cob__60340/8027/default.aspx#a23

> ARCO FOUNDATION – International Contemporary Art Fair (Spain)

The ARCO Foundation Collection consists of nearly 300 works of art that have been acquired at ARCOmadrid (International Contemporary Art Fair in Spain) each year since 1987, from galleries participating in the fair.

Since 2012, the ARCO Foundation hosts Plataforma, an annual fund-raising lunch, with the goal of acquiring one of the works selected by ARCOmadrid's advisors. The selected work becomes part of the ARCO Foundation's permanent collection. The foundation runs a 'Friends of ARCO' project, which aims to collect financial contributions from individuals and companies in exchange for invitations to special activities, gifts, tax deductions, etc.

http://www.ifema.es/arcomadrid_06/

> The Arts Council of Norway

The Arts Council of Norway has also set up a gift reinforcement programme: it is inspired by a similar programme in the research field. It addresses museums, both investment in and refurbishment of museum buildings, and the purchase of art. The idea is that if a museum receives a gift from a private actor, the Ministry of Culture will donate an additional 25%. 2014 has been a pilot year for the gift reinforcement program, with a total budget of NOK 10 million (EUR 1.2 million).

<http://www.kulturradet.no/english>



The Fondazione Museo delle Antichità Egizie di Torino (Italy), created in 2004, is Italy's first experience of public management of a cultural institution like a museum with private participation, without commercial scope.

Partners include Mibact, Compagnia di San Paolo, Città di Torino, Regione Piemonte, Fondazione CRT and Provincia di Torino.

The restoration project, started in 2009, will be completed this year during the Expo exhibition and will give a more attractive space to the second most rich Egyptian collection in the world after that of Cairo. It will hopefully boost the number of visitors to the museum. The investment so far has been EUR 50 million, from the foundation's partners (EUR 25 million from the Compagnia di San Paolo, EUR 10 from the city of Turin, EUR 7 from the Piemonte region, EUR 5 million from the Fondazione CRT and EUR 3 million from the province), and from other private associations such as Scarabei, which have supported many restoration projects (textiles from the Kha' grave and other ancient artefacts).

<http://www.museoegizio.it/>

MAXXI (Italy) is the National Museum of XXI Century Arts, is the first Italian national institution devoted to contemporary creativity. The public-private partnership between **Fondazione Maxxi** and **Enel**, the Italian Energy Group, signed on 6 October 2015, confirmed Enel's position as a member of the foundation's board. It also confirmed an investment of EUR 1.8 million over three years. Thanks to this support, the foundation will be able to give the public free access to its permanent collection and to enhance value of its cultural content. The museum will be able to become a creative platform for civic, cultural and economic projects. In addition, the agreement will help to reduce the museum's energy consumption and make it more sustainable.

<http://www.fondazionemaxxi.it/en/>

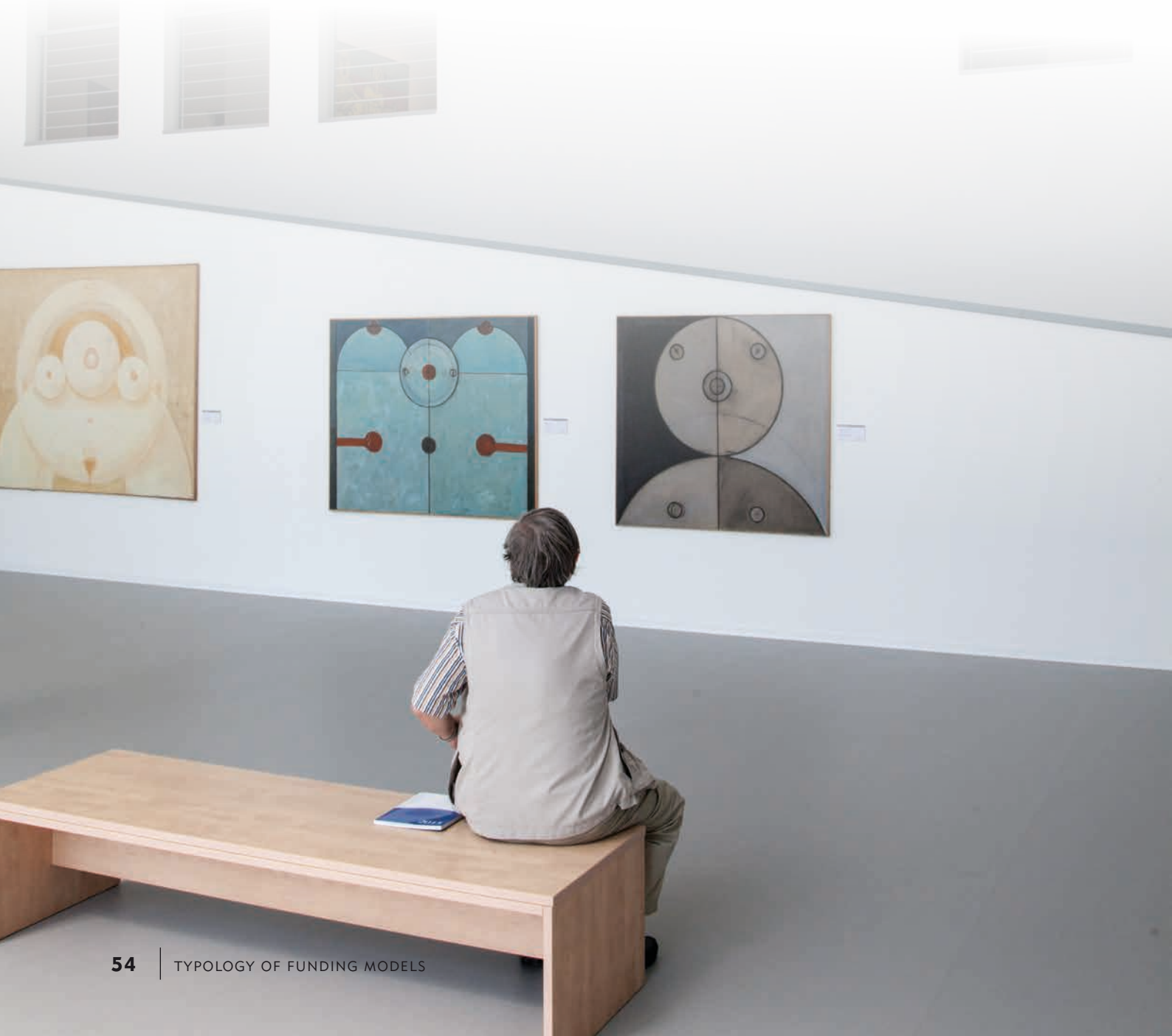
> **IFCIC – the advances fund for young fashion designers**

IFCIC, with the financial support of Balenciaga, Chanel and Louis Vuitton, has created a fund that provides advances for fashion designers, helping them to finance the costs of creating and producing their collections of clothing or accessories.

<http://www.ifcic.fr/ifcic/activites/jeunes-createurs-de-mode.html>

OTHER RELEVANT EXAMPLES

- > **The Onassis Cultural Centre (OCC)** –
see description and a beneficiary story in chapter 4.7. on p. 95
- > **NESTA (National Endowment for Science Technology and the Arts) (United Kingdom)**
<http://www.nesta.org.uk/>
- > **FRAC – Fonds régionaux d'art contemporain (France)**
<http://www.culturecommunication.gouv.fr/Politiques-ministerielles/Arts-plastiques/Les-structures/Les-Fonds-regionaux-d-art-contemporain-FRAC>





**MATCHING THE NEEDS OF
THE CCS COMPANIES
WITH INNOVATIVE FUNDING**



4

MATCHING THE NEEDS OF THE CCS COMPANIES

WITH INNOVATIVE FUNDING

As discussed in Chapters 2 and 3, traditional funding sources, such as banks and venture capital firms, are struggling to find ways to finance CCS and businesses in those sectors for several reasons. It is obvious that innovative funding schemes are needed – schemes that are adapted to today's economy.

It is clearly in the interests of all participants in the financial ecosystem to find new and innovative sources of funding that are adapted to the realities of economic production, the market and the needs of CCS companies. To make this easier, this report highlights some funding sources that can be considered examples of good practice.

4.1 Support for pre-seed and seed stage companies (micro-size companies)

What's needed?

At the earliest stages of setting up a business, creative entrepreneurs tend to focus mainly on research and development to assess whether the venture is viable. The entrepreneur will often cover the cost of this research and development using his/her own savings or contributions from friends and family. The remaining financing needs are likely to be fairly small but fledgling companies have difficulty attracting financing. Seed capital is difficult to obtain as fledgling businesses lack sufficient collateral and a verifiable credit history.

Creative entrepreneurs also face specific challenges at this stage, such as:

- lack of information about relevant sources of finance;
- limited understanding of funding sources;
- lack of knowledge of how to present a business plan in a convincing way;
- learn how to think in ways to grow the company.

Alternative financing sources and innovative new channels, such as microfinance or microcredits and crowdfunding are an increasingly common way of filling the gap or improving the situation.

These types of financing sources can be likened to peer-to-peer lending and smart capital. Microcredits and crowdfunding platforms provide more than just capital.

The offer:

- coaching and infrastructure-building (in the case of microfinance and creative vouchers);
- the opportunity to showcase the product or service to potential customers (crowdfunding).

Relevant Instruments:

MICROFINANCE, REWARD-BASED CROWDFUNDING, EQUITY CROWD-FUNDING, CREATIVE VOUCHERS, GRANTS



CASE STUDY 1 > STORY OF A BENEFICIARY

PEDALFACTORY (Netherlands)

Pedalfactory is a company based in Amsterdam founded in 2013. Pedalfactory focuses on designing, creating and selling unique bikes and bike accessories. Pedalfactory develops high quality, sustainable products, and cooperates with specialists in its network. The company sets itself apart by offering its customers a personal, service-oriented approach to customers. It is an 'umbrella' uniting different brands and products.

Sandwichbike is the company's first product. The Sandwichbike (with different customisable options such as the 'Van Gogh' print) is delivered flat-packed in a cardboard box to the customers' doorstep. It is easy to assemble at home.

After financing the company from its own resources in the pre-seed phase, Pedalfactory needed additional working capital financing. The company sent its business plan to a Dutch bank, and received a rejection email the following day. Fortunately, an enthusiastic consultant from Qcredits granted the entrepreneurs the funding they needed.

Two years on, the company's market focus is global, with 95 % of its sales outside the Netherlands (France and the US are key markets) and it has won several design awards.

<http://www.sandwichbikes.com>

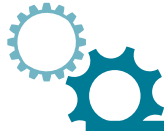
> Source of funding	MICROFINANCE
> Supported by	Qcredits (The Netherlands)

> Based in the Netherlands, **Qcredits** helps new and existing entrepreneurs to successfully start or relaunch a business, and offers funding up to EUR 250 000, plus coaching and tools.

Qcredits is an independent and private lender, and its partners include ING Bank and Triodos Bank. It makes use of the Progress Microfinance initiative that is backed by the European Investment Fund. The company is a non-profit foundation with a special tax status. Its aim is to offer coaching, microfinance and SME credit to start-ups with no other access traditional financial services. This gives entrepreneurs economic, financial and social independence.

To date, Qcredits has granted EUR 122 million of loans, consisting of 6 000 microcredits and more than 200 SME credits and more than 2 000 coaching trajectory are finalised.

<http://Qcredits.nl>



CASE STUDY 2 > STORY OF A BENEFICIARY



3D ANTÁRTIDA (Portugal)

3D Antártida: Polar Group from the University of Lisbon raised EUR 20 000 from 300 backers to purchase a drone to carry out topographic monitoring for scientific research purposes. In addition to extensive media coverage, the project managed to obtain institutional backing from public agencies and the university.

<http://ppl.com.pt/en/prj/3dantartida>



CASE STUDY 3 > STORY OF A BENEFICIARY



POR ELA (Portugal)

'Por Ela' is a film directed by a popular comedian, Nuno Markl, starring actors famous in Portugal, such as Ana Bacalhau (singer from Deolinda), César Mourão (television presenter and comedian) and Tónan Quito (stage actor).

It was PPL's most ambitious campaign to date but fell short of the initial EUR 100 000 target. Nevertheless, the EUR 40 000 raised set a new crowdfunding record in Portugal. It was the first PPL campaign to use value-added calls as a complementary payment channel. It set new records for traffic on the website and backers (almost 2 000).

Although the campaign did not reach its target, the publicity generated attracted valuable contacts that ultimately enabled production to go ahead. The film is scheduled for release in 2015. In the words of Nuno Markl, it was 'the most successful failure ever'.

