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**REGION
ENTREPRENEURSHIP
DEVELOPMENT**



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A scientific paper

Maja Haršanji, PhD Student

Josip Juraj Strossmayer University of Osijek, The Academy of Arts and Culture in Osijek
E-mail address: majam@unios.hr

Ivana Bestvina-Bukvić, PhD, Assistant Professor

Josip Juraj Strossmayer University of Osijek, The Academy of Arts and Culture in Osijek
E-mail address: ibbukvic@aukos.hr

Marija Šain, PhD, Assistant Professor

Josip Juraj Strossmayer University of Osijek, The Academy of Arts and Culture in Osijek
E-mail address: mmihalje1@aukos.hr

BUDGET FUNDING AND ECONOMIC IMPORTANCE OF CULTURAL AND CREATIVE SECTORS IN CROATIA

ABSTRACT

The cultural and creative sectors (CCS) are a sector whose activities are based on the cultural values and creativity, whose value for national economy shows valuable effect, it is prerequisite for development Creative economy and has strong impact on society. As well, the New European Agenda for Culture and the New Work Plan for Culture 2019-2022 emphasizes the importance of CCS for innovation, job creation, cohesion and the well-being of society.

The aim of this paper is to analyze the significance of the CCS for the Croatian economy and the level of recognition by the policy makers which was measured through the level of national support with the emphasize on the support directed towards financing of its international cultural cooperation. The authors conducted the statistical analysis of official data published by Eurostat, Croatian Bureau of Statistic and the Croatian Ministry of Culture and gave the overview of the relevant literature in the field of the research.

It was found that the cultural employment and the number of entrepreneurs have decreased; nevertheless they succeeded to achieve the growth of added value. As well, it was determined that the national budget support for CCS has increased during the observed period, which proves that the policy makers are recognizing their significance and developing models for their support. Following, by the analysis of the recent literature, the authors gave the recommendation of the model for support of further development of CCS, which covers financial and other forms of support.

Key words: *cultural and creative sectors (CCS), cultural employment, expenditure on culture, international cultural cooperation.*

1. Introduction

The Cultural and creative sectors (CCS) have been recognized as important contributors to social development in different key European policy documents (EC, 2013, 6) where it is positively influencing and promoting the European identity, culture and values (Haršanji et al., 2018) to which, as well, the cooperation of project partners from different European

countries on joint project, significantly contributes. According to Haršanji et. al (2018), some of the value added created at European level through the international project co-operations relates to development of a European mindset, enhancement of the quality of partnership activities, creation and strengthening the networks and contacts for future co-operations and development of a common European identity. For years the EU has been providing support for European culture and the audio-visual sector through different financing programmes, contributing to building European CCS. Within the new Creative Europe programme (2021-2027) organisations in CCS will have the opportunity to realise technologically and artistically innovative European transnational initiatives for the exchange, co-creation, co-production and distribution of cultural and creative products and services that will be available to a broader audience. Even though the implementation of the Creative Europe programme so far has delivered a number of positive effects, the programme has its disadvantages, such as an insufficient budget to meet the demand. However, the new budget is additionally increased for 26.71% on € 1.85 billion (in the previous programming period it was € 1.46 billion).

CCS's activities are based on cultural values and/or artistic and other creative expressions, irrespective of whether those activities are profit or non-profit oriented. These activities include development, creation, production, dissemination and conservation of goods and services that embody cultural, artistic or other creative expressions, as well as related functions such as education or management. Bakhshi (2019) gave reasons why the CCS in UK became recognized on policy level and accepted as industry. "These institutional factors for the growing recognition of the UK's creative industries are the product of years of dedicated research directed toward policy agendas and impact.

- the creative industries are accepted by government as playing an integral role in the digitisation of the economy and vice versa.
- policy-focused research has become much better at measuring the economic contributions of the creative industries, including understanding the significance of digital technology within it.
- the UK Government has placed R & D at centre stage of its industrial strategy, and there has been initial success in making the case for public investment in creative industries R & D.
- the sector has organised effectively to represent its interests to government, with influential sector-wide bodies like the Creative Industries Council and, more recently, the Creative Industries Federation" (Bakhshi, 2019, 27).

