Mini-Study on the Access to Finance activities of the European Creative Industry Alliance

REPORT TO THE EUROPEAN COMMISSION,
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Jenny Tooth
Director, Angel Capital Group
in conjunction with Greater London Enterprise
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Mini-study on the Access to Finance activities of the European Creative Industry Alliance

1. Introduction:
Access to Finance may be seen as a core barrier to growth for many businesses in the Creative Industries.

This study provides an initial impact assessment of the potential activities at the operational level related to access to finance to support the development of the new European Creative Industries Alliance. Notably the study seeks to identify:

- The potential role to be played by this platform to foster European cooperation and value added in relation to Access to Finance for Creative Industries
- Relevant performance and impact indicators which could be attributed to the individual activities as set out in the activities at Annex of the European Creative Industries Alliance document.

In looking at the opportunities to enable fostering of growth and innovation and notably the role of access to finance in supporting commercialisation of products and services for companies active in the creative industries, as well as supporting new business models and new cluster concepts, the European Creative Industries Alliance Working paper has set out a number of potential options. These are set out and examined below, including a review of existing initiatives in this area of activity; potential for wider rollout of such identified good practice and potential for transnational collaboration.

2. Development of a Shared Platform to deliver Investment readiness Schemes:
In considering the activities of the European Creative Alliance and opportunities for transnational actions, it will be important to draw on the experience of existing or past initiatives and models of good practice in order to consider how should a European framework for investment readiness for CI be effectively delivered and who should be the providers of support? and who should pay for it - the public or private sector - or both?

As demonstrated below, CI businesses can be seen to have specific challenges in achieving investment readiness and in being regarded as investment attractive by finance providers and which prevents them from accessing relevant sources of finance for growth. Currently only a relatively small number of Member States/Regions have identified the need to provide dedicated investment readiness programmes and which have generally related to allocation of dedicated finance measures.

*It will also be vital to create an integral link between Investment Readiness for Access to Finance and Business Innovation Support in establishing a programme under the European Creative Alliance platform.* Understanding and planning for finance for growth as well as positioning the company and the business plan to enable it to meet investment finance requirements and make it attractive to investors must be embedded in all innovation and entrepreneurship strategies established at European, National or Regional level to meet the needs of creative industries. Investment readiness is a long and complex process and cannot just be achieved at the moment the need for finance is identified.

To be effective Investment readiness programmes need to be linked to strategic programmes to improve overall access to finance for CI businesses both to specific equity funds as well as seed funds, loans, debt
and grants. Notably studies have shown that to be effective, such programmes need to have close involvement with and direct links with the investor community as part of the delivery strategy.  

2.1. The Challenges for investment readiness for CI businesses:

Asymmetry of information: Many creative businesses lack information and understanding about sources of relevant finance or how to access these. Consultations with creative industries entrepreneurs have shown that many businesses setting up creative projects operate in a knowledge vacuum, often working in isolation and not seeking advice from mainstream support services in relation to accessing finance. Generally creative businesses are unaware of the range of sources of finance and have generally only addressed sources of bank debt or loans sources frequently not knowing about equity finance or assuming they are not eligible. Thus many potentially eligible businesses fail to even seek to access sources of potentially relevant sources of finance. This also builds up the gap in knowledge and understanding of such businesses on the finance supply side.

For Creative Businesses there are a considerable number of challenges in being regarded by potential sources of finance as investment ready and notably having the right ingredients in place to be seen as investor attractive. These issues are interlinked and affect both eligibility for loan debt as well as equity, but may be based on different requirements or criteria. Fundamental issues for investors include:

- **The Entrepreneur and Management team:** Any source of finance looks closely at who is running the business to see if they have the capability and capacity to execute the business plan and achieve a successful business. Frequently with early stage creative businesses the individual or group who have come together with key research and development skills entirely focused on developing the product or service which is very close to them and lack strategic management, finance and marketing skills or experience and are unable to successfully manage the growth of the business.

- **Capacity to present the investment opportunity to investors:** A further issue arising from the lack of management and marketing skills is that creatives are unable to sufficiently communicate their business to investors both from a product/service; market and financial perspective and how it will bring successful returns or revenues. This is a fundamental requirement of investment readiness and a key consideration by most investors "If they cannot sell themselves - they cannot sell the product!" is a frequent comment by investors.

- **Relevant Business Model:** Experiences of creative businesses approaching bank debt or loan sources is frequently disappointing because their business plan does not meet the criteria of revenue generation or turnover or required solidity of business model to provide assurance of loan/debt repayment. For many creative businesses, especially those in the services areas, the business model for revenue generation and sales is frequently complex making them very difficult to value for investment. Many do not have direct routes to market or are part of quite a long value chain, including suppliers, distributors, retailers or are extremely niche and thus very vulnerable to competition and market change. This has been especially significant in relation to software, design, music, games etc. which are very vulnerable to overseas competition and every increasing technological change or overheated markets. The dot com crash of 2000 demonstrates the vulnerability of such business models - investors remember this only too well. Pace of technological change is a further threat to business models of creative businesses with increasing levels and opportunities for customer freedom of access to digital products and

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1. SQW Assessment of the 5 London Access to Finance programmes 2008
2. Study of Creative Industries Businesses, LDA Creative Hubs GLE:2004
3. NESTA Study Of Creative Industries 2004
services. Investors are aware of these market developments and remain concerned about taking risks in such businesses compared with solid product driven businesses. This is a challenge for the creative sector to identify new successful business models to generate revenues which address these issues of competition and technological advances and which therefore provide new investment opportunities and reduce risk for investors.

Scalability and Valuation: are also frequently difficult to demonstrate to investors through such revenue models. Many creative businesses fail access industry or market intelligence both nationally and internationally about other similar businesses or sector trends or to monitor their competitors as reference points to demonstrate growth potential or to show how they can differentiate themselves in the market place. All of this is vital to support the investment proposal and attract investors, especially when seeking external or international sources.

Intellectual Property Protection: Most investors assume that creative business have no protectable IP and that it is only based on intangible assets. Whilst many creatives fail to gain sufficient protection either through ignorance or inertia. At the same time, legal advisers and IP support schemes have shown that many creative products and services can gain a reasonable level of knowledge protection as a means to attract investors and provide baselines for valuation. Clearly “Understanding IP and how to protect your creative business” is a core requirement of any access to finance support scheme. The ownership of IP assets is another important issue. This is particularly so where a company has significant IP assets. There is a need to ensure that the assets are owned by the company into which investments are made. A company – and not an individual founder – should have control of IP assets if it is to attract finance. Legal and financial advice may be necessary to select the right corporate structure that gives security to potential investors and is tax efficient.

Asymmetry of Information and Investor perceptions of creative industries: In many cases, investors do not identify the creative industries as a coherent sector for investment. Surveys carried out among the Angel Investment community in London and around Europe reveal that investors do not identify with the terminology “creative industries” and thus say that they do not invest in this sector. Their perceptions of creative businesses are that they are run by individuals with passion, generally seen as lifestyle with low growth or scalable potential, with “flaky”, business models, products and services that have no protectable IP and which are very difficult to value; poor marketing and management skills. This is important in understanding why creative industries businesses with even the strongest growth potential face considerable challenges and frequently higher costs in accessing finance. Investors still have strong memories of the dot com crash and many have been irrevocably averse to investment in such businesses. However, once explained the sectors that comprise the Creative industries, many investors acknowledge that they do invest in many of these areas. This has important implication in marketing investment opportunities in the Creative industries to investors.

Investor Readiness: This also demonstrates the need in addition to Access to finance for actions for Investment Readiness for the Demand side, but for “Investor readiness” support for highly targeted actions on the supply side for awareness raising. A further core requirement of such actions is the improved provision of industry intelligence to investors about the different CI sub-sectors and investment opportunities, as well as examples of high growth case studies and

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5 Raising awareness of investment in the Creative Industries: GLE London Business Angels 2004-5; Vox pops of participants at the EASY Cross Border investment Forum, EASY Project, Portugal 2007
successful investment deals, in order to increase investor confidence in making investments in this sector and to provide realistic baselines for valuations.

2.2. Overview of Existing Investment Readiness Schemes for Creative Industries across Europe:

Whilst there are a wide range of investment readiness schemes in operation across Europe, delivered by public and private sector and which will have provided support to a wide range of sectors, including a number of CI businesses. The European Commission reviewed the operation of IR schemes and concluded that there were many thousand Investment readiness programmes in operation around Europe, however the quality of these models varied and the best ones were in operation where the availability of suitable sources finance for SMEs was more developed, so that new Member States and those with less developed early stage finance markets also had less access to experienced providers or mentors in developing quality access to finance and finance readiness programmes.

In addition, there have been a number of dedicated investment readiness programmes operating on a cross-border basis, many of which have been supported through EU funded programmes, but which have not had a specific focus on CI including: eg Gate 2 growth - offered an internet based platform to provide advice and support for IR; Gate 2 start - focused on IR for commercialisation of R&D projects from 6th Framework; Ready for Equity - supported by LEONARDO and specifically focusing on supporting access to business angel investment across Europe; EASY International Investment readiness - supported new tools and good practice for international investment readiness and accessing funding on a cross border basis, including ICT and digital media, but was not specifically focused on CI.

2.2.1. Review of Investment Readiness targeted at CI businesses:

National/Regional Programmes:

Overall, there are a relatively fewer dedicated Investment readiness schemes as opposed to more generic business support schemes for CI. Investment readiness is clearly integral to wider business support schemes for Creative Industries and should be seen as a core aspect of specific policy and strategic initiatives for CI. However targeted investment readiness programmes for CI businesses, delivered by experienced providers have been set up by a number of national and regional governments, including several targeted at specific CI sub-sectors. The UK has had an extensive policy in place to support CI industries for over 10 years, which has been reinforced by the UK Government’s Creative Economy Programme. Many of these Investment readiness programmes are linked to specific regional strategies to support growth of CI, including: London Region: Creative Business Accelerator: a dedicated investment readiness programme for CI businesses in London; North West Media; Creative Lancashire; Creative Advantage West Midlands; Creative Scotland; Creative Innovation. Whilst NESTA National Endowment for Science Technology and the Arts has also led both policy debate and supported pilot initiatives on delivering IR to creative businesses.

