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This action is funded by the European Union

ANNEX

of the Commission Decision on the financing of the individual measure in favour of intra-ACP cooperation

Action Document for Culture and Creative Industries Financing Initiative

<table>
<tr><td>1. Title/basic act/ CRIS number</td><td colspan="2">Culture and Creative Industries Financing Initiative
CRIS number: FED/2019/041-906
financed under the 11th European Development Fund (EDF)</td></tr>
<tr><td>2. Zone benefiting from the action/location</td><td colspan="2">Multi-Country Action
The action will be carried out in countries of the African, Caribbean and Pacific regions.</td></tr>
<tr><td>3. Programming document</td><td colspan="2">Intra-ACP Cooperation – 11th European Development Fund Strategy Paper and Indicative Programme 2014-2020</td></tr>
<tr><td>4. Sustainable Development Goals (SDGs)</td><td colspan="2">Main SDGs: 8 Decent work and economic growth
Other significant SDGs: 5 Gender equality, 9 Industry, innovation and infrastructure, 11 Sustainable cities and communities, 12 Sustainable consumption and production</td></tr>
<tr><td>5. Sector of intervention/ thematic area</td><td>Human and Social Development
Private Sector Development</td><td>DEV. Assistance: YES[1]</td></tr>
<tr><td>6. Amounts concerned</td><td colspan="2">Total estimated cost: EUR 50 000 000
Total amount of EDF contribution: EUR 20 000 000
The action will be co-financed by entities participating under the EU blending framework</td></tr>
<tr><td>7. Aid modality(ies) and implementation modality(ies)</td><td colspan="2">Project Modality - Indirect Management with Lead Financial Institutions indicated in the appendix to this Annex.</td></tr>
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1 Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective

8 a) DAC code(s)	16061 – Culture and recreation 32130 – SME Development 24030 – Formal sector financial intermediaries 24040 – Informal/semi-formal financial intermediaries 24081 – Education/training in banking and financial services 16020 – Employment Policy and Administrative Management			
b) Main Delivery Channel	To be specified following the EU blending framework procedure: 13000 – Third Country Government (Delegated co-operation) 42000 – European Investment Bank 46000 – Regional Development Bank 60000 – Private sector institution			
9. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☒	☐
	Aid to environment	☒	☐	☐
	Gender equality and Women's and Girl's Empowerment	☐	☒	☐
	Trade Development	☒	☐	☐
	Reproductive, Maternal, New born and child health	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☒	☐	☐
	Climate change adaptation	☒	☐	☐
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

Cultural and creative industries (CCIs), defined to include a diverse number of market sub-sectors, from art, design, music, fashion and publishing through to computer games, the performing arts, film, TV and radio, have a large potential to contribute to socio-economic development, contributing to economic growth as well as offering spaces for the expression of cultural identities and cultural diversity. The Cultural and Creative Industries Financing Initiative aims at supporting the CCIs in accessing equity and debt finance in order to strengthen the sector's contribution to sustainable socio-economic development in the countries from the African, Caribbean and Pacific (ACP) Group of States. Studies, evaluations and lessons learned from previous culture programmes confirm that the sector often faces barriers in accessing finance, for example, due to the intangible nature of assets and a general lack of expertise among financial intermediaries and cultural operators in

addressing these sector specificities. The lack of access to finance makes the functioning and creative production of CCIs in development contexts difficult and in many cases unsustainable. The programme will support CCIs by improving the access to finance while aiming at achieving additional financial leverage from other public or private investors. Through tailored technical assistance, the programme will also improve both the capacities of financial intermediaries in dealing with the specificities of CCIs and the business skills of cultural and creative sector entrepreneurs.

1 CONTEXT ANALYSIS

1.1 Context Description

Culture is an important component and enabler of development. While culture is an inherent part of human development enhancing social cohesion, cultural diversity and inter-cultural dialogue, culture also influences income generation, job creation and export earnings. Innovation through the cultural and creative industries very often creates spill-over effects, an enhanced sense of belonging and commitment to joint challenges from which the whole society benefits. Culture is important for individuals, societies and inter-community relations as it contributes also to identity building, social inclusion and cohesion, participation, tolerance and intercultural awareness.

The cultural and creative industries, defined to include a diverse number of market sub-sectors, from art, design, music, fashion and publishing through to computer games, the performing arts, film, TV and radio, have become major drivers of economies and trade strategies both in developed and developing countries, representing around 3 % of the world's gross domestic product (GDP) and 30 million jobs.[2] Despite the challenges facing the global economy, the creative economy has proved to be both resilient and growing, with an annual average growth rate of 7.34 % during the period 2003-2015.[3] According to recent forecasts, these sectors will represent around 10 % of global GDP in the years to come.[4] Moreover, cultural and creative industries are the sectors that create the highest number of jobs for young people aged 15-29[5] and have proven to be resilient during global economic crises.[6]

The ACP Group of States comprises some of the poorest countries in the world. With 11 % of the world population, it generates about 2 % of the world domestic product and just over 3 % of world trade. The geographical, historical, demographic, economic context of the 79 ACP countries is very diverse, also regarding the structures of cultural and creative industries. While there is an enormous potential of artistic and creative talent, the potential for economic revenue and growth remains often untapped in ACP countries. In **Africa**, many initiatives have been deployed to encourage the development of the creative industries.[7] However, as