Following the analyzed relevant theory on the level of EU and member countries, the authors wanted to investigate the situation in Croatia. Therefore the aim of this paper is to analyze the significance of the CCS for the economy of Croatia and the level of their recognition by the policy makers. For that reason, the authors have set the research statement that the importance of the CCS is in growth and being recognized by the policy makers. For that purpose the authors gave an overview of the relevant recent literature in the field of research and conducted the statistical analysis of official publications of Eurostat and the Ministry of Culture of the Republic of Croatia.

This paper is structured as following: the chapter two gives the recent literature review about the importance of CCS for national economies as well as trends that are impacting its development. Chapter three gives the methodology of the research whose results are presented by the chapter four. The following chapters are giving the discussion and conclusion as well as research limitations and the recommendations for the future research.

2. Literature review

The CCS are structured by numerous micro and small enterprises, numerous non-governmental organizations (NGOs) and local associations (Dovey et al., 2016), individual artists (Hearn et al., 2004) who are usually non-conventional, have part-time employment, temporary contracts, or are self-employment (Skoglund, 2012). The importance of NPOs in CCS is, among other things, in “promoting culture and creativity across regions” (Zbucnea, Leon, 2015 in Cruz et al., 2019, 2). The multidisciplinary nature of the cultural and creative workforce is “moreover consistent with the literature identifying the competitive advantage for companies that combine skills in art and science, the so called ‘fusion skills’” (Nesta, 2016). “On the economic side, CCS is growing fast and has shown to be resilient to the economic crisis” (KEA, 2019a, 10). According to the EIF¹ (2019, 6), European CCSs have had 6.7 million employees and more than 2.4 million companies in 2016. “Recent studies from regional to European level have highlighted the considerable economic weight of the CCS (number of businesses, added value, employment) as well as the significant spillover effects that they generate for other industrial sectors” (EC, 2019a, 10). The innovative power of CCS “is essential for further development of European economies and societies, because it:

- generates well-being and cohesion;
- shapes the public space used by millions of Europeans;
- modernises industries and business sectors with new creative input and methods;
- provides meaning and a sense of belonging;
- upgrades urban and rural areas;
- designs products and services;
- produces and digitises content;
- enriches visual experiences;
- provides content for debates” (EC, 2018a, 6).

The development of CCS is nowadays increasingly influenced by different global megatrends, including digitalisation. Activities like listening to music, playing video games, reading the papers or watching films have become unimaginable without the internet, which is also increasingly used for other culture-related purposes, such as buying cultural products like books, magazines or concert tickets, or visiting virtual theatres and museums. “Digital technologies are more than a ‘contextual factor’; they are often an ‘enabling factor’, or even a radical step in the context of the new industrial revolution, changing the way culture and CCS products and services are produced and accessed, and how knowledge is transferred” (EC, 2018a, 11).

The European Union (EU) supports CCS, among other things, through various funding programmes, most importantly the Creative Europe Programme², which supports the European culture and audio-visual sector. It also seeks to enhance European cultural and linguistic diversity, promote European cultural heritage, and strengthen the competitiveness of European organizations operating within CCS. Cultural exchanges can result in added economic benefits. In that regard, the EU supports projects facilitating the interconnection of CCS activities, including culture and audio-visual contents, using innovative technological solutions in order to increase the competitive advantage of institutions in CCS. As well, “the Ministry of Culture (on national level) and larger cities (on local level) are major founders of international cultural cooperation projects and initiatives” (Compendium, 2016).

The number of non-profit organisations and public institutions that have access to co-financing of cultural activities and programmes from public sources is in rise in Croatia.

¹ European Investment Fund

² More information at https://ec.europa.eu/programmes/creative-europe/node_en (18 February 2020)

Cultural and creative artists are also showing an increasing interest in international cooperation, and Croatian cultural institutions, non-governmental organisations and other professionals are active members of international organisations in culture and arts.

Given their undeniable significance the aim of this paper was to analyze the role of CCS for the economy of Croatia, where the authors wanted to analyse whether the importance of the CCS is recognized by the policy makers as well. This statement was tested through the analysis of budget funding of culture during the period 2014 to 2018. The level of recognition of the government was measured by the grant value and number of projects approved in the observed period.