In other parts of Europe, the level of delivery investment readiness programmes is more patchy, but is strongest where there is a clear strategic focus at either national or regional level on supporting CI businesses including: Enterprise Ireland’s long standing IR and mentoring programme; Germany has

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6 Evaluation of IR fit 4 financePilot projects SQW 2004
7 EU Commission Review of investment readiness programme; report Nov 2006
8 DCMS Creative Economy Programme 2005
9 NESTA review of investment readiness programmes for Creative businesses Nov 2008
developed a new national initiative for Cultural and Creative Industries and with already strong regional initiatives for investment readiness including North Rhine Westphalia and Baden Wurttenburg; France’s Pole de Competitivité has a number of IR programmes related to CI Clusters including Lyon (Games, video) and Sophia Antipolis (digital media). Catalonia has a strong regional support network for CI and has been running IR sup port programmes for CI for some years delivered through Barcelona Activa, building on the Ready4growth programme. Netherlands where there is national programme to support IR to CI through the Min of Economic affairs. Austria has a specific initiative under the ARGE Creative Wirtschaft Austria which has focused on a range of support for new creative projects. Finland which has a strong national policy framework for CI has extensive IR support programmes, offered through TEKES and SITRA and through a new Creative industries platform managed by Aalto University, Helsinki.

European Cross-Border Projects supporting Investment readiness for CI industries:
Overall there are only a few cross-border initiatives currently in place that provide investment readiness support to CI businesses. Those that have been developed so far include:

**Ready4 Growth**: (2002-5) Funded with support from DG Information Society e-content programme including partners from UK, Spain, Netherlands and Greece focused on the digital content industry. This included specific entrepreneur manuals for planning, building and funding a digital technology business.

**EASY Project** (Pro-Inno 2006-8) whilst not specifically focusing on CI industries developed a specific programme for IR focused on accessing international cross-border finance. A series of tools and good practice models was developed.

The **Nordic Creative Industries Platform**: has been set up under the Nordic Innovation Centre - focusing on professionalising the Creative Industries. As part of this initiative, it will bring together the shared experience across the Nordic countries to deliver IR support and advice and to build a bridge between businesses and sources of investment. This includes development of a new guidebook for the CI investment process.

The **KIS Sectoral partnerships**: are a range of projects that have been designed to support transnational innovation and business support for CI industries or specific sub-sectors under Europe Innova. They all focus on delivering IR as part of their core suite of services to relevant sub-sectors of the Creative Industries including: BeCreative; iMediaTe; MOBIP as well as ACHIEVEMORE and KIS4SAT which both include elements of the CI subsectors.

The KIS project have also set up a Horizontal initiative to capture the results and good practice under the KIS-IP supported by a Horizontal Steering group, this offers a strong opportunity to draw together the results of the Investment readiness support and develop shared good practice tools for IR for Creative Industries businesses as well as specialist tools for IR for relevant sub-sectors which could be made available to the Creative Alliance Platform.

**2.2.2. Delivering IR support through the European Creative Industries Alliance:**

In establishing a Platform for the Delivery of Investment readiness under the European Creative Business Alliance, this could include:

10 Min of Economy and Technology, Finland Cultural and Creative Industries report 2009
For Providers:

- A repository of information on Investment readiness schemes both those already targeted at CI businesses; those offering specific support to sub-sectors of CI; also the good practice and tools from more generic IR where this may be seen to offer specific value; including advice and information on costs and charges.

For CI SMEs:

- Access to existing Tools and good practice and materials including diagnostics; IR training material and powerpoint materials;
- Case studies of successful CI entrepreneurs who successfully accessed and raised finance – tips for successful achievement of finance.
- Directory of support schemes and how to access these in relation to geographical coverage; sub sector; specific requirements; costs etc.

An effective European level Investment readiness programme for Creative Businesses that might be promoted through the Creative Industries Alliance platform therefore should offer the following:

- A system for selection of businesses that have the potential to benefit from IR support
- Opportunity to gain information and access to a wide range of funding sources both debt and equity and related to stage of the business at regional, national and international levels.
- Understanding of the different requirements in relation to funding sources in different Member States and how to approach these funds
- How to approach investors in another country - what are the challenges and opportunities for accessing investment from international sources
- Opportunities for direct interface through one to many or one to one investment opportunities
- How to pitch to investors in different Member States and preparing a relevant presentation
- Support and advice with follow through, interface with investors deal structuring and access to relevant documentation and legal templates
- Provision of dedicated mentoring/Coaching from experienced individuals in the CI sectors “who have been there and done it”

In developing a key set of tools and requirements for integration within the European Creative Alliance Platform, the following key features and good practice models and tools should be included:

i. Links to availability of dedicated provision of CI funding measures:

The effectiveness of most of the Investment readiness programmes is due to their close link with the availability of source of finance for the CI businesses, including both dedicated CI funds and wider sources including seed, equity, loan funds and bank debt. A key feature of good practice for IR schemes is the direct involvement of the investment and finance community as mentors/advisers and general interaction and networking between the supply side of finance and the CI businesses. This is vital in supporting access for CI businesses to understanding investor requirements and identifying how to achieve investor attractiveness. It may be seen that the majority of the regions and schemes identified above supporting IR have also set up either dedicated funding sources for CI or an integrated programme of finance and support for the CI SMEs.

Thus as noted above, where Member States and regions do not have a developed early stage finance marketplace and strategy for financing CI businesses, there is also likely to be a lack of knowledge or experience in how to establish a relevant programme of Investment readiness support for CI and lack of experienced providers or mentors in developing quality access to finance. The European Creative Industries Alliance will have an important role in providing these member states and regions with direct
access to knowledge experience and specialist skills including, training the trainer support to provide
them with the experience to deliver effective IR programmes to support access for their SMEs, to avoid
them failing to access dedicated cross-border funding sources.  

ii. Mentoring/Coaching by experienced individuals:
A further approach relevant to investment readiness, and particularly appropriate for CI businesses, is
the use of experienced mentors/coaches who have already themselves successfully raised finance or
have been involved with investing in SMEs. Mentoring and coaching have been identified as core
components of investment readiness programmes. This includes the use of individuals who themselves
are drawn from the Creative Industries and thus can identify with the specific challenges and
opportunities of this sector. Again this supports understanding of investor requirements and investor
attractiveness. Examples of schemes include: The Creative Business Accelerator which provided 5 days
of Mentoring support to selected CI businesses with selected individual experts from the CI sector in
London experienced also in setting up a business and raising finance; The NESTA Creative Mentoring
scheme was set up to nurture creative businesses in the TV production, advertising and digital media
sectors with an appetite for growth, also working with PACT, the trade association for independent
media companies, involving 24 creative companies in one-to-one mentoring from some of the most
successful business people from the creative sector - UK wide.

iii. Focus on High Growth Companies.
There is also evidence that whilst there is also a need to reach a very wide group of businesses in the CI
to raise awareness of the opportunities about accessing finance, many of the IR programmes have the
overall target of supporting selected high growth businesses to attract investment. This recognizes that
only a certain group of CI businesses is likely to be sufficiently growth oriented and have the right
business model to attract investment and achieve high growth. These schemes have developed a funnel
approach with specific approaches to identify and select a smaller number of high growth potential
businesses likely to attract investment and who are likely to receive more intensive support. This
includes such tools as diagnostic and filtering processes, uses of expert panels; investment attractiveness
selection criteria.

There could be a specific argument for the European Creative Alliance to target transnational actions on
creating world class creative businesses in Europe and having a very focused programme to identify and
support businesses with high growth potential to achieve finance to commercialise their products. There
is another issue that many of the creative industries access to finance programmes may focus on start-ups rather than those in a more developed growth phase. This includes the focus on Creative Accelerator programmes that differentiate from access to finance or investment ready programmes focused on start-ups or slower growth

iv. Link between IR and Internationalisation of CI businesses:
There is a strong link between success growth; successful access to finance and successful
internationalization. Many of the national and regional IR programmes described above are working
closely with national/regional programmes to support access to high growth markets. Investment brings
both finance and new market access and investors will want to identify companies that have the capacity
to strategically plan for international market growth and capitalise on the opportunity of international

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11 EASY Programme Evaluation report 2008 “SMEs from MS with less developed overall financial marketplace had a low level of investment readiness skills and capacity to effectively present their investment proposal in an international environment”.

12 Mason and Harrison 2001; a review of Investment Readiness programmes
finance sources. In setting up access to cross-border sources of investment and access to international investors, IR programmes for CI need to link to strategic support for international business growth and development.

From a cross-border perspective this should include specific support for internationalization of businesses working with key providers of international support and to access high growth markets; close interaction with industry experts drawn from across Europe and direct interface with international corporate investors and high level international VCs. Examples include: UK Trade and Investment Creative business High growth markets programme; FinPro, Finland includes specific support to CI businesses to access international markets.

v. Charging for SMEs to access Investment Readiness and Additionality:
Many of the schemes provided above at national and regional level are directly supported by the public sector and are likely to offer a highly subsidized approach. It is interesting to note that the London Development Agency’s latest Access to Finance programme for Investment and Finance readiness is based on leveraging considerable direct contributions from SMEs for investment readiness support as well as success fees.

However, a significant level of investment readiness programmes are also provided by the private sector, either through consultancies which specialise in creative industries and which may charge market rates for advice and/or success fees; or through non specialist private sector sources such as banks, Accountancy firms and Corporate Finance experts. A further key source of advice and support for IR at the near-market level is non publicly subsidized Business Angel Networks and early stage finance providers who have selected the businesses for their likely potential to attract investment. These businesses are frequently charged a fee for advice and pitch presentation support and will be subject to success fees if the investment is achieved. Levels of intervention may vary across different member state or regional programmes.

