REGIONE AUTONOMA FRIULI VENEZIA GIULIA

CRE:HUB Interreg Europe

European Union European Regional Development Fund

ANNEX 1

Final, In-Depth Assessment Report

Summary

On-the field visit took place on 20-21 June 2017 in Trieste. The on-field visit aimed to conduct a peer review, taking as a starting point the Roadmap recently drawn up. Analysis and recommendations included in the In-Depth Assessment Report will support the transposition of the Roadmap into the Regional Action Plan and provide recommendations to improve the implementation of the CCI support action, included in the ERDF ROP of Friuli Venezia Giulia 2014-2020.

The main conclusions of the analytical work are the following:

- **Importance of CCIs in the FVG:** CCIs are not only of high economic importance, they also play an important role in societal and cultural development, and they are in a position to foster spill-over effects to other industries and act as catalysts for innovation in the overall economy.
- **Strategy:** There are strategic documents at the national level, but there is no comprehensive CCIs strategy in the FVG.
- **Definition of CCIs:** There is no official definition of the CCI in Italy or in the FVG.
- **Education, skills and capacity building:** the students lack adequate business skills (management, financing, business models, presentation …).
- **Business Environment:** a presence of R&D centres of international standing; FVG is one of the most dynamic Italian regions in research and innovation; Clusters, science & technology parks, incubators and other innovation hubs are present and act as support instruments.
- **Partnership and networking:** The regional authority has strengthened their role in fostering a partnership between CCI stakeholders (Smart Specialization Strategy, ERDF OP 2014-2020 of the Friuli Venezia Giulia region, EU projects as ChIMERA, CRE:HUB and others).
- **Access to finance:** Access of CCIs to financing of business development is limited, similar as in other countries/regions.
- **Administrative barriers:** Especially for micro enterprises: unfamiliarity with fiscal and administrative regulation due to lack of expertise and dedicated resources. In particular the transition from self-employment to business creation is very difficult even for bureaucratic and tax compliances.
- **Awareness rising and motivation:** there are different activities going on, but the importance of CCIs is still not broadly recognised.
- **Internationalization:** Internationalization paths and services designed for CCIs are missing. Sector businesses associations could play a relevant role in this respect if adequately supported.

General recommendations are the following:

- **Regional Strategy:** There is a need for adequate analysis and mapping of CCIs: agreed definition, the place of creative industries in the whole economic process, influence of CCIs on different policy areas, the main actors, needs of CCIs, existing policy measures, characteristics of sectors and subsectors, legal framework … Based on analysis, mapping exercise and based on partnership approach comprehensive strategy should be prepared. Implementation of policy measures will require cooperation between

policy makers. Therefore coordination and integration among different regional policy instruments and measures should be strengthening. There are different potential policy measures as policy measures for CCIs, innovation support, support for training and education, regeneration of cities (urban policy), promotion of entrepreneurship in rural areas, promotion of innovative SMEs (start-ups), tourism, etc.;

- **Education, Skills and Capacity Building:** Because students/creatives lack the economic know-how needed to earn money from their creations, the teaching of economics (e.g. accounting, corporate management, setting up a business) should become more heavily integrated into education programmes for creative professions. The connection between universities and business environment should be strengthened. Preparation of the »Skills Needs Analysis«: identification of skills those are generic across all sectors and a skill crucial for the sectors/sub-sectors (job-specific) as it is proposed in the Roadmap is advisable.
- **Favourable Business Environment:** We propose that one of incubators specialize for supporting CCIs by providing a supportive environment for creative enterprises by initially providing them with incubation services (as Tallinn Creative Incubator and similar incubators). The main emphasis should be to improve the business expertise of creative enterprises and to establish a hard (premises, equipment) and soft infrastructure by developing mechanisms of inclusion, cooperation and participation inside the incubator (in-house connections), region and cross-border area. One important task is to help enterprises become international. In order to strengthen innovation promotion and to promote the development of CCIs development of (missing) facilities (innovation and cultural experimentations centres, network of fab-labs, network of co-working places, Web platforms of co-creation and collaboration) is proposed.
- **Partnerships and Networking:** There is need to strengthen partnerships/networking between industry, CCIs, regional authorities and other stakeholders. There are different “potential” forms as formal (Institutional) cooperation and informal cooperation.
- **Access to Finance:** Businesses tend to face two major challenges in accessing the finance that they need to grow. First, information on available funding and financing options is often fragmented and hard to navigate, and management teams lack experience in how to position themselves appropriately. Second, the business models of creative businesses are not always readily understood by investors and lenders, largely because a lack of data and market intelligence renders it hard to quantify value in the sector or compare across investment opportunities. Therefore it is essential to act on both sides: a) Training of CCIs and awareness raising among financial institutions on the particularities of CCIs; b) Strengthening existing funding opportunities and introducing new ones.
- **Administrative and Technical Issues:** Tax and regulatory environment are crucial for the entrepreneurship and CCIs that are dominated by the small companies that are very sensitive to the administrative and tax burden. Therefore we propose the following: a) Overview of existing legislation with recommendations taking into account intrinsic characteristics of the CCIs; b) Training/consulting of CCIs on regulatory and tax system (legislation, problems, options, solutions); c) Overview of IPR system: state of the art, future, problems, solutions. An effective system for managing intellectual property rights must be at the heart of the creative economy.
- **Awareness Raising and Motivation:** To overcome the problems, related to low awareness, one of the goals, defined in the Roadmap is to raise CCIs awareness and develop promotional capacities with regard to their economic potential and business opportunities. Recognition of CCIs spillovers to the wider economy and in particular through the promotion of the value of culture to tourism, health and

other sectors is needed. It is advisable to deliver few large scale creative events. Measuring and quantifying and promotion of the achievements of the CCIs could represent essential part of promotion of the CCIs in the region. More could be done for increasing the awareness within the CCIs themselves (crafts) by providing information, trainings and above all, events like workshops for boosting their creative potential.

- **Internationalization:** It is important to support positioning the CCIs on international markets. The Roadmap adequately proposes activities, to develop the CCIs capacity for internationalization even further by providing internationalization paths and services designed for CCIs and involving sector business associations. In order to support the international reach of CCIs, specific tools such as industry–to–industry dialogue, scouting missions and market intelligence, and collective representation in international fairs could be provided. It is important to support positioning the CCIs on international markets.

The Roadmap prepared is a good basis for the Action Plan preparation; nevertheless we propose restructuring (definition of objectives) and few additional measures/activities.

Section 0: Introduction

(a) Short introduction of the CRE:HUB project

The project "Policies for cultural CREative industries: the HUB for innovative regional development" (CRE:HUB) started in April 2016 and will continue until the end of September 2020. CRE:HUB overall objective is to improve 8 programmes for Investment for Growth and Employment (TO3), to support creation and development of new SMEs in the cultural and creative sectors, through fruitful cooperation among regions with different level of capacities and experiences in CCI supporting policies.

With this objective eight project partners, representing 8 EU regions, will exchange policies and instruments for identifying and supporting the main regional economic players that improve policies for CCI and innovative regional development.