3. Methodology of the research

In the frame of this research the authors analyzed cultural employment, enterprises in cultural sectors and expenditure on culture in Croatia. The authors conducted the statistical analysis of official publications of Eurostat and the Ministry of Culture of the Republic of Croatia as well; they gave an overview of the relevant recent literature in the field of research. Information on the companies in CCS were analysed using two different statistical analyses, “Structural Business Statistics” (SBS), which describes the structure, conduct and performance of enterprises (e.g. value added, turnover, personnel costs) within the non-financial economy and “Business Demography” (BD), which includes indicators such as enterprise birth and enterprise death rates or enterprise survival rates, and cover the cultural market-oriented activities. In the frame of mentioned methods, the authors have analysed the following characteristics of CCS in Croatia:

- the structure and number of cultural enterprises,
- employment in culture,
- engagement of the population in cultural activities,
- public expenditure on culture.

The general importance of international cooperation in culture and approved projects in culture financed by the Croatian Ministry of Culture 2014 - 2018 are likewise discussed. Projects within the Creative Europe programme are one of the important programme activities which can be co-financed from the budget of the Ministry of Culture. Croatian programme applicants who have received funds from EU budgets can also apply to the calls for funding published by the Ministry of Culture.

For the purpose of conducting this study, the authors analysed data collected from the publications of the European Commission and the Croatian Ministry of Culture, as well as Eurostat’s statistical data. The methods which the authors used include induction and deduction, analysis and synthesis, classification, and the statistical methods.

4. Analysis of CCS in Croatia

“Compared to other sectors of the economy, culture has an additional dimension – it not only creates wealth but it also contributes to social inclusion, better education, self-confidence and the pride of belonging to a historic community” (Titan et al., 2008, 930). At the same time, “creativity and culture have a significant non-monetary value that contributes to inclusive social development, to dialogue and understanding between peoples” (UN, 2020).

According to Sava et al. (2017, 79), “culture is the long-term runner for development. Also culture can be seen both as cause and as effect of the economic development; as cause of the economic development – it is the source of generating employment and revenues and as effect - due to peoples’ habits of spending on culture when the incomes are higher”.

Since Croatian cultural policy underwent radical changes in the 1990s, the importance of the

cultural sector only started to be recognized in the early 2000s, when the number of new non-profit organisations in the CCS increased (specially in the field of music, film, audio-visual arts etc). Considering that CCS only started to be noticed by the general public in the recent years in Croatia, there is still no official framework that would provide an exact definition of CCS or agreed unified model for support their development. The Croatian cluster of competitiveness of creative and cultural industries (HKKKKI)³ mapped cultural and creative industries in Croatia in 2015 and determined that CCI in Croatia are composed of 45 industries divided into 12 subsectors.

The importance of these relatively new sectors is not only considering the people employed in CCS, but it has more social and economic importance. According to Newbiggin (2010, 28), the real significance of the CCS “lies not only in their economic value, or even in their wider social and cultural impact, but in that they provide a template for the way in which other economic sectors need to change if they are to survive and prosper in the digital age”.

In the following chapters, the authors analysed the importance of CCS for the Croatian economy and gave an overview of the impact of international (cultural) cooperation on its development.

4.1. Cultural enterprises

“An enterprise is defined as an organisational unit producing goods or services which have a certain degree of autonomy in decision-making; it can carry out more than one economic activity and it can be situated at more than one location” (EC, 2019b, 101). Cultural enterprises active in cultural (and creative) sector are classified according to economic activity (NACE Rev. 2⁴). As mentioned in the previous chapter, the information on these companies were analysed using two different statistical analyses, “Structural Business Statistics” (SBS) and “Business Demography” (BD). The presented number of cultural enterprises in Croatia 2014-2016, classified by their activities, was extracted from the Eurostat publications, analysed using the SBS method and results presented through Table 1.

³ For more information see <https://hkckki.eu/index.php/o-hkckki/> (19 February 2020)

⁴ NACE is derived from the French title “Nomenclature générale des Activités économiques dans les Communautés Européennes” (Statistical classification of economic activities in the European Communities).

