



Panel 2: Finance 4 Creativity

ImMediate Cross Media Summit

Rome 7/8 April

Casa del Cinema

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The European Investment Bank



“Creative industries” vs “cultural industries”

◆ “creative industries”

- Wide definition: “range of economic activities which are concerned with the generation or exploitation of knowledge and information”
- Examples: Advertising, architecture, art, craft, designer fashion, film and video, music, performing arts, publishing, R&D, software, toys and games, TV and Radio, and video games

◆ “cultural industries”

- Subset of the above: industries that focus on cultural tourism, cultural heritage, museums, libraries, sports, and outdoor activities
- more concerned about delivering non-monetary values—including cultural wealth and social wealth

◆ EIB’s activities so far

- Strong lending focus on R&D and innovation through its “Knowledge Economy” eligibility
- Rather limited requests for lending for “cultural sectors”, albeit eligible.
 - Can market failures be identified?



Investments in digital media and cultural heritage: market failures?

- ◆ **Mission: collect, provide access to, and preserve content in digital form**
 - Investment costs need to be born either by “creative” or “memory” institutions
 - important benefits of the investments may be realised by users who did not contribute to the investments

- ◆ **Public intervention acceptable to correct a market failure**

- ◆ **But is there a market failure? It depends...**



Example: Memory institution supplying commercially viable content

◆ The trade in archives is a growing multi-million Euro industry:

Global trade in archive content revenue estimated

- at €430m in 2009
- growing at a CAGR of nearly 8% over the past 5 years.

◆ Plenty of supply - millions of hours of content stored:

- A total of 42.7m hours of content are held in the world's archives.

◆ Local sales are key:

- Majority of archive content sales: within the country in which the archive is based, but,
- on average, 36% of sales are made to international buyers.

◆ TV producers are the biggest buyers:

- Nearly 55% of archive sales revenue comes from television programme producers. The next most important client group are corporate users, followed by advertisers, educators, movie makers.

◆ News content sells at a premium:

- Documentary is the second most important genre of content (after stock footage) in terms of volume, but in value terms, news footage accounts for a greater proportion of total revenue.



=> Banking implications

- ◆ **In summary:**
 - Growing market with identified demand and supply
 - Local sales revenue with export potential
 - Assets to pledge

- ◆ **Financing of this business model can be perfectly done with existing instruments in the financial market**

- ◆ **No need for public intervention unless there's a market imperfection on the credit market**
 - e.g. credit crunch impact during current economic crisis



Example: memory institution supplying commercially less-viable content

- ◆ **Mostly: “Social remembering” function**
 - digitalisation of various existing patrimonies, with as goals:
 - preservation of the works
 - equal access and participation to cultural and historical information, arts, and civic data
- ◆ **Problems:**
 - Legal: mass reproduction of copyrighted works
 - Licensing schemes to provide fair compensation to authors for the use of their works
 - Technology choice: memory institutions are not necessarily technical experts
 - What is the best technical solution? What is the strategy?
 - How are maintenance costs budgeted for? Technical life and replacement?
 - Economic: demand and usage
 - Will the digitalised information be used at all? If so, by whom and for what purpose? Can the costs be attributed to the users?
 - Cost-benefit analysis essential.
 - Financing
 - Business model?
 - Preservation: “PTX” (Preservation Tax) on
 - turnover of commercial content?
 - each megabyte consulted/downloaded?
 - Public support: if justified by cost-benefit analysis and in as far as costs cannot be attributed to users / recuperated via dedicated taxes



=> Banking implications

- ◆ **In summary:**
 - It concerns institutions that are compelled by the trend to digitalise
 - Demand/usage not properly defined, or very limited
 - Revenue potential limited
 - Technology: depreciates quickly
 - Technology: are international standards for archiving AV material agreed upon?
 - Political risk: commitment of digitising may span various elective periods – priorities can change

- ◆ **Commercial banks sceptical to provide funding under these conditions**

- ◆ **Public intervention**
 - if justified by cost-benefit analysis
 - If cost-recovery potential insufficient



Role of the EIB Group

- ◆ The European Investment Bank (EIB)
- ◆ The European Investment Fund (EIF)



The European Investment Bank (EIB)

Long-term finance promoting European objectives

- ◆ European Union's long-term lending bank set up in 1958 by the Treaty of Rome.
- ◆ Shareholders: 27 EU Member States
- ◆ Largest supranational borrower (AAA rated)
- ◆ Key Governance Bodies
 - ◆ Board of Directors - Member States & European Commission
 - ◆ Management Committee - EIB's executive body
- ◆ Operates according to mandates provided by Member States



The European Investment Bank (EIB)

European priority objectives

- ◆ Within the Union:
 - ◆ Cohesion and convergence
 - ◆ Small and medium-sized enterprises (SMEs)
 - ◆ Environmental sustainability
 - ◆ Innovation 2010 Initiative (i2i)
 - ◆ Trans-European Networks (TENs)
 - ◆ Sustainable, competitive and secure energy



Value Added

- ◆ Value added of the Bank's lending activities:
 - ◆ Support for EU priority objectives
 - ◆ Project quality and soundness
 - ◆ Financial benefits of EIB funds
 - ◆ Technical assistance
 - ◆ Project assessment



The European Investment Fund (EIF)

Venture capital & SME guarantees

- ◆ Established in 1994
- ◆ Owned by:
 - ◆ EIB
 - ◆ European Commission
 - ◆ Other European financial institutions
- ◆ Resources:
 - ◆ Own funds – subscribed capital
 - ◆ EU programmes (e.g. Jeremie)
 - ◆ Trust operations (EIB, German Government)



The European Investment Fund (EIF)

Venture capital & SME guarantees

- ◆ **JEREMIE** (Joint European Resources for Micro-to-Medium Enterprises) :
 - ◆ developed in cooperation with the European Commission
 - ◆ offers EU Member States (through their national or regional Managing Authorities):
 - the opportunity to use part of their EU Structural Funds
 - to finance small and medium-sized enterprises (SMEs)
 - by means of
 - equity,
 - loans or
 - guarantees,
 - through a revolving Holding Fund acting as an umbrella fund



“digital media and cultural heritage” are eligible projects for EIB loans!