In the project context CCIs represent highly innovative SMEs and their promotion can effectively increase regional competitiveness and job creation capacity. For participating regions CCIs represent a strategic sector of development as underlined in many of their RIS3 documents. Despite the dynamic and innovative field of action, CCIs encounter difficulties in access to credit and lack resources to enhance their competitiveness on the global market, building effective partnerships, extending their activity to other countries.

(b) Short introduction to the Peer Review methodology

The CRE:HUB Peer Review Methodology helps regions to improve their policies for promoting CCI development.

The CRE:HUB Peer Review Methodology is developed directly to use it during the CRE:HUB project, when assessing different regions' CCI policies. The methodology standardises the relevant aspects that need to be measured, in order to enable experts with different backgrounds, to assess the regional situation in an objective way. By this, they will be able to give appropriate recommendations for CCI development in the host region. The other important advantage of peer reviews is the selection of experts, who are practitioners in the field of the assessment, which means that the recommendations given by them after the review will be practical and realistic.

Section 1: Overview

(a) Short description of the Host Region, general overview, economic profile.

The region borders Austria to the north, Slovenia to the east and is traditionally close to the whole Balkan area; the regional territory features a combination of mountain areas, coastal and marine environment, as well as peculiar landscape such as Karst.

The area is extremely rich in history, arts and traditions, thanks also to its linguistic diversity, as languages spoken in the area include a number of Slovene dialects, Friulian and German, in addition to Italian.

The regional population is currently stable (1.218.450 inhabitants according to national statistics data of June 2016) even though the birth rate has been progressively decreasing over the last 40 years; however, the migratory surplus has counterbalanced the downward trend in the population to some extent – with foreign nationals registered in the region accounting for 8.6% of the total population in December 2015.

The main challenges our region is facing are partly the same as the rest of the country: population ageing, youth unemployment and sustainability of business activities.

The **current and long term political priorities** revolve around reforming the local government system and boosting the local economy investing on strategic sectors such as transports and infrastructures, research and innovation, and tourism.

As far as **cultural priorities** are concerned, these could be summarized as follows:

- to facilitate the creation of start-up companies and the development of existing ones in the cultural and creative sectors;
- to identify and promote model actions aimed at enhancing the economic and social value of cultural heritage for sustainable local development;
- to foster integration and social inclusion of migrants through cultural activities.

The **firms operating in the cultural and creative sector** in Friuli Venezia Giulia were about 8.700 in 2015, therefore representing 8.3% of total active undertakings. The sector plays a remarkable anticyclical role at regional level, as proved by relevant data: in the period 2011-2015, such industries produced in average 5.7% of regional added value, whereas the national average was at 5.6%. The sector employed, in 2015, 6.3% of total regional employees (6.1% national average) showing an increasing trend when compared to 2011 (5.8%). The growth of the weight of the cultural and creative productive system on the whole Friuli Venezia Giulia's economic system in the period 2010-2015 was – according to Symbola-Unioncamere data – 0.2 percentage points both in terms of added value and employment. This performance was not significant in absolute terms, but it should be read in light of a contraction of -1.8% of the total regional added value and a contraction of -2,4% of FVG employment.

Furthermore, the **multiplier effect of the cultural sector**, meaning its capacity of stimulating other productive activities, in Friuli Venezia Giulia is higher than the national average (2.1 vs. 1.7, the highest among Italian regions). Regional creative and cultural industries also feature a considerable vocation to **cultural export** – Friuli Venezia Giulia ranking third at national level. Despite the dynamic and innovative environment characterizing their field of action, cultural and creative industries encounter difficulties in having access to credit and enhancing their competitiveness on the global market, mainly because of the peculiarities of cultural products. Such firms often lack the resources and skills that would enable them to build long-lasting and effective partnerships and networks and extend their activity to other countries, as well as developing collaborations with companies active in different productive sectors.

According to the framework situation above described, the policy should therefore support the first life phases of CCIs, the entrepreneurial capacities of new CCIs, the development of CC SMEs and CCI capacity of internationalization even in the start-up phase.

The main goal of Friuli Venezia Giulia Autonomous Region is to tackle the Friuli Venezia Giulia 2014-2020 ERDF ROP (formally approved on 14th of July 2015) to support new business creation by providing subsidies, services and microfinance instruments.

Thematic objective (TO3; IP 3a) will foster creation of new firms and development of existing ones in CC sectors, by providing dedicated incubation services. The measure aims at supporting CCIs needs in first life phases (creation of partnership, collaborations with other sectors, internationalization, entrepreneurial capacities and access to credit) and it represents a ground-breaking initiative for the region.

(b) Description of Peer Review focus (why it was chosen, specific questions and expected outputs of the Host Region)

1. SERVICE CATALOGUE FOR CCIs

Is the service catalogue our regional incubators intend to offer to CCIs exhaustive or would it need to also include further services specifically designed for CCIs?

<u>Expected result</u>

Provide services that are tailored to the specific needs of the firms, aimed to strengthen their entrepreneurial capacity but also their skills, e.g. by allocating part of the available resources for purchasing other services, which are instrumental to the development of a quality cultural product and its impact on the social and cultural context.

2. SELECTION CRITERIA

The list of selection criteria approved by the ERDF ROP Monitoring Committee includes criteria mainly aiming at measuring how potential beneficiaries are inclined and capable to develop a business project. In particular, these criteria should allow for business ideas to be graded according to quantitative and qualitative parameters somehow index-linked. Would it be appropriate to introduce new selection criteria, capable of enhancing the quality of proposed cultural products?

Expected result
Adequately balance the market potential of supported projects with its inner cultural content, if possible linking them to the current cultural context of reference.

3. FOCUS AREA(S)

Would it be preferable to limit the scope of envisaged support to some areas or to grant support to the wider CCIs spectrum?

Expected result(s)
Concentrate resources on a limited set of business ideas/sectors in order not to excessively fragment the support or grant support to the wider CCIs spectrum in order not to keep out innovative business ideas.

Section 2: Regional Strategy

(a) Key Findings

CCI sectors and definition appearing in strategy

There is no official definition of the CCI in Italy and in the FVG. However from 2010, de facto a standard created by the reports "I am Culture" created by the Unioncamere – Symbola Foundation, which uses data from the Union of Italian Chambers considering a number of national and international references, based on ATECO 2007 version. The relevant CCI sectors in FVG region are: Film, Video, Radio, TV (audiovisual production industry), Design, software and computer services. The audiovisual production industry is the one AR FVG chooses as the sector of primary importance. FVG Region is strengthening an integrated system for the management of cultural heritage thanks to a participatory management model.

Table 1: Sectors and sub-sectors of the CCI in FVG

Sector	Sub-sector
Performing arts and visual arts	Performing Arts (5), entertainment; conventions and fairs (1)*
Management of historical and artistic heritage	Museums, libraries, archives and management of historical sites and buildings (3)*
Cultural Industries	Film, Video, Radio and Television (8)*; Video Game & Software (5)*; Music (4)*; Books and Press (14)*
Creative Industries	Architecture (1)*; Communication and branding (3)*; Design (4)*;
Creative-driven production of goods and services	Creative-driven production of goods and services (32)*

Source: Symbola Foundation; (*) Classes and Categories Ateco 2007 by Subsector

As already described in the Overview CCIs are not only of high economic importance, they also play an important role in societal and cultural development and they are in a position to foster spill-over effects to other industries and act as catalysts for innovation in the overall economy.

