

Creative Industries in the Modern City



creative industries

Encouraging Enterprise and Creativity
in St Petersburg

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Tacis Cross Border Cooperation
Small Projects Facility

St Petersburg, Helsinki, Manchester
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This publication focuses on the work of the 18-month programme 'Creative Industries Development Partnership: St Petersburg, Helsinki, Manchester', initiated by St Petersburg's Leontief Centre for Social and Economic Research and the Prince of Wales International Business Leaders Forum. The project's work has progressed under the aegis of the three city authorities. It is co-financed by the European Union's Tacis programme through the Tacis CBC Small Project Facility. The European Union's Tacis programme provides grant finance for know-how to foster the development of market economies and democratic societies in the New Independent States and in Mongolia.

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Introduction

Rembrandt and Matisse in the galleries of the Hermitage; harmonious architecture, avenues and canals; classic opera and ballet at the Mariinsky — these are international emblems of St Petersburg. Culture is feted as the city's great strength. But although instant international recognition of Petersburg's palaces, art and music is clearly an asset this rarely translates into economic thinking, where culture is most often seen exclusively as a sector for investment, swallowing money with little hope of return. And although St Petersburg is one of the world's newest great cities — and the formerly outrageously modern art of Picasso and Van Gogh is one of its prime attractions — the emphasis of the city's funding policy and its self-promotion tends today to neglect contemporary experimentation, focusing largely on heritage and the arts of the past.

The Creative Industries Development Partnership was formed to exchange with St Petersburg the experience of west European cities in re-evaluating the impact of culture — to cherish it as a continuing source of inspiration and identity, but also to understand its potential for increased self-sustainability and even consider the significant economic benefit it brings. The context for this shift was the more fundamental change of the 1980s and 90s, when all three cities in the partnership faced new political priorities, faltering economies and a need to re-shape their identities. Manchester — cradle of the original Industrial Revolution — suffered first, its famous manufacturing unable to compete with lower-cost economies in Europe and Asia. The end of the Cold War and central planning left Leningrad-St Petersburg with a demobilising defence industry and falling state orders. As the Russian economy lost momentum and trade barriers fell, Helsinki companies whose output was closely linked to Russia felt an acute need for new products and additional markets. All three cities feared marginalisation on the periphery of united Europe.

Over the past decade specialists in urban policy developed a vision of culture as more than an expensive add-on to be enjoyed if the local economy can afford it, but rather as a force for growth, generating employment and contributing to city identity and regeneration. Some of the individual experience of Helsinki and Manchester — along with that of other traditional industrial cities — is outlined in Section 1, with the key factor of creative industries development as the common thread in the recovery policies described.

The urban failures of the 1980s and 90s — rising unemployment; concentrations of poverty and deprivation — made clear that the quality of a city's life and the wellbeing of its citizens depend largely on capacity for socio-economic revitalisation. Conventional theory recognises small independent enterprises as motors of development in times of crisis. Small businesses like dry cleaners, hairdressers, repair companies, travel agents generate jobs and pay for each other's services, ensuring the family incomes of those involved and keeping declining neighbourhoods alive. But culturally-based small enterprises — galleries, art caf  s, specialist craft and fashion shops — have a more unique, less generic character, they tend to be specific to one place and attract not just local citizens but visitors to a city, bringing in clear new income. City tourism, based on traditional cultural attractions, but supported and vastly extended by creative industry small enterprise, became a source of new income in cities, helping fill the gap left by traditional industry.

Small enterprise has long been recognised as playing a more specific role in industrial restructuring. The flexibility of small companies, their responsiveness to market trends, gives them the capacity to survive by managing change, while the innovative talent that underpins their existence can also contribute to the renewal of outdated larger-scale industry. The most recent experience shows how the small enterprise

environment takes on a new dimension in cities with a strong contemporary art scene: good art schools and intensive contemporary arts life are forcing grounds for the innovative design and style that characterise successful manufactures, as well as the imaginative content and scenarios for new electronic, multimedia and telecom business. Linkage between the cultural sector and manufacturing is considered the main source of economic growth, competitiveness and employment in the 21st sector. The contemporary experimental outlook of artists and arts graduates hybridises with enterprise to generate successful new business ideas, while the design, styling and marketing skills of these creative industries help reform manufacturing to meet increasingly global competition.

European urban renewal drew strength from a strong culture and vigorous artistic life. But — far from being passive beneficiaries of this recognition — the cultural institutions and professionals themselves had to make active transformations. The philosophy of the crisis years — especially in Britain — was to slash public-sector funding, and culture did not escape. The enforced experience of practising self-help encouraged arts professionals to look at what they were doing from the outside: to realise how much more efficiently they could operate by contracting out to small enterprise services such as design and catering, and to understand the increase in their effectiveness that would come if their in-house staff mastered some of the marketing and management skills associated with business. The results have been largely positive and even strong defenders of cultural autonomy acknowledge that the more entrepreneurial approach they have taken is possible without standards being compromised.

The relevance for St Petersburg of Manchester's very recent experience was recognised when members of the St Petersburg City Administration's economic and cultural committees — with business specialists, cultural sector leaders, and representatives of the city's non-governmental organisations — studied their twin city's regeneration as part of an earlier programme initiated by the Leontief Centre and the Prince of Wales International Business Leaders Forum (*Enterprise for the Arts*, 1997-99, funded by the UK government's Know How Fund, the World Bank, and others). As a result, the need for creative industries development in St Petersburg was included in the city's *Rehabilitation of the Historic Centre of St Petersburg: the Investment Strategy*, published in 1999. Helsinki — while not a twin city — has its own deep relationship with St Petersburg; but Helsinki's role in the Partnership was also an outcome of its links with Manchester. Justin O'Connor, ideologue of the Manchester programme, had longstanding collaboration with City of Helsinki Urban Facts and was international evaluator of Helsinki's own creative industries development programme. All three cities have cooperated closely with Charles Landry, the internationally recognised specialist in creative industries, and advisor to the World Bank on culture-cities policy in 1999-2000.

The work of the Partnership has progressed under the aegis of all three city authorities. As a foundation for development, the main strand of the work was the survey of St Petersburg's existing creative industries, described in Section 3, and the initial attempt at mapping the sector in Section 2. But the programme took shape and gathered momentum through a series of workshops, in June, September and November 2001 and in February and May 2002. A study programme in Helsinki for key cultural entrepreneurs from St Petersburg plus four members of the Administration gave full direct experience of the enabling environment Helsinki provides for the creative industries, as well as opportunities for relevant new cross-border links.

The next steps in the development process, with a series of specific recommendations for taking it further, are outlined in Section 4. The concluding part shows actual steps taking place, listing three of the pilot projects designed to speed structural growth and consolidation of the sector, created by people already working in St Petersburg's creative industries. As a

precursor to one of these, the current project funded a meeting of all three city partners in Manchester to study its creative industries support environment, with specific attention to the financing of cultural enterprise.

The more civic outcomes of the programme involve the pooling of creative industries expertise to the benefit of all three cities, the intensified participation of both Helsinki and Manchester in St Petersburg's Tercentenary, and numbers of specific initiatives — like the St Petersburg Information Point in Manchester City Library — which will foster links between the two cities' fashion, design, music and other creative networks.

The project can show clear gains in terms of reform: the research analysing St Petersburg's creative industries in the international context is informing work on Russia's SME Reform strategy both at Federal level and in the St Petersburg City Administration. The arguments put forward in the course of the project provide an opportunity to end the vertical divisions separating culture and the economy, freeing up energies to generate enterprise and innovation. They are also influencing economic development policy, placing a priority on the skills typical of creative industries enterprises to sustain traditional culture, but also to increase the impact, value and volume of cultural tourism.

An important outcome largely unenvisioned has been the project's impact on civil society. In considering the creative industries' development path, reform of the fiscal, legal and bureaucratic environment is clearly the prerogative of government. But — looking beyond this — the Partnership's work has promoted the self-awareness of a sector in the city's life that previously barely knew of its own existence. In the course of round table meetings and workshops, the common interests of individual artists and practitioners, nascent small cultural businesses and the organisers of festivals, fashion weeks, concerts and other joint initiatives have been recognised, and alliances and networks have been formed. The pilot projects listed are one outcome of this process, but another is an increased public role for the non-state sector and a generation of younger entrepreneurial people, who are joining together to articulate their needs at all levels, establish dialogues and facilitate change.

At a time when globalisation has become an everyday concern, another prime contribution could be support for St Petersburg's international competitiveness. Nobody questions the city's outstanding qualities in the sphere of heritage and classical culture. But the work of the Partnership is making a serious bid for a parallel emphasis on the contemporary in this museum city, offering stimulus for innovation and re-vitalisation, and influencing major areas of social and economic progress. Peter the Great was the innovator of his day. Three hundred years later Peter's city has the opportunity to again break new ground.

The project partners are grateful for support in the partner cities from: Mr Sergei Vetlugin, Vice Governor and Chair of the Committee for Economic Development, Industrial Policy and Trade; Alexander Ivannikov of the current staff of the committee and Efim Grishpun, Aleksandr Khodachek and Nikita Maslennikov who are no longer there; Mr Evgeny Kolchin was of considerable support as Chair of the Committee for Culture, as is Andrei Zonin of the Institute for Cultural Programmes. Special thanks to Mme Natalia Smirnova, Chair of the Leningrad Region Committee for the Development of Small and Medium-sized Business and the Consumer Market, and to Mr Sergei Zimin, Economic Advisor to the President's Representative in the North West Federal Region, for their support and active participation in the work of the first International Creative Industries Forum in St Petersburg, May 2002.

In Helsinki, we are grateful for the support of Deputy Mayor I.C. Björklund, the staff of City of Helsinki Urban Facts, and the

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Our sincere thanks to all the participants in the Creative Industries Development Partnership programme. The views and suggestions you put forward during the interviews, working seminars and conferences made it possible to identify the problems and potential of St Petersburg's creative industries sector, and to determine the priorities for its support and development.

*Elena Belova, Timo Cantell, Susan Causey,
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July 2002*

Creative Industries

Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property

Media and Live

Film

Interactive leisure software and computer services

Music

Performing arts

Publishing

Television and radio

Design and Visual

Advertising

Architecture

Crafts, Design

Designer fashion

Visual arts

Heritage

Art and antiques market

Heritage

Museums and galleries

St Petersburg and the international experience



1.1 What are the creative industries?

Creative industries is the term used to describe entrepreneurial activity in which economic value is linked to cultural content. Creative industries bring together the traditional strengths of classical culture with the 'added value' of entrepreneurial skills and the new knowledge-based electronic and communications talent. While enhancing the economic impact of the familiar cultural giants, creative industries place particular emphasis on the contemporary, because without experiment and engagement with modernity culture cannot renew and revitalise itself. The creative industries are thus the source of the innovation and competitiveness essential to urban cultures in the swiftly changing and globalising world.

In post-industrial cities in Europe, the USA and the Far East creative industries strategies have been adopted as key elements in social and economic development. These policies have been shown to:

- avert unemployment
- create jobs for young professionals
- support the restructuring of industry
- contribute to growth in traditional manufacturing
- demonstrate the value of contemporary culture and innovation
- develop the knowledge economy
- provide the 'soft' infrastructure of cultural tourism
- facilitate the regeneration of run-down city districts
- bring new life into redundant historic monuments or industrial buildings
- work effectively to socialise marginalised groups.

The support services introduced as part of creative industries strategies are often focused on fostering the development of small and medium-sized businesses, but it is important to note the equally entrepreneurial role that can be played by creative individuals within large state or governmental institutions and by private organisations whose essential goals may be non-commercial. Experience has shown that the support this activity requires should be specific to the creative industries and tailored to meet their particular needs. Creative industry skills can be used throughout the cultural sector, but also in industrial and other manufacturing.

In the Creative Industries Development Partnership, words omitted here the city governments of St Petersburg, Helsinki and Manchester share commitment to promoting this sector in Russia's 'cultural capital'. St Petersburg's outstanding heritage and live arts, its forthcoming Tercentenary and the City Administration's goals of developing cultural tourism and restructuring manufacturing industry make a creative industries policy especially important.

Of the EU project partners, Helsinki can demonstrate very recent success in combating economic decline through creative industry development. Manchester has revitalised its city centre and ensured its post-industrial economic health through arts-lead development strategies; the city has set up a pioneering creative industries support service and leads a Europe-wide development network.

St Petersburg's rich heritage and classical performing arts give it outstanding potential as a world cultural city, but the survey revealed that the creative industries are less well developed. Although there is a range of established creative enterprises,

some of the conditions in which they work, and the lack of a specialist support mechanism diminishes their potential for contributing to the city's economic and social life.

This section outlines the relevance of the Creative Industries Development Partnership to St Petersburg's current developmental tasks and relates the St Petersburg situation to the recent experience of Helsinki, Manchester and other cities, both as justification of the ideas contained and a stimulus to the development lines described in the concluding section.

1.2 Why are the creative industries important for St Petersburg?

The Governor of St Petersburg has declared that the new social, economic and geo-political conditions prevailing today require strategies to make the city truly competitive both in Russia itself and on the world stage. Among these strategies, he cited the importance of capitalising on St Petersburg's cultural, scientific and industrial strengths to promote innovation, to restructure industry and develop cultural tourism.²

The creative industries are key contributors to achieving success in these three areas.

Innovation

The core added value in the economy of the future will derive from creative processes, from the knowledge base and from the intellectual property rights so created. Creative industry practitioners develop and practise the innovative skills that are required in all areas of the economy: in industry and commerce, in the public and private sectors. The characteristic small size of the majority of enterprises in this sector provides the environment where statistics have demonstrated that innovation and creativity are concentrated. More specifically, the digital media organisations and clusters of business that are part of the creative industries are major drivers of post-industrial economies. St Petersburg has strong skills in this area — the development of creative industries market intelligence is needed in order for the city to realise its full potential.

Manufactures

St Petersburg's former military-industrial manufacturing met the high specifications of defence-sector requirements. In the current period of industrial restructuring, the growth of small businesses should play an important role in easing the transition: they do not need large start-up investment, have a quick turnover of resources, show high growth dynamic and are flexible and responsive to market trends. But the specific character of small creative enterprises is also important, because St Petersburg's manufacturing industry will have greater potential for international competitiveness if its managers embrace the creative industries skills of design, marketing and branding, distribution and quality control. As the consumer economy grows, markets will be won by manufactures benefiting from the added value of style, image creation, digital marketing and advertising that can be provided by the creative industries. The markets responding to this change are highly specialised, very volatile and have complex value circuits which demand the focused production typical of creative industries enterprise. The transportable nature of much creative work — images, designs,

text, sound, ideas and digital commodities — makes the industry a natural global player.

Cultural tourism

As St Petersburg approaches its Tercentenary, use is being made of this opportunity to attract investment and market the city as a destination for cultural tourism. Tourist average spend in a city like St Petersburg can be up to \$400 per day, but St Petersburg — with current all-visitor totals of 3.9m per annum, but a specifically tourism total of less than 1m³ — has yet to realise its potential in terms of visitor numbers, but also in terms of the contemporary experience it can offer them and the full economic benefit received. The creative industries provide the 'soft' infrastructure of tourism development — the small, arts-oriented enterprises that create local fashion, small consumer goods, galleries, shops, style for restaurants, bars and caf  s, that city visitors enjoy discovering independently. The existence of this kind of infrastructure is a major factor encouraging visitors to stay longer and pay return visits. It also maximises the economic benefit a city receives through the welcoming of visitors.

Social impact

The aims listed above are economic, and it is important to emphasise this aspect of the creative industries' activities. Their work can also be described as 'enterprise in the cultural sphere', in which case the expectation is that the activity requires some kind of funding outside its own efforts and is unlikely to be self-sustaining. So it is worth — as above — focusing on the key role played by the creative industries or 'enterprise in the cultural sphere' in developing the economic strength and competitiveness of St Petersburg.

But of course creative industries also meet the main social goal of St Petersburg's development strategy: 'to establish a favourable social environment', which includes increasing employment opportunities and 'supporting entrepreneurial initiatives'.⁴ Key actors in the creative industries are small enterprises, whose impact is identified by the State Council of the Russian Federation's recent (Moscow, 2001) *Kontseptsia gosudarstvennoi politiki podderzhki i razvitiia malogo predprinimatel'stva v RF (Strategy for State Policy to Support and Develop Small Enterprise in the Russian Federation)* as 'securing the formation of a middle class, the main guarantee of social and political stability in society; the creation of jobs — including youth employment ...; lowering levels of unemployment, social tension and economic inequality' (page 3).

In the international experience, creative enterprise activity is not the prerogative of the kind of businesses defined in Russia as having profit as their main goal (see Section 2). Creative entrepreneurs in most of Russia's European neighbours may also be what is currently identified in Russia as non-commercial organisations or even an entrepreneurial unit or individual functioning within a large governmental organisation like a museum or theatre. Creative entrepreneurship is practised in all sectors, and practitioners move easily between privately and publicly funded projects and programmes, and indeed funding 'mixes' involving both state funding and private investment are especially favoured. Small amounts of governmental funding — if used strategically — often serve the function of leveraging in considerably more investment from non-governmental sources: other supporters are encouraged to participate by this endorsement from the state.

The key is that cultural enterprise 'has the potential for the creation of wealth and jobs'. In other words, it enhances the

sustainability of the cultural organisations, large and small, whose activities enrich the experience of the city for its inhabitants, potential investors and visitors alike.

1.3 International case histories

The creative industries are the most dynamically growing sector in the economies of Europe and beyond. In the USA cultural industries had by 1998 overtaken aircraft-manufacture as the biggest export earner, employing over 10 per cent of the population — some even say up to 20 per cent.⁵ In Europe the figure is around 5 per cent and rising.⁶ Statistics for 2001 show that in the UK the creative industries generate approximately J112.5bn annually in revenue (\$157.5bn), accounting for 9.2 per cent of gross domestic product, and employ 1.332m; exports account for 9 per cent of revenue or J10.25bn (\$14.35bn).⁷

UK governmental surveys made in 1998 and 2001 showed increases over the three-year interval: industry revenues + 19 per cent; employment + 18 per cent; exports + 2 per cent.⁸ The UK Office of National Statistics established that the percentage of gross domestic product at current basic prices, as contributed by the creative industries, rose from 6.7 per cent in 1992 to 9.2 per cent in 1999.⁹ In Britain music exports overtook those of engineering at the start of the 1980s; the 1998 governmental survey found that Britain's musicians, actors and film directors generate \$99bn annually for the British economy — more than either agriculture or mining; the UK's theatre, film, television and music companies export about \$13.bn of goods and services annually — 16 per cent of the world market — and contribute \$41.25bn to the country's gross domestic product.¹⁰

St Petersburg's partners in the Tacis project have useful experience. As well as a series of working meetings in St Petersburg, the Tacis project provided for a programme in Helsinki, when members of the St Petersburg City Administration and creative industries practitioners joined together to study that city's successful experience of facilitating creative industries development in the past decade and the supportive framework provided. The programme concluded with a study of creative enterprise in Manchester and innovative models for funding it.





Helsinki

Finland, like Russia, occupies a position on the north-west periphery of Europe: its small size and its specific history dictated the post World War 2 policy of raising the country's European profile. During the February 2002 Study Programme the Deputy Mayor of Helsinki, I.-C. Björklund, described how in the past decade promoting culture in the city became a tool to achieve this national goal of the Finnish Government, with a series of cultural festivals (Night of the Arts, City of Light, mass open-air concerts like the Total Balalaika Show), culminating in the 'European Cultural Capital' programme in the year 2000.¹¹ He outlined the expanded role cultural activists now play in public life, meeting also the social agenda of programmes such as art in hospitals, social/work adaptation of criminals and rehabilitation of drug addicts, as well as 'social inclusion' projects involving old people's homes, disaffected youth, and multi-ethnic schools.

In the post-industrial economic environment of the past decade the Finnish Government has sought to develop the country's high-tech capacity, with the more recent 'Finland Content' programme fostering the creative input of artists and musicians to fuse with computer communications as part of the digital revolution. In Helsinki, especially graphic illustrations of the official emphasis placed on the creative industries in this area were: the city centre, city-owned Glass Palace Media Centre for advice and education and its Cable Book Library with 21 free-access computer work stations, but also the new Lume Centre for audio-visual production, education and research at the Helsinki University of Art and Design, with its state-of-the-art 500-m² studio facilities. The Cable Factory — a 53,000 m² redundant industrial building — was donated to independent creative-industries managers for artists' and enterprises' work space in 1990; after 10 years the entrepreneurial success in managing and developing the former factory makes it possible to invest an annual Euro1m (approximately \$900,000) in the continuing renovation of the building. In 2002 the Cable Factory receives no public subsidy, but offers exhibition space, concert venues and other facilities as well as providing working premises for 900 artists and creative entrepreneurs, who pay rent charges that vary according to the commercial potential of the tenant. In the Uusimaa region where Helsinki is situated in 1998 6.3 per cent of the working population was employed in the creative industries.¹²

Helsinki Study Programme

We saw in Helsinki* the response to the situation that arose in Europe in the mid 90s as a result of common economic factors and falling subsidies for culture. As in America, European cultural institutions had to learn to earn money. Happily — unlike America — the European institutions were not thrown on the whims of fate: the most important of them were granted help in the form of training for cultural managers who became able to cope with business issues, while the most outstanding business projects received notable financial support in the form of investment funding valued in millions. Special work was undertaken with those heading cultural departments in central and local government to prepare them for work in the new conditions. Underlying the cultural policy of Helsinki's city government is clear recognition that culture is an important sector of the economy, where investment yields a return that may not always be direct, but is important in the shape of the positive 'image' of the city, the favourable investment climate it creates, the jobs it generates — especially for young people — and the lowering of social tension. In Helsinki we studied projects linked to the creative industries, which had received support from Europe, the Finnish government or the city of Helsinki.