- ◆ **Digitalisation efforts may be eligible for EIB support under**
 - ◆ its “knowledge economy - i2i initiative” (innovation and ICT infrastructure, including e-content)
 - ◆ Its “convergence” eligibility – for investments in Convergence Regions
 - ◆ its SME eligibility – for investments by SMEs

- ◆ **Primary goal: to resolve bottlenecks for innovation and ICT investments due to market imperfections**

- ◆ **The EIB can finance maximum 50% of the total project cost. Eligible are**
 - tangible assets (hardware, equipment, buildings) as well as
 - intangible assets (software development costs, training costs, ...)

- ◆ **Both public promoters (local authorities, regional and central government) and private promoters – or a combination of both – are eligible**

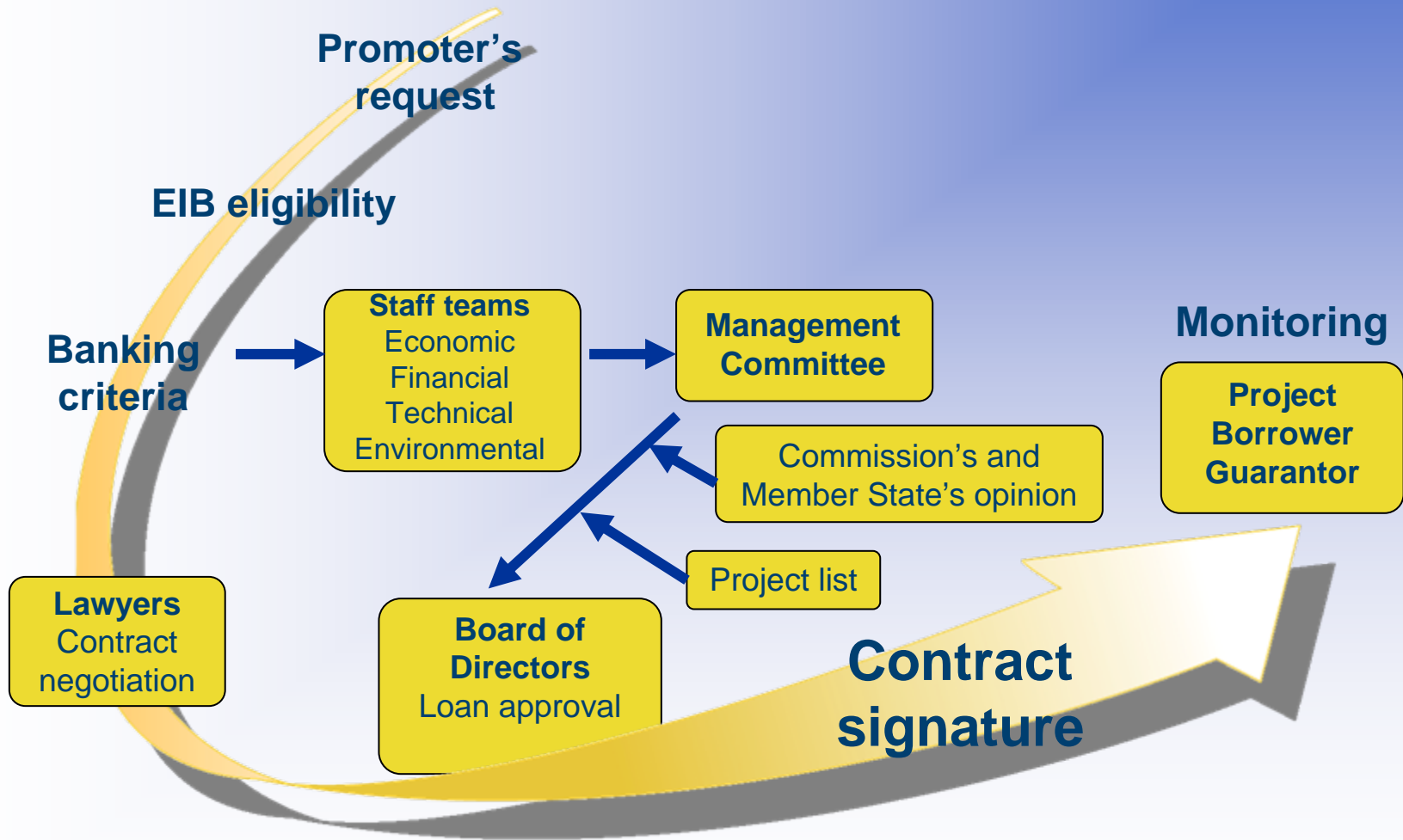
- ◆ **Combination with other EU or national funds is possible**

- ◆ **EIB undertakes an economic and technical due diligence for projects exceeding 25 million Euro**



The Project Cycle at the EIB

(projects exceeding €25 million)





Thank you

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