> Source of funding **REWARD-BASED CROWDFUNDING**

> Supported by **PPL Crowdfunding (Portugal)**

> **PPL Crowdfunding** is a crowdfunding platform launched by Orange Bird. Examples of project categories funded via PPL include: tourism, small businesses, book/music publishing, exhibitions and events, and technology projects – but the only limit on the type of projects that can be crowdfunded is the owner's imagination.

PPL was launched in Portugal in 2011. In the meantime, there have been numerous success stories. The keys to a successful campaign are: appealing and positive videos; effective promotion to a wide range of social groups; simple and attractive rewards and – above all – dedication to and passion for the idea.

PPL main statistics:

- number of users – **48 608**
- total funding raised – **EUR 1 195 218**
- projects published – **923**
- success rate – **45 %**
- average contribution – **EUR 35**

<http://ppl.com.pt/en>



GUTE LEUTE Magazine (Germany)

Gute Leute is the first free English language magazine in Hamburg. It features inspiring stories about people living in Hamburg. *Gute Leute* is circulated free of charge, and will be financed by advertisers and sponsors.

By using the 'Nordstarter' crowdfunding platform, *Gute Leute* was able to find a sufficient number of supporters and attract the funding needed to print the first issue, pay for licenses for the website and fund the initial marketing activities.

<http://guteleute-mag.de/>

> Source of funding REWARD-BASED CROWDFUNDING

> Supported by Nordstarter (Germany)

> **Nordstarter** is a crowdfunding platform for financing projects in the creative industries. Creative projects are financed by microsponsors who receive a 'gift' in return. Project supporters and project starters meet on the website or at crowdfunding-events in Hamburg.

<https://www.nordstarter.org/>





CASE STUDY 5 > STORY OF A BENEFICIARY

CLIPPINGS.COM (UK)

Clippings.com, launched in 2013 by Adel Zakout, is a curated marketplace for beautiful furniture, lighting and homeware. Clippings is on a mission to redesign the design industry, by empowering brands to connect their customers directly with over 300 brands and 8000 products on the platform. Clippings wants the ‘old-fashioned, inefficient, inaccessible, and sub-scale’ design industry to adapt to technological innovation and e-commerce, and to provide an excellent ‘storytelling’ experience for customers.

Clippings plans to launch a dedicated B2B platform that aims to make it easier for architects, interior designers and decorators have to search for products for their projects. They will be able to find products, negotiate prices and order directly through the platform, modernising a currently difficult process.

Clippings is backed by angel investors (£535 000 – EUR 760 000), Sir Spas Roussev (Serpentine Scakler Gallery) and David Begg, founder of Tom Dixon. They plan to close the Crowdcube campaign (£500 000 – EUR 710 000) at the end of September 2015, which funds will cover salaries and fund marketing budget.

<http://clippings.com>

> Source of funding EQUITY CROWDFUNDING

> Supported by Crowdcube (UK)

> Based in the UK and launched in 2011, Crowdcube is an online funding platform that allows companies to raise equity funding directly from members of the public. The entrepreneur creates an online pitch and then promote it to people who might want to invest in their business. The business opportunity is promoted via social media and the entrepreneur chooses to make the offer more attractive with non-financial rewards.

Crowdcube is responsible for £101 million, which is invested in 292 businesses, by 207 000 investors. In February 2014, Crowdcube launched the ‘Crowdcube Venture Fund’ that allows investors to crowdfund start-ups with the extra reassurance that their money is invested, managed and monitored by an independent professional fund manager.

<http://crowdcube.com>



CASE STUDY 6 > STORY OF A BENEFICIARY

BEPART (ITALY)

Bepart defines itself as a 'public imagination movement'. It is an innovative start-up that employs 'augmented reality' technology to fill cities with art, design, videos, sounds and words, so that anyone can create or add different content or simply enjoy the art installations in the urban spaces using a tablet or a smartphone. Bepart makes it possible to redraw urban scenery, integrating digital content into real spaces. This stimulates a dynamic, cultural approach to reality.

Bepart works on emerging trends in new technologies, media and art. The technology can be used for installations, competitions, upgrading urban spaces, and augmenting exhibitions.

Bepart is an expandable project. Its goal is to create connections between cities worldwide so that everybody can enjoy or share their own content.

<http://www.fondazionecriplo.it/it/progetti/arte/innovazione-culturale/index.html>

> Source of funding GRANT

> Supported by [Fondazione Cariplo Area Arte e Cultura \(Italy\)](#)

> **Fondazione Cariplo Area Arte e Cultura** – The general aim of Fondazione Cariplo's Innovazione Culturale Programme is to bring to market products or services that can change or improve the way we engage with culture. The organisation supports youth entrepreneurship, increases audience engagement and improves the performance of cultural institutions.

The second edition of the programme aims to identify good ideas for cultural innovation and help turn them into culturally innovative businesses.

There are three steps:

1. Call for ideas, anyone can participate (organisations, teams, individuals).
2. A three-month workshop where around 60 people will work with professional coaches to turn their cultural idea into a viable business.
3. Fondazione Cariplo awards a grant to the best cultural innovators to develop their idea and support the networking for the widespread of innovation in cultural institutions. The first time the programme was run, 12 grants were awarded with a total value of EUR 1.35 million. The 12 entrepreneurs are now managing their business.

<http://www.fondazionecriplo.it/it/news/arte-cultura/index.html>

4.2 Support for start-ups

What's needed?

After the pre-seed phase, the entrepreneur explores markets and distribution channels, builds momentum, raises public awareness and has sent out his/her first invoices. However strong the business model and the management team, the entrepreneur typically faces problems with cash flow, working capital and growth capital problems during the start-up phase. Typical business needs are recruiting employees, building an infrastructure and investing in ICT before more revenue comes in. The entrepreneur will still rely heavily on family and friends, as the start-up phase is still considered high risk by many investors (but not all – business angels and some venture capital firms may willing to provide finance).

Relevant Instruments:

BUSINESS ANGELS, ACCELERATORS, VENTURE INCUBATORS, VENTURE CAPITAL, START-UP GRANTS, LOANS and GUARANTEES



CASE STUDY 7 > STORY OF A BENEFICIARY

LLAMAS' VALLEY (Lithuania)

Llamas' Valley is a digital magazine about interiors, art, fashion and food. In 2011, this start-up was selected for seed funding by StartupHighway. Llamas' Valley received financial support to develop the magazine, a rent-free working space for two years in an incubator, individual mentoring and other invaluable support from leading entrepreneurs. Llamas' Valley has become a well-known international digital magazine which is free on iPad/PC (and will soon be available on Android). Llamas' Valley's target markets are the UK, the US, Eastern Europe and Scandinavia.

<http://llamasvalley.com/>

- | | |
|---------------------|----------------------------|
| > Source of funding | SEED FUNDING/ACCELERATOR |
| > Supported by | StartupHighway (Lithuania) |

> **StartupHighway** is a start-up accelerator based in Lithuania and an early seed stage fund. Since it was set up in 2011 it has developed a proven investment programme focusing on value maximisation for innovative technology start-ups. It has been designed specifically to provide tailored support for the most promising entrepreneurs. So far, 17 companies from Lithuania, Latvia, Estonia, Italy, the UK and Russia have successfully completed the acceleration programme and received funding from StartupHighway. Each start-up selected can be granted up to EUR 25 000 in seed funding. The funding is distributed in usually three separate tranches during the acceleration programme. StartupHighway normally takes an equity stake of up to 7.5 % in exchange for funding, support, office space and individual mentoring. After the acceleration programme, the best start-ups are selected for the next round of investment from StartupHighway and its venture capital partners, and are offered even better conditions.

<http://www.startuphighway.com>





ZOOPPA (Italy)

Zooppa is a global social network for creative talent. Zooppa was founded in 2007 at the H-FARM incubator and, following successful beginnings in Italy, launched in the US in 2008. From its global headquarters in Seattle, Zooppa has expanded rapidly, enabling major brands and their ad agencies to produce great content with creative talent worldwide. Thanks to a community of more than 330 000 international creative people, Zooppa produces videos, graphics and concepts for agencies and brands.

Companies develop a creative brief describing their brand's attributes, the target audience, and the objectives of the campaign. Community members are then invited to create content in various formats. For example, producing a viral video, designing an animated sequence, creating a print ad, or writing a script for a potential ad.

Members upload their work, then clients select and award the content they like best, although many campaigns also allow community members to vote on submissions in order to determine additional award-winners. Zooppa awards cash and special prizes to the creators based on the client's selections (over EUR 4.5 million in prizes and awards so far – average prize is EUR 40 000). To date, Zooppa has 300 clients including: Unilever, Adidas, FCA Group, Procter&Gamble, Google, Samsung, Telecom Italia, Siemens, Warner Bros and agencies like BBDO, AKQA, GroupM, Leo Burnett and Ogilvy.

The crowdsourcing content produced by Zooppa's community has proven successful: Pizza Hut produced a TV spot broadcast during the 2013 Super Bowl, Xbox produced the new soundtrack for Harry Potter Kinect Game, Chevron launched a video for their AIDS support campaign, and Kinder recently asked the community to upload photos of happy families from all over the world.

<http://www.zooppa.com>

> Source of funding VENTURE INCUBATOR

> Supported by H-FARM accelerator/venture incubator (Italy)

> **H-FARM ACCELERATOR/VENTURE INCUBATOR** is an innovative platform that invests in start-ups, drives the digital transformation of corporates, and provides high level digital education for students and professionals. It was founded in 2005 to make the most of opportunities arising from new digital business models. H-FARM is based in the Venetian countryside but also has also offices in London, Seattle, and Mumbai.

H-FARM is a board member of the Global Accelerator Network that is a global champion of the seed stage, mentorship-driven accelerator model and includes 70 leading accelerators from around the world. The aim is simple – support top accelerators that grow top companies. H FARM is also a partner of ATALANTA, a European network of leading accelerators that provide support to start ups in Europe. Over the last ten years, H-FARM has invested about EUR 17 million in 100 start ups. Over 550 people work in the various companies based at H-FARM's Venice site. The ultimate goal is to create a village dedicated to innovation and technology to support a new generation of entrepreneurs.



One of H-FARM's main strands is investment. H-FARM invests in companies that are H-CAMP alumni but also in new opportunities spotted on the market through the H-FARM Venture Fund. The fund is responsible for direct investment (between EUR 100 000 and EUR 500 000) and indirect investment in early-stage Italian start-ups (specialising in software as a service (SaaS), consumer internet, or B2B services) and in early-stage European start-ups with global ambitions in the field of SaaS or consumer internet.

<http://www.h-farmventures.com>

CASE STUDY 9 > STORY OF A BENEFICIARY

KIDAMOM (Bulgaria)

Kidamom (Bulgaria) is an online entertainment provider. It provides subscription video on demand (SVOD) services for children. Videos (e.g. animated content or documentaries) can be watched in several languages and on a range of devices and parents can manage their child's profile. 70 % of the content is produced in Europe. Kidamom received EU funding from the Joint European Resources for Micro to Medium Enterprises (JEREMIE) Holding Fund (via the Eleven Venture Capital Fund) and attracted private capital through an innovative model for distribution and audience reach. 90 % of Kidamom's revenue comes from the B2B sector. The basis of the business model is to sell access cards to Kidamom's services to consumer brands, telecoms and hardware producers. This guarantees revenue and user registrations. The users are then encouraged to become paid subscribers. Kidamom has already tested its model in Portugal and Poland and is planning to expanding to other countries.

<https://kidamom.com/>

> Source of funding	VENTURE CAPITAL
> Supported by	Eleven Accelerator Venture Fund (Bulgaria)

> **Eleven Accelerator Venture Fund** is a venture capital fund for early-stage businesses.

It provides entrepreneurial mentorship and expertise, platform/technology support and the first round of financial investment. The fund focuses on innovative ideas and start-ups with potential on global market. It provides EUR 50 000 for the proof of concept during a three- to six-month acceleration programme with the possibility for up to EUR 150 000 of follow-on seed investment. Investment is accompanied with incubation, mentorship, matchmaking with partners and investors, and help with commercialising the product and bringing it to the global market. Eleven begins by taking a 6-8 % equity share, but the aggregate (acceleration and seed) should not generally exceed 30 %.

<http://11.me/about-eleven/>





CASE STUDY 10 > STORY OF A BENEFICIARY

Fork Film (Estonia)

Founded in 2011, **Fork Film** is an animation studio specialised in stop-motion, 2D and classical hand-drawn animation. It creates and produces high-quality and distinctive commercials, corporate films and branded entertainment. It also produces multimedia presentations and animated content for all audiovisual platforms. The company mainly markets its services to advertising agencies and production companies.