* As part of the Tacis project, the study programme took place in February 2002 for 11 key cultural entrepreneurs from St Petersburg and four members of the Administration.

Glass Palace

Some 9 million EURO were invested by the city and national government along with the Council of Europe in the reconstruction and equipment of the building as the city cultural centre focused on new media. On the basis of this, the Centre began to earn independently through tenancies and its educational and cultural programme. A flexible pricing policy is operated: some activities are charged for, other popular services are provided free, while the restaurant and a number of caf  s operate normal market prices. The Glass Palace's cultural policy was notably well balanced. The influence of cultural policy was seen in the fact that the centre's concept is closely linked with its own immediate past (it was built in 1936 to serve the Helsinki Olympic Games in 1940, that failed to take place due to the Second World War) and that this public function is continued with preference being given to high-level events related in general to Finnish media art. There is a state-of-the-art 600-seat film auditorium, and an education and information complex comprising the central city library with free internet access. These elements are supported by a number of small businesses in appropriate spheres: small music shops, a specialist book printer, small art bookshops and caf  s. Glass Palace has annually two million visitors.

Tennis Palace

Up-front investment also made possible the development of new life for a former sports complex. The business element is provided by a cinema multiplex with 14 screens and 2700 seats, while the upper floors provide spacious premises for exhibitions organised as the city-centre headquarters of Helsinki's art gallery, National Anthropological Museum, plus caf  s, restaurants and a museum shop selling art books and high-class art giftware. Tennis Palace also draws some two million visitors each year.

Makasiinit Railway Yard

This was the only project that had not received some kind of non-returnable state investment. A tenancy agreement on the former railway marshalling yard in the city centre was reached with Helsinki Administration for a one-year period. Minimal funding was spent on the actual property: the main expenditures being made on equipment. Minimal expenditure goes on services, with provision of heat being left to tenants and other hirers of the facility. Individual premises preserving authentic design and minimally equipped are offered as sports facilities for teenagers, as 'underground' alternative locations for corporate entertaining, as shops selling compact discs, vinyl records and retro clothing and as a venue for pop concerts. The enterprise is impressive for the clever way it makes use of a previously disused and neglected space. In this case, cultural policy is primarily oriented towards the alternative and the mainly youthful consumers of underground culture, creating in the right managerial hands an exotic and valuable product. The project attracts the two target groups most inclined to spending: young people and the middle class. Annual turnover is around EURO 1m, with outgoings kept to the minimum: low rental, minimal spending on services, small staff.

Cable Factory

The city invested the disused factory itself, which was passed into the management of a group of arts-oriented individuals which had been using it and beginning conversion on an independent basis since Nokia abandoned the production of cables there in the 1980s. The necessary restoration work was achieved, in stages and over ten years, by the efforts of tenants and the cooperative management themselves. Income to bring about the upgrading and maintenance of this huge building is earned through providing individual tenancies on sliding scales to tenants ranging from contemporary artists and craftspeople (low or minimal rent), through travel, equipment and other service-oriented firms, to large-scale television and radio companies that pay full market rentals. Income is also earned through leasing the large space of the converted cable hall for mass pop concerts, commercial exhibitions, and even corporate banquets; this cross-subsidises, for example, a low cost contemporary art gallery, as well as smaller exhibition spaces. The management group is now able to invest up to 1 million EURO annually in continued

conversion of the building, plus upgraded and increased technical and other equipment. The management group does not impose a strict cultural policy, welcoming exhibitions representing differing arts tendencies. Some 900 people work at the Cable Factory every day.

Kiasma Contemporary Art Gallery

The state museum of contemporary art was set up and is maintained using government and Council of Europe funding. The issue is one of Finland's prestige and national pride, in setting up Europe's easternmost contemporary art gallery at this level. The gallery itself is not financially self-sufficient. The main indicator of effectiveness of any cultural institution in Finland today is its visitor numbers. This means that resources can be attracted from advertisers and the restaurant business, and a number of services be offered. Kiasma works to draw in audiences of all age groups: schoolchildren, pensioners and youth as well as people of working age, drawing up a variety of different programmes. It operates a kind of museum heresy: welcoming into the museum space events formerly not allowed. The best known example is the annual URB festival, specialising in contemporary urban music, texts and rhymes.

Lume Media Centre, University of Art and Design

This is the pride of the University of Art and Design, which has invested large-scale resources from the Ministry of Education. The media equipment is the most up-to-date and extensive and the aim is to raise Finnish media art to previously unattained heights. The investment is partially re-couped by renting out the film, television and sound-recording studios, with faith being placed in the high level of technical equipment. It is projected that this resource will attract top film companies, including those from abroad.

Analysis of the examples we saw in Helsinki shows that in all cases there was initial investment either from government, local government or European sources, totalling not less than 3 million EURO; there is also a favourable taxation regime and legislation that makes it possible for the main source of income to be sub-letting part of the premises. The ideological basis for all this is the desire for Helsinki and Finland to be part of the European cultural space and the understanding that investment in culture can generate essential economic impact in various spheres. Administratively, all (except Makasiinit) depends on accepted business planning and uses standard management processes.

Today, in conditions operating in Russia, we could make only partial use of the Finnish experience:

1. We must continue to work with the City Administration and the Legislative Assembly Deputies to persuade them about the economic impact of the creative industries in particular and culture as a whole.
2. We must work on ourselves. It's important to understand that for us too the most important indicator that any cultural institution should aim for is visitor numbers. This will undoubtedly influence an institution's cultural policy, but it's quite possible to achieve high visitor numbers without dumbing down our programmes. (High visitor numbers provide us with arguments to offer potential sponsors, advertisers, and investors — as well as the authorities.)
3. Cultural institutions should expand their infrastructure and diversify, seeking to offer the maximum number of services that are relevant to their main profile. (As well as the standard 'kit' of caf  , restaurant, small shops, one may make use of Kiasma's experience in offering paid cultural and educational programmes, targeting different sections of the population.)
4. The experience of Helsinki (and not just this) also shows that the creative industries are most effective economically when they are concentrated in one place: cultural centres where large organisations are neighbours with small ones, art quarters and streets. (This is the best for earning money and for the survival of smaller participants in the sector.)

On the whole, in spite of the fundamentally different circumstances in which culture finds itself in Finland, where the long term Creative Industries project is developing dynamically with moral and financial support from the government, the study programme was exceptionally useful in that it helped us evaluate our St Petersburg possibilities in this sphere and attempt to adapt their experience to our reality. Happily, as a result of this adaptation, some essential elements remain that we can make full use of for ourselves.

Irina Aktuganova,
Pushkinskaya 10 Cultural Centre



Manchester values this input highly, and in 1999 Manchester City Council joined with the regional government authority, the local investment and arts boards and 6 other public organisations to set up the city's Cultural Industries Development Service (CIDS). CIDS has an annual £1.4m budget to deliver an information, intelligence and advice service to Manchester's independent cultural and creative enterprises. It works through sub-sector specific trainers and advisors, and is setting up specialist networks dealing with issues ranging from a student employment service to sub-sector market intelligence, training and financial support for small businesses wishing to access and develop international markets.

Manchester

Manchester — a 19th-century industrial capital like St Petersburg, but without its outstanding architecture and classical culture — has used the arts and the creative industries as key elements in its regeneration strategy after the collapse of its manufacturing base and the loss of over 200,000 industrial jobs in 1972-84 alone. Beginning in the late 1980s, the city authorities worked to reinvent its image, using marketing programmes to project a vibrant, stylish, youth-oriented face, while its development policies focused on schemes with central cultural projects: the Museum of Science and Industry in a redundant railway building, the Royal Exchange Theatre constructed inside the former Cotton Exchange, the renovation of the Castlefield city-centre industrial heritage area, a new, contemporary building for the art gallery and a totally new concert hall, as well as the unique Urbis centre, where the world's first industrial city celebrates urbanisation.

These capital projects and the micro-quarters of Manchester featuring the small shops, galleries, restaurants, cafés and bars that have sprung up to meet the needs of both the local population and visitors, are estimated to attract 150,000 tourists and internal visitors every day to the vibrant, revitalised city centre.¹³ There is a climate of economic confidence that has enabled the city to attract huge private-sector investment, calculated at \$4-5 for every \$1 of public-sector funding, \$1.4bn external investment having been attracted in the years 1994-99. By 1999, the creative industries sector that had grown up in the previous decade was contributing an annual \$1.4bn in value to the city budget and 6 per cent of the population were employed in culturally-related jobs.¹⁴

CIDS

The mission of Manchester's one-year-old Cultural Industries Development Service (<http://www.cids.co.uk>) is to foster independent cultural and creative businesses in the area of Greater Manchester, providing free services for its target clients in the interrelated urban areas of Manchester, Salford, Thameside and Trafford.

The services provided include:

- Comprehensive information and signposting
- A personal business diagnostic
- Personalised and informed guidance to funding, business start-up and development
- Sector-specific professional development programmes
- Support for industry networks
- Industry marketing and market development initiatives
- Business expansion schemes: financial assistance (up to 50%) for purchase of equipment and product development
- Export market research and development.

CIDS has a staff of nine. It receives its funding from 10 individual organisations: local and regional governments and arts boards, the Manchester region's investment and marketing agencies, and representatives of these and other public organisations and private companies guide its activity through membership of the CIDS Management Board.

CIDS operates as an independent not-for-profit business with an annual budget of £1.4 million. It works to deliver its services through fifteen different partnership relationships.

Liverpool and Manchester Design Initiative

After London, Manchester is rightly considered the leading centre for design development in Great Britain. This non-commercial agency provides free advice and specialist information for designers, potential clients and relevant specialists. Exhibitions, seminars and publications help develop skills designing ceramics, glass, furniture, web-sites, photography, etc, as part of a total budget of £100,000 funded by the North West Arts Board, Manchester City Council and the European Union. The project database currently carries details of 700 registered designers (www.designbank.org.uk).

'Manchester Independents' music network

Manchester's network for professionals (www.manchester-music.org.uk) is a mini chamber of commerce — a non-commercial self-help organisation founded in 1999 to develop and strengthen the music industry infrastructure, focusing less on creative work than on the economic development of companies and firms in this sphere. The association unites all aspects of the business, bringing together musicians, promoters, sound engineers, publishers, festival-organisers, lawyers, producers, etc. The main aims are the exchange of information, the development of the network of professional practitioners and access to resources. The activity is organised in small initiative groups and committees. There are regular events in an informal environment, master classes and a link with trade representatives to increase international work.

The Northern Quarter

The regeneration of the Northern Quarter is an example of another type of revitalisation process in Manchester. The change in this formerly run-down and crime-ridden district in Manchester's city centre began with the creation there of an association of independent artists. In the 1970s the focus of Central Manchester shopping activity moved away from the area into newer, smarter premises: shops closed down and drug addicts and petty criminals began to frequent the neglected streets, driving out most of the commercial premises that remained. But the artists were attracted to the area. Because the city-centre spaces they needed were now available at rents they could afford, they were ready to invest their own creative resources in combating the area's negative features. They improved the buildings where they lived and worked, they gave business to the local cafes, enhanced the streetscape and the few remaining shops with design projects, while their studio displays of craft and other work attracted new numbers of visitors.

Over time the addicts and criminals were squeezed out by the increased positive activity and gradually professional developers moved in to reconstruct the disused warehouses and business premises as fashionable 'loft' accommodation and studios for young people. In turn, the influx of younger generation, style-oriented residents provided further customers for the artists, and encouraged the setting up of the fashion shops, designer businesses and music industry offices that appealed to them.

Creative industries are now the subject of new economic development policies and structures in cities throughout Europe. As well as the examples given, the cases can be cited of:

Milan

Milan,¹⁵ where there are now some 50,000 creative industries small enterprises, comprising one third of the general total of enterprises, and where one third of the entrepreneurs in the sector are women. After severe cuts in local industry, the city's economy shifted towards financial services and administration in the 1980s, but from the 1990s investment was targeted into specific creative industries sectors like culture and communications. The Milanese city authorities have revised their official statistics-gathering system to reflect the new economic sub-sectors that are now recognised.

Berlin

In the capital of Germany small creative companies and individuals have moved into buildings, factory spaces and institutions made obsolete by reunification and brought about the regeneration of rundown areas. Developers have followed them into these hitherto unpopular city quarters, because of the innovative, trendy urban ambience that the small cultural enterprises create. The city now focuses on culture in its marketing and issues publications to promote cultural industry businesses. The media and communications are the 4th largest economic sector in the city (the recent city reconstruction means that Berlin is one of the best networked and digitalised cities in Europe).

Barcelona

The large-scale urban renovation carried out for the 1992 Barcelona Olympics created new infrastructure, but the city authorities were concerned to ensure that local neighbourhoods shared in the benefits by matching the international aspect of the Olympics with community-based participatory events involving the local creative industries. Barcelona became well known and a top visitor destination as the result of the Olympics, but it was able to sustain interest because of its diverse cultural events and venues (visitor numbers doubled at this time from 1.6m to 3.2m). Data based on 2000 estimates that culture represents 5.4 per cent of the gross domestic product of Barcelona (culture is defined as audio-visual, music, heritage and museums, performing and visual arts, libraries and publishing; fashion, design, architecture etc — which could add to the total — are not included here).¹⁶

For such cities as Lyons, Rotterdam and Frankfurt the creative industries are also important parts of their development plans. However, perhaps some of the most detailed statistics relate London, whose city authorities see the creative industries as 'central to London's reputation as a world business and tourism centre'.¹⁷

London

A report devoted to London's creative industries finds that 400,200 people are employed in the sector in London, comprising 23 per cent of the national creative workforce, and that they are a significant and fast-growing part of London's economy, generating £16-20bn (\$22.4-28bn) annual revenue. It finds that the creative industries:

- develop skills required by all sectors of the economy
- have an especially important current role to play in the success of a knowledge-driven economy
- play a central role in the regeneration of run-down London districts (such as Clerkenwell, Wapping and Hoxton)
- make a significant contribution to social cohesion
- create jobs
- contribute to daytime and evening economies
- are effective tools in education and skills training.¹⁸

The report states that the 13 creative industries account for 10 per cent of the total exports of London.¹⁹ (See more statistics in Appendix 1).



Notes

1. UK Government's Department for Culture, Media and Sport, *Creative Industries Mapping Document*, London 1998 and 2001.
2. Leontief Centre, *Strategic Plan for St Petersburg*, St Petersburg 1998, pp. 6-7.
3. St Petersburg City Administration, Committee for External Relations, *Saint-Petersburg: Tourism. Hotels — Statistical Bulletin*, SPb, 2001, pp 4-8. The figures are broken down under three headings for each of three groups of visitors: foreign, from CIS countries, and from the Baltic countries; they relate to visitors to St Petersburg and the North West Region. The three headings are: Tourist visas, Business travellers, Private trips. The total of 3,885,216 is reached by adding together these three headings for all three groups of visitors (excluded are Transit and Crew visits). If tourist visits alone are considered, the total is 953,889; foreign tourist visas total is 850,858.
4. *Strategic Plan for St Petersburg*, op cit, p. 84.
5. Andy Pratt, *A Third Way for Cultural Industries*, London School of Economics (London), 1998.
6. Charles Landry, *The Creative City*, Earthscan (London), 2000, p. 137.
7. *Creative Industries Mapping Document 2001*, op cit, pp. 10-12; the figure for the rise creative industries share of UK GDP comes from *Acting for Creativity in London* (see Note 9), p. 9.
8. Ibid, Appendix, pp. 1-2.
9. London Development Agency et al, *Acting for Creativity in London*, March 2002, p. 9.
10. *Guardian* newspaper (London), 28.4.98, p. 7.
11. See a description of this process in Timo Cantell, *Helsinki and a Vision of Place*, City of Helsinki Urban Facts, 1999, Chapters 6, 7 and 8.
12. City of Helsinki Urban Facts, Background Report for OECD Territorial View of the Greater Helsinki Region, 13.9.2001 (to be published), p. 59.
13. Figure provided by Marketing Manchester (Manchester City Council), December 1998.
14. Figures quoted by Andy Lovatt, Director, Cultural Industries Development Service (Manchester), during Helsinki Study Programme, February 2002.
15. These city reports are available on www.mmu.ac.uk/h-ss/mipc/iciss, under: individual city reports, Transnational Case Studies.
16. Barcelona figures provided by Jordi Pascual I Ruiz, Institut de Cultural de Barcelona, May 2002.
17. *Acting for Creativity in London*, op cit, p. 9, which also describes the London Regional Development Capital Fund to be launched in April 2002.
18. London Development Partnership, *Creative Energy: The Creative Industries in London's Economy*, LDA and Government Office for London, 2000, p. 16.
19. *Acting for Creativity in London*, op cit, p. 4.



Creative Industries in St Petersburg

The regulatory environment

2

2.1 Sector description

In spite of the radical changes in society in the past decade, public discussion has not abated about what is possible and admissible in managing the cultural processes. The problem is as old as culture itself: at different periods there have existed and co-existed three main models for regulating culture: subordination, coordination and contention. And these functions were implemented by different institutions, including the church, the state, business, supra-national and international organisations and foundations. Besides, culture itself holds the essence of its self-sufficiency, managing to remain relatively autonomous of external influence: its creators and consumers.

The cultural sphere is a highly complex area of regulation, and there is no way of regulating it that is wholly appropriate once and for all. Further, even when specific mechanisms of regulation have been established, this cannot ensure the creation of quality cultural products, let alone masterpieces. Too much state intervention may lead to dependence of cultural activity on the authorities, the ruling circles, and the deformation of cultural life as a whole. Each country has its own model for regulating culture, conditioned not only by economic development, but also by the understanding of the concept 'culture' underlying the system of state regulation. At a time when countries are being involved more intensively in global relations and inter-state cooperation, the struggle for cultural originality and the ambition for local specificity also grow keener. In general in the contemporary world the tendency is for de-centralisation, and movement towards more indirect methods of management in the cultural sector, the transfer of tasks to various private-sector business and non-governmental organisations.

In the USSR cultural monuments, buildings and institutions were under state control: they were administered and funded exclusively by the state. No commercialisation of cultural activity was allowed — and this stereotype is alive today, in spite of the opportunities that have arisen through the development of private initiatives. The move to the market economy was accompanied by de-statisation of the cultural sphere, which has shown itself in the rejection of total ideological control by state organs and relevant Party directives. For cultural practitioners this means freedom to create, and for society it means freedom to satisfy cultural needs.

However, for the time being no effective mechanism has been set up for the private and other non-state funding of culture, which has placed theatres, film studios and museums in a difficult position. This especially relates to works of high culture for which there is not necessarily mass popular appeal and which do not always quickly find their place on the market. At the same time, the most modernised elements of culture are becoming part of material production. This industry includes filmmaking, TV, radio, audio and video, mass literature, music and theatre. Unlike the traditional production of goods, in the sphere of cultural industry the role of the author and/or executor is of prime importance, which makes it necessary to establish and apply author's rights in these spheres. On the other hand, unlike traditional spheres of cultural activity, there is an important role also for the producer, the impresario, the manager, promoter and other participants in the functioning of this business.

In Russia today, all individual legal entities in the cultural sphere are divided into 'commercial' and 'non-commercial' organisations, with the primarily non-commercial character of cultural organisations being predominant.

One should note that ten years ago the picture was different: there were virtually no commercial organisations and the

overwhelming majority of non-state groups were directly or tangentially linked with Party and/or state structures.

Over the past decade the quantitative relationship between the three types of organisation has changed, as there has been a rapid rise in the number of commercial structures, independent, non-governmental movements have arisen and the character state organisations' work has changed.

If in the early period of de-statisation and creation of new forms the appropriate legal base for this activity did not exist, then today a whole package of laws has been passed, regulating not just legal status and working conditions, but also the relations between the different organisations. One could mention the law on public associations, the law on charity and charitable organisations, and a range of tax legislation. The legal basis for regulation in culture exists in the form of general laws (the State Codex of the Russian Federation, labour laws, tax laws, budget laws; the Federal Law 'On Non-Commercial Organisations'; the Federal Law 'On Charitable Activity and Charitable Organisations', etc), but also of special legal instructions on culture, which have been passed at Federal level (Federal Laws regulating relations in culture. Presidential Decrees aimed at support for culture and the arts, legal regulatory documents approved by the RF Government, and the regulatory and instructional documents of the RF Ministry of Culture).