There is no clear strategy for CCI, supported by specific objectives in the FVG, but there are strategic documents at the national level. A paper proposing strategic lines and a series of actions (namely 72) is the "White Paper on Creativity - An Italian Development Model", prepared by the Santagata Commission and published by Bocconi University in 2009. The Commission was established by the Ministry (Ministerial Decree of 30 November 2007) with the task of drawing up a Report on Creativity and Production of Culture in Italy. At present, the Parliamentary Committee on Culture (Committee VII) is examining a proposal for a law entitled "Discipline and promotion of cultural and creative businesses".

CCI support instruments appearing in strategy

There is no specific SME/Start-ups strategy in CCI sector in the FVG, supported by specific objectives and indicators, but other strategic documents (laws, programmes) enable support to SME/Start-ups in CCI sector.

Regional Law 20 February 2015, n. Rilanciampresa FVG 3 - Reform of industrial policies, provides in Article 23: a) support for the creation of new innovative start-ups through the partial financing of costs (building, first plant set-up access to credit); b) support for potential entrepreneurs, also in the framework of regional certified incubators (conception of the business idea, pre-start-up phases of training, co-working, operational and managerial support, provision of tools and workplaces, prediction moments of contact with potential investors); c) creation of a venture capital fund for the acquisition of equity investments in innovative companies to support their growth and increase the survival rate of the same; d) stimulus measures and support for crowdfunding initiatives. The Art. 25 provides for a competition of ideas, to identify new instruments to stimulate and support the creation of innovative start-ups, the spread of co-working services, business start-ups youth and new forms of entrepreneurship. Art. 24 Support for co-working facilities and promotion of the Fab-lab.

Smart Specialization Strategy is strongly focused on the following priorities:

1. Develop the collaboration and synergy between companies and between companies and scientific bodies, increasing quality and diffusion of innovation.
2. Promote business investment in innovation and the industrialization of research results, also through services for innovation
3. Promote new innovative entrepreneurship by supporting innovative start-ups as well as cultural and creative enterprises.

At the implementation level, the ERDF OP 2014-2020 of the Friuli Venezia Giulia region enables support to SME/Start-ups in CCI sector (IP 3a - Promote entrepreneurship, in particular by facilitating the economic exploitation of new ideas and by promoting the creation of new businesses, including through incubators).

Main actors responsible for CCI development

The main actor is the Regional Government, especially Directorate for Culture, Sports and Solidarity of the Fruili Venezia Guilia Autonomous Region and Directorate for for Education, Research and Innovation.

Other stakeholders are the following:

- Science and Technology Parks (Area Science Park, Friuli Innovazione and Polo Tecnologico di Pordenone)
- INFORMEST – Agency for Development and International Economic Cooperation active in the regional territory
- Friuli Venezia Giulia Region – Regional Department for Education, Research and Innovation
- University of Trieste and University of Udine
- Chambers of Commerce of Trieste/Gorizia, Udine and Pordenone
- Professional and Trade Associations (architects, craftsmen, SMEs representatives)
- Bank foundations
- Fondazione Aquileia, Regional Institute for Cultural Heritage
- FVG Film Commission / Association of regional theatres / other private bodies representing performing arts

(b) Recommendations

The fast-changing and cross-cutting nature of the creative industries poses challenges to both private investors (knowing the sector) and governments, which need to better understand the sector if they are to release the full potential of their creative economies and develop appropriate policies. **There is a need for adequate analysis and mapping of CCIs:** agreed definition, the place of creative industries in the whole economic process, influence of CCIs on different policy areas, the main actors, needs of CCIs, existing policy measures, characteristics of sectors and subsectors, legal framework … The need to carry out adequate analysis of CCIs is partially included in the Roadmap.
There are five main reasons for mapping exercise[1]:

1. To raise the profile of the creative industries.
2. To learn more about the sector – what is happening and where is it taking place?
3. To plan for future growth.
4. To engage leaders in the policy issues affecting creative industries.
5. To support wider political or economic objectives.

Based on analysis, mapping exercise and based on partnership approach **comprehensive strategy should be prepared**, in order to:

- Create preconditions.
- Strengthening CCIs.
- To accelerate spill-over effects of CCIs.

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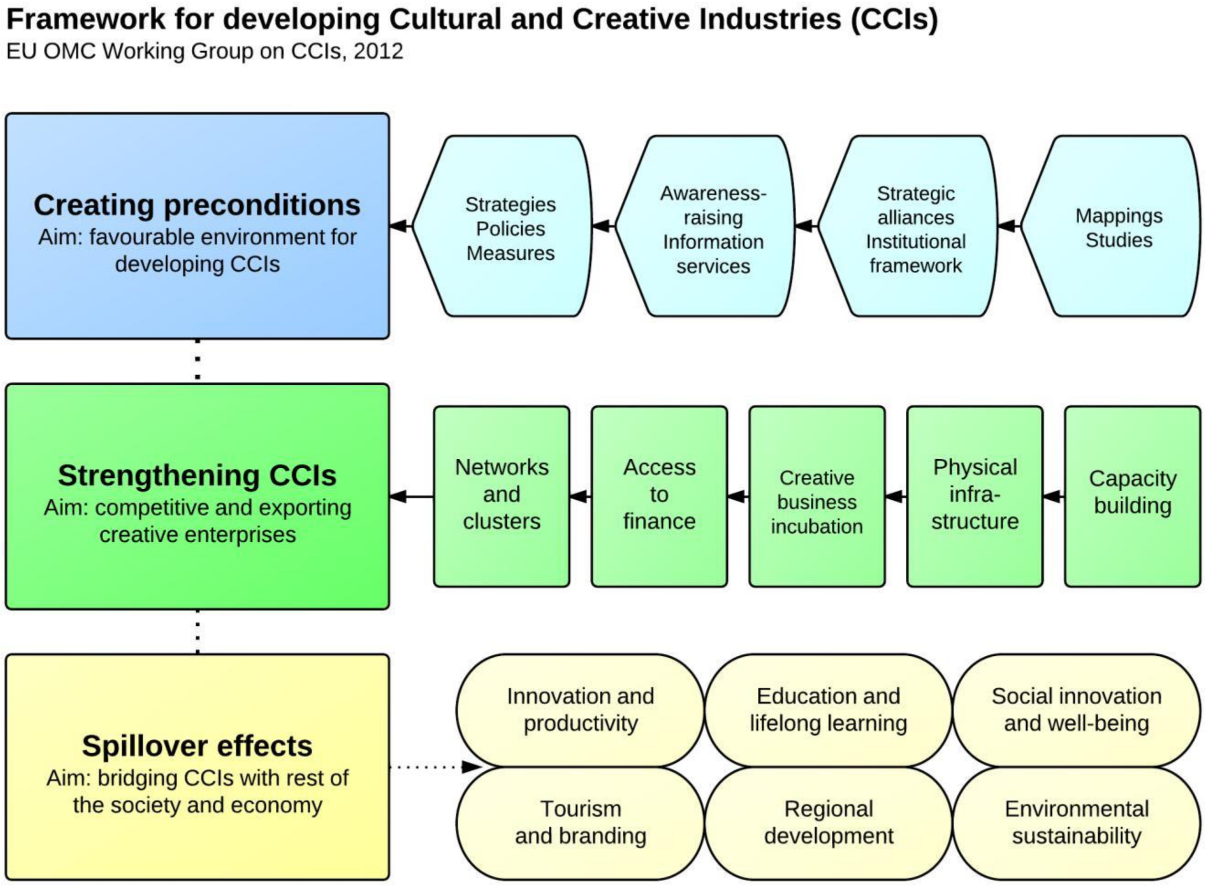
1 http://creativeconomy.britishcouncil.org/media/uploads/files/English_mapping_the_creative_industries_a_toolkit_2-2.pdf.

