Culture and the creative economy in Lithuania and municipalities of Klaipėda, Neringa and Palanga

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Culture and the creative economy in Lithuania and the municipalities of Klaipėda, Neringa and Palanga

Cultural and creative sectors are a significant driver of local development through job creation and income generation, spurring innovation across the economy and increasing the attractiveness of cities and regions as destinations to visit, work and live. This case study offers a review of cultural and creative sectors in Lithuania, highlighting issues and trends in employment and business development, financing and cultural participation. It brings a specific focus on three municipalities within the County of Klaipėda located on the Baltic coast – Klaipėda City, Neringa and Palanga – small cities specialised in port activities, logistics, traditional manufacturing and seaside resort tourism. It highlights how culture and creative sectors can be leveraged to foster local development, diversify the economy and strengthen territorial attractiveness. It provides recommendations and international examples on ways to support business development in creative sectors and to strengthen synergies between culture and tourism.

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Corrigendum:

An early version of this paper from 25 January 2023 was revised:

Page 66, second paragraph: add sentence "Klaipėda City CCS budget continued to grow since then." Add footnote: "The increase of funding in 2019 is due to the increase of EU funding in that particular year. The drop of overall funding in 2020 is due to the reduction of EU funding, whereas the city continued to increase its own budget devoted to this category."
Page 67, Figure 4.10: correct data and add data labels.

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This case study offers a review of cultural and creative sectors in Lithuania highlighting issues and trends in employment and business development, financing and cultural participation. It brings a specific focus on three municipalities within the County of Klaipėda – Klaipėda City, Neringa and Palanga – small scale cities specialised in port activities, logistics, traditional manufacturing and seaside resort tourism. It highlights how culture and creative sectors (CCS) can be leveraged to foster local development, diversify the economy and strengthen territorial attractiveness.

Prior to the COVID shock, the cultural and creative sector grew significantly

Between 2011 and 2018, Lithuania recorded the largest increase in the share of CCS firms among OECD countries. Though starting from a lower base than the majority of OECD countries, between 2011 and 2018 the number of CCS enterprises grew by 132% in Lithuania, compared to 18% across OECD member countries. This echoes similarly high levels of growth in other countries in Eastern Europe, such as Latvia, Czechia and Romania, in which the number of CCS enterprises grew by 93%, 83% and 65% respectively. The share of CCS enterprises in the business economy in Lithuania increased from 7% to 9% over the period (compared to a 1 percentage point increase from 6% to 7% in the OECD).

CCS gross value added (GVA) growth in Lithuania was among the strongest across the OECD. Mirroring the significant increase in the number of CCS firms, CCS GVA increased significantly by 58.4% between 2011 and 2018, more than five times the OECD average (11.4%). In 2018, businesses from CCS contributed almost 1.6% of total business economy GVA in Lithuania, a lower share than the OECD average (2.2%), but comparable to EU peers in Eastern Europe, such as the Slovak Republic (1.2%), Hungary (1.6%) and Romania (1.7%). However, as in most OECD countries, GVA growth in CCS was slower than in the total business economy, meaning that the share of GVA attributed to CCS decreased from around 1.8% of total business economy GVA in 2011 to just under 1.6% in 2018.

CCS employment (including both jobs in CCS and cultural jobs in other sectors of the economy) had also been growing strongly. Between 2011 and 2020, employment in the CCS grew by 18.2%, to 4% of total employment, higher than the EU average of 3.6%. Employment growth in recent years has been driven largely by increased employment in the professional, scientific and technical activities subsector (an increase of around 86% between 2013 and 2020), which includes areas such as architecture, design and photography. Within CCS, core cultural sub-sectors (e.g., museums, libraries, archives) in Lithuania employ a much higher share of employment compared to EU peers (17% vs 7.5%). Employment in these sub-sectors has grown by around 11% in Lithuania compared to growth of around 7% on average in the EU between 2013 and 2020. This could reflect stronger public support for the sub-sector, as indicated by rising public spending on CCS (see below).

However, many CCS jobs are precarious

As in other countries, the shares of self-employed and temporary contract workers are higher in CCS. In 2020, the share of self-employed in CCS employment was over twice that in the total employment (23% vs 11%), although lower than the equivalent shares in the EU (33% vs 14%). Moreover, the share of workers with full-time contracts is lower for cultural and creative workers compared to total employment (87% vs 93%), although it is higher than in the EU (76% in the CCS, compared to 81% overall). The highest share of freelancers is in film, performing arts and photography activities.

Issues of precarious work are still a challenge for those working in CCS, though Lithuania's "status of the artist" helps to provide social security for some in the sector. Survey data shows that the majority of artists in Lithuania work under non-permanent contracts, meaning that these workers are more exposed to income vulnerability. Individual creators can apply for grants with the Lithuanian Council of Culture, Lithuanian Film Centre and municipalities. These grants are an important source of income for self-employed artists. In addition, to help support those working in the creative field, the Lithuanian "status of the artist" grants artists and creative professionals certain social protections and provides support to artists receiving low and irregular income, as well as to artists who are in creative standstill. However, the employment situation for some CCS workers may not enable them to fulfil the requirement for this legal status, even though they are active in the cultural field.

Funding for Lithuania's cultural sector is driven largely by public sources, though a private ecosystem is beginning to emerge

In 2019, Lithuania had one of the highest shares of government spending on cultural services among OECD countries, with 1.6% of total government spending dedicated to this category (vs 1.2% for the OECD average). While generally, in OECD countries, shares have been declining, in Lithuania it increased by 0.5 percentage points between 2011 and 2019. Lithuania also has one of the highest shares of subnational government spending on cultural services among OECD countries, with cultural services representing slightly over 4% of subnational (municipal) spending (vs an OECD average of 3%).

The national government has also enacted a number of tax relief policies either directly targeted towards CCS, or through which CCS can benefit. For example, the film tax relief scheme offers tax incentives of up to 30% of a film's production budget spent in Lithuania. The law on charity and sponsorship similarly aims to foster private support for a range of activities, including for artists and cultural organisations. According to the State Tax Inspectorate under the Ministry of Finance, around 6.4% of private sponsorship from enterprises are allocated to the cultural sector.

Household spending on recreation and culture grew significantly prior to the pandemic but dropped in 2020. Between 2011 and 2019, per capita household spending on recreation and culture increased by 165% in Lithuania, compared to total household spending growth of 45% over the period. The increase in per capita spending in this category is second only to Iceland, and significantly above the OECD average growth of 24% (double the increase of overall household spending). However, in the wake of the COVID-19 shock and related lockdowns, per capita household spending in this category decreased by 25 percentage points in 2020, close to the OECD average decrease of 27 percentage points.

Klaipėda, Neringa and Palanga can build on successful culture-led development efforts by leveraging crossovers between CCS and other sectors, such as tourism

Klaipėda county, which houses the three case study municipalities, is the country's fourth-smallest county out of ten geographically but is home to the third-largest population (around 320 000 in 2020).

Klaipėda county is located in the northwest of Lithuania on the Baltic coast. It houses Lithuania's only seaport and almost half of GVA in the county is produced by traditional sectors of logistics and manufacturing.

Klaipėda City is the third-most populous city in the country with some 150 000 inhabitants, although its population has been shrinking and ageing. The unemployment rate in Klaipėda City is one of the lowest in Lithuania. Strong labour demand is driving up average salaries, reflecting, in turn, skills and labour shortages, underlining the importance of retaining and attracting talent and increasing productivity. Klaipėda City can further capitalise on its cultural and creative assets, including its strong educational infrastructure (and in particular its three universities) to increase its attractiveness as a place to live and work. Recent efforts to support the creative economy, including the growing number of cultural spaces and increasing number of incubated start-ups in CCS, could be supplemented by further efforts to support cross-sector innovation between CCS and other sectors of the economy, from logistics, port and manufacturing to tourism and health sectors. For example, policy could look to fund specific collaboration projects or could look to explore the use of vouchers to encourage non-CCS SMEs to work with CCS businesses benefitting from the national programme "Creative checks" introduced in 2021.

Palanga is Lithuania's most popular seaside resort, with growing numbers of national and international tourists. While less than 17 000 people reside in Palanga (it is one of the few municipalities in Lithuania with a growing population), the city hosts more than one million visitors per year, mainly during the summer season. Stronger crossovers between Palanga's CCS, tourism, health and recreation sectors could help extend the season and diversify the offers for tourists and inhabitants. For example, while presently the majority of popular events in Palanga are oriented towards a national audience, a non-seasonal, periodic event which appealed to highly established professionals in some specialised area of CCS could help to support CCS development in the region whilst also promoting the area and attracting international investment.

Neringa is located on the northern portion of a long sand dune (the Curonian spit), recognised as a UNESCO world heritage site since 2000. The unique natural heritage and comparatively limited accessibility create a very specific economic and social environment. Migration from the mainland has increased Neringa's population steadily to around 3 600 in 2021, up from 2 204 in 2007. Neringa benefits from the highest employment rates in Lithuania and the density of local business is higher than Klaipėda and Palanga. However, the high seasonality of its economy combined with its relative isolation from the mainland, make business development and investment a challenge. Moreover, any scaling-up of CCS activities must be balanced against the need to protect the natural environment. A possible way to both develop off-season tourism and limit consequences on the coastal environment may be to develop a new seasonal community of cultural and creative workers (e.g. writers, photographers and other professionals) to visit in the off-season.

Klaipėda, Neringa and Palanga can further enhance successful culture-led development efforts to drive economic and social development. All three municipalities benefit from rich cultural infrastructure, diverse CCS support services and a proven track record in culture-led development approaches. Klaipėda was designated as the Lithuanian Capital of Culture 2017 and, in 2016, it was shortlisted to become a European Capital of Culture 2022, attesting to the quality of its proposal and culture-led development planning capacity. Neringa was designated the Lithuanian Capital of Culture 2021. Despite difficulties related to COVID-19 restrictions, Neringa put in place a rich programme of events, leveraging partnerships between the public and private sector, volunteers, the local community, and professional artists. The budding recreational services economy in Palanga and Neringa and a rich cultural and natural heritage can be further capitalised on to diversify the economy of the three cities, help retain and attract talent, and strengthen the CCS ecosystem through linkages with the tourism and health sectors.

1 Policy recommendations

A strategic approach to cultural and creative sectors can help diversify the local blue economy and increase the attractiveness of Klaipėda, Neringa and Palanga

Klaipėda, Neringa and Palanga can capitalise on their unique cultural and natural heritage assets to foster local development. These assets include a diverse cultural infrastructure, renowned natural resources attracting national and international tourism flows, many educational and training establishments, and a relatively strong demand for cultural goods and services. A strategic approach to cultural and creative sectors (CCS) could help to diversify Klaipėda's blue economy (based on the largest port in the country) and increase the attractiveness of the three municipalities.

An enhanced CCS business support ecosystem could promote linkages with traditional sectors of the economy. Klaipėda county's CCS may benefit from closer collaboration with large local businesses. Policy support for such collaboration could include enhanced funding for partnership projects, promoting collaboration with higher education institutions, and further developing networking services. For example, services offered by the business incubator at the Culture Factory, could be utilised to target innovation crossovers with traditional sectors of the economy. The development of related national-level instruments (e.g., CCS incubator programmes, sponsorship, philanthropy and crowdfunding frameworks) could help in both supporting the development of CCS businesses and in raising the profile of the sector as potential collaboration partners.

Building greater ties between CCS and tourism policies, as well as coordination across the three municipalities and more broadly across Klaipėda county, can boost the tourism economy. Neringa and Palanga have a strong tourism profile and offer good cultural tourism opportunities (museums, cultural routes, festivals, etc.). Further complementarities between CCS and tourism can help increase visitor numbers in the low season and strike a balance between the needs of visitors and the local community. For example, developing events and retreats (such as artist residence programmes) in the low season could promote more sustainable tourism whilst at the same time offering additional revenue and promotional opportunities to CCS businesses. Klaipėda City also intends to further develop tourism destination management, namely for event tourism and high-end hotels. These efforts can be further enhanced through ties with CCS as well as coordination across the three municipalities to offer integrated and more diverse visitor services.

This section provides recommendations on: i) possible culture-led development approaches in Klaipėda, Neringa and Palanga; ii) overarching recommendations on the CCS business support ecosystem; and iii) ways to maximise synergies between cultural and creative sectors and tourism.

Klaipėda City: stronger CCS business support and cross-sectoral linkages can help diversify the city's economy

Klaipėda City's CCS are the largest of the three municipalities and one of the priorities of its economic development strategy. The development of digital creative and professional services is one of the seven strategic objectives of Klaipėda City's 2030 Economic Development Strategy. The Strategy aims to increase the use of creative industries (such as digital media, architecture and design) in manufacturing. It also aims to further expand the services of the local creative hub, the Culture Factory, by establishing an IT education centre for creative industries, and further supporting networking within CCS. The strategy also foresees urban revitalisation measures, including in the historical parts of the city, heritage valorisation measures, as well as measures to increase attractiveness for event and leisure tourism. In line with the Strategy, Klaipėda could consider more focused cultural and creative policy measures that aim to:

- Develop stronger collaborations with local businesses, beyond financial support for events and activities, by developing new cross-sectorial collaboration models with other large sectors of the local economy such as manufacturing. For example, through the use of coordinated “match making” schemes or of vouchers (and linking to the national “Creative checks” programme introduced in 2021).

- Reinforce the role of the business incubator and expand business support services at the Culture Factory (see further details on CCS business support services in the next section) to target crossovers with other sectors of the economy;
- Encourage innovation inside local CCS, such as through the modernisation of cultural institutions, supporting enhanced digital skills, and through strengthening links with local universities, social partners, and local stakeholders in planning and delivering CCS activities;
- Support the promotion and growth of local CCS by encouraging more active regional, national and international networking activities. For example, collaborating with artist residence programmes in Neringa and Palanga, co-operating with Lithuanian film clusters in the context of audio-visual production, or collaborating with national and international artist organisations.

Palanga: leveraging CCS to profile the city not only as high-season destination

Palanga can be profiled as an attractive low-season destination for artists and creative professionals. Artist residences such as “Kablys” and other similar organisations could play an essential role in promoting Palanga’s international visibility among foreign artists and other creative professionals, strengthening its position among its regional and international competitors. Possible measures to boost CCS development could include:

- Take notice of the rapidly growing real estate market and engage with developers to promote the building of new cultural spaces and infrastructure (for example, see Box 1.13.). Encouraging development of cultural amenities targeted towards local residents, rather than only seasonal tourists, could help develop the growing ecosystem and create a sense of ownership by the local community towards their social and cultural spaces;
- Capitalise on Palanga’s national tourism attractiveness to encourage regional and international competitiveness. For example, the existing network of artist residences could be more heavily marketed to attain greater international visibility of Palanga among world-leading artist and creative professionals;
- Associate the image of Palanga to a periodic international cultural event that could put it on the cultural map of Europe. While presently the majority of popular events in Palanga are oriented towards a national audience, a non-seasonal, periodic event which appealed to highly established professionals in some specialised area of CCS could help to promote the region.

Neringa: building on the city’s international visibility to foster CCS development and protect its natural heritage

Neringa’s international visibility is a lever for the development of its CCS. Considering the comparatively limited accessibility of the region, the budding cultural and creative sectors in Neringa require efforts to make the sector more sustainable and anchored in the local community, building on the legacy of being the 2021 Lithuania Capital of Culture. Neringa’s CCS may also be strengthened by attracting cultural and creative workers to stay year-round or during the off-season.

The greening of CCS is of particular importance in Neringa due to the fragility of its natural ecosystem. Over-tourism is a potential risk for the area, which CCS could be leveraged to help address. For example, CCS can be used to support “slow” and experience-based tourism which connects people to the local environment and cultural heritage, helping to promote more sustainable practises. A possible way to develop off-season tourism and limit consequences on the coastal environment may be to develop a new seasonal community of visiting cultural and creative workers (e.g., writers, photographers and other professionals) by leveraging the natural environment to promote Neringa's reputation as a location that inspires creativity.

The following actions could be considered:

- Develop a calendar of traditional international cultural and creative events with more open forms of participation: creative workshops, seminars and conferences, open-air events, etc., involving international visitors as well as artists who own residences in Neringa and the wider Neringa community;
- Initiate regular high-profile and specialised events in the low season aimed at influential professionals (artists, economists, politicians, etc.);
- Create specific marketing and networking models for the efficient development of national and international communities of "occasional" visitors, which draws on promoting the area's unique natural heritage.

Box 1.1. International examples of CCS initiatives for promoting local attractiveness and development

Collaboration between CCS and other business

- The Baumwollspinnerei project in Leipzig, Germany is an example in which a private company has created a successful hub of artist studios in a large former cotton factory in the city's semi-peripheral area. This hub has attracted both artists and galleries worldwide. It has further solidified Leipzig as an art city after the initial breakthrough of the now well-established artists of the New Leipzig School, some of whom had and still maintain a studio in the facility (Bain and Landau, 2019[1]).
- Ars Electronica in Linz and ZKM in Karlsruhe, Germany are examples of cultural institutions at the forefront of research on the arts and technology. They engage in continued exchanges with the local scientific and technological research departments and with several high-tech industrial sectors, initially at a local scale but now increasingly on a global perspective.

Talent and business attraction

- In the wake of the successful European Capital of Culture 2017 year, Aarhus, Denmark, has established a focus on the development of local talent in its Cultural Strategy 2021-24. At the same time, the city launched various initiatives to become a new global hub for talent. These include Destination Aarhus, a network of companies aimed at making the city a top career destination, with a strong emphasis toward IT-focused creative skills and a leadership that includes a major creative multinational (LEGO).
- Estonia's virtual citizenship project has opened the possibility of paperless company creation, and has quickly become a highly favourable institutional environment for the development of creative businesses (Ibrus, 2015[2]). This is demonstrated by the growth of the Tallinn Creative Incubator and of the Creative Estonia cluster and development centre for cultural and creative industries.
- In Rotterdam, Netherlands, the former port area has been converted into one of the largest and most dynamic concentrations of cultural and creative industry in Europe (Trip and Romein, 2009[3]). Dortmund in the Ruhr area, Germany, has been undergoing a similar, large-scale transformation from an industrial site to a large hub for culture and media with an international ambition. In both cases, a key step has been the experience of hosting the European Capital of Culture as a catalyst for long-term structural transformation.

Local community involvement

- The Farm Cultural Park project in Favara, Province of Agrigento, Italy, is in one of the areas in Europe with the lowest levels of cultural participation. Building on the private initiative of a couple of local residents, a new kind of cultural centre addressing the local community has been launched. It has been involved in the gradual rethinking of the use of public space, and also houses a school of architecture for children. Today, Farm Cultural Park is an official partner of the New European Bauhaus project and hosts international events on culture and cities, also having sparked more private cultural initiatives.
- The Sardinas project in Lisbon, Portugal, launched a public contest asking citizens to propose their own design of a sardine picture (one of the popular foods of Portuguese cuisine). This has created a dynamic civic platform for cultural participation and collective discussion of key policy issues, establishing a new channel between the public administration and civil society.
- The Decidim (we decide) project by the Spanish social innovation team Platoniq is an example of a problem solving civic platform currently being used by the City of Barcelona and by a growing number of cities worldwide, which enables an in-depth collective discussion on different kinds of public issues.

Networking and CCS collaboration with universities

- The Technological Cultural District launched by the Lazio region (Italy) builds on the alliance between the three public universities of Rome, plus two other regional public universities, and three major national research centres. It aims to develop projects on the deployment of advanced technologies for the preservation of cultural heritage and for the development of new forms of cultural content production, to promote CCS entrepreneurship within the region, also thanks to project-related spinoffs.
- The Creative Factory platform in Nantes (France), coordinated by the urban development agency (Samoa), develops the CCS system of the city by favouring the aggregation of a large number of the local players into a common cluster. The cluster is organised around 12 different, horizontally integrated CCS value chains, which cover the full spectrum of cultural and creative production, and provides a shared space to develop activities in the common interest.

Source: (OECD, Forthcoming[4])

Klaipėda, Neringa and Palanga could strengthen their CCS business support ecosystem

The CCS of Klaipėda, Palanga and Neringa could benefit from a stronger entrepreneurial ecosystem. Promoting entrepreneurship and business development is particularly important for sectors such as CCS which have a large proportion of freelancers, micro enterprises and small firms. An ecosystem approach to entrepreneurship and business development requires both direct and indirect support to address the challenges CCS entrepreneurs face. There are typically six primary areas in which policy at national and local level can directly support small and medium-sized enterprises (SMEs), including CCS businesses: i) Access to finance, ii) Information, advice, coaching and mentoring, iii) Education and training, iv) Internationalisation, v) Networking and collaboration, and vi) Incubator and accelerator programmes. For CCS businesses, these areas can be complemented by a seventh, “creative spaces” – spaces for production, presenting and experiencing creativity and culture.

The INCREDIBOL! programme implemented by the City of Bologna and supported by the Emilia-Romagna Region (Italy) is a good example. It offers integrated support to creative start-ups, small businesses, and citizen-led organisations through funding, consulting, training and networking initiatives, and the rent-free use of public buildings and spaces by means of public tenders (Box 1.2.).

Box 1.2. City interventions for cultural entrepreneurship: the case of INCREDIBOL!, Bologna, Italy

INCREDIBOL! was launched in 2010 and is co-ordinated by the Municipality of Bologna and co-funded by the Emilia-Romagna region. Over the years, it has also mobilised public-private partnerships among regional actors in CCS such as private foundations, trade associations, cultural associations, and research bodies.

The programme has also helped renovate over 40 previously vacant city-owned spaces in the Bologna area, turning them into sites where young entrepreneurs and freelancers can kick-start new businesses in the CCS. Namely, recipients have turned a vacant historical building into a self-sustaining bike rental business and community hub (i.e., “Dynamo Velostazione”), a vacant food market into a concert hall and cultural space for young local artists (i.e., “Mercato Sonato”), and vacant greenhouses into a social incubator and co-working space (i.e., “Kilowatt – Serre dei Giardini Margherita”).

INCREDIBOL! provides recipients with different benefits depending on their specific needs. First, it provides them with spaces to be refurbished and repurposed as storefronts, offices, and/or spaces open to the local community. Second, it provides them with one-time grants of EUR 10 000 (grants were increased to up to EUR 20 000 for 2020 to help recipients better cope with COVID-19 related measures). Third, consulting and training activities are offered to help recipients scale up and reach sustainability. INCREDIBOL! also offers recipients the opportunity to connect with its network of public and private partners (e.g., associations, research bodies, foundations). In turn, these partners offer workshops, one-to-one meetings, acceleration programmes, tailored consultancy, or customised outreach activities depending on the needs of recipients.

Source: (OECD, 2022[5])

Access to finance

Compared to other sectors, CCS businesses face additional challenges in accessing finance because of the intangible value of their products and services, often viewed as high risk by investors. CCS businesses are also more likely to be smaller in size, putting them at a disadvantage in accessing finance, compared with larger firms. The barriers around access to finance are compounded by a general lack of information about the funding landscape for CCS, and a lack of skills in applying for finance (OECD, 2022[6]). *Cultuurkrediet* implemented by Flanders, Belgium is an example of financial support to CCS firms combined with training, business and legal services (Box 1.3.).

Many of the G20/OECD high level financing principles for SMEs are also highly relevant for CCS. For example, these principles include: strengthening access to traditional bank financing; enabling access to diverse non-traditional financing instruments and channels; promoting financial inclusion and easing access to formal financial services, including for informal firms; improving transparency of financial markets and enhancing financial skills and strategic vision (OECD, 2015[7]).

Box 1.3. *Cultuurloket:* combining financial support with business and legal advice for CCS business in Flanders (Belgium)

In 2018, the Flemish Government (Belgium), launched a public-private collaboration with Hefboom, a cooperative serving as an intermediary between investors and professional initiatives from the social and sustainable economy. This collaboration was to start a "cultural credits" financing initiative called *Cultuurkrediet*.

Cultuurkrediet aims to provide support for professionals in the cultural sector, including facilitating access to finance as well as counselling and training opportunities. Through the *Cultuurkrediet* partnership, creative entrepreneurs can apply for a loan with Hefboom for a maximum amount of EUR 100 000 with interest rates varying from 0-3%. These loans are given without the need for the applicant to put up collateral. During the COVID-19 pandemic, these loans became even more flexible, with temporary interest-free loans. The Flemish Department of Culture, Youth and Media provides two-thirds of the funding via the Guarantee Fund, with the remaining third of the funding from Hefboom.

Cultuurloket also works to provide free first line business and legal advice for individuals and enterprises in the cultural sector. Along with this guidance comes vocational training, personal coaching and advice. As of February 2021, the *Cultuurloket* initiative had: hosted a website and knowledge bank that welcomes 250 000 visitors a year; made available 75 training sessions a year to help support 5 634 creative entrepreneurs; 5 893 consultancies over the phone in 2020; 816 one-to-one consultancies organised in Brussels as well as 10 cities in Flanders; and 124 process counselling sessions, which include guidance on how to structure and finance a professional project or the career of a cultural and creative worker and/or organisation.