Fork Film was launched in the Tallinn Creative Incubator. Its founders wrote their business plan in 2010 and applied to Enterprise Estonia for start-up grant of EUR 4500. The grant was used to consolidate the company's visual identity and purchase technical equipment. The Tallinn Creative Incubator provided advice and support on writing a business plan and setting up a company.

www.forkfilm.eu

> Source of funding	START UP GRANT
> Supported by	Enterprise Estonia (Estonia)

> **Enterprise Estonia (EE)** is one of the largest institutions within Estonia's national entrepreneurship support network. It provides financial assistance, advice, cooperation opportunities and training for entrepreneurs, research institutions, and the public and non-profit sectors. Among other grants and programmes, it offers grants for starting a sustainable business or for developing or growing an export business.

Entrepreneurs can apply for a start-up grant if their company:

- was registered no more than **24** months before;
- has **fewer than 10** employees (grant creates a year-round job for at least one person) and an annual turnover of less than **EUR 80 000**;
- has a well-thought-out **sustainable business model**;
- has a product or service that is **ready for launch**;
- forecasts an annual turnover increase of **at least 20 %** in the two years following the end of the project (and of at least **EUR 80 000** by the end of second year) and expects to achieve profitability during the start-up project period;
- **does not need to be subsidised** to remain viable (e.g. can use personal property, equipment or labour free of charge).

The maximum start-up grant is EUR 15 000. The grant may constitute up to **80 %** of the total cost of the project. At least **20 %** should be self-financed.

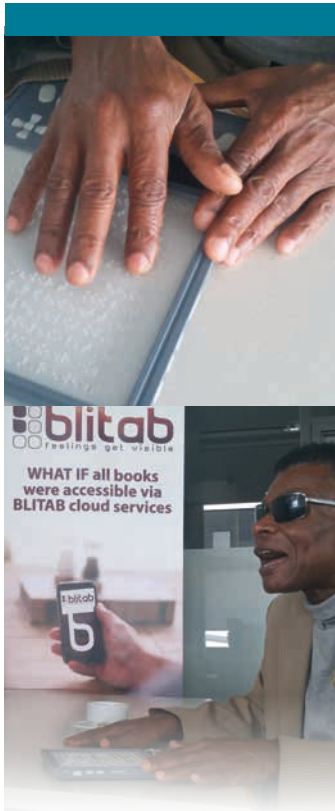
The start-up grant can be used to buy fixed assets (including software), carry out marketing activities or cover staff costs (up to **50 %** of total project costs).

<http://www.eas.ee/en>





CASE STUDY 11 > STORY OF A BENEFICIARY



BLITAB (Austria)

BLITAB is the first braille tablet ever developed for the blind and visually impaired people. The innovation combines social entrepreneurship and sustainable technology. Company CEO, Kristina Tsvetanova, developed BLITAB in collaboration with Slavi and Stanislav Slavev. It all began with an idea that the company's CEO, Tsvetanova, had while she was a student. She was asked by a blind fellow student to sign him up for an online course. She suddenly became aware of the fact that modern information technology was designed almost exclusively intended for sighted people. This seemed unfair so she set about finding ways to improve the quality of life of blind and visually impaired people.

During the first eight months of the prototype phase, BLITAB received eleven national and international awards for innovation and over 20 for social commitment and entrepreneurship, including the prestigious 'Award for Social Entrepreneurship' and the 'Disability and the European Innovator Award'. BLITAB won the Creative Business Cup 2015 in Copenhagen. The jury said about the winner: 'These entrepreneurs are passionate. The idea is social and innovative. The technology could be revolutionary – creating the right marriage between technology and social structures. Opening up the world to blind people who cannot see, could also encourage the blind to bring more solutions in the future.'

The Vienna Business Agency saw the potential of the idea and provided the initial funding in 2011. Support from a range of experts enabled BLITAB to produce the first design prototype.

<http://blitab.com/>

> Source of funding

GRANTS

> Supported by

departure – the Vienna Business Agency (Austria)

> **The Vienna Business Agency** is the first point of contact for national and international companies in Austria's capital. It offers financial support, property and urban development incentives as well as free advice and other services. The Vienna Business Agency prioritises and promotes the defined focal strengths of the city – life sciences, urban technologies, creative industries and ICT. Innovation is the key to commercial success and ensures the long-term development of the business location.

The Vienna Business Agency offers funding for creative industries via the following instruments:

- **creative_pioneer** – support and funding for start-up businesses in the creative sector, for the development of creative products, services or processes and initial market positioning;
- **creative_project** – support and funding for innovation in the creative industries in the areas of development, marketing and distribution;
- **creative_focus** – incentives to integrate highly relevant topics into economically-sustainable projects (e.g. in 2015, the 'Call for Social Entrepreneurship' supports projects that combine creative work and social entrepreneurship);
- **creative_market** – support and funding for implementing the marketing and sales strategies from creative businesses with an existing product portfolio.

Departure, the creative centre of the Vienna Business Agency, offers comprehensive services and networking assistance to companies from the Viennese creative sector, from architecture through to multimedia. Departure has developed initiatives such as 'curated by_vienna', the 'Content Award' and the 'Ideas Competition'.

<https://viennabusinessagency.at/creative-industries/about-departure/>
<https://wirtschaftsagentur.at/>



CASE STUDY 12 > STORY OF A BENEFICIARY

LIVINGLENS (UK)

LivingLens is a software development company based in Liverpool, with offices in London. It was established in 2013 by Carl Wong and David Woods. Together they came up with the idea to build a sophisticated system that brings everyone in an organisation closer to the consumer. Their vision was to give companies the power to mine and interrogate consumer insight videos in a quicker and easier way than anything else on the market. LivingLens supports companies who want to immerse themselves in the consumer experience, but struggle to do so in an accessible, engaging manner. Additionally, LivingLens operates in any language, enabling users to search across all languages and translate into any language in moments. Searching and editing Spanish video content, for example, is very difficult for an English-only speaker. LivingLens breaks down cross-cultural and multilingual barriers by enabling users to gain insights from any video content in any language, regardless of their language capabilities.

Creative England partnered with Collider to deliver the Collider13 programme for start-up companies. The programme supported companies that had developed a product that could help brands achieve market goals, business growth and better connections with their customers through mobile, digital and creative technologies. LivingLens secured a place on this start-up accelerator, receiving an investment from Creative England of £40 000 (EUR 57 000) along with mentoring



and market access. LivingLens was a start-up without a large client. But Creative England liked the team and the idea and agreed that there was an increasing amount of video content needing analysis and large brands have a huge archive of customer insight that is difficult and time-consuming to analyse.

LivingLens's clients now include Unilever, Nielsen, Vision Critical, The Carphone Warehouse and Reevoo. They are also partnering with Market Logic Software, a knowledge management software supplier for 20 of the world's biggest companies. They released the new version of their platform, along with new smartphone apps for iOS and Android, in December 2014. Following the Collider programme, they secured £206 000 (EUR 292 795) in seed investment from a number of angel investors.

<http://livinglens.tv/>

> Source of funding	LOAN
> Supported by	Creative England Business Loans (UK)

> **Creative England Business Loans (UK)** help fuel the growth of the fastest growing sector in the UK economy, financing business expansion and new products which will lead to the creation of new, high-quality jobs. An £8 million (EUR 11.37 million) fund over next 18 months will fund digital SMEs (based in England and outside of Greater London) with an interest-free loan of between £50 000 and £250 000. The loan will be repayable over a maximum of three years. The repayment period depends on the business and its performance. The loan must be matched 50:50 with other finance sourced by the company.

<http://www.creativeengland.co.uk/business/business-loans>

4.3 Incubation support

What's needed?

In the start-up phase, entrepreneurs are looking not only for additional investments and loans, but also for a suitable working environment, contacts, know-how and so on. Start-up companies operating in the CCS often have low level of entrepreneurial skills and market knowledge. The main role of business incubators, therefore, is not only to provide advisory and administrative support services, but also access to expertise, networks and investors. 'Co-working' spaces allow start-ups save on operating costs. An incubator's primary objective is to produce successful and financially viable firms that can survive independently after the three-year incubation period. Early incubators focused on technology companies or on a combination of industrial and service companies, but newer incubators work with companies from a wide range of industries, including the CCS. The close working relationships between start-ups from different disciplines in an incubator create synergies that facilitate CCS crossovers and the creation of new business models. In order to fulfil their main objective, incubators need to focus on growth companies rather than lifestyle companies.

**Relevant Instruments:
GRANTS, INCUBATORS, SEED FUND**



CASE STUDY 13 > STORY OF A BENEFICIARY

Tallinn Creative Incubator (EE)

Incubator Tallinn opened the **Creative Incubator** in September 2009 in the Baltika Quarter, a co working space for entrepreneurs who are starting or developing a business in the CCS.

In 2012, the **Creative Industries Development Centre** was set up alongside the incubator. It offers creative enterprises and entrepreneurs support services to help them to develop and internationalise their business. Services are used by creative entrepreneurs such as fashion designers, film and animation producers, photographers, jewellers, and glass and leather artists. The centre organises regular courses, workshops, exhibitions and studio sales.

Cooperation helps creative entrepreneurs and other important target groups. It also helps creative people improve their understanding of business. The incubator and the development centre teach entrepreneurs the importance of ensuring business sustainability, and create opportunities for joint marketing, cooperation and contacts with market channels. The Creative Industries Development Centre has connections with all the major players in the Estonian CCS.

In 2010, the Creative Incubator came second (out of 50 entrants) in a world-wide competition to find the 'Best Science-Based Incubator' because of the way it manages to combine technological entrepreneurship with creativity and culture.

<http://inkubaator.tallinn.ee/eng/>

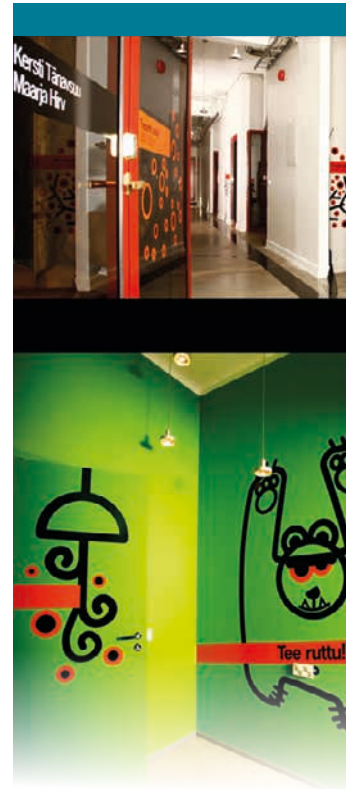
> Source of funding	Creative Industries Development Grant
> Supported by	Enterprise Estonia (Estonia)

> **Enterprise Estonia** is one of the largest institutions in the Estonian national support system for entrepreneurship, innovation, tourism and regional development. It also helps implement the creative industries development measure. The aim of the measure is to link the potential of CCS to entrepreneurship, in order to increase the number of enterprises with new and ambitious business models, increase export capacity and create added-value for the other economic sectors through creative industries upon development of business models, products and services and sales and marketing. The measure consists of seven activity lines:

- grants for incubators and business accelerators;
- grants for CCS development centres;
- export capacity building grants for CCS enterprises;
- grants for the joint projects between CCS and other sectors' enterprises;
- grants for developing CCS infrastructure and technological capacity;
- support for increasing entrepreneurial awareness within CCS, increasing awareness about creative economy among other sectors, and developing knowledge and skills;
- support for developing and implementing large scale cross-sector projects.

<http://www.eas.ee/en>

<http://www.kul.ee/en/activities/creative-industries>





an&angel (Latvia)

an&angel is a glass design company based in Riga at the creative business incubator 'Creative Andrejsala'. It was established in 2004 by Agnese Garā-Nīmane and Artis Nīmanis. an&angel's collections are developed using unique, next-generation technologies. The company's designs are now available in 26 countries around the world. It won the prestigious Red Dot design award in the 'Product Design' category in 2013 and the German Design Award in 2015 (in addition to a string of other design and export awards). an&angel has also participated in several design exhibitions, gaining international recognition.

The creative business incubator 'Creative Andrejsala' has helped and supported an&angel with space, marketing and product manufacturing. In addition, it has helped develop and strengthen the team's business skills and overall strategy. As a result, an&angel has increased its export turnover to 60%, opened a showroom and established a worldwide reputation.