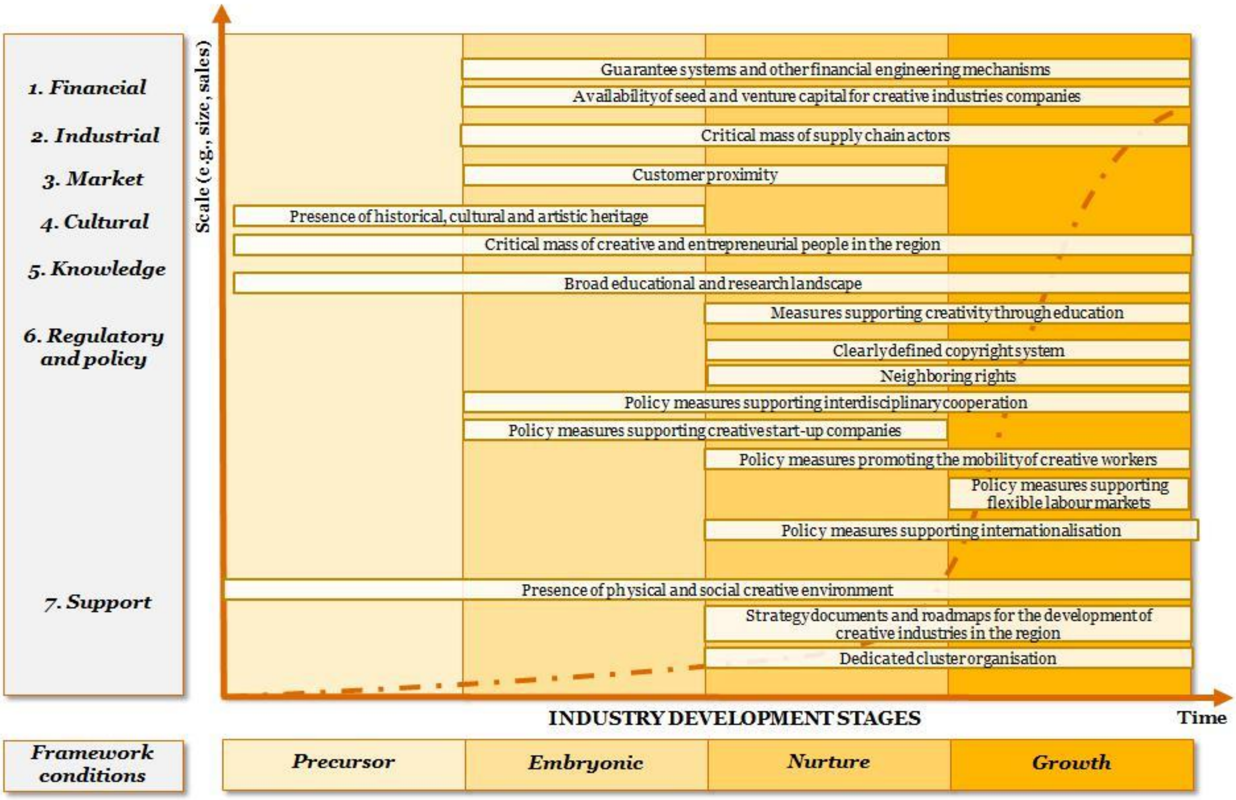
Figure 1: Developing CCIs strategy approach



Adequate (comprehensive) framework conditions and policy measures cannot solve all the challenges of CCIs on their own; their presence can significantly accelerate the development of CCIs. There is no generic ("one-size-fits-all approach") in terms CCIs strategy that has to be applied. What works in one region does not necessarily have to work in another one, as myriads of contextual factors (including historical, economic, demographic, cultural and other developments) determine the success of the applied policy measures and framework conditions set.

The Roadmap proposed is a good basis for the comprehensive strategy, nevertheless additional analytical efforts are needed, because there are different needs in CCIs sub-sectors as regards financing, equipment, internationalisation, space requirements, innovativeness, size, …. An additional concern is the life cycle of companies. Availability of funding depends on the stage of development, the type of activities or the sector where the CCI firm operates.

Figure 2: Mapping of identified framework conditions for creative industries



Source: Creative industries Analysis of industry-specific framework conditions relevant for the development of world-class clusters, 2013.

Implementation of policy measures will require cooperation between policy makers. Therefore coordination and integration among different regional policy instruments and measures should be strengthening. There are different potential policy measures as policy measures for CCIs, innovation support, support for training and education, regeneration of cities (urban policy), promotion of entrepreneurship in rural areas, promotion of innovative SMEs (start-ups), tourism, etc.;

Section 3: Education, Skills and Capacity Building

(a) Key Findings

In general, the workforce of the CCIs is characterised by a high level of education (including a higher share of academics), and by a high level of flexibility as well as mobility.

The region provides instruments to support education in the CCI sector. Education in the CCI sector is part of secondary and tertiary education, but the disciplines concerning CCIs are less represented at the higher education level. University management and undergraduate and postgraduate courses (graduate schools, Masters, PhDs) are a central government competence (Ministry of Education, University and Research). There are undergraduate and graduate courses at both universities (Trieste, Udine) in some sectors as architecture, performing arts, cultural heritage…

Skills mismatch in CCIs is not identified in the region. In general, there is an appropriate connection between universities and business environment: companies find the manpower they need and students find the job they want. Nevertheless SWOT analysis shows, that the students still lack adequate business skills (management, financing, business models, presentation …).

According to the Barriers & Solution Matrix SMEs in CCIs are lacking business skills and insufficient ability to network at the side of CCIs. On the other hand there is low business confidence on CCIs ability to bring economic benefits in joint projects.

(b) Recommendations

Because students/creatives lack the economic know-how needed to earn money from their creations, the teaching of economics (e.g. accounting, corporate management, setting up a business) **should become more heavily integrated into education programmes for creative professions**.

Based on the information above, it is clear, that **the connection between universities and business environment should be strengthened**. Co-operation between faculties in the field of CCIs and support infrastructure (technology parks, incubators and other innovation hubs) could strengthen business skills of students and promote entrepreneurship spirit. The proposed forms of co-operations are the following: trainings, events (start-up weekends, bar-camps, SPRINT workshops), joint projects with companies.

The skills of the creatives should be regularly updated and combination of job-specific, technological and business skills is needed. Creative workers with business skills and a well-founded business plan can also offer a more convincing performance vis-à-vis potential investors. Nevertheless analysis is very much based on discussion with the stakeholders and less on analytical work. Therefore preparation of the »Skills Needs Analysis«: **identification of skills those are generic across all sectors and a skill crucial for the sectors/sub-sectors (job-specific)** as it is proposed in the Roadmap is advisable.

