The project has been realized with the support of Sofia Municipality

Cartography of Cultural and Creative Industries in Sofia – 2011[1]

The search of a new model for adding value to cultural activities resulted in the appearance and development of the tools of *cartography*. This is a method for measurement of the creative sector by means of indicators that are characteristic of the classical economy and statistics. What are the results of this cartography?

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1 The project has been realized with the support of the Municipality of **Sofia**

Cultural and creative industries – a factor for stable development and economic growth

During the past decade, the development and stimulation of arts and cultural and creative industries turned into one of the priorities of the European Union and they became an integral part of the European strategic documents – "The Lisbon Strategy", "Green paper on unlocking the potential of the cultural and creative industries", "Europe 2020". The creative industries are being increasingly perceived not only as an independent economic sector with a high potential for development, but also as a significant factor for economic growth.

The search of a new model for scope and adding value to cultural activities resulted in the appearance and development of the tools of *cartography* – a method for measurement by means of quantitative estimation of the creative sector through use of indicators inherent to the classical economy and statistics. This approach turned out to be extremely fruitful with respect to culture because it allowed for expansion of the knowledge of the potential of the individual cultural markets, allowed for a chance for the culture to acquire investment dimensions through application of business models for management and financing; allowed for building policies based on evidence, including the allotment of funds as well. Or if we have to summarize – the methodology of cartography turned out to be one step forward in cultural statistics, providing evidentiary basis for more efficient cultural management, for development of business models based on partnership between economy and culture, for better and working projects, programs, and strategies.

Quite naturally, these possibilities led, during the past decade, to a boom of programs, policies and strategies for the creative industries (in the United Kingdom, Germany, Denmark, Finland, Estonia, Latvia, Lithuania and others, as well as for the cities London, Berlin, Edinburgh, Liverpool and others).

Cartography of arts and cultural and creative industries in Sofia

The purpose of the present cartography is, through an analysis of the cultural resources, to stimulate the effective and efficient management of the funds for culture of Sofia Municipality. In this case, the narrow sense of culture as art is stepped out of and culture is viewed in its economic aspect as well – thus showing the contribution of cultural and creative industries for the integrated development of the city in pragmatic aspect. The first step in this direction is to find out what are the resources that Sofia has in the aspect of creative industries and what is the potential of these markets. Such information is of key importance for the following:

- building a strategy for development of the culture in the city,
- building a strategy and partnerships with regard to Sofia's application and preparation for a capital of culture, or (if we make a summary),
- for the overall effective management of the city bearing in mind that the cultural and creative industries are a symbiosis between culture, business, education and new technologies.

The constructed methodology has the following specificities:

- It is a reflection of the good European practices. The methodology is based on the approach of EUROSTAT (and in particular, on the example of Germany, Austria, Switzerland) – i.e. the data is comparable. Thus for example, the estimation of the added value is done by use of added value on the basis of factor expenses, which is an indicator imposed by EUROSTAT (instead of gross added value). This approach is used also by the work group on cultural statistics in this European organization. It is accepted that through this indicator the measurements in the field of cultural and creative industries, down to the level of an enterprise, are more precise, detailed and accurate.
- The methodology reflects the priorities for development of Sofia – cultural heritage and cultural tourism, the latter being included as well. This fact makes the scope of the method unique, but having in mind that the cultural and creative industries (CCI) are a

construct the purpose of which is the building of policies, then the scope remains open.

- The methodology is in accordance with the level of development of the market for cultural and creative industries in Sofia and Bulgaria;
- Two analysis centers have been defined – the enterprise and the household. The novelty here is the inclusion of households. The aim of this approach is to make an analysis of the consumer tendencies, which analysis shall, at a later stage, serve as the basis for the formulation of stimulating policies as a basis step for the formation of audience;

For the purposes of the practical research and the assessment of the significance and the specificities of the cultural and creative industries there is a developed methodological framework in which the **cultural and creative sector is divided into 3 subsectors and 13 spheres**. The three subsectors are formed according to the manner of creation, reproduction and consumption of the cultural products and services:

- **Art and heritage** (unique products, competition in the consumption; consumption at the time of creation);
- **Cultural industries** (mass reproduction and distribution of the cultural product via industrial methods and information and communication technologies);
- **Creative industries** (intermediate consumption of the cultural product in the production of other, non-cultural products).