Table 1: Number of cultural enterprises in Croatia 2014 - 2016

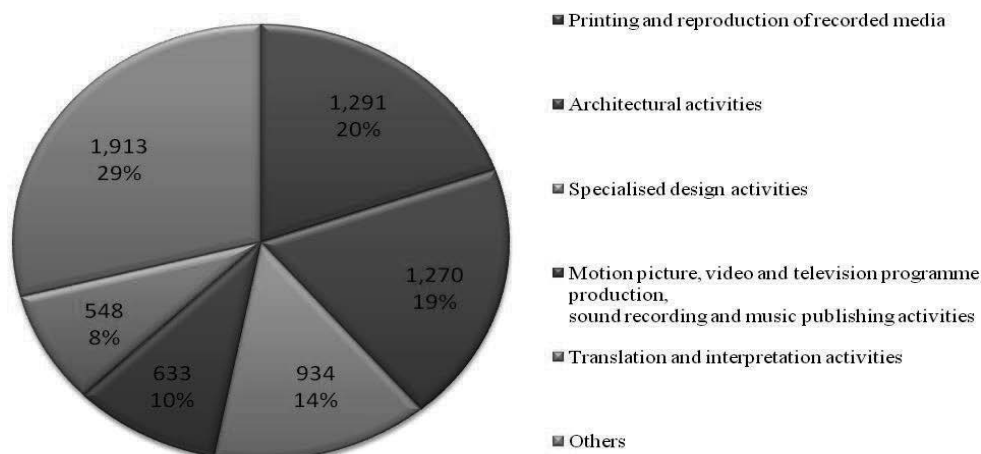
NACE Rev. 2 activities		Structural Business Statistics (SBS)	Number of companies			Change in 2016 vs 2014
			2014	2015	2016	
C18	Printing and reproduction of recorded media	X	1,454	1,346	1,291	-11.20%
M7111	Architectural activities	X	1,181	1,214	1,270	7.50%
M741	Specialised design activities	X	859	885	934	8.70%
J59	Motion picture, video and television prog. production, sound recording and music publishing activities	X	587	610	633	7.80%
M743	Translation and interpretation activities	X	520	551	548	5.40%
	Other business activities:		2,057	2,009	1,913	-7.00%
M742	Photographic activities	X	497	508	505	1.60%
J5811	Book publishing	X	386	374	371	-3.90%
C3212	Manufacture of jewellery and related articles	X	287	263	252	-12.20%
J60	Programming and broadcasting activities	X	216	210	202	-6.50%
G4762	Retail sale of newspapers and stationery in specialised stores	X	198	190	175	-11.60%
J5814	Publishing of journals and periodicals	X	187	184	175	-6.40%
J5813	Publishing of newspapers	X	119	107	101	-15.10%
G4761	Retail sale of books in specialised stores	X	56	56	46	-17.90%
C322	Manufacture of musical instruments	X	32	34	32	0.00%
J6391	News agency activities	X	42	51	29	-31.00%
J5821	Publishing of computer games	X	9	9	12	33.30%
N7722	Renting of video tapes and disks	X	24	19	10	-58.30%
G4763	Retail sale of music and video recordings in specialised stores	X	4	4	3	-25.00%
	Total		6,658	6,615	6,589	-1.0%
	Decrease from the previous year			-0.6%	-0.4%	
	Decrease in comparison to year 2014			-0.6%	-1.0%	

Source: Authors' work according to Eurostat publication (EC, 2020d, 2020f)

The table above reveals a downward trend in the total number of cultural enterprises in Croatia 2014 - 2016, where 61% (11 out of 18) of analysed business activities have shown negative trend in 2016 in comparison to 2014 (that was still a year of long lasting economic crises in Croatia). By observing three years (2014 – 2016) the negative trend was slowing down in 2016, but the total decrease in numbers of CCS enterprises in comparison to the base

year (2014) was 1% (decrease for 69 enterprises). In comparison, the average number of cultural enterprises in the EU-27 is 5% (Eurostat, 2020c). However, cultural enterprises operating in architectural and specialised design activities and video and TV programme production had a tendency of growth. The graph below presents the structure of enterprises by area of activity in 2016 in CCS in 2016.

Graph 1: Structure of CCS enterprises in Croatia by area of activity in 2016 (%)



Source: Authors' work according to Eurostat publication (EC, 2020d, 2020f)

As shown in the previous graph, most of the enterprises in the cultural sector were active in "Printing and reproduction of recorded media" (20%), "Architectural activities" (19%) and "Specialised design activities" (14%) where, as shown by Table 1, only "Printing and production of recorded media" achieved negative results of the companies active in 2016 in comparison to 2014.