<http://angel.lv/>

> Supported by **Creative Andrejsala (Latvia)**

> The creative business incubator '**Creative Andrejsala**' (Latvia) was developed as part of collaboration between the Ministry of Economy and the Ministry of Culture. It is a platform for creative companies, offering business incubation services for new businesses (no older than two years) in the creative industries. The incubator provides administrative, legal, accounting, fundraising, marketing, partnership establishment and other business services to companies. It also offers offices, work spaces, small manufacturing areas as well as shared workspace and conference rooms. Since it was set up in 2010, the incubator has supported 130 creative companies. On average, each company has created two new jobs and the total amount of tax paid by incubated companies is EUR 0.92 million (excluding taxes paid after the incubation period). The total turnover is EUR 7.5 million (excluding the increase in turnover after the incubation period is over). Only 10 out of 130 incubated companies have terminated their business activities.

Creative Andrejsala will finish its programme by the end of 2015 and in 2016 a new incubation programme will be launched, and the level of support provided will be slightly increased (e.g. support for entrepreneurs in pre-incubation phase).

<http://www.csala.lv/>





CASE STUDY 15 > STORY OF A BENEFICIARY

THINGK (Italy)

THINGK uses new sensors to create everyday objects and devices made of natural materials and adapted for the 'internet of things' era.

The company presented prototypes of its first range at the first European 'Maker Faire' in Rome in 2013. Afterwards, they were voted one of the five best start-ups in the Switch2Product competition 2013, and entered Polihub, one of the best start-up incubators in Italy, funded by Politecnico di Milano.

Switch2Product is an initiative sponsored by Fondazione Banca del Monte di Lombardia with support from Microsoft YouthSpark, and is part of the 'Start-up Revolutionary Road' project, realised in collaboration with Fondazione Cariplo. Switch2Product offers the winner a two-month programme of entrepreneurial empowerment (innovation camp) and a four-month acceleration path.

In 2014, THINGK was selected for a call by the Region of Lombardia and their business plan includes other financial instruments (such as business angels, financing and venture capital). By May 2014, they reached a USD 50 000 (EUR 47 000) target on the 'Indiegogo' crowdfunding campaign.

<http://www.thin-gk.com/>

> Source of funding	SEED FUND
> Supported by	The Lombardy region (Italy)

> **SUPPORT FOR CULTURAL AND CREATIVE START UP IN LOMBARDY: ACCESS to PRE-SEED FUNDS.** The Lombardy Region, Unioncamere Lombardia, and the Chambers of Commerce of Lecco and Cremona have created a call to support cultural and creative start-ups in Lombardy helping entrepreneurs cut costs through the use of business incubators, co-working centres, fabrication laboratories (fab labs) and special agencies or affiliates of the Lombard Chambers of Commerce which can support them during the pre-seed phase. Through this initiative they will encourage and support the professionalism of aspiring start-ups in the CCS by providing them with managerial skills and employees (including young people). The selected projects will receive funding of between EUR 7 000 and EUR 10 000.

To qualify, businesses must:

- be in the cultural sector;
- be a cultural or creative business
- process digital products and services.

The total allocation is EUR 315 000 distributed and covered by institutional partners. There were 19 proposals and 6 are being turned into a business. Most of them have been guided through crowdfunding and other regional calls and financial instruments supporting new firms.

http://www.bandimpreselombarde.it/index.php?Id_VMMenu=362&cqs=SWRfQmFuZG89MTQ



4.4 Development of products and services

What's needed?

The development of products and services, i.e. R&D, is a critical phase that precedes actual production. Well-executed development requires sufficient funding and, if the producer does not have sufficient cash flow from previous products, it may be difficult to acquire. In some sectors, distributors finance product development, but the terms of their funding may not always be beneficial to the producer and can include, for example, relinquishing part of the rights to the work, or loans with relatively high interest rates. Traditionally, there have been only a few public financing instruments that target the development phase. However, as the following examples show, the situation is improving.

Relevant Instruments:

GRANTS, LOANS, CROWDFUNDING, REPAYABLE CONTRIBUTIONS, BUSINESS ANGELS and GUARANTEES

CASE STUDY 16 > STORY OF A BENEFICIARY

Flimmit GmbH (Austria)

Flimmit is a Vienna-based company, founded in 2007, with 12.5 full-time equivalent employees and a turnover of more than EUR 0.5 million in 2015. It offers video on demand (VOD), semantic movie search engines and related services.

The idea of Flimmit was to establish a VOD service that offers regional content on the Austrian market, which was not covered because of regulatory issues. Flimmit clearly established itself as a legal VOD platform for Austrian and European productions.

The development of two main products and services was funded by aws impulse XL (in 2008-2009 it funded the video platform, in 2009-2010 the movie search algorithm). In addition, the company benefited from contacts arising from the publication of projects funded by aws.

Both projects were a mixture of culture and technology (software development, semantic-based analysing technologies, management of film rights) but the technological leap was too low for research funding instruments, whilst at the same time the project was not suitable for cultural funding schemes since no content was being produced. There were no private investors available, as the investment capacity was too small for venture capitalists and the regional orientation too unattractive in terms of growth. Traditional banks were not willing to finance the project because of the lack of property assets.

Today, Flimmit is Austria's market leader in VOD services and offers more than 5000 titles. It has won several national and international awards.

Since 2014, Austria's national public service broadcaster, ORF, has held a 25.1 % stake in Flimmit via its affiliated companies ORF Enterprise and ORS comm.

<https://www.flimmit.com/>





Pocket Sky OG (Austria)

Pocket Sky is a Vienna-based company, founded in 2013 in order to fight seasonal affective disorder and related illnesses, reduce jet lag and give people an extra energy boost – through the use of blue light. Pocket Sky has since built the world’s smallest wearable blue light device: an ultra-thin ‘light bow’ (worn like sunglasses). It is just 4mm wide and delivers the light of a clear blue summer sky direct to the user’s eyes.

Millions of people suffer when light levels are low in winter periods. This can result in a low mood (‘winter blues’) or even in a serious disorder such as SAD. A proven solution is to provide additional light to the eyes.

You can sit in front of a stationary bright lamp for half an hour – which restricts your mobility significantly – or you can use ‘wearable’ solutions which are still quite big and cannot be described as ‘pocket’ technology. This is why the team around Michael Geyer and Mark Wallerberger developed PocketSky, the world’s smallest energy light device. It can be used cable free with maximum comfort, and also be worn over optical eye-glasses.

In 2013, **aws impulse XS** supported the first steps in the development of prototypes and different shapes, test settings concerning ergonomics and design, software development, sky simulations, medical tests as well as the assessment of economical and relevant legal aspects (costs of materials, manufacturing, guidelines, etc.).

Pocket Sky went on to win third place in the Creative Business Cup 2014 for creativity in product design. The jury said the scalable business proposal had the potential help millions of people who suffer with the ‘winter blues’ or jetlag and that the device has excellent market potential.

<http://pocket-sky.com/>

> Source of funding GRANT (aws impulse XS/XL)

> Both initiatives supported by Austria Wirtschaftsservice GmbH/aws

> **aws Creative Industries** (Austria) supports innovative projects in Austria (products, services, procedures) in the context of the creative industries with non-repayable grants, i.e. projects that constitute a creative business innovation or whose innovation is driven by creative industries. It targets SMEs in all sectors (established companies and start-ups).

In addition, it offers training and further qualifications especially for founders and start-ups in the creative sectors are offered. It also carries out specific awareness-raising activities that highlight the innovative power of the creative industries.

aws impulse XS supports highly-innovative projects in the early stages (activities relating to content and economic feasibility) and provides a maximum of



70 % of eligible project costs, with an upper limit of EUR 50 000. Individuals can also apply for aws impulse XS funding. aws impulse XL supports highly innovative projects in the development and implementation phase (activities relating to development, first application, market transition), providing a maximum of 50 % of the eligible project costs, with an upper limit of EUR 200 000.

<http://www.awsg.at/>



CASE STUDY 18 > STORY OF A BENEFICIARY

Larian studio (Belgium)

Larian studios was founded in 1996 by Swen Vincke, and is the largest games developer in Flanders (Belgium). Larian is mostly known for its 'Divinity' games, a series of fantasy role-playing games, starting with 'Divine Divinity' (2002), which immediately received international acclaim and is a cult-classic in the genre.

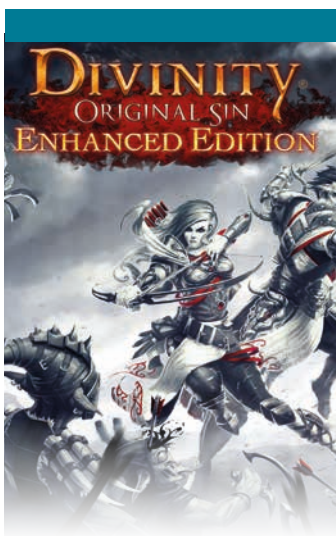
The latest release, 'Divinity: Original Sin' (2014) was funded with the help of a Kickstarter crowdfunding campaign. The original goal was to collect USD 400 000 (EUR 377 000), but in the end nearly USD 1 million was collected (almost 20 000 backers). The game was launched in June 2014 on Steam, the largest online download platform for computer games. For over a month it was the most downloaded game on Steam, and over 1 million copies were sold (priced at USD 40-50) (EUR 38-47). The game also received critical acclaim. On metacritic.com it received a score of 87 from both critics and users. Multiple reviews acclaimed 'Divinity: Original Sin' to be one of the best role-playing games of recent years.

According to Swen Vincke, a large part of the success was owed to the early feedback they received through their Steam 'Early Access' and Kickstarter communities, and said it was 'almost a co-development'. This interaction with the audience also led to a 'word of mouth' recommendations that were a crucial factor in the game's success.

Larian released 'Divinity: Original Sin' independently (without the help of the major game publishers). They received funding from CultuurInvest on numerous occasions. CultuurInvest is a Flemish governmental fund for the CCS that provides subordinated loans and equity participation. Despite this, Larian was still forced to borrow and take risks, but the great success of 'Divinity: Original Sin' brought a big boost. Larian made a good profit and has opened branches in Dublin, St. Petersburg and Quebec – a region where tax incentives are very lucrative for the gaming industries (such tax incentives are not available in Flanders).

Larian also plays an important role in the Flemish gaming ecosystem by giving support to young game developers and sharing knowledge. Larian's CEO was awarded the Flemish Cultural Award for Cultural Entrepreneurship in 2014.

The enhanced edition of 'Divinity: Original Sin' will be released in the autumn of 2015 and will expand the game to PlayStation 4, Xbox One, OS X and Linux.



On the 12th of August 2015, Larian announced the development of 'Divinity: Original Sin 2'. They returned to Kickstarter on the 26th of August, seeking USD 500 000 (EUR 471 000), a goal that was achieved within twelve hours! In the end, over USD 2 million (EUR 1.9 million) had been collected (from over 42713 backers). The goal is, as before, to have great interaction with the community in the final phases of the game's development.

<http://www.larian.com/>

> **Source of funding** **LOAN**

> **Supported by** **CultuurInvest (Belgium)**

> **CultuurInvest** is an investment fund for entrepreneurs in the creative industries. It stimulates the growth and economic independence of companies that offer cultural or creative products and services, provided there is a clear potential in the market. CultuurInvest does not grant subsidies but provides subordinated loans and/or equity participation.

CultuurInvest has already invested in 53 companies. Its total impact on the market is EUR 18.6 million. This includes EUR 9.2 million from CultuurInvest itself and EUR 9.4 million from third parties, mainly banks, other investors or the entrepreneurs themselves.

CultuurInvest operates as a 'rolling fund'. This means that the funds invested must flow back into the fund with a return. CultuurInvest grants loans to and participates in capital of businesses. In this way, companies can be structurally financed via subordinated loans for a longer period. The loans are always granted to companies, never to individuals. CultuurInvest does not require any personal guarantees from entrepreneurs – this clearly distinguishes the instrument from a bank loan.

CultuurInvest invests in the following sectors: new media and computer games, the audiovisual sector and digital design, the music industry and concerts, design and fashion design, print media and graphic design, publishing and bookshops, musicals and the performing arts, distribution within the visual arts, communication and advertising, architecture, and heritage.

<http://www.vlaanderen.be/nl/ondernemen/kapitaal-en-krediet/investering-eeen-creatieve-onderneming-cultuurinvest>



CASE STUDY 19 > STORY OF A BENEFICIARY



TEMPORA (Belgium)

Tempora is a Belgian agency specialised in the design, development, promotion and management of cultural events and sites. It specialises in thematic, historical, cultural and artistic exhibitions and has a unique educational approach.