Source: OECD (2021[8]), "Back in business: SME support ecosystems for cultural and creative sectors", Maarten Quaghebeur, Cultuurloket, Belgium and Piet Callens, Flanders, Heftboom, Belgium; Cultuurloket (2021[9]), *Homepage*, Flemish Government Department of Culture, Youth and Media https://www.cultuurloket.be/ (accessed on 1 November 2021).

Indirect funding: tax incentives and voucher schemes

Alongside direct funding of arts and culture, many governments provide indirect funding to CCS through tax incentives. These tax incentives, as a way of financing CCS, come in three forms. Firstly, tax credits can be targeted toward specific sectors within CCS. Secondly, tax relief may be given for charitable donations to CCS organisations. Thirdly, tax credits may be used for wider policy goals, such as support to SMEs or innovation, which businesses from CCS can take advantage of. Tax incentives for particular creative sectors have become an increasingly popular way of funding CCS.

Alongside tax incentives, voucher schemes to promote cross-sectoral innovation using CCS have been trialled in a number of OECD countries (OECD, 2022[6]). These types of schemes most commonly offer credit to SMEs from either CCS or non-CCS sectors to spend on cultural and creative goods and services. Voucher schemes offer both direct monetary benefit to the businesses who receive voucher scheme funding, and additionally promote innovation and strengthen inter-industry networks (Box 1.4). Lithuania started to trail this approach with the introduction of "Creative checks" programme as part of COVID-19 crisis support measures in 2021.

Box 1.4. Creativity Vouchers in Wallonia (Belgium)

In 2014, the region of Wallonia (Belgium) introduced a pilot scheme offering "Creativity vouchers" to SMEs, as part of the Wallonia European Creative District project, co-funded by the Wallonia Region Government and the European Commission.

The voucher scheme offered SMEs from any industry sector EUR 6 000 to develop a creative innovation in collaboration with a business from the creative industries. The vouchers covered up to 80% of the expenses associated with the creative intervention, with the remaining 20% being financed by the recipient SME. The pilot held two open calls for applications in September 2014 and February 2015, with the selection process based on application questionnaires completed together by the SME and its creative partner. Ten projects were funded through this scheme, including sectors such as high-tech, food, health and construction.

Source: Wallonia Creative District (2015[10]), *Supporting Creative Industries: Conclusions of the Actions Taken by Wallonie Design as part of Wallonia European Creative District*; Daubeuf, C. et al. (2020[11]), (OECD, 2022[6]).

Another set of vouchers that has gained even more prominence with the COVID-19 crisis are vouchers for personal access to cultural goods and services. Demand for cultural goods and services not only underpins the economic contribution of CCS, but also has wider benefits to society (such as promoting health and well-being, social cohesion, etc.). In helping support greater participation in culture, many voucher programmes target groups with a financial barrier to culture participation. For example, in France a national scheme, the *Pass Culture* was launched as a pilot in 2019 and mainstreamed during the COVID-19 pandemic (Box 1.5). Inspired by this initiative, the Lithuania Ministry of Culture in co-operation with the Ministry of Education, Science and Sport has launched a Cultural Passport programme targeting children in primary and secondary school.

Box 1.5. France's *Pass Culture*: A voucher scheme to promote cultural participation and boost demand for cultural goods and services

Pass Culture, introduced as a pilot in 2019 and generalised in the following years, is a voucher scheme for young people to participate in cultural activities (museums, cinema, theatres etc.) and purchase cultural goods (books, music classes or online cultural subscriptions). The *Pass Culture* provides three dedicated programmes for youth of different ages:

- For those in secondary school, the *Pass Culture* offers group credits for schools to engage in cultural activities. Teachers can obtain a group pass through a dedicated website, which earmarks up to EUR 30 per student.
- For all those aged between 15 and 17, individuals can also obtain credits through a mobile application which grants them between EUR 20 and EUR 30 of credit to spend on cultural activities.
- For 18-year-olds, the pass grants a EUR 300 credit that can be used within 24 months.

A smartphone application through which young people access the pass and its funding also serves as a tool to encourage young people to try new forms of cultural participation. Cultural institutions can benefit from *Pass Culture* funds through a dedicated professional platform, doubling the policy's impact as sectoral stimulus. The platform allows firms and non-profits to advertise their cultural and artistic goods and services to young people. The government has involved institutions working with vulnerable young people, such as Second Chance Schools (*Écoles de la Deuxième Chance*) or the National Union of Youth Housing (*l'Union Nationale des Habitats Jeunes*), to promote access to the *Pass Culture* amongst vulnerable youth.

First results: In October 2021, 782 000 18 year-olds opened an account, estimated to reach around 80% of eligible youth. So far, bookstores have been the primary beneficiaries, receiving 78% of *Pass Culture* funds as of October 2021. Bookstores recorded a substantial rise in sales due to funds from the *Pass Culture*, in particular for manga graphic novels. Music purchases, including concert tickets and digital subscriptions, have also benefited, along with cinemas and audio-visual goods. Emerging evidence from policy practitioners suggests the pass has enabled a significant share of participating youth to benefit from their first exposure to new cultural experiences, such as concerts.

Source: (OECD, 2022[12])

Incentivising sponsorships and patronage

Patronage and sponsorship have traditionally been supporting CCS, but increasingly governments are orchestrating these privately funded or co-funded cultural patronages or sponsorships (OECD, 2022[6]). In some cases, governments can lead to public-private partnerships based on ad hoc contracts or agreements and in others, this could facilitate the creation of intermediate bodies such as arts councils to distribute private donations in a way which aligns with public objectives (Frey, 2019[13]).

Box 1.6. The Culture and Business Fund Scotland, United Kingdom

The Culture and Business Fund Scotland (United Kingdom), operated by Arts and Business Scotland (ABS), provides match funding to arts and heritage organisations and businesses to support new or existing cross-sector partnerships. It provides matched funding of private sponsorship to cultural and heritage organisations of between GBP 1 000 and GBP 40 000, thus doubling the value of private sponsorship deals. The fund aims to:

- entice new businesses to sponsor or invest in arts or heritage activities in Scotland
- encourage and enable businesses already sponsoring or investing in arts or heritage activities to continue to do so with existing and / or new culture sector partners
- support existing cross-sector partnerships to enable and encourage them to continue to work together
- attract non-Scottish based companies to sponsor arts and heritage activities in Scotland
- encourage and support businesses to continue to invest in or sponsor the activities of an arts or heritage organisation within Scotland over a two or three-year period

Launched in 2017, this programme builds on the success of its predecessor, the New Arts Sponsorship Grant (NASG), which awarded over GBP 7.5 million in matched funding to arts and heritage organisations between April 2006 and April 2017, contributing to over 500 different projects.

Source: Culture & Business Fund Scotland (2018[14]), available at https://www.culturebusinessfund.scot/about/

Crowdfunding as an additional source of CCS funding

Crowdfunding has several characteristics that make it an interesting tool for financing CCS. Crowdfunding can help raise funds for a specific project or for ongoing work, providing an alternative source of funding for artists and CCS businesses. It also serves to demonstrate the market potential of projects to more traditional investors (OECD, 2022[15]). Crowdfunding can also help build civic engagement and public awareness of the value and specific needs of CCS. Local authorities can help "channel" crowdfunding to areas of social impact by providing matching funds (see Box 1.7) for an example of civic crowdfunding matched with public-private funding for heritage preservation).

Box 1.7. Civic crowdfunding and the Porticoes of Bologna (Italy): the case of the *Un passo per San Luca* campaign

In July 2021 the Porticoes of Bologna were declared a UNESCO World Heritage Site. They benefited from the participatory governance structure that was put forth by the Municipality of Bologna to manage, preserve, and devise urban policies for the porticoes throughout the years. The Municipality proved successful in engaging both public and private actors, with a significant role played by local associations and private citizens at large. Bologna's local community have become increasingly aware of the public significance of the porticoes – even when they are privately owned – as cultural heritage.

The *Un Passo per San Luca* civic crowdfunding campaign represents one of the many initiatives that contributed to raising awareness on the porticoes, while also representing one of the few successful crowdfunding campaigns involving both public and private actors and targeting the preservation and restoration of cultural heritage in Italy. The campaign was carried out between October 2013 and October 2014 with the support of a local crowdfunding platform that helped set up a DYI website and manage the campaign. The campaign raised EUR 330 000 from over 7 000 supporters and helped finance renovation works on the San Luca Porticoes. The Municipality of Bologna contributed to the campaign with EUR 100 000 that were collected through Bologna's own tourist tax, as well as through patronage and sponsorship initiatives.

The civic crowdfunding campaign managed to engage many different actors at the local level. In doing so, it not only helped secure the financing and kick-starting of renovation works, but it also increased the accountability of the overall renovation project of the San Luca Porticoes in the eyes of the local community. The campaign also contributed to the building up of public awareness by being nested in a broader participatory governance that has been pursued by the Municipality of Bologna to target both culturally and socially relevant issues.

Source: (OECD, 2022[5])

Information, advice, coaching and mentoring

Lack of managerial and business skills has been identified as a key weakness in CCS. Governments can address this lack of knowledge through information, advice, coaching and mentoring schemes. This type of support can be delivered directly through public agencies, through private or not-for-profit organisations, or through a combination of public and private sector actors (OECD, 2014[16]). National advice programmes can also be complemented by local centres, which are able to provide greater information and resources about the local business environment, including region-specific policies and regulations.

Box 1.8. Developing business mentoring capabilities and putting them in action

The Creative Enterprise Toolkit, Nesta, United Kingdom

The Creative Enterprise Toolkit developed by Nesta, provides informational resources for those interested in launching their own creative business. It includes detailed information, worksheets and case study examples on topics such as business model development, financial planning, marketing, and customer relationship management. The case studies feature real entrepreneurs who have used the Creative Enterprise Toolkit to successfully shape their business. They include commercial companies as well as social businesses working in a range of creative fields such as fashion, jewellery, technology, product design, festivals and creative hubs.

Source: (Nesta, 2020[17]).

Education and training

Entrepreneurship and business skills are particularly necessary for those working in CCS, given the entrepreneurial nature of work in these sectors. Moreover, with much work in CCS being project-based or temporary, it can be difficult for individuals to gain the necessary skills through on-the-job training (Armstrong and Page, 2015[18]). Entrepreneurship skills and basic business literacy can be developed throughout education, from primary education right through to higher education and in lifelong learning programmes.

Box 1.9. CCS entrepreneurship skills in higher education

With funding from the European Commission, the Arts & Humanities Entrepreneurship Hubs (AHEH) project aims to support arts and humanities students with an “innovative programme of entrepreneurial training”. The programme brings together 14 partners from 7 EU member states, including universities, business schools, arts schools and science and technology parks. The “hubs” that are located across the EU in different universities and associations serve as physical locations where students can network, empower and collaborate with each other. Alongside the seven modules offered through the AHEH programme, there is also a network of mentors who are creative professionals with entrepreneurial experience that can accompany students through their trainings. Students are also connected with creative enterprises where they are challenged to contribute to professional missions as part of their training.

Source: Arts & Humanities Entrepreneurship Hubs (2018[19]), *Arts & Humanities Entrepreneurship Hub*, https://www.artshumanitieshub.eu/;

Networking and collaboration

Networking and collaboration are fundamental to innovation and growth in CCS. The specific characteristics of CCS businesses (e.g., typically project-based, highly knowledge intensive, interconnected supply chains, etc.) mean that networking and collaboration are essential to how firms in these sectors grow and innovate. This includes networking and collaboration between firms in the same sub-sector, between firms in different sub-sectors of CCS (e.g., museums and music sectors) and cross-industry collaboration between CCS and other sectors of the economy (e.g., tourism and video games; design and manufacturing).

Box 1.10. Supporting networking and collaboration: creative hubs and festivals

Creative Hubs, co-working spaces and makerspaces offer opportunity for CCS business to directly interact with other creative and cultural professionals. Makerspaces are similar to co-working environments, but typically involve more direct support for collaboration and the provision of equipment for collective use. Makerspaces operate on diverse business models, including paid and unpaid memberships, voluntary or employed staffing and greater or lesser reliance on government support.

The number of Creative Hubs has grown extensively over the last decade. To support the work of creative hubs across Europe, the MAX (Makers' eXchange) project is a pilot policy project, co-funded by the European Union, and co-ordinated by the European Creative Hubs Network (ECHN), that works around knowledge exchange and capacity building of creative hubs policy. The project works with CCS, creative hubs, makerspaces, fab-labs and formal and non-formal learning and skills development systems in a cross-sectoral way, aiming to define and test policies and actions to support mobility and knowledge exchange and to embed makers' mobility schemes for skills development and inclusion into mainstream CCS support programmes, policies and ecosystems across Europe.

Festivals and cultural events are another key site of networking and collaboration. Such events have been shown to promote entrepreneurial capabilities, contribute to the development of new work, and represent an important arena for marketing and promotion (Caust and Glow, 2011[20]). Moreover, such events are an important source of networking for artists and creative professionals and they stimulate knowledge exchange and idea generation (Schüßler and Sydow, 2015[21]).

Source: Makers' eXchange, 2020[129]), (OECD, 2022[6])

Incubator and accelerator programmes

Incubator and accelerator schemes combine many of the above forms of support, by offering training, mentoring, advice, networking opportunities and access to technology and equipment. Incubators typically charge membership fees or “rent” to businesses on a rolling basis in exchange for their services. Accelerators offer many of the same services as incubators, but are typically targeted more towards supporting rapid growth, through intensive business development and most commonly provide services in cohort-based, short-term (e.g., three months to one year) programmes (see Box 1.11).

Box 1.11. Incubators and accelerators: key features

Incubator and accelerator programmes are widely used initiatives to promote and support start-ups and businesses looking to grow. While these two types of programmes share many similarities with each other, there are some differences in how they operate. Bone, Allen, and Haley define incubator and accelerator programmes as displaying the following characteristics:

Incubators:

- Open-ended duration (exit usually based on the stage of the company, rather than a specific time frame)
- Typically rent/fee-based
- Focus on physical space over services
- Admissions on an ad-hoc basis (not cohort-based)
- Provision of services including mentorship, entrepreneurial training
- Often provide technical facilities such as laboratory equipment
- Selective admission (but typically less so than accelerators)

Accelerators:

- Fixed duration programme (usually between three and twelve months)
- Typically growth-based (payment via equity rather than fees)
- Often provide seed funding
- Focus on services over physical space
- Admission in cohorts
- Provision of start-up services (e.g. mentorship, entrepreneurial training)
- Highly selective

Source: Bone, J., O. Allen and C. Haley (2017[22]), "Business incubators and accelerators: The national picture", *BEIS Research Paper*, No. 7, Department for Business, Energy & Industrial Strategy, London.

Accelerator and incubator programmes targeted specifically towards businesses in CCS or towards crossovers between CCS and other sectors, have grown in popularity over the past decade. Diverse examples include accelerator and incubator programmes at city, sub-sector and international levels across OECD countries and beyond (OECD, 2022[6]):

- The Glasgow Creative Accelerator programme, supported by Glasgow City Council's Business Growth Fund, offers a fully funded accelerator programme for CCS start-ups and businesses seeking to grow. The 12-week programme offers advice, coaching and mentorship in a mix of face-to-face and online formats, supporting CCS businesses in market research, product development, business and financial planning and pitching to investors (Elevator UK, 2021[23]).
- At a sub-sector level, the Hong Kong Design Centre, supported with funding from CreateHK (a Hong Kong SAR Government agency dedicated CCS) offers an incubator programme targeted specifically towards those in the design sector. The two-year programme offers financial support, training, mentorship, and networking opportunities to start-ups, alongside co-working space (Hong Kong Design Centre, 2022[24])
- At an international level, the Worth Partnership Project, funded by the EU under the COSME programme provides an incubator programme for designers, SMEs, manufacturers, and tech

providers in the fashion and design sectors. The project provides companies with an incubation programme to develop new businesses, including EUR 10 000 to EUR 20 000 in financial support; coaching on business strategy and technology development; legal advice on intellectual property rights and protection; participation in exhibitions; and networking and professional links (WORTH, 2022[25]).

Creative spaces

Easing access to spaces for creative production and representation is an important element of CCS support policies. "Creative spaces" include spaces for artistic creation and production (such as artist studios, workshops, rehearsal rooms, offices etc.), as well as spaces for presenting and experiencing creativity and culture (such as galleries and theatres). Different instruments exist to ease access for CCS actors to such spaces including subsidised rent, incubators as described above, provision of co-working spaces with targeted preferential rates.

Box 1.12. Creative spaces – the example of *Laboratori Aperti* in Emilia-Romagna, Italy

The *Laboratori Aperti* project in Emilia-Romagna region in Italy aims at supporting the development of laboratories for accelerating creativity and open innovation, also providing physical spaces for cultural entrepreneurs to meet, cross-fertilise ideas, and test pilot projects that could be eventually scaled-up to economically viable ventures. The *Laboratori Aperti* project focuses on different subject areas (health and well-being, social innovation, environmental sustainability, etc.) that are consistent with the main vocations of each city involved in the project. The project is an interesting example of a policy intervention aimed at helping cultural entrepreneurs to deal with the difficulties typically associated high uncertainty, lack of economies of scale without losing the potential advantages related to small scale organisations (e.g., flexibility, dynamism).

The *Laboratorio Aperto Piacenza* is one of the *ten Laboratori Aperti* financed by Emilia-Romagna. It is an innovation hub open to citizens, students, and companies. It promotes and hosts lectures, workshops, training courses, and cultural events open to the local community. It also offers workspaces that are equipped with shared facilities and technologies. The *Laboratorio Aperto Piacenza* is located in the church of Santa Maria del Carmine, a historical building that dates to 1334. The laboratory represented the opportunity to requalify this important cultural heritage site after it had been abandoned for more than 20 years. In 2020 the *Laboratorio Aperto Piacenza* launched the "Carmine Experience" project, which is an immersive storytelling installation in which visitors can relive the history of the church of Santa Maria del Carmine and its relationship with the city of Piacenza. The main goal of this project is to use digital technologies to foster cultural participation and allow the discovery of Santa Maria del Carmine and its role for the city's history.

Source : (OECD, 2022[5])

New models of collaboration with property developers can help deliver affordable creative spaces. Cities across the OECD are experimenting with new models of collaboration with property developers to preserve and create more supply of creative space where the public sector increasingly plays the role of a facilitator rather than the owner and operator of creative floor space (Left Bank Co, 2022[26]). The experience of Sydney Making Space for Culture Incubator Program, although at a different scale, could be considered by Klaipėda Culture Factory as part of its reflection on the next steps for its incubation programme for CCS and which could serve the whole county.

Box 1.13. Sydney Making Space for Culture Incubator Program

Sydney, Australia, has long been facing a creative space emergency as a result of increasing urban pressures. The objective of the Sidney Making Space for Culture Incubator Program was to look to alternative models to create systemic change in the way that government, the cultural and property sectors think about providing affordable, fit-for purpose and viable space. The Incubator Program revealed five distinctive phases that make up the creative space development cycle, and key functions that are needed at each phase to support effective collaboration between government and the cultural and property sectors.

- **Phase 1: Advocacy:** Mounting the rationale for why key stakeholders should play a role in making space for culture, relying on evidence-based research, engagement with different stakeholder groups, and policy development to enable locality specific solutions.
- **Phase 2: Pipeline:** Identifying and cultivating a pipeline of creative space opportunities through capacity building, a marketplace to match spaces with needs, property audits, feasibility studies and brokering services, all with the goal of building partnerships and aligning agendas towards outcomes.
- **Phase 3: Acquisition and development:** Property negotiations and acquisition processes to dedicate creative space to entities on a secure tenure basis that is affordable for the long-term, as well as managing the delivery of base builds and fit-outs that bring in the equipment and infrastructure for end-users.
- **Phase 4: Operations:** The day-to-day management, use and programming of a creative space, ensuring the space meets its objectives, serves its intended community, and operates with a sustainable business model.
- **Phase 5: Evaluation:** Measuring and communicating the value and impact that creative spaces have for key stakeholders.

Source : (Left Bank Co, 2022[26])

More can be done to maximise synergies between cultural and creative sectors and tourism in Klaipėda, Neringa and Palanga

Cultural and creative sectors as well as natural heritage are key to Palanga, Neringa and Klaipėda's visitor economy. However, more can be done to enhance the complementarities between culture and tourism. Tourism and cultural and creative sectors are often synergetic – tourism relies on cultural heritage, while cultural and creative sectors are supported by revenues from tourists. As such, creative workers, businesses and organisations contribute to the image and feel of a place, which makes places more attractive to visit, live in, work in and invest in (OECD, 2014[27]). Beyond these obvious synergies, some of the innovative ways to enhance complementarities between tourism and CCS include the role of CCS in supporting innovation in tourism (e.g. through new digital technologies), promoting places internationally (e.g. through creative content such as film) and supporting more sustainable tourism (e.g. through contributing to the diversification of tourist destinations) (OECD, 2022[28]).

Box 1.14. Examples of innovative linkages between tourism and CCS

- **Creative content can be used as a vehicle for place promotion.** For example, visits to Glencoe in Scotland, UK, increased by over 40% in 2014 after it featured in Skyfall, the 23rd James Bond movie. In the Republic of Korea, the international success of the K-pop music scene has dramatically increased the country's international tourism market.
- **Cultural tourism can help educate international visitors, but it can also be targeted towards domestic visitors to discover more about their roots.** In the UK, Historic England has launched a fund to support community and heritage organisations to celebrate working class histories that were previously unknown or ignored, aiming to further the nation's collective understanding of England's past.
- **In diversifying the tourism offer, cultural and creative businesses themselves can be a tourist attraction**. For example, "know-how" tourism has been identified as a priority sector for France, aimed at offering new places to visit, promoting France's industrial and technical heritage, and its excellent know-how and crafts. Today, 2 000 companies from all sectors of activity (fashion and textiles, luxury, cosmetics and well-being, energy and the environment, etc.) open their doors to the public.
- **Cultural and creative sectors can also directly feed into the activities of the tourism sector, such as hospitality, accommodation and travel.** Cultural and creative sectors can help make public spaces and hotels more attractive and more sustainable through creative architecture, design services and public art.
- **Cultural and creative sectors are driving innovative forms of tourist offerings**. For example, the Father and Son video game was published by the Archaeological Museum of Naples, Italy, as part of its strategic plan to develop new audiences. The game, released for free, includes additional content which can be accessed when players "check-in" by physically visiting the museum.
- **Better integration of tourism and cultural and creative sector policy has the opportunity to help diversify revenue streams for local businesses.** For example, in Santa Fe, New Mexico, United States, one percent of the hotel tax is dedicated to supporting local arts organisations, helping to maintain a flourishing arts community all year round, which in turn supports tourism and visitors to hotels.
- **Tourism and cultural and creative sector policy can work in tandem to promote more sustainable practices.** Cultural and creative sectors can support "slow" and experience-based tourism which connects people to local environmental and cultural heritage, helping to promote more sustainable practises. Cultural and creative sectors, such as design and architecture can also help to develop more sustainable tourism infrastructures and creative content makers can support changing attitudes towards the environment and climate change.

Source: (OECD, 2022[28]) Maximising Synergies between Tourism and Cultural and Creative Sectors, Discussion Paper by OECD for G20 Tourism Working Group

Improved governance, public-public and public-private co-ordination are important to drive these synergies. Co-ordinated governance structures for cultural and creative tourism, which bridge different government departments and engage with both cultural and creative as well as tourism stakeholders, are therefore important in creating policy impact. While tourism stakeholders are primarily concerned with commercial opportunity, cultural stakeholders are often motivated more by the need to preserve cultural heritage and the intrinsic value that culture provides. While these goals are not mutually exclusive, cultural tourism policy must be mindful of the need to balance development and protection of culture with marketing and promotion (OECD, 2009[29]).

Policy interventions can be used to specifically link CCS with tourism businesses. For example, Indonesia has a programme to integrate local CCS entrepreneurs into the tourism supply chain, by providing upskilling programmes to local entrepreneurs (include training on branding, communication proficiency, and other business related skills) and in tandem, identifying potential partners for these business (such as hotels, restaurants, cafes, exhibition venues, etc.) (OECD, 2022[28]). The programme includes matchmaking events to bring these supply and demand side actors together, thus strengthening the cultural tourism supply chain within the local ecosystem.

Addressing digital skills gaps is required in both tourism and cultural and creative sectors. COVID-19 has accelerated shifts towards digitalisation and OECD work has identified that digital skills gaps are a growing concern in both tourism (OECD, 2021[30]) and cultural and creative sectors (OECD, 2022[6]). Investment in digital training and education is needed to better leverage the opportunities for innovation and value generation at the intersection between tourism and culture.

