

Appendix 1

Factsheet on the KIC on Cultural and Creative Sectors and Industries (CCSI)

I. The Challenge

A KIC on CCSI ⁽²⁶⁾ can bring a horizontal solution to an array of rising challenges, which are of a permanent nature and may be addressed through education, research and innovation activities. Those challenges may be grouped into four pillars:

- (1) European creativity, cultural and linguistic diversity;
- (2) European identity and cohesion;
- (3) European employment, economic resilience and smart growth; and
- (4) Europe as a global actor.

European creativity and cultural diversity depends on resilient and robust CCSI. However those sectors are facing a number of challenges as a result of the increased competition from global players and the digital shift.

- Producers, creators, distributors, broadcasters, cinema, theatres and all types of cultural organisations and businesses need to innovate in order to attract new audiences and expand, and to develop new processes, services, contents and practices that provide societal value.
- The shortage of entrepreneurship and cross-cutting skills in cultural and creative sectors ⁽²⁷⁾ concerns both emerging sub-sectors and very mature ones that undergo a profound digital transformation. Those skills are needed for innovation and are crucial in light of labour market changes that the sector is facing.
- Cultural heritage is an undisputed expression of cultural identity, an important public good and a source of innovation, providing good return on investment and significant economic revenues, but its potential is still largely untapped. As a catalyst for sustainable heritage-led regeneration and an essential stimulus to education and lifelong learning, fostering cooperation and social cohesion, it is likely to benefit greatly from a KIC on CCSI.

Societal challenges related to European identity and cohesion can generally be described in terms of a lack of 'bridges' connecting different parts of society and connecting different territories. They include issues related to social exclusion, the need to build closer intercultural links, protect linguistic diversity, including minority languages, and develop a sense of common belonging based on our cultural diversity and common heritage that could be addressed through more inclusive and accessible community participation, innovations in design, architecture and the use of public spaces, as well as culture-led societal innovation. In particular:

- there is limited cooperation among researchers, between research and industry, and between public and third sector organisations, as well as insufficient coordination and unnecessary duplication of research and development efforts, sharing of methods, results, and best practices;
- the level of integration of creative clusters and innovation hubs is insufficient;
- a significant share of regional smart specialisation priorities in Europe refers to culture under different angles (such as cultural heritage, creative industries and the arts);

⁽²⁶⁾ CCSI relate to all sectors and industries whose activities are based on cultural values, cultural diversity and individual and/or collective artistic and other creative expressions, whether those activities are market or non-market oriented, whatever the type of structure that carries them out, and irrespective of how that structure is financed. Those activities include the development of skills and talent with the potential to generate innovation, the creation of wealth and jobs through the production of social and economic value, including from intellectual property management. Those activities relate also to the development, the production, the creation, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education and management. The cultural and creative sectors include, inter alia, architecture, archives, the arts, libraries and museums, artistic crafts, audiovisual (including film, television, software, video games, multimedia and recorded music), tangible and intangible cultural heritage, design, creativity-driven high-end industries and fashion, festivals, music, literature, performing arts (including theatre and dance), books and publishing (newspapers and magazines), radio and visual arts, and advertising.

⁽²⁷⁾ Cultural and creative studies in European universities are mostly focused on the 'creative part' and their graduates are not always ready to enter the modern labour market as they lack cross-sectoral (entrepreneurial, digital and financial management) skills. With regard to HEIs, the Union is trailing behind the United States of America in communication and media studies (while Union universities are performing better in more traditional disciplines such as art and design or performing arts).

- given the important role of culture and creativity for the economic and social development of cities and regions and their ability to further help address disparity issues across Europe, the potential of a KIC on CCSI is high.

Current challenges related to European employment, economic resilience, and smart growth, include socio-economic issues such as tackling unemployment (in particular youth unemployment), improving skills and working environments and facing global competition.

- There is a high market concentration: in 2013, around 50 % of the total Union turnover and added value was generated in the United Kingdom, Germany and France.
- Globalisation, digitisation and technological innovation have a strong impact on European industries. Those developments have changed the way in which artists produce and distribute their works and relate to their audiences, changing the traditional business models of CCSIs, and they have fundamentally altered consumer expectations and behaviour. In addition, the increasing power of non-European content production companies has had a huge impact on the traditional value chain.
- Creative, cultural and artistic productions often face the challenge of monetising their output and products, thereby creating highly precarious areas of work. New innovative ways of supporting micro, small and medium-sized creative and cultural organisations and enterprises are to be found.

The role of Europe as a global actor includes the need to enhance the dissemination of European cultural content. Europe needs to remain competitive in the global digital race for the creation of new technologies (such as Artificial Intelligence, the Internet of Things and blockchain) for which CCSI are important generators of content, products and services. Moreover, on a global scale, CCSI (such as design and architecture) contribute actively to the sustainable development and drive green innovation, while cultural content (literature, film and the arts) can, in addition to its intrinsic value, raise awareness of ecological problems and inform public opinion.