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2 "Cultural Times" World Report, published by CISAC and UNESCO, 2015.
3 Creative Economy Outlook. Trends in international trade in creative industries 2002-2015. UNCTAD, 2018.
4 UNESCO Global Report 2018 Reshaping Cultural Policies
5 UNESCO Global Report 2018 Reshaping Cultural Policies
6 Creative economy world database. UNCTAD Report, May 2013
7 For example: the 2008 African Union's Plan of Action on Culture and Creative Industries, the African Union's Abuja Declaration and Charter for African Cultural Renaissance (2010), the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005), the UNCTAD Creative Africa Initiative (2008), the common cultural development policy of the West African Economic and Monitory Union (2013).

yet, there is no coordinated regional framework for African cultural policies. At national level, many counties lack a structured cultural policy as well as the institutions or infrastructure to deliver on policy objectives. In many African countries, cultural expressions such as music or dance play an important role in daily life, whereas the formal production and circulation of cultural goods and services is extremely limited.[8] The same report also indicates that Africa's contribution to the world export of cultural goods is marginal, amounting to less than 1 %.[9] These indicators show that the full potential of the African cultural and creative sectors is still largely underexploited.

In the **Caribbean countries**, progress has been made at regional level to develop a comprehensive policy framework for cultural policies. The Caribbean Community and Common Market (CARICOM/CARIFORUM) has identified culture as a strategic area.[10] The cultural and creative industries contribute significantly to the region's economies. As an example, according to data provided by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Conference on Trade and Development (UNCTAD), in Trinidad and Tobago the creative economy contributed approximately 4.8 % of GDP in 2011 and approximately 3 % towards employment. In Saint Lucia the contribution of the sector to GDP has risen to 7.8 % of GDP in 2010 from 3.2 % in 2000.

The **Pacific Island countries** share similar challenges and opportunities as small and remote island economies (e.g. limited natural resources, large distance to major markets, and vulnerability to external shocks). As regards the cultural sector, the region presents great potential to both drive and support its sustainable development and economic growth and yet receives little attention or recognition as a formal sector requiring astute management to maximise its economic and social contribution. According to the Council of Pacific Arts and Culture (CPAC), cultural development is hindered by the lack of national policies and appropriate legislation, absence of or weak national cultural institutions and infrastructure, and insufficient human and financial resources. In order to address these challenges, the Regional Cultural Strategy *Investing in Pacific Cultures 2010-2020*[11] was adopted in 2012 by the CPAC and the Secretariat of the Pacific Community.

Despite the socio-economic and cultural situations of the countries targeted by the proposed programme, other issues require attention to ensure sustainable growth of the cultural and creative sector to improve its contribution to national economies, particularly regarding access to finance. To support an emerging generation of cultural entrepreneurs conversant with information and communication technologies, it is also necessary to develop the infrastructures needed for cultural and creative industries to grow.

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8 According to the UNCTAD Creative Economy Report 2010, for example, only seven African countries have well developed performing arts industries and only two have a formal recording industry.

9 UNCTAD Creative Economy Report 2010

10 In 2015, Heads of Government recommended setting-up the Caribbean Creative Industries' Management Unit (CCIMU). The CCIMU's vision is to be the prime provider of services to enhance the performance and competitiveness of the cultural and creative sectors across the region and internationally.

11 Regional Cultural Strategy Investing in Pacific Cultures 2010-2020, the Council of Pacific Arts and Culture and the Secretariat of the Pacific Community, 2010. See http://www.spc.int/hdp/index2.php?option=com_docman&task=doc_view&gid=382&Itemid=4

1.2 Policy Framework (Global, EU)

Culture and creative industries are a strategic vehicle in achieving the 2030 Agenda for Sustainable Development. The EU recognizes culture as an important dimension of human, sustainable and inclusive development, influencing both economic, social and environmental outcomes as well as the interrelations between different people, communities, ethnic and religious groups and countries. The New European Consensus on Development: "Our world, our Dignity, Our Future[12]" marks a major shift in understanding the role of culture in development, recognising it as "*both an enabler and an important component of development*". It also commits the EU to "*boost cultural and creative industries to help achieve sustainable development*" by developing new ways of engaging with the private sector. Notably, with a view to leveraging private sector activity and resources for delivering public goods and explore blending to integrate Micro, Small and Medium Enterprises (MSMEs) into supply and value chains, while addressing their financing gaps. The 2016 Joint Communication "Towards an EU Strategy for International Cultural Relations"[13] and the Council Conclusions (2017) establish creative industries, cultural heritage and inter-cultural dialogue as the three core areas of international cultural cooperation.

1.3 Public Policy Analysis of the partner country/region

The ACP Ministers of Culture recognise the CCIs for playing a central role as drivers of economic growth and sustainable human development, source of job creation and innovation, but also an important instrument for peace and social cohesion, which solidifies individual and national solidarity.[14] The action concretely aims at responding to the Declaration of ACP Ministers of Culture at the conclusion of their fourth meeting held in Brussels in November 2017 to simplify and ensure access to financial support mechanisms for cultural stakeholders and facilitate the creation of funding mechanisms, common regional markets open to cultural goods and services.