The new situation of culture in Russia — especially the fall in state funding — gave birth to a notable vagueness about responsibilities and the existence of two conflicting viewpoints regarding the role of the state in regulating cultural activity. These find reflection in current policy and in the requirements for state support from representatives of creative organisations. At the same time, it seems obvious that there is not enough interrelation between culture and other spheres of public activity and regulation, including the market for culture and business as a whole. In particular, the development of civilised sponsorship of charity is still at an early stage. Up to now mechanisms for attracting additional sources of income have not been developed and successful realisation of the opportunities for fund-raising has not become a universal practice.

RF legislation on culture (Law of 9.10.92, no 3612-1) defines **cultural activity** as 'work to preserve, create, disseminate and teach cultural values'; it defines **creative activity** as 'the making of cultural values and their interpretation'.

The legislation obliges the state to support culture with funding and provision of technical equipment and materials. The main methods of state funding of culture are direct allocation from the state budget and indirect funding through tax privileges etc. The basis of state guarantees for the preservation and development of culture in the Russian Federation is state funding, and it is deemed that not less than 2 per cent of the resources in the Federal Budget of the Russian Federation should be allocated to culture. In regional and local budgets, the annual allocations to culture may not be less than 6 per cent of resources.

State cultural policy is set by ministries whose number is being reduced through merging, comprising today the Ministry of Culture, the Ministry for the Press, TV/Radio and the Media, and the State Archive Service, but also the cultural and other ministries of regional authorities. These have relatively independent policies in their own cultural spheres, attempting — in conditions of severe financial austerity — to preserve both the institutions and their own staffs.¹ The non-competitive system for the funding of culture that continues to pertain in Russia up to now means that cultural professionals are fully dependent on civil servants for the scale of the state grants they receive.

The organs of state authority and administration are required to develop and implement policies for the introduction in cultural organisations of new techniques and technologies; they must use tax privileges, loan advances and other methods to stimulate the role of non-state organisations in creating new techniques and technologies in culture. The organs of local self-government have responsibility for providing for use or rental by professional cultural workers and creative collectives studios, workshops, laboratories and other work-places essential for creative activity, and for establishing rental scales at levels that do not do excessively more than cover the cost of communal services. The state offers tax privileges to cultural establishments and workers.

Over the period 1992-97, the funding of culture (and the media) from state budgets fell by 40 per cent, in an unpredictable way. At the beginning of the economic reforms the rates of grant cuts matched the tempi of fall in Gross National Product. In 1994 allocations to culture even rose by 8 per cent in comparison with 1993, but in 1995 the total fell by 27 per cent and continued to fall before rising by 12 per cent in 1997. In the period since the law 'Bases of the Law on Culture' was passed, the norm prescribing allocation to cultural funding of not less than 2 per cent of the expenditures of the Federal Budget and not less than 6 per cent of local budgets has not been met once, even at the stage of forming the Budget: in 1993 this indicator was 0.35 per cent, in 1994 0.82 per cent, in 1995 0.91 per cent, in 1996 0.91 per cent, in 1997 0.62 per cent, in 1998 0.86 per cent, and in 1999 0.58 per cent, while the actual funding received was significantly less.²

For comparison: the share of the state expenditure on culture in Sweden constituted 4.8 per cent, in Iceland 4.6, in Denmark 4.0, in Norway and Finland 3.6, in France 3.2, in Belgium 2.5 and in Germany 2.5.

Note that the number of cultural establishments per 1 million inhabitants is less in Russia than in developed countries: in Russia, for every 1 million inhabitants there are 3.2 theatres, but in Austria there are 24, in Sweden - 13.6, in France 9.6, in Great Britain 8.9, in Japan 8.7 and in Italy 5.9. In Russia there are 10 museums per 1 million inhabitants, in the Netherlands 35, in Sweden 34, in the Czech Republic 33 and in Germany 32. There are 368 libraries in Russia per million inhabitants, compared to 2500 in Finland, and 708 in the Czech Republic. In Moscow there are 8 museums per 1 million inhabitants, while in London there are 41, in Paris 39, and in Rome 36. In Moscow there are 20 theatres per 1 million people, while there are 63 in Vienna and 44 in Berlin.

However, the cuts from the Federal budget were partially compensated for by an increase in expenditures from local state funding of 2.4-2.9 per cent over the same period. But in the regions there was continued failure to pay over funding due (up to 70 per cent). In reality in this period all that was funded were salaries and student stipends.

Under 'Expenditure' in the St Petersburg municipal budget for 2002, the section for Culture, the Arts, Cinema and Media was allocated 2.9 per cent of the budget's overall total, with, specifically, 1.3 per cent for culture. Under the general section heading, funding was allocated to: state support for theatres and other organisations; maintenance of libraries; maintenance of museums and permanent exhibitions; city public events and festivals; cultural and arts programmes; maintenance of palaces and houses of culture; financing of programmes to support cinematography; state support for children's cinemas; other establishments and measures relating to social and cultural development, to culture and the arts.

Support for the media (newspapers, journals and television) was provided in the form of subsidies making up almost half the budget of the City Administration's Committee for the Press and Public Relations (RR.72m).

Besides this, the city budget envisioned capital expenditure on measures to preserve and restore historic and cultural monuments and to repair theatres, museums, libraries, and an increase in the role of funding from the Federal Budget was envisioned in connection with St Petersburg's 2003 Tercentenary. The importance of this forthcoming event was confirmed at the highest state level. Following the Presidential Decree 'On the Tercentenary of the Founding of St Petersburg' a State Committee to Prepare the Tercentenary Celebrations was formed, which approved the conceptual approaches of the City's government to preparing and celebrating the jubilee; a similarly named special Committee was formed in the St Petersburg Administration.

In the year 2000 the government approved the third Federal programme 'Culture in Russia (2001-2005)', which embraced three sub-programmes: 'Development of culture and preservation of the cultural heritage of Russia', 'Cinematography in Russia', and 'Archives in Russia' — where for the first time there was talk of *developing* and not just *preserving* culture. To finance this programme it was planned to allocate RR.49.6 billion, including RR.28.5 billion from the Federal Budget, RR.7.7 billion from regional budgets and RR.12.9 billion from non-Budget sources.

This programme envisages a new cultural strategy involving important economic transformations. The RF Ministry of Culture is allocated the role of collective organiser of the market and regulator of funding flows in the sector. Two thirds of the Budget resources will go on the maintenance of the approximately 200 establishments of Federal significance, the key institutions that demonstrate values and determine the level of Russian culture. Their funding, including staff salaries, is to be increased, and the remaining cultural establishments will be funded from one third of the Budget's resources, being required to operate on the basis of market competition and to competitive application for grants.

2.2 Regulation in the cultural sector

Today in Russia all forms of ownership are allowed (state, private, commercial, private-non-commercial) for cultural treasures, buildings, installations, complexes, equipment and other property of cultural designation. With the passing of the new Civil Codex and the laws 'On Non-Commercial Organisations' of 12.1.96 and 'On Charitable Activity and Charitable Organisations' of 11.8.95 the legal bases were created for non-commercial private activity and for patronage in the cultural sector. This made it possible for cultural activity henceforth to have either commercial or non-commercial in character. Those active in culture include both state and non-state cultural organisations, among which there are state establishments and organisations and commercial enterprises, including small non-commercial and non-state organisations, which are officially designated on the basis of specific criteria and subject to differing regulations.

Commercial organisations

- The main goal of their activity is receipt of profit.
- Commercial organisations satisfying the requirements of Article 3 of Federal Law no 88-F3 are designated small enterprises.
- State and municipal unitary enterprises (including Treasury enterprises), are considered commercial, possessing not general but special legal rights under the RF Civil Codex.
- Commercial organisations (as distinct from non-commercial) may not receive charitable donations.

State establishments and organisations

- The activities of state and municipal cultural organisations are financed by their founders in accordance with agreements, but not less than the norms of state funding for individual types of cultural organisation. It is important to note that receipt of resources from other sources does not affect these norms and the overall level of funding of a cultural organisation by its founder or founders. However, despite provisions to the contrary in Article 46 'Bases of Cultural Legislation in the Russian Federation', receipt of donor resources by cultural organisations funded by the state or municipal budgets often leads to a decrease in state funding.
- The paid forms of cultural activity by cultural-educational establishments, theatres, philharmonias, folklore collectives and performers are not viewed as entrepreneurial, if the income from them is fully invested in the institution's development and improvement.

For example, museums' main activity is defined as including: receiving visits, exhibition of museum collections elsewhere, showing of temporary exhibitions, writing museum catalogues and servicing visitors, making replicas (based on museum exhibits, with possible enlargement), producing copies of documents and items in reserve collections; carrying out research on themes relating to the museums' permanent displays, the restoration services of creator-producer associations to restore books, paintings, monuments or historic documents.

- Within limits, cultural organisations in possession of resources to pay salary bonuses may independently establish for their own staff scales of pay with differentiated additions and adopt various progressive forms of organisation, payment and stimulus to staff.
- Social and cultural establishments may transform themselves into non-commercial organisations, first of all into foundations and non-commercial partnerships. This gives the opportunity to attract to funding cultural establishments the resources of private individuals and corporations, while at the same time maintaining supervision by the administrative organs over the use made of the state (or municipal) property given to the non-commercial organisation in accordance with primary designation. In cases where a building that is a historic or cultural monument is handed over or sold to a non-commercial organisation, with help from the inspectorate the state is obliged to ensure preservation and public access.

Non-commercial organisations

- The essential condition is that receipt of profit is not the main goal of their activity. All contributions from founders and sponsors, as well as all profits of non-commercial organisations must be spent to achieve the organisation's goal as established in its charter.
- Joint founders of this kind of organisation may be citizens and individuals but also organs of state authority or local self-government.
- The founders of non-commercial organisations do not have the right to distribute profit or the organisation's property (as distinct from the shareholders of *tovarishchestva* (specific form of commercial partnership)).
- Non-commercial organisations may be created in the form of public or religious organisations (associations), non-commercial partnerships, establishments, autonomous non-commercial organisations, social, charitable or other types of foundation, associations and unions, but also in other forms envisaged by Federal legislation.
- The activities of non-commercial cultural organisations in realising production, work or services as envisaged in their charters are regarded as 'entrepreneurial' only in so far as the income received through this activity is not reinvested directly in the organisation concerned to meet the needs of maintaining, developing or improving the main activity

envisaged in their charter.

- For purposes of taxation non-commercial organisations have to account separately for receipts from commercial and non-commercial activity. In presenting their accounts, income relating to commercial activity is separated from that received through the main form activity envisaged in their charter. Besides this, documents are required confirming the agreement to this activity of the organisation's founders.
- Small enterprises cannot be deemed non-commercial organisations, since Article 3 of the Federal Law No 88-F3 states 'subjects of small enterprise are understood to be commercial organisations...'
- None of the privileges (relating to accounts and taxation) granted to subjects of small enterprise are granted to non-commercial organisations.

State, municipal and non-commercial cultural organisations have the right to *undertake entrepreneurial activity only as envisaged in their charters. The following activities of state and municipal cultural organisations are deemed to be 'entrepreneurial':*

- Selling or renting out their main collections and property for goals not linked to cultural activity;
- Trading in bought-in goods or equipment, or offering mediation services;
- Sharing in the activity of commercial enterprises, establishments and organisations (including cultural);
- Obtaining shares, promissory notes and other securities and receiving income from this (dividends, interest, etc);
- Implementing operations, work or services that earn them income but are not foreseen in their charters.

In their entrepreneurial activity cultural organisations are equated with an enterprise and fall under the jurisdiction of the legislation of the RF on enterprises and entrepreneurial activity.

Such organisations may carry out entrepreneurial activity only in so far as this serves to achieve the goals they were created for and is appropriate to these goals.

2.3 Comparative organisational models

After the public organisations of invalids and religious organisations, state cultural establishments and creative unions have the most tax privileges. The measures declared in governmental policy documents and programmes for stimulating the non-state cultural sector are not sufficiently supported by tax policy. This discrimination is growing stronger.

Profit tax

State and municipal museums and libraries, philharmonics and state theatres pay no profit tax, while cinematographic organisations can set against payment of profit tax the resources they invest in building new cinemas (including shared participation) and repayment of loans for these goals, including interest. This privilege was formerly extended to non-state organisations in this category, but — after numerous instances were revealed of the privilege being used as a front to hide commercial activity and tax avoidance — in 1996 it was removed from non-state and non-municipal museums, libraries and concert halls, while for state and municipal cultural establishments the privilege was extended only to profit from their main, charter activity. It is worth noting that organisations dedicated to the production and reproduction of works that receive the certification 'national film', irrespective of organisational or legal form and form of ownership, are freed from profit tax (paragraph amendment included 13.1.99).

Donations in support of cultural activity or institutions also earn some exemption from profit tax, but the scale of such donations is limited to minimum sums. Profit tax exemption has been denied to enterprises and organisations donating resources to municipal and independent cultural establishments — although this privilege is retained for those donating to state-sector cultural organisations.

According to the law, the sum of taxed profit is reduced by the amount of resources donated by individual juridical entities to state cultural establishments with no requirement to repay, amounting to 5 per cent of profit. When the recipients are other cultural organisations or charities, the amount is reduced to 3 per cent. In Western countries similar tax privileges are usually established on a scale of 5-10 per cent.

Tax on land and property

Cultural establishments do not pay these taxes. The state extends this exemption to literary and artistic practitioners who use specially equipped installations, buildings and premises (including dwellings) as creative studios, workshops, or ateliers, but also to individuals using their living space for non-state museums, libraries or other cultural organisations open to the public.

Value Added Tax

VAT is not imposed on the charter services of cultural establishments, or on printed publications received by state libraries and museums through international book exchange. VAT exemption is possible only if all the operations of a non-commercial organisation are exclusively charitable. As equipment donations are subject to VAT it is more beneficial for a commercial organisation to destroy old computers than to give them as donations to a museum or a charity.

Rental

State cultural establishments in general do not pay rent. Creative practitioners and collectives of creative practitioners are granted for use or rental premises for studios, workshops, laboratories and other working spaces essential for creative activity, with rent payment on a scale that covers the cost of communal services.

For foundations, unions, associations and other non-commercial organisations working in this sphere, the St Petersburg law 'On the system of determining rental charges for non-dwelling premises whose landlord is St Petersburg' lowered rentals considerably (from 2.5 to 3 times lower than the average for the city, depending on the specific type of activity). For this, use is made of the 'coefficients of social significance' of the specific type of activity of the tenant (K_c). The tenant's type of work is determined according to the OKONKh Codex (ie, if a non-commercial organisation engages in entrepreneurial activity, then this is in no way reflected in the rental tariff, which is established in accordance with the main type of activity).

Use of state property

Up to the present time, no programme has been created for profit to be earned through use of historic or cultural monuments. According to the legislation, any income earned through offering items from the state museum collection to outside exhibitions, or their loan for cinema or video making, belong exclusively to the museum. In practice, however, a large share is retained by middlemen, but also personally by individual museum directors.

In Western practice there are Boards of Trustees, etc, functioning as part of state cultural organisations, to whom the director must periodically account for work done and the use made of funding, including monies received, for example, through sales of museum giftware.

In Russia the managers of state and municipal cultural establishments effectively — faced with pressures caused by insufficient funding from the state budget — monopolise allocation of income received from use they make of their state property, which is actually general state property.³

Thus, from the point of view of taxation, state cultural organisations have the advantages. The work of non-commercial non-state cultural organisations encounters difficulties, whose origin stems from prejudices against 'private' organisations, but also from suspicion of tax evasion. Often, instead of working to combat financial malpractice and the requirements of following the provisions of the law through annual audit and the publication of accounts on the sources of resources and the ways in which they were spent, the tax organs emasculate the tax privileges envisaged by the law for non-commercial organisations, equating foundations and other non-commercial organisations with commercial.

Countries with a developed market economy offer tax privileges and state support to non-commercial cultural organisations in exchange for their financial transparency and specific limitations on their activity. Besides this, to add to receipts for the cultural budget special hypothecated taxes are introduced (on income from the showing of cinema films on TV, selling video films or clean video cassettes, etc), the resources from which are invested in domestic filmmaking. In Russia, equivalent contributions to state support for culture could be established in the form of tax on the sale of goods and services on the premises of cultural institutions, sale of clean audio and video materials, on tourism services and commercial advertising in the state-owned media; in addition, some state lottery could be established that would generate grants to benefit the cultural sector.

Inequality in the tax sphere holds back the development of non-commercial non-state organisations and, as a result, impoverishes the cultural budget as a whole. Yet more control over the work of non-commercial cultural organisations envisaged by existing legislation is so far not being implemented.

A real priority for non-commercial organisations is seeking funding from donor organisations, which receive little official stimulus to respond. Donors who finance individual cultural projects are nevertheless acknowledging the social value of this work — both as a whole and for themselves. This gives non-commercial organisations (state and non-state) opportunities to realise their services (projects) on the donor market. However, to date this kind of fund-raising is not widespread.⁴

For example, in the total income from additional sources of a group of state theatres in St Petersburg in 1996-99, earnings from additional sources were on average 14 per cent; of this 37 per cent came from entrepreneurial activity, and just 14 per cent from fund-raising.

For this reason, the kind of relations that different types of cultural organisation enter into through social partnership and the way each capitalises on its strengths is especially interesting. If commercial organisations have, mainly, financial advantages, and the strong sides of the state non-commercial cultural organisations show themselves in the form of tax privileges and knowing how to work with the state administrative organs, then the role of non-commercial non-state organisations has been envisaged as defending and preserving the interests of society and supporting and realising socially significant initiatives. Business and the socio-cultural sphere are destined to collaboration and partnership links. Social partnership in the sphere of culture is based on the

interest of each of the interacting organisations in a search for the solution to problems, bringing together efforts and opportunities from each of the sides, but also in mutually acceptable defence and observation of public interest.

Activity to disseminate cultural values also takes in the work of palaces and houses of culture — the houses of architects, actors, doctors, journalists, cinema, writers, composers, scholars, folklore practitioners, teachers; the lecture halls of the Znanie Society, of excursion bureaux, planetariums, establishments for after-school activities, parks of culture and leisure, circuses, etc. The creative unions of St Petersburg are part of the Federal infrastructure of creative unions and implement their charter activity in support of their members in the appropriate spheres. The activity of unions is under-pinned by membership subscriptions and sponsors' contributions. Individual events in which they are involved (anniversaries, for example) are funded from the municipal budget. The unions occupy buildings and premises in the historic centre of St Petersburg; they have important privileges and can offer their premises for rental by other organisations.

2.4 Records and statistics

Traditions in Russia of relating this or that kind of activity and those employed in it to the sphere of culture and the arts are reflected in statistics and other information of an official character. But even official data falls far short of covering all the relevant employment, establishments and results of their activity. If you extend the understanding of 'cultural sphere', looking at activity in a broader perspective, then the accounting difficulties also grow, which leads to large inaccuracies in official data and their interpretation. The classification of types of activity in the cultural sphere used in Russian statistics is different from that used in legal and regulatory documents. As a result, the statistics do not cover many sub-sectors of cultural life, which makes it hard to analyse the processes taking place.

The state system of statistic review in the cultural sector is based on receipt of statistical data from organs of the RF Ministry of Culture (until recently, the RF Committee for Cinematography, the State company 'Russian Circus' and the Russian Chamber of Book Publishing).

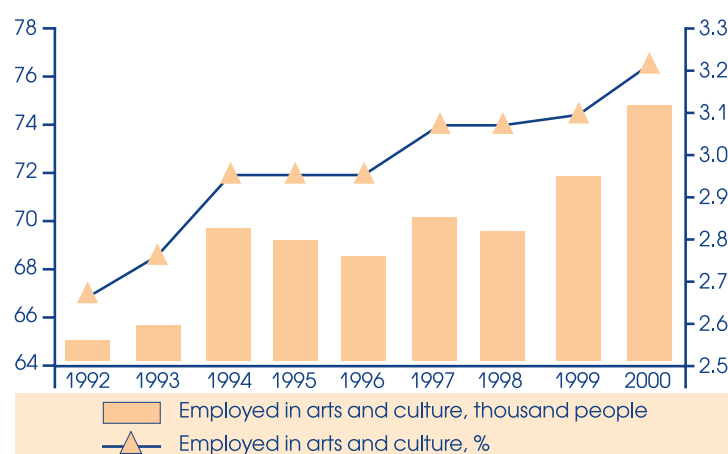
Statistics cover: libraries, relevant clubs, art galleries and exhibition halls, theatres, concert organisations, parks of culture and leisure, circuses, zoos, cinemas; TV and radio transmission. They take account of historic and cultural monuments and reflect the publication of books, magazines and newspapers.

The statistical indicators cover the main areas of activity of these establishments, the condition of their material and technical bases, the quantitative and qualitative make-up of their staff. In this area there is annual full Federal statistical review.

