

**DRAFT THEMATIC GUIDANCE FICHE FOR DESK OFFICERS**  
**SUPPORT TO CULTURE AND SPORT RELATED INVESTMENTS**  
**VERSION 2 – 10/03/2014**

**RELEVANT PROVISIONS IN THE LEGISLATION**

<b>Regulation</b>	<b>Articles</b>
<b>Common Provisions Regulation</b> <b>No 1303/2013</b>	Article 9 - Thematic objectives (1), (2), (3), (6), (8), (9)(10)
<b>European Regional Development Fund Regulation</b> <b>No 1301/2013</b>	Article 3 (scope of support)  Article 5 (investment priorities): (1): research and innovation, (2. c): e-culture, (3): SME competitiveness, (6c): cultural heritage, (8b): support to employment-friendly growth, (9): cultural and recreational services, (10): education and training.  Related provisions: Recital 8: creative and cultural industries Recital 11: activities supporting culture under TO8 Recital 15: access to cultural/recreational services , Article 7 (Sustainable urban development)
<b>European Social Fund Regulation</b> <b>No 1304/2013</b>	Article 3(1)  Related provisions: Recital 10: Culture and creative skills
<b>EAFRD Regulation</b> <b>No 1305/2013</b>	Related provisions: Recital 18 natural and cultural heritage Article 20 – Basic Services and village renewal in rural areas: (1d): local basic services, including leisure and culture, and the related infrastructure; (1f) studies and investments associated with cultural and natural heritage
<b>EMFF Regulation</b>	Related provisions: Article 47 - New forms of income and added value Article 65 - local development strategies: (1d): promoting social well-being and cultural heritage in fisheries areas including fisheries, aquaculture and maritime cultural heritage;

*This is a draft document based on the new ESIF Regulations published in OJ 347 of 20 December 2013 and on the most recent version of the relevant Commission's draft implementing and delegated acts. It may still require review to reflect the content of these draft legal acts once they are adopted.*

## 1. Introduction

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This guidance fiche seeks to develop guidance on the conditions under which ERDF investments in the fields of Culture and Sport might be considered. It also provides suggestions for questions that could be raised by the negotiators.<sup>1</sup>

### **Importance of the culture and sport sectors for the EU economy**

**Cultural and creative industries** (CCI) include a diverse collection of business disciplines<sup>2</sup> that have both a cultural and economic impact, besides the traditional arts sectors (performing arts, visual arts, cultural heritage), in particular architecture, web and graphic design, artistic crafts and fashion design, as well as film, DVD and video, TV and radio production, advertising and public relations, video games and multimedia, music, publishing (book and press). They are significant sources of growth and innovation, including in other sectors, accounting for 3.3% of EU GDP employing 6,7 million persons (3% of total employment).<sup>3</sup>

Investments in **cultural heritage** can cover and bridge a wide spectrum of actors and activities in the public, non-for-profit sectors and the private sectors (in particular in SMEs) with direct or indirect economic or social benefits.

Being at the crossroads between arts, business and technology, the cultural and creative sectors which are the subject of the Commission Communication COM(2012) 537 final<sup>4</sup> are in a strategic position to trigger spill-overs and to act as enablers for innovation in other industries. Between 2008 and 2011, employment in these sectors proved more resilient than in the EU economy as a whole<sup>5</sup>, with growth rates varying however between subsectors.

They also direct impacts on sectors, such as tourism and are integrated at all stages of the value chain of other sectors, such as fashion and high-end industries, where their importance as key underlying assets is increasing. In particular design plays a key role as an intangible asset for innovative companies. 21% of European companies use design as a strategic means to encourage innovation and the EU's design sector has an annual turnover of €36 billion.<sup>6</sup>

Culture can also leverage urban development. For example, it has been demonstrated that the European Capital of Culture label can bring many benefits to cities and regions. Though it remains first and foremost a cultural event, it has in some cases created a significant social and economic legacy, particularly it is embedded into a long-term culture- and creativity-led development strategy. Moreover, cultural initiatives may contribute notably to social inclusion and poverty reduction, particularly in urban areas (most examples tend to be small scale, innovative projects).

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<sup>1</sup> Please note that these sectors are highly interrelated to the tourism and experience industries. Tourism-related investments are dealt with in a separate guidance fiche.