Studies have shown that many CI businesses at the early stage would not have the resources to pay in the market place for IR support and that otherwise only those most likely to bring rewards in success fees through accessing large sums of finance would be deemed suitable for support through the private sector. The case for public sector support at regional/national or EU level for SMEs from CI industries to support investment readiness and access to finance may therefore seem to be justified.

2.3. Provision of Investor Readiness to promote increased CI Investment

As shown above, in addition to Investment readiness there is a need for provision through the European Creative Industries Alliance to support increased investor awareness and to promote opportunities in the CI investor as a means to overturn current investor perceptions about the risk of investment in this sector.

2.3.1. Current provision:
There are a number of investor readiness schemes across Europe that have been mostly focused on business angels. These have been supported through the major federations of Business angel networks at national level and regional local level and are documented by EBAN at EU Level. Specific CI initiatives include:

13 London Development Agency Understanding Finance For Business tender December 2009
14 EBAN Compendium of Angel Networks Services in Europe 2009
**Creative Investor Awareness Project** was set up by GLE London Business Angels to complement the work of the Creative Business Accelerator programme in London to raise awareness of the importance of creative sector to Angel investors and early stage VC funds in London. The project which lasted 12 months, is included dedicated pitching events; guest speakers from the investment market who had already successfully invested in creative businesses; provision of market intelligence by industry experts; interacting with creative businesses at workshops and on expert panels and some acting as mentors.

**Media Deals**: Operating out of Berlin, acts as a cross-border investment platform, offering direct awareness to investors looking for opportunities are frequently operating co-investment models seeking to leverage additional private sector investment alongside in film TV, mobile, video games and digital platforms providing access to deal flow and up to date industry intelligence to investors, covering new deals, latest developments and case studies.

Further generic initiatives include:

- **Ready for Equity**, supported under the LEONARDO programme and led by Finance South East with partners from EBAN and several BANs across Europe 2006 - ongoing. The programme developed a specific curriculum for investor readiness to be used by local investor networks and specific training materials and good practice tools that can be transferred to the CI Investor awareness schemes.

- **BAND**: Investor Academy Germany supported by the Federation of German Angel networks to raise awareness about key investment opportunities in Germany (multi-sectoral);

- **France Business Angels**: organization of specific awareness events for Business Angels in Media and IT sector

There are also a range of Investor awareness actions linked with dedicated Funding Initiatives at regional national level focused on Creative Industries. These are seeking increased deal flow of CI businesses to local VCs and Business Angel groups and involving local investors in pitching events, mentoring and expert panels. This is particularly significant where Funding initiatives include Co-investment or side car funds where local investors are being sought to invest alongside investment in CI businesses and seeking to leverage additional private sector investment. A key cross-border example of this is the Media Deals Platform (see Annex for details)

It is recommended that the Creative Industries Alliance Platform should also make specific provision for content and activities to raise awareness among the Investment Community about the opportunities for successful investment in the CI businesses. This could include: industry intelligence, including market information on all the main CI sub-sectors; case studies of successful investment and success exits; information on potential co-investment opportunities with dedicated VC funds including those related to sub-sectors; information on company pitching events; business plan competitions; information on how to access investment opportunities and sources of deal flow (European, National and regional CI clusters and platforms and IR programmes).

2.4. Access to support and advice with Intellectual property rights:

As has been shown above, one of the serious gaps between investors and CI businesses is the lack of perceived tangible IP that can be easily accessed and invested in. The products of the creative industries are largely understood as copyrights and in some case connected to trademarks or brands. Different from patents that need to contain a particularly specified outlining - a definite process to be reproduced as well as contain a high level of novelty as agreed by the patent office. A copyright product need neither to contain any new insights, features of newness or aesthetic value nor to be specified about is unique
qualities. The only test for a copyright is its originality and thus the result of an independent intellectual effort. In consequence the idea may be a copy but the expression must be original. Therefore the protection of copyrights is based on the work not the idea of the work. As seen over the last decade, the protection of IPR is a hot issue. For instance, how piracy has haunted recorded music, films and computer games. This requires even more acute incentive to develop alternative and novel ways of packaging IPRs of creative products - that might be more difficult to undermined economically or to compete in various ways with piracy like, for example, the initiative of iTunes.

There are examples of CI business finding new approaches and business models to overcome these challenges such as new formats to deliver content and protect production rights. Meanwhile, there is a key role for agencies around Europe to provide increased knowledge, advice and good practice which should be integrated into main businesses support and directly linked to IR support services for CI businesses including direct access to Legal advice and support. One example is Own-It, established in 2004, supported under Creative London and set up by University of the Arts in London and , providing direct advice, information session. It provided over 5,000 CI businesses with advice in just one year. The Nordic Centre for Innovation Creative Capital is also seeking to directly focus on providing IP support and skills development as key means to bridge the gap between entrepreneurs and investors.

The European Creative Industries Alliance may be in a position over time to engage with the EU and World Intellectual Property Organisation WIPO to review any potential changes that may be made to provide increased protection for CI businesses. Meanwhile it should also be in a position to capture the good practice and tools of those agencies around Europe providing IP support to CI businesses and raising awareness to investors of these IP protection opportunities to enhance investment potential and investor attractiveness.

2.5: Potential Action: Cross-Border match-making across Europe with International investors

The European Creative Industries Alliance has the potential to set up a targeted match-making platform across Europe. The following is a review of the current models looking at two key cross-border examples and potential approach that could be taken.

The EASY Cross-Border Investment Project was supported under the EU Pro-Inno 2006-8 with 2.5meuros matched with a further 2.5m with 17 partners across Europe from 11 countries and provided a model to support direct interaction between investors and entrepreneurs. This was mainly focused on the organisation of Cross-Border Investment Forum events that were organized in key locations around Europe. 8 events were organised each attracting over 1,500 investors from across Europe who met with 140 carefully selected SMEs in total. The investors were mainly angel investors drawn through the EASY partners, many of whom represented Business Angel Networks, including EBAN. Whilst a number of technology sectors were covered and not a specific focus on CI, the largest number of businesses were drawn from software, digital media; Mobile and Web.20.

12 Transnational deals have now been closed amounting to a value of approximately 10m euros. All of these deals included at least 3 investors from different countries, some with quite large syndicates. Of these deals, 50% were in software, digital media; Mobile and Web.20. - since these offer ideal opportunities for international scale and transfer into other European markets.

An online platform was also used to promote the deal opportunities (short summaries in an open site)
but full executive summaries were made available to registered investors for the EASY events); investor profiles were also maintained on a passworded site.

The platform also offered an interactive deal tracking platform so that investors from across Europe who had attended the Easy events could follow the deals; pursue due diligence through interaction with entrepreneurs and with fellow investors, since most deals involved investor syndicates. The EASY online site also offered direct access to legal templates and advice that had been drawn up specifically under the EASY project to support transnational investing and transnational syndication offering documentation for use by investors and entrepreneurs, but which required finalisation by law firms in the country of investment (usually that of the entrepreneur). However, the deals which had been started with face to face contacts, nearly all involved further investor meetings with each other and with the entrepreneur on a face to face basis and the deal tracking platform was less used and was not the mechanism to close deals.

A key finding in the evaluation of EASY was the lack of direct support and resources to effectively support the structuring of deals and achieve closure and it was recommended to establish a fund alongside the platform, to provide hands-on professional support to the investment process and as a catalyst to investors.

**Media Deals**, based in Germany and France, offers a matching service for a Cross-Border –pan European network of investors with a specific focus on the Creative Industries but specifically on Gaming; Mobile; IT services; film; TV; video; software.

The network has a mix of different types of investors including about 57% VC 4% specialist Funds; Business angel networks 26% and public funded investors 13%. The Platform offers a dedicated matching to investor interests to relevant media entrepreneurs to support direct investments. It also supports co-investment alongside local public funds.

Media Deals offers a deal flow platform in which deals are presented to the membership of Media deals network (using Angel Soft specific software from the US). It also offers access market intelligence and newsletter.

Media Deals also organises pitch presentation events, generally in conjunction with its partner organisations that reflect a range of European organisations including some specialist CI support organisations. This includes organisation of support for entrepreneur training.

Media Deals has no direct Funds, but acts as a broker. This model is more specifically focused on CI businesses, and has more activity carried out through online interaction than the EASY programme, enabling deals to be done through remote interaction. However, like EASY it uses face to face pitching forums in conjunction with key local partners as a focal point for deal flow and investor-entrepreneur interaction.

**Online platforms for deal making:**

On the whole, online and remote methods may be seen as an effective way to promote deal flow and interaction between CI businesses and investors across Europe. The models set out above have substantially used distance methods to create opportunities to raise awareness among investors about CI business propositions. Both of these models rely on strong relationships with investors who are known and validated as having the capacity and potential to invest (either as High Net worth individuals or VC fund managers/corporates). They have also carefully selected the propositions based on agreed criteria,
There are however a range of online models that are emerging on the internet which have been developed as entirely commercial businesses (Angels Den; Angel Investor Network; Giant ventures) where entrepreneurs pay a fee to put up their proposal on the platform, with little filtering and individuals can pay to look to have access to the proposals without any verification of their investment capacity or credentials. Deals can be done electronically without any direct face to face contact, or measures for protection of either party.

The British Business Angels Association has been looking into these models and has had meetings with providers of several of these networks in the UK. Key issues are a lack of transparency, compliance with financial regulation and MiFID rules in Europe, lack of advice or support to the entrepreneur to ensure investment readiness and appropriateness of the business proposition or advice to the investors on the process, overall lack of transparency about fees and costs etc.

The potential model for the European Creative Alliance for an online matching platform, should build on the good practice models of EASY and the specialist provision of the Media Deals platform. Key ingredients should include:

- Clearly defined selection process both for selection of entrepreneurs and verification of investors; using a panel of EU experts in finance and CI sectors to support selection of proposals;
- Clear advice about the investment process for investors and direct access to IR support for the entrepreneur;
- Ideally linked to face to face contacts and dedicated Investment Forums or CI Business events;
- Follow up support for deal structuring and ongoing follow -up and support by competent/regulated persons.
- Transparency about fees.