The main economic indicators include: employment, labour fund (average pay within the sector), number of establishments, and value of the main collections, volume of paid services offered to the public. Other main indicators to calculate culture statistics include such concepts as circulation of the library fund, times read, visitors to performing enterprises, audience volume, etc.⁵

Employment

The official number of workers in culture and the arts is not big, but since 1996 it has shown a tendency to rise:



Thus, the official total figure for employment in the cultural sector is almost 76,000 or 3 per cent of all those employed in St Petersburg. However, the statistics record all categories of those employed in cultural establishments, including individuals in the non-creative jobs. For example, in 1999 the total number of theatre workers was 7,021, including a total of just 3559 artistic personnel.

This data is far from providing a satisfactory picture of the staff potential in the cultural sector, since (a) it records only those employed in the sector as traditionally conceived, but (b) also includes all categories of staff employed in cultural establishments or organisations.

It is important now that statistical review of those employed in the sector be extended to take account of those working in all the sub-sectors listed in the definition of creative industries (see Chapter 1) and take account of statistics from such related spheres as education, academic institutions and services, information services and non-manufacturing types of consumer service.

In the sphere of education alone, the schools of St Petersburg employ 5100 teachers of music and singing, fine art, drawing, physical culture, and career studies, some 70 per cent of whom have higher education. 42 non-school education establishments (including seven arts centres) are attended by 143,000 children; 30,000 children attend 30 music schools and 5,500 children attend 18 art schools, while 12,700 children attend 16 schools specifically devoted to painting and drawing (figures from 1999). St Petersburg has nine further education centres with an arts profile and seven secondary training establishments. In the European and State universities there are arts faculties. In 1998-9 the further education centres with an arts profile graduated 2,090 specialists in this sphere, and the secondary special establishments 1,425.

Thus the official data make it possible to increase the total of those employed in the cultural sphere to 85,000, and if you take account of designers working in industry or the service sector, but also of individual freelancers, you can speak of at least 90,000 employed in the cultural sector.

The picture presented by the sector is very differentiated, depending on the relevant form of ownership and sub-sector. In the state cultural sector, salaries are 60-70 per cent of the average in the city economy. Average monthly pay in small cultural and arts enterprises in 2000 was RR.730. However, the reliability of official data about salary scales of cultural workers is open to question.

Appendix 2 carries a list of the main types of cultural organisation and establishment in St Petersburg and the problems linked with the basic data available relating to their activities.

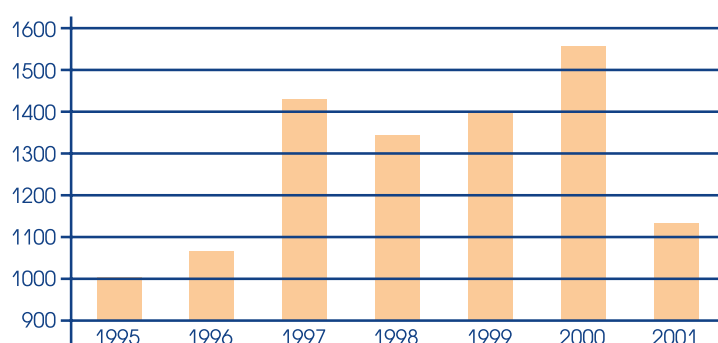
2.5 Small enterprise development

Small business is a part of the Russian economy, but for the time being the level of development of this sector is clearly insufficient. After an initial period of growth in 1991-93, the number of enterprises stabilised around the figure 800-900,000. In 2001 on the territory of the Russian Federation there were some 879,000 functioning small enterprises (the decrease in comparison to 2000 was 1.3 per cent); small enterprises in the cultural sphere realised production to a value of RR.4 billion, or 2 per cent of earnings by all small enterprises. The economic crisis of 1998 had different impacts in this area, depending on orientation towards import or export. Importers suffered particularly ('shuttles'), but also outward-bound tour firms, those that survived were those with access to local import-replacements. The crisis also dealt a blow to the advertising business and to information technologies.

The concept 'small enterprise' was introduced by legislation in mid 1991. The criterion defining a SE was the number of those employed — the figure being different for four different sectors of the economy. In 1995 the criteria changed: the maximum number of employees for an SE in the cultural sector became 50.

Order No 1389-r of the RF Government on 9.10.95 to Goskomstat Russia instructed them to set up, beginning in 1996, statistical review of the work of small enterprises following a system of selective quarterly monitoring. To aggregate on the basis of the selected enterprises, use is made of a typically random selection with a variable share of the selection from each of the intervals of groupings according to the indices being studied. The selection for study is organised so that one small enterprise fills in no more than one form for statistical reporting per report period.

The annual total of individual small enterprises in St Petersburg in the cultural sector on 1 January is indicated in the table:



Since 2000 the tempo of small enterprise growth has fallen. In all probability, the fall is linked with the re-registration of functioning small enterprises required for individual entrepreneurs without the formation of a juridical entity, which removed their tax privileges and some other advantages in the sphere of management and accounts presentation. Belief that there is a considerably larger volume of enterprises seems fully justified, since the statistics for small enterprises do not include private entrepreneurs without the formation of juridical entity. The supposition is that the number of individual entrepreneurs is four times greater than the number of registered enterprises.⁶ Besides this, a significant part of small business and individual entrepreneurs operate in the black economy — ie knowingly hide or minimise the activity they are carrying on with the aim of escaping tax-payment and other obligations. According to the calculations of Goskomstat in 2000 in the sphere of services the share of the informal (black) economy was 23 per cent, including 24 per cent in the cultural sphere. (V. Skvoznikov and N. Azernikova, *Problems of Measuring the Black Economy*, *Voprosy Statistiki*, no 12, 2001, pp 18-22.)

St Petersburg is represented by 12.4 per cent of the general total of Russian small enterprises, ie for every 1000 city inhabitants there are 24 enterprises. Of the total of 109,000 small enterprises, only some 1.5 thousand are in the cultural sector,⁷ where 1 per cent of those permanently employed in small enterprise in St Petersburg were to be found (small enterprises involved in trading and catering were leaders for numbers of enterprises, employees and impact of their activity). Employment in small enterprises in the cultural sphere totalled 6,177, 1 per cent of all employed in small business (or 8 per cent of the total employed in the cultural sector).

The main means for implementing state policy for support of small enterprise at regional level is the Programme for State Support of Small Enterprise in St Petersburg for 2000-2001, approved by the St Petersburg law no 225-25 dated 9.6.00. The results of the realisation of the measures of this Programme include: creation of a telephone 'hot line' to provide small enterprise with specialist express information and centres for support of small enterprise in six districts of the City. There is a permanent exhibition of the work of small enterprise in St Petersburg. The St Petersburg Union of Entrepreneurs has opened a public reception centre, where representatives of small enterprise may receive advice on any aspect of running their business. The Regional Foundation for the Scientific and Technical Development of St Petersburg was the winner in a competition for realisation of the Programme, and received a subsidy of RR.1 million for development of the infrastructure of the Innovation and Technical Centre, making it possible to attract an additional RR.15 million from non-budget sources.

Taking account of the experience of realising the Programme, the City Administration's Committee for Economic Development, Industrial Policy and Trade drew up a draft St Petersburg law 'On the Targeted Programme of St Petersburg 'State Support of Small Enterprise in St Petersburg' for 2002-2004'. In November 2001 this draft was approved by the Government of St Petersburg, and in December was passed by the Legislative Assembly. For realisation of the Programme's measures, the following main amounts of funding are planned: in 2002: RR.98.4 million; in 2003: RR.30 million; in 2004: RR. 40 million. The Programme's aim is to create an enabling economic environment, stimulating the effective activity of small enterprises in St Petersburg. The achievement of this goal envisages the solution of priority tasks: creation of an informational base for support of small enterprise; forming and development of a small-enterprise support infrastructure; but also the development of inter-regional collaboration and exhibiting. In the course of realising the Programme it is proposed to carry out a complex of measures to improve the legal, tax and administrative environment so as to facilitate entrepreneurial activity, creating new jobs and increasing the well-being of broad sectors of the population involved in enterprise.

All the same, one may conclude that the broad-scale development of small business in St Petersburg, but also in all Russia has yet to take place. In spite of the attempts to lower administrative barriers — the main reason for this situation — small enterprises as before complain about the level of taxation, the instability of the tax system, lack of financial resources and bureaucratic pressure. In 2002 the Law on the Single Social Tax came into force along with 25 chapters of the Tax Codex, which sharply increased the tax burden on small business — for some kinds of business it was doubled or even trebled — and, most important, increased the volume of documentation required. The introduction of the tax on indicative income led to extremely contradictory consequences and played a rather negative role. The result: small business again retreated to the shadows.

The further development of small business in St Petersburg, considered the leader in this sphere (after Moscow) is made

difficult by lack of stability in the legal, regulatory and tax regimes: and the large number of administrative barriers created by the authorities. The most complicated problems in the current activity of small enterprises are connected with high taxes, insufficient sales and/or working capital, and rental of premises. Besides this, in small businesses it is typical to meet with a low level of business discipline, weak management and lack of qualified staff and professional knowledge.

High taxes

This is a common feature of the Russian economy and a way out for small business may be the tax reform proposed for 2003 onwards. However, an easing of the tax regime is envisaged only for small enterprises with less than 20 employees.

Sales

Problems here are also common for entrepreneurs, irrespective of the size of the enterprise. Successful sales in the creative industries may be achieved through organised marketing support for small enterprises.

Working capital

The lack of working resources is a special problem for small business as compared to large-scale. The main problem is lack of access to normal bank loans and the risks associated with semi-legal loans. The recent period of small enterprise development demonstrated that no direct forms of support, subsidies from the budgets, inexpensive targeted loans, funds for support of small business solve their problems, but — rather — have tended to create the conditions for corruption and unfair competition. Urgent solutions are being sought, one proposal being to develop the practice of mutual loan making (credit cooperatives, etc).

Rented premises

Rented premises for the development of small business are a problem for small enterprises, because of the general non-regulation of market relations in the area of rented property, where tenants frequently suffer, for example, extortion, sudden rent increases, lack of information.

Conclusion

The main problems of St Petersburg's nascent creative industries are caused by features specific to the current stage in Russia's economic development. At a time when economic stringency makes it impossible to concentrate state financial resources as before in priority areas of cultural development, the stimuli for cultural establishments to earn their own resources have so far failed to receive sufficiently positive results. Barriers exist to prevent the uniting of state resources with those of private and corporate sectors to focus on cultural development.

The key problems that policy in the cultural sphere should be directed to solving are the following:

- The slowing of tempi of modernisation and innovation in cultural life: the most important factors for the self-development of culture and raising the social activity of the population;

- The split in the cultural space and reduction in the participation of Russia in world cultural exchange;
- Cuts in the specialist staff potential of culture as a result of the sharp fall in income levels of creative people; outflow to other sectors of the economy and emigration abroad;
- Lower level of cultural provision for the population.

The fullest use of the advantages of St Petersburg for the development of the creative industries is a reality in the context of specific favourable opportunities — among which the forthcoming Tercentenary stands out.

Notes

1. P.S. Filippov (ed), *Sotsial'no-ekonomicheskoe polozhenie v Rossii*. Spravochnik, Norma, SPb, 2001.
2. Ibid.
3. Ibid.
4. A.I. Dymnikova, 'Deiatel'nost nekommercheskikh organizatsii kul'tury po privilecheniiu blagotvoritelei (donorov): problemy i perspektivy', *Blagotvoritel'nost v Rossii*, Liki Rossii, SPb, 2001, p. 442.
5. *Metodologicheskie polozheniia po statistike*, vyp. 1, Goskomstat RF, Moscow, 1996, pp. 130-32.
6. *Razvitie predprinimatel'stva v Rossiiskoi Federatsii. Politicheskie printsipy i rekomendatsii*, OECD: Centre for Cooperation with Non-OECD Countries, 2001.
7. *Podderzhka malogo i srednego biznesa v Peterburge*, no 5, SPb, 2001.



Creative Industries in St Petersburg



St Petersburg survey: problems and potential

3

3.1 Background

In June–September 2001 a survey was carried out to establish initial understanding of existing and potential enterprise in St Petersburg’s cultural sector. This involved desk-top research (see Section 2) and more than 60 interviews with cultural businesses, practitioners, intermediaries, institutions, service providers and policy bodies ¹.

¹ The interviews were carried out in St Petersburg by researchers from the Centre for Independent Social Research (CISR): Katerina Gerasimova, Irina Olimpieva, and Oleg Pachenkov. The aide memoire on which the interview process was based was developed using the methodology of the Institute for Popular Culture (MIPC), Manchester Metropolitan University, which has made the major research contribution to creative industries development in the UK. Dr Justin O’Connor, Director of MIPC, and his staff worked with the CISR specialists in the early period to refine the process. All the interviews were translated into English so that the Finnish and English partners could participate in the initial analysis with the St Petersburg partners; the CISR specialists made the first analysis of the data and their work has been used by Justin O’Connor in writing this chapter.

The survey covered the following areas:

- Traditional Arts — visual and performing arts, galleries and venues, museums, literature and publishing.
- Design (furniture, fashion, graphic) — both as ‘arts and crafts’ and as an input into mass manufacture.
- Media — TV, Radio, Newspapers and Journals, Film
- Popular Music — recorded and live
- Leisure — retail and entertainment.

These are obviously a very diverse set of activities — in what and how they produce; in their sources of finance; in the motivations and values of actors; in their markets and sectoral structures (e.g. TV production is very different from making a work of contemporary art) etc. But the research touched on some generic and strategic issues with cross-sectoral implications.

This project is concerned to promote the growth of entrepreneurial activity in St Petersburg’s cultural sector both as a source of employment in its own right and as an essential part of the city’s developing life. The focus of the work is on fostering enterprise and entrepreneurial approaches across the cultural spectrum — large organisations, smaller, freelance and commercial. But the project is emphasising the Western experience of small cultural businesses of the not-for-profit type, because the strategic, entrepreneurial role these organisations could play, making them a key element in the city’s cultural development strategy, is only partly recognised in St Petersburg. As far as the Russian situation is concerned these organisations’ potential for activity and self-sustainability is limited by current restrictive definitions of ‘enterprise’ and ‘not-for-profit’ — problems which we will address later.

The official definition of ‘small’ enterprise is under 50 employees. However, experience in Western Europe suggests that for the cultural sector this is quite large; a great many of those producing the impact that is of interest to this project are ‘micro-businesses’ of under 10; and of course there are many individual ‘freelancers’. The European research indicates that over 40 per cent of all cultural sector employment is in small businesses, and the percentage is increasing. Moreover, it is here that creativity and innovation in the sector is concentrated.

In attempting to promote this activity in St Petersburg we stress the need for culture as a whole to access new sources of income — whether grants, sponsorship or new markets —

beyond (but not excluding) those provided by traditional state funding. In order to do this, the management, marketing, organisational and entrepreneurial skills associated with the commercial sector will be of great value to state institutions, not-for-profit organisations and individual cultural producers alike. Moreover, in order to maximise the potential of the St Petersburg cultural sector, large and small organisations, public and private — the sustainability of the city’s culture and related structures will benefit from the development of an official strategic vision which involves a switch from an exclusively ‘subsidy’ model to one that builds in models derived from the sphere of ‘economic development’ (though it should also be stressed that these cannot be transferred directly).

However, this should not be seen as a wholesale shift to ‘commercial’ values at the expense of the ‘artistic’. The clear remit of this Tacis programme is to find ways of facilitating and enhancing the effectiveness of entrepreneurial activity in the cultural sector, with the aim of increasing employment and wealth creation in St Petersburg. But this cannot be done by ignoring cultural or artistic values. On the contrary, it is only by improving the efficiency and the quality of enterprise in the cultural sector that tangible and sustainable economic benefits can be produced.

3.2 Culture and commerce

The previous dominance of the state in Russia and the past decade’s attempts to shift to a private market economy are subjects which go beyond the remit of this report but which inevitably pervade the issue of the cultural economy — if only because the state continues to fund the vast majority of art and cultural production. However, the issue takes on a particular complexion in this sector because of dilemmas relating to economic activity in the cultural sector that influence acceptance or rejection of this activity’s importance and potential for positive impact. Policy dilemmas are partly due to a general lack of information about the economic benefit of enterprise in the cultural sector, but they also reflect a deeper ambivalence about ‘culture and commerce’ that is present at all levels of the cultural sector, including amongst many non-state and ‘alternative’ organisations.

There is a lot of active resistance, by producers, consumers (audiences) and policy agencies to the idea of ‘culture as business’. This could stem from a number of considerations.

First, it relates to the separation of subsidised culture (‘art’) and commercial culture (‘entertainment’) which was general in Western European cultural policy fields at least until the changes occurring there in the early 1980s.

Second, this issue has a specific Russian dimension relating to the politicised role of ‘high culture’ in the Soviet Union — when it was both a vehicle for political ideology but also a site for the transcendence of that ideology. The state tightly controlled cultural production for ideological purposes, but within a framework of respect for (usually pre-20th century European bourgeois) ‘high culture’. Soviet culture was of course defiantly non-commercial (ie, non-capitalist). On the other hand, oppositional, ‘alternative’ culture was by necessity non-commercial also; both in the sense that it did not generate income and in that it rejected immediate acceptance/popularity, envisaging for itself an ideal audience of the future (sometimes beyond the existing regime, or some more general ‘judgement of history’, or a mixture of both). There was also a sense of oppositional culture speaking to an ‘international cultural mainstream’. Both officials and dissidents upheld a

notion of 'high culture' as non-commercial, though oppositional culture was open to the current of Modernism whereas this was very difficult for the Soviet state. This international mainstream — and by the 1970s this meant 'modernism' — was very often imagined differently by oppositionalists from its actual reality in the West. Something made clear in 1989.

Third, the impact of the rapid market reforms in Russia was, as elsewhere, very hard on the cultural sector. Not only were the institutions and jobs of official subsidised culture under severe threat, but the complex eco-system which had sustained oppositional culture (and the liminal areas which of course linked the two) in the form of university jobs, commissions from larger institutions state grants, more private unofficial commissions etc. — this eco-system suffered severely. With the result that there was as much antagonism and anxiety about the collapse of state funding for culture on the alternative or oppositional side as there was the official side.

Fourth, the commercialisation of culture was seen by oppositional culture as a degradation of culture; production for the market was as much (maybe more?) anathema for these as it was for official culture. This shocked encounter between a preserved (through political opposition) notion of 'high art' and the reality of commercial culture industries in the West was prefigured in the reactions of exiled oppositionists (one thinks of Solzhenitsyn and Milan Kundera). It can be seen today in the cynicism of writers such as Victor Pelevin.

It should be said that Russia is not alone here. Similar arguments can be found all over Western Europe, where changes in cultural policy have threatened established mechanisms for the distribution of cultural subsidy. Cultural business, many say, equals cuts in subsidy to both institutions (and institutional jobs) and to individual artists. Fears have been expressed that policies to develop the creative industries mean the sustainability of culture relying increasingly on the market, so that issues of cultural industries development feed anxiety/antagonism towards 'commercial culture'. Culture produced for the market, it is said, means pleasing the lowest common denominator, creation of easy 'entertainment', and the courting of immediate (and thus transitory) popularity. In this way, many people see the autonomy of the artist — which should be at the heart of authentic cultural production — being betrayed 'for 30 pieces of silver'.

It would be wrong to dismiss these fears as unfounded: pressures on state budgets, the power of the market, the globalisation of the large cultural industries — all these have set a context for cultural producers and policy-makers in the West that is different from that in which they operated two decades ago. The forces that have promoted such transformations are increasingly felt in Russia and — for the reasons sketched above — the situation is exacerbated here. Part of the task of this Tacis project is to address some of the fears. Like all changes, they present both dangers and opportunities.

This is the situation of risk facing St Petersburg culture today, whose addressing can be postponed, but not avoided. 'Globalisation' has involved accelerated flows of money, information, goods, people passing through cities. These flows include ideas, signs and symbols, the whole range of cultural products, information and ideas which make up the complex global cultural circuit of the contemporary world, driven by publishing, satellite, internet, the internationalisation of production and distribution, etc which have transformed the immediate day to day context and wider significance of local cultures.

Inevitably both local cultural production and cultural consumption now take place in a much wider context — culturally, economically and organisationally. All cities need to be much more reflexive and responsive to the changes — cultural policy therefore now looks to the preservation and promotion of local, place-based cultures through active engagement with these wider contexts.

Solomon Volkov has called St Petersburg an 'Atlantis', sunken for 80 years (*St Petersburg. A Cultural History*, London 1996, p. xvi). One of the great world cities has now re-surfaced — but the world is a very new one. The 2003 Tercentenary presents the opportunity to inaugurate a new century of cultural achievement and energy, but there are some clear things that need to be done — in order for St Petersburg to revitalise its own unique cultural profile, but also to reap the full benefits of the new, contemporary era.