2 Cultural and creative sectors: Overview of trends and issues

Cultural and creative sectors in Lithuania: Overview of trends

Economic context

In Lithuania, the 2008 financial crisis provoked one of the sharpest economic recessions in the European Union (EU), followed by a rapid economic recovery. Although Lithuania's Gross Domestic Product (GDP) fell by 13% in 2009, its economy reached its pre-crisis GDP in 2013. Consistent economic growth continued until 2019. Lithuania adopted the Euro currency in 2015. From 2017 onwards, GDP growth accelerated, increasing by 4.2% in 2017 and 3.6% in 2018. Real GDP per capita grew at a slightly faster rate than the EU average from 2017 to 2019.

Lithuania is divided into ten counties. Since 2018, these counties have been grouped into two larger regions; the Vilnius Capital Region, and the Central and Western Lithuania region, which contains Klaipėda County. Klaipėda County encompasses the three case study municipalities: Klaipėda City, Palanga and Neringa.

Klaipėda county is the fourth-smallest territory geographically (around 5 200 km^2) but houses the third-largest population (almost 320 000 in 2020). Klaipėda also has a comparatively high population density, third after Vilnius and Kaunas counties. Klaipėda contains the Northernmost ice-free port on the Eastern coast of the Baltic Sea.

Up to 45% of added value created in Klaipėda county is produced by traditional sectors of logistics and manufacturing. This is due in large part to the presence of the seaport (Klaipėda City Administrative Division, 2017[31]). As specified in Klaipėda Region's Development Plan for 2014-2020, the region's strengths include a beneficial geographical position, physical infrastructure, abundant natural resources (including wind energy), well-developed social and educational infrastructure, budding recreational services and a rich cultural heritage (Klaipėda Region, 2013[32]).

History of cultural and creative sectors policy

At the national level, cultural and creative sectors (CCS) policy became more formalised in 2007, with the publication of The Strategy for the Promotion and Development of Creative Industries. Since then, policy support for CCS has come from both the Ministry of Culture and the Ministry of Economy, indicating the growing status of CCS in addressing both cultural and economic priorities.

In 2011, the 2012-20 Programme for the Development of Regional Culture established priority areas for regional cultural development. It also set out to create conditions for cultural access and dissemination to increase the attractiveness for local communities, investors and tourists.

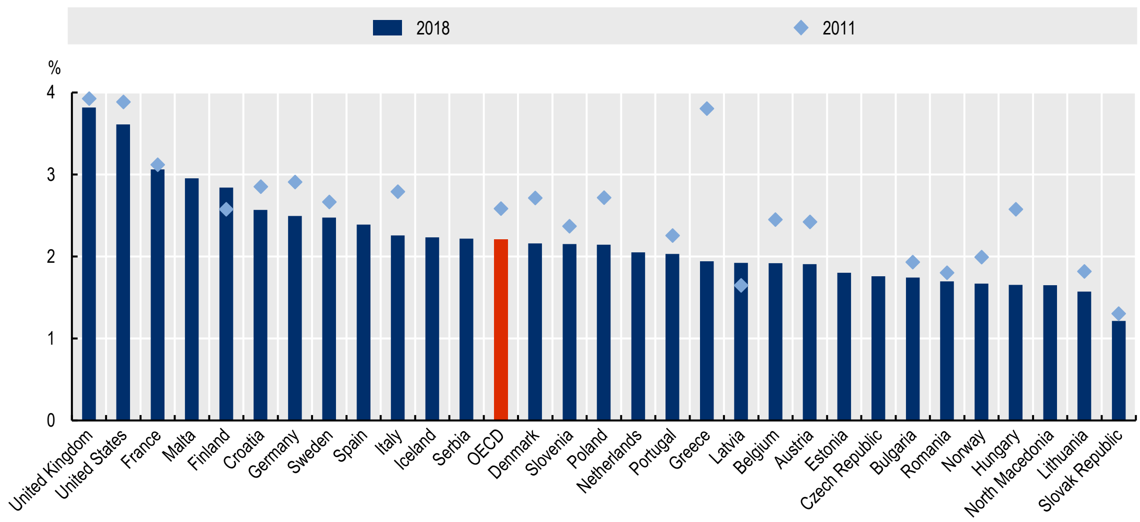
While Lithuania has strong policy support for CCS, territorial level policy also plays an important role in supporting the sector. The preservation and development of local culture are among the responsibilities of the three case study municipal administrations, Klaipėda City, Palanga, and Neringa. For example, the *Klaipėda Integrated Action Plan 2018-2020,* and the *Klaipėda City 2030 Economic Development Strategy* include fostering CCS as one of its priorities. The city also has a dedicated culture strategy. The 2030 strategy takes note of an important triad that presents an opportunity for the region's economy, involving: the increasing importance of creative industries; migration driven by culture factors; and an ageing population. According to the policy document, Klaipėda could take a more active role in developing its identity, and create conditions for the development of the cultural and creative sectors.

CCS contribute a notable share of economic output in Lithuania, and their contribution to the country's business economy is growing

CCS contribute a sizable portion of value added to the Lithuanian economy, though its economic contribution remains relatively smaller than OECD peers. In 2018, businesses from CCS sectors contributed almost 1.6% of total business economy gross value added (GVA) in Lithuania (OECD, 2022[6]). This is lower than the OECD average (2.2%), but comparable to EU peers in Eastern Europe, such as the Slovak Republic (1.2%), Hungary (approx. 1.6%) and Romania (approx. 1.7%) (see Figure 2.1). Due to data limitations, creative arts and entertainment activities and library and archive activities are not included in these estimates, so limited GVA statistics are produced.

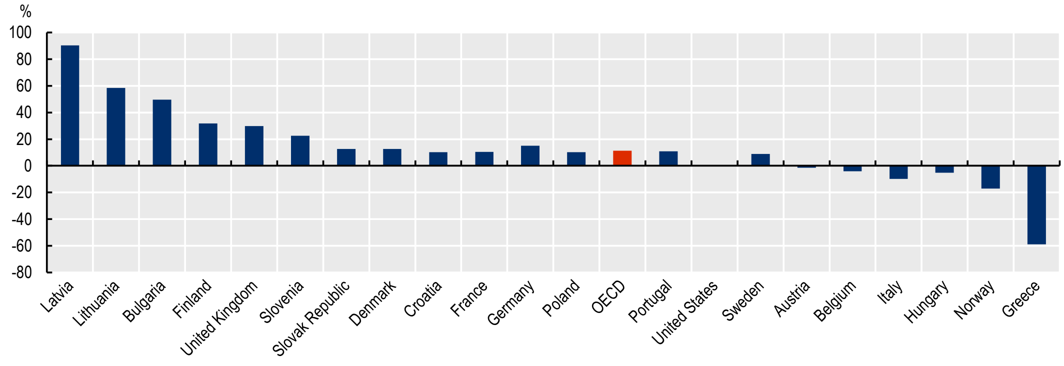
The value added of cultural and creative sectors had nevertheless grown in Lithuania pre-crisis. Between 2011 and 2018, GVA grew by 11.4% on average across the OECD. In Lithuania, CCS growth has been among the most pronounced in the OECD, recording a rise of over 58.4% (Figure 2.2). As in most OECD countries, however, the share of GVA attributed to CCS dropped in Lithuania relative to the overall business economy (from over 1.8% in 2011 to under 1.6% in 2018) due to the faster GVA growth of other sectors (see Figure 2.1).

Figure 2.1. Cultural and creative sectors' value added at factor cost as a share of the total business economy, 2011 and 2018



Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[33]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database; United States Bureau of Economic Analysis, *Industry Economic Accounts*.

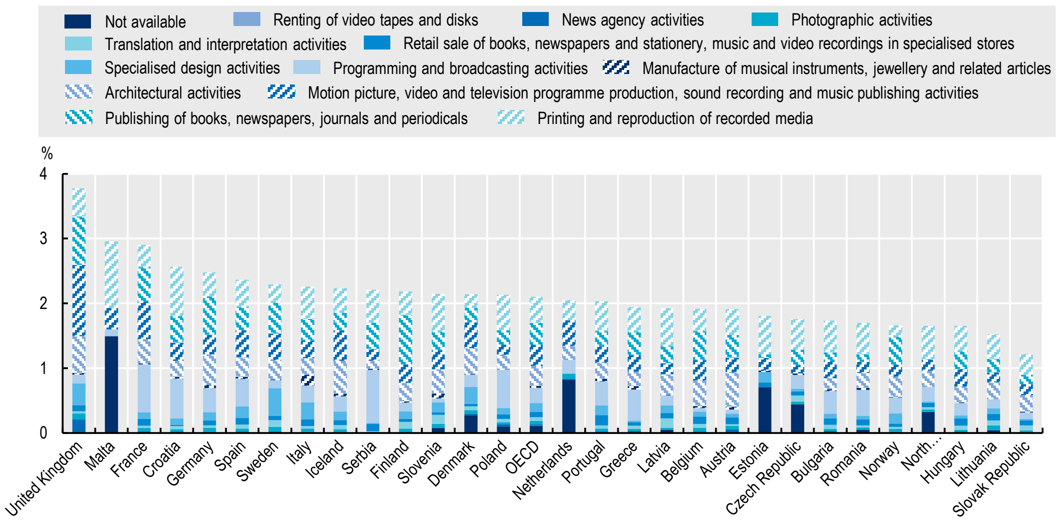
Figure 2.2. Growth rate of real value added by cultural and creative sectors, 2011 to 2018



Note: Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[33]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database; United States Bureau of Economic Analysis, *Industry Economic Accounts*.

Television and broadcast-linked sub-sectors represent a relatively smaller share of business economy GVA in Lithuania compared to OECD peers. In Lithuania, generally four sectors contribute most to the GVA in the economy: i) Printing and reproduction of recorded media, which accounts for nearly 0.38%, ii) Architectural activities, representing 0.26%, iii) Publishing of books, newspapers, journals and periodicals, contributing over 0.2%, and iv) Motion picture, video and television programme production, sound recording and music publishing activities, accounting for over 0.15% (Figure 2.3). Lithuania broadly follows OECD trends, though the weight of the sub-sector motion picture, video and television programme production, sound recording and music publishing activities is less than half the size than the OECD average of 0.32%. Likewise, programming and broadcasting, which represents nearly 0.24% of GVA in the OECD, is also substantially higher than this sub-sector's contribution in Lithuania (0.14%).

Figure 2.3. Share of value added by cultural and creative sectors to the business economy, 2018

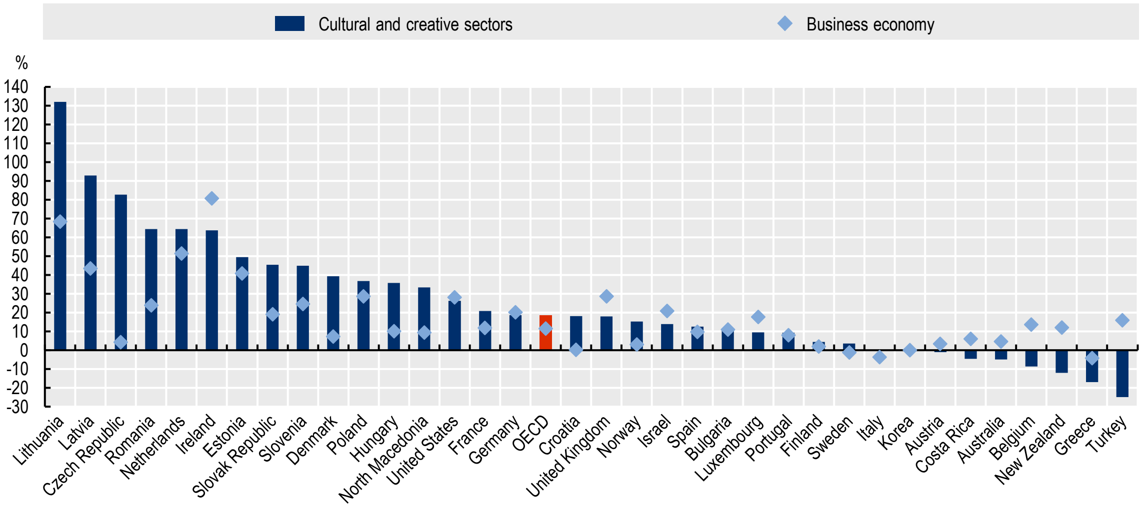


Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[33]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database

Between 2011 and 2018, Lithuania recorded the largest increase in the share of CCS firms in the economy among OECD countries

The number of CCS enterprises has more than doubled in Lithuania since 2011. Between 2011 and 2018, while starting from a low level, the number of enterprises in CCS in Lithuania grew by 132% in Lithuania, compared to 18% across OECD member countries. It also outpaced that of the total business economy, which grew at about 68% (see Figure 2.4). This pattern is similar in the majority of OECD countries. CCS in only 12 OECD countries have undergone lower growth than the rest of the business economy. Strong growth patterns of CCS firms in Lithuania echo those in other countries in Eastern Europe, such as Latvia, Czechia and Romania, in which the number of CCS enterprises grew by 93%, 83% and 65% respectively.

Figure 2.4. Growth rate of the number of enterprises, 2011 to 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91. Latest data for Australia and Costa Rica are from 2017.
Source: OECD calculations on OECD (2022[34]), *OECD Regional Statistics (database)*, https://doi.org/10.1787/6ef7b296-en (ad-hoc data collection); Eurostat (2021[35]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

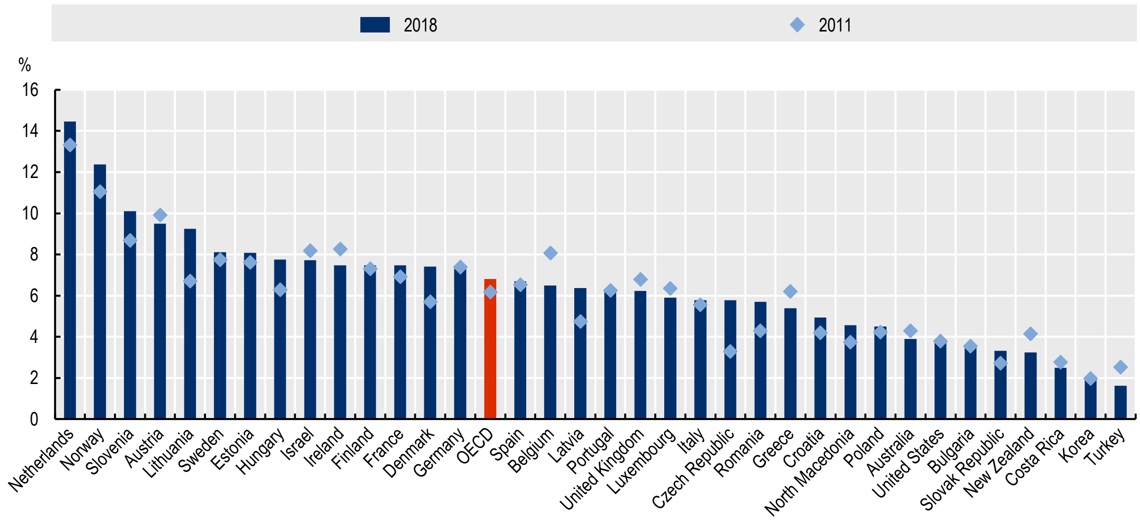
The share of CCS enterprises in the business economy has therefore increased over the same period. In 2011, 7% of enterprises in Lithuania were in CCS (see Figure 2.5). In 2018, this figure had increased by two percentage points, to 9%. This increase is larger than the OECD average, where the share of CCS firms in the business economy increased by one percentage point over the same period.

Productivity of CCS varies across the OECD, though available data suggests productivity may have declined in these sectors overall between 2011 and 2018. Productivity measurement methods vary. The productivity of labour, a common economic indicator, can be estimated by dividing the total GVA generated in an industry by the number of hours worked by all employees in that industry (OECD, 2001[36]). Data on hours worked is not available for CCS. Only GVA per worker can be estimated in CCS, a less statistically robust measure of productivity.

Based on this method, Lithuania is among a group of OECD countries that has actually recorded growth in the GVA per worker in CCS, likely due to productivity drivers that also helped the rest of the economy. GVA per worker increased by 44.7% between 2011 and 2018 in Lithuania, which was only slightly behind GVA per worker growth in the overall Lithuanian economy at 49.2% (Figure 2.6). As a comparison, in OECD countries for which data was available, GVA per worker in CCS has decreased by

2.8% between 2011 and 2018. In contrast, GVA per worker in the overall business economy increased by 15.5% during this period.

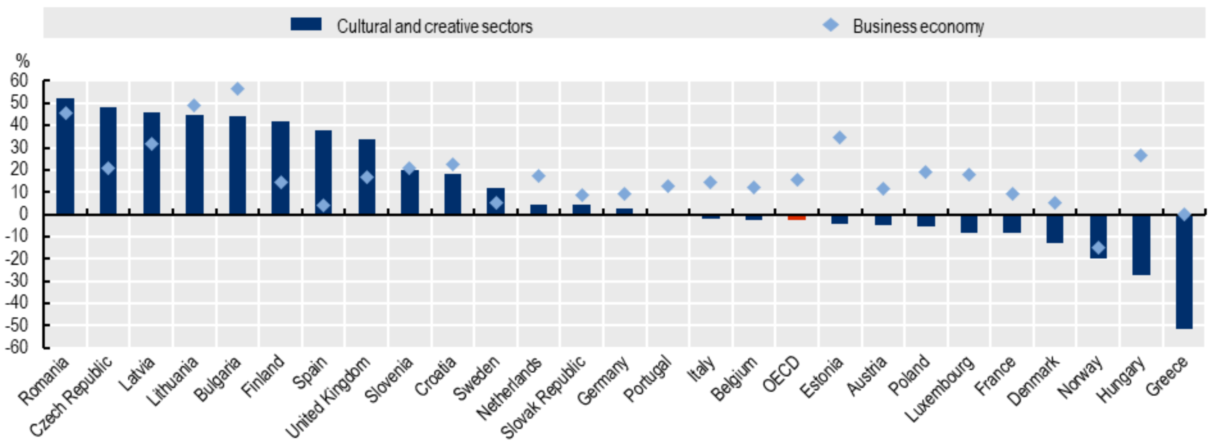
Figure 2.5. Cultural enterprises as a share of all enterprises in the business economy, 2011 and 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91. Latest data for Australia and Costa Rica are from 2017.
Source: OECD calculations on OECD (2022[34]), *OECD Regional Statistics (database)*, https://doi.org/10.1787/6ef7b296-en (ad-hoc data collection); Eurostat (2021[35]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*'

Figure 2.6. Growth rate of gross value-added per worker

2011 to 2018



Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[33]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database

CCS employment has been growing prior to the crisis, however policies could address income instability and job precariousness

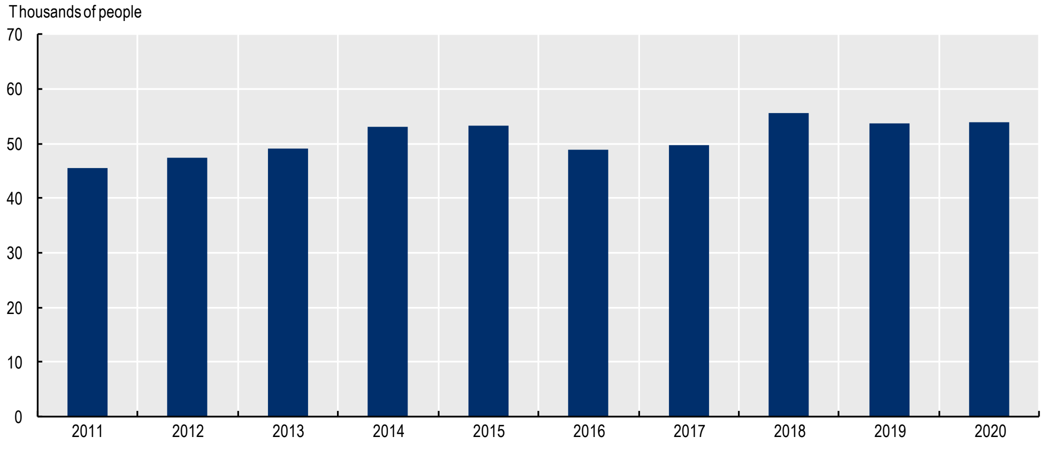
CCS had experienced a steady growth in the decade prior to COVID-19 crisis, and now represents a higher share of employment than the EU average. In Lithuania, it increased by 18.2% in 2011-2020. In 2020, CCS employment accounted for 4% of total employment, higher than the EU average of 3.6%. The share per inhabitant is also higher than EU average (over 19 persons per 1 000 inhabitants vs 16 persons on average in the EU).

The libraries, archives, museums and other cultural sub-sectors in Lithuania make up a far higher share of CCS employment than EU peers. In Lithuania, those working in libraries, archives, museums and other cultural activities sub-sectors account for 17.1% of the total cultural workforce, while these sub-sectors represent 7.5% of total cultural employment in the EU.

Cultural talent tends to work and reside in Vilnius, Lithuania's capital. This challenge is mentioned in the Lithuanian Cultural Policy Strategy, which points to the difficulties in attracting high-skill specialists to work outside of Lithuania's capital (The Government of the Republic of Lithuania, 2019[37]). For example, in 2020, only around 7% of Lithuania's creative workforce were employed in Klaipėda County.

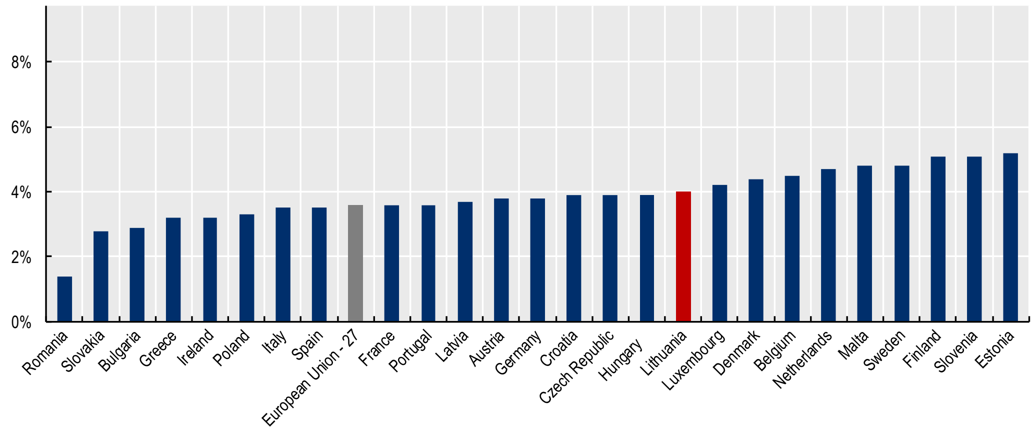
Cultural employment is concentrated in certain demographic categories. In Lithuania, the share of women employed in the cultural sector is significantly above the EU average (60% vs 48%). Youth aged 20 to 29 represents 13.9% of cultural workers in Lithuania (vs an EU average of 16%). Those aged 30 to 39 years old, however, represent 28.2% of those employed in the cultural sector in Lithuania compared to 25% across the EU. Lithuania, also counts a larger share of those aged 65 and over in the cultural sectors (7.24%), compared to the EU average of 4.14%. Finally, those with tertiary education drive cultural employment, representing 69% of cultural workers, relative to 59% in the EU.

Figure 2.7. Cultural employment in Lithuania, 2020



Source: Eurostat.

Figure 2.8. CCS employment as share of total employment, EU countries, 2020



Source: Eurostat.

Public funding is a driver of employment in cultural sectors. Public cultural organisations, such as large museums, libraries, theatres and orchestras, are funded directly by the State or municipality budget. They are able to offer permanent contracts. The Ministry of Culture regulates salaries in institutions funded by the State and a national memorandum was signed with the municipalities to regulate salaries in municipally-funded institutions. As average monthly salaries in the cultural sector are lower than in other activities (EUR 683 compared to EUR 822 in 2019), wage growth as well as skills enhancement are among the Ministry of Culture's strategic priorities in the sector (Ministry of Culture of the Republic of Lithuania, 2021[38]).

Artists benefit from a specific status under Lithuanian law

In Lithuania, artists benefit from a special status defined by law. In 1996, the Lithuanian government introduced a specific legal status for artists (in Lithuanian, "creators of culture and art"). The Lithuanian Ministry of Culture grants this specific status to those who fulfil formal requirements (see Box 2.1.). This status is a sign of recognition and also enshrines a set of social rights for artists. However, some creatives may prefer not to apply for this status. For others, their employment situation may not enable them to fulfil the requirement for this legal status, even though they are active in the cultural field. Some artists, although not legally recognised, may present artworks, apply for individual grants from the state or receive awards.

