

## Cultural and Creative Industries

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This policy brief is part of a series of nine sectoral studies developed by the Lebanese Center for Policy Studies (LCPS). The lead author of this series is Senior Economic Researcher Lina Maddah, with the contribution of Executive Magazine. The aim of this series of briefs is to examine the impact of Lebanon's economic crises on key economic sectors and present recommendations that can assist with private sector recovery. This series was developed with the support and contribution of the Lebanese Private Sector Network (LPSN) and in collaboration with Executive Magazine.

## Sector Overview

Cultural and Creative Industries (CCIs) have become a significant part of the Lebanese economy. Projects led by organizations such as the United Nations Industrial Development Organization (UNIDO) and international non-governmental organizations (INGOs) have supported the development of Lebanese craft and creative clusters in the past decade. Lebanon's creative industries span several sectors: media (TV, cinema, radio, music production, publishing), art and design (advertising, architecture, graphic design, jewelry, fashion, photography, writing, performing arts, visual arts, and crafts), in addition to activities related to cultural heritage. Before the crisis, CCIs accounted for almost five percent of the country's GDP, a market value of more than \$2 billion<sup>1</sup>, and 4.5 percent of national employment, with an average annual growth rate of over 8 percent and an estimated number of direct employees above 60,000 according to a 2015 UNIDO report.<sup>2</sup>

<sup>1</sup> The Contribution of Cultural and Creative Industries to the Lebanese Economy (2020) Institut des Finances Basil Fuleihan (institutdesfinances.gov.lb)

<sup>2</sup> UNIDO. (2015). Mapping of Clusters in Cultural and Creative Industries in the Southern Mediterranean

<sup>3</sup> World Bank Group, European Union, & United Nations. (2020). Beirut Rapid Damage and Needs Assessment

<sup>4</sup> GIZ. (2021). Voices of Creatives: Scenarios for the New Normal in the Creative Industries of Sub-Saharan Africa and the Middle East after Covid-19 <https://www.nighwme.org/voices-of-creatives/>

## Challenges

Enterprises in the CCI space, like other firms, are challenged by Lebanon's economic and political instability, the absence of government support, blocked access to finance, loss of talent, and shrinking local demand. The damage to the CCIs alone is estimated to be as high as \$1 to \$1.2 billion.<sup>3</sup> The impact of purchase power losses due to the depreciation of the Lebanese pound on artisans and creatives was no less severe than on other income earners. A survey of Lebanon's creative economy by the German Gesellschaft fuer Internationale Zusammenar-beit (GIZ) found that 57 percent of freelance creative workers experienced a drop in earnings of more than 75 percent in 2020.<sup>4</sup> The precarious drop in earnings combined with structural deficiencies, namely a high degree of informality and lack of access to the state's safety nets and medical insurance, im-pair the livelihoods of creative workers and especially the high share of freelancers among them. A mutual fund for the insurance of artists was passed by legislators in 2012 under Act No. 7535/2012, but it has not yet taken effect. Besides social safety, protection of intellectual property is another legal challenge for the sector. New expressions of creativity have yet to be protected by laws. Moreover, the Lebanese Intellectual Property Rights (IPR) law of 1999 is oriented on salient standards that govern the IPR protected trade but enforcement of the law, which has long been criticized as weak, has in the past few years been further impaired by staffing and budget shortfalls at the Ministry of Economy and Trade.

Skills gaps, the small size of the domestic market for crafts and CCI products, regulatory barriers on cultural and creative exports, and difficulties in accessing international markets pose another set of challenges to CCI entrepreneurs, micro and small enterprises (MSMEs).

## Opportunities

Potentials for CCI exports appear positive because of increasing international recognition of Lebanese design (fashion, furniture, and digital), particularly in light of the growth of digital platforms in the region.

The growth of remote work and expanding networks that link international and diaspora clients to Lebanon as outsourcing destination, generates new freelance and remote employment opportunities for Lebanon's creatives and price-competitive designers.

For artisans, freelancers, and MSMEs in the labor-intensive creative industries, the Lebanese economic crisis, due to the severely depreciated currency, has opened windows of competitive pricing of skilled labor and cultural products and services.