3.3 The state cultural sector

This project is essentially focused on enterprise that is small, flexible and responsive; but it cannot ignore the state sector. The vast majority of state funding in St Petersburg goes to state institutions, and the bigger ones command by far the largest percentage of funds from non-state foundations. The bigger ones are also uniquely poised to benefit from tourism and foreign trade potential. This dominance of the state sector in general and the 'big monsters' in particular can be a source of resentment from smaller and non-state organisations, but in fact the 'monsters' represent a great potential sphere for the development of small enterprises' activity.

The large, famous institutions are crucial to both the cultural identity and the cultural economy of the city. The global prestige of some represents a tourism and foreign investment potential that numerous other cities would envy. Many are also central to St Petersburg's own sense of identity and represent a source of cultural dynamism and expertise which should not be underestimated. The questions for the current project are, first, to what extent the large state institutions can contribute to the health of the non-state or 'independent' sector and, second, to what extent can these 'independents' contribute to the health of St Petersburg's cultural sector as a whole.

It is clear that these state institutions are currently far from maximising their potential and that any overall cultural strategy must see this maximisation as a prime focus. The under-exploitation of this potential is generally damaging to the sustainability of St Petersburg's cultural sector.

The problems of the state cultural sector are fairly well known. Some pertain to the skills and culture of the institutions themselves, some to the environment in which they are operating. Any cultural strategy cannot simply focus on one dimension (e.g. 'arts management skills') without taking into account the others (e.g. the complex legal/financial/regulatory context). On the other hand, one must start somewhere. The problems facing large state institutions include the following:

- I) lack of arts administration and marketing skills;
- II) legal, bureaucratic, fiscal and cultural constraints on entrepreneurial activities;
- III) lack of flexible human resources management powers (difficult to get rid of or financially reward staff);
- IV) a tendency for the large institutions to be self-contained and remote from other locally based cultural institutions;

- V) the continued existence of many financially unviable small state institutions, over-manned, lacking basic skills and contributing little to the overall cultural life of the city;

These are compounded by:

- I) the city's lack of a clearly outlined unified cultural and tourism strategy;
- II) the opacity and clientele¹ — basis of its cultural funding system;
- III) the wider uncertainty about the economic dimensions and potential of the cultural sector;
- IV) lack of a strategic driver with regard to tourism, culture and small business development — who can bring these issues together, who would translate a coordinated vision into reality.

These larger issues need to be addressed alongside strategies for cultural enterprise development. It is not the task of this Tacis project to produce a strategy for these large cultural institutions, nor to suggest an overall cultural strategy; nevertheless, the developmental change currently being explored within the St Petersburg Administration's Committee for Culture and the support for small enterprise planned by the Committee for Economic Development could have a direct bearing on how the small, independent cultural sector operates. Every attempt is being made to ensure coordination.

3.4 The state sector and small independents

The independent sector involved in cultural production should not be seen as opposed to or completely separate from the state sector. In actual fact there are many personal and professional contacts between people involved in both; they often circulate in similar milieux and there are cases of migration from one to the other over time; there are many educational and experiential crossovers. Despite the divisions between the sectors there is also a certain symbiosis, and this needs to be developed.

There are three inter-related aspects:

- I) One of the difficulties facing large cultural institutions is their inflexibility — to some extent this is inherent in any large organisation, especially those charged with a 'conservationist' role. However, it is exacerbated by the problems above — insufficiency of specialist administrative and management skills, and external constraints (due to a range of legal, fiscal etc. factors) on the exercise of those skills even if possessed. Recent and current 'arts management' training programmes are to be welcomed here as long as we recognise the existence of external constraints on full implementation of these skills.

However, one of the major shifts in the last 20 years in the West is the increased use by larger arts organisations of smaller ones to perform certain tasks — from joint artistic productions to sub-contracting graphic and exhibition design, catering and retail. Western arts institutions — and indeed the arts sector as a whole — are much more collaborative affairs than they used to be. Successful projects do not therefore imply a corresponding failure (zero-sum) but can provide a stimulus to the sector as a whole. This collaboration increases the flexibility of the large institutions and gives an economic and artistic

stimulus to the small (including non-cultural ancillary) specialist enterprise sector.

One of the issues that needs to be examined is the extent to which larger state institutions can open up their organisations to more collaborative ventures. There have been some examples of this — Au Coin de France (Ugolok Frantsii) working with sponsors to promote events with the Mariinsky Theatre — but these are not common. To develop such contacts requires a lot of personal effort and a level of social capital (reputation, prestige) not available to many small businesses.

It will be some time before this tendency gathers pace but three developments could bring it forward. First, the development of skills and professionalism in the small cultural sector; second, greater transparency and competitiveness in the allocation of the city cultural budget; and third, a more coherent and unified voice from the small cultural sector. We shall return to these issues. But finally, what is also needed is a new willingness of official cultural planners and the big cultural institutions to work in a collaborative manner with partners whom they may not control through direct funding mechanisms. This demands new levels of risk and trust.

- II) There is the whole issue of cultural tourism. The development of tourism is complex. It involves clearly political issues such as reform of visa regulations; upgrading the hotel and transport infrastructure; improved/increased city marketing; festival and event promotion; strategic cultural vision and management; a general cultural shift in dealing with foreign visitors. This is far too big a range of issues to be dealt with fully here, but certain aspects need to be outlined.

Obviously the large state institutions are crucial here, and nothing should be done to undermine the prestige and quality of their offer, but tourism requires a broader cultural offer than that of the big players alone. As one participant in the recent survey argued: St Petersburg is like Luxor rather than Paris; once the big cultural monuments have been visited the visitor finds it difficult to penetrate further into the urban environment. A city's cultural offer benefits from the inclusion also of smaller, newer, more diverse, more alternative cultural events and venues; it needs to be animated by more easily accessible, medium price range, stylish caf  s, bars, restaurants and clubs — which in turn create demand for visual and performing artists, designers, promoters etc. In this way also tourist spend is increased and an expanded market created for local cultural products.

In short, to fully maximise its potential, and to enhance its central and crucial cultural tourism offers, St Petersburg needs a thriving independent sector, ranging across the cultural field from contemporary art to DJs, from small theatres to new media producers and graphic designers, from 'art' caf  s to stylish local clothing and accessory boutiques. This sector is a crucial part of the cultural infrastructure. Barcelona is one of Europe's top five city tourist destinations. It does not have anywhere near the level of cultural heritage of St Petersburg, but it provides a distinctive and dynamic environment for its visitors. And this is not just about the climate. Part of any St Petersburg strategy to develop its cultural tourism potential needs to have as an urgent priority the development of the small, independent sector as a crucial and officially recognised part of the cultural offer and tourism infrastructure.

- III) St Petersburg cannot rely on its classical heritage alone without turning into a 'museum' city, which can easily become a stagnant tourism culture. Vienna has recently attempted to address this issue, including in its new Museum Quarter, an initiative known as Quarter 21. Not only does it attempt to promote contemporary art in new media, it also

¹ By 'clientele' is meant a system based on personal dependency networks rather than a transparent 'rational' bureaucratic or appointment system.

looks to new ways of financing cultural experimentation. St Petersburg is dominated by its 'classical heritage' — by which is meant the unique built environment and cultural products largely from the 18th and 19th centuries. The modernist heritage is much less exploited. Contemporary art lacks a strong presence.

The contemporary innovation — in art, design and the knowledge economy — typical of the small independent sector is essential if St Petersburg culture is to renew and revitalise itself. It is from here that new ideas, new forms, new energies come — the creativity crucial to modern urban cultures. To promote this aspect of St Petersburg's culture is not simply a matter of redistribution of funds, it demands a radically new approach to this sub-sector.

Creation of a vibrant small, independent cultural sector thus has great implications for enhancing traditional cultural products and the overall cultural offer of St Petersburg. But traditional cultural products — classical, modernist or contemporary — are not the only thing at stake here. The independent sector also influences other aspects of related contemporary production.

In West European cities, the growth of cultural sector employment has come in large measure from the increased consumption of 'cultural' commodities produced for mass distribution and consumption. The industries marked by electronic and now digital (re)production techniques — the fields of recorded music, television, radio, film and video, publishing and new media — these are areas with economic (employment, wealth creation) potential but also of great cultural significance. To dismiss these as 'commercial' or 'merely entertainment' is to risk leaving 'art' as an isolated, minority activity and to reduce the revitalising possibilities of contemporary cultural production. This is not to deny the difficulties in entering some of these fields in a situation of already established dominance by a few global players; but the opportunities to create new possibilities at the local level should not be under-estimated either.

Again, the promotion of these sub-sectors in a city like St Petersburg demands a radical rethink of how to approach the independent cultural sector. Because whilst wider experience indicates that the big players do play the key roles in this field, they themselves depend on clusters of small businesses. Whilst an approach to the large players is more obvious and straightforward, it is the clusters of smaller cultural businesses and related services, as well as a more diffuse 'know-how', that often allow these big players to operate and need to be considered also. This configuration of large and small is different in different places and different sub-sectors. Knowing how the different industries are structured around specific places is crucial here, so that specialist local 'intelligence' needs constant attention. For example, there are very different entry levels for different sub-sectors into production and markets (pop music and radio can have very low entry levels; TV and film are high), and the industries can be spatially organised in different ways (TV tends to be very place-based around large institutions; new media more dispersed). Specialist knowledge of this kind often accrues within small-business networks: its accessibility can benefit any official development strategy.

The overall 'official' character of the St Petersburg broadcast media tends to place them beyond the scope of this project, and this dimension will certainly influence any policy that is developed in this area. But even here there are possibilities for an independent production sector benefiting from the opportunities offered by the commissioning and distribution centres controlled by the state.

And of course the explosion of new media, both related to the older media (music production, TV, radio, graphic design etc.) and as an emergent sector in its own right, also offer possibilities for the independent sector.

The growth of a consumer economy brings with it an increase in the symbolic/ cultural and 'lifestyle' components of many different goods. That is, the design element is fore-grounded in previously 'utilitarian' goods; and many 'designer goods' (such as fashion, ceramics, furniture) are sold to a new 'mass' public. This means many designers may now exercise their skills in more 'mass' production, or have opportunities to franchise their ideas etc.; and more traditional manufacturers need to place increased emphasis on the design element in their products. Both these tendencies create the need for a whole new set of skills and understandings not necessarily easy to come by. There is a precedent for such high cultural interrelations in movements such as *Mir iskusstva*, but there is also an intervening heritage of high-volume, low-quality manufacture with more utilitarian aims that has driven out smaller markets and more individual design solutions, both of which should re-emerge now.

The re-orientation of traditional crafts and design, art-based 'designer-makers', manufacturing skills and marketing to specific large and small new markets — all this demands an approach that takes us beyond traditional cultural policy, but also makes new demands on standard 'economic development' policies. That is, traditional manufacturing policies need to address the value-added dimension rather than competition on cost — and this involves a new form of cultural as well as business competence.

For all these reasons the promotion of the small, non-state cultural enterprise sector is of crucial importance to the development of St Petersburg culture and can contribute significantly to the city's economic well being. The question we face is how this sector can be so promoted?

3.5 The non-state cultural sector



The non-state sector is very diverse and grouping the existing non-state cultural enterprises and cultural sector organisations operating in an entrepreneurial way under the term 'independents' hides some very real differences. However, given the predominance of the state in matters cultural, at this stage this term may serve as a convenient label.

The research carried out in St Petersburg suggested a basic distinction between those independents that look to get income in the form of grants/contracts from the state and/or private foundations, and those that look primarily to the market. Many respondents — as well as the official codex of organisations — suggest a further ideological division mapped on to this: that between those who are primarily 'artistic'/not-for-profit and those who are 'commercial', producing for a market. Some of these latter also claimed that the main purpose of the commercial activity was to subsidise their 'real'

artistic activities. However, the research also showed that this polarisation is not as clear-cut as it may appear.

The 'not-for-profit' independent sector involves, by definition, non-state institutions. This is not to say that they do not get state money, simply that they have to apply for this money. In order to obtain the money they have to set up as not-for-profit organisations — 'entrepreneurial' activity in the sense of purely profit-making activities cannot be underpinned by state cultural funds (see Section 2). In fact, this distinction also has a moral/ ideological dimension: to define oneself as 'non-commercial' and thus 'artistic' makes relations with the Federal and local state easier. The state is more at ease with not-for-profit organisations than with commercial companies. Some of the other benefits also include lower rents — a major consideration — and some tax benefits. Finally, non-commercial 'artistic' groups may also be more shielded from the 'attention' of some of the more problematic aspects of the bureaucracy and of illegal organisations.

The distinction between 'not-for-profit' organisations and 'commercial' ones is not necessarily about the target source of income — grants or the market. The former are not 'entrepreneurial' in the sense of pure profit making, but this does not mean that this activity is not 'entrepreneurial' in the sense of searching for and exploiting grant funding (and indeed commercial) opportunities. Some not-for-profit organisations interviewed were very entrepreneurial, seeking a whole range of public, private and commercial opportunities. As in the West, the line between efficient, energetic, creative and opportunistic organisations and those not able to maximise their opportunities in this way is often as important a distinction as whether they work in the commercial or not-for-profit sectors. Many not-for-profit organisations, indeed, have a much higher turnover than the straightforwardly commercial ones.

Nor does the fact that a cultural business is commercial necessarily mean that it is purely 'market driven' (ie seeking financial reward at the expense of other considerations). The small cultural business sector (including self-employed and freelancers) in Western Europe is in fact driven by a complex mix of commercial and cultural motivations. If cultural business is about economic value being derived primarily from cultural value then part of the 'asset base' of any such business is its cultural capital, its awareness of the changing cultural field. And experience in the West has shown that — despite the business analysts' talk — much of this entrepreneurial capacity is intuitive, or (in sociological terms) a part of the 'habitus' or customary way of thinking and acting of the cultural producers. Small cultural businesses are concerned with developing products that are ahead of the market, they take a risk on them acquiring a future cultural (and therefore economic) value.

Some do follow the existing market closely — clothing manufacturers copying the latest fashions just 'ahead of the game'. Some are far ahead of existing demands — the alternative fashion designer trying to identify future trends based on their (and their friends') personal tastes. Some are in it for money, some because they don't want to work 9-5, some to be 'artistic'. Or a mixture of these. Whatever the motivation there are similar constraints in operation — the need to mix innovation and business survival, to manage creativity and cash flow, to look to the future but be aware of the demands of the present.

Looking towards the state for grant funding and towards the market do require different approaches and priorities from businesses and individuals. This choice depends also on what cultural sub-sector you are in and how the state has organised its funding regimes. In St Petersburg, presenting oneself as a not-for-profit 'artistic' individual or organisation has clear benefits

with regard to state funding; in other countries a more entrepreneurial and market oriented profile may be useful to the same individual or organisation. The key point is that the two should not be seen as radically different entities. Cultural organisations can look to the market and grants, and part of being entrepreneurial is looking to both rather than simply 'the market'.

The tendency in the West over the last 20 years has been a blurring of the boundaries between the two activities — gaining grants and accessing markets.

On the one hand there has been a shift to project-based funding, where grants are given (often representing a mix of funding sources) on the basis of a specific project which fits into an overall strategic line. This can range from singular cultural products/ activities (a performance, a sculpture); to a programme of events or commissioned products; to umbrella/ intermediary organisations which promote/ represent individual artists. In addition many non-cultural organisations have financially promoted cultural activities on non-cultural programmes (public art, arts for health, social and urban regeneration activities etc.) Cultural organisations can thus look to tendering for work offered by non-cultural organisations but who want to use culture/ cultural activity within their programmes. Non-cultural organisations — both public and private — represent economic opportunities for cultural producers.

On the other hand, many programmes (such as this!) have been set up which (1) emphasise the economic dimensions of cultural activities — job creation, area-regeneration, innovation, tourism development, etc. — and ask cultural organisations to justify their activities accordingly, or (2) create new sector organisations which are concerned to develop the economic capacity of the cultural sector.

For all these reasons the situation in the West is becoming one in which cultural organisations have to develop a whole range of financial and management skills; and small cultural businesses and self-employed entrepreneurs are operating across a complex patchwork of grant-led and market-led activities. This process is quite clearly beginning to happen in St Petersburg.

3.6 Grant funding and markets

There are also issues relating to the transparency of the funding allocation mechanisms, their rationale in terms of overall strategic vision, and with the existence of a client-based system.

However, there is evidence that budget allocations at St Petersburg level are now beginning to open up to the non-state sector as legitimate bidding organisations for state funding. The details are as yet unclear as the Committee for Culture has been reviewing the situation. Ideally, however, reform should include a longer term shift to greater emphasis on more project-based funding — where the state finances a project which delivers to its strategic objectives rather than undertakes to permanently finance an institution.

This is certainly the situation with respect to the non-state funding institutions; however the tendency is to finance organisations that are of a similar kind to those supported by the state. There are a number of reasons for this. The foundations are interested in high profile cultural organisations. Grant-givers frequently want to fund a small number of large projects rather

than lots of smaller ones, with the result that the larger organisations gain an advantage. There is also the issue of social/ cultural capital on the part of the smaller organisations — they may not feel able to approach the large charitable foundations because of a limited track record. Indeed, they may lack the information and the skills to write successful bids in the way demanded by these funders.

Similar issues confront independents who look towards sponsorship and/ or more directly philanthropic sources of funding.

The opening up of the state budget allocation procedures and the proliferation of non-state, often international, funding would create new opportunities for the smaller independents, but it would also require new skills and levels of professionalism. These include — information sourcing, writing applications, making diverse presentations, costing and planning, networking etc. Whilst these skills do exist in many St Petersburg organisations, large and small, there is a general skills lack which needs to be addressed. The pressure to acquire new skills is all the more real in that it is clear that state and non-state grant funding are unlikely to increase in the near future to levels which will go anywhere near satisfying the demands made on it. It is to the market that the cultural sector will have to look, and this too requires new skills.

This is not a question of importing 'commercial' skills and values wholesale into the cultural sector; the cultural sector has its own specific demands and requirements. Some cultural organisations have a lot of these skills already — managing to combine culture and business, although many are far from possessing them (see 3.7). However, there is an issue about markets as such in St Petersburg which needs to be acknowledged before we deal with specific skills requirements of the sector.

More is involved than changing cultural producers' attitudes to doing business — there is a real problem with the market itself. The problem has two dimensions.

First, the market itself is not fully established — at least not as it is understood in the West. **Second**, the culture of consumption is not as developed here as in the West; a number of the respondents surveyed have referred to the need for 'education', for a policy to develop the cultural market in general before individual cultural businesses can thrive.

The abstract 'free market' beloved of neo-liberal Western ideologists does not and never has existed. The 'market' has developed over many centuries and this process depended on and gave rise to an extensive range of public and private institutions, laws and regulations etc. as well as practices socially embedded as 'custom', networks of trust, and a wider 'civil' society which allowed all of these to function more or less coherently (I am ignoring here issues of power and exploitation). In short, 'the market' is not just about buying and selling — it is about buying and selling within a formally and informally regulated, socially embedded context. This does not emerge overnight.

What this means is that 'normal' market relations do not readily apply in Russia — they are distorted by insufficient legal infrastructure, by clientele systems at all political levels, by lack of in-depth democratic scrutiny and by a large 'informal' economy which, though not necessarily a problem in itself (at least for individuals and small businesses), offers much greater scope for illegal operators.

Comments from entrepreneurs interviewed in our research have underlined this — they have called for a greater sense of

'civil society', of trust, of a formal and informal framework within which business operations can happen. This is a much larger problem of 'governance' than can be addressed here, but it raises three issues that are important for us.

First, any strategic intervention in the cultural business sector has to think about these formal and informal underpinnings (or lack thereof) of the market. Failure to do this in the 1990s led to economic difficulties; we should not be recommending the same thing for the cultural business sector now.

Second, and more specifically, the skills requirements for cultural businesses will not therefore be direct transplantations of 'Western business courses'. As many respondents noted, we have to pay much more than lip service to the specificities of the Russian business context.

Third, part of this concerns the issue of networks. Many respondents stressed the crucial importance of personal networks and working with people you trust. This is by no means unique to Russia. Work in the UK has shown how informal networks are crucial to the cultural enterprise sector — even amongst the bigger cultural companies. These networks are concerned with knowledge, skills and information transfer; they can involve informal borrowing/credit; they are about the testing of ideas; and they are also about off-setting personal and business risks.

Experience of creative industries development shows that the theft of ideas (and material goods) and non-fulfilment of agreements, non-payment of money owed or non-delivery of services promised is extremely common and it is clear that similar problems occur in St Petersburg. In such circumstances networks of trust and friendship are quite crucial. However, there are specific historical reasons for the development of strong personal networks — often across quite dispersed fields. The reasons for such strong personal networks relate to the exigencies of existence in the Soviet period; and given the uncertainty and volatility in the current transitional situation they are not likely to disappear in the near future.

However, it needs to be acknowledged that networks can lead to insularity, working to restrict new entrants. They are also nascent clientele systems. These dangers are most apparent when the market is limited and/or distorted by a monopolistic source of either contracts or grants. Here the existence of networks involves controlling access and thus can be heavily exclusive. This is often the case in St Petersburg where the market is under-developed, export opportunities very restricted, and the state still plays a dominant role in allocation of contracts and grants. The task of the Tacis project is to work with the strengths of the existing networks whilst attempting to open them up to co-operation with those beyond that particular network. This is crucial to any eventual sectoral collaboration in St Petersburg, partnerships with the local state and joint activities with foreign organisations and initiatives.