Box 2.1. The Law on the Status of the Artists in Lithuania

Status of the Artist is part of the artist social security programme that ensures benefits for the artists and provides better conditions for the creation and dissemination of art. It is also important for the recognition of the artists in the cultural community. Status of the Artist is gained for active participation in cultural activities: artworks, representation of Lithuania in important events abroad, or research of artistic processes. The status is granted in the following cultural fields: architecture, design, visual arts, photography, film, literature, music, dance, interdisciplinary art, ethnic culture and crafts, journalism, circus, and theatre.

While the 1996 Law lays down the requirements for obtaining the art creator status, the Programme for Social Protection of Art Creators, introduced in 2011, offers the basis for granting financial support to an Art Creator. The objective of this Programme is to provide support to artists receiving low and irregular income, as well as to artists who are in creative standstill. From 2017, creatives benefitting from the Art Creator Status may acquire the status of a beneficiary. Beneficiaries have the right to receive up to 1.2 % of the personal income tax paid by natural persons. Additionally, the Law established the Register of Art Creators and their organisations. To address the impact of COVID-19 crisis and further support the recovery of the sector, a new measure was introduced in early 2022 allowing creatives to apply for downtime payments more than once a year.

Note: The Law on the Status of the Artists is under reconsideration and is expected to be updated in near future
Source: Republic of Lithuania Law on the Status of Art Creator and Art Creators' Organizations, No I-1494 of 15 August 1996, https://www.e-tar.lt/portal/lt/legalAct/TAR.CB9B34EA4BA1/PrEpLDCDXr (in Lithuanian)

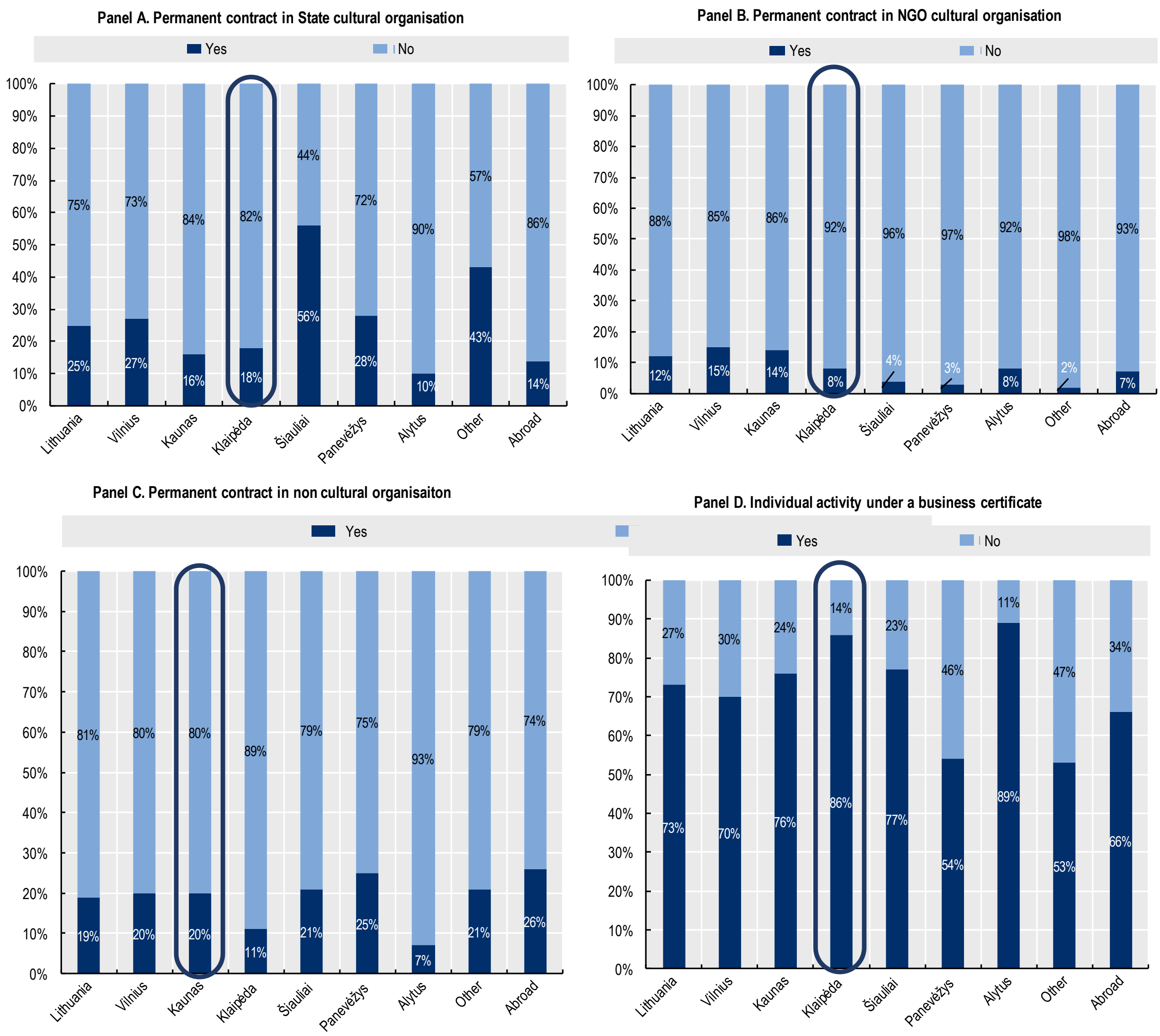
There are high shares of self-employment, freelance and temporary contracts within CCS

As in other countries, the shares of self-employed and temporary contracts are higher for CCS than for other sectors of the economy in Lithuania. In Lithuania, the relative weight of self-employed in the cultural and creative workforce was more than twice as high as the average in total employment (23% vs 11%) in 2020. For the EU average, 33% of the cultural and creative workforce was self-employed in 2020, compared with an average of 14% for total employment (Eurostat, 2022[39]). The share of full-time contracts is lower for cultural and creative workers compared to total employment in Lithuania (87% vs 93% in 2020). However, these shares are notably higher than EU averages (76% compared to 81%). The share of cultural and creative employees with one job only (93%) was slightly lower than in total employment (95%) and similar to EU averages (93% vs 96%) in 2020.

Both public and private sector cultural institutions and businesses increasingly rely on freelancers for project-based work. Due to large amounts of grant-based work, both private and public cultural organisation are increasingly working in a project-based manner, that relies on the use of temporary contracts with artists and creative professionals for individual projects (it should be noted however that it is also possible to receive three-year strategic funding for larger cultural organisations). The highest share of freelance workers is in film, performing arts and photography activities. Individual creators can also apply for grants within the Lithuanian Council of Culture, Lithuanian Film Centre and municipalities. These grants are an essential source of income for self-employed artists, as well as a way to fund educational activities.

The results of a study on artists' social conditions in Lithuania reveals that most artists in the country are freelancers. The analysis, commissioned by the Lithuanian Council for Culture, covers artists as part of the cultural workforce in 2019 (Kregždaitė and Godlevska, 2021[40]). The research finds that 25% of artists benefited from permanent contracts in state cultural organisations, 12% in private organisations and 19% in non-cultural organisations. The majority of artists across Lithuanian counties work individually under business certificates, ranging from 89% in Alytus, to 86% in Klaipėda and to 54% in Panevėžys. Across non-cultural organisations, however, place-based differences are smaller than in cultural organisations, ranging from 11% in Klaipėda to 25% in Panevėžys. The relatively higher number and size of public cultural organisations in counties such as Vilnius and Šiauliai may be explained by sectoral and firm structure differences.

Figure 2.9. Forms of CCS employment in Lithuania: A focus on artists, 2020



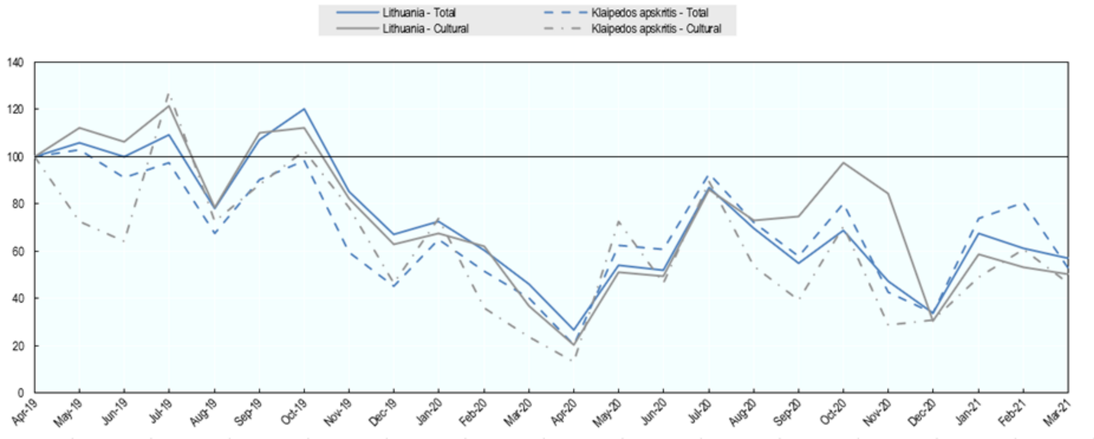
Source: Study of the social and creative conditions of the artists. R. Kregzdaite, E. Godlevska, 2021.

The impact of COVID-19 on CCS workers and businesses was severe, but support was offered through both general and targeted support measures

Employment demand for cultural and creative work took steep decline over the pandemic period. Online job vacancy data offer an indication of changing demand for certain types of occupations on a monthly basis. These data show that online vacancies declined significantly more for cultural and creative work than for jobs in general over the pandemic period in both Lithuania and in Klaipėda county (Figure 2.10).

Figure 2.10. Online job vacancy index

(April 2019 = 100)



Source: Burning Glass Technologies

During the pandemic, state support has been essential to protect cultural workers. A wide array of measures has been implemented to support workers, including both general and targeted measures (see Box 2.2.).

Box 2.2. Measures to support CCS employment during COVID-19 in Lithuania

Government support to CCS workers included two types of measures to alleviate the impact of social distancing measures on the sector:

First, support for the general economy, including for CCS:

- Job Retention Schemes were used during lockdowns and other public health measures to support businesses that cannot operate as usual and experience a downturn in activity. The Lithuanian State compensated wage expenses. For the first month subsidies covered 100 % of wages, but not more than 90 % of minimal monthly wages in Lithuania, while for the second month the subsidy reached 100 % of the salary, but not more than 60 % of the minimal monthly wage in Lithuania. It applied only to permanent contracts within companies, including in the cultural sector.
- Subsidies for new employment contracts applied to all types of companies, including the cultural sector.
- Subsidies for self-employed persons were also a policy tool to reach those self-employed, until 1 July 2021. If a person’s activity was included into the list of most affected activities, it was possible to apply for a self-employed subsidy, reaching EUR 260 per month. If the person had multiple types of employment (i.e. permanent contract and individual business certificate), the subsidy was targeted to those whose income from permanent contract was less than EUR 642 per month. Most cultural activities were included into the list.

- Postponement of social security taxes were also a way of alleviating costs for self-employed workers by postponing payments.
- A sickness allowance was provided for the care of a non-sick child when the child was isolated or in compulsory distance learning.
- Benefit for the job searching process was also provided as an active labour market policy for those searching for work, totalling EUR 212.
- A one-time benefit for seniors, disabled people, widows and orphans totalling EUR 200, limited to 2020, as well as a one-time benefit for parents with children of between EUR 120 or EUR 200, also limited to 2020.
- A subsidy for personal income taxes allowed residents who were working under individual business certificates to get a refund of 100% on personal income taxes paid in 2019. This procedure was open to all the activities that were included in a list of most affected activities. One of the conditions to obtain the refund was a maximum income of EUR 6 660 in 2019.

Second, crisis support included programmes put in place specifically for creators and cultural organisations. A total of 1 366 applications were funded for EUR 16.3 million under the COVID -19 Spill Impact Plan, of which EUR 8.6 million was for new digital products and services. In particular, specific crisis support measures included:

- The Lithuanian Council of Culture provided additional grants during 2020 through extra calls for individual grants (grants provided that year were 9 times more than usual). 2 131 creators have received these extra grants, totalling EUR 3.84 million.
- The Lithuanian Film Centre provided additional grants for cinema creators during 2020. 48 creators have received extra grants, totalling EUR 0.11 million.
- The Lithuanian Council of Culture put in place a one-time compensation benefit, limited to 2020, to compensate losses due to unexpected cancelations of events and projects. The Council received applications and made payments. 799 creators have received one-time compensation benefits (EUR 600, 1 200 or 1 800, according to losses) for a total sum of transferred compensations of EUR 750 000. In addition, EUR 598 363 were paid to organisations to cover losses due to cancelled, relocated or adjusted events (339 events were reported as cancelled that year).
- The Ministry of Culture also compensated those who benefit from the legal Status of an Artist, as long as they provided a reason to not have received income. The Culture Ministry’s compensation scheme totalled EUR 600 per month, renewable up to three months. The Ministry paid medical insurance and social security taxes during this period. This compensation mechanism existed before the COVID-19 pandemic, but its importance increased during the crisis. From 2015 to 2019, an average of 47 artists received compensation per year, with a yearly total sum of compensation of EUR 80 000. In 2020, 457 artists have received the compensations and total amount was EUR 737 000.

Source: (Office of the Government of the Republic of Lithuania, 2021[41]); The Council for Lithuanian Culture; Lithuanian Ministry of Culture; Lithuanian Film Centre

CCS businesses were among the most affected by the COVID-19 crisis in Lithuania, as in all OECD countries. Venue-based sectors (museums, theatres, festivals) were the most affected by lock-down measures with immediate effects on revenues and livelihoods of creative professionals. At the same time some other sectors, for example publishing or VOD platforms, received increased demand. During the first lockdown in 2020, cultural sector was trying to find the way to immediately adapt their activities for the online format. However, not all creative organisations were prepared for this rapid digital transition. For example, performing arts companies did not have professional filmed performances suitable for on-line formats. In the middle of 2020 special support for the cultural sectors was allocated and one of the aims was to encourage the creation of digital artworks increasing the quality of digital content.

During the crisis creative enterprises were able to apply for support from several sources: general support that was available for all businesses, and support for cultural sector, initiated by the Ministry of Culture as well as the Ministry of Economy. All businesses whose activities were included in the restricted activities lists during lockdown were eligible to receive support from government. Companies had to fulfil certain requirements and the subsidies were calculated according to personal income taxes paid by company. Companies have also received compensation for job preservation.

Box 2.3. Measures to support CCS enterprises during COVID-19 in Lithuania

During the COVID-19 sanitary emergency more than 100 000 enterprises in Lithuania received financial support. In 2020 and 2021, 1 735 companies and 1 358 companies from CCS respectively received support. This share represents approximately 1.5% of total enterprises and total support received. In 2021, for example, financial support for CCS companies totalled EUR 12 314 (five companies) in Neringa, EUR 21 114 (seven companies) in Palanga and EUR 506 129 (78 companies) in Klaipėda City. From the start of the pandemic, the Ministry of Culture led multiple initiatives to support the CCS, allocating over EUR 30 million for the sector, including:

- Extra EUR 16.6 million for the Lithuanian Council of Culture. The Lithuanian Council of Culture became one of the most important sources of support for CCS, and in particular NGOs. Most of the funding was allocated to support creative production and cultural activities. 803 cultural organisations received funding for 1 366 projects. EUR 8.6 million were assigned for creation of new digital cultural products and services, and EUR 7 million were allocated for other cultural projects. Cultural fields that received most support were interdisciplinary projects (EUR 2.2 million), music (EUR 2.3 million), theatre (EUR 1.8 million) and museums (EUR 1.7 million). In addition, EUR 1.2 million were allocated to support interdisciplinary art. EUR 0.6 million were granted to companies to compensate losses for the cancelled or postponed cultural events.
- EUR 6.2 million for the film industry. 59 filming projects were funded, and support was provided for cinemas and film distributors as well as individual artists.
- Extra EUR 4.456 million were allocated to the budget cultural organisations to ensure activities during the period with reduced income.
- EUR 1.7 million were allocated for libraries as well as EUR 0.830 million for purchasing musical instruments.

Additional support:

- Cultural institutions under the responsibility of the Ministry of Culture were supported to renew the infrastructure. EUR 22.4 million were allocated to national and state institutions and EUR 27.1 million to municipality institutions.
- In 2021 EUR 7 million was granted for the new funding programme – “Creative checks”. The aim of the activities was to encourage the use of innovative services from the CCS and create and implement design and marketing innovations.

Source: (Office of the Government of the Republic of Lithuania, 2021[41]); The Council for Lithuanian Culture; Lithuanian Ministry of Culture; Lithuanian Film Centre

Klaipėda County offers unique perspectives for inclusive and sustainable development

In Klaipėda county CCS are an opportunity to help diversify the economy

Lithuania's regional and local development are among the strategic priorities of current national development plans and national programming documents for EU structural funds implementation. Since 2018, Lithuania contains two TL2 (NUTS 2) level regions corresponding to two groups of counties, the Vilnius Capital Region and Central and Western Lithuania, containing Klaipėda County (TL3/NUTS3). The territory of Lithuania is divided into ten administrative units – counties. From 2008 to 2019, all counties exhibited economic growth, however there was variation in the level of growth experienced between each county.

The strong post-2008 recovery revealed the economic and demographic weight of the country's capital, Vilnius. Vilnius and Kaunas, the capitals of Lithuania's two regions (TL2), experienced the highest economic growth rates since 2010. Smaller counties (TL3) such as Alytus, Tauragė, Šiauliai, Marijampolė, Panevežys, Utena, Telšiai grew their GDP at a slower pace. The economies of Vilnius and Kaunas also contracted relatively less during the 2008 financial crisis. Klaipėda county is the country's fourth-smallest territory geographically but houses the third-largest population.

Klaipėda features both high resilience from economic shocks and comparatively strong economic growth. Klaipėda houses Lithuania's only sea port, the Northernmost ice-free port on the Eastern coast of the Baltic Sea. Klaipėda also has a comparatively high population density, third after Vilnius and Kaunas counties. Up to 45% of added value created in Klaipėda County is produced by the logistics and manufacturing industries, which take advantage of the beneficial status of Klaipėda's sea port (Klaipėda City Administrative Division, 2017[42]). After a sharp contraction of GDP during the 2008 financial crisis, Klaipėda County's GDP bounced back quickly and grew steadily in the decade following the crisis. As specified in Klaipėda Region's Development Plan for 2014-2020, the region's strengths include a beneficial geographical position, physical infrastructure, abundant natural resources (including wind energy), well-developed social and educational infrastructure, budding recreational services and a rich cultural heritage (Klaipėda Region, 2013[43]). The Plan also mentions several weaknesses, including uneven development of different parts of the county, low levels of innovation within local industries, low levels of development of public infrastructure as well as recreational and sport infrastructure. Other vulnerabilities include a low diversity of tourism infrastructure, insufficient support for local business development and the need to upgrade the cultural heritage infrastructure.

The county's 2014-2020 plan envisions two development priorities and addresses some of the needs noted in the region. The first priority focused on achieving sustainable and inclusive economic growth, and the second on ensuring a high quality of life in the county. Among other strategic tasks, there are measures devoted to development of public economic infrastructure and services, development of green energy, and the preservation and restoration of cultural heritage sites. Although the cultural and creative sectors do not appear directly in the *Strategic development plan of Klaipėda* (2014-2020), they do have a role in *Klaipėda City 2030: strategy for economic growth*. The 2030 strategy takes note of an important triad that presents an opportunity for the region's economy, involving (i) the increasing importance of creative industries, (ii) migration driven by culture factors and (iii) an ageing population. According to the policy document, Klaipėda should take a more active role in developing the city's identity and create conditions for the development of the creative sector.

Figure 2.11. Map of Klaipėda region and Neringa

In Klaipėda City, cultural and creative services can complement and diversify the city's blue economy

Cultural and creative sectors represent a small but dynamic part of economic activity in Klaipėda City

Klaipėda City is Lithuania's third-most populous city and largest seaport. Klaipėda City, the capital of Klaipėda County, is home to some 150 000 inhabitants, although its population has been gradually decreasing over the past decades due, to a large extent, to outward migration, a typical trend for many Lithuanian and Baltic cities. Klaipėda's population is also ageing, although it is still among the youngest in Lithuania. The economy of the city is largely based on traditional sectors such as logistics and manufacturing, taking advantage of the largest seaport in the country. The Klaipėda City 2030 Economic Development Strategy highlights however that these sectors have a significant productivity gap compared to EU averages (Klaipeda Municipality, 2018[44]). The unemployment rate in the city of Klaipėda is one of the lowest in Lithuania. The strong labour demand drives up the average salaries compared to many other cities in the country. Further economic growth of the city might be constrained by skills and labour shortages underlining the need to retain and attract talent and increase productivity.

Klaipėda City has a strong educational infrastructure, however, further steps are needed to better match skills supply and demand. Klaipėda City houses three universities: Klaipėda University, Lithuania Business University of Applied Sciences and LCC International University, Klaipėda Faculty of the Lithuanian Academy of Music and Theatre. Training and education is provided in a wide range of subjects including marine technology and natural sciences, engineering, social sciences and humanities, health sciences, tourism and entertainment management, informatics, languages, music, dance and theatre. The Klaipėda City 2030 Economic Development Strategy highlights however that a large number of these programmes have difficulty in attracting talented and motivated students, partly due to rising competition both between local and regional universities. The Strategy also underlines the shortages of engineers, IT and business management specialists reported by local businesses stressing the need to continue efforts to align skills supply to the needs of employers (Klaipeda Municipality, 2018[44]).

Klaipėda benefits from diverse cultural infrastructure and demostrates strong culture-led development planning capacity. In 2015, Klaipėda was designated as the Lithuanian Capital of Culture 2017 and, in 2016, it was shortlisted to become a European Capital of Culture in 2022, attesting to the quality of its proposal and culture-led development planning capacity. Klaipėda benefits from diverse cultural infrastructure, both municipal and state-owned. In 2021, there were eight municipal cultural institutions active in the city. These include the Klaipėda Concert Hall, the History Museum of Lithuania Minor, the culture centre “Žvejų rūmai”, the Klaipėda Cultural Communication Centre, the Klaipėda City Immanuel Kant Public Library, the Klaipėda City Centre of Ethnic Culture, and the “Festivals of Klaipėda” public institution. In addition, six state-owned cultural institutions operate in Klaipėda, including the Pranas Domšaitis Gallery, the Clock and Watch Museum (branches of The Lithuanian National Museum of Art), the Lithuanian Sea Museum, the Klaipėda Drama Theatre, the Klaipėda State Music Theatre and the Klaipėda County Public Ieva Simonaitytė Library. Klaipėda Fashion Week is a good example of an NGO run CCS event. The city’s Culture Factory acts as a hub for cultural and creative businesses providing incubation services (see Box 2.4.).

Box 2.4. Klaipėda’s Culture Factory - KUFA

The Culture Factory or KUFA is a municipal institution that has operated as a CCS incubator since 2014. It benefited from EU structural funds via a programme administrated by Ministry of Economy supporting the Lithuanian system of business incubators in the 2007-2013 programming period. KUFA provides incubation services for contemporary performing arts and creative businesses, co-working spaces for creative professionals, and multifunctional events spaces for businesses and residents. KUFA is also active in community engagement, curatorial programming and showcasing and professional development workshops and trainings. Throughout the year, KUFA hosts a variety of cultural and entrepreneurial events: theatre and dance performances, festivals, conferences, educational seminars, cinema and fashion events.

KUFA is also an example of industrial heritage regeneration project. It is located in the city centre in a redeveloped former tobacco factory building and acts as a community hub while also contributing to visitors’ attraction.

Source: https://www.kulturosfabrikas.lt/en/

Klaipėda City’s CCS took a longer time to recover from the 2008 financial crisis compared to the national average. Data from the Lithuanian Statistics Office gives an overview of Klaipėda’s CCS dynamics from 2008 to 2019.[1] The sectors only reached pre-crisis levels of added value in 2017. From 2016 to 2019, the sector recorded steady growth, increasing its turnover by 25.9% and added value by 20.7%. However, other economic sectors in Klaipėda developed at a faster pace, shown by turnover and added value data from 2016 to 2019. In 2019, total CCS turnover in Klaipėda City municipality was EUR 120.12 million. Architectural and engineering activities recorded the highest turnover along retail trade. In 2019, the sectors’ value added in Klaipėda municipality sat at EUR 49 million, 44% of this value was created in publishing activities, 13% in creative, arts and entertainment activities and 10% in rental and leasing activities.