<sup>2</sup> [http://ec.europa.eu/culture/our-policy-development/cultural-and-creative-industries/green-paper\\_en.htm](http://ec.europa.eu/culture/our-policy-development/cultural-and-creative-industries/green-paper_en.htm)

<sup>3</sup> COM(2012) 537, [http://ec.europa.eu/culture/our-policy-development/documents/com537\\_en.pdf](http://ec.europa.eu/culture/our-policy-development/documents/com537_en.pdf)

<sup>4</sup> [http://ec.europa.eu/culture/our-policy-development/documents/com537\\_en.pdf](http://ec.europa.eu/culture/our-policy-development/documents/com537_en.pdf)

<sup>5</sup> Source: Eurostat (EU-LFS)

<sup>6</sup> European Commission, Action Plan for Design-Driven Innovation, September 2013, <http://ec.europa.eu/enterprise/policies/innovation/policy/design-creativity/#h2-1>

**Sports activities** include both grassroots and professional activities, for instance related to tourism, health or to the experience industry, but also manufacturing of sports equipment.<sup>7</sup> Sport as a sector has a considerable economic impact in the EU: €407 billion in 2004, representing 3.7% of EU GDP and employing 15 million persons (5.4% of the labour force). The sport sector has proved to be exceptionally resilient during the crisis<sup>8</sup>

Besides, the spill-over effects of the Sport industry are producing increasing revenues for other key sectors like the media, advertising and tourism. The health and social inclusion benefits to wider society as a whole from promotion of sport and access to appropriate sport facilities are, of course, well known and documented but do in itself not justify ESIF investments in this field.

## 2. Strategic Framework

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The package of ESIF regulations adopted on 17 December 2013 by the European Parliament and the Council, stresses, among others, that **Member States shall concentrate support on those interventions that bring the greatest added value** in relation to the Union strategy for smart, sustainable and inclusive growth.

To this end the **regulations provide a menu of thematic objectives and investment priorities in line with the Europe 2020 policy priorities**. In the programming exercise the Member States pick those objectives that both take into account European priorities (in particular through thematic concentration) and are the most relevant for them in the light of their development needs,.

Culture and sport are not directly mentioned among the thematic objectives as they constitute means rather than objectives. However, if contributing to the thematic objectives and investment priorities in a targeted way, investments in culture and in sport can have a positive impact on stimulating growth and jobs and could be supported. To this end the regulations include a number of specific references to culture, as outlined further below.

Investments in culture that do not have sustainable economic impacts should not be a priority for the ERDF. In particular concerning the jobs and growth objective of the European Regional Development Fund it is of considerable importance to take into account issues of concentration, prioritisation and comparative advantage.

It is important to underline in this context that that ESIF funds cannot replace national budgets in terms of maintenance of cultural heritage or crowd out private financing in creative industries but in line with the additionality principle must supplement and reinforce the general direction of MS investments.

In particular as concerns **investments into cultural and/or sports infrastructure** the existing evidence suggests that these are more likely to be successful in generating growth and jobs if they are conceived from the outset as part of an integrated, place-based development effort adapted to specific local conditions (e.g. part of wider urban regeneration or social inclusion effort) and with the ambition of achieving financial self-sustainability.

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<sup>7</sup> For a definition of sport in economic terms see the EU agreed "Vilnius definition of sport": [http://ec.europa.eu/sport/documents/en\\_annex\\_6\\_vilnius.pdf](http://ec.europa.eu/sport/documents/en_annex_6_vilnius.pdf).

<sup>8</sup> [http://ec.europa.eu/competition/sectors/sports/overview\\_en.html](http://ec.europa.eu/competition/sectors/sports/overview_en.html), cf. also this recent study: [http://ec.europa.eu/sport/news/20121119-study-contrib-sport-economic-growth\\_en.htm](http://ec.europa.eu/sport/news/20121119-study-contrib-sport-economic-growth_en.htm)

- There is evidence of strong difference in the nature of investments in public as opposed to investments in private cultural projects. Many public projects tend to be larger scale and capital intensive with low direct employment effects. Private projects appear to be less capital intense but tend to have a higher impact on job creation.
- Investments in the renovation of historical buildings or building/renovation of cultural institutions should, thus, only be a priority if they are part of an overall economic development strategy for a specific territory/town and /or fosters the socio-economic integration of minorities through valorising their cultural background.
- It must also be explored whether in the longer term sufficient financial resources are available to ensure maintenance and operation, in particular through users' fees, merchandising or public subsidies paid out of increased local tax revenue that was generated thanks to the ERDF investment.
- Each investment should be assessed on its merits for local/regional development and contribution to the specific objectives of the concerned OPs and priority axes and the selected indicators and its cost-effectiveness.