The 11th EDF intra-ACP Strategy sets culture and access to finance as priorities to support the contribution of cultural industries to the socio-economic development of ACP countries. The present action supports the implementation of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, and the Cotonou Partnership Agreement, which identifies Culture and Development as important aspects of ACP-EU development co-operation (Article 27). It contributes directly the EU-ACP objectives 1.6 (Support the contribution of cultural industries to the socio-economic development of ACP countries) and 3.3 (Increased access to finance for enterprises, in particular SMEs).

1.4 Stakeholder analysis

The direct beneficiaries of the action are CCI industries in ACP countries. This category includes MSMEs, business associations and other key institutional components of the CCIs. CCIs value chains and creative clusters face structural challenges of financial inclusion. This concerns both the informal and formal cultural and creative sectors, including micro-entrepreneurs, emerging entrepreneurs, service providers, members of credit groups or associations, members of social enterprises working in various value chains, their families and communities. Cultural entrepreneurs will be able to benefit (1) from increased access to finance provided to them by local financial institutions through structured products and

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[12] OJ C 210, 30.06.2017.

[13] JOIN(2016) 29 final of 8.6.2016

[14] Declaration of ACP Ministers of Culture at the conclusion of their fourth meeting held in Brussels on 9th to 10th November 2017

services as well as from (2) financial/business and non-financial literacy education provided by service providers, other training institutions or non-governmental organisations (NGOs).

The expected end beneficiaries will be part of various value chains related to cultural and creative industries, for instance: audio-visual and television, music and events, fashion, publishing and literature, theatre and performance, design and architecture, crafts, cultural tourism, digital applications and computer games, etc. The programme will put an emphasis on the creation of decent jobs in all value chains and their sub-components.

The **indirect beneficiaries and stakeholders** are financial institutions and capacity building providers in the area of financial and non-financial literacy, for example International Finance Institutions/Development Finance Institutions, private sector financial institutions, (micro-) finance institutions, business advisory services, international and local NGOs.

Other stakeholders that will benefit from this action include:

- CCI individuals, operators, entrepreneurs and MSMEs not directly financed by the programme, but linked to the value chain or the creative clusters that the final beneficiaries will influence.
- Civil society organisations, vulnerable groups (women's associations and women entrepreneurs in culture and creative fields, youth, minorities, migrants, discriminated groups), media organisations. These stakeholders will indirectly benefit from the economic spill over effects of the development of the CCIs supported firms. The development of creative clusters may also open opportunities for creating spaces for co-creation and market access.
- General public in the target countries as it will benefit from a wider and better cultural offer, increased exposure to artistic expressions and high quality artistic productions.

These and other stakeholders will also benefit from relevant actions in terms of improved space for policy dialogue and coordination, and wider societal awareness and mobilisation. The action will generate opportunities to initiate a wider structured dialogue by EU Delegations and EU Member States' agencies in benefitting countries, with national administrations, private sector and civil society on pathways to strengthen the culture and creative sectors' contribution to socio-economic development.

1.5 Problem analysis/priority areas for support

Both demand and supply sides of financial services for CCIs in ACP countries face structural constraints. Various studies on CCIs highlight the fact that access to finance is a core barrier to further development.

From the demand side, one of the main challenges for the CCIs, especially for micro, small and medium-sized enterprises (MSMEs) and organisations, is the difficulty they face in accessing funds needed to finance their activities, to grow, and to maintain and increase their competitiveness or internationalise their activities. While that is a challenge for MSMEs generally, the situation is significantly more difficult in the CCIs due to the following aspects. (i) the intangible nature of their assets; (ii) the lack of market intelligence and business skills related to CCIs among both MSMEs and financial intermediaries; and (iii) the market conditions, notably the size of domestic markets, and the difficult access to international markets. While these challenges are universal, they are even more aggravated in ACP countries. Furthermore, the non-conducive enabling environment, the specific nature of creative sector business models, informal market conditions, weak regulatory frameworks and capacity to collect and distribute intellectual property rights, and limited access to global markets constitute additional barriers for CCIs in developing countries.

From the supply side, one of the biggest hindrances to the growth of the CCIs in ACP countries is the lack of finance. Available evidence points to several factors that are affecting this. (i) commercial banks have high collateral requirements, which many CCI enterprises are unable to meet; (ii) because commercial banks consider it as too risky to lend to CCIs, bank financing is expensive and average lending rates are above-developed country rates; (iii) debt is available only for period that ranges from 5-10 years, which is too short to ensure the return on investment for some creative enterprises. As a result, there remains a gap in the market for earlier-stage investments that may come with a higher risk.