Founded in 1998, it is one of the major players on the European market. The company employs 30 people full-time and has many freelancers. Tempora delivers commissioned services and also produces its own exhibitions which run in many countries, allowing it to boost its reputation and win international tenders.

These projects require significant capital. Tempora has obtained several loans from ST'ART. Tempora has also diversified to manage cultural and museum infrastructures, allowing it to benefit from regular income.

www.tempora.be



CASE STUDY 20 > A STORY OF A BENEFICIARY (unsuccessful)

Akamusic (Belgium)

In 2008, Akamusic was one of the first musical album co-production platforms in Europe, following the successful crowdfunding platforms in the USA such as Kickstarter.

Founded by Tournesol Production and Yswood, the company quickly raised EUR 400 000 to develop the project which started rapidly: in 2010, Akamusic was the largest producer of music in Belgium. ST'ART and Finance Brussels invested in the company and thus enabled Akamusic to open to Flanders, France and Germany.

In five years, the company has allowed launched 85 artists, raised EUR 4.5 million from 40 000 online backers. However, the profitability of each project remains uncertain, so the model of the platform was reviewed.

In early 2013, Akamusic bought out its shareholders and the company's activities were frozen.

> Source of funding **LOANS**

> Both initiatives supported by ST'ART investment fund (Belgium)

> **ST'ART investment fund** is a unique financial instrument in Brussels and Wallonia and is the product of the joint efforts of the Wallonia Region and Wallonia-Brussels Federation to support the development of the creative economy. Today, the capacity of the fund is EUR 17 million and the shareholders are the Wallonia Region, the Wallonia-Brussels Federation and the Regional Investment Company of the Brussels Region.

ST'ART focuses especially on SMEs, including not-for-profit organisations, in the CCS. The fund contributes to the creation of companies and the development of existing structures in order, for example, to undertake new projects, create new products and access new markets. The fund provides financing through debt and equity.

The goal is also to influence banks and private investors to invest in the creative sectors. ST'ART works closely with public bodies and regional investment funds. Therefore, ST'ART complements (but does not replace) existing sources of funding.

<http://www.start-invest.be>



CASE STUDY 21 > STORY OF A BENEFICIARY

Achtoons (Italy)

Achtoons is an innovative company, founded in 1999, specialising in animation as a language for film and television productions, educational films, documentaries, industrial films, commercials and music videos, with a growing focus on new technologies and creative cross-media.

In 2004, Achtoons received financial support from a private investor from IBAN (Italian Business Angels network) and became a limited company (Srl), enabling it to strengthen its position in the international market and find new development strategies, especially in TV formats and web animation or short films.

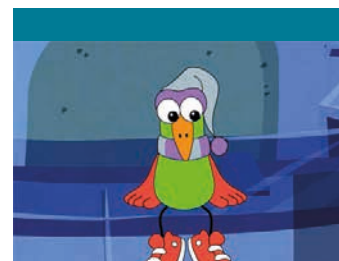
After being matched with the business angel, Achtoons attended a conference of venture capitalists in Boston for a second phase of financial support to develop its external and international market. To date, Achtoons has developed productions with RAI Educational and has a partnership with Porchlight Entertainment (USA) for distribution and Image Corporation Entertainment (Canada) for production.

www.achtoons.it

> Source of funding	VENTURE CAPITAL
> Supported by	IBAN (Italian Business Angels network) (Italy)

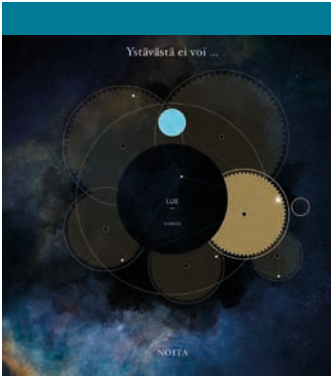
> **IBAN (Italian Business Angels network)** was established in 1999 and now has 120 members and plays a specific role in the research and development of start-ups by funding early-stage initiatives, supporting entrepreneurship, innovation and research, promoting the best talent and ideas, and creating skilled jobs. It is very active in 'benchmarking tours' to more developed or emerging markets to identify the best ways to finance innovation. The average investment is about EUR 100 000.

<http://www.italianangels.net/>





CASE STUDY 22 > STORY OF A BENEFICIARY



Antikythera by Taiste (Finland)

Taiste is a digital design company and Antikythera is a digital art work composed of over 200 poems written by poet Saira Susiluoto. The user can study the poems with a machine that resembles the mystic Antikythera mechanism from ancient Greece. The poems react to touch and movement in surprising ways and the user experience is interactive and game-like. Taiste built a unique poem engine, designed the user-interface which includes interactive functions embedded in the poems as well as the visual outlook reminiscent of the gears of the original machine.

Antikythera is a pioneering project as it uses mobile technology as an integral part of an artwork.

Financing from DigiDemo enabled the producer to take the risk to start such an artistically and technically ambitious and pioneering project and devote the necessary expertise to it.

<http://www.taiste.fi/en/>

> Source of funding	GRANTS
> Supported by	DigiDemo (Finland)

> The aim of the **DigiDemo** programme is to promote the development of important cultural content and service projects, to improve the R&D prospects of businesses in the field, and to respond to challenges concerning the cultural policies of a digitalised society.

Subsidies are awarded to companies or industry experts for R&D projects based on the above content types that aim to develop new kinds of narratives or services in the fields of culture and entertainment, utilise multiple channels and have a good chance of going into production.

Projects considered for subsidies are evaluated based on their innovativeness and capacity for production. Additionally, the projects' potential for commercial success nationally or internationally is also considered.

DigiDemo support is awarded from funds allocated to AVEK (The Promotion Centre for Audiovisual Culture) by the Ministry of Education and Culture.



4.5 Support for innovation

What's needed?

SMEs generally lack the capacity to manage innovation processes from the generation of an idea through to its profitability on the market. For creative start-ups, the challenge is that high-potential innovation is often a high-risk activity. On the other hand, many creative entrepreneurs are used to innovating as their core activity, without knowing the output or demand for their activity. However, support for creative SMEs' innovation capabilities must include a strong focus on business aspects, market or growth potential, and returns on the investment in innovation.

As mentioned earlier in this report (see chapter 3.2.1), partnerships with larger corporations and other B2B activities, where the creative SMEs engage in assisting companies outside the creative field with innovation processes, have been shown to be beneficial to both parties. Creative voucher schemes, where support is given to the interaction between SMEs in the CCS to share their creative competences, is an efficient way to improve the business skills of creative SMEs and hence their ability to access finance.

Relevant Instruments: INNOVATION VOUCHERS and VENTURE CAPITAL



CASE STUDY 23 > STORY OF A BENEFICIARY

Printer sharing solutions (Germany)

Printer sharing solutions, a company based in Walldorf (Baden-Württemberg) offers an online platform for printer sharing, which enables the sharing of photocopiers and printers. It is similar to the carsharing model: the online platform suggests the closest available 'points-of-print' such as, for instance, nearby copy shops. It also converts the document to be printed into the necessary format and sends the encoded file to the selected printer. With support from an 'Innovationsgutschein C' innovation voucher, the company has conducted a name search, successfully applied for a patent, and launched its first promotional activities.

> Source of funding	INNOVATION VOUCHER
> Supported by	Innovationsgutschein C, Baden-Württemberg (Germany)

> The creative voucher scheme **Innovationsgutschein C** was initiated in 2013 by the State of Baden-Württemberg (Germany). It complements the existing voucher schemes 'Innovationsgutschein A' (e.g. for initial market research studies) and 'Innovationsgutschein B' (e.g. for more complex R&D services). 'Innovationsgutschein C' provides micro-enterprises with co-funding (up to 50 % and a maximum of EUR 5000) for services to be purchased from the CCS. This includes, for instance, marketing activities for new creative products and services, e.g. trade fair participation, preparation and production of marketing materials, as well as catalogues and instruction manuals and fees for trademark protection.

<https://mfw.baden-wuerttemberg.de/de/mensch-wirtschaft/mittelstand-und-handwerk/innovationsgutscheine/innovationsgutschein-c/>





CASE STUDY 24 > STORY OF A BENEFICIARY



ROKOKO – art, entertainment and match (Denmark)

The Danish start-up **Rokoko** makes live animation theatre (animation) and has developed a motion-capture suit (called ‘Salto’) that makes it possible to animate movements for a far lower price than normal and without the use of specialised studios. Rokoko is also working with PLAI (Psychiatric Live Animation Intervention), which is a project where animation works as a tool to treat children with autism. In 2013, Rokoko won the Danish part of the start-up competition for creative entrepreneurs, Creative Business Cup and came third in the international finals. The venture capital fund, North-East Venture, has recently backed Rokoko with generous funding.

The company plans to move to San Francisco in 2016. Rokoko also plans to use Salto to work on virtual reality projects, which companies such as Facebook, Sony, Microsoft and Samsung all focusing on at the moment.

<http://rokoko.co/> – <http://north-eastventure.com/>

> Source of funding	VENTURE CAPITAL
> Supported by	Creative Business Cup

> **Creative Business Cup** empowers entrepreneurs in the creative industries, connects them to investors and global markets and strengthens their innovative capabilities to the benefit of industry and society. Through national partnerships, Creative Business Cup runs initiatives for entrepreneurs in the creative industries in 50+ countries and invites corporations to tap in to the creative and innovative skills of these startups. Some 5000 start-ups participate each year in the national initiatives and the best are invited to the international finals, taking place in November in Copenhagen.

Creative Business Cup supports the potential for growth among creative entrepreneurs and promotes the innovation-spillover effect to other industries by:

- strengthening the business skills of entrepreneurs within the creative industries through workshops, mentoring and training;
- building and maintaining a global network of innovative minds and start-ups;
- creating a platform for sharing experiences and business opportunities among creative entrepreneurs, investors, experts and mentors;
- facilitating matchmaking between creative entrepreneurs and other industry sectors;
- reaching out to, motivating and celebrating the entrepreneurs and give them skills to further their business development through the competition: the world championship for creative entrepreneurs.

Creative Business Cup is a non-profit association and a global initiative for creative entrepreneurs wanting to take their business to the next level, public and private stakeholders working to improve creative entrepreneurship and investors looking for investment opportunities in the creative space.

<http://www.creativebusinesscup.com>



Be Entertainment Ltd (UK)

Be Entertainment Ltd is a Northern Irish digital media studio which develops and produces innovative story driven content for current digital media and emerging platforms. The company was started by the producer Triona Campbell and Nuno Bernardo, the creator of the hit TV and on-line show Sofia's Diary. The show has amassed over 26 million views since its launch on Bebo.com in March 2008 and is now the second highest rated TV show on Fiver (UK). Be Entertainment's creator and producers have also produced Aisling's Diary for RTE (Ireland) which premiered on RTE, a nominee for the 2008 Irish Film and Television Awards and the C21 Best Format awards. The series online web-episodes became the most visited part of the RTE.ie website and on TV achieved a 30-35% audience share among the target demographic when broadcast on RTE 2.

Be Entertainment also makes investments in and incubates projects in the media and entertainment space, both developing and co-developing TV and New Media Content.

Through an Invest NI innovation voucher, BE Entertainment sought the University of Ulster's expertise to combine animation and special effects with live action for a new drama series called 'My Best Friend is a Ghost', an Irish language drama with supernatural and mythical elements.

Animation and special effects of this nature is an area the company had yet to explore in its production portfolio and did not have the resources in-house which was a barrier to product development. Plugging the gap by working with the University to access this expertise, the company was keen to enhance its product offering. Convincing the audience of the authenticity of the supernatural forces is a huge issue to solve as this plays a vital role in audience engagement and enjoyment of the series.

The University of Ulster's Digital Content Development Officer worked closely with Be Entertainment on the development of their production, advising on script development and how composition and design can impact on budget management. Character elements that were important to the script were explored while removing costly elements such as flowing hair and garments.

While production was underway, design began on the main characters. Once designs were finalised the characters were modelled, painted and rigged in 3D for animation in Maya. Animation was swift knowing that the rendering process, where the 3d wireframe characters are developed into realistic full colour HD video frames would take nearly three days. Once rendered the 3D characters were composited into the live-action footage and edited into the show.

<http://oi.ulster.ac.uk/information-for-business/support-for-business/innovation-vouchers/case-studies>

-
- > Source of funding INNOVATION VOUCHER
 - > Supported by Innovation Voucher Scheme (Northern Ireland)
-

> **Businesses*** in Northern Ireland and the Republic of Ireland can apply for vouchers worth up to EUR 5 000 to enable them to access Ulster University's expertise and facilities.