In any case, as already cultural infrastructure investments are limited to small-scale infrastructure, large scale cultural infrastructures are clearly not a priority and are to be excluded from ERDF co-funding.

The same goes for sports infrastructure: only small-scale infrastructure providing "recreational services", which include sports, in order to promote social inclusion and combat poverty, particularly among marginalised communities, should be supported. However, developments containing several small-scale infrastructures may be considered as part of a broader territorial development strategy under thematic objectives 8 and 9.

In any event, investments in private cultural or sports projects should be subject to the same selection criteria as other productive investment projects.

### 3. Regulatory scope and objectives

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In line with the results orientation of the new legislative framework for Cohesion Policy, the ERDF regulation distinguishes clearly between the **scope of support** (the activities it may support) and the **investment priorities** for each thematic objective (objectives to which the ERDF shall contribute)<sup>9</sup>. For an operation to be eligible for ERDF support it must contribute to a specific objective defined for an investment priority and fall within the scope of the fund's activities. Planned investments will, thus, be assessed under the relevant thematic objectives and are subject to the relevant specific ex-ante conditionalities and strategic frameworks.

While cultural and creative industries are somewhat implicit to the thematic objectives regarding **innovation and SME competitiveness**, the conservation, protection, promotion and development of cultural heritage is referred to under Investment Priority 6(c) under Thematic Objective 6 on **environment and resource efficiency**, due to the specific nature of heritage as a resource.

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<sup>9</sup> Investment priorities "shall set out detailed objectives, **which are not mutually exclusive**, to which the ERDF is to contribute. These investment priorities should form the basis for the definition of specific objectives within programmes that take into account the needs and characteristics of the programme area". (ERDF recital number 7).

These explicit references to cultural investments in the ERDF Regulation are complemented by further references such as the one to “*e-culture*” (digital content related to culture and digital heritage) under Investment Priority 2 (c); one on “*enhancing accessibility to, and development of, specific natural and cultural resources*” as part of a territorial strategy for specific areas to support endogenous potential and employment-friendly growth under Investment Priority 8 (b), as well as a reference to “*social, cultural and recreational services*” for promoting social under Investment Priority 9. (a) of the ERDF Regulation. This reference to “recreational services” covers sport-related activities

Furthermore, Article 3 on the ‘*Scope of the ERDF*’ limits investments into the development of endogenous potential to “*fixed investment in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure,*”.

Both notions ('small scale' and 'endogenous') are particularly important in the context of the negotiations on the future operational programmes, and will have to be thoroughly assessed in addition to making sure that the investments proposed contribute to the thematic objectives and are based on a sound intervention logic linking the actions to the socio-economic results sought.

### 3.1. *Scope of support*

The main area of support from the ERDF to culture and sport are investments in the ‘*development of endogenous potential through fixed investments in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure, services to enterprises, support to research and innovation bodies and investment in technology and applied research in enterprises*’ (article 3 (1) (e) of the ERDF Regulation).

However, culture- and sport-related investments could also be part of the ERDF support to productive investments contributing to creating and safeguarding sustainable jobs, through direct aid to investment in small and medium-sized enterprises (SMEs) (article 3 (1) (a))<sup>10</sup>

It goes without saying that investments in cultural and creative industries as well as in sport are subject to state aid rules (depending on the context, SME, regional aid or sector specific rules, e.g. for cinematographic and other audiovisual works, may apply).

### 3.2. *Investment priorities*

In particular the following thematic objectives (TO) apply:

- Strengthening research, technological development and innovation, including service innovation and clusters (TO 1)
- Enhancing access to and use of ICT, including e-culture applications and services (TO 2)
- Enhancing growth and competitiveness of SMEs (TO 3)

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<sup>10</sup> Productive investments in large enterprises in the area of culture and sport are excluded, except where this is supported under thematic objectives 1 or 4, or under thematic objective 2 if it involves cooperation with SMEs.