Many argue that the market for cultural goods is very undeveloped in Russia. First, there is the problem of disposable income — it's growing, but slowly. Second, that people aren't used to buying 'art'; those that can may spend money on subsidised visual art or craft but have no tradition of actually purchasing it from private galleries. Third, that when people do buy cultural or high-design goods they tend to buy foreign goods — or even antiques (local) — because they either don't know about local contemporary work or lack confidence in their own taste or the prestige of these local goods.

The issue of disposable income is certainly very pertinent, but it is not an absolute threshold — many chose whether or not to spend, making use of such criteria as practicality/necessity and

cultural/symbolic etc within their own spending range (this is not to deny the real effects of low spending levels). For many the issue is one of 'educating' the market. This is complex. It can mean creating a more discerning taste culture through TV, publications, exhibitions etc. (cf. Ugolok Frantsii's attempts to create a discerning market for haut couture). It can also mean promoting knowledge of the local products, as well as raising their prestige and appeal vis-a-vis foreign goods (for eg, the Defilé St Petersburg fashion events).

This process of education — in fact the creation of a more sophisticated consumer culture — is part of the transition to a market economy as noted above. It will take some years to emerge; and moreover such an 'education' has to take place in a context where the mass media carries an increasingly global content. Individual initiatives can certainly make a difference, but this is something that will also have to involve collaborative, sector wide efforts (joint marketing; promotional fairs; trade associations etc). Such sector wide initiatives (discussed below) may sometimes have the direct support of the local state and sometimes not; but ultimately an overall strategic vision will have to emerge if the St Petersburg cultural economy is to really expand — development of sub-sector networks will surely speed this process.

But this kind of development does not just relate to the education of consumers; one of the current problems in St Petersburg is that the cultural and design-led goods that people might buy are simply not being produced, or not produced at the right price. Businesses and individuals who might be able to produce for that market very often simply do not have the skills, or the economic and social capital to make connections, or the confidence/ knowledge to produce for this market.

3.7 Building capacity

Skills and training

The survey of existing cultural enterprise in St Petersburg foregrounded the need for a new set of skills. These include:

- business planning and strategy
- business management — issues of accountancy, tax, legal issues etc.
- marketing
- accessing information
- writing grant applications.

There are also skills and knowledge related to the creation and distribution of products — new media skills certainly, but also knowledge of available services, pricing structures, key contact names, industry structure etc.

Requirements for these skills will differ from sub-sector to sub-sector within the cultural industries and depending on the relevant skills level of the business or individual. Start-up businesses, or individuals wanting to get started, will require very different skills and information than a more established organisation wanting, for example, to access foreign markets. Some skills and information can be generic — basic accountancy, legal issues etc, but other sorts may pertain to the specific sub-sector. Beyond a certain point what is useful for a furniture designer is of little interest to a club promoter.

These skills are very rarely possessed by standard business advisors — there are specific conditions in the cultural sector which demand a customised approach:

- The cultural sector may resist being associated with 'pure' business, and certainly being told to operate within a standard business framework. There are different languages in operation here which cannot be brushed aside but must be accommodated;
- There is need for trainers to have an in-depth knowledge of the sector; recognising the specific realities of cultural business operations is key to effective delivery;
- At an early point training will need to target specific sub-sectors or be clear about where cross-sectoral relevance does or does not exist;
- Where possible, training should be delivered by actual practitioners with a credible track record.
- Provision frequently needs to be short and flexible — cultural economy is dynamic and progression often non-linear.

At present this sort of provision in St Petersburg comes either from existing small business support services or from 'arts management' courses. Evidence suggests that neither are hitting their mark. 'Arts management' courses tend to reflect the needs of their main subscribers — which are relatively large, grantfunded organisations which can afford to send staff on long courses. The content matter also reflects these needs. The existing small business services in St Petersburg have dealt with some cultural businesses, but these are few. None of the Tacis survey's cultural sector respondents had received any targeted small enterprise training.

The skills and business support infrastructure that can give targeted support and training to cultural businesses and individuals in St Petersburg is in need of creation.

Wider sector capacity

- I) Whilst such skills training is crucial it has to be recognised that this is not just about individual businesses but also about sectoral capacity as a whole.
- II) The creative industries sector needs access to specialist skills — legal, accountancy, promotional, new media etc — and information. The absence of these can severely hamper a sector; until recently Manchester had only one music lawyer, people had to travel to London. These gaps need to be identified. There may be specialist skills which can be adapted to the cultural sector (for example, intellectual property law) or encouraged to locate in St Petersburg (on the basis of potential business).
- III) There are also specialist functions which need to be targeted. In Helsinki there are many musicians but until recently they all went to Stockholm, London etc for management services. An ADAPT course at the Sibelius Academy trained 'rock managers'. Promotion, marketing, information services, legal services, management, agents — all these are an essential part of the cultural sector.
- IV) A more fluid function of 'intermediary' is also crucial. Not necessarily 'artists' themselves (though they can be) these intermediaries are highly networked — or rather they move between networks, putting people together, translating from one sphere to another, getting ideas and activities

off the ground. St Petersburg has had a long history of such key individual 'movers and shakers'; now is the time to re-invent the tradition for the 21st century.

- V) Informal/ semi-formal groupings are also crucial to sector capacity; the ability for self-organisation and the circulation of information and ideas marks out a vibrant urban culture from one that is moribund. St Petersburg also has a long tradition of such groupings, and our research has shown this is now in the process of active revival. Such groupings are very diverse — from groups of artists, to groupings around cafés/clubs, to informal associations or larger organisations; they need to be counted as a central asset of the St Petersburg sector. They also have to be encouraged in areas where they are under developed.
- VI) More formal associations also have a key role; if operating correctly they act as information conduits and are able to give some representative voice to the sector/sub-sector. One of the problems of the cultural enterprise sector is that it rarely sees itself as a sector, is fragmented in its engagement with the city authorities and rarely has a singular voice when consultation is requested. Such associations help foster sectoral self-awareness and can give greater coherence to the policy making process.
- VII) These kinds of association can also act as network or umbrella organisations which attempt to stimulate activities and joint initiatives, as well as providing services (most especially informational) to the sector/sub-sector as a whole.
- VIII) Alongside these there are also intermediary organisations (though the latter can often act in this way also) which attempt to act as an interface between the cultural sector and the state or other large public/private providers of services. They act as conduits of information between the two; provide or broker services to the sector; stimulate network and other joint activities; proactively try to tailor existing services to the sector, or develop new ones; have a strong input into the policy and strategic decision making process at local (and sometimes national) levels. The Cultural Industries Development Service in Manchester is one such organisation, but these exist across the UK. Indeed, North West region in UK now has a network of such organisations — Creative Industries North West. Details on www.cids.co.uk and on www.mmu.ac.uk/h-ss/mpic/iciss.
- IX) There are more general support services which, though not exclusively focused on the cultural sector need to be aware of the potential for specialist application in the creative industries sector that their services might have — for example small business support, micro-finance, trade and export services, cultural tourism specialists etc.
- X) There is also the crucial role of education. This needs a study on its own. In short, despite the production of graduates who go into the cultural sector there is a huge disjunction between what higher and further education currently teaches in St Petersburg and the realities of the cultural enterprise sector. This is frequently true of universities in the West; it is certainly true in St Petersburg. Ultimately higher and further education is crucial to the capacity of the local sector; but there needs to be a long process of consultation and assessment before its potential is fully realised. This is most telling in the classic split between high quality 'arts and craft' education — aimed at small batch, one-off work — and the more technical or 'vocational' education aimed at mass manufacture.
- XI) We should note also that pervasive throughout this discussion of cultural capacity is the issue of international linkages. St Petersburg will ultimately need to think about foreign markets; it has already begun the process of foreign contacts and exchanges which feed new ideas into the local sector, as well as testing local ideas/ products on the outside world. The support and development of these processes needs to be present at all levels of cultural enterprise capacity building.
- XII) Finally, growth of sectoral capacity (which we have only touched on briefly) will ultimately need the support of specific official vision and strategy. Only appreciation by the local authorities of the value of the sector — whose achievement demands both quantitative and qualitative research — will maximise potential. There is a requirement for in-depth primary research into the economic value of the sector in St Petersburg — a difficult task given the existing pattern of statistical collection, but not impossible. There is also a need for more qualitative work to grasp the dynamics and requirements of the sector as a whole. However, it is at the level of strategic vision — where the local state authority sees the role of culture as central to many of its social, economic and urbanistic priorities — that the ultimate growth of St Petersburg's developmental capacity will emerge.



Special support needs of creative industries small enterprises

West European research has focused on the advice and skills needs of small businesses in the creative industries sector (CI SMEs) and has found that the support required is sector-specific.

These small enterprises tend to be small, but strongly independent and resistant to standard business expansion models: they need to stay small and flexible. The market for their goods is volatile, and business strategies are specialist, based on intuitive knowledge rather than standard market research. The practitioners tend to be highly educated, but to prefer 'learning by doing' to standard business support mechanisms. They need multiple and hybrid skills, and trust their own networks for information and advice rather than the traditional 'business experts'.

However, the research and practical experience of EU countries also shows that there is a real need for dedicated

business support for CI SMEs, especially in the area of business start-up. The practitioners have little formal business training and many failures are due to elementary errors such as cash-flow failure, inadequate book-keeping or simple ignorance of specialist regulations. CI SMEs often need specific advice about the structure of their own industries, relating to the realities of who gets the profits and who controls access to distribution, etc. They need sector-specific information about realistic business plans, marketing programmes and specialist topics like copyright, technology developments, export regulations, pricing and costing. Their growth can be erratic: the learning and support framework these enterprises need is non-linear and flexible, with multiple entry and exit points.

CI SME support and training modules planned for St Petersburg will almost certainly also need to be equally sector-specific, flexible and responsive — providing appropriate interfaces between the creative industries sector and the more formal economic development sector. But they will also need to be specific to the city of St Petersburg itself.

Creative Industries in St Petersburg



Development prospects



4.1 The next steps

In the end it is a shift in governance that is required.

Whilst beginning this process of promoting understanding of the full possibilities of the cultural sector and how changes in its governance might increase its potential, we have to realise that this will not be an overnight process. Moreover, it is a process that will require those in the independent cultural sector to act for themselves: this is not just because of financial needs, but because the sector's perceptions of opportunities and solutions to current problems can be helpful in influencing change in local structures of governance and levels of commercial activity. Manchester's Cultural Industries Development Service emerged from a long process of maturation in both the sector itself and in local government's understanding of it.

However, there are some steps that can be taken.

St Petersburg's creative industries sector needs a more coherent voice — it needs to be able to articulate its requirements in non-cultural policy and funding environments. It needs more 'self-awareness'.

The sector needs to open up its networking structures to embrace other network areas. Many respondents to the 2001 survey suggested this would be very difficult — due to considerations of 'closed networks of trust' discussed above, but also because of a sense of competitiveness and lack of common interests. These are certainly serious issues, but experience in Manchester and elsewhere suggests that the network can deliver very real benefits. In order to do this it must be as open as possible; and it must achieve acceptance that not all benefits will apply to each business or sub-sector all the time (eg start-ups and established businesses will need different things). That is, associations of like-minded creative producers must establish trust — which can be a long and difficult process.

There is clear potential for joint or collaborative activities — marketing, information, legal issues, networking, foreign links, support in grant application etc. These will benefit the sector as a whole, they will be essential parts of the foundation on which the sector will develop. They will provide a strong, unified voice with which to engage in potentially positive dialogue with the authorities and meet the needs of the situation.

4.2 Project recommendations

Strategic vision

- That the vision for St Petersburg embodied in strategic documents contain a specific emphasis on the way the city's cultural strengths can meet its economic and social priorities.
- That the themes of cultural heritage, cultural tourism, creative industries and urban regeneration be brought together in a unified policy priority.
- That the importance for St Petersburg's economic future of innovation — stimulated by specifically contemporary culture — be affirmed.

Development policy

- That the legal, financial and taxation status of cultural enterprises and organisations be reviewed, possibly in the context of wider reviews of small business development.

- In particular, specific note needs to be taken of the inflexible and damaging legal situation placing SMEs and not-for-profit organisations in strictly divided regulatory categories — the constraints on each side are seriously restrictive for business in general, but particularly in the cultural sector where much activity is related to state and foundation/ charity funding and where private-public funding mixes are common and effective. What are the options for more flexibility at local level?
- Current initiatives for SME support and development can be adapted to the cultural sector, in areas such as training, advice and financial support — but these need specific tailoring to creative enterprise needs. Existing and emergent lead cultural bodies need to be partners in this process of adaptation.
- That review be made of the role in creative industries of further and higher education institutions, and of their potential to interact with specialist creative producers. This includes both 'origination' (designers, artists etc.) and technical skills for manufacture.
- That policies to promote ICT skills and businesses should be aware of the potential role played by the emergent creative digital media sub-sector in St Petersburg.
- St Petersburg as a whole needs to develop an international 'brand' or image to supplement that of the historic flagship institutions — the creative industries will be crucial in helping create this brand and will benefit from it (see below).

Sector structural development

- That informal network initiatives be supported and encouraged in order to strengthen cross-sector and intra-sectoral awareness and communication.
- That there be high-level policy forums in which lead voices from the sector may articulate needs and problems.
- That more formal organisations be promoted, such as business or trade associations with specific sub-sector focus.
- That information initiatives should be supported and encouraged — in order to improve communication within the sector about grants, events, initiatives, policies and other professionally useful information
- That sectoral and sub-sectoral marketing initiatives be encouraged and promoted to provide tourists, clients and investors with a better knowledge of the varied cultural and creative business 'offer' of St Petersburg.
- That joint promotional activities be encouraged and promoted within Russia — showcasing St Petersburg creative industries businesses in other trade shows and through St Petersburg-based festivals and exhibitions. These should be linked to joint marketing initiatives.
- Joint export and trade initiatives should be encouraged and supported, building on the success of the big flagship institutions but targeted at collections of small businesses — design, music, fashion, contemporary art etc.
- All these marketing and promotional activities will benefit from the establishment of a St Petersburg 'brand' which reflects its vibrant contemporary cultural scene.

Capacity-building within the sector

- All parts of the sector (commercial businesses, not-for-profit, state-sponsored and freelancers) lack a range of generic business skills in the areas of: management; business planning; financial management and planning; marketing; professional information gathering; ICT skills. These skills, though generic to some degree, need to be offered by SME development schemes, adapted to this sector's specific needs in conjunction with the creative industries' own lead bodies.

- These generic skills need to be supplemented by the targeted development of specific professional services with knowledge of the creative industries sector — accountancy and financial advice, legal services (especially copyright and contracts), professional management and agents, and other key skills essential to the functioning of each sub-sector.
- International expertise needs to be transferred via master classes and seminars, international visits and placements.
- There is a need for trade directories and professional information services for the sector.
- Resources such as international creative industries publications — focusing on design, music, architecture etc, but also trade magazines such as *Variety*, *Music Week* or *Financial Times* supplements that benefit small UK businesses — should be made available as part of any training and information services for the sector.
- An industry-lead body, along the lines of Manchester's Cultural Industries Development Service, but adapted to the St Petersburg situation, is crucial in pushing forward these recommendations

Continuing research

- Much better information needs to be obtained about St Petersburg's creative industries sector in order to inform support and development strategies; such information is also crucial in the promotion of St Petersburg's 'cultural offer' and in establishing a contemporary 'brand' for the city.
- Statistical information needs much greater precision — whilst it is clear this may not come about in the short or even medium term, a closer review of existing sources could reap some benefits.
- It should be noted that there is currently a general review of SIC and SOC codes as part of a review led by the United Nations — this is due in 2008. The UK government have asked the creative industries sector (via the Ministry of Culture, Media and Sport) to provide input. How does Russia stand on this?
- In the absence of statutory information, local quantitative 'mapping' research needs to be carried out in order to give St Petersburg a sense of what exists. There are now well established methodologies for this type of research.
- This quantitative research needs to be supplemented by more qualitative research into the sub-sectors — including market position and opportunities, skills and financial needs etc. But a general assessment of the cultural 'assets' of St Petersburg needs to go beyond formal cultural institutions to include meeting places, caf  s, alternative markets, alternative publications, key intermediaries, existing international connections etc.

4.3 Pilot projects

As a result of the project survey, an Initiative Working Group was set up, bringing together individuals in the creative industries sector already working in a strategic way on behalf of their own and other entrepreneurial organisations and businesses (see Appendix 3). Achievement of the project's goals include long-term infrastructure solutions — removal of legal, bureaucratic and fiscal constraints — which cannot take place immediately. But the process of change is being speeded up by a series of pilot projects, initiated from within St Petersburg's creative industries sector itself, which members of the Initiative Group are working on. Three of these are outlined below:

St Petersburg Centre for Creative Industries Support

Problem

St Petersburg's classical heritage and culture are its strength, but the creative industries are less well developed. Entrepreneurial activity in the cultural sphere is hindered by lack of a targeted support service and sector-specific business skills. While creative industries activities can enhance the economic performance of large cultural institutions, increase earnings from tourism and support the restructuring of manufacturing industry, there is little understanding at all levels of this potential impact.

Expected results

The project envisages a series of activities that will lead to the detailed planning and creation of a St Petersburg Centre for Creative Industries Support and the first stage of its working. It is designed as the Russian/St Petersburg equivalent of the specialist services or agencies functioning in various west European countries. It will provide the missing skills and other support, while working to create a favourable environment for enterprise in the cultural sphere.

For whom?

The target groups and constituencies of the St Petersburg centre are primarily:

- Existing creative industries
- Not-for-profit organisations in culture and the arts.

Work will also be carried out with:

- Business
- The authorities
- The public

Purpose

The strategic goals of the St Petersburg Centre are:

For the creative industries:

- Growth in the number of organisations and companies in the creative industries sector and their increased administrative and financial stability.

For not-for-profit cultural organisations:

- Development of entrepreneurial activity in the state and non-state not-for-profit sectors.

For business:

- An increase in collaboration between the business sector with creative industries and not-for-profit organisations.

For the government:

- Development of official policy in support of the creative industries sector, as an essential component of the social and cultural life and economic development of the city and region.

For the public:

- Recognition that entrepreneurial activity has a natural and essential role to play in the development of the cultural sector and its organisations.

For the Centre itself:

- Promotion of the St Petersburg model of creative industries support in other regions of Russia, followed by the creation of a network of similar Russian centres.

Project method

The activities involved in the proposed project include:

Decision-making about the specific types and forms of support needed by St Petersburg's creative industries and how

this should be delivered, followed by work to create the Centre.

- Research and analyse the sector
- Research the market for this service
- Develop the organisational structure
- Work up the Centre's Business Plan
- Implement the first stage of the Centre's functioning
- Attract the necessary investment
- Study and adapt to the realities and needs of the city and North West Russia Region west European models for centres/services/agencies for creative industries support and development.

Forming a climate of acceptance of the need for the Centre (work with public opinion and the target groups; stimulus of the market):

- Hold forums, round tables and other meetings bringing together representatives of the Centre's target groups.
- Work with the media (public relations)
- Devise educational programmes aimed at promoting world trends towards intellectual and economic links and partnerships between business, the creative industries and not-for-profit cultural organisations, and also social and economic forms and methods of collaboration involving business, the creative industries, not-for-profit cultural organisations, the public, and central, regional and local government.

Inaugurating the first phase of the Centre's functioning:

- Provide advice on marketing, business planning, finding sponsors, securing loans and investment, integrated public relations, legal issues, fund-raising, etc.
- Organise seminars and training programmes
- Lobby the Centre's interests (hold meetings and discussions with representatives of local, regional and national government and other organisations influencing economic and cultural policy in the city and region).
- Take on functions to represent the creative industries sector as a whole (ie represent the interests of it and its sub-sectors in inter-sectoral contexts).
- Support project development.

Who is responsible?

The project's initiators are:

- Centre for the Development of Museum Business, a not-for-profit partnership
- Cultural Industries Development Service (Manchester, UK)
- Prince of Wales International Business Leaders Forum

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Innovative Funding for Sustainable Cultural Development in North West Russia

Problem

Research carried out during the Tacis project revealed that the majority of cultural organisations depend on state funding and international foundation grants. Culture is still viewed as a loss-making section of the state budget and no account is taken of its potential economic impact in a contemporary city, where it may stimulate investment, the development of tourism and the forming of an attractive environment for businesses. In order to ensure cultural organisations' stable development, it is therefore necessary to promote an entrepreneurial approach: both to managers in the cultural organisations themselves, but also to the civil servants working in the relevant regulatory environments.

Although the recent period has seen a shift in favour of enterprise in the cultural sphere, organisations such as design studios, art and craft galleries, etc, are not seen as entrepreneurial structures and are therefore unable to look for the state support offered to small businesses. On the other hand, these organisations are not large and not in a position to make use of existing loan-provision schemes, being unable to satisfy bank requirements.