The Innovation Voucher Scheme, run by Invest NI and Enterprise Ireland, is designed to help businesses tap into specialist knowledge to develop forward-thinking solutions or ideas to expand, improve or create new products, services and processes. Businesses can be awarded up to a maximum of three innovation vouchers. Ulster University is a lead provider of Innovation Vouchers in Northern Ireland having delivered over 400 projects.

CASE STUDY 26 > STORY OF A BENEFICIARY



JSC ENEKA (Lithuania)

JSC Eneka is a Lithuanian company operating in the fields of manufacturing of wastewater treatment plants and trade of industrial filters. In 2013, the company has received an award for active cooperation between business and science as they (in partnership with Vilnius Academy of Arts) implemented a project on the application of rotational molding technology for the development of new design solutions. The company has organised a one-week creative workshop called 'NewIdea'. The success of the cooperation was linked to a uniquely creative approach, which involved a high creativity level and speed. During the week specific products were created – outdoor furniture prototypes and flow-erpot prototypes for urban planting.

JSC Eneka received an Innovation voucher for this project.

> Source of funding	INNOVATION VOUCHER
> Supported by	Voucher Scheme by the Lithuanian Ministry of Economy

> During 2014, **Innovation vouchers** (Lithuania) was a EUR 2 million instrument to promote innovation in SMEs, which included such activities as research (industrial or applied research), technological development (experimental or development, design and technological works), and technical feasibility studies. According to the scheme, de minimis support is provided for SMEs that are starting up or already carrying out innovative activities.

Under the scheme, the SMEs receive fixed, targeted financial support to buy services from research and academic institutions. The appeal of the innovation vouchers scheme is related to its simplicity and low administrative burden both for beneficiaries and administrators. The maximum value of a project is EUR 5 792, and the instrument offered an innovation voucher with de minimis amount of 80 % or EUR 4 633, while the rest of the de minimis aid is covered by the company at its own expense. The instrument was not CCS-specific, but it did not exclude the sector. There are no open calls at the moment, but the scheme will be continued.

<http://www.mita.lt/en/general-information/innovations/innovation-vouchers/>



4.6 Financing Intellectual Property

What's needed?

There are currently few financing instruments dedicated solely to financing the development and commercialisation of IP rights, although they are not excluded from other types of financing instruments. As the mapping exercise showed, content/IP rights are underserved as regards capital and other support. This is in stark contrast with the availability of both for ICT and technology platforms. As explained in Section 2.2., intellectual property is a key driver of growth and a source of added value and revenue, but due to several unresolved issues, the financing of IP rights and IP-based businesses is still in its infancy. However, promising instruments corresponding to the concrete needs of CCS companies in relation to commercialising their IP rights are emerging.

As the use of IPR financing becomes more widespread, there will undoubtedly be a need for public-private partnerships that have the necessary expertise and are prepared to increase the initial investment capital. Public investors will also need to be willing to agree to asymmetric profit distributions in favour of private investors.

In the rare cases where IP rights financing does exist, it invariably takes the form of equity financing and often involves establishing a special purpose vehicle (SPV). An SPV is a joint venture between the IP rights creator and financier, where the IP rights subject to financing are transferred. The shares of the original rights holder may also be used as collateral. Obviously, the use of SPV is only applicable with respect to venture capital and business angels and does not lend itself to e.g. traditional debt financing.

An SPV is a particularly useful tool for investing in IP rights because the investor expects to make a profit mostly from the revenues generated by the financed IP rights, not simply by increasing the value of the company and then making a profitable exit. In this model, IP rights are not transferred to the financier (which may risk the smooth functioning of the creator of the IP rights) as collateral, but shared by the creator and financier, whereby both have a shared interest of making the venture as profitable as possible.

It would appear that the chances of success for this type of financing can be increased by ensuring a healthy flow of ideas, i.e. a pool where the financier can make early stage investment to help harness interesting ideas, and then pick the most promising ones and make more significant investments in those while avoiding, already at the product development stage, making investments in ideas that do not seem to work. Between product development and market roll-out, other types of financing such as mezzanine loans can be used to help the production phase. In other words, it implies setting up an incubator-like function in addition to traditional financing.

Relevant Instruments:

LOAN, VENTURE CAPITAL, TAILORED IP SCHEMES and GUARANTEES



CASE STUDY 27 > STORY OF A BENEFICIARY



SUBZERO FILM ENTERTAINMENT (Finland)

Subzero Film Entertainment was established in 2012 by producer Petri Jokiranta and director Jalmari Helander. Under their 'Subzero' banner, Jokiranta and Helander concentrate on developing high-concept genre projects for Helander to direct and Subzero to produce.

Subzero's first production, *Big Game* (2015), was released in every major territory. As a EUR 8.5 million budget film, it was at that time the most expensive film ever made in Finland and has a cast including Samuel L. Jackson and Jim Broadbent. By the end of 2013, the Finnish investor Visionplus Fund I made a revenue-based investment of EUR 900 000. This sum financed part of the production of the film. By July 2015 Visionplus Fund had recouped 110% of its investment, and the fund also has a 'back-end share' of the film's future revenues. Total sales of the film have already exceeded EUR 10 million.

- | | |
|---------------------|---------------------------|
| > Source of funding | LOAN |
| > Supported by | Visionplus Fund (Finland) |

> **Visionplus Fund (Vision+)** is managed by Visionplus Management Ltd., capital fund management company and co-investor in Vision+ Fund. Rather than providing venture capital or initial seed finance, the fund invests in the intellectual property rights of digital products and retains negotiated rights on their related revenues and income. Entrepreneurs receiving an investment are able to keep their IP rights. Vision+ receives royalties from the product revenues from product commercialisation, support and investment.

Target sectors include: digital consumables, games and applications, online services and related areas, and multi-platform digital products. The fund has no geographical limitations for investments.

Investment decisions are made on the basis of projects being in the pre-commercial phase and market-driven, with multi-channel opportunities, the previous experience of both the management and design teams and the long-term revenue stream potential. Vision+ funding is targeted for final production, commercialising and marketing of the products and creating cash flow. The fund supports entrepreneurs with its special skills and connections.

<http://www.visionplus.fi/>



CASE STUDY 28 > STORY OF A BENEFICIARY

Auddly (Sweden)

The music industry is under irreversible change. The digital landscape allows people to consume more music in ways that have never been seen before. The music industry hasn't fully evolved to adapt to these changes and has, in many ways, become a bystander. Distribution problems, unclear roles, copyrights issues, and communication mishaps are some of the many challenges that the industry is facing.

Auddly is an independent global hub for collecting all the important information associated to a work, including who wrote it, their splits and publisher affiliations, as well as who produced and played on the recordings – everything that is needed for a fair and transparent allocation of rights and payments to all parties involved. There are many different organizations and companies that are wholly dependent on the correct data to be able to fairly, accurately and transparently compensate rights-holders.

Auddly provides a platform for creators and administrators to easily and smoothly work together, which in turn ensures that the correct data is collected from those who know the real truth about the creative process– the creators. A 'clean' and accurate registration is a result of it.

Their solution is unique in its kind and a perfect example of how a new structure and innovative technology will significantly improve the situation for songwriters, producers/musicians, artists and publishers.

<https://www.auddly.com/>

> Supported by **ALMI Invest (Sweden)**

> Auddly was founded by Niclas Molinder and Joacim Persson 2012. Both Niclas and Joacim have worked in the music industry as songwriters and producers for more than 15 years. During the first year Auddly was financed by the founders. When more capital was needed the Swedish State-owned investment company **ALMI Invest** invested venture capital together with the extremely successful songwriter/producer Max Martin. To be able to influence the music industry internationally and get in touch with the right people, it was a conscious choice to offer successful music creators with a strong position in the industry the opportunity to invest. In the second round in mid-2014, Björn Ulvaeus of ABBA and Avicii manager Ash Pournouri joined the owner team.

A big difference between having music creators as investors instead of traditional business angels and venture capital companies is that the main purpose is not the business side, but a desire to improve conditions in the industry in the long term.

<http://www.almi.se/Almi-Invest/>





CASE STUDY 29 > STORY OF A BENEFICIARY



MB Mickaus Creative Studio (Lithuania)

MB Mickaus Creative Studio, a founder of Aqua Lingua studio, created a system that enables the transformation audio information into visual picture which has both artistic and aesthetic value. Every word or sound makes unique water pictures that reveal universal harmony. Each image is as unique as human voice and the phrase. The colour of the image depends on different lighting and the shape depends on the sound's resonance effect on the water.

In order to protect this invention, the company has applied for an international patent, and is applying for a patent in Germany, the UK, and USA. MB Mickaus creative studio used a scheme for the protection of industrial property rights and received support for this particular project.

<http://aqualingua.org/>

> Supported by **A scheme for protection of industrial property rights (Lithuania)**

> **A scheme for protection of industrial property rights (Lithuania)** is a EUR 0.159 million national instrument designed to provide financial support for the protection of industrial property rights that covers the patents of inventions and design at the European and international level. The national support is focused on acquiring a European patent or a patent issued under the Patent Cooperation Treaty, and on registering a Community design or a design registered under the Geneva Act of the Hague Agreement. Companies and research organisations from Lithuania are eligible. This instrument offers grants up to EUR 28962. The latest call was closed on the 1 October 2015, but there are plans to run the scheme again.

<http://www.mita.lt/lt/inovacijos/intelektine-nuosavybe/kvietimai/>
(information about the call in Lithuanian only)



4.7 Social investment in arts

What's needed?

Investment in arts and culture creates social as well economic returns. Increasingly, the arts are recognised as part of a wider cultural ecosystem with spillover benefits for society and the economy. There is in need in the arts for access to new sources of financing that will support innovative projects and developments, which complement both intrinsic and extrinsic aims.

Relevant Instruments:
GRANTS, CROWDFUNDING, DONATION



CASE STUDY 30 > STORY OF A BENEFICIARY

GRANDMA/GRANDPA-PROJECT (Austria)

Educational support for children with a migrant background

With its cross-generational approach, the project aims to provide individualised educational support for disadvantaged children, particularly to improve their language skills. Inspired by a group of experts in education, psychology and intercultural awareness, senior citizens find new ways and opportunities to deploy the richness of their life experience by helping children to advance their personal development as well as their social inclusion in the long-term. The beauty of the project lies in the fact that the learning experience is mutual and for the benefit of all involved. Moreover, the initiative promotes a culture of respect and of support. Together with great ambition of senior citizens and with financial support, made available by the crowdfunding platform www.respekt.net, it is now possible to offer a valuing and safe educational environment for disadvantaged children to transform their lives.

Organisational background

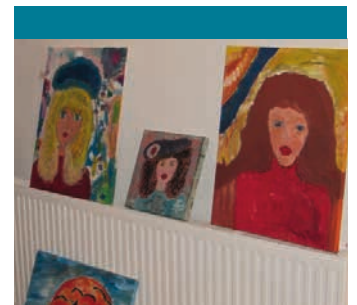
In 2009 a group of committed people from 'NL 40' (an association supporting people in their desire for health, communication, integration, arts and culture, www.nl40.at) launched a pilot-project for four children. In 2010, the initiative was nominated for the Austrian award for Integration and was ranked among the four best projects. Based on this experience, and on a successful start-up phase, the initiative was able to win the support of 14 senior citizens by 2011.

Budget

The recent crowdfunding campaign allowed the team to take the next step and to continue their work and to further promote their goals. EUR 7 000 of the total budget (of EUR 37 552) was made available via the crowdfunding platform www.respekt.net.

<http://www.respekt.net/projekte-unterstuetzen/details/projekt/140/>

<http://www.nl40.at>



> Source of funding	CROWDFUNDING
> Supported by	Respekt.net (Austria)

> **Respekt.net – Crowdfunding for a better society (Austria)**

www.respekt.net, founded in 2010, is Austria's first donation-based crowdfunding platform for a better society. It is a marketplace for committed people and their ideas.

A good idea can be submitted quickly and easily as a project and then be published on the platform. Users have three options: they can donate time, money or knowledge. Anyone can submit a project – no matter if you are an individual, a group of students or a not-for-profit organisation.

The Crowdfunding platform www.respekt.net works according to the 'all or nothing' principle. That means that the project initiators only receive the money donated if a project is completely financed (the target budget is attained). This principle is intended to increase the likelihood of the project being implemented successfully.