All these aspects constitute a strong constraint to the sustainable growth of the cultural and creative sector and a better contribution to national economies in the ACP countries. Despite the vibrancy and economic potential of their creative industry, public and private investments in the sector remain acutely dismal. On the other hand, positive developments are: (1) new and emerging forms of funding, such as rewards-based crowdfunding and peer- to-peer lending, as well as the growth of private investment and venture capital in the creative industries, are helping to fuel new businesses; (2) Better awareness amongst creative organizations of alternative sources of equity and debt finance – beyond traditional bank lending – greatly enhances their potential development and resilience; (3) creative industry tax reliefs continue to underpin the expansion of successful creative industries in successful creative hubs, including film and TV, animation, video games and orchestral performances; (4) financial skills and expert professional advice are essential for developing robust finances, philanthropic and private investment, and sustainability.

Over the last decade, impact investment has started to fill the gap for early-stage investments for SMEs in ACP countries. Evidence from Africa shows that from 2005-2015 a total of USD 7.3 billion of private impact investment capital and USD 31.1 billion of capital from development finance institutions were invested. More recent data shows that this investment is growing at a fast pace. Total impact investment in Africa in 2017 was estimated to be over USD 20 billion and in 2018 exceeded USD 45 billion. This is taking place despite of the fact that the private investment climate is not ideal and 16 of the 20 countries with the world’s most difficult business conditions belong to the region. However, other sectors than CCIs seem to better attract these funds, such as renewable energy, tourism, consumer goods, construction, manufacturing, infrastructure, healthcare, financial services, extractives and education.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Limited interest from impact investors for reasons pertaining to the inherent characteristics of CCIs.	**H**	Mapping of actions, studies and initiatives (ongoing and under preparation) and on-going stakeholder consultations have shown a significant momentum for improving financial support for CCIs and demonstrated sufficient interest from the entire spectrum of stakeholders, also given the emerging prominence of CCIs in portfolios and strategies. Additional measures: investing in scalable and already sustainable MSMEs, innovative funding modalities, and recollection of data to measure the potential impact of the investments.
Fragile organizational structures and missing business skills by CCI operators and limited capacities of financial intermediaries to work with CCIs lead to a lack of projects.	**H**	Technical assistance to potential and successful beneficiaries, monitoring by partners and training.
Projects supported not implemented or sustainable.	**M**	Due diligence built in selection criteria, e.g. sound business models and plans, proof of methods/technologies, exit-strategy.
Macro-economic and political instability at country and/or regional level, or flare-ups of conflict negatively affect the region's economy.	**M**	Selection of countries, international and local partners with sufficient experience that allows a balanced risk profile of opportunities for innovation, scalability and inclusiveness.
Women/other vulnerable groups do not fully benefit from opportunities offered by the programme.	**M**	Specific communication and training activities ahead of the launch of the projects' selection process will stimulate and create adequate environment for women to fully participate in the programme. Provisions will be integrated in the guidelines for the projects' selection process to promote women's participation and implementation of gender balanced activities in the projects.

Assumptions
Financial institutions are willing to engage with the cultural and creative sector by leveraging and providing financial support as well as technical assistance to CCIs. Public authorities support and engage in creating an enabling environment for CCIs growth.

Quality management and efficiency by all main stakeholders enable the proper absorption of the programme funding and ensure the successful implementation of the proposed actions. Main stakeholders share EU's concern to promote gender equality, human rights and inclusion of vulnerable groups of the society. The risks associated with macro-economic circumstances, institutional and cultural barriers, security, limitations in policy and regulatory frameworks in the selected countries are acknowledged, adequately analysed and streamlined through risk management strategies in the actions proposed by the implementing organisations.

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

The programme will build on lessons learned firstly from other financial schemes that are already operating in the region. It will also learn from various initiatives financed by the EU that are taking action in CCIs such as, for example, the ACP Cultures+ programme, the Creative Europe Cultural and Creative Sector Guarantee Facility, the Innovative Financing Initiative for Culture (IFIC) or the Ethical Fashion Initiative.

Studies for the EU markets and the ACP region indicate that the main challenges relate to the profile and nature of the assets and outputs from cultural and creative sectors, perceived lack of critical mass and volume of the financing demand in the sector. Even though very successful, similar schemes experienced a long phase of uncertainty at the beginning when facing difficulties in attracting interest from financial intermediaries to invest in a non-traditional sector. In the longer-term, capacity building for the financial intermediaries and final beneficiaries is crucial. The size of markets is crucial, especially in developing countries with often limited access to international markets.

The programme will build on the general lessons learnt from SMEs investment in the ACP countries, especially the fact that there is an un-served “missing middle” for enterprises due to major obstacles to their growth: extremely limited access to long-term finance, limited access to skilled labour, poor governance and lack of good management practices. Impact investors providing equity and debt financing to SMEs in ACPs point out to the following aspects. The need to focus investments on individual entrepreneurs and not only companies; the significant effect that the formalisation of companies produce in their economic development and the need to focus on these aspects from the start; the benefits of a broader understanding of the market, value chains and clusters in the sub-sectors; the convenience to strategically selecting coordinated financial interventions in different points of the clusters or value chains; benefits of promoting collaboration between entrepreneurs from similar clusters or value chains. Moreover, it is acknowledged that SMEs can produce the type of economic and impact returns required by impact investors, e.g. concerning Environmental, Social and Governance-related practices.