- Preserving and protecting the environment and promoting resource efficiency (TO 6) – by protecting, promoting and developing cultural and natural heritage
- Promoting employment and supporting labour mobility (TO 8) – by enhancing accessibility to, and development of, specific natural and cultural resources (as part of a territorial strategy for specific areas)
- Promoting social inclusion through improved access to social, cultural and recreational services and as part of urban regeneration schemes (TO9)
- Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure (TO 10)

Investments in the fields of culture and sport will often be part of integrated projects at local, regional or national level, which are tailor-made to address specific needs for achievement of the Europe 2020 targets. These integrated projects may be implemented through Integrated Territorial Investments or Community-led local development (see specific guidance fiches).

#### **4. Lessons from the past and result orientation**

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##### *4.1. Lessons from the past*

Possible ERDF support should be carefully assessed in the light of past experience. So far evaluation results have been patchy and have been inconclusive as to the link between investments into culture and/or sport and long-term sustainable growth and jobs.

In particular, lessons should be learnt from past projects that were not grounded in a sound economic rationale and without a clear concept of how the projects would be sustainable.<sup>11</sup>

Using scarce public resources unnecessarily or in an ineffective way could generate negative publicity and overshadow the positive effects that other carefully planned projects in these same fields might have, as the many available examples of good practice demonstrate.<sup>12</sup>

General questions to be kept in mind while assessing the suitability of these investments:

- What is the economic rationale of the proposed investments? What is the EU value added of this investment?
- What are the policy lessons from past experiences/ investments and what is the policy guidance stemming from the evaluations of these actions?
- Under which conditions (e.g. appropriate intervention logic, convincing contribution to thematic objective) could we accept or favour funding in these areas?

<sup>11</sup> See also: *Court of Auditors Special Report No 6/2011 – Were ERDF co-financed tourism projects effective?* <http://eca.europa.eu/portal/pls/portal/docs/1/8746728.PDF>

<sup>12</sup> See the good practice guides referenced to under Annex I of this factsheet

- If CCIs are to be funded under TO1, is this coherent with the analysis provided and the priority areas selected in the national/regional smart specialisation strategy?
- If culture and sport are explicitly identified as sectors for specific attention under TO3, is there a clear link to the programme's intervention logic?
- Are these investments targeted towards creating economically self-sustained jobs and do they represent at least an equal prospect of successful outcomes as other potential business projects.
- Are planned grants to companies in the culture/creativity sector, are these complemented by existing/planned SME support services?
- If under TO3 the targeted beneficiaries are public actors, is there a clear focus on SMEs and a clear intervention logic enhancing SME competitiveness?

#### *4.2. Result orientation: general criteria for assessing the suitability of investments*

Once a managing authority has made a decision on which needs should be addressed, it is necessary to formulate a specific objective: the content of an investment priority adapted to the circumstances of the region or the sector under consideration.

Negotiators should ask programmers – Definition of specific objectives:

- What is the desired socio-economic change/impact? Does the specific objective reflect this targeted change/impact? Is the intervention logic convincing?
- Does this objective avoid overlap/duplication with other parts of the OP or is it complementary to them?
- Are appropriate and sensible results indicators identified (with baseline and target) to measure the desired change/impact?
- Are project selection criteria clearly defined and specific enough to be able to select the best projects for this objective?.

#### Some examples of possible result indicators for **Culture and Sport investments**

Please note Result indicators should be linked with the needs identified in the Member State or region and the related specific programme objectives, which naturally is not the case of the theoretical examples provided hereunder:

If the objective is to create new firms and business models around culture and creativity (TO3), a possible result indicator would be:

- The number of new businesses and new jobs (including self-employment) created in the sector,

If the objective is horizontal (e.g. CCIs as enablers for innovation in other sectors)

- Number of supported cooperations between CCI providers and other businesses

- New/improved products/services brought to market/their share on company turnover as result of this cooperation
- Productivity increase/employment increase in supported companies

Examples of result indicators for “**Sport**”:

If the objective is to create new firms and business models around sport related products and activities (TO3)::

- The number of jobs created in sports related businesses in the region,

If the objective is to promote social inclusion through the regeneration of deprived urban and rural communities (TO9)::

- Share of people using public sport facilities in deprived areas (“before-after” survey on the basis of population age cohorts);

However, for sake of clarity the programme should not multiply result indicators. Once the most appropriate indicators have been selected, the programme should provide a baseline, set a target and plan for appropriate monitoring in the AIR during the lifetime of the programme.

