

EMEA WEBINARS FALL CYCLE

IMPACTS OF COVID-19 ON THE CULTURAL AND CREATIVE INDUSTRY (CCI) IN THE MEDITERRANEAN: WHAT ROLE FOR DIGITALISATION?

Thursday 19 November 2020, 15:00- 16:30 CET

The panel was moderated by **Professor Rym Ayadi**, President of the Euro-Mediterranean Economists Association (EMEA). The panellists were:

- **Nizar Hariri**, Associate Professor and Researcher, Faculty of Economics, OURSE, Saint Joseph University, Lebanon
- **Sana Ouchtati**, Coordinator, Cultural Relations Platform, Founder of So Cult, Belgium
- **Michele Rizzi**, Programme Manager in charge of Culture and Cultural Heritage, EU Delegation, Egypt
- **Jihen Boutiba**, Secretary General, Union of Mediterranean Confederations of Enterprises BUSINESSMED, Tunisia
- **Mauricio O'Brien**, Country Manager for Spain, European Crowdfunding Network (ECN)

The discussant was:

- **Mohammed Elrazzaz**, Project Analyst, Business Development and Employment Division, Secretariat of the Union for the Mediterranean (UfM)

Rapporteur: Yeganeh Forouheshfar – EMEA Researcher

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Introduction

Prof. Ayadi opened the webinar on the impact of COVID-19 on the Cultural and Creative Industries (CCI) in the Mediterranean and discussed the role of digitalisation as a vector of resilience during and post the Covid-19 health crisis. EMEA has launched a specific initiative for the CCI in the Mediterranean region and the impact of the Covid-19 will be assessed. The goal is to propose policy recommendations that will enhance the capacity of the sector to become an engine for growth and innovation. Digitalisation can strengthen the sector and transform its business model towards being more sustainable and inclusive. The sector has been an engine for growth and job creation in Europe, the US and many other countries. Prof. Ayadi introduced CREAT4MED, the new EMEA project, and its partner, BUSINESSMED, which is co-funded by the European Union. The goals of the project to be tackled are to enhance CCI growth, create decent jobs and promote social inclusion through studying the sector's strengths and weaknesses and to provide training and sub-granting projects, led by youth and women in the region.

Covid-19, and the policy responses to it, such as lockdowns and social distancing measures, are threatening CCIs all over the world, with a detrimental impact on employment, especially for the young and women. On the other hand, the acceleration in digitalisation during recent months has provided great opportunities for many actors.

Next, Yeganeh Forouheshfar presented the preliminary results of the survey, launched by EMEA, on the digital preparedness of SMEs in South Mediterranean countries. She highlighted that the relationship between CCIs and digitalisation is reciprocal. On one hand, CCIs enhance demand for digitalisation and digital cultural goods are the biggest source of revenue for the digital economy. On the other hand, digitalisation enhances

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demand for CCIs by providing access to markets that would otherwise be impossible to reach. We should also bear in mind that digital piracy is one of the biggest challenges for CCI actors. Covid-19 hit venue-based sectors the hardest (such as museums, performing arts, live music, festivals, cinemas) and this negative impact is expected to be a long-lasting one. It had led to job losses all over the world and, in Morocco, 40% of firms reported reduced activity by more than 50% because of Covid-19 (HCP, 2020). The survey on digital preparedness, launched by EMEA on South Mediterranean countries, shows 59.32% of firms find digital training and 61% find assistance on digital transformation to be useful support for their business. Enterprises are aware of the importance of digital transformation and 83% have digitalisation as an essential part of their strategic agenda, whilst 84% believe that Covid-19 has contributed to the acceleration of digitalisation for their company.