It is important to close the gap between the business world and the CCIs. With regard to education, skills and capacity building, this can be achieved through:

- Increasing the knowledge of "traditional" managers about the inclusion of CCIs in the business process and the impact that CCIs can have on their business.
- Increasing the managerial and business knowledge of the involved CCIs.
- Building the capacity for networking and interdisciplinary cooperation on all sides.

In the Roadmap, activities are foreseen regarding all three approaches mentioned above and seem appropriate. However, a lot of effort needs to be put into attracting traditional industries to participate in such activities/events by raising their awareness (see Section 8).

Creatives are important, because they have another advantage: creative jobs are hard to automate. This is important, because it looks like the world is on the verge of a robot revolution in which more and more once-steady jobs are replaced by machines. The results of NESTA study strongly confirm the intuition that creative occupations are more future–proof to computerisation. In the US, 86 percent of workers in the highly creative category are found to be at low or no risk of automation[2].

Section 4: Favourable Business Environment

(a) Key Findings

Friuli Venezia Giulia is one of the most dynamic Italian regions in research and innovation. There is a presence in the FVG region of R&D centres of international standing. That represents a significant added value, despite the gradual reduction of public resources and the limited capacity of enterprises to offer adequate job opportunities.

There are many intermediary and business support organisations in the FVG. Besides support organisations such as SME associations, three Chambers of Commerce, Industry and Crafts, Uniocamere FVG, there are four incubators in the region. Incubators facilitate innovation processes (“from idea to market”) using models of support to the creation / development of enterprise and present an important strength of the region. Support organisations are not specialised in the support to CCIs with the exception of design. The design industry is at the center of initiatives, both from the chamber system that other parties for the creation of business networks and its internationalization.

It is possible to judge, that the business environment is not supporting CCIs actively, but the situation will improve in the next years.

(b) Recommendations

We propose that one of incubators specialize for supporting CCIs by providing a supportive environment for creative enterprises by initially providing them with incubation services (as Tallinn Creative Incubator and similar incubators). The main emphasis should be to improve the business expertise of creative enterprises and to establish a hard (premises, equipment) and soft infrastructure by developing mechanisms of inclusion, cooperation and participation inside the incubator (in-house connections), region and cross-border area. One important task is to help enterprises become international.

In order to strengthen innovation promotion and to promote the development of CCIs **development of (missing) facilities** (innovation and cultural experimentations centres, network of fab-labs, network of co-working places, Web platforms of co-creation and collaboration) is proposed.

[2] https://www.nesta.org.uk/sites/default/files/creativity_vs._robots_wv.pdf.

CCIs could play important role in supporting regeneration and place-making in FVG cities, because creative industries have the potential to contribute to physical and social regeneration as well as community cohesion, and can contribute to improved quality of life for residents and increased attractiveness of places for investment.

Section 5: Partnerships and Networking

(a) Key Findings

Friuli-Venezia Giulia's industrial development has been driven, since the late 1960s, by industrial clusters of SMEs working in traditional sectors; this development pattern is a hallmark of North-eastern Italy. The main specializations include furniture, electric appliances, and agro-food. These clusters, especially the suppliers with low export capacity, started to suffer increasingly from globalization. At the moment still few industrial clusters exist in the region.

Despite different existing partnerships between the stakeholders and industrial clusters present in the region (Agribusiness; engineering; maritime technologies; "smart health"), the lack of networking capacity of the CCIs is one of important weaknesses in the region. This presents a barrier for the CCIs when developing a solid business model and also in their internationalization processes.

In the last years the regional authority has strengthened their role in fostering partnership between CCI stakeholders (Smart Specialization Strategy, ERDF OP 2014-2020 of the Friuli Venezia Giulia region, EU projects as ChIMERA, CRE:HUB and others).

(b) Recommendations

CCIs are by nature inter-disciplinary, they combine culture on one hand, economy on the other and many other connected areas as education, innovation etc. Therefore **it is crucial to get all different stakeholders** from the government, business community and non-governmental sector together to create an integrated strategy for the CCIs.

There is need to strengthen partnerships/networking between industry, CCIs, regional authorities and other stakeholders. There are different forms:

- **Formal (Institutional) cooperation:** The regional authority is itself involved in this partnership and works closely with existing stakeholders (ad-hoc working groups), but the partnership (cooperation) between stakeholders could be institutionalised (CCIs council).
- **Informal cooperation:** Interaction platforms (web platforms of co-creation and collaboration between artists) could develop the “supply chain” of education, training, civil society / institutions / associations, artists and cultural and creative enterprises. The proposed Roadmap addresses these problems by proposing on one hand that the Service centres should offer also possibilities for networking and the search for complementary skills, and on the other hand that the CCIs participation in the internationalization processes could be promoted by targeted EU programs’ calls (e.g. Interreg) focusing on transnational networking.

Developing CCIs require tailor-made programmes as the generic business support mechanisms have proven to be too robust to fulfil the very specific needs of CCIs. **Many countries/regions have set up specialised organisations to support creative entrepreneurship by merging cultural and economic dimensions.** These specialised organisations combine both cultural and economic knowhow to provide integrated services (as Center for Creativity in Slovenia, Centre for Culture and Experience Economy in Denmark, Generator Sverige).

Section 6: Access to Finance

(a) Key Findings

Most small businesses in the CCIs in Europe struggle to access finance and this is one of the main obstacles to their growth. Due to the intrinsic characteristics of the CCIs (**lack of physical assets, dependence on intangible assets, the consequent lack of collateral and highly uncertain market demand**), creative small businesses are facing difficulties in seeking finance from banks.

Access of CCIs to financing in the Friuli Venezia Giulia **is limited,** similar as in other countries/regions.

The banking sector lacks adequate businesses valuation models for CCIs businesses, both for fixed assets (intangible assets) and revenues (provided services quantification). Access to credit is hampered by: information asymmetry, procedural intricacies and inadequate targeting.

There are some **"horizontal" initiatives**. The Foundation CRUP is a foundation member of Funder35, the multi-year project sponsored by ACRI (Association of Foundations and Savings Banks) to support and accompany the cultural and creative young enterprises. CARIGO Foundation and CRT Foundation are active in the financing of initiatives and cultural events, as well as in the preservation and promotion of cultural heritage.

Some Region FVG's incentives are **targeting sectors of CCIs**: Performing Arts and Visual Arts; Cinema and Audiovisual. The Finance Act of 2016 allocates for these incentives around 8.1 million euro.

At the implementation level, the **ERDF OP 2014-2020 of the Friuli Venezia Giulia region** enables support to SME/Start-ups in CCI sector (IP 3a - Promote entrepreneurship, in particular by facilitating the economic exploitation of new ideas and by promoting the creation of new businesses, including through incubators).

Despite available resources, **CCIs still face difficulties in accessing financial assets**. Insufficient capacity to attract investments due primarily to poor ability to promote and enhance the entrepreneurial projects to financial institutions, in a marketing logic therefore presents one of important weaknesses in the region.

