

Recovery roadmap for Europe - boosting growth through music and cultural industries

Europe and its member states need an ambitious 5-year recovery strategy post-coronavirus crisis to boost investment, jobs and growth. Only a multi-annual approach focussing on key sectors will allow for a proper European recovery in the long term.

IMPALA proposes a ten-step roadmap with a timeline requiring decisions in May through to September and beyond. The roadmap sets out financial and non-financial tools to increase liquidity in the music and broader cultural industries.

The timing for the first five steps coincides with the EU's Recovery Plan, which should be presented mid-May. This is alongside steps 6 to 8 which involve ambitious national economic measures. Step 9 focuses on speeding up the implementation of the copyright directive nationally. The last step underpins the whole roadmap and involves an investment-based approach in the long term to valuing the sector and its assets.

IMPALA sees its roadmap as part of a broader strategy that builds on the unique contribution of the sector to Europe's economy and wellbeing. The cultural sectors account for 12m jobs and 5.3% GVA and are mainly composed of small and medium businesses (95%) and self-employed (33%). This is important as these businesses are vital for the music economy, whether during the crisis or beyond. They are the main risk takers, accounting for 80% of all new releases. The music sector is also at the heart of people's everyday life across the world. They spend around [18 hours a week](#) listening to music, and even more during the confinement period when music has played a key role in bringing communities together.

IMPALA's roadmap proposes a specific timeline for music and the cultural sectors and comes alongside other mechanisms mentioned in IMPALA's [crisis plan](#) published on 25 March 2020. It is also informed by the responses to IMPALA's ongoing [mapping](#) first published on 9 April.

Step 1 – Recognising music and culture as priority sectors (May 2020)

The first step is for the EU and member states to recognise music and culture as a priority, with a 5-year sector specific plan put in place without delay. Culture is one of Europe's main assets and its' economic and wellbeing contribution is unique. This means that only a long-term plan will allow the sector to recover its full potential. Now is the time for a joined up policy approach to prepare the next ten years with an ambitious strategy:

- *This is essential to address the crisis, and to develop a clear recovery strategy for these sectors in Europe (economic, diversity). We look to both the EU and national level to put sector specific plans in place as part of any recovery programme. It is the very first step as it will help unlock the others.*

Step 2 – Co-ordinating de-confinement and mobility strategies across Europe (now onwards)

The second step is for the EU to co-ordinate how we can re-start the economy and respect social distancing. This is vital to the whole music industry and the wider cultural sectors.

- *Record stores should be part of the first wave of shops re-opening as long as they respect social distancing. A co-ordinated approach is also needed for music and other venues so*

that they can re-open safely, with national governments' support where closure is likely or where insurers don't step in (particularly for festivals and other events). Another element is making sure that artists and cultural workers are part of the EU's mobility plans for safe and appropriate travel.

Step 3 – Allocating sector specific EU and national crisis funds (May 2020)

The third step involves EU and national governments, with crisis funds being set up at European and country level for music and other cultural sectors:

- *This remains a vital initial step to assist the sectors in surviving the crisis – a recent study in Belgium showed that the cultural sectors are the hardest hit, even ahead of retail. The ability for hundreds of thousands of creators and self-employed workers to make a living, and small enterprises to stay in business and keep investing, is at stake.*

Step 4 – Adopting 5-year state aid framework (May 2020)

The fourth step sees the EU extend its temporary state aid framework for 5 years to boost liquidity of small and medium businesses in music and culture, without the usual limits such as maximum aid ceilings:

- *National recovery plans depend on this. Member states must be able to introduce and maintain appropriate recovery and liquidity measures and adjust existing schemes. As this is a long-term crisis response, 5 years is the minimum and must be accompanied by a complete relaxation of usual state aid limitations.*

Step 5 – Increasing allocation for culture in future EU budget (May 2020)

Next is the EU member states adopting the future EU budget with significantly increased funds for music and culture. Programmes such as Creative Europe's Culture sub-programme should be augmented and reconfigured to cover music production projects (May 2020):

- *The future EU budget is a vital step and it is time to recognise the key role that music plays in Europe today economically, socially and culturally, as well as in terms of wellbeing. The future EU programmes must support those who play a key role in investing.*

Step 6 – Boosting loans for small and medium businesses (May 2020)

Interest-free long-term loans with delayed repayment should be available from both the EU and from financial partners in every member state. This also involves boosting the EU's loan guarantee schemes for the cultural sectors with triple funding, 100% guarantees and maximum flexibility:

- *Interest-free loans, although taking time to roll out, remain crucial in boosting company liquidity in Europe, particularly for small and medium sized businesses, as shown in IMPALA's [survey of members](#). In addition, loans need to be seen as an investment tool to facilitate economic recovery. This goes hand in hand with the EU reinforcing its loan guarantee facilities. EU guarantees will make a vital difference in providing the necessary stability for national banks to take risks during recovery.*

Step 7 – Granting VAT holidays and longer-term measures (when retail stores re-open):

As the EU puts its framework in place, step 7 looks to member states to take an ambitious approach to VAT, with a holiday and/or applying no (or reduced) VAT on cultural goods and

services in the longer term:

- *This is aimed at boosting the sector and promoting access to culture. It should coincide with retail outlets and record stores being in the first wave to re-open, just like bookstores and other stores specialising in cultural goods. Each country should be able to apply VAT measures as an emergency response without changing the EU's VAT regime.*

Step 8 – Adopting national tax credit schemes (by September 2020)

This step is crucial and involves all member states applying tax credit schemes for small and medium sized businesses who are investing in creation:

- *This is interesting as it has been used to great effect with certain sectors already and involves no direct outlay by national governments. It is essential to take a long-term view to boost investment and jobs within the sector. In France, every euro spent this mechanism generates 3 euros for the public purse.*

Step 9 – Implementing EU copyright directive by the summer (July 2020, September latest)

This step could also have been the first one, as establishing a level playing field with platforms is essential to address the value gap. That will have a huge economic impact for smaller creators. It involves Europe making sure there is a strong copyright framework in place and for member states to implement the copyright directive by the summer as a sign of support and solidarity:

- *In doing so, member states should stick to the EU's text (i.e. without adding layers of new rights to negotiate directly with platforms or new exceptions as they would cut across the business of monetisation. Accelerating implementation is an effective and free tool for countries to use.*

Step 10 – Reviewing tools to value music and culture properly (September 2020 to January 2021)

The final step in the longer term is one of the most important parts of this growth roadmap. It involves two key mechanisms as part of a new approach to valuing the sector:

- Allowing better valuation of intangible assets like copyright (needs a change of standard accounting principles).
 - *All sectors need to be able to value their assets to evolve, yet intangible assets remain impossible to value under current accounting standards (we recommend a review to be launched by September 2020).*
- Revising NACE codes so the music sector can be properly valued.
 - *Statistical valuation is vital for any sector and the current system needs revising to show the true value of the music sector (a review should start by September 2020).*

End