Panellist Presentations

Nizar Hariri, Associate Professor and Researcher, Faculty of Economics, OURSE, Saint Joseph University, Lebanon

Nizar started with a general description of the CCI in the region; the sector covers a wide range of economic activity - from performing arts to design and video games. The contribution of CCIs to the economy is significant and, in terms of value added and employment in Arab Mediterranean countries, ranges between 3 to 5%. Moreover, the sector contributes to cultural diversity and shapes identity. The rate of informality in the sector is regionally very high- above 60%. Hence, CCI workers are amongst the most vulnerable, enduring a severe impact from Covid-19. They are threatened both in the short-term, as they do not have access to social security; and in the long-run due to the cost of the opportunity they pay in terms of career path, reputation and making a name, which is critical for an artist. This long-lasting negative effect is even worse than the impact of the 2008 financial crisis. We observe that many artists share their work for free, by livestreaming ... this trend raises a number of questions on whether these shows should be accessible for free or whether this trend is sustainable in the long run. Will this help the artist to establish a name? Should these shows be subsidised by the government? In some countries, such as Palestine and Lebanon, there is no government support for the creative sector and the sector faces a risk of collapse.

Covid-19 and lockdown measures led to an increase in demand in digital cultural goods, such as TV shows, series, video on demand, etc. On the other hand, venue-based activities and books are the most severely hit. Big name actors make significant gains but freelancers and less known actors face deteriorating social and economic conditions. Many cultural institutions, such as music halls, opera houses and theatres, could switch to on-line exhibitions, thanks to public subsidies and national or European programmes. However, in Arab countries we observe a complete shutdown of the sector. In Lebanon, 90% of artists declared zero income in 2020. Artists were obliged to switch jobs.

Digitalisation is half the solution; it responds to the increase in demand in times of confinement but does not help much on the supply side.

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Regarding the Arab countries, there are programmes in Tunisia and Morocco to support the sector, whilst in Lebanon, the combination of economic crisis, severe financial crisis and the Covid-19 crisis has led to a complete shutdown of the sector - except for jewellery design (where demand rises in response to economic uncertainty). Furthermore, the role of civil society should not be neglected. We observe the rise of solidarity funds from civil society.

Sana Ouchtati, Coordinator, Cultural Relations Platform, Founder of So Cult, Belgium

Presented the Cultural Relations Platform, a consortium consisting of four organisations: Goethe-Institut Brussels (BE), ECF – European Cultural Foundation (NL), IETM – International Network for Contemporary Performing Arts (BE), and Università degli Studi di Siena (IT). They are conducting research to assess the impact of the Covid-19 crisis on CCIs and its impact on international cultural relations.

Specific characteristics of CCIs that make them fragile:

- There is a big gap between highly concentrated demand from the big players and the weak and fragmented structure of the sector
- Structural weaknesses in terms of jobs. Small firms and individual freelance artists. The “status of the artist” does not exist in the region. So, workers in the sector have no access to social safety nets.
- Lack of data that is combined with the informal nature of CCIs, which makes it difficult to assess the contribution of the sector to the economy and to measure the impact of Covid-19. There is a gap in the availability of data within the region amongst different countries, and also a gap at a national level between urban and rural areas. In addition to the gap in different CCI subsectors, for instance data on the film industry is largely available, but this is not the case for visual arts.

Consequences of Covid-19 at a micro level and in the short-term: the region was already facing a number of challenges, economic setbacks, wars, inequality, uprisings etc. The crisis has affected the entire value chain of CCIs and led to a drastic decrease in earnings. Furthermore, restrictions in mobility have exacerbated the fragility of the sector.

Consequences of Covid-19 in the long-run: reduction, both on demand and supply, of cultural products for a number of reasons: the decrease in purchasing power, public funding (that is directed to emergency actions targeting priority sectors) and private funding having less financial capacity. There is a huge rise in inequality in the sector and in the region.

Tourism sector has a strong link to cultural products and it has been hit hard by the crisis. Cultural tourism represents 40% of all tourism. According to UNESCO, in Arab countries tourism has lost 126 billion euros and there are 4 million jobs at risk in this sector, many are cultural operators/workers. In Morocco, the federation for cultural and creative industries has estimated that Covid-19 has led to a 70% fall in the sector’s revenue and 1100 jobs are at risk within the sector. UNESCO and ICOM estimate 1 out of 10 Museums will not re-open after the crisis, this figure reaches 40% in Arab countries.

The book industry, as mentioned before, was hit hard because of the cancellation of fairs, damaging the publishing and editing sector and all book distribution channels.