Relevant output indicators should be chosen reflecting the financed actions. Common indicators shall be used whenever relevant.

After having answered the question *what* should be changed, the programme needs to answer *how* this change will be achieved, by which actions.

Negotiators should ask programmers – Definition of actions:

- Which factors influence the result indicator?
- Which of these factors will be selected to be influenced by the programme?
- What are the actions to do so?
- Output indicators/common indicators?

## Annex 1: Links and relevant sources

### **Guides:**

DG REGIO/DG EAC Guide to cultural and creative industries in RIS3:

<http://s3platform.jrc.ec.europa.eu/guides>

JASPERS: Best Practice in the Preparation of Projects in the Culture Sector:

<http://www.jaspersnetwork.org/jaspersnetwork/display/for/Best+Practice+in+the+Preparation+of+Projects+in+the+Culture+Sector>

DG REGIO/DG ENTR Smart Guide to Service innovation, 2012

[http://ec.europa.eu/enterprise/policies/sme/regional-sme-policies/documents/no.4\\_service\\_innovation\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/regional-sme-policies/documents/no.4_service_innovation_en.pdf)

Working Group of EU Member States Experts on cultural and creative industries, "How to strategically use the EU support programmes, including **Structural Funds**, to foster **the potential of culture for local, regional and national development** and the spill-over effects on the wider economy?"

<http://ec.europa.eu/culture/our-policy-development/documents/policy-handbook.pdf>

### **Other documents:**

Court of Auditors Special Report No 6/2011 – Were ERDF co-financed tourism projects effective?

<http://eca.europa.eu/portal/pls/portal/docs/1/8746728.PDF>

Promoting cultural and creative sectors for growth and jobs in the EU:

[COM(2012) 537, 26.9.2012]

<http://ec.europa.eu/culture/our-policy-development/documents/communication-sept2012.pdf>

European Commission, Action Plan for Design-Driven Innovation, September 2013,

<http://ec.europa.eu/enterprise/policies/innovation/policy/design-creativity/#h2-1>

DG EAC: Ex-post Evaluation of 2011 European Capitals of Culture, 2011 -

[http://ec.europa.eu/dgs/education\\_culture/evalreports/culture/2012/ecocreport\\_en.pdf](http://ec.europa.eu/dgs/education_culture/evalreports/culture/2012/ecocreport_en.pdf)

2011 Communication on Developing the European Dimension in Sport [COM(2011) 12, 18.1.2011]

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0012:FIN:EN:PDF>

2012 EU study on sport's contribution to economic growth and employment in the EU:

<http://ec.europa.eu/sport/library/documents/f-studies/study-contribution-sports-economic-growth-final-rpt.pdf>

The Contribution of Sport to Economic Growth and Employment – Policy Recommendations,

[http://ec.europa.eu/culture/key-documents/contribution-of-culture-to-local-and-regional-development\\_en.htm](http://ec.europa.eu/culture/key-documents/contribution-of-culture-to-local-and-regional-development_en.htm)

PE study on The use of Structural Funds for Cultural Projects:

<http://www.europarl.europa.eu/committees/fr/studiesdownload.html?languageDocument=EN&file=75895>

EAC study of 2010 on The contribution of culture to local and regional development:

[http://ec.europa.eu/culture/key-documents/doc/studies/final\\_report\\_SF\\_en.pdf](http://ec.europa.eu/culture/key-documents/doc/studies/final_report_SF_en.pdf)

EAC study on the Entrepreneurial Dimension of the Cultural and Creative Industries:

[http://ec.europa.eu/culture/documents/edcci\\_report.pdf](http://ec.europa.eu/culture/documents/edcci_report.pdf)

Study provided by Kea in April 2012 for the INTERREG network CREARE «Measuring economic impact of CCIs policies - How to justify investment in cultural and creative assets:

[http://www.keanet.eu/docs/measuring-economic-impact-of-ccis-policies\\_final\\_creare.pdf](http://www.keanet.eu/docs/measuring-economic-impact-of-ccis-policies_final_creare.pdf)