Thematic categories include democracy and civil rights, refugees and immigration as well as respect and diversity. The platform succeeded to mobilise considerable funding reaching more than EUR 1 million in September 2015. The platform has been running for almost five years and has seen a sharp increase in donations recently (up to EUR 50 000 a week). Over 230 projects have been successfully funded so far.

<http://www.respekt.net>





Restoration works of the Duomo di Milano

International Patrons of Duomo di Milano Inc. is a newly incorporated American public charity, founded in 2014. Its aim is to fundraise and provide financial support for the Duomo di Milano in Italy. It aims to raise international public awareness about the needs of the Duomo di Milano by collecting donations to support the conservation, restoration and valorisation of this cathedral.

The charity raised over USD 160 000 (EUR 150 000) between 2014 and 2015 (far exceeding its initial goal of USD 150 000) through a crowdfunding campaign on ForItaly (www.foritaly.org), an Italian crowdfunding platform exclusively dedicated to support Italian cultural heritage. In particular, for this campaign opted for a reward-based model.

The funds raised were used to support the continuous restoration works of the Duomo di Milano and the safeguarding of the spire dedicated to Saint Frances Cabrini.

This campaign was particularly innovative and exemplary, being the first campaign held in the USA for this cultural institution. A unique trait that made successful this project was the fact that it involved a significant number of backers online and, at the same time, some big donors and philanthropists off-line. The project was also supported by the National Italian American Foundation.

All donors were rewarded with an 'Italian experience', ranging from a small object or an Italian gourmet product, to unique services or an exclusive tour of Milan.

The campaign was a ground-breaking and successful way, not only to finance the restoration works of the Duomo di Milano, but also to develop and cultivate a committed network of international supporters worldwide, thanks to the online activities.

<http://www.duomopatrons.org>





CASE STUDY 32 > STORY OF A BENEFICIARY



Vasistas theatre group (Greece)

Vasistas theatre group was able to support a tour of its biggest production to date, 'BLOODS', in Greece and abroad, thanks to organisational, financial and communication support from the Onassis Cultural Centre.

After its launch in Athens in 2014 at the OCC, 'BLOODS' has been performed in two major Greek cities, Patras and Thessaloniki, and in Paris.

Thanks to its presence in Paris and the publicity this generated, more shows were booked for 2016 in Reims and Aix-en-Provence in France. For these shows, the OCC will continue supporting Vasistas theatre group, by providing organisational as well as financial and technical support.

The Onassis Cultural Centre also covers the show's subtitling costs, including fees for a subtitling specialist who accompanies the group every time the production is performed abroad.

Lastly, the group has access to a large amount of communications material created by the OCC's marketing department, including promotional videos, photos, press releases and texts translated into English and French, and also printed programmes, posters and web-banners. This material can be used for promotional purposes.

<http://www.vas.eu.com/>

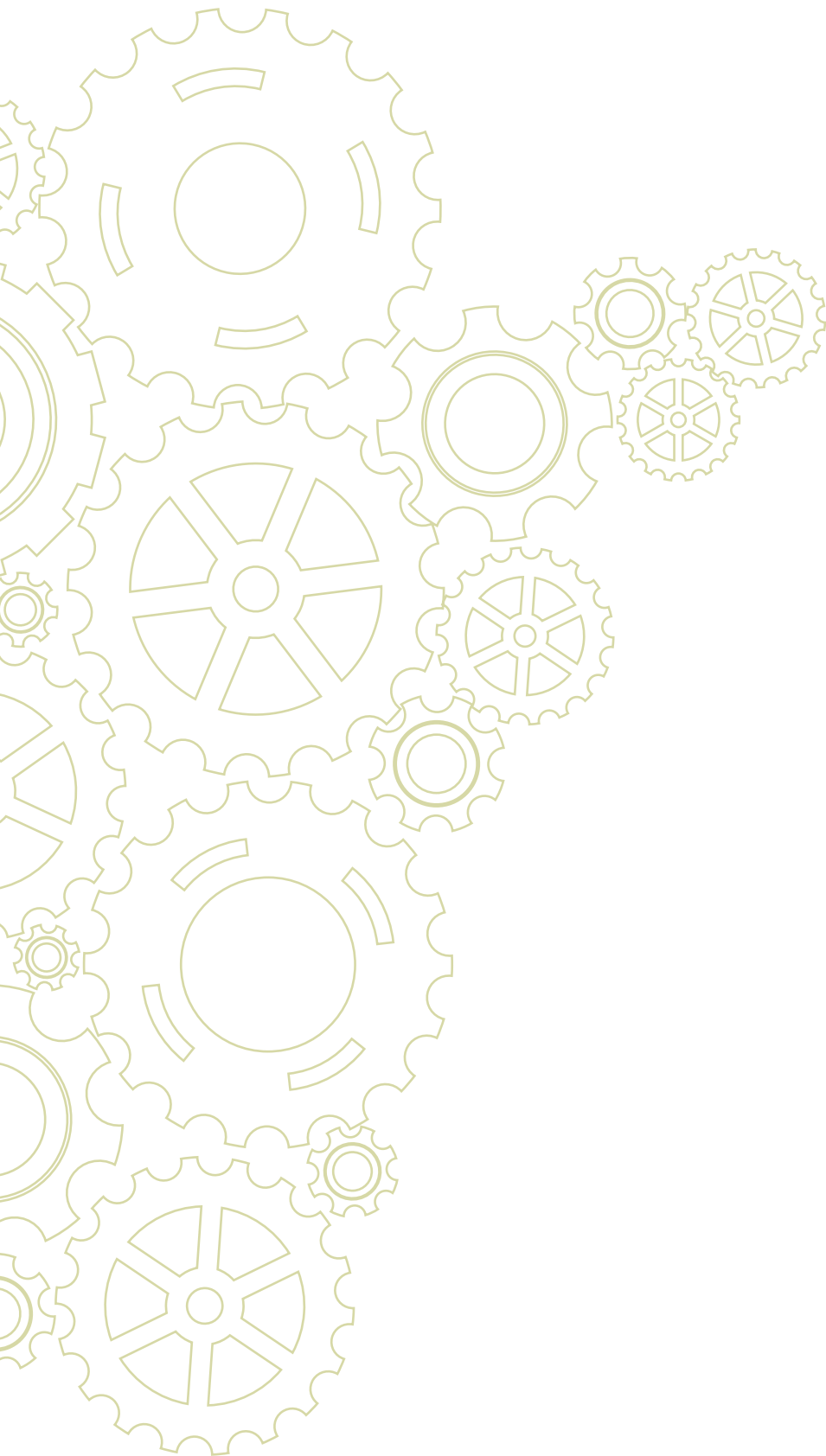
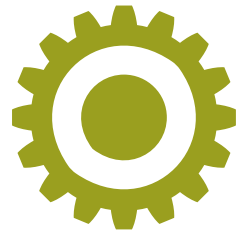
> Source of funding DONATION

> Supported by The Onassis Cultural Centre (OCC)

> The Onassis Cultural Centre (OCC) hosts and produces events and actions across the whole spectrum of the arts from theatre, dance, music and the visual arts to the written word, with an emphasis on contemporary cultural expression, on supporting Greek artists, on cultivating international collaborations and on educating children and people of all ages through lifelong learning.

The OCC funds new productions by young and established Greek artists and groups with the intention of presenting their work within its own state-of-the-art facilities, but also in other locations in the city of Athens and elsewhere (e.g. in prisons). It has a proposal submission procedure enabling interested parties to propose their work for inclusion in the OCC programme.

<http://www.sgt.gr>





**ASSESSMENT OF EXISTING
FUNDING SCHEMES**



SCENE

TAKE

ROLL

DATE

SOUND

PROD.CO.

DIRECTOR

CAMAN

5

ASSESSMENT OF EXISTING FUNDING SCHEMES

What methodology should be used to assess the quality and impact of the funding schemes?

There are a number of general and specific funding schemes across the EU which are intended to improve access to finance for cultural organisations and creative SMEs. What is lacking, however, are quantitative data (e.g. on the funds and resources needed, success rates, default rates, employment rates) and a qualitative analysis of which schemes are effective and which are not, and the reasons for this. To be successful, fund providers must understand the problem (e.g. market failure), the target group and its needs. A stronger focus on the users of schemes would enable more detailed analysis of the impact of the schemes (i.e. the effect of such schemes on growth, employment and business viability).

An assessment of funding practice should:

- consider the **aim of the scheme** – intended results or issues to be addressed; appropriate indicators for measuring the results; level of business to approach (e.g. start-ups, growing companies, SMEs);
- adopt a **holistic approach** – examine the entire business value chain (entrepreneurship, education institutions, start-ups, bigger companies);
- look at **investment in capacity-building** for CCS businesses and the financing institutions.

When assessing existing funding schemes, related risks must also be taken into account. First, it is unlikely that any single scheme will meet all the requirements, that is to say there is probably no ‘perfect’ scheme that will address all the challenges facing the CCS. Second, we must take care not to ‘ghettoise’ the CCS, i.e. create special solutions just for the creative industries when this is not really necessary.

Funding across sectors

Funding for culture and creativity tends to blur the lines between sub-sectors, partly because of digital convergence tendencies, but also because of the mixture of public and private finance. Despite the tendency towards digital convergence, the differences between sub-sectors should not be underestimated. There are differences in size, attitudes and scope, which make it fundamental to understand the specificities and expectations of each sub-sector.

However, there are also some common areas between sub-sectors, such as the changing nature of creative industries, which can affect the business plans of creative companies. The CCS need to be prepared to embrace and incorporate change that may be difficult to predict in a precise or quantifiable way (such as the level of success and the range of opportunities and subsequent project opportunities that could result from a particular production or project). It is therefore important to examine how financing tools deal with the changing nature of cultural and creative business projects and assets.

It is equally important to observe the way subsidies and loans provided by the state mix with other financial instruments, while taking into account the fact that there may often be significant differences in the logic behind these financing models.

Interconnecting the schemes

Understanding the possible interconnections between various schemes is essential for creating a functioning ecosystem for the CCS. The current situation is that there are many ‘knowledge facilitators’ and supporters of economic activity, but they are not interconnected in an organic way and sometimes there is also overlap between them. In other words, there is information asymmetry within the ecosystem. To address this situation there is a need to highlight, promote and support initiatives that support qualified coaching in business development, experienced investment managers, and capital and networks.

As the mapping carried out by the EENC and the examples of good practice referred to in this report demonstrate, all main the financing models are available to companies in the CCS. Similarly, there are financing instruments available for every phase of production and stage of a company’s lifecycle. Some instruments are general, but some are specifically aimed at CCS companies.

The overall assessment of financing instruments shows a positive trend. There are more financing instruments available for CCS companies than ever before. As regards instruments that do not specifically focus on CCS, it is quite clear that they have developed expertise in CCS-related matters that enable them to make financing decisions. The emergence of CCS-specific financing instruments is also encouraging.

While the existence of a growing amount of financing instruments is most welcome, it does not automatically translate into better access to finance for the CCS. As noted, there are still serious problems in the information flow between CCS companies and financiers as well as in their ability to find a ‘common language’.

Furthermore, and a bit paradoxically, the amount of different financing instruments can make it difficult for a company seeking funding to find the most appropriate one. Therefore, the fragmentation of financing instruments in terms of their geographical



area, sector, scope and funding arrangements is a fact and gives rise to the need for different intermediaries or brokers. Brokering schemes have proved useful, but sometimes their terms and conditions deter CCS companies from seeking such assistance.

The availability of financing instruments also varies between Member States. In some countries there are dozens of suitable instruments, whereas in others there are very few instruments that are appropriate for companies in the CCS.

Public support measures

Public support for the CSS includes several types of instruments. Different voucher schemes are operated in a number of Member States. They usually take the form of relatively modest grants for SMEs to purchase innovation-related services from other companies. When vouchers are used to buy services from CCS companies, the experiences are generally positive. On the one hand, the creative contribution from companies in the CCS helps make products and services more attractive, and on the other, vouchers help boost cooperation and B2B markets. Some voucher schemes can be used by CCS companies to acquire external business/strategic advice.

Repayable contributions, currently in use in Catalonia, are an innovative public support tool. They are an interesting hybrid between traditional public support and commercial debt financing. They are an interesting example for governments who are looking into diversifying their CCS-related financing toolkit.

Some Member States and regions have set up organisations that offer a wide range of instruments. These include different financing schemes and/or expert advice targeted at CCS companies. Given the fragmentation of financing instruments, these one-stop-shops have proven very useful as they provide assistance that is easy to find and up-to-date.