***Klaipėda City Cultural Strategy 2017–2030* identifies several important challenges that hinder the sectors’ development**. The economic weight of Klaipėda’s seaport (the largest in the country) is a “double-edged sword” for the city. While being the biggest contributor to the city’s wealth, as well as one of the largest supporters of its cultural activities (i.e. Sea Festival), seaport development strategies do not adequately consider the cultural and recreational aspects of Klaipėda City. A few important exceptions of

[1] It should be noted, however, that these estimates need to be taken with caution. As data are not available at sufficiently disaggregated level, estimates include activities which are not defined as cultural such as engineering and education.

seaport industry conversion to cultural sites, however, do stand out: Klaipėda City castle site, the cruise ship terminal and the banks of river Danė. Open and efficient co-ordination of future development by the seaport and Klaipėda City is required in order to promote sustainable social and cultural life. The Strategy also draws attention to the relatively low profile of creative industries in the city.

The number of full or part time contracts in CCS has remained relatively constant over time. The rapid increase in the number of cultural and creative organisations, however, has prompted an increasing number of workers working under other types of contracts, such as through royalty agreements or service contracts. In 2019, the most important organisations contributing to Klaipėda's creative industries were the Culture Factory, the Klaipėda Science and Technology Park's Castle workshop, and Enterprise Lithuania's workspace "Spiečius" (Černiauskaitė, 2019[45]).

There is a growing number of cultural spaces and of incubated CCS start-ups in the city, but more can be done to increase the levels of resident satisfaction with cultural services. Data provided by an official monitoring review of the implementation of Klaipėda's strategic development plan shows rising numbers of visitors to municipal cultural institutions, increasing numbers of municipal premises provided for use by non-governmental cultural organisations, a growing number of new cultural spaces and an increasing number of incubated start-ups in CCS. Municipal attendance numbers are substantially increased by state-owned institutions such as the Lithuanian Sea Museum or branches of The Lithuanian National Museum of Art. Building and expanding the experience of Kaunas, Palanga and Vilnius, Klaipėda is planning to introduce a residents' card providing discounts for public transport as well as a range of cultural services (e.g., exhibition and concerts) to improve access to cultural offerings of more disadvantaged groups. However, according to the recent *Report on the Survey of Participation of the Population in Culture and Satisfaction with Cultural Services* (2020, Lithuanian Council of Culture, KOG institute "Norstat LT"), more can be done to increase the level of residents' satisfaction with cultural services. The report found that 68 % of inhabitants of Klaipėda City were satisfied with the quality of cultural services, less than in other large cities in Lithuania (Vilnius – 73%, Kaunas – 74%, Alytus – 72%, Šiauliai – 77%, Panevėžys – 73).

More can be done to strengthen CCS business support, networking and crossovers with other sectors of the economy

Stakeholders underscore the positive collaboration between a number of large business and cultural organisations in Klaipėda. These include the seaport brewery "Švyturys" or "Philip Morris Lithuania", which are traditional supporters of large annual events such as the Sea Festival. Collaboration with local business has a beneficial effect on a number of areas of municipal policy, such as the development of public spaces, support for local communities, and provision of employment opportunities, as well as public procurement for products and services provided by local cultural and creative organisations.

Local cultural and creative enterprises and organisation express that they frequently lose opportunities to larger national or international competitors due to their comparatively small scale. Compared to large companies, SMEs express an inability to provide more abundant, diverse, and complex products and services. Stakeholders indicate that this "incompatibility of scale" impedes more fruitful collaboration between large and small business in CCS. Stakeholder interviews suggest that such collaboration could be stimulated through targeted policy measures to provide co-ordinated mediation between businesses, cultural and creative organisations, and the municipality.

Partnerships between SMEs and large business could also help to adjust port and city development strategies in order to place greater emphasis on sustainability goals. A recent study on identity and fundamental values in Klaipėda county (agency X[why], 2020) provides background for a more integrated and holistic policy of the county and Klaipėda City. The study highlights an opportunity for partnership development with different sectors, including education, innovative infrastructure and manufacturing, well-being and the blue economy.

The development of digital creative and professional services is one of the seven strategic objectives of Klaipėda City's 2030 Economic Development Strategy. Some of the above challenges are recognised and are being addressed through the city 2030 Economic Development Strategy. For example, the Strategy aims to: increase the use of creative industries (such as digital media, architecture and design) in manufacturing; assess the demand of traditional sectors for CCS services; and further expand the services on offer at the Culture Factory by establishing an IT education centre for creative industries. The Strategy also foresees the establishment of a creative industry programme and an accelerator and to further support networking within CCS, as well as promoting urban revitalisation measures (including within the historical parts of the city), as measures to increase attractiveness for event and leisure tourism.

In Palanga, established CCS can leverage emerging preferences for off-season tourism

Summer tourism drives Palanga's economy

Palanga is Lithuania's most popular seaside resort. Palanga is located 25 km north of Klaipėda City on the Baltic Sea. While less than 17 000 people reside in Palanga, the city hosts more than one million visitors per year, mainly during the summer season. Numbers of both national and international tourists are increasing, and tend to visit the city more evenly throughout the year. Data provided by the Palanga tourism information centre suggests that Palanga is the most popular vacation destination among Lithuanians. Contrary to Neringa, another blue tourism hub south of Klaipėda, national tourists outnumber international visitors in Palanga.

Palanga is one of the few municipalities in Lithuania with growing population. According to the *Strategic development plan of Palanga municipality 2021-2030*, the city's population is growing by 1.7% yearly. National migration drives this population growth, coupled with a rising real estate market. Palanga was always a popular choice for purchasing a second house or summer residency among Lithuanians. However, Palanga's population is ageing. In 2019, Palanga recorded a 4.2% decline in the natural population growth. According to the Lithuanian Department of Statistics, there was a 21.2% decrease in the young population in Palanga from 2011 to 2020.

Palanga features high business density. In 2020, there were 40.4 active businesses for one thousand people, compared to the national average of 31.4. Trade, accommodation and food services were clear leaders among Palanga business sectors, comprising 19.8% and 15.4% of all businesses respectively in 2021. Tourism development is one of the city's highest economic priorities, supported by abundant natural, historical and cultural assets. The official marketing strategy of Palanga profiles the area as a Baltic city in which one can "always find something interesting to experience and do". The *Strategic development plan of Palanga municipality 2021-2030* emphasises that, in order to maintain momentum in the development of tourism in Palanga, it is important to increase and diversify the services provided for tourists. As many as 11 historical, archaeological, and cultural sites in Palanga and its neighbouring areas are mentioned as possible tourist attractions. There is, however, a clear need to provide more information about those cultural sites, and to better integrate them into existing networks of popular tourist routes.

Art and music are pillars of Palanga CCS. Presently, Palanga hosts many popular annual events as the festival "I love Palanga" and the international folk festival "In the town of Palanga". Palanga houses five municipal cultural institutions, including the Palanga centre for youth and culture, the Palanga municipal public library, the Antanas Mončys house-museum, the Palanga resort museum and the Palanga orchestra. There are eight preforming arts groups active at the Palanga centre for youth and culture, including choirs, as well as multiple theatre and dance groups. Palanga also hosts an Amber Museum, which is a branch of The Lithuanian National Museum of Art. There is a plan to transform The Palanga art pavilion (active since 1968) into an art residency and all year-round active venue for music performances.

Palanga benefits from diverse cultural and creative infrastructure. In 2015, a concert hall opened for music, dance and theatre performances, film screenings, festivals, conferences and other public events. Since 2015, the Palanga centre for youth and culture operates in the historical kurhaus of Palanga. The new building for the youth centre is in the process of construction to host youth related cultural activities. There are a number of high profile periodic cultural events that contribute to Palanga's international reputation as a national and regional cultural centre: the international music festival of M. K. Čiurlionis, the international brass music festival "Amber Wind", and the arts festival for children "Dwarf of Kurhaus".

Palanga's CCS experienced a steady growth prior to the COVID-19 crisis. The overall size of CCS in Palanga grew from 2016 to 2019, both in terms of turnover (21.6%) and added value (11%).[2] Similarly to Klaipėda, however, the share of turnover of the CCS in Palanga in the wider economy diminished from 1.5% in 2016 to 1% in 2019. The CCS in Palanga enterprises added value sits around 2%, following a significant increase to 2.93% in 2018 and a consequent drop to 1.5% in 2019. As in Klaipėda, other local economic activities, such as trade, accommodation and food industry, have outpaced its development.

Stakeholder interviews reveal a need for stronger local community access to cultural and creative services

Stakeholders praised the recent development of public infrastructure related to CCS. They would, however, like to see a greater number of public services and a more diverse cultural life. The influx of high season tourists presents many essential opportunities for local businesses, but at the same time, the local community is deprived of many advantages of a vibrant cultural life during the low season period. Moreover, as many businesses and culture venues are focused on visitor preferences, stakeholder interviews suggest that the local community could feel partially deprived of ownership of their social and cultural spaces. This may weaken social and cultural cohesion in the long-term. Stakeholder interviews also suggest that while local CCS actors receive the economic benefits of visitor flows, there remains risks associated with seasonally-dependent tourism.

In Neringa, small but vibrant CCS lean on seasonal tourism and a delicate natural environment

Neringa: a coastal economy striving for sustainable development

Neringa is located in the northern portion of the Curonian spit, recoganised as a UNESCO world heritage site since 2000. It stretches 50 km through the narrow strip of land between the Baltic Sea and the Curonian lagoon. There is no bridge connection between the mainland and the Curonian spit. The municipality of Neringa comprises of the historical settlements of Nida, Juodkrantė, Pervalka, Preila and Alksnynė. People and transport use ferry transport, often crowded during the summer months. The unique natural heritage and comparatively limited accessibility create a very specific economic and social environment in Neringa.

[2] It should be noted, however, that these estimates need to be taken with caution. As data are not available at sufficiently disaggregated level, estimates include activities which are not defined as cultural such as engineering and education.

Migration from the mainland has increased Neringa's population steadily since 2007. However, there is a distinction between residents who own property in Neringa as their secondary or summer residence and those who live in Neringa all year. Estimates suggest that up to half of homeowners may not actually live in the area all year. Thus, presumably, many homeowners in Neringa are not active members of the local community.

Neringa benefits from the highest employment rates in Lithuania. In 2019, 89.5% of Neringa's working age population was employed, while the national average was 73%. The recently adopted document *Neringa municipality cultural policy change guidelines for 2020-2030*, however, emphasises that the number of jobs available in Neringa decreased substantially after numerous conversions of old corporate and public sanatoria premises into private apartments.

The density of local business in Neringa is higher than Klaipėda and Palanga. However, the high seasonality of its economy and social and cultural life, as well as its relative isolation from mainland, likely drive the comparatively small amount of foreign investment. According to the *Neringa municipality strategic development plan for 2021–2030*, UNESCO world heritage status and related restrictions also act as an impediment for business development and investment. According to the data provided by the Neringa tourism information centre, tourism visits increased by 41% in 2019 compared to 2018. According to the data provided in the *Municipal tourism marketing and communication strategy 2014-2022*, the number of Lithuanian tourists using accommodation services was higher than that of foreign tourists in 2014. It is also evident that local tourists spend more time in Neringa than foreign tourists. Prior to COVID-19 crisis, German visitors represent nearly three-quarters of foreign tourists in Neringa, followed by tourists from Russia (8%) and France (4%).

Between 2016 and 2019, Neringa's CCS exhibited a strong increase in economic activity.[3] Turnover increased by 86.4% over this time, while added value increased by 85.9%. The percentage of total turnover attributed to CCS increased from 2.86% in 2016 to 4.4% in 2019, while its share of added value grew from 3.15% in 2016 to 4.47% in 2019. Unlike Klaipėda and Palanga, Neringa's CCS was growing faster than other sectors of local economy.

Multiple cultural and sports events attract tourists to Neringa. These include the international Folk Festival "Tek saulužė ant maračių", the International Thomas Mann festival, the International festival Nida Jazz Marathon, the Chamber music festival "Curonian Spit", the International Contest of Young Vocalists "*Baltic Voice",* the international music festival "N land", Juodkrantė resort days, the folk festival "Blow, the Wind!", the popular music festival "Nida on air", the International "Curonian lagoon" regatta, the "Žolinių cup" tennis tournament, etc. Most of these events have a long-established tradition in Neringa and attract an international audience.

For the 2021 Lithuanian Capital of Culture, Neringa put in place a rich cultural programme, despite the difficulties of COVID -19 restrictions. Over 100 events blending the unique natural heritage with arts and culture took place in Neringa under an overarching theme – Island of Culture. The programme was co-organised by the public and private sector, volunteers, local community, and professional arts to provide unique experiences and promote one of the most beautiful resorts of Lithuania.

The duration of visits to Neringa are lengthening, reflecting the large array of recreational activities possible in the municipality. However, the prevailing forms of preferred activities of Lithuanian tourists focus more on recreation such as spending time and walking on beaches (85.6%), walking in the forest (83%), riding bikes (46.6%), reading books (45.5%) and visiting places of interest (45.2 %).

[3] It should be noted, however, that these estimates need to be taken with caution. As data are not available at sufficiently disaggregated level, estimates include activities which are not defined as cultural such as engineering and education.

Neringa's historical and multicultural heritage, meanwhile, may be a strong driver for international tourists. Neringa houses three museums: the Thomas Mann Museum, the Curonian Spit History Museum, and Nida Fisherman's Ethnographic Homestead. Nida lighthouse is also under the supervision of Neringa museums. There are two cultural centres – Nida culture and tourism information centre "Agila", the Liudvikas Rėza culture centre, and the Neringa Municipality Viktoras Miliūnas Public Library.

Local actors express a possible trade-off between the development of Neringa's costal cultural identity and attracting an increasing number of tourists. This possible tension is analysed in *Neringa municipality strategic development plan for 2021–2030,* which attempts to put forward a number of solutions, in which CCS play an active strategic role. One of the plan's horizontal priorities is focused on creative industries, emphasising creative innovations in various domains of municipal policy, inter-sectoral co-operation and fostering the development of cultural heritage.

Sustainability and culture are key principles expressed in Neringa's strategic development plan. The plan seeks to strengthen local identity, the image of the resort and UNESCO World Heritage values. Alongside traditional measures aimed at preserving cultural heritage, the municipality developed a list of highly integrated actions which have potential to add value to other sectors as well. These actions include developing cultural partnerships, promoting unique cultural projects, co-ordinating information dissemination about Neringa, creating an ecosystem of creative residences, and fostering cultural education.

Stakeholders find that reducing the seasonality of CCS may support the sectors' sustainable development

Local actors corroborate the data and municipal policy suggestions on the need to expand activities in the off-season and to mitigate the negative effects of the high season. The Nida Art Colony, for example, could help drive off-season tourism on the Spit by attracting artists during low season (see 2.5.). Local actors find that other initiatives would be welcome to attract creative and cultural sector workers to the area during the low season.

Box 2.5. Nida Art Colony, Neringa

Since 2011, the Nida Art Colony (NAC), offers residencies for professional artists, designers, architects, art critics and curators. Nida Art Colony is a subdivision of the Vilnius Academy of Arts. The NAC residency programme aims to provide favourable conditions for art practices and to stimulate innovations in art, as well as to implement innovations in art education and become an integral part of the local cultural and social scene. The main forms of NAC activities are international workshops, summer schools, exhibitions, conferences, video screenings, and the artists-in-residence programme. Artists-in-residence are encouraged and expected to engage in educational activities during their residency period. They are also invited to engage in locally based practices: to join local cultural initiatives and institutions as well as to work with local themes and visual and social contexts. The residency programme always includes a combination of local and foreign artists, which is expected to encourage new and original partnerships and to stimulate ideas.

Source: Nida Art Colony (Vilnius Academy of Arts) – Res Artis

Stronger co-operation with private sector is required. According to stakeholders, there is a need to reach agreement between local businesses and cultural operators about co-ordinated efforts to implement and support local cultural initiatives. Both community and business would eventually benefit from stronger cultural identity and strengthening Neringa's international reputation.

3 Cultural participation in Lithuania: Museums as levers of local social and cultural development

Despite progress, unequal geographic and social access challenge cultural participation in Lithuania

Defining and measuring cultural participation in Lithuania

Lithuania has made systematic efforts to monitor cultural participation. The publication of the *Special Eurobarometer 399: Cultural access and participation* in 2007 by the Directorate-General for Communication helped instigate this effort. Lithuanian national and regional studies on cultural policy have also included themes of cultural access and participation. A periodical sociological survey*, Participation in Culture and Satisfaction with Cultural Services in Lithuania,* published in 2014, 2017 and 2020, provides a rich source of information on cultural participation across the country. This series of surveys, initiated by the Lithuanian Council for Culture, provide not only reviews of basic national and regional indicators related to access to culture and participation, but also identifies public opinion related to the accessibility of culture, society's willingness to participate in cultural activities and its assessment of the quality of cultural services.[4]

The *Participation in Culture and Satisfaction with Cultural Services in Lithuania*, *2020* survey defines key terms in the following way:

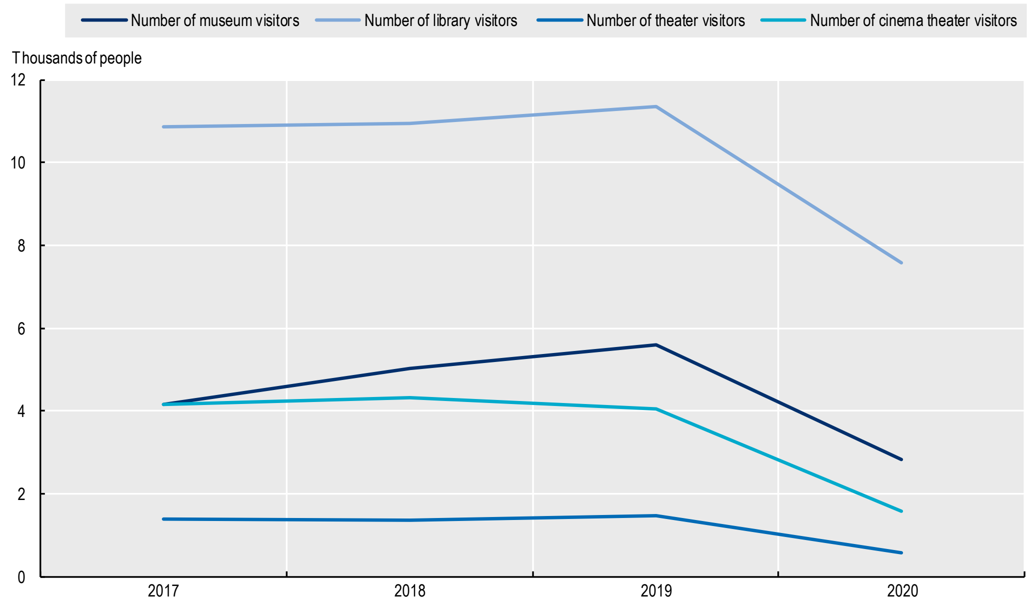
- **Participation** (in self-organised, amateur activities) is involvement in cultural activities, independent participation in them, i.e. the pursuit of creative activities or artistic expression, for example, singing, painting, sculpting or film making.
- **Social participation or volunteering** is voluntary social activity related to culture clubs, associations, groups or organisations, contribution to their activities with one's time or resources. This kind of participation includes culture-related sponsorship, charity and community activities.
- **Use (attendance, consumption)** is attendance of events, use of cultural services and consumption of cultural products. Such activities include visits to theatre, museums, virtual visits to cultural heritage sites, reading books, watching movies, listening to the radio, etc.

Cultural participation has grown in Lithuania, though place-based challenges compound unequal access among social groups

Culture's role in fostering local economic development, urban renewal, inspiring creativity and creating a more educated, inclusive, cohesive society is widely recognised in Lithuania. Core indicators used by Eurostat and the Lithuanian Ministry of Culture have made efforts to more fully document cultural activities. However, these indicators tend to record more traditional (passive) cultural practices, i.e. visits to museums, libraries, cultural centres, theatres and cinemas. According to these data, the numbers of visitors to these institutions increased between 2017 and 2019. In 2020, numbers of all visitors decreased radically because of the pandemic.

[4] UAB "Socialinės informacijos centras" and UAB "ESTEP Vilnius" (2014), "Socialinės informacijos centras" and UAB "Norstat LT" (2017), and "KOG institutas" UAB, Norstat LT UAB (2020).

Figure 3.1. Cultural participation trends in Lithuania



Source: Calculated by the authors using data from the Lithuanian Statistics Office

Survey data shows a majority of the Lithuanian population participates in cultural activities. According to the conclusions of the survey *Participation in Culture and Satisfaction with Cultural Services in Lithuania*, 2020, as much as 45% of respondents participated in cultural activities in 2020, 21% participated socially or voluntarily. 88% attended cultural events. 69% of the population consider the accessibility of culture to be good. Finally, 70% of the population consider the quality of cultural services and goods to be good.

Indicators also suggest participation in culture has levelled or increased in the last five to eight years in Lithuania. Looking at all three waves of the *Participation in Culture and Satisfaction with Cultural Services in Lithuania* in 2014, 2017 and 2020, shows interesting trends for cultural participation. The overall indicator related to accessibility of culture dropped in 2017, but increased again in 2020 (70%→62%→69%). A statistically significant increase of the indicator is observed in the fields of performing arts, museums and galleries, cultural monuments and archaeological sites, books and periodicals and visual arts. The accessibility indicators for visual arts and libraries coincide with the average for the three surveys; this indicator is slightly lower than the average in the field of movies, while in the field of archives it decreased rather significantly and has been decreasing since 2014. The quality indicator is a little lower than the average for the three surveys, however, it remains high (76%→72%→71%). In the 2020 survey, the indicator related to social participation and volunteering increased significantly (10%→10%→21%). Live consumption of culture (except mass media) has increased modestly (86%→85%→88%). The number of people watching movies has been growing since 2014 (89%→91%→96%). Cultural heritage attendance also increased in 2020 (73%→71%→79%). Cultural consumption in all other fields remains similar to the average for the three surveys.

Almost 60% of the population would like to participate in some kind of cultural activities. According to the same survey, in 2020, this indicator was only slightly lower compared to the previous surveys (56%→58%→57%). Participation in cultural activities depends highly on age, however. Youth aged between 15 and 19 participated at a rate of 75%, though cultural involvement drops with age, falling to 37% among the eldest (aged 70 or more). This could be related to the lack of activities tailored to their needs or lack of information about the available opportunities.

Klaipėda County records a relatively high level of cultural participation. Klaipėda was among those counties in which the number of people who are willing to participate in cultural activities is comparatively higher. At the same time, Klaipėda County was listed among those in which the percentage of people who are satisfied with the accessibility of cultural services is relatively lower than in other counties.

The way citizens engage with culture may also be changing. While overall consumption, participation and satisfaction rates remain comparatively high from 2014 to 2020, some cultural areas are becoming more popular (performing arts, museums and galleries, cultural monuments and archaeological sites, and books and periodicals) while others are in decline (archives and digital archives). There is a significant rise in social participation and volunteering. Ability and willingness to participate in culture is imbalanced for different age groups. People older than 70 participate in culture 38% less than those aged between 15 and 19 years old. Emerging cultural activities across Lithuania reflect these changes in cultural participation (Box 3.1.).

Box 3.1. Burgeoning cultural activities across Lithuania

"Underground visual structures: Portal. Cosmos. Jungle" - project by Vilnius city theatre MMLAB and "Urban Sanctuary"

In Vilnius, many creative initiatives are implemented in open urban spaces. One example of this is the project "Underground visual structures: Postal. Cosmos. Jungle", which was implemented by Vilnius city theatre MMLAB (Arts and Science Lab) and creative initiative "Urban Sanctuary". For this project artists created three artistic installations in underground passages, or underpasses, outside the city centre in Vilnius. As the main cultural institutions are concentrated in Vilnius city centre, these art instillations brought cultural activities to audiences outside the city centre. The project has helped challenge perspectives on urban structures and reimagine parts of the city which residents may have been fearful to enter. The Vilnius city municipality funded the project as part of a broader strategy to establish and maintain Vilnius as a creative city.

Regional contemporary circus and Kaunas sleeping areas: the "Cirkuliacija" festival

Contemporary circus is a new and emerging genre of performing arts in Lithuania. "Cirkuliacija" is a contemporary circus festival that has grown bigger since 2015 and attracts new and various audiences each year. The main goal of the festival is to introduce contemporary circus to more people. The event introduces contemporary circus' unique educational and social effects. The festival believes contemporary circus is a way to bring together a community for dialogue. Festival locations vary each year within a different neighbourhood of Kaunas, where cultural and community activities remain rare.

Interdisciplinary festival in Klaipėda "Plartforma"

"Plartforma" is an international festival of contemporary arts, combining different forms of performance, such as contemporary dance, contemporary circus, physical theatre, performing and visual arts, including video and film. Artists from both Lithuania and abroad come together in one cultural platform. The festival is organised by the artists group Fish Eye.