It will also be important to consolidate such a platform to add value to existing CI funds as a vehicle to support co-investment with other national or regional funds or in relation to any new dedicated VC funds that may be developed under the European Creative Alliance as set out below.

3. The Provision of Dedicated Investment and Finance resources for European CI businesses

In seeking to identify the role of the European Creative Alliance and whether it should support new dedicated funding initiatives for the creative industries, it is important to try to identify what level of investment is already being made in the CI businesses across Europe and existing initiatives and what are the market failures and gaps to be filled:

3.1. Defining the level of investments in Creative Industries:

The Creative Industries is a definition based on bringing together a range of sub-sectors ref the UK Government Department of Culture Media and Sport DCMS definition and as referred to in the European Creative Industries Alliance discussion paper.

15 BBAA Secretariat Review of online models Dec 2009
16 The Markets in Financial Instruments Directive (MiFID) came into effect on 1 November 2007
17 UK DCMS Mapping the Creative industries 1998 and updated in 2001
Currently this presents a key challenge for gaining an understanding of the level of investment in the CI since as has been shown above, since it is not conceptually identified as a specific investment sector by individual investors nor it is identified as a recognized investment sector by the leading trade bodies for investment when gathering investment statistics from its members. This reinforces the overall market fragmentation for the CI in accessing finance, since it is not recognized as a coherent investment target by the finance/investment providers.

The European Venture Capital Association EVCA does not identify a separate sectoral breakdown for investment in creative industries, neither does the British Private Equity and Venture Capital Association BVCA. This is significant in both preventing measurement of investment in the CI, but also its lack of recognition as a coherent investment/industrial sector for investment. Thus it is very difficult to extrapolate VC investment in the CI. CI investment is spread over statistics for business and industrial services/products; communications; computer and consumer electronics; consumer goods and retail, but could also be spread across a wider range of these VC categories. Thus there is no central point of measurement of the proportion of investment in CI through the VC or PE industry in Europe.

EBAN has established a category for creative industries, but also has categories for ICT, Internet/telecommunications and Mobile as well as Software/Multimedia, as well as retail and services - thus clearly CI could fall across any of these areas as well. Investment in Creative industries in 2008 was identified by EBAN as representing 23% of the investment by Business Angels across Europe ie approximately 750m euros. Whilst it was also reported that 34 networks out of the 73 networks reporting had invested in CI with 9 of these networks reporting 50 -60% of their total investments in this sector. However, as stated the investment in CI could be much greater and over 1bn euros per annum, if we take the other investment categories sectors into account. Since in the US and UK Angel investing is the most significant source finance for early stage businesses being 2x the level of early stage VC funds, it is likely that overall BA investing remains the largest source currently for early stage investing also in the CI industries in Europe.

3.2. Impact of the recent economic downturn on availability of finance for Creative Businesses and potential for raising new funds.

Whilst Access to Finance has been shown to be a core challenge for creative businesses, the impact of the recent global crisis and economic recession has resulted in even scarcer availability of capital with creative businesses being in an even more competitive position to achieve finance. Investors who were burnt by the earlier dotcom crash have been especially averse to investment in such sectors and have regarded the CI as an especially risky area. Thus the challenges in areas of investment readiness and investor attractiveness above are now compounded.

There was a general decrease in the availability of Business Angel Investment during 2008 -9, whilst nearly all BA networks across Europe reported an overall increase in the number of business plans received from SMEs. Many angels were focused on maintaining their existing portfolios and had less

18 European Creative Alliance discussion paper 2009 Annex 1 sets out the DCMS definition
19 EVCA Statistical Survey 2008-9
20 BVCA Annual Statistical survey 2008-9
21 Angel investing in the US, Angel Capital Association Educational Foundation Dec 09
personal available capital to invest and became very risk averse. EBAN has reported the challenges to angel investing during this period, resulting in a 20-30% slow down of angel investing.

Venture Capital investment has severely decreased across the whole of Europe, let alone bank debt. EVCA has reported that investments reached €54 billion in 2008, representing a 27% drop compared to 2007. The number of companies financed increased slightly (5%) to 5,986 companies in 2008. This indicates smaller average sizes of investment per company, decreasing from €13 million in 2007 to €9 million in 2008. However the most significant industry sectors invested in were business & industrial products with €9 billion (16%), followed by consumer goods & retail with €7 billion (14%), and life sciences with €6 billion (11%). Thus whilst the CI is not separately measured as elsewhere stated, the Creative industries are not presented as a focus for investment in VC terms during this challenging period.

Looking at the UK which has the highest level of VC investment and debt finance available to SMEs in Europe, Bank lending to businesses the UK fell by £8.4 billion and Early stage Venture Capital is down 70% in 2008 to £389m. Comparative data for investment in the UK in the CI sector for 2009 is not yet available, but is not expected to show any rise and a potential continued decrease.

Research by the GLA for London, identified that creative industries may have been especially affected in the recession since many are linked to the financial sector and business service sector which has been strongly affected by the economic downturn. There is also a strong link for many areas of the CI with the retail and distribution sector also affected specifically by the downturn. At the same time, the CI have been specifically identified as the bas is for economic recovery post recession and a core focus for growth of international exports and the most important means for increased growth (ref NESTA; UKTI)

A key role for the European Creative Alliance could also be to establish a new mechanism to capture market statistics on investment and monitor changes and impacts on investments.

3.3. Funding initiatives currently available for CI businesses in Europe

There are a wide range of broad based SME funding initiatives as Equity funds, loans and grants established across Europe to support innovation and technological development that are in principal available for access by CI businesses. (These are not explored in this study). Many businesses in the CI subsectors including games; digital content and software may be seen to compete effectively and gain a reasonable proportion of available funding under these mainstream sources. However, for all the challenges mentioned above, in relation to business model, IP protection etc, many CI businesses, notably in the creative design, fashion, performing arts, music, audio-visual, broadcasting etc, are unable to compete against technology focused industries and fail to access these mainstream funds.

The need for dedicated funding initiatives for Creative Businesses has been recognized by several Member States. The UK was potentially in the forefront from 2001, having been influenced by the US findings on the importance of this sector in economic and GDP terms. This has resulted in nearly all of the UK regions having developed specific Creative Industries strategies linked to funding provision. It

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22 Overview of BA investing in the UK: BBAA May 2009; initial findings of the Benchmarking review of Angel investing in the UK, Prof Colin Mason, January 2010 (report due to be published April 2010)
23 EBAN Compendium of statistics on angel investing in 2009
24 Greater London Association Economic Forecast 2009
25 NESTA Review of Growth businesses 2009
26 Mapping the Creative Industries DCMS 2001
may also be seen that many of the member States that are more experienced in delivering Venture Capital overall are also those that have taken the decision to support new dedicated CI VC funds and other financial support. Thus the equity gap for CI businesses in member states/regions where the financial markets are less developed is compounded.

Details of many of the funds available are provided at Annex. However, there are some notable features which should allow the identification of gaps in provision and specific features which could be considered by the European Creative Industries Alliance.

3.3.1. **30 specific equity and finance schemes have been identified** which are either entirely or partially dedicated to the CI Industries, covering: UK, Germany, Austria, France, Spain, Belgium, Netherlands, Finland, Sweden with 12 of these currently operating in the UK. The majority are either Country or regional specific schemes, restricting deployment of financial resources to CI businesses on a geographic basis, due to the requirements of public money as key basis of the funds, including the use of ERDF funding. Only France appears to have taken the step to provide a more open approach to the allocation of its funding support schemes to SMEs from across Europe through its risk guarantee scheme IFCIC - see below. Many of the Funds are dedicated to the Creative Industries across the broad DCMS definition of Creative Industries and others have a more restricted focus of sub sectors.

There are also an additional 32 specialist National/regional funds dedicated to Film and audio-visual (see below)

Only 12 of the funds, have been set up on the basis of a VC with Equity Fund / Mezzanine-type investments, whilst the rest are focused more on grants seed funds, loans.

These Funds operating as VC/Equity/Mezzanine instruments and dedicated to a broad range of CI businesses include: **Creative Capital Fund London** - £6.5m Fund (co-investment); **Advantage Creative Fund**, West Midlands, UK - £5m fund; **CultuurInvest**, Belgium - 4.5m euros invested to date; **Wales Creative IP Fund** - £10m Fund; **Vera Ventures**, Finland - public seed fund makes investment in CIs (not exclusively) from 100k to 250k euros per investment. **Kreativwirtschaft Berlin European Venture Fund for Creative Industries** - 30m euros Fund, has been set up with the backing of Berlin Government and Investitionsbank Berlin IBB, Berlin’s State owned Investment Bank providing 50% and 50% funded by ERDF. Launched 2008.

All of the above have been set up as initiatives involving support by the Regional Government and ERDF structural funds.

In addition, the **European Venture Fund for Creative Industries** was launched by CIM Creative Industries Management, Finland in early 2001 with a specific focus on, media, performing arts, content as well as sport and entertainment. Target 50m euros with first closing at 25 m. EIF had committed to investment up to 16.5 m euros (NB this study has found no evidence of whether this got off the ground or has now ceased!)

3.3.2. **VC Funds with a more defined CI sub-sector focus**: most of these have a considerable emphasis on digital media, rather than plastic or performing arts etc for example: **Scotland Digital IP Fund**: £3m co-investment fund including £1.5 ERDF and £1.5 Scottish enterprise will seek to leverage at least £3m further private sector investment alongside **East of England Low Carbon digital Content Fund**: £10.3m fund including £3.6m from ERDF and 500,000 from EEDA and Screen East Film Fund (Launched November 2009) This is a fund with an underlying policy focus on
climate change/low carbon approaches for digital and TV, film production methods; £5m of the Fund will support 15 -20 equity investments of £250,000.