By observing the structure of the active enterprises in Croatia in all industry sectors, the overwhelming majority (99.7%) were small and medium-sized companies (SME's) (including micro-sized enterprises) which are generating more than half of the value added (61.3%) of non-financial business economy (DZS, 2018). Table 2 shows the total number of cultural enterprises in relation to the total number of all enterprises in non-financial business in Croatia (i.e. national economy excluding financial and insurance activities).

Table 2: Number of cultural enterprises in Croatia in relation to the total number of enterprises 2014 - 2016

	2014	2015	2016
Total number of enterprises	147,337	146,637	147,481
Change in comparison to 2014 (%)		-0.48%	0.58%
Number of cultural enterprises	6,658	6,615	6,589
Change in comparison to 2014 (%)		-0.65%	-0.39%
The share of cultural enterprises in total number of enterprises (%)	4.52%	4.51%	4.47%
Change in comparison to 2014 (%)		-0.01%	-0.05%

Source: Authors' work according to Eurostat publication (EC, 2020c)

The table above shows the decrease in the number of cultural enterprises in Croatia in the period 2014 - 2016. But, by observing only the number of cultural enterprises the impact on the total economy of Croatia cannot be seen, so the results of the analysis of value added at factor cost was presented. The value added is showing how activities of CCS are contributing to general wealth.

According to Eurostat (2020a), measured by its share in non-financial economy, the value added at factor cost of cultural enterprises in 2015 - 2016 was EUR 527.5 million and EUR 546.3 million, that is growth of 4%, i.e. growth from 80 thous. EUR to 83 thous EUR per enterprise per year. The value added of total business economy in Croatia 2015 - 2016 was approximately EUR 21.2 billion and 22.1 billion, respectively in which CCS achieved an equivalent to 2.49% and 2.48%, respectively.

Thus, the analysis showed that a smaller number of cultural enterprises in 2016 compared to 2015 generated a higher EUR amount of value added.

4.2. Cultural employment

The scope of cultural employment on the one hand includes employment in companies practising activity in the cultural domain – economic activities (NACE Rev. 2⁵), and on the other employment in cultural occupations (ISCO-08⁶). Cultural employment arises in 3 forms:

- The working population that both exercises a cultural occupation and works in the cultural sector (e.g. a singer in a singing company).
- The working population that exercises a cultural occupation outside of the cultural sector (e.g. a designer in the video game industry).
- The working population that exercises a non-cultural occupation in the cultural sector (e.g. an accountant in a photographic studio).

The CCS labour market is defined as a high level of flexibility because it includes part-time, self-employment and multiple job holding (Feist, 2002, 20-21; Pratt, 2017 in Cellini et al., 2018, 9).

The following table presents cultural employment in EU-27 and Croatia (based on the total number of employees) in the period 2014 - 2018 as a percentage of total employment.

Table 3: Cultural employment by sex 2014 - 2018

Level	2014	2015	2016	2017	2018
EU-27* (%)	3.6	3.6	3.6	3.7	3.7
Croatia (%)	3.8	3.4	3.1	3.5	3.3

Source: Authors' work according to Eurostat publication (EC, 2020e)

According to the Eurostat statistic database, cultural employment in EU-27 recorded an upward trend in the analysed period. In Croatia, the average share of cultural employment in total employment through the observed period (2014 to 2018) was on the level of 3.4%. In the year 2018 there were approximately 54,200 (3.4%) employees engaged in the cultural sector. There were approximately 7.3 million people employed in a cultural activity or a cultural

⁵ NACE is derived from the French title "Nomenclature générale des Activités économiques dans les Communautés Européennes" (Statistical classification of economic activities in the European Communities).

⁶ The International standard classification of occupations, abbreviated as ISCO, is an international classification under the responsibility of the International Labour Organization (ILO) for organising jobs into a clearly defined set of groups according to the tasks and duties undertaken in the job.

occupation in EU-27 in 2018, that is 3.7% of the total employment in the EU but the share of this specific category is varying in dependence of the country. For example, Estonia as one of the fastest growing economies has an above average share of employees in culture of 5.6%.