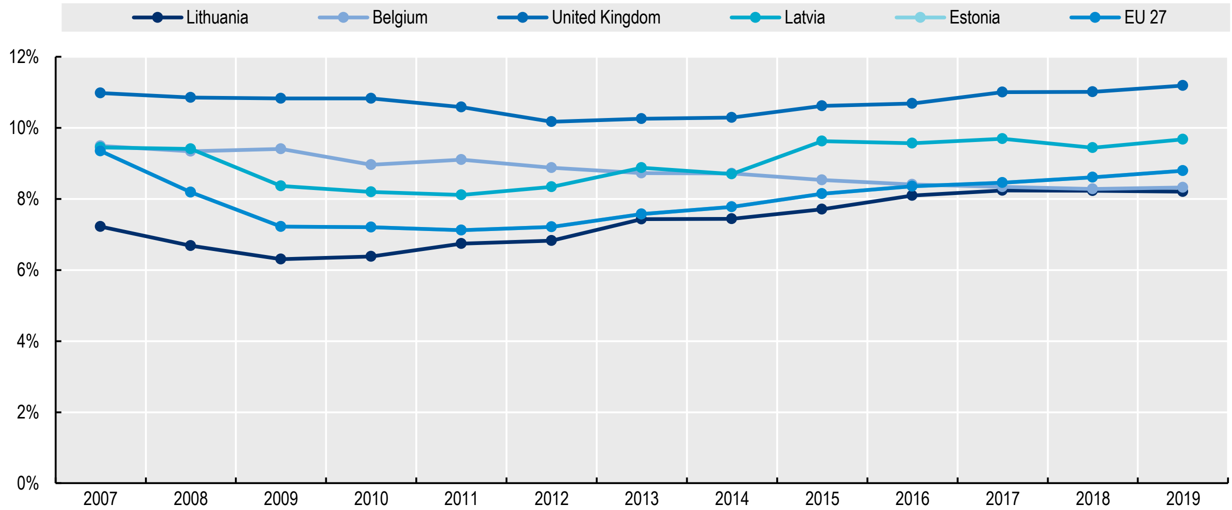
The festival focuses on the geographical and metaphysical interpretations of boundary areas, which are reflected in the character of the festival itself. Different genres and forms of expression occur merging the boundaries of traditional art. The festival has taken place in a number of unusual urban venues, including a shipyard, power station and tobacco factory. In this way, the event celebrates the historic, cultural, industrial and natural heritage of the city. The festival draws artists' attention towards the usage of space for creative activity, while showing audiences how old spaces can be reused as cultural venues.

Source: (MMLAB, n.d.[46]) (Cirkuliacija, n.d.[47])

Household spending on recreation and culture in Lithuania has been growing in the last decade, but remains low compared to peers. The 2008 economic crisis heavily affected the share of expenditure households devoted to recreation and culture. This is especially true for Lithuania alongside its neighbours Latvia and Estonia, while Belgium and United Kingdom experienced relatively minor drop of percentage of expenditure of households for recreation and culture. In 2019, in Lithuania the share of household spending on recreation and culture (8.2%) exceeded the share in 2007 (7.2%), but remined below EU27 average (8.8%). In neighbouring Latvia, in 2019, household spending on culture and recreation reached 9.7%, close to a percentage point and a half more than in Lithuania. Social inequality and comparatively low income of the older Lithuanian population could be one of the reasons for more passive cultural participation in this age group.

Figure 3.2. Percentage of household expenditure dedicated to recreation and culture in Lithuania and selected OECD countries

Share of household expenditure, 2007-2019, %



Source: OECD National Accounts Database, Final consumption expenditure of households

The number of cultural centres and amateur artistic groups is shrinking, eroding a key channel of active cultural participation

Cultural centres are important drivers of active cultural participation. While traditional cultural institutions (museums, theatres, libraries) support passive cultural participation, the main function of cultural centres is, on the contrary, to provide cultural space for active artistic expression (singing in a choir, dancing, etc.). According to official data, the number of cultural centres has increased between 2016 and 2021, while the number of amateur art groups active in those centres has reduced over this same period (Table 3.1). The both the number of arts groups and the number of people involved in activities of these groups were decreasing before the COVID -19 pandemic, and have dropped further in 2020 and 2021.

Table 3.1. Number of cultural centres, art groups and participation trends, 2016-2021

Title	2016	2017	2018	2019	2020	2021
Number of cultural centers	157	158	158	159	159	160
Number of art groups	2 930	2 978	2 915	2 859	2 701	2 628
Number of participants	37 071	37 798	37 061	36 769	33 910	31 842

Source: Lithuanian National Culture Centre

Cultural centres are an opportunity to drive active cultural participation and social inclusion. Although amateur art groups operating in cultural centres tend to focus on artistic expressions of ethnic Lithuanian culture, cultural centres are widening the range of their functions and services appealing to a wider audience. Cultural centres are in the process of transformation into universal community spaces for all genres and kinds of cultural and artistic expression.

Case study: Museums and local development in Klaipėda County

How to leverage museums to increase cultural participation and local development?

Museums and cultural heritage sites are powerful assets for local development. The *OECD-ICOM Guide for Local Governments, Communities and Museums* provides a useful framework to understand how museums contribute to local development and the actions needed from local governments and museums to maximise these impacts (OECD/ICOM, 2019[48]). To assess their interaction with the territory and draw broader conclusions on how local authorities could maximise the impact of museums for local development, the OECD-ICOM assessment framework was applied to two sets of museums in Lithuania: the History Museum of Lithuania Minor, in Klaipėda, and Neringa Museums, a municipal budgetary institution which manages the Thomas Mann Museum, the Curonian Spit History Museum and the Nida Fisherman's Ethnographic Homestead.

Box 3.2. Museums and local development: overview of potential impacts

- **Supporting local economic development.** In addition to preserving and creating cultural value, museums contribute to the attractiveness of places and hence to local economic development through job creation and revenue generation related to the visitor economy; supporting local hotels, restaurants, shops and their wider suppliers. More long-term benefits can arise from partnerships between museums, local entrepreneurs, businesses and higher education or research institutions that support the creation of new products.
- **Fostering urban regeneration and community development.** Museums contribute to both the physical and social design of many cities. Their renovation or construction can stimulate urban regeneration and bring new life into areas losing their social dynamism and traditional economic base. Museums are places where social capital can be built between people of different communities when many traditional meeting places are disappearing.
- **Catalysing culturally aware and creative societies.** Museums have mainly been created to increase cultural awareness and education. With time, this objective has become more complex to also encompass training and life-long learning, and not only for native-born populations but also immigrants and other marginalised communities. A museum's mission is also to promote reflection and self-awareness, challenging misperceptions and informing the way people think about many past and contemporary issues.
- **Promoting social inclusion, health, and wellbeing.** Museums increasingly contribute to individual and collective well-being. Other initiatives relating to social inclusion and the improvement of self-confidence are also significant, but are sometimes less visible since their effects are difficult to evaluate and are only evident in the long term. Local governments could consider museums as resources for both building social capital and promoting social welfare and support the links with social institutions that intervene at the local level. In turn, museums need to build their internal capacities to be more pro-active in this field.

Source: (OECD/ICOM, 2019[48])

Klaipėda County museums fulfil their cultural mission, though levers for social and economic development could be further tapped

Both the History Museum of Lithuania Minor (HMLM) in Klaipėda, and Neringa Museums (NM), are well represented in the most important municipal and regional strategic documents. In an older strategic plan for the development of Klaipėda region (2014-2020), museums were not singled out among other cultural institutions. Measures related to modernising cultural infrastructure were included in the first strategic priority aimed at "Sustainable and integral economic growth". The recent *Strategic plan for the development of Klaipėda City 2021-2030* emphases that the "city's cultural regeneration should be considered in the renovation of Klaipėda's sea port concerning the preservation of adjacent public cultural spaces" (Klaipėda City Municipality, 2021[49]). The second strategic priority of the plan aims to increase social inclusion, enabling community building and strengthening local self-government, including a set of measures to strengthen the sustainability of Klaipėda's CCS ecosystem. The *Klaipėda City Municipality Cultural Strategy 2017–2030*, includes a specific measure related to creation of an open urbanistic museum exhibition, while a majority of other measures are indirectly linked to the activities of HMLM.

Neringa municipality included its museums in the recent *Neringa municipality cultural policy change guidelines for 2020-2030.* This document discusses ways to integrate cultural assets into a general city development strategy, emphasising the need to modernise cultural institutions, enable them to present more diverse cultural services and encourage a more inclusive approach towards their audiences.

Although museums' cultural mission is identified in municipal policy, their role as levers of local development may remain underexploited. Field interviews with municipal representatives reveal that a more traditional interpretation of the mission of museums prevails, and some of the additional levers of local development, such as social inclusion and skills development, may not be fully exploited. The statistical indicators collected by the Ministry of Culture and the Lithuanian Statistics Office reflect this traditional vision. For example, indicators include the number of visitors, the number of artefacts in museum collections, the area of expositional spaces and the number of organised events. The Ministry of Culture has been addressing this issue through the development of more comprehensive evaluation frameworks which help recognise the broader social and local development roles played by museums.

The scale of museum activity may be a challenge to reach broader development goals in Klaipėda City and Neringa. Most museums in these municipalities may not have the scale to generate more substantial contributions to local economies, with the exception of the popular Lithuanian Sea museum. The more traditional view of museums' missions may also be reflected in the administrative structure of museums, in which staff fulfil the requirements of core museum cultural functions. There may be limited capacity to hire specialists with relevant qualifications to expand museum activities beyond their traditional tasks of preservation, restauration and presentation of cultural heritage, or specialists trained to work with businesses and initiate cross-sectoral projects.

Museums are well aware of the challenges and benefits of expanding their audiences. A wider audience yields more visitors and income. Moreover, a more diverse audience supports the broader social impact museums can make. However, audience expansion requires specific competences and knowledge about both cultural offerings and the diverse needs of potential new visitors. Consequently, museums may need to adjust their internal organisation and staff competencies to integrate audience expansion goals into their activities.

There is a strong connection between museums and local tourism industry that could be further advanced in Klaipėda. For instance, in Klaipėda museums have allowed hotel guests to use museum parking space. In turn, the hotels provide discounts for accepting museum visiting guests. Such co-operation could be expanded through bilateral or multilateral agreements among museums and hotels. Museums can also use hotels as channels to disseminate information about their exhibitions.

There is an opportunity to expand integrated marketing campaigns that include different museums and cultural institutions. The joint advertising of the “Museum night” for all museums in Klaipėda is a promising example for such joint exercises. Another example of collective marketing includes the marketing around the Lithuanian Capital of Culture in 2017, such as the “Ice-Free Port of Culture”. Such initiatives could become the core for a more comprehensive integrated system of culture marketing and communication. Presently, neither Klaipėda nor Neringa have an integrated system of marketing for their cultural institutions (for example, a single ticket for all institutions). Policy discussions are ongoing about a possible “Klaipėda citizen’s card” for local residents, which would include discounts for attending cultural institutions.

Both Klaipėda and Neringa museums can further reach out to specific groups of tourists. Targeted marketing is especially relevant in Neringa, which recently commissioned a detailed analysis of its tourism sector and set a priority to reinforce this emerging trend to prolong visitors stay in Neringa. While nature and seaside is still the municipality’s most powerful attraction, it is expected that longer stays in Neringa could be motivated by interest for Nergina’s cultural sites, such as museums. Developing data on visitors’ origin, their cultural preferences and their expectations could also be expanded to best inform common marketing programmes.

Tailored local strategies can help Klaipėda County’s municipalities best leverage museums for urban regeneration and community development

In both Klaipėda and Neringa, the location of museum sites is understood amongst stakeholders as an important factor in the context of the urban development of both cities. Especially in the case of Neringa, which is a UNESCO World Heritage Site, there is a particular commitment to preserve natural and cultural heritage. Therefore, local sites of Neringa Museums (for example, Nida Fisherman's Ethnographic Homestead situated in the old town of Nida), are particularly well suited to initiating educational and informational events. This could include events for local residents, who frequently lack knowledge about special requirements to preserve and maintain their property as part of a UNESCO World heritage site.

In the case of Klaipėda, development strategies need to reconcile different interests. Large businesses (e.g. the sea port) may seek to maximise the use of local infrastructure, available energy resources, transportation and logistics, while other stakeholders might seek to prioritise developing the “blue” and “green” economy. Other stakeholders may prioritise the creation of more open public spaces, more open access to the sea, or more comprehensive preservation of local cultural heritage sites at the goals of future development strategies. The museums sector can play in role in these debates, by bringing together different interest groups. For example, public discussions about the future development vision of the Klaipėda castle site (in which HMLM is located) resulted in common agreement that the edifice of the castle itself should be rebuild. City municipality investment into new museum exhibitions in this site, thus demonstrates its commitment to the cultural value of this important urbanistic area of old town in Klaipėda. As Klaipėda museum is part of the historic site of Klaipėda castle, it has become an area of intersection of different interests. Therefore, it is at the same time a challenge and an opportunity to co-ordinate local business development strategies with public interest to maintain historic sites as open public cultural spaces. The museum could play a mediation role in public discussion about the future vision of the site and the possible role of local business in its regeneration.

In Klaipėda County, a diverse offering of local, regional and national museums can connect to a broader ecosystem

Klaipėda and Neringa municipal museums co-operate, rather than compete, with local branches of national museums and a state-owned Sea Museum. Even though the Sea Museum is the most popular museum in Lithuania, both HMLM and NM occupy rather specific and well-defined cultural niche while also cooperating with national museums. For example, HMLM has helped the local branch of the Lithuanian National Art Museum (Pranas Domšaitis gallery) to create a special exhibition about the history of the building that hosts the gallery. Similarly, Neringa’s Curonian Spit History Museum created a new exhibition with the help of National Museum of Lithuania.

There are also examples of partnership among museums when specific knowledge or expertise were required. For example, the Lithuanian National Art Museum provided help for HMLM when an important artefact required restoration. However, there is opportunity for the mobility of collections to be further encouraged, especially from national and state museums to municipality museums, which can be supported by the new provisions of the Lithuanian Culture Council financial programme.

Art residences are an interesting example of successful cross-sectoral co-operation. Residents of Nida art colony (branch of Vilnius Academy of Arts) were involved in the programme of Thomas Mann festival, organised by Thomas Mann Museum (branch of NM). Open-air and sculpture workshops co-ordinated with art residences have the potential to provide both an international art event for the city and to enrich its art collection. It is also noteworthy that art residencies in Neringa and Palanga can help to reduce seasonality of local cultural life. Artists, craft workers and other creators can spend their time in residencies not only during high season and, therefore, they can present their art work for public all year round. Residents and enterprises working in the Klaipėda creative industries incubator Culture Factory and Klaipėda art residencies could participate in joint projects with art residences in Nida and Palanga. At the time of writing, the municipality of Neringa was in the process of creating a new programme for art residences, a potential driver of regional co-operation opportunities.

The linguistic offering of museums in Klaipėda County can be another lever to develop their impact. Museums typically provide information in Lithuanian and English, while making tools available in additional languages, such as audio guides and excursion managers. However, there is little data available about the countries of origin of visitors, though such information could be useful to make museum exhibitions more accessible to foreign visitors.

Neringa and Palanga can leverage museums for social cohesion

Inter-institutional co-operation is strong in Klaipėda County. For example, Neringa’s museums involve the local community using help from the municipal public library, which is geographically close to the Thomas Mann Museum and which traditionally is more accustomed to fulfil the functions of a community centre. Close proximity of different institutions (there is also a hotel and Curonian Spit History Museum nearby) is effectively contributing to the synergy among different spheres of culture and local accommodation business. This co-operation becomes especially important during annual cultural events such as Thomas Mann festival.

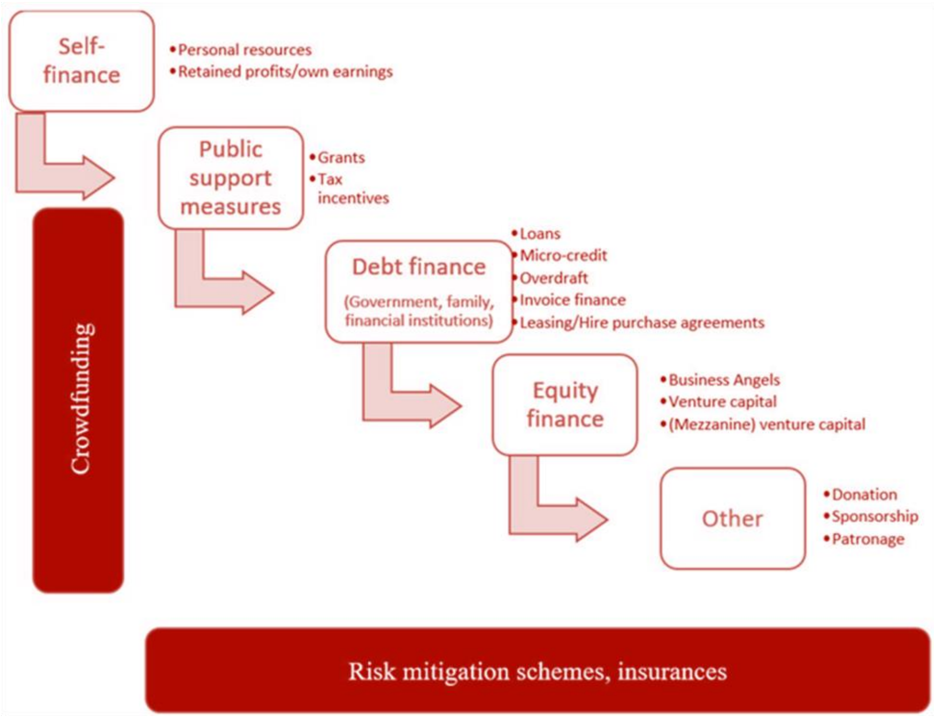
There is opportunity to more fully pair Klaipėda museum’s cultural activities with social activity. Museums acknowledge as promising their possible links to health and well-being promotion. This is especially relevant in Neringa and Palanga, which are health resorts with unique natural resources and recreational activities. For example, there is an opportunity for local authorities, the health sector and museums to consider “museums by prescription” programmes following the example of the Montreal Fine Arts Museum and many other museums across the OECD. There is also opportunity to promote social inclusion and reach out to more disadvantaged groups. However, further support may be needed to build capacity in tailoring museums services to the specific needs of particular at-risk or disadvantaged groups. Additionally, further support may be needed to more fully adapt cultural infrastructure to meet accessibility goals, such as improving access for people with a physical disability.

4 Public and private funding for cultural and creative sectors

Introduction

CCS encompass a wide range of different types of organisation, including non-for-profit and for-profit organisations, which have very diverse business models and financing needs. Libraries and cultural centres, film production companies, circus, socio-cultural associations, museums, theatre companies, orchestras, visual artists, design and architectural companies all belong to CCS, but their business models, cost structures and financing needs are very diverse. Funding mechanisms need to be adapted to the different organisations that co-exist in CCS ecosystems. CCS financial ecosystems are complex and not only driven by banking support or public investment. They provide opportunities for multiple co-financing arrangements between banks, public-private financiers, microcredit providers, business angels and venture capitals (European Commission, 2013[50]). CCS benefit from a wide range of possible finance mechanisms: from self-finance to public and private finance (Figure 4.1).

Figure 4.1. Typology of CCS funding sources



Source: OMC (2016[51])

Broadly speaking, there are five main sources of finance for cultural and creative businesses and organisations. *Firstly,* as identified in the above typology, self-finance which for many start-ups and SMEs may include personal investment, and for more established organisations is likely to be the result of reinvestment of existing profits. *Secondly,* there is public sector finance, in the form of either direct grants or in a range of potential tax incentives. *Third*, debt finance, including both secure (where some form of collateral is offered) and unsecure (where no collateral is offered) loan arrangements. This type of financing source is one of the most common forms of financing for businesses in any sector, but carries inherent risk. *Fourth*, equity finance, in which money is exchanged for part-ownership or shares in the company. And *finally*, there is sponsorship and patronage sources, where money is freely offered to companies for charitable or philanthropic reasons. From this typology a number of key actors can be identified, including the firms and organisations themselves, governments (both national and subnational), financial institutions, business angels and venture capital investors, audiences, the broader public and corporations. The combination of these actors and mechanisms comprise the financial ecosystem.

Financing for Lithuania's cultural sector is driven by public sources, though a private ecosystem does exist

The main sources for CCS financial support in Lithuania are the State budget, municipal budgets and private funding. The Lithuanian cultural sector depends to a large extent on public finances. National public spending is stipulated by the Republic of Lithuania "Law on the Budget Structure", which is prepared annually by the Government and adopted by the Lithuanian Parliament. The law includes separate parts for State budget implemented by the government and municipal budget for 66 Lithuanian municipalities. There are several types of spending: salaries and administration costs, project-based funding and capital investments. The Ministry of Culture is responsible for supporting state-owned cultural institutions. Public funds, however, may not meet all needs of the sector and bring a degree of uncertainty due to the application-based nature of its funding. The income of cultural institutions may be strengthened and stabilised by diversifying sources and combining public and private funding.

Private sector funding for CCS is relatively limited across Lithuania. According to the State Tax Inspectorate under the Ministry of Finance, about 6.4% of private sponsorship from enterprises are devoted to the cultural sector. Lithuanian residents are also able to deduct 1.2% from income tax when it benefits artistic organisations or individual artists. This mechanism, however, is yielding limited support for the cultural sector. New types of funding such as crowdfunding are also growing especially in the context of the rapid development of digital media and social networking, however, their impact is still relatively limited. The Lithuanian Ministry of Culture is initiating working groups to encourage private support for the cultural sector, to raise business skills in the sector and legal initiatives to enable private support.

Public spending on culture

In 2019, Lithuania registered a relatively high share of government spending on culture among OECD countries. Lithuania has one of the highest shares of government spending on cultural services in the OECD. In 2019, government spending on cultural services in Lithuania reached nearly 1.6% of total government spending, compared to the OECD average of 1.1% (Figure 4.2). Government spending on culture in Lithuania is similar to that of other countries in the region, such as Hungary, Latvia, Poland and Czechia. Although a high relative share of spending on cultural services may reflect the priority placed on culture by Lithuania, it may also reflect different shares of government spending in other policy areas.

Per capita spending on cultural services is close to OECD average, but has increased substantially in the past two decades. In 2001, Lithuania had one of the lowest per capita spends on cultural services of the OECD (Figure 4.3). However, by 2019, per capita spending in Lithuania had increased substantially, reaching a similar level to the OECD average of approximately USD 261 per capita (2015 constant PPP). Indeed, since 2010 Lithuania has recorded among the highest increases in spending per capita, where per capita (2015 constant PPP) government spending on cultural services increased by USD 115, the third-highest increase in the OECD (Figure 4.4). Increases may reveal broader developmental trends in the country over this period, as well as more focused attention to cultural policies over this time period.

Box 4.1. Components of government spending on recreation, culture, and religion

What's included?

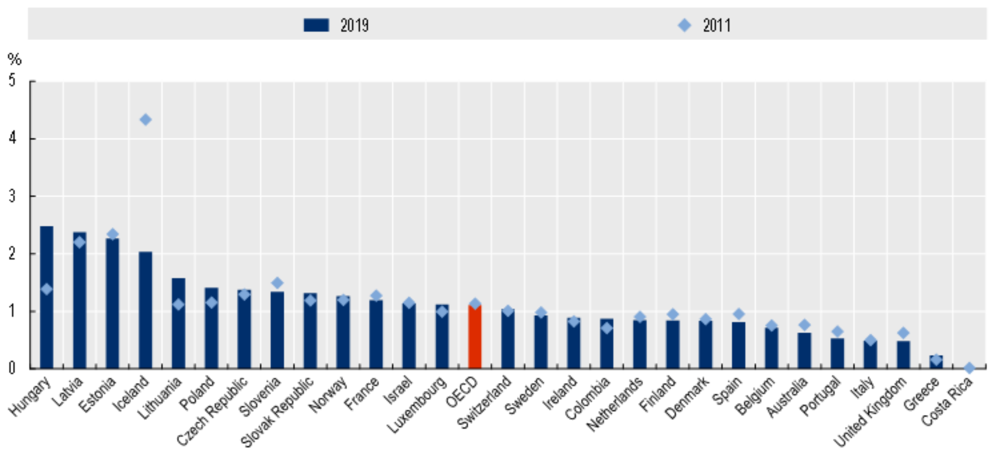
Government spending on recreation, culture, and religion includes expenditure on services provided to individual persons and households, expenditure on services provided on a collective basis, as well as capital expenditure (capital transfers and direct investment). Individual expenditure is allocated to groups (1) and (2); expenditure on collective services is assigned to groups (3) to (6). Collective services are provided to the community as a whole. Cultural services is a sub-group of the broader category recreation, culture, and religion:

1. Recreational and sporting services
2. **Cultural services**:

   Provision of cultural services; administration of cultural affairs; supervision and regulation of cultural facilities; operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens, aquaria, arboreta, etc.); production, operation or support of cultural events (concerts, stage and film productions, art shows, etc.); grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or to organizations engaged in promoting cultural activities. Includes: national, regional or local celebrations provided they are not intended chiefly to attract tourists. Excludes: cultural events intended for presentation beyond national boundaries (01.13); national, regional or local celebrations intended chiefly to attract tourists (04.73); production of cultural material intended for distribution by broadcasting (08.30)
3. Broadcasting and publishing services
4. Religious and other community services
5. R&D recreation, culture, and religion
6. Recreation, culture and religion n.e.c.