3.2 Complementarity, synergy and donor coordination

Given the crosscutting characteristics of CCIs, complementarities and synergies will be actively sought with other relevant initiatives and actions. The action will build on the outcomes of the pilot scheme "nnovative Financing Initiative for Culture" (IFIC). It will profit from the experience and methodology developed within other blending actions and may create opportunities for synergies with a number of other ongoing/planned EU and other donors' thematic initiatives within the blending framework in support of sustainable growth and private sector development in ACP countries. It contributes also to the Africa – Europe Alliance for Sustainable Investment and Jobs and the EU's External Investment Plan (EIP) launched in 2017 and will seek synergies with its programmes.,

The programme complements the new ACP-EU Culture programme with its focus on access to business opportunities, markets, and finance, digital and technological innovation. It will create synergies also with other major culture actions currently under identification. There are promising complementarities especially with the ACP-EU Culture Programme under the 11th EDF supporting employment and access to market for the creative sectors and the new programme in support of creative industries in Lusophone countries (PALOP/TL Culture Programme) and the renewed EU-UNESCO Expert Facility aiming at strengthening regulatory frameworks and developing capacity building.

The action will ensure close cooperation with EU Delegations, EU Member States' institutes for culture and development agencies, as well as financial institutions and international organisations. The programme should be additional and complementary to other financial instruments available to the private sector and CCIs at partner country/regional level. Some international organisations and development financial institutions are already working or about to launch partnerships to provide access to finance in cultural and creative industries. Many stakeholders are already working on providing access to CCI value chain, however often under different labels such as technology, innovation or general SME development. The programme will actively aim at mobilising the synergies and complementarities outlined.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The programme will support the cultural and creative industries (CCIs) in accessing equity and debt finance in the ACP countries. The action will focus on decent job creation and growth of enterprises, with measurable impact in terms of decent job created, percentage of women and youth participation, environmentally friendly products. The area of intervention will be the whole of the CCI domain, which comprises a broad range of activities including: traditional visual and performing arts and art markets, books, advertising, press and media, music, audio-visual sector and broadcasting (film and television), architecture and design, software and games, tourism, cultural sites and traditional crafts.

The overall objective is to increase the contribution of culture for sustainable socio-economic development in the ACP countries.

The proposed specific objective is:

Improved access to finance for MSMEs from the culture and creative sectors.

The expected outputs are:

- Op1 – Increased and better-tailored offer of financial institution products and services for CCIs.
- Op2 – Mobilisation of additional financial resources, from both public and private sector, through the catalytic role of EU's blending operations.
- Op3 – Improved capacities of local financial institutions and CCI entrepreneurs.
- Op4 – Knowledge of the CCI systems, value chains, cultural and creative MSME profiles and creative clusters in ACP countries is improved and shared with ACP stakeholders.

Main activities

Activities will be carried out through blending arrangements with eligible financial institutions (that will act as Lead financial Institutions) and, depending on the final structure of the blended finance solution, with selected regional/national/local level financial institutions. Support can be provided through various forms, i.e. risk capital and risk-sharing operations, e.g. guarantees, equity, mezzanine finance structures and/or classical loans, direct investment grants and technical assistance.[15] A contractual requirement for each Lead Financial Institution (see 5.3.1) will be to ensure that as part of their obligation, they will ensure dissemination of knowledge and best practices related to innovative and successful financial products, initiatives, or methodologies with stakeholders (international or local, public or private) that are active in ACP countries, including other local or international financial institutions supporting CCI. Geographical balance will be an additional criterion.

Technical assistance will be available for both ACP local financial institutions and end beneficiaries.

Activities will comprise a variety of financial and non-financial support and capacity building services in line with relevant assessments and identified needs regarding business quality and socio-economic impact. They can include: building market intelligence (including CCI industry sector profile definition, CCI enterprise business models definition/identification, and critical success factors in creative and cultural enterprise management) and strengthening knowledge of CCI value chain players (entrepreneurs, operational MSMEs, consultants/advisers, business associations, financial institutions and policy makers), investment fairs, visibility and outreach; assessment of CCIs assets and intellectual property rights, screening of business plans; business advisory services and facilitation to new business/MSMEs in the CCIs; training in technical and soft skills; aspects of financial and digital literacy including access to digital financial services; capacity building for improved data diagnostics, monitoring, results and impact assessments; support for the development of financial products and services; support to development of agents' networks serving the needs of CCI entrepreneurs. Structured dialogue with private and public sectors might also be envisaged.

4.2 Intervention Logic

The overall objective of the action is to increase the contribution of culture for sustainable socio-economic development in ACP countries by increasing access to finance for CCIs. This is based on the assumption that if (1) funding for operators in CCIs is better tailored and more widely available, (2) the professional and entrepreneurial skills of cultural operators are improved, (3) the investments from development financial institutions and private sector investors for CCIs is increased and (4) a better insight into the CCI value chain and sector profile, creative and cultural enterprise business models and critical success factors sector and value chains in the ACP countries are made possible and better understood by ACP stakeholders, CCIs will better contribute to the sustainable socio-economic development of the targeted areas. Products and services provided by CCIs will enter wider consumer markets, which will in turn generate economic growth and jobs. Moreover, value transfer opportunities along the chain of the creative economy will be created and new CCI business

[15] This might also include innovative approaches, e.g. crowdfunding and diaspora involvement. Evidence shows that the potential of these approaches. There are several crowdfunding platforms that target the creative sector and it is estimated that 20 % of the funds raised are dedicated to creative and arts related projects.

models will integrate high-value content and communication technologies, leading also to spill-over effects in other sectors.