As well, it is significant to point out that out of all active enterprises in all industry sectors in Croatia, the small and medium-sized companies (SME's) (including micro-sized enterprises) "are generating more than half of the value added (61.3%) of non-financial business economy" (DZS, 2018, 1), therefore their significance for national economy is high. Unfortunately, the number of enterprises in the CCS in Croatia, according to Eurostat, was decreasing. For that reason, in the following chapter, the authors analysed the trends regarding the total government expenditure on culture and creative industries with the purpose to determine whether the policy makers recognized the importance of CCS.

4.3. Public expenditure on culture

Public cultural facilities (e.g. cinema, theatre, museum, library, gallery, cultural institution), "cultural products, cultural activities and other related cultural services are very important deliveries for government to meet the public's basic cultural needs" (Tu et al., 2017, 709-710). Even though expenditure on culture can come from different sources, most funding in culture comes from public funds.

The Ministry of Culture of the Republic of Croatia regularly finances different programmes within programme activities according to its five cultural fields; Investments, Cultural Heritage, International Cultural Cooperation, Archive, Library and Museum System, and Artistic Creativity in CCS. Since one of the main objectives and missions of the Ministry of Culture is to support international cultural cooperation and promote and develop direct and continuous cooperation and exchange between organisations in culture, the Ministry of Culture strives to financially support the participation of cultural professionals and other artists in many different multilateral programmes promoting the own culture, development of intercultural dialogue and cultural diversity" (Psychogiopoulou, 2015).

This facilitates a broader presentation of Croatian culture in other countries, as well as the presentation of the culture and vice versa through the translation and publication of literary works, presentation of films and art exhibitions, guest performances, dance and music performances, and participations in book fairs and other international cultural events and conferences. For the purpose of the analysis of the recognition of the importance of CCS for the economy by the government, the results of the trend analysis of the total general government expenditure on culture in Croatia 2014 - 2018 is shown in the table below (including exclusively cultural services according to the COFOG) with the emphasis on the International Cooperation shown by the table 4 and 5.

Table 4: Total general government expenditure on culture of the total state budget in Croatia 2014-2018 and the budget of the Ministry of Culture 2014-2018

	2014	2015	2016	2017	2018
Total general expenditure on culture – cultural services (% of the total state budget)	1.6	1.4	1.3	1.4	1.5
Budget of the Ministry of Culture (000 HRK)	770,808	867,963	923,946	1,131,631	1,209,592
Annual increase in %	-	12%	6%	22%	7%

	2014	2015	2016	2017	2018
Increase in comparison to base year (2014) in %	-	12%	20%	47%	57%

Source: Authors' work according to Eurostat (EC, 2020d) and the Ministry of culture of the Republic of Croatia (2014-2018a)

The table above shows that expenditure on culture in Croatia on average accounted for 1.4% of the total state budget in the five-year period. In comparison, the EU-27 average is 1,0%. (EC, 2020d). But, there are rare positive examples such as funding culture of Latvia and Iceland that is above the EU average: 2.9% and 2.6%, respectively. The budget of the Ministry of Culture increased continually 2014 - 2018 for 57%.

In comparison with the above presented categories, the annual expenditures of the Ministry of Culture on International Cultural Cooperation are about 15% of all programmes. The Ministry finances programmes in two programme activities, International Cultural Cooperation and Creative Europe programmes. Structure of financing of the programme International Cultural Cooperation 2014 - 2018 is presented in the following table.

Table 5: Financing of the programme activity International Cultural Cooperation 2014 - 2018

Programme activity International Cultural Cooperation	2014	2015	2016*	2017	2018
Approved funds (000 HRK)	6,992	6,368	6,735	7,869	10,236**
Number of approved programmes	517	515	575	666	814

* Data are only available for the period ending 7 September 2016, whereas data for other years are available for the period ending 31 December.

** There is a mismatch in the different official reports: The Annual Report and the Approved Projects report
Source: Authors' work according to the Ministry of Culture (2014-2018b, 2020a)

The table above shows that the number of approved programmes and the amounts of approved funds significantly increased in the five-year period. It may be concluded that the funding for the programme activity International Cultural Cooperation is gradually increasing. This programme finances activities in sub-programmes Archives, Music Performances, Interdisciplinary Projects, Performance Arts, Theatre and Dancing Performances, Literature, Libraries, Cultural Heritage, Cultural and Artistic Amateurism, International Events and Conferences, Museums and Galleries, New Media, Residences and Visual Arts and other. Most of the funds, around 40% of annual approved programmes, are allocated to the sub-programme activity Performance Arts.