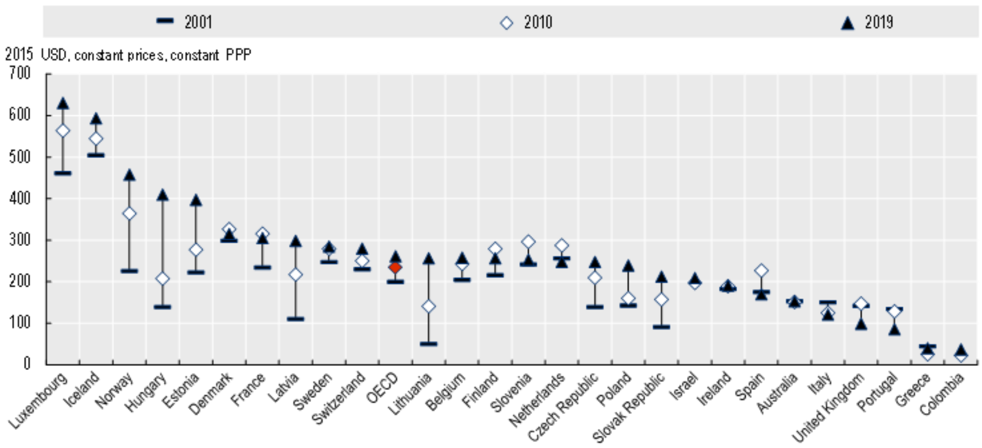
Source: Manual on Sources and Methods for the Compilation of COFOG Statistics, European Union, Luxembourg (Eurostat, 2019[52]).

Figure 4.2. Cultural services as a share of total government spending in OECD countries, 2011 and 2019



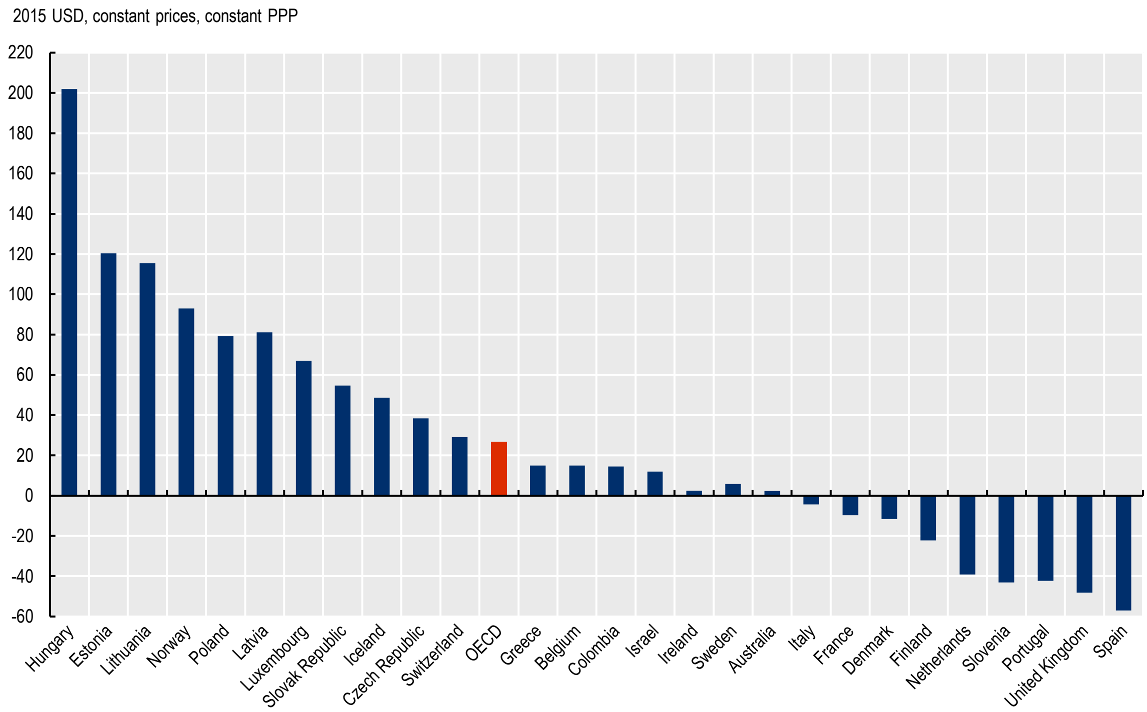
Note: Data for Israel in 2011 refers to 2013, data for Costa Rica in 2019 refers to 2017, and data for Costa Rica in 2011 refers to 2012.
Source: OECD, *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

Figure 4.3. Per capita total government spending on cultural services in OECD countries, 2001, 2010, 2019



Note: Data for Israel in 2010 is from 2013. Data was not available for Israel and Colombia for 2001.
Source: OECD, *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

Figure 4.4. Difference in per capita total government spending on cultural services in OECD countries, 2010 to 2019

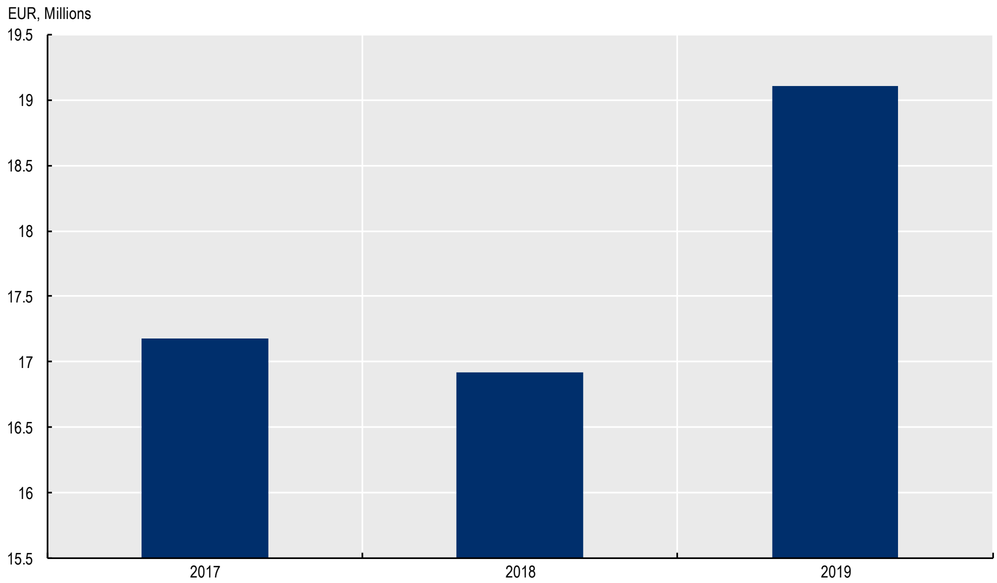


Note: Data for Israel in 2010 refers to 2013.
Source: OECD, *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

These observations indicate that CCS has gained a higher strategic position in Lithuania in the last decade. The increase in its strategic value was also supported by a number of political decisions that created favourable conditions for financing CCS. For example, the government created the Lithuanian

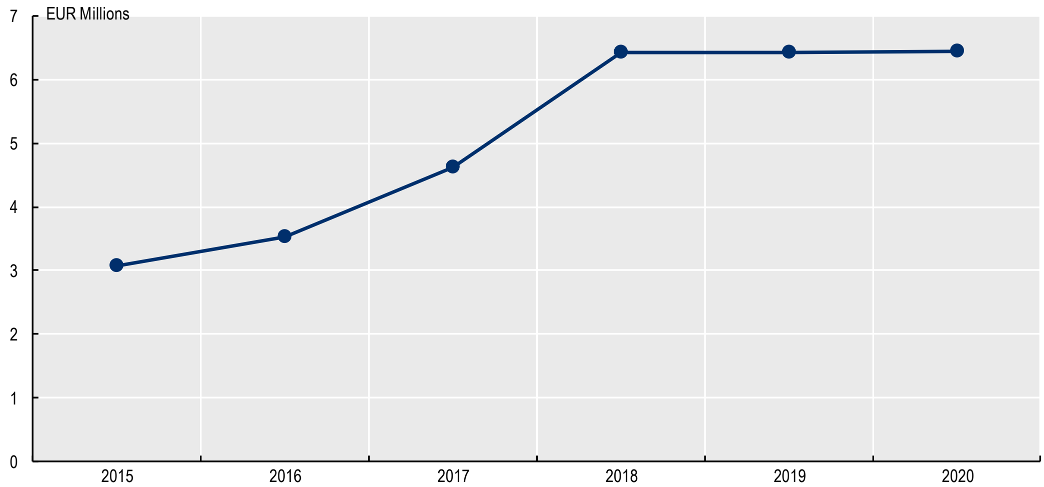
Council for Culture in 2013 and the Lithuanian Film Centre in 2012, institutions that administer state funding for art and cultural projects. The Lithuanian Council for Culture operates according to the “Republic of Lithuania Law on the Lithuanian Council of Culture” (18 September 2012, and amended on 1 January 2022). The Lithuanian Council for Culture is the main national financing source supporting culture and art projects in the country, and funds projects in specific municipalities. The Council has administered funding which has sharply increased since 2018, reaching over EUR 19 million in 2019 (Figure 4.5). The financial capacity of the Lithuanian film centre increased from its establishment in 2012, accounting for more than EUR 6.4 million in 2020 (Figure 4.6).

Figure 4.5. Lithuania Culture Foundation total budget, 2017-2019



Source: Ministry of Culture of Lithuania

Figure 4.6. Lithuanian Film Centre total budget

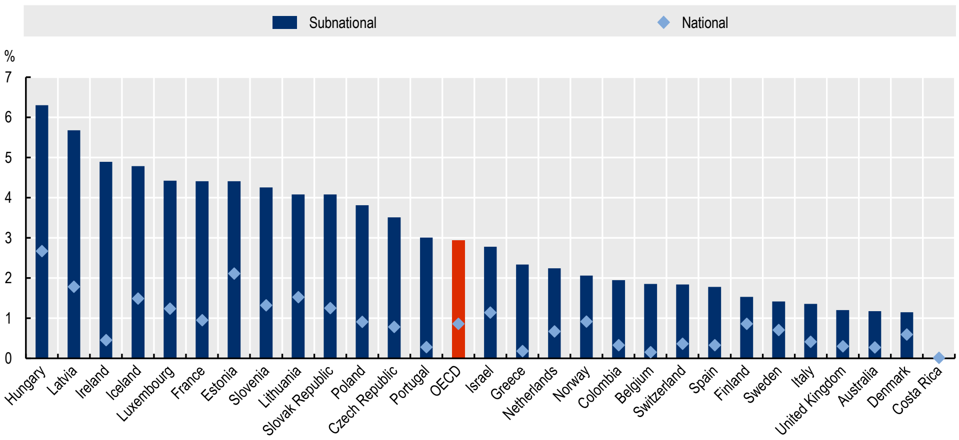


Source: Lithuanian Film Centre

Subnational government spending on cultural services

As is the case across the OECD, spending on cultural services in Lithuania forms a larger share of subnational government budgets that it does at the national level. In 2019, subnational (municipal) spending on cultural services represented around 4% of total subnational government spending, compared to around 1.6% of national spending (Figure 4.7). The weight of cultural spending at the subnational level is higher than the OECD average of over 2.9%, and similar to countries such as the Slovak Republic and Slovenia.

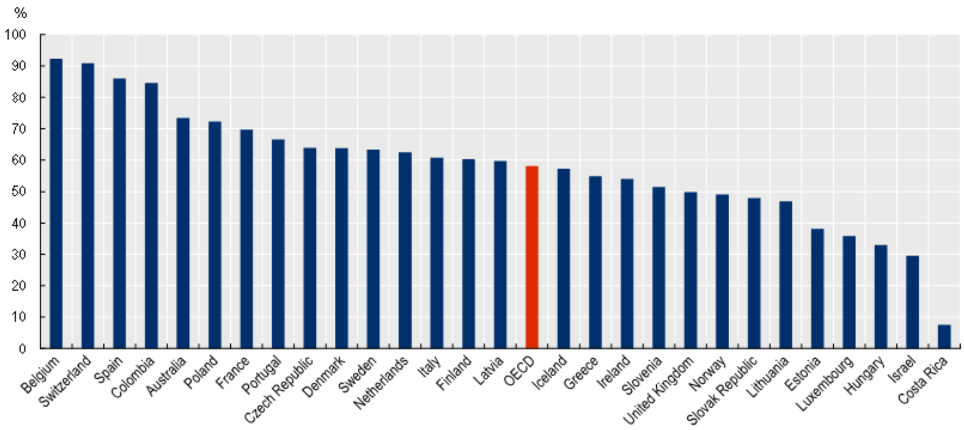
Figure 4.7. Cultural services as a share of subnational and national government spending in OECD countries, 2019



Note: Subnational refers to the combination of state and local government spending. Data for Costa Rica in 2011 refers to 2012, and data for Costa Rica in 2019 refers to 2017.
Source: OECD, National Accounts Statistics - Government expenditure by function (COFOG), http://dx.doi.org/10.1787/na-data-en.

Unlike most OECD countries, however, subnational government spending on cultural services represents less than half of total government spending in this policy area. Figure 4.8 depicts subnational government spending on cultural services as a share of total government spending on cultural services. With under 47% of total government spending on cultural services attributed to the subnational level (compared with slightly under 60% on average across the OECD), Lithuania has one of the lowest ratios of subnational to national level spending on cultural services in the OECD.

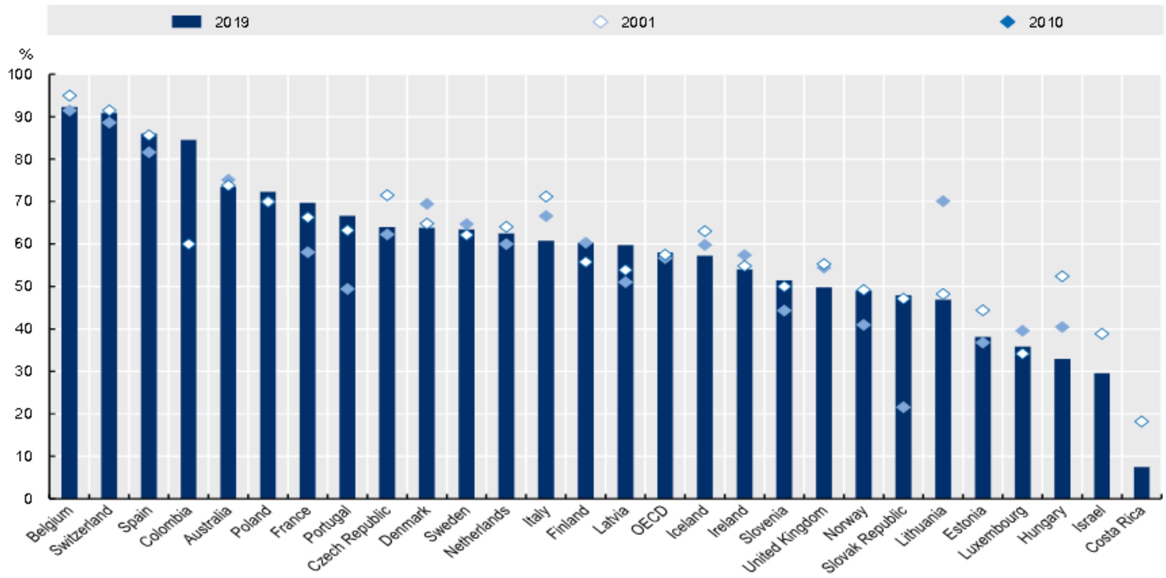
Figure 4.8. Subnational government spending on cultural services as a share of total spending on cultural services in OECD countries, 2019



Note: Data for Costa Rica is for 2017.
Source: OECD, *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

In Lithuania, subnational government spending on cultural services as a share of total government spending has shown relative decline. The share of government spending at the subnational (municipal) level has fallen from 70% in 2001, to over 48% in 2010, to under 47% in 2019 (Figure 4.9). This trend contrasts with most OECD countries for which data is available. On average across OECD countries, the share of spending on culture occurring at the subnational government level has stayed between 55% and 60% of total spending. In many countries, such as Spain, France or Portugal, the share of subnational spending on culture has grown as a share of total spending. Multiple causes may be driving changes in the shares of spending at different levels of government. In some countries, for example, national spending on cultural services may have decreased more than subnational spending on culture following the financial crisis in. In Lithuania, spending on culture at the national level may have been growing at a higher rate than at the subnational level.

Figure 4.9. Subnational government spending on cultural services as a share of total government spending on cultural services, 2001, 2010, and 2019



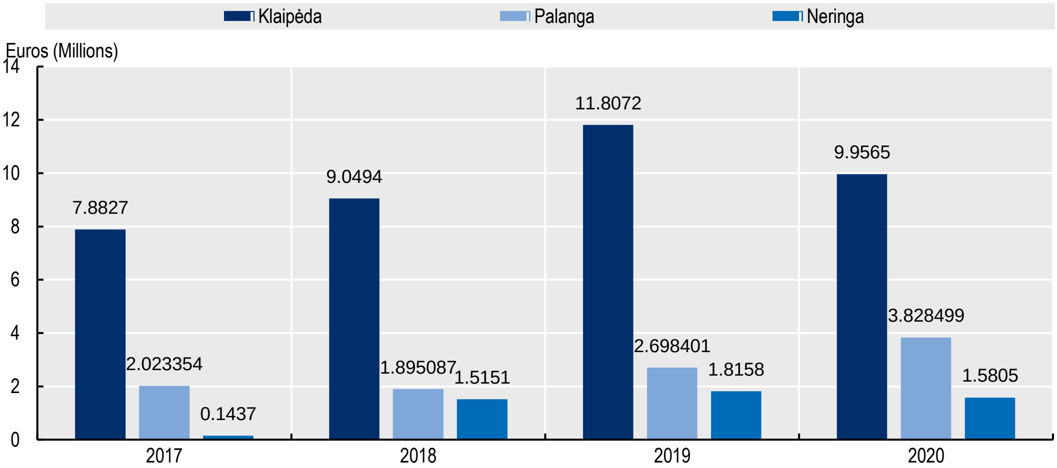
Note: Israel data for 2010 refers to 2013; Data for Costa Rica in 2010 refers to 2012, and data for 2019 refers to 2017.
Source: OECD, *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

Municipal spending trends on CCS vary within Klaipėda County's municipalities. CCS budget in Klaipėda City and Neringa increased after 2017, when Klaipėda held the title of "Lithuanian Capital of Culture" in 2017. Klaipėda City CCS budget continued to grow since then.[5] Palanga municipality recorded a drop in municipal spending for CCS from 2017 to 2018, decreasing from over EUR 2 million to under EUR 1.8 million, before growing to over EUR 3.8 million in 2020.[6] As a share of total municipal spending, spending on CCS stands out in Neringa, where it represents nearly 13% of the total in 2020 (vs 2.35% in 2017), while representing 3% in Klaipėda (vs 4.23% in 2017). Comparatively high priority status of CCS in Neringa is also supported by the amount of funding provided by the Lithuanian Council of Culture for cultural and art projects implemented in Neringa.

[5] The increase of funding in 2019 is due to the increase of EU funding in that particular year. The drop of overall funding in 2020 is due to the reduction of EU funding, whereas the city continued to increase its own budget devoted to this category.

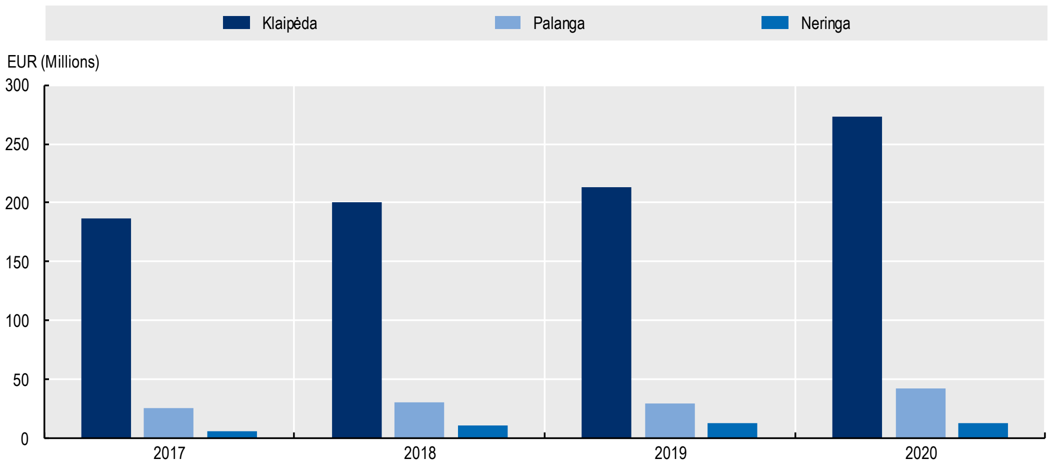
[6] Figures for Klaipėda's spending include the amount of funds allocated to the activities of incubator Culture Factory, which technically belong to the municipal programme for SME support.

Figure 4.10. Municipal expenditure for CCS in Klaipėda, Palanga and Neringa



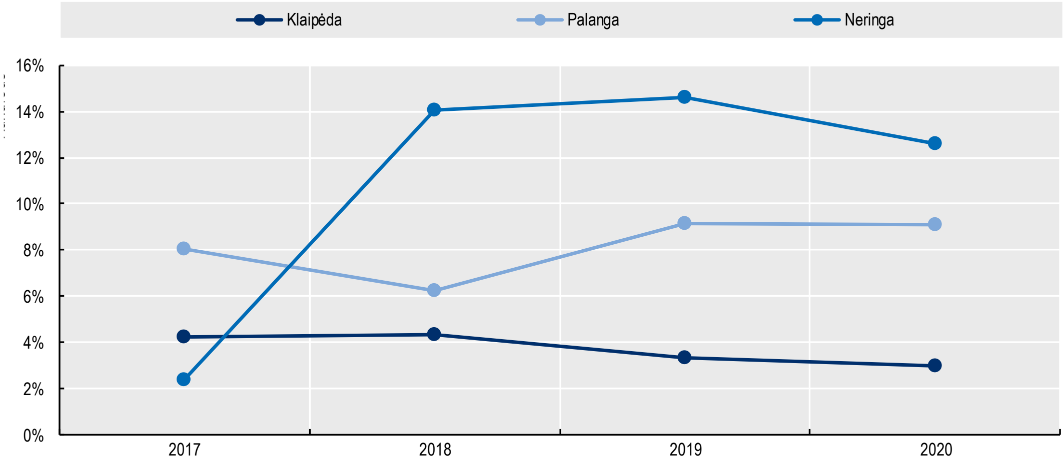
Note: Capital investment not included in calculation.
Source: Municipalities of Klaipėda, Palanga, and Neringa.

Figure 4.11. Total municipal expenditure in Klaipėda, Palanga and Neringa



Source: Municipalities of Klaipėda, Palanga, and Neringa.

Figure 4.12. Percentage of municipal spending for CCS in Klaipėda, Palanga and Neringa



Note: Capital investment not included.
Source: Municipalities of Klaipėda, Palanga, and Neringa.

Table 4.1. Lithuanian Council for Culture project funding in Klaipėda, Neringa and Palanga, 2014-2019

Amount, EUR	2014	2015	2016	2017	2018	2019
Klaipėda City municipality	630 153	594 481	605 441	711 700	652 200	628 720
Neringa municipality	80 803	77 600	73 800	121 100	178 270	293 490
Palanga city municipality	35 003	17 700	40 500	27 400	50 700	91 480
Total	**745 959**	**689 81**	**719 741**	**860 00**	**881 170**	**1 013 690**

Note: Scholarships are not included.
Source: Lithuania Ministry of Culture.

Household spending on cultural services

In the last decade, households in Lithuania have increased the share of total spending they make on culture and recreation

Households across the OECD dedicate a significant amount of their budgets to culture and recreation. Between 2011 and 2019, household spending on recreational and cultural services grew by 18%. The increase in spending on culture and recreation, translated to an increase in the relative size of recreation and culture in household spending on average across OECD countries, where it grew from 3.1% to 3.5% of the share of total household spending (Figure 4.13). In is important to consider available data does not disaggregate to a sufficient level to isolate household spending made only on culture and creative activity. Current data aggregation includes categories such as spending on sports and gambling.