3.3.3. Corporate Venturing:
Corporate venturing can provide not only additional venture capital funds to, but also help small companies with innovation and knowledge transfer as well as marketing and distribution channels. Corporate venturing is well established as a growth strategy in US, but is less widely used in Europe even though there are examples of tax incentive schemes in Europe, which aim to encourage corporate venturing involving equity investment. Three of the CI Funds have been set up with direct corporate investors or co-investors and one has been set up through a Bank:

**Dutch Creative Industry Fund:** seed capital private fund set up by Telegraaf Media Group, Sanoma, IDG and Veronica, specialising in funding Dutch media and technology start-ups. 200,000 Euros available per investment.

**FILAS Audiovisual Fund, Italy:** Established in 2006 as a specialisation of the VC regional fund. Aims at supporting the production and co-production of national and international, audiovisual and cinematographic projects, provided that at least 50% of the total "under the line" project production budget is spent in the Lazio Region.

**Centre For Fashion Enterprise VC Fund, London UK:** Two key players in UK retail fashion industry Jane Sheperdson of Topshop teamed up with Chairman of Jaeger to set up a new private sector VC fund for fashion entrepreneurs to raise the fund from the Private sector. Launched in 2007 target size of fund not known (NB not clear whether fund got off the ground!)

**4iP, UK:** is an innovation fund to stimulate public service digital media across the UK, supporting web, games and mobile services. The Fund is a collaboration between Channel 4 TV company as a Corporate investor and a network of partners across the UK providing co -investment and/or in-kind support of up to £50 million. C4 has committed up to £20 million to the 4iP fund on a pilot basis in the three years after launch.

**Business Angel Sector CI Sector foc used networks:**
Whilst there are some BANs focusing on ICT sector, CAIN Creative Arts Investment Network is a unique Business Angels Network established in 2008. CAIN is an independent business angel network focusing on connecting business angels with UK creative sector businesses, specifically those focusing on film, television, theatre, music and live events, generally seeking up to £3m production costs. CAIN now has 120 members and the network has made about 1.5m investments in 7 businesses so far.

3.3.4. Non Equity -based schemes: Risk Capital guarantees:

**IFCIC- Institut pour le Financement du Cinema et des Industries Culturelles:** a specialized lending institution commissioned by Ministry of Culture and Communication and Ministry of Finance to support CI businesses to obtain bank financing. IFCIC provides a Risk Capital Guarantee Scheme (capital owned by French Banks, Caisse de Depots and OSEO) and French State.

IFCIC typically guarantees 50%-70% of the loans obtained as risk -sharing, and assumes that portion of the credit risks that if a company fails the banks losses are cut by half. It assists the companies to prepare their proposal to the banks. It acts as a neutral body, making independent decisions with equity of about 16m euros and two active guarantee funds with a total gross value exceeding 75m euros, enabling IFCIC to guarantee up to 273m euros at 50% of the loans value. (Takes normal securities excluding primary residence). All companies registered in the EU and active in the cultural industries are eligible for IFCIC guarantees - and covers all areas of the CI.
Many of the regional CI Funding initiatives are not equity based, but rather offer a range of grants, loans and subsidies: These include:

**Create nrw:** (NRW Bank), Germany - Seed and Start-Up funds Micro loans (5-25,000 euros); North Rhine Westfalia; focus on music, design, art, film, performing arts

**IP Creative industries Impulse Programme, Austria** - music multimedia and design £10.3m available including loans and grants for start-ups; **Vienna €15.2m** support programme to support fashion, music and design - loans and grants for specific projects; **Bundesland of Styria, Austria:** Start-up grants scheme “Creative incentives”

**22@barcelona, Spain** - focus on 4 clusters including digital media. No specific dedicated VC funds have been established to support this initiative as yet, but offers loans, grants and subsidies to CI industries in the digital media sector.

**TEKES,** Finland Development Grants schemes offer up to 100,00 euros -not exclusive to CI businesses

**Creative Scotland** offers 2.75m to support awards to bring together collaborations by two or more Scottish artists; start-up creatives - grants ; Creative Scotland Rural areas projects: up to 500k for Artists in residency Fund in specific communities in education, health and environment

**Creative Seed Fund London:** Established by University of the Arts London serving start-ups and spin outs form the group of Universities and institutions £5,000 is available per project, funded by the London Development Agency.

There are also an additional **32 specialist National/regional funds dedicated to Film and audio -visual project development and project distribution across 12 EU Member States.** These are generally loans/grants and subsidies but some are equity based. **Cine-Regio provides the Secretariat in Aarhus Denmark.**

**3.3.5. Tax relief Schemes:** The only dedicated CI tax relief schemes to investors are through **Film Investment schemes.** However in the UK the Enterprise Investment Scheme at 20% tax relief on investment would apply also to investment in CI, also loss relief up to 40% of total tax payable if the business fails. The French Wealth tax supporting annual investment in a VCT fund, can be used to invest CI businesses. Further schemes to use tax relief as an incentive to investment could be explored as part of the model proposed by the European Creative Alliance. In addition, several countries across Europe offer **R&D tax Credits** to support CI businesses to benefit from engagement in product development.

**3.4. The role of the European Creative Alliance to develop further initiatives to support financing of CI businesses in Europe, building on existing instruments**

Clearly based on the above there are some valuable initiatives already in place to support CI businesses at both member state and regional level. However as may also be seen above, there is a very fragmented market for the provision of financing support for the CI market. A key role for the European Creative Alliance will be to create a repository of good practice models and finance measures and to promote case studies of innovative approaches to supporting CI businesses to access finance. For example the **Risk Guarante scheme set up by ICIC** which operates not just in France but is open to SMEs from other regions in Europe is an important example for other Member states and will support cross-border opportunities for finance.

In relation to funds, it may be seen that there are relatively few actual VC funds established, many initiatives being soft loans and grants. Most of the dedicated VC funds currently include ERDF and public funding which restricts access to SMEs outside the region or member state and thus prevents the opportunity for these funds to invest in businesses outside their region or to set up cross-border
investment initiatives through existing funds. **Thus there is a key role that the European Creative Alliance could take in supporting the development of VC funds dedicated to financing the growth of CI Businesses**

The European Creative Alliance is also in a position to develop a platform or forum to enable Member States and regions with a less developed finance market to share and transfer best practice about how to set up and operate dedicated VC funds and relevant financial support initiatives as described above.

**Use of ERDF Funds**: A key instrument used to develop many of the existing funds as detailed above by Member states/regions is the use of ERDF funds. However, current restrictions for ERDF funds include maximum share of the Fund at 50% which inevitably restricts the size of the fund for most governments. Funds must also be distributed by 2015. This will also include relevant State Aid requirements such as maximum 1.5m euros in any one investment per year per company. This may also restrict the growth opportunity for some high growth CI SMEs.

**JEREMIE Initiative**: Member States and regions also have the opportunity to make use of the JEREMIE joint initiative of the Commission with EIB and EIF to develop dedicated CI funds. This initiative allows Member States to use part of their Structural Funds allocation for the period 2007 - 2013 to improve access to finance for SMEs. JEREMIE makes available equity, loans, guarantees or their combination to SMEs. EIF has currently signed 7 National (Greece, Romania, Slovakia, Latvia, Lithuania, Cyprus and Bulgaria) and 3 Regional (in France - Languedoc Roussillon, Italy - Campania and Sicily) Holding Fund agreements. The new initiative aims at developing and fostering the role of entrepreneurship within the EU in order to meet the objectives of the Lisbon agenda and help structural funds to deliver greater benefits to the market.

Two UK examples: both Wales and NorthEast of England in the UK have successfully used the Jeremie initiative to set up new Funds for their regions to support SME innovation and technology funds. In Wales, under the Jeremie initiative, a fund was established and launched in April 2009 supplemented by finance from the European Regional Development Fund. The combined £150m fund is managed by Finance Wales on behalf of the Welsh Assembly and will provide capital to SMEs in the form of loans, mezzanine finance and equity investments. It is not specific to CI businesses. North East Regional Development Agency OneNorth East has used Jeremie to establish a number of funds covering key growth stages funded on an equal basis by the European Investment Bank (EIB) (Jeremie), which will contribute £62.5m along with the European Regional Development Fund (ERDF) 2007 -13, and the Regional Development Agency One North East investing a further £62.5m - launching January 2009.

Whilst both of these funds are focused on funding for technology innovation and high growth potential, neither are dedicated to CI businesses. There is an opportunity to **share this experience in using the Jeremie initiative with other member states via the European Creative Alliance to support new dedicated CI funds**.

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27. EU ERDF regulations 1828/2006
http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=1156&userservice_id=1&requ st.id=0For example the EASY project (Early Stage Investors Action for Growth of Innovating Businesses). The project looked at both the supply side and the demand side of equity investment. [http://www.earlystageinvestors.org](http://www.earlystageinvestors.org)
Nevertheless such CI funds would remain focused on SMEs in the specific region concerned and would be unlikely to be used for investing in SMEs on a cross-border basis. This is likely to lead an ongoing fragmentation for the growth and internationalisation of CI businesses in Europe. Despite these initiatives, there is a likelihood that these funding opportunities will create more inwardly focused funds in the EU regions and restrict CI SME development, rather than supporting the wider commercialisation and access to international markets to support high growth of the CI businesses across Europe.

3.5. Development of a dedicated Cross-border VC Fund for CI businesses

If the European Creative Alliance wishes to set up a new Cross-border Fund, this would need to be based on leveraging Private sector funding across Europe, rather than national or regional government funding or using ERDF, to avoid restrictions for investing in the Fund. However it will be very challenging to raise funds for cross-border investment, operating across borders is complex and costly for many venture capital investors, venture capital funds have difficulties in expanding and getting a critical mass of deals.