Due to lack of understanding of this type of organisation's economic potential, it is difficult for entrepreneurial cultural organisations to attract support from private companies. They need more innovative, flexible forms of support and the kind of relationship provided by rare venture capitalists of the 'business angel' type, ready to enter into partnership arrangements in exactly their sphere.

Purpose

As this pilot project builds on earlier programmes focusing on the development of self-help and entrepreneurial approaches and organised by the Leontief Centre and the Prince of Wales International Business Leaders Forum, it is part of a wider strategic programme, and has both short-term and long-term goals.

Long-term goals. To provide for the stable development of cultural organisations by influencing cultural policy through the development of different accessible financial instruments and services, including partnerships between state and non-state organisations.

Short-term goals. To research and identify a number of innovative forms and models for funding and investing in culture, but also to provide for the continuing professional education of cultural organisations' managers - to ensure that effective and efficient use is made of these models.

Project method:

- Raise the standard of professional skills in cultural organisations and establish their needs for funding (micro credits, mutual loans, venture capital, etc) and advice.
- Create a database of existing funding organisations (both state and non-state) with detailed information about target groups, policy, priority areas and forms of work.
- Develop feasible models of financial support based on international experience and taking account of local specifics.
- Develop recommendations to the state organs responsible for policy in the cultural sphere, with the aim of removing administrative and fiscal barriers to the operation of the proposed models.
- Hold a concluding seminar to discuss the chosen models and schemes with representatives of cultural organisations, funding bodies, government and business organisations.
- Disseminate the results via publication on the Internet and in a report to cultural organisations in St Petersburg and North West Russia.

For whom?

The project's target groups are:

- Committees for Culture of St Petersburg, Leningrad and Arkhangelsk oblasts, and Karelia.
- Creative industries cultural organisations in the spheres of architecture, design, fine art, music, museums, multi-media, craft, theatre and dance, photography.
- Financial establishments: banks, investment funds, international donor organisations, and private investors.
- Business: large Russian enterprises and international companies such as Pervomaiskaya Zaria, Ikea, Lomo, Leningrad Farforny Zavod.
- The media.

Expected results

Taking account of relevant international experience (especially the creation of the Loan Fund for Cultural Development in Bulgaria and Hungary) it is hoped to prepare the ground for the creation of a similar infrastructure and financial mechanisms to support cultural organisations in St Petersburg and the North West Federal Region of Russia.

Specifically, results will be:

- Schemes for funding and investing to provide for the stable development of cultural organisations, which have been discussed and agreed with representatives of the target groups ('menu' of different types of scheme).
- Professional networks of cultural organisations, schooled in the knowledge of how to make effective use of the opportunities for receiving funding and investment.
- A catalogue of 30 projects by cultural organisations in St Petersburg, Leningrad and Arkhangelsk oblasts, and Karelia for distribution to businesses and business associations.
- A constantly updated database of existing funding programmes and establishments (their criteria, priorities, methods and forms of work).
- Dissemination of the project results among representatives of the target audience via web site (www.creative.leontief.net) and a publication.

Who is responsible?

The project's initiators are:

- Leontief Centre for Social and Economic Research
- St Petersburg Corporation of Direct Investors
- Prince of Wales International Business Leaders Forum

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Creative Industries Forum: Development of Associations of Entrepreneurs in St Petersburg and North West Russia

Problem

St Petersburg has great potential for developing enterprise in the cultural sector. The Tacis project demonstrated that the further development of the city's creative industries requires clear understanding of the possibilities of the sector and consciousness of common interests. Only if this is achieved will the creative industries become a real sector of the economy, able to articulate its problems and needs, and to produce its own leaders to represent these interests vis-a-vis higher levels of government.

The process of consolidating the sector on the basis of common problems and interests, using principles of strategic partnership, is the main undertaking of this project. Its successful implementation will provide the foundation for further development and realisation of a support strategy in St Petersburg.

Purpose

The aim is to create an infrastructure to stimulate entrepreneurial activity, strengthen horizontal production links and lobby joint interests.

For whom?

The project's target groups are existing associations and nascent associations of different creative industries practitioners, such as furniture-designers, music promoters, fashion designers. It aims to bring them together in a working relationship as a sector, but also to stimulate the creation of other sub-sector networks.

Expected results

A St Petersburg Creative Industries Forum will be created in the course of the project, which will:

- Represent professional associations of cultural producers vis-a-vis the authorities and donor organisations in the process of dialogue relating to practical measures for enterprise development and the promotion of more creative industries organisations and businesses.
- Establish the many-sided process of exchanging information and experience between organisations defending the entrepreneurial creative industries sector (a series of working seminars and sessions of the Forum, where the participants will discuss the sector's key problems and needs, transforming these into practical recommendations and measures).
- Create an internet alliance of the main associations in St Petersburg, but also publish a catalogue of associations and professional unions of creative industries entrepreneurs (around 50).

Project method

The project will achieve its purpose in three stages, by a team formed during the Tacis project, becoming members of the Initiative Group, in which they took leading roles.

- Stage 1: Make an inventory of the existing and functioning associations, evaluating their main problems and needs and identify pilot projects.
- Stage 2: Hold a series of working meetings/seminars with the aim of strengthening relations and the exchange of experience via monthly working sessions of the Forum.
- Stage 3: Create a mechanism for collective promotion and lobbying; hold the Forum's final session; create the internet alliance of the Creative Industries Association on the basis of the web site: www.creative.leontief.net; publish a catalogue of associations.

Who is responsible?

The main project partners are the Festival Ekspo association, whose team are the staff of the St Petersburg Centre for Enterprise Support, with a number of years experience in creating business associations and providing them with advice, but also with experience in managing and developing large-scale projects in the creative industries sector; the second partner is Art Sessions/Foundation for the Support of Creative Initiatives in Contemporary Mass Culture. Together these two involve key representatives of the sector (in advertising, architecture, art, art galleries, craft, design, fashion, photography, cinema and video, music, theatre design, publishing, multimedia, tv and radio), but also representatives of the Administration and not-for-profit organisations.

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Appendix 1

Creative industries in the United Kingdom and London: facts and figures

1. Creative industries employment in London

Abundant data about creative industries development were published in 2000 in the report *Creative Energy: The Creative Industries in London's Economy* by the London Development Partnership and the Government Office for London. The information that follows has been extracted from this report.

The creative industries employ 11.5 per cent of London's working population. They play an important role in two dimensions of London's economy and its future prospects. They make a substantial contribution to London's wealth,

competing in national and international markets with skills, innovation and by providing essential and high value services for the wide range of financial, manufacturing and service sectors. As importantly, these industries are central to London's reputation as a world business and tourism centre.

Individual workers and firms move between the public and private sectors on a regular basis. Much public investment is in development funding, supporting the emergence of new creative and managerial talent that may later be located in either or both sectors.

Creative industries sub-sector	Numbers employed	Percentage of UK workforce employed in London
Film	16,300	50
Television and radio	27,900	57
Music	3,400	44
Performing arts	21,200	41
Publishing	83,300	26
Interactive leisure software	58,400	22
Advertising	38,600	46
Architecture	55,500	19
Crafts	8,600	6
Design	N/A	N/A
Designer fashion	7,400	18
Visual arts	13,500	30
Art and antique market	7,500	23
Museums, galleries, heritage	15,800	20
Totals	400,200*	23 per cent
* The other main UK locations for creative industries are South East England (advertising, publishing, design); Manchester (music, designer fashion, sport, television and radio), and Glasgow (design, visual arts).		

2. Secondary impacts

The creative industries have developed a number of important secondary impacts, with the advertising, design and publishing sectors in particular being linked to most other sectors.

In addition, many of the professional and other service sectors have developed specific expertise in the creative industries, and there is a specialist market for a variety of sectors: marketing and public relations, insurance and retail. The concentration of arts, creative and media activity in London has led London's law and accountancy firms to accumulate specialist business and legal advice unequalled elsewhere.

3. The role of tourism

Tourism plays an important role in adding value to the creative industries sector. Visitors are encouraged to London and when in London, to spend both on the industries themselves (through theatre tickets, museum and gallery sales, etc), as well as on indirectly related elements such as food and drink, transport, accommodation and other retail. Tourism creates an estimated 250,000 full-time jobs in London.

Visitors citing culture as 'important or very important' in their decision to visit the UK: 59 per cent for museums (higher for US visitors); 37 per cent for theatres and art galleries; 34 per cent for performing arts. In addition, 30 per cent of business visitors cited culture as important. £645m (US\$903m), or approximately 10 per cent, of overseas visitor spending in London is directly on the arts and culture (this figure comes from *Employment in the Arts & Cultural Industries, an Analysis of the 1991 Census*, ACE (London), 1995. The influence of the London design, fashion, club and visual arts scene led to an explosion in interest in the late 1990s. The reputation for being at the cutting edge of contemporary and street culture helps attract a new generation of visitors.

4. Industry structure

Company sizes vary hugely in the creative industries. Most of the industries are fragmented and heavily based on individuals, micro-businesses and SMEs. 28 per cent of the workforce are self-employed and work alone; a further 28 per cent work in companies that employ fewer than 25 people.

The percentage of self-employed individuals is one of the highest for all employment sectors in the UK: 66 per cent of

musicians; 43 per cent of clothing designers; 42 per cent in visual art and design sectors; 39 per cent of architects; 37 per cent of photographers, camera, sound and video equipment operators. Sectors with a high proportion of self-employed and micro businesses include: Film and television (technicians, performers); Music and Performing arts (performers); Architecture, Design, Visual arts, Crafts, Art and antique dealers.

5. Industry revenues

The creative industries are at the centre of the economies of all of the world's great cities. Their contribution to the economy is made through investment, employment, the exploitation of intellectual property, and the generation of income from creativity, production, promotion and delivery.

Reliable figures are not available for all creative industries sub-sectors for London, although totals for the UK as a whole do exist; neither UK nor London revenue figures are available for heritage, museums and galleries, or the visual arts.

Industry revenues		
Sector	UK revenue (£ bn)	London revenue (£ bn)
Advertising	4.0	3.0
Architecture	1.5	0.3
Arts and antiques	2.2	1.4
Crafts	0.4	0.075
Design	12.0	N/A
Designer fashion	0.6	N/A
Film	0.9	0.7
Interactive leisure software	1.2	N/A
Music	3.6	1.8
Performing arts	0.9	0.3
Publishing	16.3	5.4
Sport	9.8	N/A
Television and radio	6.4	3.45
Total	59.8	16.46

Appendix 2

St Petersburg cultural sector statistics

Libraries

The statistics in St Petersburg fall far short of covering the activity of all functioning establishments, a fact conditioned by their dispersal between the different ministries and the lack of reporting by many of the newer organisations. Of all the indicators, the most developed statistics relate to libraries, but even here figures do not always add up. Thus, according to official data from the Administration in 1999 there were 1,270 libraries in St Petersburg (state, public, further education, college and technical college, school, museum and theatre), including 96 trade union libraries. At the same time the reference work *Guide to the Libraries of St Petersburg* (1993) included information about 1,340 libraries as having a significant volume of books or a unique collection — and this was without including libraries of schools, military units, trade unions and the scientific-technical libraries of the factories and

plants. The divergence of figures is linked to the different types of library included by the different data-recording agencies.

Libraries' funding depends on their form of governance: state libraries are funded from the Federal Budget, city district libraries by the municipal budget, specialist ministry libraries by the appropriate ministry (eg the Naval Academy funding is from the Ministry of Defence), trade unions' collections — from the funds of the unions, educational establishment and school libraries — from the resources of the City Administration's Committee for Education. There is no shared library funding. An exception can be noted only for collections of Federal significance, when full building renovation or construction of new premises is needed — part of the resources may then be received targeted from the city budget.

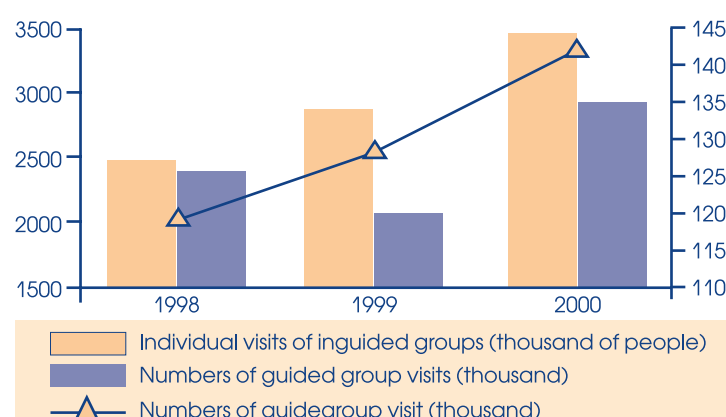
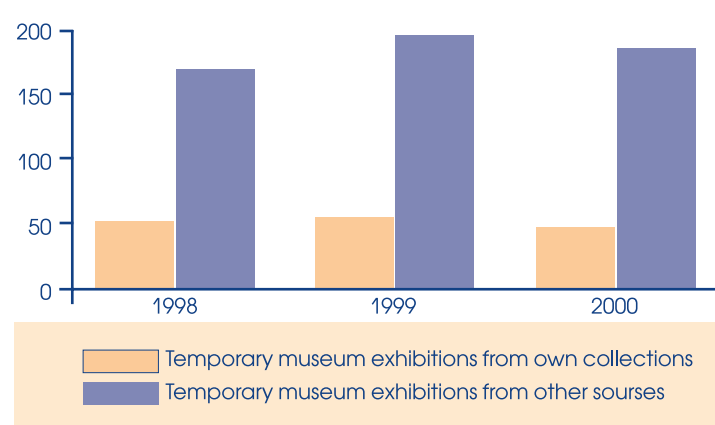
	1995	1996	1997	1998	1999	2000
Number of libraries	422	393	380	374	363	358
Including children's libraries	59	59	59	59	59	
Number of books, magazines, etc (m)	54.1	53.3	53.1	53.2	52.6	52.7
Including children's	3.5	3.5	3.5	3.5	3.5	
Number of readers (thousands)	1,241	1,254	1,244	1,390	1,259	1,200
Including at children's libraries	276	289	300	309	311	

Museums and art galleries

City statistics take account of the activity of 73 museums, the number of visitors to whom were 17,300,000 in the year 2000. However, according to Administration data the city has 181 museums, while information from the Institute for Cultural Programmes lists 170 museums, 167 school museums, museum galleries and exhibitions in schools and further education establishments. The overwhelming majority of these are state property (two are private).

More detailed data exist relating to the work of 52 Petersburg museums (the largest) under the authority of the RF Ministry of Culture. These museums occupy 412 buildings, with a general area of 1,164,873 cubic metres and their joint collections total 7,317,700 exhibits. The general total of full-time workers is 7,770, including 2,384 professional staff and guides.

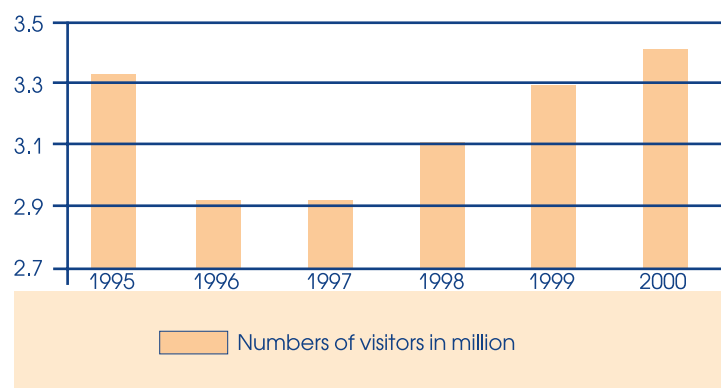
In St Petersburg there are some 70 galleries and halls showing current art, holding around 400 exhibitions pa. 25 enterprises work in St Petersburg as organisers of exhibitions. Some galleries are commercial organisations engaged in successful selling



Performing arts

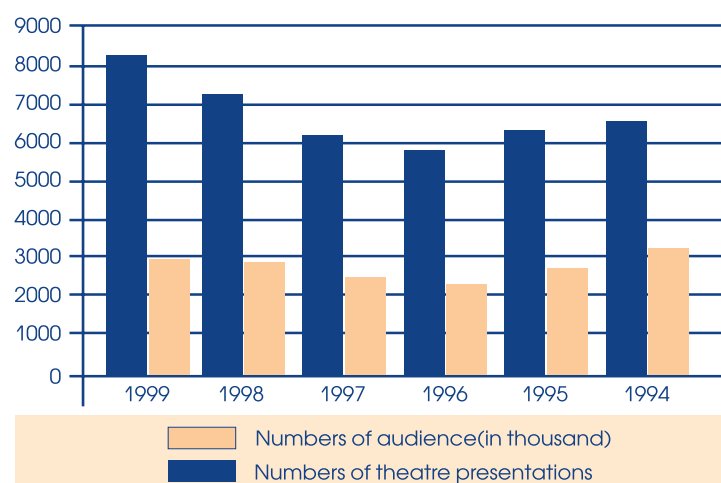
The state statistics monitor the work of some 50 theatres in St Petersburg, but the Administration's data covers 106 theatres, including five administered by the Leningrad Region authority.

Number of visitors

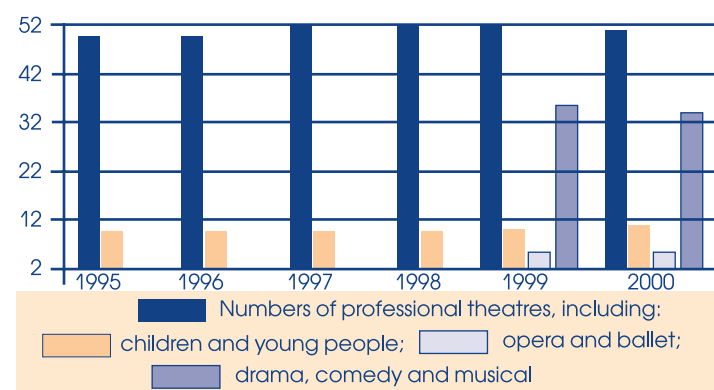


The number of premises occupied by 35 theatres in the authority of the Ministry of Culture totals 81, accommodating a total audience of 16,693.

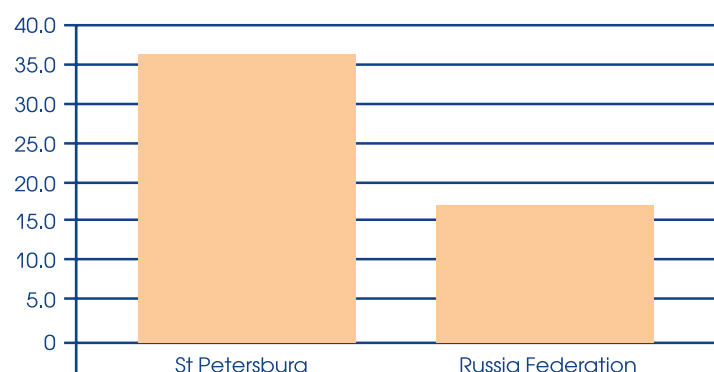
Theatre performances and attendance



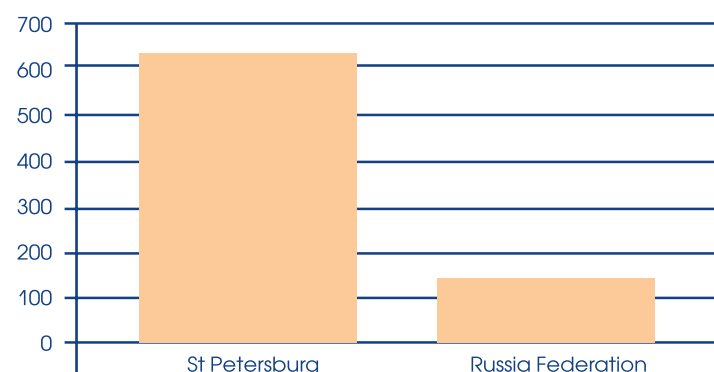
Number of professional theatres



Number of theatre seats in permanent establishments per 10,000 population in 1999



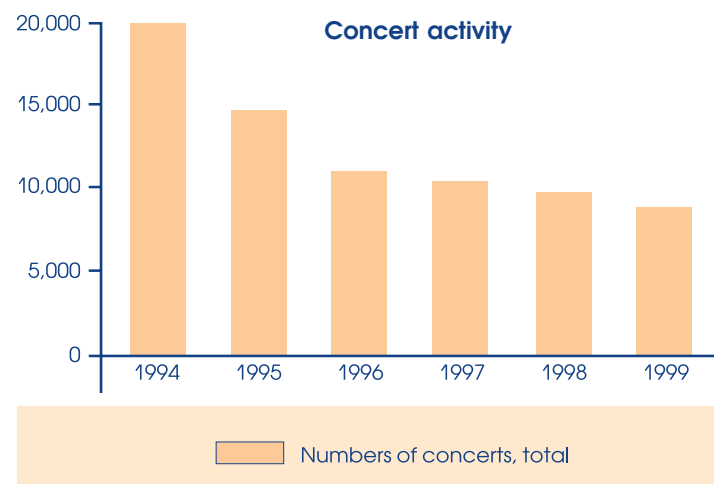
Average number of visits to theatre performances per 1,000 population (1999)



Music

There are some 19 creative concert-giving collectives which do not always have permanent premises for performances, but whose total of staff is 2,430 — including a total artistic and performance personnel of 1,560. The concert halls in which concerts may be presented also have their own performing ensembles (for example, the St Petersburg Philharmonic has two orchestras, the Academic Kapella has a choir and an orchestra).