The design of the programme is based on the assumption that receptivity by policy makers and of regional/national/local financial institutions to learn from evidence of the CCI needs will translate into financial and economic policy reforms and support mechanisms for long-term sustainability. It builds also on the assumption that the relevant public authorities will support and create an enabling environment for CCIs growth. One especially important area is to improve the weak regulatory frameworks and capacity to collect and distribute intellectual property rights which is a key source of income for many CCIs.

The Lead Financial Institutions will assess relevant investments and technical assistance support on the basis of clearly defined objectives, business and organisational development plans in conformity with the objectives of the present action and aligned with the ACP and EU priorities.

4.3 Mainstreaming

A particular focus on human rights, cultural diversity and gender issues is envisaged in all activities described in the present document and will be translated in the investment guidelines by the Lead Financial Institution. This will mobilise the specific potential of cultural and creative sectors for women and youth empowerment and employment generation. The programme will aim to mobilise the potential of culture to economically empower women of all ages, youth as well as support vulnerable groups, including where relevant refugees and internally displaced persons. It will promote youth and women entrepreneurship in the CCIs and undertake to develop capacity among women and youth, especially in financial management and entrepreneurial leadership, creative professions, and the use of digital tools. Furthermore, it is also important that the programme ensures the equal treatment and participation of people with disabilities in all the project's phases including the formulation/contracting, the capacity building activities and the implementation of specific projects. With this approach, the action will contribute to peace, social cohesion and further regional integration. A special attention to environmental issues might be integrated in the selection of projects.

4.4 Contribution to SDGs

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. The programme responds directly to SDG 8 (Decent work and economic growth), but also to SDGs 5 (Gender equality),9 (Industry, innovation and infrastructure), 11 (Sustainable cities and communities) and 12 (Responsible consumption and production).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the Secretariat of the ACP Group of States referred to in the financial regulation applicable to the 11th European Development Fund.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 120 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[16].

5.3.1 Contribution to the EDF Blending Framework

This contribution may be implemented in indirect management with the entities, called Lead Financial Institutions identified in Appendix 3 to this action document.

The action will be implemented in the context of the EDF Blending framework for thematic initiatives. Multilateral and national European development finance institutions will be direct partners and important stakeholders of the financing initiative. The role of non-European finance institutions already acting as lead financiers in other blending facilities is preserved, with respect to actions in the region covered by the facility where they can already act as lead financier. These institutions will be selected according to the rules of procedure for the EDF Blending Framework, adopted in October 2015.

All the entrusted entities must comply with the criteria set out in Article 154(4) of Regulation (EU, Euratom) No 2018/1046, applicable in accordance with Article 30(1) of Regulation (EU) 2018/1877. Certain entrusted entities are currently undergoing the ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

[16] www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The Commission's thematic and geographic services will jointly examine the scope of the proposed blending operations and shall decide on the target countries in the African, Caribbean and Pacific regions, and the need to ensure sizeable and measurable impact, visibility and conformity with the relevant strategic goals.

5.5 Indicative budget

	EU contribution (*) (amount in EUR)	Indicative third party contribution (amount in EUR)
1. Contribution to the EDF blending framework	19 800 000	The contribution from the financial institutions will be decided at a later stage
2. Evaluation, 3. Audit	200 000	N.A.
4. Communication and visibility	included in the Contribution to the Action	The contribution from the financial institutions will be decided at a later stage
Totals	20 000 000	The contribution from the financial institutions will be decided at a later stage

(*) The contribution includes the fees to be paid to the Lead Financial Institutions, as defined in the contractual arrangements of each specific project.

5.6 Organisational set-up and responsibilities

This thematic blending initiative operates under the governance of the EDF blending framework, which reflects the recommendations of the EU Platform for Blending in External Cooperation, aiming at improving the effectiveness of blending operations in meeting their policy objectives of poverty reduction and socio-economic development as well as the efficiency of their management including a reduction of transaction costs.

The governing structure, rules and procedures of blending are the ones applicable for blending operations. The EDF Boards are chaired by the Commission and include the European External Action Service (EEAS) and the EU Member States as voting members, and Financial Institutions as observers. The aim of the EDF Board is to formulate opinions on project proposals to be submitted by Financial Institutions and to provide guidance on appropriate future financing proposals. The ACP Secretariat will be invited to attend the meetings of the Strategic Board of the European Fund for Sustainable Development. The set of criteria for assessing proposals are those applicable under blending, whilst financial institutions need to inform, at an early stage of project preparation, Commission services concerned that will involve the EU delegations and the ACP Secretariat. Rules of procedure for the EU Blending Framework, adopted in October 2015, provide further details regarding the decision making process.