3.5.1. The use of the EIF GIF1 European Instrument:

For the period 2007-2013, the High Growth and Innovative SME Facility (GIF 1) under the Competitiveness and Innovation Framework Programme (CIP) (2007-2013) supports addressing the early-stage equity gap in Europe as well as providing funds for expansion phase venture capital investment. Additional flexibility is offered by supporting side funds linked to business angels. The EU funds managed by the EIF on behalf of the Commission amount to approximately half a billion euros.

There is a strong focus on supporting cross-border investing under GIF 1 and EIF can take a cornerstone position of up to 50% of the funds already raised/committed alongside the fund. In general sums of 15m euros maximum are made available alongside raised funds, thus at 50% support resulting in a fund of 30m euros. A further restriction is that no more than 50% of funds raised can come from the public sector. There is a need to incentivise private investors to be the key investors in the Fund and currently this does not provide enough leverage.

A further key challenge will be also to influence the EIF to identify the opportunity to invest in a fund supporting the Creative Industries, since to date of the over 180 funds supported by EIF, there are no specific funds supported by EIF focused on the CI industries.

3.5.2. What should be the CI business target?

A significant challenge in raising such a fund will be to decide if one CI Fund will be relevant for all the different sub-sectors given the range of different subsectors and differing finance requirements eg fashion versus digital technology. Some sectors are more risky than others for investment and will have very different profiles for deal flow; deal size; sources of investment etc. Or should there be a number of specific specialist CI sub sector funds to meet specific finance needs reflecting the diversity of funds in the Member States.

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29 EC “Removing obstacles to cross-border investments by venture capital funds” 2007 and the Council Conclusions of 2008
Technology Funds may be seen as already addressing needs of many of the technology/software/digital media companies in Europe. It will be important to agree the specific underserved subsectors where market failure is most acute - and which may be seen to have most potential for effective commercialisation and high growth potential. It is also clear from above that there are a number of CI schemes closely focused on digital media whilst there are number of dedicated funds focused on film, most member states being covered and many of these also include audio-visual. Thus there is a need to identify how the CI fund will differentiate and not duplicate existing funds.

An important issue for the provision of dedicated funding support under the European Creative Alliance should therefore be the profile of businesses that should be selected to put towards the Fund. It may also be agreed that the Fund should not be there to address market failure in Member states where there is no specific CI funding, but to support internationalisation and successful commercialisation. An argument may also be made to focus on selected European CI businesses with the highest potential to achieve world-wide success.

3.5.3. What is the optimum size of the Fund to have real impact?
A key challenge for setting up such a fund will be to identify the optimum size for such a fund, if it is to have cross-border impact and add value to existing initiatives or fill gaps in available capital. Many regional funds have been found to be too small to have impact often being around 5-10m euros. The recent NESTA report “Thin Capital” based on research done by Prof Gordon Murray of many public supported funds in the UK, found that small Funds have little impact and that funds are spread too thinly making too many small scale investment with little follow on capacity to support growth and management costs too high. Thus it will be vital to ensure that the specific Fund for cross-border investing is able to provide sufficient levels of capital and follow-on investment to ensure effective commercialisation of CI SMes and to cover cost of management, attracting deal flow, deal structuring and monitoring post investment if this fund is to fill an identified market failure for dedicated CI funds.

As stated above the current limitation of EIF contribution under CIP is currently set at 15m euros max which at 50% as a catalyst fund, results in a potential Fund of 30m euros. This would be regarded as too small to meet likely demands from underserved regions and CI SMes across Europe. It is also unlikely to provide a level of finance available for follow-on funding which is vital to enable businesses to achieve their growth potential. A fund of at least 60m euros may be required in order to provide sufficient CI SMes across Europe with opportunity to access the Fund. This would offer around 60 SMES to achieve around 500,000 euros first round and leaving at least 50% of the fund for follow-on investments to enable achievement of growth potential.

Finance needs to be raised from key sources across Europe, which will need to be mainly private sector sources in view of the restrictions on regional/national funds. This will be exceptionally challenging in view of the fact that VC investors are only just recovering from the challenges of the global economic downturn. A further source could potentially be high net worth individuals across Europe willing to see the opportunities of the CI fund. However with only 50% investment support by the EIF under current rules, the leverage is less attractive, compared with the UK Enterprise Capital Funds which offer 2:1 ratio of government funds to private funds.

A key issue for the European Creative Alliance in view of both the likely needs for investment, the lack of alternative sources across Europe and the importance of supporting the internationalisation and

30 “Thin Capital”- a review of publicly supported funds in the UK, NESTA Prof Gordon Murray, July 2009
31 Enterprise Capital Funds; Bridging the Gap; SBS UK 2005
commercial growth of CI businesses, is to consider whether to approach the EIF to offer a higher level of cornerstone investing than the current 15m euros, or to provide a high level of proportional support for example 75% additional investment alongside funds raised.

3.5.4. A Co-Investment Fund Model - adding value to existing schemes:
In view of the challenges of raising finance for the VC market, a co -investment model is likely to be the most effective way to maximise the opportunities offered by the development of a dedicated cross-border VC Fund for CI businesses would be to set up a co -investment fund. This would maximise the funding available, enabling leverage of at least 50% additional finance from private/public sources on a pari passu basis. GIF 1 has the capacity to also raise an Angel Co -investment Fund alongside the main fund offering matched funds on a deal by deal basis which should also be considered in developing the funding model. Many angels have been seen to have an interest in investing in CI businesses (at least 30% of investments made in CI and this could leverage an extensive level of angle investment across Europe, bringing both financial capacity and skills to support CI business growth. The opportunity to collaborate with EBAN in establishing a co -investment fund should also be explored.

Thus in establishing a potential dedicated finance initiative for the European Creative Alliance, it is clear that there is need to have a targeted fund for CI Businesses. In view of the overall range of the subsectors, and overall heterogeneity, the fact that some have better access to finance under existing broader based technology/innovation funds, it would be important to review if a more targeted sub-sector fund would be more viable. The Fund should not duplicate but add value to existing initiatives in the Member States. There are restrictions to many current funds supported under ERDF or the new Jeremie initiative since this does not support cross-border investing or internationalisation of CI businesses. Current EIF GIF framework is restrictive in terms of size of interventions and amount of EIF finance available which does not take account of additional management costs and dealflow, deal structuring. There is a need to provide a fund of sufficient size allow a critical mass of companies from across Europe to be supported, and provide sufficient levels of follow on funding to ensure successful growth. An improved ratio of EIF funding at 2:1 should be considered for such catalytic cross-border funds. The most useful model to be supported will be a co -investment fund to leverage private sector and other sources of finance, including use of the GIF 1 opportunity to create an angel side car fund to leverage the Business Angel community across Europe.

4. Development of relevant indicators (quantitative and qualitative)

4.1. Challenges of developing relevant indicators and measuring impact on CI:

The study aims to support the development of relevant indicators to assess the results and output of individual activities to support access to finance that might be taken under the European Creative Industry Alliance as well as their leverage effect in terms of policy responses at regional, national and Community level. This should include both traditional indicators as well as new types of indicators.  

The Creative Industries is a definition based on bringing together a range of sub-sectors referred to in the European Creative Industries Alliance discussion paper. Currently this presents a key challenge for the measurement of the level of investment in Creative Industries since as has been shown above, Creative Industries is not conceptually identified as a specific investment sector by individual investors, nor is it identified as a recognized investment sector by the leading trade bodies for investment (EVCA and BVCA) when gathering investment statistics from its members. This reinforces the overall market fragmentation for Creative Industries in accessing finance since it is not recognized as a coherent investment target by the finance/investment providers.

This impedes a co-ordinated response between the public sector and the private sector finance and investment market. Whilst Creative Industries has now been recognized in public policy terms and defined thanks in part to organizations such as NESTA. Creative Industries has now been recognized as an viable economic policy area, with direct measurement of economic output; employment and exports being regularly measured and benchmarked not only in the UK but more widely across Europe.

NESTA also specifically identifies that the industrial classifications that underpin current definitions of the creative industries are becoming increasingly obsolete. NESTA research shows that 50% of creative specialists actually work in a range of business areas outside the current Creative Industries sub-sectors. This affects policy decision and measurement of any initiatives taken to support the Creative Industries. The UK identified that there was a need to understand this spill-over effect into other industries and how this could be supported and commissioned the Cox review which especially focused on the importance of supporting Design within the wider economy, leading to the Designing Demand programme now taken up by 5 RDAs in the UK. To link design, creativity and business.

This exemplifies how the European Creative alliance needs to identify the wider relationship with other business sectors and other business policy in relation to business support and access to finance when identifying the impact of dedicated policy and operational initiatives. This is very important in getting a much wider buy-in from Member States and regions in providing specific support to the Creative Industries.

The UK has taken a lead in measuring the impact of Creative Industries on the economy building on its specific policy focus on support actions dedicated to Creative Industries. The I&Dea UK guide to UK local authorities on measuring CI impact recommends that local authorities should take a holistic approach in order to achieve impact and the investment in Creative Industries should not be seen in isolation but should be seen as measures to support growth of the whole economy of the regions. Measures recommended by I&Dea are seen as not just based on jobs or GVA, but on wider outcomes for the region such as supporting an overall climate of innovation.

4.2. Impact Measures: establishing a new platform for access to information and advice on investment readiness to improve access to finance

The European Commission Workshop on Investment readiness looked at potential indicators for measuring the overall impact of investment readiness. Qualitative and Quantitative measures were
included and also included the indicator that publicly supported investment readiness schemes should include an indicator about the amount of private sector finance leveraged.  

- The number of IR schemes; good practice models and tools set out in the repository of information including access to information on IP protection advice

Measures of Access to Investment/Finance Schemes and to identify additionality which are supported by ERDF used by regional Governments have focused on

- No of businesses across Europe that achieve (12 hours) investment readiness support
- No of businesses that achieve improved performance through Investment raised: Increased jobs and turnover/ GVA
- No of businesses that achieve investment
- Private sector finance raised as opposed to public supported funds.