The funding of concert halls depends on their form of governance: state concert halls are funded from the Federal Budget, city concert halls from the municipal budget, those under the aegis of ministries or other official offices by the appropriate ministry etc. There is no shared funding. An exception may be noted only for concert halls under the Federal authorities in cases of fundamental modernisation/renovation and new buildings — as with theatres, part of the necessary resources may be targeted from the municipal budget.



Film

Lenfilm, Russia's major film studio is of course located in St Petersburg, providing premises for several creative cinema associations to make productions. Altogether St Petersburg is the location of some 23 functioning film studios, the majority of

which belong to the state. Specialist staff for filmmaking graduate from the Institute of Theatre, Art and Cinematography, the Institute of Cinema Engineers and the St Petersburg Academy of Theatre Art.

	1995	1996	1997	1998	1999
Permanently operating cinemas	121	120	90	90	83
Audience capacity (thousands)	53.3	49.5	39.4	38.7	34.1
Attendance (millions)	1.7	1.2	1.0	1.2	1.7

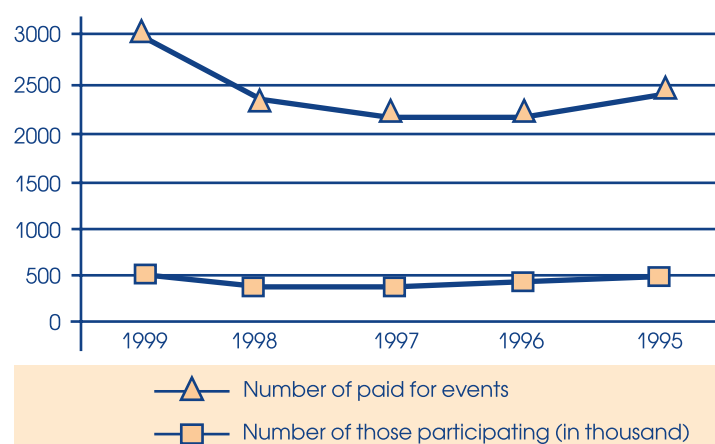
Clubs

In the Soviet period St Petersburg was the location of Palaces and Houses of Culture, including concert halls, cinemas, caf  s, accommodation for clubs and classes (language study, dance, etc), the majority of them belonging to trade unions, but also to ministries and individual large enterprises. There remain some 30 club establishments plus 49 belonging to different ministries, employing all told some 1,009 full-time workers and with auditoria and lecture halls able capable of seating audiences totalling 11,935.

In the recent period other forms of clubs have appeared, also designed for entertainment (jazz clubs, art caf  s, clubs such as Fish Fabrique, Griboedov, Decadence, Mama, etc). Internet caf  s and clubs have also become widespread.

St Petersburg's cultural life is also enlivened by the contributions of international and ethnic institutions such as the Goethe Institute, the Alliance Fran  aise, the British Council and the Jewish Community Centre.

Cultural leisure activity in clubs



Mass media

According to data of state statistics the number of St Petersburg newspapers has in different years ranged between 100 and

200 — many periodicals existing for only a short time.¹

	1995	1996	1997	1998	1999
<i>Publication: books/brochures</i>					
Publications	3488	3559	4535	4244	4906
Print runs (millions)	30.6	30.6	37.2	23.8	33.3
<i>Periodicals and part-works</i>					
Publications	152	190	247	219	215
Print run (millions)	1.9	2.9	3.0	2.6	3.2
Annual print run (millions)	34.9	74.6	56.1	42.8	72.3
<i>Papers</i>					
Publications	198	148	214	179	194
Print run (millions)	8.1	5.4	12.6	7.4	3.8
Annual print run (millions)	374.4	237.0	499.8	220.3	168.0

Among the daily newspapers the most largest print runs belong to papers serving the Region, especially *Sankt Peterburgskie Vedomosti*, *Vesti*, *Nevskoe Vremia*, *Smena*, *Vechernii Peterburg*, and *Delovoi Peterburg*. Among the weeklies the leaders are national papers such as *Argumenty i Fakty*, *Komsomolskaya Pravda*, and the magazine *Liza*.

Of some 200 publishing houses in St Petersburg the best known are: Lenizdat, Avrora, Limbus Press, Azbuka, Akademicheskii Proekt, Norma, Piter, Ars, Slavia and Mir Isskustva. Among them there are both state organisations and private companies. There are more than 500 printers in St Petersburg with an overall volume of sales of \$150 million. In the sphere of book printing

and publishing, the share of 'kontrafakt' production is 70 per cent. As a rule this is the result of illegal pre-publication issues of books or publications translated without the permission of the copyright holder.

In St Petersburg there is state support for publishers, in particular in 1999 there was RR.1,339,000 in the budget of the Committee for the Press and Public Relations for spending on the state support of publishing, and in 2000 RR.5,125,000. Besides this, the expenditures of the Committee in funding work to develop and technically re-equip the publishing and print sub-sector and the networks for distribution of books, magazines and papers was in 1999 RR.3,675,000 and in 2000 RR.10 million². Publishing houses are supported on a

competitive basis on the principle of partial funding. State subsidies lower the cost price of books and make them more accessible. The subsidy relates primarily to books devoted to the history of St Petersburg and its Tercentenary: eg, *St Petersburg's Decorative and Applied Art Over 300 Years*, *Chronicle of the City of St Petersburg*, *Architectural Guide to St Petersburg*, etc.

Information agencies producing reports and news programmes are widespread in St Petersburg. One of the most importance is the Interfax Agency (in St Petersburg: Interfax Severo-Zapad), which is part of an international information group, Interfax Information Services. The output of Interfax is the main component of information about Russia, the CIS and the Baltic States in the networks of the major international agencies.

St Petersburg's airwaves are filled by more than 30 radio stations, 14 covering the whole city area. Despite this abundance, the steady leader is Radio Peterburg, attracting some 40 per cent of the city's inhabitants to its programmes.³ The main radio station in the company OAO TRK Peterburg is in St Petersburg. Besides this, the infrastructure includes radio-transmitter nodes, the Centre for Sound Technical Services, the Centre for Radio Broadcasting and Radio Links.

The majority of radio stations offer listeners a menu of news and music. Radio Peterburg is the only one whose programming fully represents journalism, history, literary classics, shows and poetry. The most successful formula: 'Current-Adult-Contemporary' (popular contemporary Russian and foreign melodies) is adopted by the stations Europa Plus, Modern, Eldorado, and Monte Carlo. The formula 'Russian-Current-Adult-Contemporary' (popular current Russian melodies) is followed by Radio Baltika and Russkoe Radio. 'Oldie-Adult-Contemporary' (mainly melodies of the 60s-80s) suits Melodiia, Retro, Leningrad and Nostalgia; 'Contemporary Hit Radio' (only the most popular hits, but also songs of last 3-5 years) — Maksimum, Rock-Oriented SNR, HIT 90.6, Mainstream SNR, RE-Cord and Dance-Oriented SNR.

There are 14 TV broadcasters in St Petersburg (in the metre band: ORT, RTR, Fifth Channel, Sixth Channel, Eleventh Channel: the rest, including NTV are in the decimetre range). The Leningrad Radio and TV Broadcasting Centre transmits both TV and radio channels. The four main cable networks, as well as their own services, develop the system of providing airwaves in zones where reception is difficult. However, a significant number of TV receivers can receive no more than 4 or 5 channels, and only ORT, RTR and the Fifth Channel cover the entire local audience. Eighty per cent of viewers

can view two metre-band channels (Sixth and Eleventh) and NTV in the decimetre range. The signals of the rest of the decimetre broadcasters reach from 60 down to 25 per cent (and even less) of the potential viewers.⁴ OAO TRK Peterburg is the main regional TV company, broadcasting on five channels in the metre range. The TV companies receive subsidies from the city budget: almost half the budget amounting to of the Administration's Committee for the Press and Public Relations.

In spite of the fact that in Russia hundreds of licences are issued to private TV and radio stations, they are not obliged to show Russian films and programmes, or to disseminate Russian culture. This is because there is no quota system guaranteeing Russian products a share of TV, radio, and cinema programming, as — for example — in Poland, Hungary, Czech Republic, etc.

Sound-recording

Seventy per cent of the St Petersburg sound-recording market is occupied by private-company products. KDK Records (which has its own studio for sound recording, a plant for the production of compact cassettes and collaborates with local publishing houses) is the partner and distributor of the major Russian sound-recording companies, such as ARS, MONOLIT, MOROZ REC, KLASSIK KOM and many more. They reproduce licensed audio and video cassettes (wholesale) and CDs, and engage in the production, reproduction and recording of original audio and videocassettes, CDs, and CD-Roms. Among other major St Petersburg companies engaged in production and distribution of compact discs, audio cassettes, video cassettes one may note also ZAO BOMBA-PIITER, Caravan Records, KAN-KAN, FULLDOZER, Severnaya Zvezda Records, Studiia Signal, Zvezda Records. In the sphere of video, the illegal market occupies some 80 per cent.

Design

Activity in the sphere of design includes many sub-sectors: architecture, furniture, glass, and web-design. In each of these there are represented between 10 and 100 designers, young designers of clothing have the possibility to show their designs at three annual competitions, but also at two seasonal fashion shows; six designers have their own boutiques. A special feature of the Petersburg market is small ateliers where exclusive clothing is made to individual order.

Notes

1. A. Alekseev, 'Novaya rossiiskaya gazetnaya pressa: tipologicheskaya struktura i ee izmeneniia (1988-97)', *Teleskop: Nabliudeniia za povsednevnoi zhizn'iu peterburzhtsev*, no 1, 1999, p. 2.
2. Yu. Vladimirov, 'Biudzhët podderzhal televidenie i izdatel'stva', *Prospekt Sankt-Peterburga*, March-April, 2000.
3. O. Ermolaeva, *SREDA*, no 5 (11), May 1999.
4. A. Pushkarskaya, 'Podrobnëe o televidenii', *SREDA*, no 8, August 1998.

Appendix 3

Creative industries development partnership: project information

3.1 Organising partners

Working on behalf of the three city authorities are the organising partners:

City of Helsinki Urban Facts (<http://www.hel.fi/tietokeskus>)

City of Helsinki Urban Facts is the agency within Helsinki City Authority that collects, analyses and presents for public consumption information about the present-day city of Helsinki, its past and future. Its work informs executive decisions and policy-making on a wide scale, with a particular emphasis being placed on research of the standard of living of different sections of the population, analysis of the regional and local economy, and problems of training in the sphere of city administration. Special attention is paid to issues relating to the labour market and the city's cultural life.

Leontief Centre for Social and Economic Research (<http://www.leontief.ru>)

Established in 1990 on the initiative of St Petersburg's Mayor to support economic reform in Russia, the Centre was responsible for the organisation and management of 'The Strategic Plan for St Petersburg', December 1997, coordinating initiatives from different parts of the City Administration and ensuring public consultation; it also provides liaison between City Administration projects, international donors and other organisations. In implementing the current project, the Leontief Centre thus ensures the coordination of work by the City Administration, leading city educational institutions and infrastructure organisations. It is also the main source of related information and advice.

Manchester Institute for Popular Culture (<http://www.mmu.ac.uk/h-ss/mipc>)

Manchester Metropolitan University's Institute for Popular Culture is a multi-disciplinary research centre, concerned with issues in contemporary city cultures: creative industries production and consumption; urban regeneration; the 'creative' city; football and sport; social inclusion; economic globalisation and new information and communication technologies. It is a regular partner of Manchester City Council in developing cultural industries policy and its research work over ten years laid the foundation of the city's Creative Industries Development Service (CIDS), introduced in 1999. Dr Justin O'Connor, MIPC's director, is co-chair of CIDS. MIPC was lead academic advisor to Manchester's Urbis museum, a J30 million development concerned with contemporary city living. MIPC led the ICISS (Information for Creative Industry Support Services) network of nine European cities; and it set up Forum for Creative Industries, the UK's main cultural industry policy forum, which regularly advises the UK government's Creative Industry Task Force, the Arts Council, regional development agencies and cultural consortia.

Prince of Wales International Business Leaders Forum (<http://www.iblrf.org>)

The project is organised under the aegis of the PWIBLF, which has an eight-year record of assisting cultural renaissance in St

Petersburg, as well as other arts management training programmes in Moscow, Leningrad and Arkhangelsk regions. The creative industries programme is an outcome of two previous projects, supported by the UK Government's Know How Fund: *Strategies for Survival: St Petersburg's Museums in the Market Economy*, a training programme that resulted in the Russian-language manual *Museums, Marketing, Management* and *The Museums of St. Petersburg: a Short Guide*, and *Enterprise for the Arts*, which introduced models of business support for culture and involved programmes for St Petersburg groups to study arts-driven urban regeneration, re-use of historic buildings and creative industries development in Manchester, London, Sheffield and Bath. The PWIBLF has received support for its work in Russia from Ernst & Young, the Sheraton Nevskij Palace Hotel, Halliburton International Inc, British Airways, the Open Society Institute (Soros Foundation), the World Bank, Getty Grant Program, Trust for Mutual Understanding, Sir Ernest Hall, Jan Dauman, and Harry Fitzgibbons of Top Technology.

3.2 Project Initiative Group

Irina Aktuganova, Pushkinskaya 10 Arts Centre

Tatiana Azernikova, Committee for Economic Development, Industrial Policy and Trade

Elena Belova, Leontief Centre

Ilya Bortniuk, Svetlaya Muzyka Concert Promotion

Sergei Danishevsky, Défilé Fashion Week

Zakhar Fialkovsky, Go Dai Studio

Katerina Gerasimova, Centre for Independent Social Research

Oleg Grabko, ZAO Bomba Piter Music Recording and Sales

Vadim Kasparov, Kannon Dance modern and jazz dance company and studio

Irina Kizilova, Institute for Cultural Programmes

Elena Korf, Prince of Wales International Business Leaders Forum

Marina Lebedeva, Evolution of the Interior annual design festival and Centre for Enterprise Support

Vladimir Litvinov, *Aktivist* arts events magazine

Dmitri Mil'kov, Pro Arte Institute

Felix Naroditsky, JFC Jazz Club and annual jazz festival

Oleg Pachenkov, Centre for Independent Social Research

Mikhail Saifulin, Arts Sessii arts managers forum

Irina Snisarenko, Investment Club

3.3 Participating organisations

St Petersburg

Aktivist arts events magazine
 Al't-Soft multimedia company
 Amazonka Club
 Apollon Auctions St Petersburg
 Architectural Club
 Arts Sessii non-commercial partnership
 Assembleda tour firm
 Association of Museum Professionals of St Petersburg and Leningrad Region
 Au Coin de France (Ugolok Frantsii) fashion shop and tv programmes
 Avangard-Svetlana-Multimedia
 Bomba-Piter music-recording and sales
 Borey Art Gallery
 Brodyachaya Sobaka art café
 British Council
 CEC International Partners
 Centre for Business Planning and Management
 Centre for Independent Social Research
 Centre for the Sociology of Art
 Comic Trust Theatre
 Committee for the Preparation and Celebration of the Tercentenary of St Petersburg
 Contemporary Art Centre (RF Ministry of Culture)
 Culture Fund of the Project for Reconstruction of the Centre of St Petersburg
 Culture TV Channel St Petersburg
 Défilé Cultural and Educational Foundation
 Delta contemporary art gallery
 Design 4 Masses
 Early Music International Festival
 EBRD Small Business Support Fund
 Eldorado radio station
 Emplacements' international Russo-British contemporary art projects
 ERT
 European Commission Delegation
 European University in St Petersburg
 Evolution of the Interior International Festival
 Fashion Library of the Light Industry Innovation Centre
 Festival of Festivals, St Petersburg International Film Festival
 Gallery na Gorokhovoï cultural centre
 Goskomstat, St Petersburg department
 Griboedov Club
 Hermitage, The
 Hermitage Academy of Music
 Ilan Advertising Agency
Intellectual Kapital newspaper
 Internet Help IT consultants
 Investment Club
 Istoriko-Arkhivny Tsentr, council of regional public organisations
 KDK Records, see Melodika
 JFC Jazz Club
 Kukart Festival ('art puppets')
 Leningrad Regional Government
 Lilia Kisselenko (fashion)Design Studio
 Light Industry Innovation Centre
 M-Art Producers Centre
 Maximov Publishing
 Mariinsky Theatre
 Master Class non-commercial culture foundation
 Master Video Studio
 Melodia radio station
 Melodika Association (Sound Laboratory Production Centre; KDK Records)

Mukhinskoe Academy of Industrial Design
 Museum of the History of St Petersburg
 Museum of Non-Conformist Art
 Museum of Russia's Political History
 Narodnye Khudozhestvennye Promysly i Remesla, Association of Folk Art Craftsmen
 Nebolshoi Drama Theatre
 North West Federal Okrug
 Notabene Publishing
 Open Society Institute (Soros Foundation)
 Pan Tours
 Pro Arte Institute
Pulse, St Petersburg
 Pushkinskaya 10 arts centre
 Regional Fund for the Scientific and Technical Development of St Petersburg
 Rimsky-Korsakov State Conservatory
 RTR Television, St Petersburg
 Russian Association of Tourist Agencies (RATA), North West Region
 Russian Ethnographic Museum
 Russian Museum
 Russian Museum Centre of Museum Training and Children's Creativity
 Russian National Library
 Russkii Al'bom foundation
 St Petersburg Centre for Preservation of Cultural Heritage
 St Petersburg Centre for Support of Enterprise
 St Petersburg City Administration
 Committee for Culture
 Committee for Economic Development, Industrial Policy and Trade
 Committee for External Affairs
 Committee for Tourism Development
 Institute for Cultural Programmes
 St Petersburg Foundation for the Development of Small and Medium Business
 St Petersburg International Business Association
 St Petersburg-Leningrad International Renaissance Foundation (Fond Spaseniia Peterburga-Leningrada)
 St Petersburg Legislative Assembly, Commission for Culture, Science and Education
 St Petersburg-London 2003 non-commercial partnership
 St Petersburg University of Technology and Design
 Sesar Design
 Shishkin Design
 SKIF Festival of Sergei Kuriokhin
 Siti Tourism Company
 Smolny Institute of free arts and sciences
 Society for Artists' Support
 Society for Defence of Russian Culture
 Solisty Sankt-Peterburga classical music string ensemble
 Sound Laboratory, see Melodika
 SPAS Contemporary Art Gallery
 Spaseniia, Fond, see St Petersburg-Leningrad International Renaissance Foundation
 State Employment Service, St Petersburg Department
 Svetlaya Muzyka concert promotions
 Tatiana Kotegova fashion studio
 Teatr-Dom
 Totem Private Equity
 Ugolok Frantsii, see Au Coin de France
 Vladimir Nabokov Museum
 Volny Ostrov independent press agency
 Zhans Creative Workshop

Helsinki

Apus Art, Oy art gallery
 Cable Factory centre for enterprise and the arts
 City Art Museum
 City of Helsinki Cultural Affairs Department

City of Helsinki Urban Facts
 Culminatum Creative Industries 'Expertise' Programme
 Glass Palace Media Centre
 Kiasma Contemporary Art Centre
 Lume Media Centre, University of Art and Design
 PopZoo Promotions
 Savoy Theatre
 Tennis Palace cultural centre
 VR Makasiinit

Manchester

Affleck's Palace
 Arts & Business NW
 Bridgewater Concert Hall
 Burns-Owen Partnership
 Comme Ca Public Relations
 Cultural Industries Development Service
 Design Initiative
 Grand Central Records
 Lowry, The
 Manchester Business Consortium
 Manchester Central Reference Library and Commercial
 Library Information Service
 Manchester City Music Network
 Manchester Craft and Design Centre
 Manchester Institute for Popular Culture, University of
 Manchester
 New Media Partners
 North West Arts Board
 Northern Quarter Association
 Urban Splash
 Urbis
 Youth Business International

Barcelona

Institut de Cultura de Barcelona

3.4 Web site

Please visit the Creative Industries Development Partnership's web site, which will be an effective source of information about issues relating to the development of the sector, providing full information about the main results of the project and details of the participants:

- Analyses and strategic documents based on research of the creative industries sector in St Petersburg, Manchester, Helsinki, Barcelona, Milan and Berlin.
- Documents relating to the conferences, seminars and working meetings taking place in the course of the project, including the first International Creative Industries Forum in St Petersburg (29.5.02).
- Pilot projects developed during the Tacis programme, addressed to Tacis, the Open Society Institute (Soros Foundation) and the Eurasia Foundation.