Specific CCI subsectors, such as the publishing and jewelry, stones and precious metals sectors, have demonstrated their significant potentials by achieving positive external balances by 2020.

Entrepreneurs and employers seeking to leverage the power of creatives will be able to rely on growing labor supply. According to one assessment, the 'potentially creative' population can reach around 360,000 people, or 20 percent of the total working population.<sup>5</sup>

<sup>5</sup> The Contribution of Cultural and Creative Industries to the Lebanese Economy, October 2020, Basil Fuleihan Institute of Finance (institutdes-finances.gov.lb)

## Policy Recommendations

1. CCIs have a significant economic weight and can play a role in local development in Lebanon, regeneration of cities and fading rural economies, and employment growth. CCIs also have a positive impact generated from multiplier effects, and can robustly influence innovation in the wider economy. As Lebanon struggles to find a way out from economic, financial, and social crises, it is critical that the country focuses on supporting and promoting this sector where Lebanon has a comparative advantage.
2. Improve the legal, syndical, and financing frame-works by establishing a national framework for cultural statistics.
3. In order to ease the formalization of the creative sec-tor and its economic activity, review the legal rights and social protection framework for 'artists,' including legislated but dormant mutual funds, and intro-duce tax incentives and exemptions for CCI firms.
4. Enhance the budget and widen the function of the Ministry of Culture in line with best international practices in fiscal support of culture, review fiscal and customs duties on creative exports, and simplify customs requirements.
5. Strengthen institutions and programs offering education, vocational training, soft skills, and business literacy to persons seeking CCI careers.
6. Aid creative workers and CCI MSMEs in transitioning to digital technology to

increase competitiveness.

7. Improve access to finance through support of cooperative banking, ring-fenced microcredit offerings for artisans, and non-conventional financing tools such as crowdfunding initiatives, impact funds and specialized creative funds.
8. Create associations for CCI enterprises and individual workers and establish and integrate chapters for artisans and designers into aspiring private sector organizations such as the Lebanese Private Sector Network (LPSN).
9. Support the creation of dedicated services for MSME companies in the CCI realm. Such services should include investment and funding specializations, co-working spaces, digital working hubs, and CCI-focused incubators and accelerators.
10. Develop mini-culture hubs where creative workers can have secure digital work environments and physical spaces that support networking, co-working, and collaborative initiatives between talents from the digital and creative worlds.
11. Identify local niches and specialization with high potential of CCI, adopt municipal and governorate-level policies that promote CCI activities and allocate municipality resources to specific creative industries that have been identified as adding value to the respective towns and communities.
12. Integrate urban and rural hard infrastructures with cultural and creative spatial targets: In urban centers and big cities, leveraging cultural heritage sustainably to create collaborative spaces.
13. Upgrade rural infrastructures to highlight and protect spaces of local cultural importance and places that exemplify community characteristics.
14. In acknowledgment of the high cultural and creative role of Beirut, support the audiovisual and multi-media sector that has made its home in the Beirut Creative Cluster and extend needed support to other clusters with notable activities, especially sustained operations during the economic and social crisis, in publishing, fashion design, jewelry, and contemporary art.
15. Dedicate special efforts to identifying 'anchors' such as vibrant collectives or outstanding businesses, that make a cluster culturally and economically viable. Having identified different CCI-subsector-specific clusters, find and leverage synergies for developing shared thematic visions of interrelated clusters (for example, media clusters, instead of dividing cinema, music, TV, radio, advertising, and video games). Create infrastructures and back-office structures that can serve common needs of these interrelated clusters.

## LCPS

### About the Policy Brief

A Policy Brief is a short piece regularly published by LCPS that analyzes key political, economic, and social issues and provides policy recommendations to a wide audience of decision makers and the public at large.

### About LCPS

Founded in 1989, the Lebanese Center for Policy Studies is an independently managed, non-partisan, non-profit, non-governmental think tank whose mission is to produce and advocate for policies that improve governance in Lebanon and the Arab region. LCPS's current research agenda focuses on: enhancing governance, informing the process of economic growth and sustainable development, promoting inclusive and effective social policies, and informing the development of policies for a sustainable environment. Four themes cut across the above areas of focus, including gender, youth, conflict resolution, and technology.

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