(b) Recommendations

Businesses tend to face **two major challenges in accessing the finance** that they need to grow. First, information on available funding and financing options is often **fragmented and hard to navigate**, and **management teams lack experience** in how to position themselves appropriately. Second, **the business models of creative businesses are not always readily understood by investors and lenders**, largely because a lack of data and market intelligence renders it hard to quantify value in the sector or compare across investment opportunities.

Therefore it is essential to act on both sides:
1. **Training of CCIs and awareness raising among financial institutions on the particularities of CCIs.**
2. **Strengthening existing funding opportunities and introducing new ones.**

It is important to improve the financing skill of CCIs by training/mentoring/consulting. It is important to present **alternative financial opportunities** as equity finance (venture capital, business angels, seed capital) and crowdfunding[3]. On the other hand it is important to improve investor and lender understanding of the creative sector (joint events, public support, good practices). There is a lack of existing case studies on successful growth, returns and investor exits, which often form a significant part of the market intelligence used in the due diligence process for deals involving smaller companies.

In strengthening existing funding opportunities and introducing new ones, there is a **crucial role to be played by public authorities** – particularly regional authorities – in stimulating private investment and promoting public private partnerships for the benefit of their CCIs SMEs, notably through grants, guarantee mechanisms, equity financing, crowdfunding[4]. It is important to simplify existing financing instrument and extend the eligibility to CCIs, if possible (accession to the Protocol between the Italian Banking Association and Funder35 for the provision of banking services tailored specifically for the cultural and creative enterprises as proposed in the Roadmap).

Financial support should be combined with other policy measures as training, mentoring, internationalization, …

Section 7: Administrative and Technical Issues

(a) Key Findings

In general, CCIs in Europe are characterised by a predominance of small enterprises. The same is true for where 92 % of the CCIs are businesses with up to nine persons employed. Therefore CCIs are facing with the administrative burdens that are characterized for small companies.

Regional Stakeholder Group stressed the relevance, in particular for microenterprises and individual

[3] https://crowdfunding4culture.eu/study-reshaping-crowd’s-engagement-culture-now-available.
[4] While the roadmap proposes the use of crowdfunding as an alternative financing model, there could be more emphasis on building the skills for success on such platforms and services/mentors who could offer their expertise on this topic.

businesses, of the administrative burden. Unfamiliarity with fiscal and regulatory regulation due to lack of expertise and dedicated resources is causing problems. In particular, the transition from self-employment to business creation is very difficult even for bureaucratic and tax compliances.

The Roadmap proposes different measures to tackle with this issue as:
1. Service centres offering also possibilities for networking and the search for complementary skills.
2. Monitoring activities; organizational and management support
3. Expertise's horizontal and intergenerational mobility (from established institutions to start-ups)
4. Temporary managers

(b) Recommendations
Tax and regulatory environment are crucial for the entrepreneurship and CCIs that are dominated by the small companies that are very sensitive to the administrative and tax burden. Therefore we propose the following:
- **Overview of existing legislation with recommendations taking into account** intrinsic characteristics of the CCIs**.**
- **Training/consulting of CCIs on regulatory and tax system (legislation, problems, options, solutions).**
- **Overview of IPR system: state of the art, future, problems, solutions.** An effective system for managing intellectual property rights must be at the heart of the creative economy.

Section 8: Awareness Rising and Motivation

(a) Key Findings

Low awareness presents a problem in the FVG, especially with regard to **traditional industries**, which are not aware about the benefits of cooperation with CCIs and have low business confidence on CCIs firms to bring economic benefits in common projects. Furthermore, also part of the CCI (specially crafts) **is not aware about their cultural and creative potential and business opportunities** related with it. One of the reasons is the lack of official definition of the CCI in the FVG.

Over the past five years, several conferences have been held, organized by the European Commission, the Ministry of Cultural Heritage and Tourism and the Regions, on the importance of Cultural and Creative Industries (ICC) and their sectorial synergies, firstly with tourism. In 2017, the first National Conference of Cultural Enterprises took place. It was organized by Federculture, Agis, Allaince of Italian Cooperatives on Tourism and Cultural Heritage and National Forum of the Third Sector. Cultural Foundations of national relevance as Fitzcarraldo Foundation, Symbola Foundation paly a relevant role in public awareness rising activities related to CCI development.

The situation has improved, with the inclusion of CCIs support in strategic and operational documents. Nevertheless the importance of CCIs is still not broadly recognised.

(b) Recommendations

To overcome the problems, related to low awareness, one of the goals, defined in the Roadmap **is to raise CCIs awareness and develop promotional** capacities with regard to their economic potential and business opportunities. As proposed, this should be done by developing a **Multifunctional Regional Web Platform** (MRWP) encouraging matching, cooperation and co-creation. The MRWP will give visibility to CCIs promotional and sectoral events. MFRP will also provide information on calls, funding, stakeholders initiatives (CCICs; sector association), training opportunities, etc.

Promotion materials produced (CCIs only and in cooperation with other industries), collection and dissemination of good practices in the CCIs, dissemination of results of mappings and studies could raise the **“brand”** of CCIs in the FVG. Different inter-sectoral and inter-generational events (conferences, seminars, start-up weekends, festivals) should be organized connecting in a free & informal way businesses, artists, designers, culture and entertainment, public administrators, potential funders, etc. **Recognition of CCIs spillovers** to the wider economy and in particular through the promotion of the value of culture to tourism, health and other sectors is needed. It is advisable to deliver few large scale creative events. **Measuring and quantifying and promotion of the achievements of the CCIs** could represent essential part of promotion of the CCIs in the region.

More could be done for increasing the awareness within the CCIs themselves (crafts) by providing information, trainings and above all, events like workshops for boosting their creative potential.

Section 9: Internationalization

(a) Key Findings

CCI are dependent on local relational network, are small in size and usually lack expertise and information about potential foreign markets. While all these facts present an important obstacle for internationalization, internationalization of the CCI SMEs in FVG is nevertheless quite high. The ratio between the regional CCIs exports and total regional exports puts the region on the third place among Italian regions. At the moment there are several financial instruments of this type, mainly managed by the regional chamber system (internationalization vouchers; B2B; overseas missions; special projects) but are designed for SMEs in general, not for specific cultural and creative sectors.

(b) Recommendations

In 2010, the Green Paper “Unlocking the potential of cultural and creative industries” the European Commission (2010) stresses that CCIs, especially SMEs require support to establish contacts and to have their activities promoted abroad. In order to support the international reach of CCIs, **specific tools such as industry–to–industry dialogue, scouting missions and market intelligence, and collective representation in international fairs could be provided**. Furthermore, facilitating artistic exchanges with third countries is also important to stimulate cultural diversity.

There are different instruments developed in other countries/regions as:

- support for training activities and programmes for CCIs and intermediaries (as Chamber of commerce, National trade councils), because intermediaries are often weak in adapting to the needs of creative industries[5];
- export advice and information;
- export finance (as Internationalisation Vouchers) or credit guarantee measures;
- promotional activities (e.g. trade missions, supporting participation in exhibitions or trade fairs, etc.);
- support for platforms, clusters and networks;
- support for (pilot) projects.

Internationalization instruments are horizontal (CCIs internationalisation strategy) or/and sectoral (music, film, theatre or culture in general).

It is important to support positioning the CCIs on international markets. The Roadmap adequately proposes activities, to develop the CCIs capacity for internationalization even further by providing internationalization paths and services designed for CCIs and involving sector business associations.