Debt finance

Debt finance is the form of funding that is least used by CCS companies. The reasons for this relative lack of debt financing were explained in Chapter 3.2 and include limited investor understanding of CCS, the need for sustained cash flow and the issues with collateral, which in some countries are compensated for by means of a guarantee scheme.

There are, however, loans provided by public or publicly-funded agencies that are used by CCS companies. Invariably, such loans have low interest rates or are interest-free and do not require collateral.

Equity finance

Equity finance in its different forms is often popular with CCS companies, just as it is with many start ups and scale-ups. There are many good examples of equity finance (such as venture capital, seed capital, crowdfunding and risk mitigation schemes). The appeal of different forms of equity finance to CCS companies lies in the fact that conditions for financing are not fixed but are typically based on the perceived potential of the company to succeed, or its products generating significant revenues.

Crowdfunding

In the case of crowdfunding, fan interest and loyalty plays an important part. Combining crowdfunding and other types funding is an interesting, and relatively new, development. There are schemes which provide equity funding or loans to companies whose products are successful in crowdfunding, thereby complementing the financing received through crowdfunding. In such models, the crowdfunding phase enables investors to receive direct feedback from potential customers, i.e. ensure a demand-based approach, which should lower the risks involved.

Risk mitigation schemes

There are still only a few risk mitigation schemes but those that exist seem to be useful. They should improve access (especially to private finance) by significantly mitigating risk. In Spain, for example, the scheme in place for CCS has a default rate that is less than half the banking sector default rate for SMEs. Of course, a financier will not provide finance unless it deems the company seeking finance to be 'bankable'.

Alternative forms of funding

Alternative forms of funding are usually intended for non-commercial organisations and projects which serve the public good. In addition to well-established sponsorship and corporate giving, there are examples of venture philanthropy. The idea of venture philanthropy is to make use of the donor's knowledge and expertise so as to yield highest possible impact for charitable investment.

In the areas of cultural heritage and the visual arts, innovative public-private schemes are of special note.

A woman in a purple dress and blue headpiece is shown in the background. A large, semi-transparent green number '6' is overlaid on the image. The number '6' has a circular cutout in the center, which contains a portrait of a man with white face paint and black dots on his cheeks. The background is a dark green gradient with white geometric lines and gear icons. A vertical green and white striped bar is on the right edge.

CONCLUSIONS



6

CONCLUSIONS

The economic importance of the CCS is well-documented, as is their contribution to smart, inclusive and sustainable growth. This is because economic production is increasingly dependent on creativity, intellectual property and intangible assets. Companies in the CCS are spearheading an economic transformation. They rely on and employ the EU's cultural and creative talent, and are revitalising the sector.

The number of general and CCS-specific financing instruments available to CCS companies is growing. CCS access to finance is therefore improving. But this is not to say that it is straightforward.

In the course of its work, the OMC Group identified the following key challenges faced by CCS companies when trying to access finance:

- fragmentation of financial instruments;
- informational asymmetry in the financial ecosystem (and thus a need to improve mutual understanding between CCS companies and financiers);
- differences in the maturity of the financial ecosystem for CCS in different Member States (meaning limited access to finance in some Member States);
- financiers' concerns (justified or unjustified) about the relevant market's size and appeal in relation to the product or service in question, and about the robustness of CCS companies' business skills and business plans;
- various unresolved issues regarding IP (ranging from how to value it, and dealing with its inherent risks to flaws in securities law).

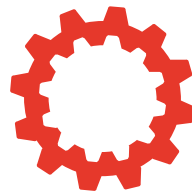
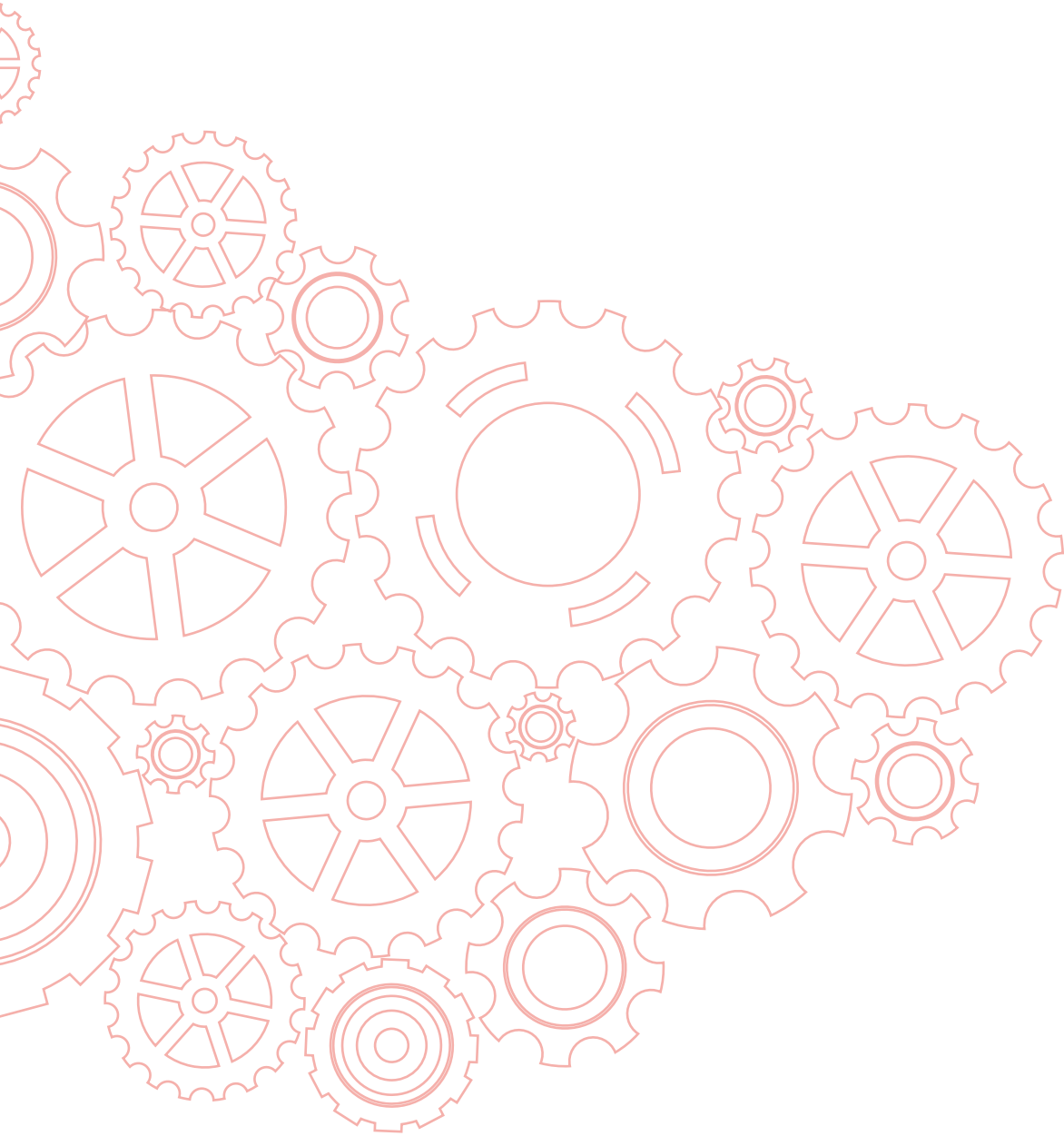
When examining CCS access to finance, the OMC Group appears to have uncovered an existing inertia in how financial instruments react to new modes of economic production. Most financing models are very clearly designed for manufacturing or the production of goods. This is reflected in how financiers perform due diligence, evaluate assets and in the type of collateral they are prepared to accept.

Similarly, in some EU Member States, the legislation regulating securities does not recognise copyright or other forms of IP rights as a form of security. This effectively excludes certain types of IP rights from being considered a security interest. In such cases, the legislation is seriously out of step with the economic reality and may actually hinder the development of the most dynamic sectors, such as CCS.

Somewhat paradoxically, in Member States where there are many potential financial instruments, CCS companies often consider the market to be too fragmented and find it difficult to identify the most appropriate instruments. This has led to the emergence of information brokers, but there is some dissatisfaction with the terms they impose.

While public financing instruments themselves need to be adapted to the needs of IP-based businesses, governments can, and should, provide leverage via private financiers such as business angels, venture capital firms and banks. This is especially important at a time when austerity measures are restricting public spending. Where governments have taken an active role as intermediaries, either directly or through incubators or accelerators or together with other intermediaries, they have helped to resolve communication and information asymmetry in the financial ecosystem. Obviously, public-private financing instruments and guarantee schemes have also proved effective tools for engaging with private financiers.

To improve access to finance for the CCS, these underlying issues need to be identified and tackled. Resolving the above-mentioned challenges benefit many other sectors and businesses in addition to the CCS that are unable to rely on tangible assets and/or large-scale manufacturing facilities. This will therefore play a vital role in delivering the expected outcomes of the Europe 2020 strategy.





RECOMMENDATIONS



7

RECOMMENDATIONS

Recent studies and policy documents confirm that companies in the CCS have the capacity to generate growth and stimulate innovation in the economy as a whole⁵⁹. There are a number of highly innovative companies in the CCS that could have a strong and positive impact on Europe's economy. Cultural and creative sectors are expected to become one of Europe's most dynamic sectors, and CCS companies also contribute to innovation and growth in many other sectors. Since the CCS have so much to offer Europe, decision makers should ensure that one of the key obstacles to growth – access to finance – is addressed. SMEs in the CCS are struggling to unlock their growth and innovation potential and face additional challenges in relation to digitisation, business development and the exploitation of assets of intangible value.

To tackle the issues that prevent companies in the CCS from accessing finance, the OMC Group recommends that the Commission and Member States take the following action, within their respective remits:

- **Test and implement new and innovative financing schemes.**

Many CCS companies have the same financing needs as companies in other sectors, as they have similar problems, but many CCS companies do not have access to more generic financing schemes. New financial instruments should be put in place, building on new and emerging financing sources such as microcredits, repayable contributions, and crowdfunding.

- **Improve access to finance through better business support.**

CCS companies need better support in developing business skills to improve their ability to approach and convince external investors⁶⁰.

- **Encourage partnerships with companies in other sectors.**

It is important to develop the B2B market between CCS companies and companies in the wider economy as this can be a catalyst for cross-sector innovation. This can be encouraged, for example, with innovation voucher schemes that improve access to markets and finance. It would also require SMEs in the CCS to improve their business skills and learn to identify innovation challenges in other industries and society in general.

- **Improve access to finance through investor awareness.**

New 'best practice' and joint promotional initiatives involving public and private investors should be used to increase their awareness and understanding of the investment and business opportunities offered by CCS companies.

- **Provide better data on the CCS and companies in those sectors.**

It is difficult to measure the impact and dynamics of the CCS. There should therefore be support for initiatives and cooperation aimed at collecting relevant and accurate data about the CCS, both as sectors in their own right but also as drivers of innovation and growth in the rest of the economy. In relation to better data and increasing awareness of best practice, CCS companies need a stronger platform (at national and European level) to help improve access to finance for those sectors.

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European Commission Communication COM (2012)537: *Promoting the cultural and creative sectors for growth and jobs in the EU and Communication COM (2010) 183: *Unlocking the potential of cultural and creative industries.**

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Only a minority of creative SMEs have a clear business strategy, which is usually essential for accessing finance.

- **Harness the use of IP rights as assets and collateral.**

As modes of economic production are constantly changing and new financing tools and practices are emerging, it is important to find ways to harness the use of IP as an asset and collateral. Notably, steps should be taken to:

- > **help identify and assess the value of IP rights:**
 - engage with IP-based companies and financiers to promote the development and use of identification and valuation tools;
 - at EU level, exchange information about and experience of using such tools and, if possible, consider aligning these tools to make them interoperable.
- > **mitigate the risks associated with IP assets:**
 - promote the availability of insurance products that protect financiers against litigation and, in particular, that insure the value of IP rights by underwriting the value of a portfolio of rights.
- > **ensure that securities legislation does not unnecessarily impede access to finance for CSS companies or other IP-rich companies:**
 - review the legislation with a view to enabling relevant forms of security over IP rights.
- > **help enforcement strategies:**
 - monitor market developments concerning the emergence of IP exchanges and, if considered useful, encourage the establishment of European IP exchanges.
- > **clarify international issues:**
 - take the specificities of lending against IP into account in international cooperation in the field of secured transactions, especially at UNICITRAL.
- > **increase the 'bankability' of IP and the recognition of its full value as an asset:**
 - work with financiers, insurers and financial intermediaries to explore the feasibility of and measures needed to support the development of a secondary market for IP rights.



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