Strategic meetings with the ACP Secretariat will be organised, as appropriate, to hold a dialogue on the blending operations to be supported under the proposed action. These meetings will particularly allow to discuss the state-of-play of available resources under the proposed action, the geographical balance and the relevance of applications to the proposed action. A Steering Committee could also be set-up with the ACP Secretariat, the mandate and composition of which would be formalised in terms of reference during the inception phase of the proposed action.

5.7 Performance and Results monitoring and reporting

Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. The entrusted entities should provide all the relevant information on the execution of the projects in order to enable the European Commission, in consultation with the ACP Secretariat, to carry out the required follow up of the actions.

As per the recommendation of the EU Platform for Blending in External Cooperation (EUBEC), the Commission will monitor the performance of the projects based on the expected results described under section 4 above and the minimum set of results indicators listed in Appendix 2, as may be adapted from time to time following the EUBEC Platform discussions and considering the relevant EU Result Framework, or any further indicator agreed. The reporting shall also enable the Commission to report on the performance indicators defined in the EU Results Framework as well as in the context of the different regional and national programmes. The ACP Secretariat will be regularly informed.

The programmes will aim to provide sex and age disaggregated indicators whereas possible. Specific indicators on cultural and creative industries are expected to complement the Standard Output and Outcome Indicators for Blending Projects as set out in the appendix to the action document.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the standard output and outcome indicators for blending projects.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

At the level of the individual operations, monitoring, evaluation tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project. Additional evaluations, if deemed necessary, may be organised by the Commission.

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to potential replenishment of the programme, in case of satisfactory results.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the programme would be the first facility set-up specifically to target urban development interventions through blending modalities in ACP States.

The Commission shall inform the implementing partners at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the ACP group of states and other key stakeholders. The implementing partners and the Commission, in consultation with the ACP Secretariat, shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary.

Evaluation services may be contracted under a framework contract.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. It is foreseen that audit services may be contracted under a framework contract.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The European Commission and its implementing partners will abide by the visibility rules for European Union financing as per relevant provisions in the respective project agreements and contracts. For each individual project, a communication plan will be prepared by the lead FI, allowing the involvement of the EU Delegations at key stages of the projects having visibility potential. Additional communication measures might be taken if necessary. In the context of the reporting on the relevant facility, the European Commission will publish an annual activity report providing an overview of the financed projects.

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU and the Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plans.

APPENDIX 1 – INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain:	Indicators	Sources of data	Assumptions
Impact (Overall Objective)	OO - To increase the contribution of culture for sustainable socio-economic development in the ACP countries.	0.1. Percentage of persons employed by CCIs as a % of the total employed population in targeted countries. (disaggregated by sex) 0.2. Percentage of exports of cultural goods and services by CCIs of total exports the targeted countries (by regions and/or countries).	0.1. Statistics (national, UNESCO, OECD, World Bank, WIPO, ILO etc.) 02. Reports and statistics (e.g. WTO, UNESCO, UNCTAD, OECD, World Bank, national and regional institutions, etc..)	*Not applicable*
Outcome(s) (Specific Objective(s))	SO - To improve access to finance for MSMEs from the culture and creative sectors	1.1 Total stock of financial resources (supply, in EUR) available to CCIs offered by the financial mechanisms co-financed by the programme 1.2 Number of MSMEs and organisations from CCIs active in the countries targeted by the programme 1.3 Duration and annual turnover of CCIs. supported in the context of the action.	1.1 Progress reports 1.2/1.3 Baseline and endline study to be commissioned by the Financing Institution	Financial institutions are willing to engage with the cultural sector by providing loans and leases to CCI entrepreneurs in the ACP countries as well as technical assistance.
Outputs	Op1 - Increased and better-tailored offer of financial institution products and services for CCIs.	1.1. Number of CCIs financed by the action over its implementation 1.2. Financial amount of the loans provided to CCIs as a % of total loans to MSMEs 1.3. Total volume of equity financial support provided as a % of total equity to MSMEs 1.4. Number of new financial modalities (debt and equity) made available to CCIs that are co/financed by the programme	1.1./1.2./1.3/1.4 - Data base to be established by the programme. Progress reports. Reports and statistics (e.g. WTO, UNESCO, UNCTAD, OECD, World Bank, national and regional	Relevant public authorities support and create an enabling environment for

			institutions, etc.)	CCIs growth.
	Op2 - Mobilisation of additional financial resources, from both public and private sector, through the catalytic role of EU's blending operations.	2.1. Amount of additional funding from public sector 2.2. Amount of additional funding from public sector	2.1.Data collected by the action management. Progress reports	
	Op3 - Improved capacities of local financial institutions and CCI entrepreneurs	2.1. Number of cultural operators benefitting from technical support and training in project management through the action over its implementation (disaggregated by sex) 2.2. Level of professionalization and practical management skills gained by workers in the cultural and creative sectors in the countries targeted by the action (disaggregated by sex) 2.3 Number of financial institution workers trained on CCIs by the programme (disaggregated by sex) 2.4 Number of financing operations /year in credit lines supported by the programme	2.1.Data collected by the action management. Progress reports 2.2. Baseline and endline study to be commissioned by the Financing Institution	Quality management and efficiency by project's main stakeholders enable the proper absorption of the CreatiFI funding and ensure the successful implementation of the proposed actions
	Op4 - Knowledge of the CCI systems, value chains, cultural and creative MSME profiles and creative clusters in ACP countries is improved and shared with ACP stakeholders.	4.1. No. of reports on CCI firms supported (received finance or trained), and their socio-economic performance 4.2. No. of country-wide, annual standardised surveys conducted by the this programme about CCI value chains and creative clusters in selected countries with comparable aggregate data	4.1.Data collected by the action management and verified by an independent agent 4.2. Survey reports entrusted by the programme are verified by a third party agent	The political climate in the targeted regions remains stable and there are no serious security problems Main stakeholders share EU's concern to promote gender equality, Human Rights and inclusion of vulnerable groups of the society