There are few options:
1. A dedicated strategy for CCIs exports and/or internationalisation;
2. An international strategy focusing broadly on the internationalisation of culture;
3. A general export strategy, which also includes cultural and creative sectors;
4. Various measures and/or institutions supporting CCIs exports, mainly through a sector-based approach.

Section 10: General Recommendations

General recommendations are the following:
- **Regional Strategy:** There is a need for adequate analysis and mapping of CCIs: agreed definition, the place of creative industries in the whole economic process, influence of CCIs on different policy areas, the main actors, needs of CCIs, existing policy measures, characteristics of sectors and subsectors, legal framework … Based on analysis, mapping exercise and based on partnership approach comprehensive strategy should be prepared.
- **Education, Skills and Capacity Building:** Because students/creatives lack the economic know-how needed to earn money from their creations, the teaching of economics (e.g. accounting, corporate management, setting up a business) should become more heavily integrated into education programmes for creative professions. The connection between universities and business environment should be strengthened. Preparation of the »Skills Needs Analysis«: identification of skills those are generic across all sectors and a skill crucial for the sectors/sub-sectors (job-specific) as it is proposed in the Roadmap is advisable.
- **Favourable Business Environment:** We propose that one of incubators specialize for supporting CCIs by providing a supportive environment for creative enterprises by initially providing them with incubation

[5] http://www.eciaplatform.eu/wp-content/uploads/2014/06/Thematic-paper-Internationalisation-Nantes.pdf

services (as Tallinn Creative Incubator and similar incubators). The main emphasis should be to improve the business expertise of creative enterprises and to establish a hard (premises, equipment) and soft infrastructure by developing mechanisms of inclusion, cooperation and participation inside the incubator (in-house connections), region and cross-border area. One important task is to help enterprises become international. In order to strengthen innovation promotion and to promote the development of CCIs development of (missing) facilities (innovation and cultural experimentations centres, network of fab-labs, network of co-working places, Web platforms of co-creation and collaboration) is proposed.

- **Partnerships and Networking:** There is need to strengthen partnerships/networking between industry, CCIs, regional authorities and other stakeholders. There are different "potential" forms as formal (Institutional) cooperation and informal cooperation.
- **Access to Finance:** Businesses tend to face two major challenges in accessing the finance that they need to grow. First, information on available funding and financing options is often fragmented and hard to navigate, and management teams lack experience in how to position themselves appropriately. Second, the business models of creative businesses are not always readily understood by investors and lenders, largely because a lack of data and market intelligence renders it hard to quantify value in the sector or compare across investment opportunities. Therefore it is essential to act on both sides: a) Training of CCIs and awareness raising among financial institutions on the particularities of CCIs; b) Strengthening existing funding opportunities and introducing new ones.
- **Administrative and Technical Issues:** Tax and regulatory environment are crucial for the entrepreneurship and CCIs that are dominated by the small companies that are very sensitive to the administrative and tax burden. Therefore we propose the following: a) Overview of existing legislation with recommendations taking into account intrinsic characteristics of the CCIs; b) Training/consulting of CCIs on regulatory and tax system (legislation, problems, options, solutions); c) Overview of IPR system: state of the art, future, problems, solutions. An effective system for managing intellectual property rights must be at the heart of the creative economy.
- **Awareness Raising and Motivation:** To overcome the problems, related to low awareness, one of the goals, defined in the Roadmap is to raise CCIs awareness and develop promotional capacities with regard to their economic potential and business opportunities. Recognition of CCIs spillovers to the wider economy and in particular through the promotion of the value of culture to tourism, health and other sectors is needed. It is advisable to deliver few large scale creative events. Measuring and quantifying and promotion of the achievements of the CCIs could represent essential part of promotion of the CCIs in the region. More could be done for increasing the awareness within the CCIs themselves (crafts) by providing information, trainings and above all, events like workshops for boosting their creative potential.
- **Internationalization:** It is important to support positioning the CCIs on international markets. The Roadmap adequately proposes activities, to develop the CCIs capacity for internationalization even further by providing internationalization paths and services designed for CCIs and involving sector business associations. In order to support the international reach of CCIs, specific tools such as industry–to–industry dialogue, scouting missions and market intelligence, and collective representation in international fairs could be provided. It is important to support positioning the CCIs on international

markets.

Existing "Regional Law 20 February 2015 n.3 Rilanciampresa FVG - Reform of industrial policies" **represents adequate legal and strategic basis for the CCIs support in the FVG**:

- Article 23: a) support for the creation of new innovative start-ups through the partial financing of start-up phase costs (building, first plant set-up access to credit); b) supporting potential entrepreneurs, also in the framework of regional certified incubators; c) creation of a venture capital fund for the acquisition of equity investments in innovative companies to support their growth and increase the survival rate of the same; d) stimulus measures and support for crowdfunding initiatives.
- Art. 24 supports co-working facilities and the promotion of Fab-labs.
- Art. 25 provides for a competition of ideas to identify new instruments to stimulate and support the creation of innovative start-ups, the spread of co-working services, youth business start-ups and new forms of entrepreneurship.

Implementation of policy measures will require cooperation between policy makers. Therefore coordination and integration among different regional policy instruments and measures should be strengthening. There are different potential policy measures as policy measures for CCIs, innovation support, support for training and education, regeneration of cities (urban policy), promotion of entrepreneurship in rural areas, promotion of innovative SMEs (start-ups), tourism, etc.;

Section 11: Specific Recommendations (Peer Review Focus)

SERVICE CATALOGUE FOR CCIs

Is the service catalogue our regional incubators intend to offer to CCIs exhaustive or would it need to also include further services specifically designed for CCIs?