In Lithuania, the relative increase in the share of household spending on recreation and culture outstrips OECD averages. The share of household spending made on recreation and culture increased by over 1 percentage point between 2011 and 2019, from 2% to 3.2%. In 2019, this share was only slightly below the OECD average of 3.5%. Although this increase may be seen as an indication of increased household consumption of recreational and cultural services in the country, comparisons with OECD peers should be made with caution due to significant differences in both the amounts and trends in absolute consumption.

Comparison with total per capita household spending data suggests the increase in Lithuanian household consumption in recreation and culture has been relatively strong. Between 2011 and 2019, per capita household spending growth in this category increased by 165% in Lithuania, compared to total household spending growth of 45% over this period (Figure 4.14). The increase in per capita spending in this category is second only to Iceland over this time period, and significantly above the OECD average growth of 24% in this category, and 12% total per capita total household spending growth.

The COVID-19 pandemic led to a shock in the amount and type of spending households devoted to this category across OECD countries, with many possible long-lasting effects. Data from 2019 and 2020 reveals per capita household spending in this category decreased by 25 percentage points in Lithuania, close to the OECD average decrease of 27 percentage points (Figure). The pandemic caused abrupt declines in household spending on venue-based recreation and culture, such as sporting events, cinema or other venue-based activities. At the same time, social distancing and lockdowns favoured spending on digital services, such as video games and online audio-visual platforms. As across the OECD, the pandemic may have long lasting effects due to this consumption change in Lithuania, favouring large multinational platforms, compared to artists and creative producers with smaller-scale or venue-based activities, unable to go digital to the same extent.

Box 4.2. Household spending on recreation and culture

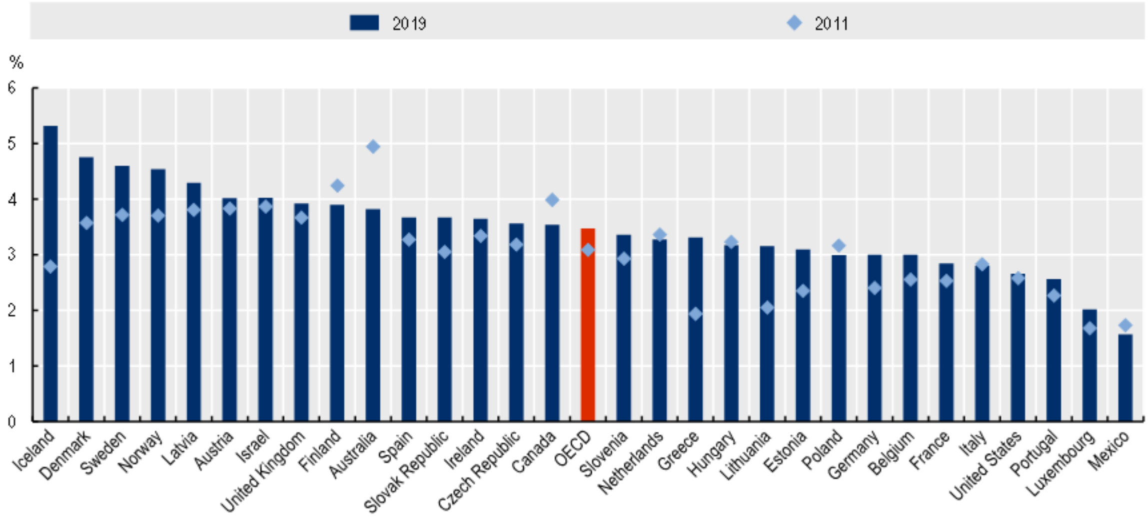
What's included?

Household spending on recreation and culture includes the following categories:

- Audio visual, photographic and information processing equipment
- Other major durables for recreation and culture
- Other recreational items and equipment, gardens and pets
- Recreational and cultural services:
  - Hire and repair of photographic and cinematographic equipment and optical instruments
  - Hire, maintenance and repair of major durables for recreation
  - Hire and repair of games, toys and hobbies
  - Hire and repair of equipment for sport, camping and open-air recreation
  - Veterinary and other services for pets
  - Recreational and sporting services
  - Games of chance
  - Services provided by cinemas, theatres and concert venues
  - Services provided by museums, libraries, and cultural sites
  - Photographic services
  - Other cultural services
- Newspapers, books and stationery
- Package holidays

Source: UN, *Classification of Individual Consumption According to Purpose (COICOP)*, United Nations, New York.

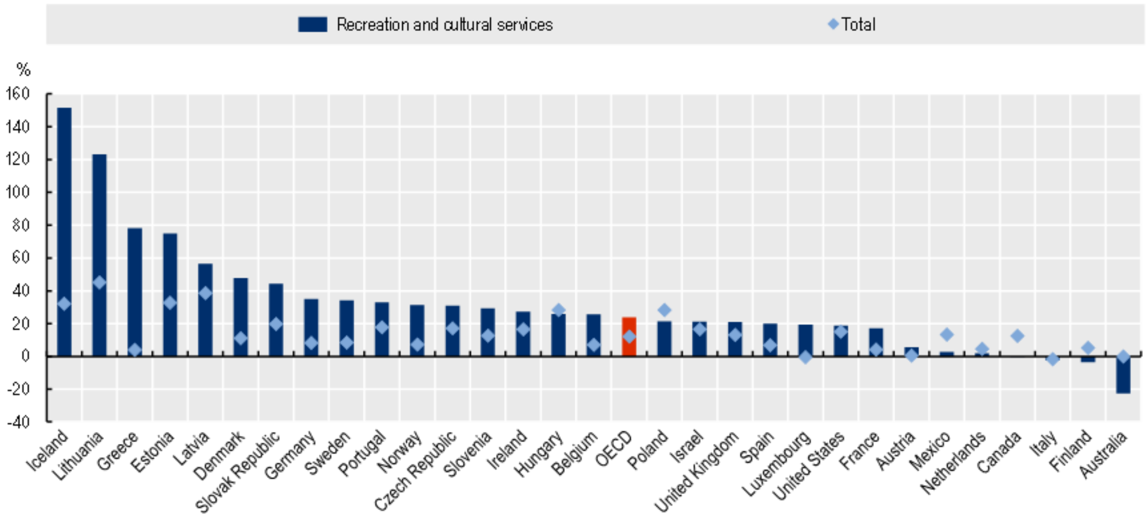
Figure 4.13. Recreation and cultural services as a share of total household spending across OECD countries, 2011 and 2019



Note: Latest data for Norway was from 2018.
Source: OECD, *National Accounts Statistics - Final consumption expenditure of households*, http://dx.doi.org/10.1787/na-data-en.

Figure 4.14. Per capita household spending growth, 2011 to 2019

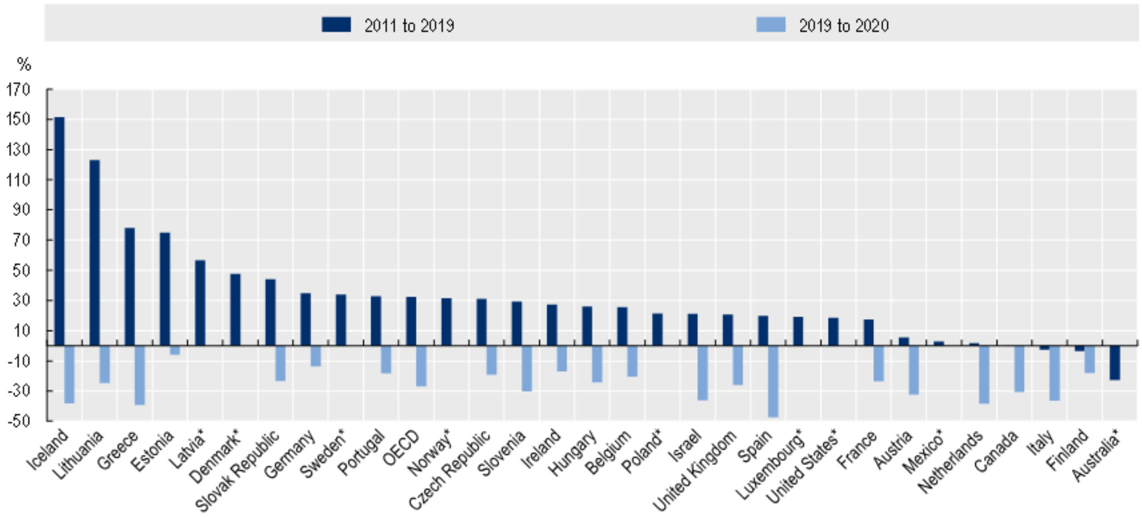
Per capita household spending growth on recreation and cultural services, and total household spending



Note: Latest data for Norway was from 2018.
Source: OECD, *National Accounts Statistics - Final consumption expenditure of households*, http://dx.doi.org/10.1787/na-data-en.

Figure 4.15. Per capita household spending on recreational and cultural services, 2011 to 2019 and 2019 to 2020

Real per capita household spending growth on recreational and cultural services

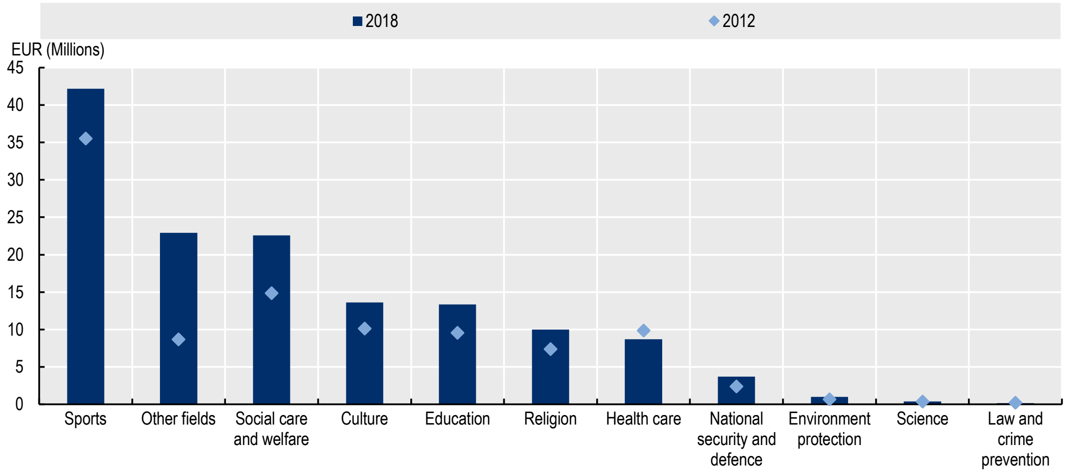


Note: Latest data for Norway is from 2018. * indicates countries for which 2020 data were not available.
Source: OECD, *National Accounts Statistics - Final consumption expenditure of households*, http://dx.doi.org/10.1787/na-data-en.

Private financing for CCS

Attention to private financing of culture is growing in Lithuania. Although there is limited data on private funding for CCS, official statistics do provide data on charity donations received by different sectors. These data suggest that total charity donations for culture reached EUR 13 million in 2018 (an increase of EUR 3.5 million from 2012) and that culture received the third highest amount of charity donations of all areas covered, after sport and social welfare (Figure 4.16). This trend is reflected in recent private funding acts in Lithuania, such as the construction of the private museum of modern art, MO, in Vilnius in 2018. Likewise, a gradual increase in household spending on cultural services and the general growth of Lithuania's economy may suggest that philanthropic, market-based and profit-seeking financial resources may become promising sources of funding for CCS in Lithuania.

Figure 4.16. Charity received by organisations in Lithuania



Source: Lithuanian Statistics Office

Two laws help regulate charity and private financing for CCS in Lithuania. "The Law on charity and sponsorship" (4 June 1993 No I-172) aims at fostering private support for a range of activities, including CCS. This law allows individual tax payers to allocate 1.2 % of their income tax to any legal entity that has a recipient status. The tax benefits brought by this law were adapted to CCS in 2017, as artists and other creators could benefit from this status. Moreover, in 2018, a Lithuanian "Law on patronage" was adopted (24 May 2018 No. XIII-1198). The Law defines the concepts of a national patron, patronage, and a project eligible for patronage, and identifies the criteria and essential conditions for projects to qualify as eligible for patronage. However, the law was criticised for providing too little motivation for becoming a patron, and that the selection criteria are too steep, as a person must donate at least one million EUR to be recognised as a patron. The law may also narrow the range of possible recipients as young talents, students and aspiring artists without the official status of the artist are not eligible to receive patronage under this law. This group, however, may precisely be the one most in need or seeking philanthropic funding.

Risk capital and private foundations operate in Lithuania, though they tend to cater their services to high profit seeking firms, such as tech start-ups. For example, the Agency "Enterprise Lithuania" lists 12 major regional and international risk capital and private foundations providing their services in Lithuania, such as Open Circle Capital, Practica Venture Capital, Livonia Partners, LitCapital, or BaltCap Private Equity Fund II. Non-Vilnius based CCS companies struggle to access such services and they may not be eligible for investment schemes due to a lack of experience or limited marketability of their services or products.

New forms of funding CCS are also gaining momentum in Lithuania. For instance, firms such as Patreon or other platforms for crowdfunding may offer promising sources of finance for CCS. Global social media platforms such as YouTube, Spotify, Instagram, Pinterest, are providing new opportunities for CCS artists, however, only a handful of the most influential content creators are capable of bypassing language barriers and appealing to a global audience. The Lithuanian audience is often too small for most local creators on global social platforms to drive revenue.

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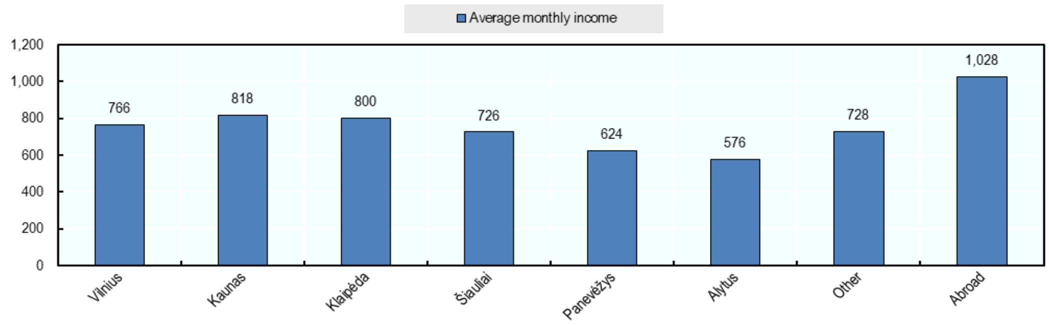
Annex A. Additional data

Figure A A.1. Average income of artists by county, Lithuania

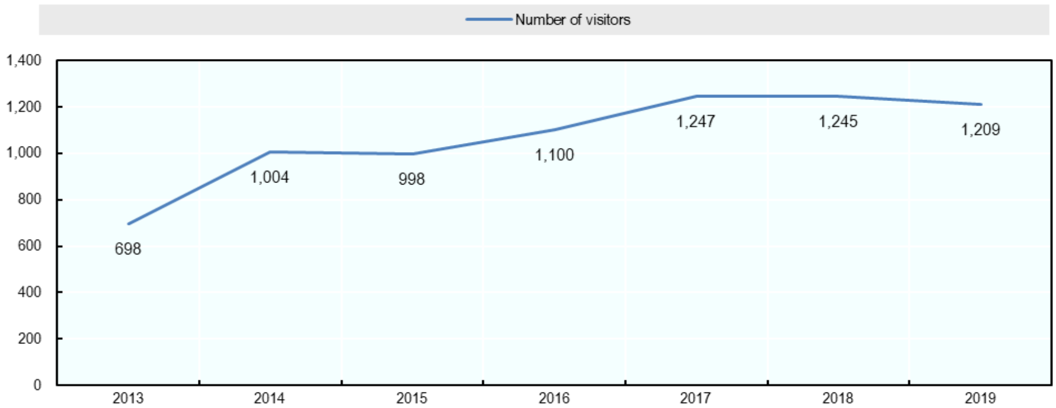
EUR, 2019



Source: Study on the Social and Creative Conditions of Artists (Kregzdaite and Godlevska, 2021).

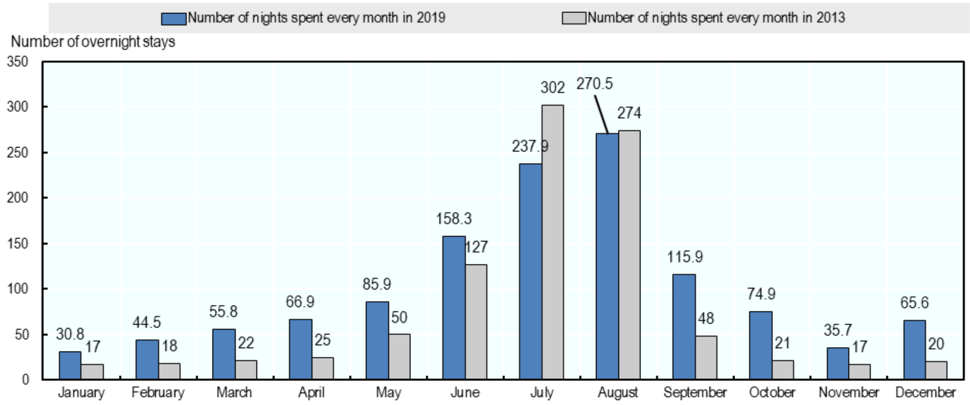
Figure A A.2. Number of visitors of Klaipėda municipal cultural institutions

Thousands of visitors



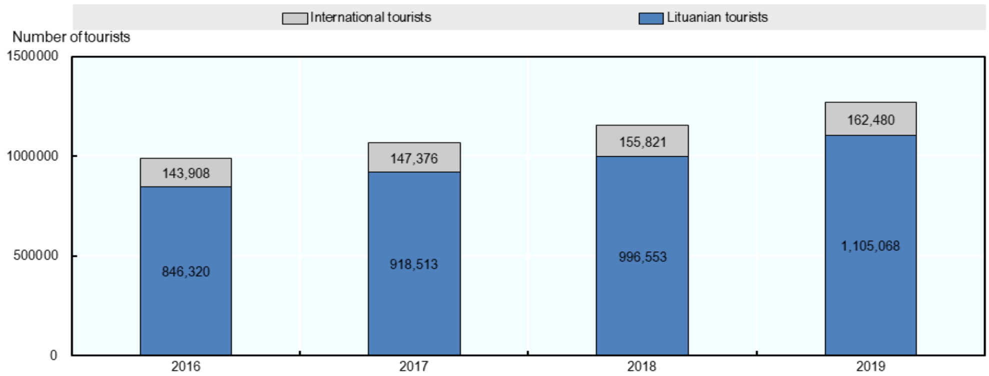
Source: Klaipėda City Municipality.

Figure A A.3. Seasonality of tourism in Palanga



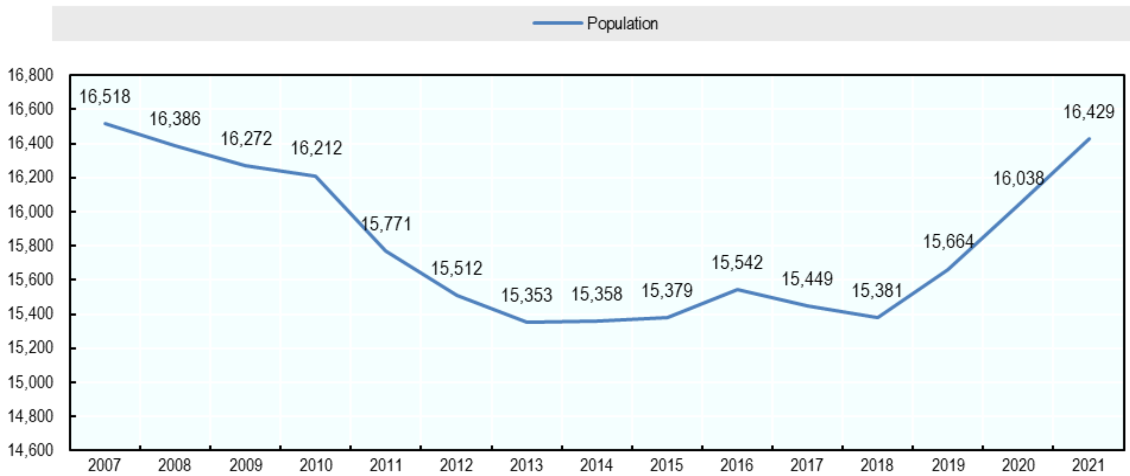
Source: Strategic development plan of Palanga municipality 2021-2030

Figure A A.4. Lithuanian and foreign tourists in Palanga



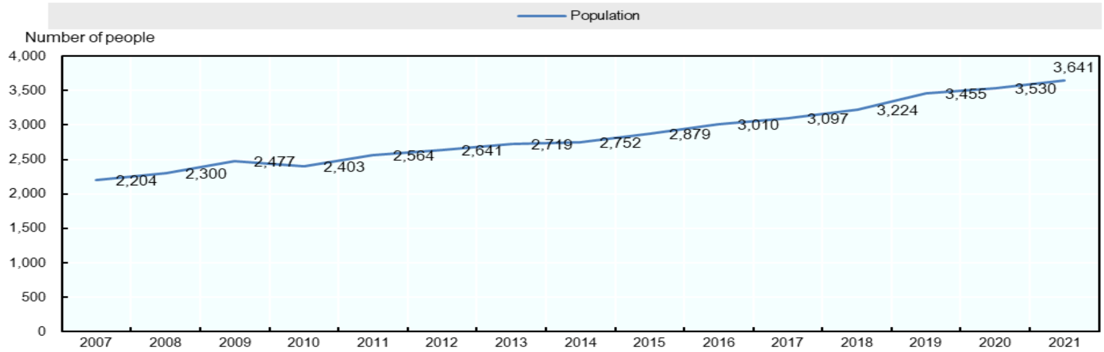
Source: Palanga tourism information centre

Figure A A.5. Population in Palanga



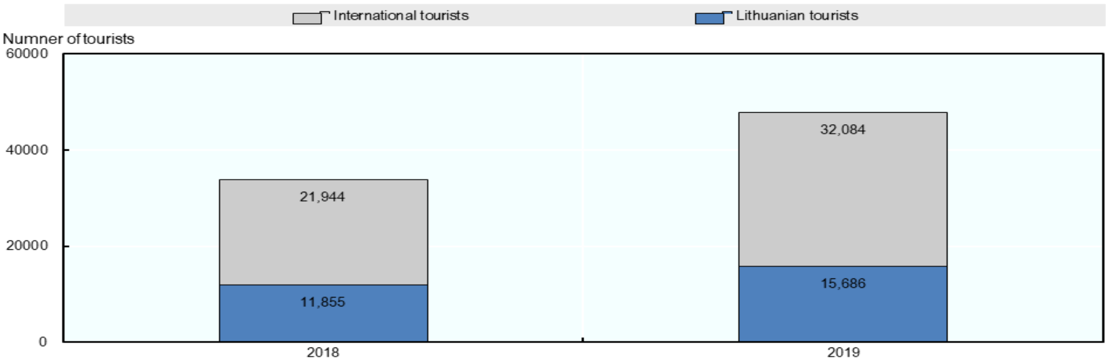
Source: Lithuanian Department of Statistics

Figure A A.6. Population in Neringa



Source: Lithuanian Statistics Office

Figure A A.7. Lithuanian and international tourists in Neringa



Source: Neringa Tourism Information Centre

Table A A.1. Support for business during COVID-19 in Lithuania

(Data for 2021 is through 20 August 2021)

	2021			2020		
	Total	R90 to R91	J58 to J 60	**Total**	R90 to R91	J58 to J 60
Number of enterprises	101 105	795	563	105 326	1 014	721
Financial support in euros	632 453 369	5 552 797	3 736 000	1 123 820 518	5 450 397	7 253 677

Source: Lithuanian Statistics Office; https://ls-osp-sdg.maps.arcgis.com/apps/dashboards/9e3c2468417b422ca13cafb76794c5d7

Table A A.2. Support for businesses during COVID-19 in Neringa, Palanga, and Klaipėda municipalities, 2021

	Neringa municipality	Palanga municipality	Klaipėda municipality
Number of enterprises	218	632	4071
Financial support, Eur	1904687	7770659	32660394
Number of enterprises (J58 to J60 and R90 to R91)	5	7	78
Financial support, Eur. (J58 to J60 and R90 to R91)	12314	21114	506129

Source: Lithuanian Statistics Office; https://ls-osp-sdg.maps.arcgis.com/apps/dashboards/9e3c2468417b422ca13cafb76794c5d7

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