II. Relevance and impact

A KIC on CCSI – with its holistic and integrated approach – will help address all the challenges set out in Section I. By covering nearly all sectors of our lives, society and economy, that KIC is likely to be highly relevant in terms of its economic and societal impact, unlocking strategic opportunities for economic, technological and social innovation. It is also likely to be instrumental in allowing HEIs in the arts to play a more active role in developing hybrid competences and an entrepreneurial mindset that better meets the needs of industry.

Culture-based and creativity-driven innovations boost European competitiveness either directly by creating new enterprises and jobs or indirectly by creating cross-sector benefits to the wider economy, improving quality of life and increasing the attractiveness of Europe. Cultural and creative sectors (such as cultural heritage and the arts) are increasingly seen as new sources of smart, sustainable and inclusive growth and jobs. Those sectors are already employing more than 12 million people in the Union, which amounts to more than 7,5 % of all persons employed in the Union. Cultural heritage is a key component of the cultural and creative sectors and a major contributor to the attractiveness of Europe's regions, cities, towns and rural areas. It is a driver for private sector investments, for talent attraction, for business generation and for direct and indirect job creation.

The contribution of culture and creativity to innovation is increasingly driven by non-technological factors such as creativity, design and new organisational processes or business models. In particular, the sectors with distinct value chains (namely, music, the arts, design, fashion, audiovisual, video games and architecture) have a strong innovation capacity in economic terms and are able to drive innovation in other sectors of the economy.

Culture and participation in cultural activities have a direct impact on the well-being of citizens and social inclusion. Cultural and creative industries enhance societal values of identity, democracy and community participation. Culture has a great potential to reinforce a European sense of belonging, where diversity represents an asset. This is of fundamental importance to enable resilience, social access, societal cohesion, anti-radicalisation and gender equality, and to tackle Europe's political uncertainties and the need for unity.

A KIC on CCSI is to empower network opportunities, collaboration, co-creation and knowhow transfer between education, research, business, public and third-sector organisations, within the cultural and creative sectors and with other sectors of the society and the economy. It is intended to:

- catalyse bottom-up and top-down initiatives at Union, national and regional level. It will develop the necessary framework conditions for the creation and scale-up of new ventures in innovative ecosystems;
- provide researchers and students in many disciplines (including the arts, humanities, social sciences, applied hard sciences and business) and entrepreneurs of the cultural and creative industries and other sectors with the knowledge and skills necessary to deliver innovative solutions and to turn them into new cultural, societal and business opportunities; and
- allow further cross-fertilisation with other economic and industrial sectors, acting as an accelerator for innovation.

III. Synergies and complementarities with existing initiatives

A KIC on CCSI would be complementary to a number of other Union initiatives, as well as such at the level of Member States. The main synergies expected at Union level are presented in this Section.

A KIC on CCSI is expected to establish strong synergies with relevant policy initiatives under Horizon Europe, and in particular under Pillar II 'Global Challenges and European Industrial Competitiveness' with the cluster 'Culture, Creativity and Inclusive Society' and its areas of intervention on cultural heritage and democracy. A KIC on CCSI could also provide valuable horizontal inputs across various activities to be carried out in the cluster 'Digital, Industry and Space', in particular as regards the manufacturing technologies in which the need to develop new products relies heavily on CCSI. Furthermore, it could efficiently complement other parts of Horizon Europe, the intervention of the existing EIT Digital and the actions planned under other Union programmes such as InvestEU Programme, Erasmus+, Creative Europe Programme, Digital Europe Programme or the Cohesion Policy Funds.

The Creative Europe Programme will be highly relevant for the activities of a KIC on CCSI. The Creative Europe Programme elects strands and special calls reflecting some of the challenges facing the cultural and creative sector (such as skills and employment and business models) and aims to develop strong synergies and complementarities. Under the InvestEU Programme, and in the context of limited access to finance for the cultural and creative sectors, synergies are expected with the financial mechanism helping to scale up cultural and creative projects by providing insurance to financial intermediaries.

The Smart Specialisation Strategy (S3 strategy) platform on Industrial Modernisation has identified a number of research and innovation strategies that focus on CCSI and explore new links between local assets, potential markets and societal challenges through the involvement of a large set of entrepreneurial actors. In particular, the promotion of new partnerships between research organisations, enterprises and public authorities is a major concern of the S3 strategy, calling for the set-up of new collaborative platforms.

IV. Conclusion

A KIC on CCSI is most suited to address the major economic and societal challenges referred to in this Appendix. Creativity is a key driver of innovation and a KIC on CCSI has the capacity to unleash the potential of artistic, culture-based creativity and to help strengthen Europe's competitiveness, sustainability, prosperity and smart growth.