APPENDIX 2 - STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS[17]

Private sector development

	OUTPUT INDICATORS	UNIT	DEFINITION
4.1	*For direct operations*: Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/ at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.2	*For direct operations*: Access to finance: Amount of outstanding loans to relevant target group	Currency	Amount of outstanding loans/investments at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.3	*For indirect operations*: New financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	Currency	Volume of credit lines/guarantees / capital investment extended to financial intermediaries for on lending to target groups (target groups being understood as Microfinance/MSME/Agribusiness/Energy Efficiency/Renewable Energy/Student Loans/Housing Finance/Retail Finance/Total Portfolio/Other to be specified in each instance).
	OUTCOME INDICATORS	**UNIT**	**DEFINITION**
4.4	*For indirect operations*: Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.5	*For indirect operations*: Access to finance: Amount of Outstanding Loans and other sources of financing to relevant target group	Currency	Amount of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.6	*For direct operations*: Number of micro-small and medium enterprises (MSMEs) reporting increased turnover (as a result of direct support received from the FIs)	Nr.	Number of MSMEs receiving direct assistance from financial institutions that have increased the volume of their turnover.
4.7	*For both direct and, where feasible, indirect operations*: Number of jobs sustained	FTE	Number of full-time equivalent employees at the end of the reporting period. Includes full-time equivalent worked by seasonal, contractual and part time

[17] Source: guidance note on project application form; version January 2016

	(resulting from the project)		employees. Part-time jobs are converted to full-time equivalent jobs on a prorata basis.

Cross sector indicators

	INDICATORS	UNIT	DEFINITION
7.1	Total number of beneficiaries	#	Estimated number of people with improved access to services (financial services, social and economic infrastructure, etc.)
7.2	Number of beneficiaries living below the poverty line	# (and/or %)	Sub-group of total beneficiaries above (if applicable). Reference point used, e.g. national or international definitions of poverty, should be made transparent)
7.3	Relative (net) Greenhouse gas emissions impact[18]	CO_2 ktons eq / year	Average amount of GHG emissions induced, avoided, reduced or sequestered per year by the project during its lifetime or for a typical year of operation: net balance between gross emissions and emissions that would occur in a baseline scenario.
7.4	Direct employment: Construction phase	# (FTE)	Number of full-time equivalent construction workers employed for the construction of the company or project's hard assets during the reporting period.
7.5	Direct employment: Operations and maintenance	# (FTE)	Number of full-time equivalent employees as per local definition working for the client company or project at the end of the reporting period.

[18] Enter baseline according to point (2), expected value with the project according to gross emissions calculation in point (3) and expected result according to net emissions impact calculation in point (4). Indicate in the comments box the project impact category as outlined in point (1). The indicator should be assessed for a "typical year of operation": there is no need to "indicate the year".

APPENDIX 3 – LIST OF ENTITIES PARTICIPATING IN THE INITIATIVE

Acronym	**International Organisations (IOs)**
ADB	Asian Development Bank
AfDB	The African Development Bank
AU-IBAR	African Union
CABEI	Central American Bank for Economic Integration
CDB	Caribbean Development Bank
CIFOR	Center for International Forestry Research
EBRD	European Bank for reconstruction and development
EIB	European Investment Bank
EIF	European Investment Fund
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
NEFCO	Nordic Environment Finance Corporation
OIE	World Organisation for Animal Health
SPC	The Pacific Community
SPREP	South Pacific Regional Environment Programme

WBG	World Bank Group (IBRD, IDA, IFC, MIGA, ICSID)
WFP	World Food Program
Acronym	**National Agencies**
AECID	Agencia Espanola de Cooperacion Internacional al Desarrollo, Spain
AFD	Agence Française de Dévelopement, France
BIO	Belgian Investment Company for Developing Countries (BIO N.V./S.A.), Belgium
CDP	Cassa depositi e prestiti S.p.A., Italy
COFIDES	Compañía Española de Financiación del Desarrollo, Spain
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany
DFID	UK Department for International Development, United Kingdom
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, Netherlands
KfW	Kreditanstalt fur Wiederaufbau, Germany
PROPARCO	Groupe Agence Française de Développement, France
RVO	Rijksdienst voor Ondernemend Nederland (Netherlands Enterprise Agency), Netherlands
SIMEST	Societa Italiana per le Imprese al'Estero, Italy
USAID	United States Agency for International Development, USA