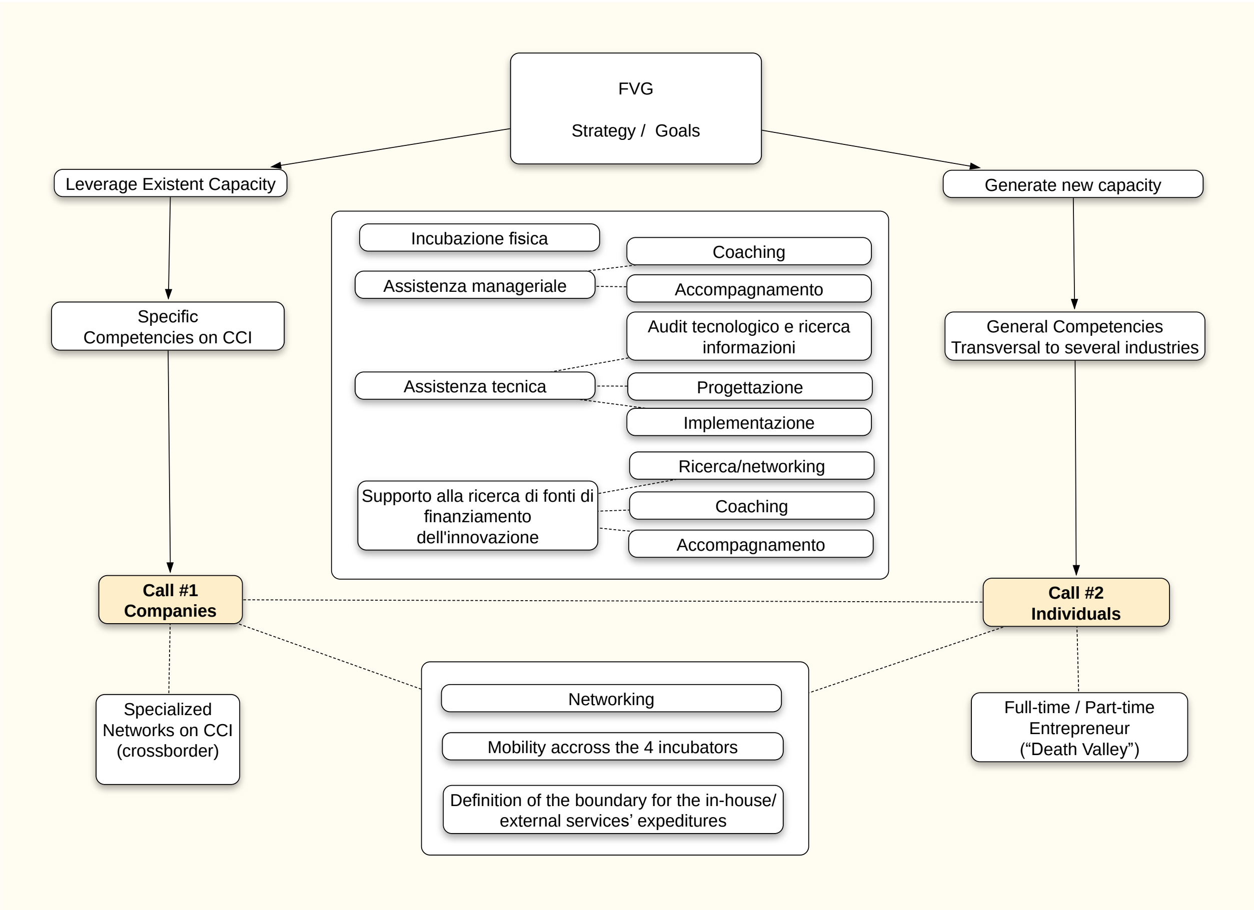
It is important to provide services that are tailored to the specific needs of the CCIs. In the start-up phase, entrepreneurs are looking not only for additional investments and loans, but also for a suitable working environment, contacts, know-how and so on. Start-up companies operating in the CCIs 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.

We propose that at least one of incubators specialize for supporting CCIs by providing a supportive environment for creative enterprises. The main emphasis should be to improve the business expertise of creative enterprises, enabling links to investors, to establish a hard (premises, equipment) and soft infrastructure by developing mechanisms of inclusion, cooperation and participation inside the incubator (in-house connections), region and cross-border area.

In the case of start-ups the incubation is essential and service catalogues seems to be appropriate one. The main problem is that start-ups do not need incubation support only, but they need financial sources to live ("death valley"). Therefore it is important to combine different instruments (ERDF + ESF funds[6]), where services of incubators are combined with the support for workers' and jobseekers' employability (target group: young people).

In the case of existing cultural and creative companies, their needs are usually well defined. If the company survives two years, financial support or specialized supports are needed. We propose that supported CC companies could partially order specialized services and partially cooperate with incubators (networking, internationalization): in the case of the €35.000 support, we propose the following allocation: €15.000 for purchasing specialized services and €20.000 for services of incubators. We also propose that in the case of incubation CC companies and CC start-ups are able to move across all four incubators.

Figure 3: Proposed approach to the promotion of entrepreneurship, in particular by facilitating the economic exploitation of new ideas and by promoting the creation of new businesses, including through incubators



[6] Programma Operativo FSE Friuli Venezia-Giulia 2014-2020.

SELECTION CRITERIA

The list of selection criteria approved by the ERDF ROP Monitoring Committee includes criteria mainly aiming at measuring how potential beneficiaries are inclined and capable to develop a business project. In particular, these criteria should allow for business ideas to be graded according to quantitative and qualitative parameters somehow index-linked. Would it be appropriate to introduce new selection criteria, capable of enhancing the quality of proposed cultural products?

There are too many selection criteria defined. We propose to join (shorten) all of them in few pillars (groups) and define the weights that should be well justified.

Having in mind the characteristics of both target groups (start-ups, existing cultural and creative companies) we propose to use different selection criteria for each group:

- In the case of start-ups only few selection criteria related to the **quality and feasibility of the project** (originality and novelty of the product / process / service with respect to the state of the art of the reference market) and to the **market potential of the project** (including broader social impact or response to societal challenges, cross-sectoral effects as impacts on other sectors etc.) are appropriate.
- In the case of existing cultural and creative companies **additional selection criteria** approved by the Monitoring Committee could be used, **but joined** in few selection criteria. The focus should be on **new jobs created** at the end of the project.

FOCUS AREA(S)

Would it be preferable to limit the scope of envisaged support to some areas or to grant support to the wider CCIs spectrum?

To define the focus or not depends on CCIs strategy. That requires adequate mapping and statistically defined CCIs. There are different needs in CCIs sub-sectors as regards financing, equipment, internationalization, space requirements, innovativeness, size, …. Understanding the characteristics of CCIs and its various sub-sectors is essential for effective policy making. Thus, in addition to improving the evidence-base of CCI policies, also the dialogue and cooperation across different policy areas need to be increased. Some subsectors require considerable investments, some could get funds from alternative sources of financing (traditional bank lending, alternative sources of equity and debt finance). An additional concern is the life cycle of companies. Availability of funding depends on the stage of development, the type of activities or the sector where the CCI companies operate.

As for funding mechanisms, it is typically recommended that funding instruments provided for CCIs should better recognize their special nature and needs. Also, the access to funding should be easier and less bureaucratic than it often is, particularly for micro-SMEs. Many of the SMEs in the CCI sector could also benefit from the development of programs with small-scale financial support (e.g. micro-credits). Further, there should be better synergy and coordination between different public support and financing schemes.

At the moment there is no integrated CCIs strategy in the FVG and no specific SME/Start-ups strategy in CCI sector, supported by specific objectives and indicators. Nevertheless, other strategic documents (laws, programmes) enable support to SME/Start-ups in CCI sector as Smart Specialization Strategy where the focus on architecture and design is emphasized. Therefore, focus on architecture and design, graphics and audiovisual and entertainment technologies in the case of start-ups and all cultural and creative sectors in case of the existing companies is in line with the strategic documents. **Due to the limited funds for existing CC companies, the focus is advised.**

The mainstream investors are more interested in certain sub-sectors of cultural and creative industries that promise greater profitability in terms of market growth and a speedier return on investment: film/media, games, creative services with a digital dimension or based on specific software like video games. Other sectors of creative industries receive little structural support via direct public funding (art, fashion, etc.), in spite of the existence of transcreative industry initiatives[7].

Section 12: Attachments

Documents studied by the peer review team prior, during or after the review visit: Operational Programme, State of Art Report, Roadmap, Selection criteria, Catalogue of services, other regional, national and international strategic documents (as S3) and studies.

[7] http://www.awt.be/contenu/tel/wor/Supporting-creative-industries_EN.pdf.