Profile of the arts and cultural and creative industries in Sofia - 2011

Arts and cultural and creative industries give serious economic results. During the past decade, they won recognition as a specific economic field with high dynamics, with social dimensions, building partnership networks between the social sector and private business. Cultural and creative industries are a catalyst for the development of new technologies and innovations in the cultural and industrial sectors; they are an integral part of education and the modern regional and city policies. All these hopeful characteristics in times of crisis have been confirmed during the last decade by numerous researches – at a national and Pan-European level. First step in all these researches is cartography which shows what a city or a national economy has.

The data from the cartography present Sofia as a national centre of cultural and creative industries. The major indicators of economic significance of the CCI – **added value, employment, turnover, number of enterprises, and direct foreign investments show a**

concentration between 49% and 92% in the city. These figures give grounds to call Sofia a city of cultural and creative industries, or it would be even more precise to name it "creative Sofia".

Added value in the cultural and creative industries (CCI)

CCI make for 4,1% (2008) and 3,7% (2009) of the added value (according to factor expenses) in the economy of the country. For the period under monitoring this is an average indicator of 3,9% added value, which is within the upper limit – usually the added value is between 2%-4% according to most of the European cartography in the past years. **For Sofia's economy, however, the added value accumulated from the CCI for the same period is almost twice higher - 7,5% (2008) and 6,6% (2009)**. This is a logical reflection of the fact that Sofia is where 77,5% (2009) of the added value of the CCI is made. Leading spheres in the capital, with more than 90% concentration with regard to the creation of added value, are the film industry - 96,75% - and the software and video games with 90,35%.

The stage arts, radio, television and new media, and the printed media are the next in the capital city creating the second highest percentage of the added value in the CCI, i.e. they are characterized by the highest degree of concentration considering the factor "creation of added value". Many of them are interconnected either by common resources, or by common suppliers. In other words, a network is established on the basis of a common process of production – transfer of financial means or presence of common connecting activities participating in a single chain of creation of added value.

The lowest concentration in Sofia, when the creation of added value is considered, is the cultural heritage – only 33,19%. Bearing in mind that these are museums, as well as immovable cultural monuments, the decentralization of the same is quite natural. **But when we measure the growth of the added value the cultural heritage is the leading sphere for Sofia and takes the second position when considering Bulgaria as a whole. For both Sofia and Bulgaria the first four spheres are design, cultural heritage, software, and film industry – obviously undoubted favorites in terms of growth, even in a year of crisis.** These spheres are the engines of growth in most of the European cultural and creative industries as well, but what is a **national hue here is the emergence of the film industry**. One of the stimulating factors there is the adoption of the Film Industry Act in December 2004 and the increased and stable funding of the sector during the period 2005-2009.

Employment in the cultural and creative industries – positive tendencies in times of economic crisis

The number of the employed in the 13 subsectors is **93 323 people, which is 3,4% of the people employed in the national economy; in Sofia, the people employed are 54 293, or 6,7% of all of the employed in the city**. In view of the specificity of the labour in the sphere of culture, the number of people working on civil contracts is several times higher, which presupposes part-time work and work which is very often done from home. These are modern characteristics of employment which are particularly valuable in periods of economic crises, which characteristics result from both the peculiar creative nature of the labour in the cultural field and from the entering of the new technologies in this field. **Sofia is where 58% of the work force of the cultural and creative industries in concentrated, and for the period 2008-2009 there was a growth of 6,6% of the employment in the field**. This is serious dynamics exceeding with 0,5% the average rate of the people employed in the capital. The growth of employment is a constant tendency not only for Sofia or Bulgaria, and this positive dynamics is turning into the strongest distinctive characteristics of the CCI – these are the sectors creating work places and stable employment. There is an employment growth at a national level too, although it is only with the "modest" 4,9%, which, compared to the total growth of all those who are employed in the economy for 2009 (only 0,1% new work places), we can make the conclusion that the CCI have a great potential in creating employment.

Enterprises in the cultural and creative industries

This characteristic is related to the large **number of enterprises in the sector - 20 139, 9846, or 49%, of which are in Sofia. The enterprises in the CCI are 9,59% (2009) of all the enterprises in Sofia. This means that one of ten enterprises in the capital is an enterprise of the creative economy.** The predominant part are micro-enterprises or even single artists, who have registered their own independent organizations. If we compare their number with that of the classical "old" industries, we will be surprised by how numerous they are, which is something typical for the romantic times of free competition. It is exactly with this kind of markets where a predominant percent of positive employment dynamics is created. The CCI are a complex unity though – they comprise a number of segmented markets some of which are very close to free competition (for example, the new media), others have a monopolistic character (design), and still others have a clearly manifested monopoly or oligopoly (radio, television, publishing, distribution in film distribution). The organizations supported via subsidies (stage arts) are part of the quasi-market, i.e. non-real market where they would not be able to survive if state aid is withdrawn. Such policy would lead to the emergence of an incomplete market, which means disappearance of cultural activities and organizations and restriction of the population’s access to cultural goods and services.