In addition to programme activity International Cultural Cooperation, the Ministry of Culture finances the programme activity Creative Europe programmes, providing Croatian institutions that have already obtained funds for their projects from the Creative Europe programme with additional funding. Creative Europe is one of the EU's programmes aimed at reinforcing European CCS and protecting, developing and promoting European cultural diversity, among other things. Creative Europe programme provides financial supports to small and medium-sized enterprises (SME), micro-companies and organizations in CCS.

Programme activity International Cultural Cooperation results by Ministry of Culture (2019, 2020b) reveal an increase in the number of approved programmes and an increase in the amount of approved funds by 14%, as shown in the table below.

Table 6: Financing of programme activity Creative Europe programme – Sub-programme Culture 2018-2019

	2018	2019
Approved funds (000 HRK)	1,490	1,700
Number of approved programmes	58	63

Source: Authors' work according to Ministry of Culture of Republic of the Croatia (2019, 2020b)

The Ministry's report also states that the number of programmes approved in 2018 has doubled in comparison with 2017, which also confirms the upward trend in the number of approved programmes in recent years, and the fact that the Ministry of Culture has recognised the importance of promoting international cultural cooperation, which contributes to CCS development in Croatia.

5. Discussion

Even though CCS enterprises play an important role in the majority of European economies and have achieved continual value-added growth and growth of employment in past years, they also face major challenges. Competition has increased with the new social platforms, and CCS organisations have to use the advantages of digital technologies to facilitate the distribution of cultural and creative contents, and thus increase their competitiveness in the global market. By adapting to digitalisation, beneficiaries in CCS can showcase their work internationally by accepting cultural diversity through innovation and development of new business models. In this connection, according to KEA (2019b, 60), it's assumed that in the near future (in the next 10 years) the European "CCS is likely to continue acting as a significant driver of territorial attractiveness" and "remain strongly competitive". Also, "for the CCS will be created new incentives in the form of tax reductions, direct financial support or creation of new jobs in the sector. This support from the EU will foster the development of the CCS" KEA (2019b, 61).

The analysed information about the cultural entrepreneurship showed that the cultural enterprises accounted for 6,589 or 4.45% of the number of total active enterprises (while on the level of the EU-27 it is 5%). As well, the value added at cost factor of cultural enterprises in Croatia was EUR 546 million, equivalent to 2.48 %⁷ (DZS, 2018). Although, according to DZS (2018) there was a growing trend in the number and results of SME's it seems that the cultural sector did not fully follow those positive trends. This was confirmed by the downfall of the number of cultural enterprises and the employment in CCS in comparison to the total employment on the national level.

According to Sava et al. (2017, 83), in some European countries the employment in CCS "depends on how rich is a country's economy and this also impacts the fluctuation of the cultural employment".

Nevertheless, the CCS are still playing a significant role measured by the value added.

Here it was found that a smaller number of cultural enterprises in 2016 compared to 2015 generated a higher value added although its contribution to the value added of the total

⁷ Generally, value added at cost factor is the gross income from operating activities after adjusting for operating subsidies and indirect taxes. It can be calculated as the total sum of items to be added (+) or subtracted (-): turnover (+); capitalised production (+); other operating income (+); increases (+) or decreases (-) of stocks; purchases of goods and services (-); other taxes on products which are linked to turnover but not deductible (-); duties and taxes linked to production (-). Alternatively, it can be calculated from the gross operating surplus by adding personnel costs (EC, 2019b, 101).

national economy is not significant. Nevertheless, it can be seen that there is a growing trend in state financing of cultural projects including international project cooperation financing that confirms that policy makers are recognizing the CCS as an important factor.