This is reflected by the current PIs recommended by the Dept of Business Innovation and Skills under the new UK Understanding Finance for Business Programme being rolled out around the UK among the 9 RDAs and as part of the new Business Simplification Programme. The programmes incorporate investment readiness for CI businesses but may not include specialist programmes in order to avoid a proliferation of different initiatives. Most of the projects will also include ERDF funding and thus reflect standard ERDF PIs.

It is also notable that based on experience there is need to also present information and advice as well as opportunities within the Alliance platform and activities to achieve increased investor awareness in relation to investment in the Cl. Measures could include:

Availability of specific content dedicated to investors such as market intelligence; cases studies for successful CI deals done; information on pitching opportunities and access to dealflow.

Output measures would include number of investors registered on the Alliance site; number of investors signed up to receive deal flow on CI

The Creative Business Accelerator programme evaluation identified the challenge of capturing the results of investment readiness and access to finance when many businesses take an extensive amount of time to raise finance and this is not a linear approach. Some businesses require up to 2 years to reposition the business and then identify the appropriate sources of finance. This was found to be especially relevant to CI businesses that have to refocus their whole strategy and potentially make significant changes to attract finance. The CBA identified other potential outcomes as (interim) measures which pointed to a level of investment readiness prior to achieving direct access of finance in recognition of the length of time it can take to achieve final deals. This included for example:

- evidence of a revised business plan with a more specific investment strategy;
- changes in the management team to bring on additional roles to support fundraising

4.3. Impact Measures for assessing impact of new online Matchmaking platform to support cross-border investing in CI businesses

As has been shown above the rationale for such a measure is clear, there are very few existing platforms to support cross-border deal making, dedicated to the CI. Media Deals being one of the few models available. There is an overall lack of dedicated provision to enable CI entrepreneurs to interact and present their propositions to investors (except for Film related projects).

Impact measures/KPIs would include:

37 Review of investment readiness; workshop Nov 2006 DG Enterprise
38 Dept of Business Innovation and Skills Understanding Finance for Business, 2008
39 Creative Business Accelerator programme report of third phase GLE-LDA 2007
4.4. Impact Measures for support with establishing specific new dedicated VC funds for CI businesses:

The rationale and additionality for providing dedicated CI funds in view of the fragmented nature of funds across Europe and the lack of provision in many Member States is outlined above. The role of the Creative Industries Alliance at the member state level and regional level will be more to raise awareness and provide access to experience, good practice models and advice about how to set up similar schemes already set up by other regions, including use of ERDF and Jeremie initiatives. An outcome measure is likely to be:

- The number of schemes; good practice models and tools set out in the repository of information
- The number of new funds dedicated to CI businesses established across Europe supported by ERDF/Jeremie initiatives
- Amount provided from these sources and amount from public or other national/regional sources.
- The level of investment and number of CI businesses in the member states who have received funding through these new schemes;
- Outcomes in business growth; jobs and turnover - GVA
- Number of investors/funds involved as co-investors and amount of new additional investment leveraged against these funds

4.5. Impact Measure for support in establishing new dedicated CI Cross-border fund (supported by EIF GIF1)

Again, as stated above the rationale and additionality for such actions may be measured by the evidence of the fragmented nature and small number of dedicated CI funds across the Member states and notably the restrictions on operating outside member states or regions by ERDF supported VC funds which prevents the operation of Cross-border investment schemes. This is reinforced by evidence of an almost complete absence of dedicated cross-border funding to support internationalisation of high growth potential CI businesses. Impact would be measured by:

- Level of funding raised from private and public sources across Europe to complement EIF funds raised including from different Member states
- Amount of new investments made in CI businesses across Europe that would otherwise not access investment and that may be defined as having high growth potential
- No of investors involved around Europe (alongside the deal) and amount of finance leveraged across other member states - existing funds and BAs
- Outcomes for business growth development for CI businesses - jobs/turnover, with a specific emphasis on new international markets accessed - use of GVA measures
- Statistics on exits and returns to the Fund and investors

Such indicators for impact will require further refinement, based on decisions made about which initiatives for Access to Finance the European Creative Alliance ultimately decides to pursue.
ANNEX 1

Investment Readiness Programmes:

Ready4 Growth: UK, Spain and Greece: investment readiness focused on the digital content industry. Key partners UK: GLE-London Business Angels; Barcelona activa; Iven Greece. However, this investment readiness programme has been taken up by Barcelona Activa and extended to a much wider group of digital media and technology/software businesses. Supported 600 businesses with investment readiness across three countries. Total cost 2.5m euros (50% funded). Raised 4.5m euros.

Creative Business Accelerator: a dedicated investment readiness programme for CI businesses in London. Funded by LDA and operated by GLE Growth Capital: 2004-6. Total programme costs £300,000 (100%). Raised £4m.

Gateway2Invest, has a specific focus on CI businesses having integrated this aspect after the CBA programme was completed. (£1.5m per year for 5 years) raised £30m.

Investor Readiness Programmes:

Ready for Equity, supported under the LEONARDO programme and led by Finance South east with partners from BANs across Europe 2006-ongoing. The programme developed a specific curriculum for investor readiness to be used by local investor networks. Whilst a generic programme, these include the development of specific training materials and good practice tools that can be transferred to the CI investor awareness schemes.

Creative Investor Awareness Project was set up by GLE London Business Angels to complement the work of the Creative Business Accelerator programme in London to raise awareness of the importance of creative sector to Angel investors and early stage VC funds in London. The project which lasted 12 months, is included dedicated pitching events; guest speakers from the investment market who had already successfully invested in creative businesses and could speak of the returns and potential outcomes; case studies of successful creative industries entrepreneurs; provision of market intelligence by industry experts. Direct involvement of the investors in delivering investment readiness programme, interacting with creative businesses at workshops and on expert panels and some acting as mentors. The project was seen as contributing to the level of investment that was achieved by CI businesses on the programme and resulted in a further number of investment in CI businesses put forward to London Business Angels – total of £4m raised in the programme overall.

BAND: Investor Academy Germany supported by the Federation of German Angel networks to raise awareness about key investment opportunities in Germany (multi-sectoral); France Business Angels: organization of specific awareness events for Business Angels in Media and IT sector Media deals.
ANNEX 2:

Review of Main Funding Initiatives for Creative Industries around Europe.

Germany:
New overall strategy to support Creative and cultural industries 2009
Federal Government to support start-up funds and to provide small scale loans of 5,000 to CI start-ups via an online portal

Create nrw: (NRW Bank) Seed and Start-Up funds Micro loans (5-25,000 euros) ; North Rhine Westfalia; focus on music, design, art, film, performing arts

VC Funds Kreativwirtschaft Berlin: Equity and Mezzanine: broad range of main CI sub -sectors: film, music, fashion, design, advertisers, Games, multimedia publishers, artists, architects. 30m euros Fund. Joint initiative of Berlin Government and Investitionsbank Berlin IBB Berlin's State owned Investment Bank, 50% funded by ERDF. Launched 2008.
Invest up to £1.5m first round up to 3m total financing per company, plus some co-investment pari passu.
www.ibb-bet.de

MFG Baden-Württemberg is the centre of excellence for IT, media, and film of the federal state Baden-Württemberg, in Germany's southwest. With an annual business volume of 15 million euros.

Media Deals: Matching service for Cross-Border - pan European network of investors with a mix of different types of investors including about 57% VC 4% specialist Funds; Business angel networks 26% and public funded investors 13%. Match investor interests to relevant media entrepreneurs; also co -investment alongside local public funds. Offer deal flow platform (uses Angel Soft); market intelligence; pitch presentation events; also support for entrepreneur training. No direct Funds, but acts as a broker Invests in Gaming; Mobile; IT services; film; TV; video; software. Registered offices in Berlin and France.

Austria:
IP Creative industries Impulse Programme - music multimedia and design £10.3m available including loans and grants for start-ups
Vienna £15.2m support programme to support fashion, music and design - loans and grants for specific projects
Bundesland of Styria: Start-up grants scheme "Creative incentives"

Finland:
Strong framework of Creative Economy for promoting funding support for CI and mobilising the private sector
European Venture Fund for Creative Industries - launched by CIM Creative Industries Management in early 2001. Target 50m euros with first closing at 25 m. EIF committed to invest up to 16.5 m euros - specific focus on, media, performing arts, content as well as sport and entertainment - (no evidence of whether this got off the ground!)
TEKES- Development Funding Grants - are available to support Creative businesses with development grants up to 100,000 euros
Vera Ventures - public seed fund makes investment in CI offering from 100k to 250k euros per investment

Sweden:
Vinnova  Publicly funded Research and development agency provides seed funds and early development funds for technology and innovation including s considerable proportion to CI businesses ( mainly software and digital.).
No specific funds for Creative industries, except for Swedish Film Fund

Nordic Innovation Centre : this is a combined cross-border strategy and action programme for support of creative industries set up by key agencies in Sweden, Denmark, Finland, Norway, Iceland and the Baltic States. One of the focuses is to support the development of capital markets for creative industries - no specific funds developed

Creativity meets Capital -The long term objective of this project is to increase investments, public and private, in the creative industries. The objective for this particular project and the material produced, is to increase communication and knowledge sharing between investors and the creative industries. Also focused on issue of Intellectual property rights - no specific funds so far.

Netherlands:
Dutch Creative Industry Fund - seed capital private fund set up by Telegraaf Media Group, Sanoma, IDG and Veronica, specialising in funding Dutch media and technology start-ups. 200,000 Euros available
IIP Create - acting as a main platform to bring together information on funding

Spain:
Catalonia region has established a strong Cultural Industries framework offers Loan financing; Loan guarantees; access to credit
Key Focus: Barcelona Activa as a delivery arm of support with the specialist economic zone of 22@bcn - focusing on 4 clusters including ICT and digital media, fashion and design. No specific dedicated VC funds have been established to support this initiative as yet, small scale grants and startup incentives including tax incentives and loans are available.
Barcelona emprend was th main VC arm of Barcelona activa, supporting the focus on digital media now combined with HGP partners to form bcn -HGP VC fund with a key focus on technology and media, including CI (but not a dedicated fund).