Most of the enterprises under monitoring are in the private sector. Very often they are interconnected via the common process of creation, i.e. they are representatives of different sections of the value chain in the creation and distribution of cultural goods and services, some of their activities are interrelated, they use common resources which are overlapping. These characteristics of the production form elements of the so called network structure. At a certain technological level (introduction of new technologies, innovations of different types), such structures may create vertical and horizontal connections, even integration, i.e. a cluster is created. The geographic concentration, i.e. the differentiation of the region, is a mandatory condition. Considering the above characteristics, we could assume that there is a differentiated cluster in Sofia and it is the film industry. 97% of the turnover and the added value of this industry is created in Sofia, here are also 86% of the people employed in it, as well as 77% of the film organizations. What is of significant importance for a cluster, however, is clearly visible in the national film industry. It is bound to activities such as the sound-recording, photography, design, new media, computer games (which too are concentrated here), and it is technologically connected to television, stage arts, music business, advertising, digital media, book publishing, education. All of these activities and industries are interrelated both horizontally and vertically, i.e. they are in network relations with the filmmaking concentrated in Sofia. **We could summarize that the resulting cluster is in the sphere of audio and visual industry.**

According to the number of enterprises in the CCI **–** at a national level, above one third of them are in the creative industries, i.e. in architecture and advertising. These are followed by the companies engaged in printed media, book publishing, cultural tourism and software and video games. The advertising market, architecture, and book publishing remain the leading spheres considering the number of enterprises in Sofia.

The market in the CCI is determined by the micro-enterprises. At a national level, out of 20139 enterprises in the CCI, 14 721 enterprises employ up to 2 persons. The situation in Sofia is not much different. The difference here is that, in the capital city, except for the massive of nano companies, there are also those big companies that usually establish a monopoly on the market with their 250 and more employees. Of the big companies located in Sofia having more than 500 employees, less than 2% are part of the creative economy, and usually these are companies in the field of media or they have a mixed capital.

That is why, according to the legal form of registration, the leading type of companies at a national level is the Sole Proprietor (ET), which presupposes flexibility and easy establishment. At the same time, these companies are not granted credit trust and they are unstable on the market. This fact defines the need of a focused support via specialized financial instruments at a municipal and national level – a specialized fund, creation of business incubators, warranty funds for micro-crediting, etc. Such a policy should be part of the strategy for development of the culture in Sofia and should be coordinated with the Agency on Small and Medium-Sized Enterprises, as well as with the National Employment Agency. The most common form of registration in Sofia among the enterprises in the cultural and creative industries is not the Sole Proprietor (ET), but EOOD (Single Person Limited Liability Company) and OOD (Limited Liability Company) – legal forms ensuring more freedom of action due to both the limited liability in legal aspect and the bigger financial possibilities.

The subsectors in the CCI with the highest concentration of the turnover in Sofia are the film industry, advertising market, radio, television and new media and the software and video games. During the monitoring (2008г-2009), their concentration in Sofia increased. The cultural and creative industries in Sofia attract from 80% to 94% of the foreign investments. The investments are mainly in radio, television and new media, advertising market, printed media and reflect mainly the purchase and sales and redistributions in the media sector during the past years. Despite the approaching crisis, the foreign investments were on the increase in 2009 as well in the cultural heritage, software, design.

Due to the predominant micro firm structure, as well as due to its inherent segmentation, the market of arts and cultural and creative industries appears to be dynamic and unstable. In search of stability it changes its parameters relatively quickly and is open to new technologies that would give competitive advantage to each organization that is ready to take the risk of innovations. With such modern and open, but unstable markets, the role of the state, and in particular that of the municipality is to create an environment, conditions for networks, stimuli for development of the competitiveness of this sector through a result-oriented policy: building strategies and specialized forms of financial support.

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1 The project has been realized by a team of the Observatory of Economics and Culture (OEC) with the support of the Capital Municipality and the assistance of the National Statistical Institute, which provided that data in accordance with a methodology developed by the Observatory. The team of the Observatory is composed by: Associate Prof. Dr. Bilyana Tomova – leader of the research, Diana Andreeva – Director of the OEC, Tanya Aleksandrova-Kisova – NSI, Irina Ivancheva – expert international cultural policy. The research was conducted during the period January 2011 - September 2011, and the data concerns the period 2008 and 2009.