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The film industry, which relies heavily on European and international co-production, has been hit hard because funds have decreased and co-productions have reduced due to the confinement measures.

Different actors in civil society were extremely active in promoting CCIs. Morocco and Tunisia have launched Covid-19 management funds. The Moroccan copyright office has distributed around 3 million euros in favour of authors and creators. In Tunisia, they have put the “fond de reliance culture”, implemented by Ministry, philanthropies, private organisations and the EU. Action in Lebanon was mostly by private donors, such as AFAC (Arab Funds for Arts & Culture). Moreover, intergovernmental corporations have made digitalisation, cultural production and distribution their main priorities.

Digitalisation creates many opportunities in the sector and should be embraced as a trend that will be a part of our future. But when we tackle digitalisation, we should not forget the *resources* associated with it, resources to build devices and infrastructure, to innovate, to store and treat data. In terms of *materials* involved, we need to have accessibility, use and disposal of digital devices. In the MENA region, only 60% of the population has access to the internet. CCIs in the region do not dispense their expertise in order to move to a digital environment. On the demand side, we need the audience to have access to online content.

The risks associated with digitalisation go beyond digital piracy; there is the risk of flattening cultural diversity when we have few big actors and many small ones. We have very poor skills in the digital arena, the standardisation of the production and distribution process is non-existent. Other risks include a bridge of rights, violation of private life, the use of commercial data etc.

Digital workers in the region are mainly men. Thus, digitalisation is not well suited to tackling female empowerment issues in the region.

Jihen Boutiba, Secretary General, Union of Mediterranean Confederations of Enterprises BUSINESSMED, Tunisia

She shed light on the topic from the point of view of the private sector. In the region, there have been many efforts to guarantee access to cultural goods and services for all. However, the sector has not yet achieved a sustainable structuring, hence we need to implement a new generation of cultural public policies to ensure access to markets and to create jobs. It is necessary to combine government policies with policies at a local level.

CCIs need to be actively supported by the public and private sector during the Covid-19 crisis, because jobs in the sector are often insecure jobs, with no access to social protection. Also, the sector relies on various multisectoral supply chains, which can be invaluable in terms of the indirect jobs involved. Moreover, CCIs by their nature are very much exposed to the crisis.

It is crucial to initiate a multi-stakeholder dialogue between employers-PS, trade unions, CSOs and governments.

In many countries that are taking drastic measures, with considerable economic backlashes to fight the pandemic, CCIs are not considered as essential services and, therefore, have had to face an almost complete shutdown of their activities. Social

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distancing measures also contribute to a worsening situation for venue-based activities (museums, book fairs, festivals, etc.)

In terms of access to finance, the sector faces difficulties, due to the misperception from credit institutions (who mainly rely on tangible assets and/or immediate wealth creation capacity). Diverse funding instruments, such as venture capital, financial guarantees, subsidised workspace etc. already exist but should be further developed.

Effective measures to support CCIs:

- Increase private funding and access to Non-Profit Organisation funding to compensate for the shift in public expenditure towards more “urgent” industries
- Enhance potential synergies with other sectors
- Encourage productions that aim at shaping a healthy social and economic environment
- In reaching out to new markets
- Enable knowledge sharing amongst CCIs in terms of impact assessment and recovery plans
- The CCI value chain has to be supported with resources, strategies and methodologies
- Cultural entrepreneurship needs to be socially valued
- Educational policies in place to foster people's creative spirit
- Investment in innovation and creativity
- Integration in the global value chain is necessary for the sector to thrive

The sector faces a number of challenges - in addition to access to finance, access to markets of cultural and creative goods and services - and is not sufficiently supported. Free online access to cultural content raises the question of monetisation. One key element in the setting up of cultural policies is the provision of vocational training, capacity building and entrepreneurship education. Another element is reinforcing IPRs. Multi-stakeholder partnerships can promote the sector through North-South and South-South cooperation.