France
IFCIC- Institut pour le Financement du Cinema et des Industries Culturelles - a specialized lending institution commissioned by Min of Culture and Communication and Min of Finance to support CI businesses to obtain bank financing. Provides a Loan Guarantee Scheme (capital owned by French Banks, Caisse de Depot and OSEO) and French State.
IFCIC typically guarantees 50%-70% of the loans obtained as risk-sharing, and assumes that portion of the credit risks that if a company fails the banks losses are cut by half. It assists the companies to prepare their proposal to the banks. It acts as a neutral body, making independent decisions with equity of about 16m euros and two active guarantee funds with a total gross value exceeding 75m euros, enabling IFCIC to guarantee up to 273m euros at 50% of the loans value. (Takes normal securities excluding primary residence). All companies registered in the EU and active in the cultural industries are eligible for IFCIC guarantees- and covers all areas of the CI.
Lyon: as a major Pole de Competitivite for CI (part of CREATE) offer seed funding for creative media and ICT projects supported through Rhone Alpes Creation.
Success Europe - 10m euros Venture Capital Trust fund established by Sophia Business Angels under the French Wealth Tax to support investment in early stage funds, with specific focus on digital and media, linking closely with Cap Digital Pole de Competitivite - potential to act as a co-investment fund to promote Angel investing-Can invest in SMEs anywhere in Europe
Belgium:  

**CultuurInvest**, the investment fund for the creative sector, has been operational since late 2006. Operated by PMV Investment Company for Flanders. Offer loans and equity. Acts as leverage to other private sector lenders/funds and leverages a ratio of 9.1 million Euro. The average amount of a loan by CultuurInvest was 120,000 Euro, while the average capital participation fluctuated around 228,000 Euro. Fashion, music and multimedia are the domains in which CultuurInvest is most active. Other sectors with a lesser representation include graphic arts, gaming, design, the book world, musicals, the performing arts and art galleries. So far invested around 4.5m euros average. [www.cultuurinvest.be](http://www.cultuurinvest.be)

Italy:  

**FILAS Audiovisual Fund**: Established in 2006 as a specialisation of the VC regional fund. Aims at supporting the production and co-production of national and international, audiovisual and cinematographic projects, provided that at least 50% of the total "under the line" project production budget is spent in the Lazio Region. 3 identified and formally defined subcategories: movies, multimedia works, first works. 24 approved projects for a budget of 5.25 MEUR. Average fund investment is about 250 KEUR. Mobilized investment is more than 50 MEUR.

UK:  

**Northern Ireland**: **Creative Industries Innovation Fund**; new £5m Fund set up as part of the £90m Innovation Fund, supported by NI Arts Council. Initially aimed at projects offering 100% grant up to £10k and 75% for projects up to £75k.  

**Scotland**: **Creative Scotland Innovation Fund**. £5m Fund is a fund of funds, supporting a number of Sub-projects including:  
- £1.5m **Digital Media IP Fund**, matched by Scottish Enterprise with further £1.5m to make a £3m Fund. This fund offers investment of £10,000 to. Focused on digital interactive media (non broadcast) and user generated content, computer - aided social networks; mobile media £375,000. It also aims to promote co-investment from the private sector alongside the fund.  
- £1m for Creative Scotland Odd fellows Awards to bring together collaborations by two or more Scottish artists  
- £1m Starter for Six for start -up creatives- grants  
- £750k for Creative Scotland Rural areas projects \£500k for Artists in residency Fund in specific communities in education, health and environment.  
- £250k interest free credit scheme to encourage people to buy Scottish art.

**Wales Creative IP Fund**: £10m Fund, backed by the Welsh Assembly Government (supported through ERDF Structural Funds). Operates on a commercial basis, investing between £50k to £700k. Also works alongside other Funds such as Film Funds.
**Advantage Creative Fund, West Midlands**: Supported by the West Midlands Regional development Agency, the fund is one of the longest standing VC funds for CI having been set up in 2003. ACF has now had two phases of investment and to date have made 81 investments and invested £5.4m into 55 creative companies in the West Midlands only, offering equity from £10,000 to £250,000. Currently not actively investing and waiting to set up a further phase of the fund. The Fund's investments have covered the length and breadth of the creative industries; from film production to animation studios, orchestras to software companies and from television to new media businesses.

**Creative Capital Fund, London**: Set up as a £6.5m equity fund in March 2005 with the CCF is independently managed by AXM Venture Capital Limited and the capital has been contributed by the London Development Agency and the European Regional Development Fund. It is a matching fund so must have identified investors matching £1 for £1 on a pari passu basis. Typically invests £75,000 and can invest up to £650,000 in total investment in any one company. Only invests in London and can invest in all sub-sectors, Currently reaching end of active investment period. Has made 13 investment so far.

**Creative Seed Fund London**: Established by University of the Arts London serving start-ups and spin outs from the group of Universities and institutions making up the UAL £5.000 is available per project, funded by the London Development Agency.

**Centre For Fashion Enterprise VC Fund**: Two key players in UK retail fashion industry Jane Sheperdson of Topshop teamed up with Chairman of Jaeger to set up a new private sector VC fund for fashion entrepreneurs seeking to raise the fund from the Private sector. Launched in 2007 (not clear whether fund got off the ground!)

**East of England: Low Carbon Digital Content**: £10.3m including £3.6m from ERDF and 500,00 from EEDA and Screen East Film Fund (Launched November 2009) - Producers, program makers and game developers will adopt low carbon, digital and tv, film production methods. Some of the funding will be used for specialist business support and advice; Rest of the Fund will support 15 -20 investment of £250,000.

**CAIN Creative Arts Investment network**: This is a unique Business Angels Network established in 2008. CAIN is an independent business angle network focusing on connecting business angels with UK creative sector businesses specifically those focusing on film, television, theatre, music and live events, generally seeking up to £3m production costs. Now have 120 members and have made about 1.5m investments in 7 businesses so far.

**4iP** is an innovation fund to stimulate public service digital media across the UK, supporting great ideas for websites, games and mobile services which help people improve their lives. The Fund is a collaboration between Channel 4 as a Corporate investor and a network of partners across the UK providing co-investment and/or in-kind support of up to £50 million. C4 has committed up to £20 million to the 4iP fund on a pilot basis in the three years after launch. 4iP helps launch profit making as well as non-profit making initiatives provides project funding and equity seed capital. Regional development partners are co-partners for the funding. To date a range of key regional partners including Screen West Midlands, Northern Ireland Screen, Scottish Enterprise, Scottish Screen, Yorkshire Forward and Screen Yorkshire are actively working with the fund.

**Specialist Film/Audio -Visual Funds**: Many of the EU countries have specialist Investment Funds, as well as grants and subsidies to support film and audio-visual sector both film development projects and distribution, including supporting EU collaboration across borders.

**Cine-Regio** is a network of regional film funds in Europe. The network is continuously expanding and today represents 32 regional film funds from 12 EU Member States, in addition to Norway, Serbia and Switzerland. The members exhibit a range of support schemes and services to the film sector which aim to...
support film culture, encourage social cohesion and build regional infrastructure. The Secretariat is in Aarhus Denmark. (re Cine regio for complete list www.cineregio.org).

Filas’ Audiovisual Fund: Established in 2006 as a specialisation of the VC regional fund
Aims at supporting the production and co -production of national and international, audiovisual and cinematographic projects, provided that at least 50% of the total "under the line" project production budget is spent in the Lazio Region.

More broadly with its Audiovisual Fund and with other initiatives in the sector ( FILMS ), Filas aims at:
- developing the Lazio audiovisual industry and its reference market - promoting FILAS audiovisual instruments in Italy, in Europe, and internationally - developing and supporting film and audiovisual co -production at the local and international levels
- promoting the regional territory through the audiovisual industry in Italy, in Europe, and internationally

European Collaboration and Networking Projects for Audiovisual Companies – Plans, Visions, Ideas

State-of-the-art of the fund (end 2008)
3 identified and formally defined subcategories: movies, multimedia works, first works
68 received proposals requesting up to 33.5 MEUR 24 approved projects for a budget of 5.25 MEUR an average fund investment is about 250 KEUR mobilized investment is more than 50 MEUR

Use of the Jeremie Fund to support CI businesses:
Two schemes are in operation in the UK:

Wales:
The fund allows Finance Wales to make debt and equity investments in growing businesses. Finance Wales is a commercial funding provided to SMEs in Wales, owned by the Welsh Assembly Government.

Finance Wales will act as the holding fund for the EIB loan, which it will on -lend to a specially created JEREMIE fund. Under the JEREMIE initiative, this fund will then be supplemented by finance from the European Regional Development Fund.

This will provide capital to SMEs in the form of loans, mezzanine finance and equity investments. The scheme is funded by the EU’s JEREMIE (Joint European Resources for Micro to Medium Enterprises) and a further £60m from the Welsh Assembly Government, via the European Regional Development Fund.

North East:
Within the framework of JEREMIE, the Joint European Resources for Micro to Medium Enterprises Initiative launched by the European Commission and the European Investment Bank group to enable the EU Member States and Regions to put money from the structural funds and also national resources into holding funds that can finance SMEs, from January 20 10, North East JEREMIE will deliver investments into 850 small and medium-sized firms over the next five years.

Fund Managers, which will provide loans and equity investments into business start -ups, technology -based companies and growing smaller businesses, The investments available to firms across the mentioned funds range from £20,000 to £1.25m. The total funds under management are £107.5m and the remaining £17.5m will be used in response to business demand while the possibility to set up a microfinance fund is currently under discussion.

North East JEREMIE will be funded on an equal basis by the European Investment Bank (EIB), which will contribute £62.5m along with the European Regional Development Fund (ERDF) 2007 -13, and the Regional Development Agency One North East investing a further £62.5m. The fund will be open for business from January 4, 2010.