According to IRMO (2014), “among sectors identified as important for the promotion of access to culture and participation the following sectors have been identified - education, tourism, minorities, media and information society, regional development, urban planning and the protection of environment” IRMO (2014, 179). The New Agenda, backed with appropriate funding will exploit synergies between culture and education and strengthen links between culture and other policy areas. It will also help CCS overcome the challenges and grasp the opportunities of the digital shift (EC, 2018b, 3). As Bakhshi (2019) stated there is need of years of research directed towards policy agendas and impact of the CCS to achieve the result that is measurable by quality and structure of the measures for supporting the CCS. Billi et al. (2019) claim that there are three basic activities through which the policy makers (the System) could use to increase the development of cultural innovation initiatives which is broader than financial support measures (Billi et al., 2019, 37):

“(1) the social impact investments/finance can be a concrete incentive for cultural innovation projects because it puts the focus on the social impact of investments in addition to the focus on financial sustainability”

“(2) the potential of development of projects tied to the Manufacture 4.0 and to digital handicraft, the radical transformation of production systems through the merging of technologies and new customization opportunities” through development of co-working innovation centres (according to the model of FabLabs in Italy)

“(3) The policies for Urban regeneration and revitalization of the outskirts can play a fundamental role in promoting bottom-up initiatives” (utilization of unused public and private heritage) (Billi et al., 2019, 37).

Farinha (2018) gives further recommendations to “establish more business-friendly regulations and incentives for CCIs business creation and development, including investments from abroad. The tax system should be simplified, to allow easy start up – especially regarding reduced obligations for entrepreneurs in ramp up years with reduced obligations for entrepreneurs” (Farinha, 2018, 41). As well, there is possibility of introduction of different models of distribution of financial support where institutions and enterprises in CCS could be categorized by their success in achieving relevant criteria and strategic relevance of the project and activities for the community. (Bestvina et.al., 2016) Klamer et. al. (2020) are confirming that statements but, they are finding the challenge in generating more active widespread private and corporate support in financing the CCS. All those measures could be a part of a package of measures for support CSS in Croatia.

6. Conclusion

This research is focused on a broader understanding of the key topics within the CCS in Croatia and the recognition of the international cultural cooperation by the state. Analyzing CCS in Croatia through cultural employment, cultural enterprises and public expenditure on culture in Croatia the authors noticed that the number of cultural enterprises and also the employment in companies practising an activity in the culture show a negative trend in the period 2014-2016. International cultural cooperation, generally, includes an exchange of experiences, know-how, skills, information and similar cultural activities with partners outside of national borders. The mobility of cultural subjects and artists and sharing of cultural productions and works of art with partners from other countries expands new ideas, creates new ways of communication and encourages innovation. The analysis of data in this paper has shown that the Croatian Ministry of Culture continually increases the funding of

culture and funding for international cultural cooperation programmes. In addition to financing international cultural cooperations between Croatian organisations in CCS and the rest of the world, the Ministry of Culture offers the Croatian programme of support of applicants for the EU funds– Creative Europe Programmes. Therefore, Croatian organisations active in CCS are having the opportunity of funding the creation, co-production and distribution of cultural and creative products and services with other European countries, to make them available to a broader audience. As of the value and the number of budget funded projects in the analysed period show a growing trend, the basic research statement about the importance of the CCS and their recognition by the policy makers was confirmed.

Next step of the CCS support is the development of measures and a regulatory frame that would be constituent parts of the development model. Here, the best model for cultural-based development in Croatia would be creating a clear cultural framework policy and cross-collaboration between the government, organizations in CCS and other interrelated sectors of the economy as suggested in the frame of this paper.

Research limitations: There are several limitations to the authors' research to consider. The primary limitation is differences in methodology where in some reports culture is observed with recreation and religion. As the result of the Brexit there is, in some cases, different methodology used about the CCS contribution on the level of EU, where information on EU-27 were presented where possible. In those case the information about cultural services were analysed. As well, there is a lack of data through a longer period, which limits the possibility of conducting analysis of trends and more complex statistical analysis. In addition, the authors noticed different values of financial supports for same programmes in two official reports related to international cultural cooperation. Nevertheless, this did not have a substantial impact on the final interpretation and conclusions.

Recommendations for further research: future research should further analyse the level of recognition of the CCS by the policy makers (government) by conducting comprehensive desk research on the available data on government measures and their impact and comparison to other EU countries. As well, in-depth interviews with policy makers and actors in CCS could reveal the reasons for the decrease in employment and number of enterprises in the CCS in Croatia.

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