Mauricio O'Brien, Country Manager for Spain, European Crowdfunding Network (ECN)

He discussed the crowdfunding of CCIs in the middle of the Covid-19 crisis. There are 2 main motivations for users to participate in crowdfunding platforms: the democratic and philanthropic motivation (by donors) and for-profit incentives (by promoters). We have 4 main types of crowdfunding: donations, reward crowdfunding, crowdfunding lending and equity crowdfunding where motivation can be a combination of intrinsic social and financial motivation. Crowdfunding does not compensate but supplements traditional financing. User motivation for the use of crowdfunding is that it will bring the factors of transparency, solidarity, direct cooperation within the community and legitimacy, in other words, it brings a code of ethics in a conscious or unconscious way; all these dimensions are very pertinent in the Covid-19 period.

If we focus on CCIs, as crowdfunding a collective finance instrument it is relative to the community and its values, it allows entrepreneurs to access funding mechanisms that could expand their circles. Cultural institutions can fundraise through participation and

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engagement with citizens. Policymakers, thanks to “civic-crowdfunding”, could deploy innovative ways of funding. At the EU level, it could be combined with EU calls related to common policy. There are examples of cultural heritage sites or even the Louvre museum, that use crowdfunding for cultural purposes. There is also the example of the Irish government that owns and runs a [crowdfunding platform](#) dedicated to creative industries. Matchfunding is another tool that engages citizens in backing projects where the institution will double what is collected by the crowd. Crowdfunding is a fintech tool that can lead us to a more agile and creative way to fund the creative industries, especially in the Covid-19 period.

Discussion

Mohammed Elrazzaz, Project Analyst, Business Development and Employment Division, Secretariat of the Union for the Mediterranean (UfM)

The region gave birth to the first cities, theatres and the conception of the liberal arts and this same region is currently standing on the verge of a new creative stage of metamorphosis, where economic, social and creative potential are harnessed to support policies and investment in the creative capital. That is not only a block for regional identity but also a catalyst for socio-economic progress in this region, to unlock the region’s full innovative potential.

The new European agenda for culture (2021-2022) underlines the importance of CCIs for job creation and social cohesion. The sector represents up to 5% of GDP and 7% of jobs in some countries. From a microeconomic point of view, taking a look at the Apple Store, only a decade after it was launched, in 2018, there were more than 130 billion application downloads (in monetary terms this figure is higher than the GDP of entire countries). Every CCI job supports the creation of up to 23 jobs in supporting sectors and related value chains.

UfM dedicates special attention to creativity; the concept is present in every discussion about the future of the work and digital transformation. In recent years, UfM has contributed the 1st and 2nd edition to what became the largest conglomeration of creative hubs and Fab labs. , The next edition will be in 2021, in collaboration with ministries of foreign affairs and GIZ. UfM also organised a conference, dedicated to digitalisation and digital transformation, in Tallinn last year.

The sector faces a number of challenges; these challenges were also present in the pre Covid-19 period: lack of standardised definition for the CCI; lack of an enabling environment in terms of legislation; limited access to finance, data, markets and technology.

UfM has also harnessed best practices in the region. The critical success factors that we came across are: engagement of local communities, giving them ownership of the process (because heritage belongs to the community); investing in capacity building; providing sustainable financial instruments; protection of intellectual property rights.

It is fundamental to take into account cultural mega trends that affect the creative sector, not only in the region, but all over the world, for instance, mindfulness and new age

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spirituality; increasing connectivity and diminishing privacy, etc. The question is how these mega trends can affect creative sectors.

Final remarks

Next, the panellists responded to the question as to whether it is possible to save CCIs in the region, by pointing out several helpful actions:

- More funding from NGOs and international institutions
- More public private partnerships
- Enhance advocacy of cultural actors
- Conduct more research and data collection on the sector
- Crowdfunding campaigns can help to enhance collaboration, information, public engagement
- CCIs will be one of the important forces for post pandemic recovery and history shows us that through creative solutions we can manage our way out of a crisis
- Adoption of new digital tools increases our chance of overcoming the crisis.

Closing the webinar, Prof. Rym Ayadi underlined that, despite the hardship faced by the CCI in the Mediterranean because of inherent structural weaknesses and Covid-19 related consequences, there are great opportunities coming from the digital economy to explore and build on.