The Contribution of Cultural and Creative Industries to the Lebanese Economy

Cultural statistics at the service of economic development

Executive Summary

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Beirut, Lebanon – October 2020

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Preamble

Recent studies - the latest of which dates back to 2015- agree that the Lebanese Cultural and Creative Industries (CCI) hold the greatest growth potential compared to other countries in the Middle East [World Bank, 2018]. Indeed, the **CCI were a major determinant of wealth creation in Lebanon between 2004 and 2015, contributing to 4.75% of GDP in 2015, or 2.3 billion USD** according to the «Creative Economy Report 2010» published by UNESCO/UNDP [2010], a ratio comparable to that of the United States. In other words, the CCI contribute **twice as much as agriculture** to the creation of wealth in Lebanon and **as much as the construction sector.**

In a ranking of countries according to the ratio of the creative industries' contribution to wealth creation in 2010, Lebanon came first in the Middle East and North Africa region, ahead of countries such as Jordan, Syria and the United Arab Emirates [UNESCO/UNDP, 2010]. Until 2015, the last year allowing international comparisons, **Lebanon was still exceeding countries such as Egypt, Mexico, Canada, the Philippines, Russia, and Jamaica in terms of CCI contribution to GDP.**

However, **it seems that this sector entered a period of stagnation followed by a recession in 2018,** in line with the overall trend of the Lebanese economy, with zero growth rates until 2018 and negative growth rates from 2019 onwards, impacting some CCI sub sectors more than others. While some of these industries managed to resist (such as jewelry or television), the extreme adversity of the context, marked by the triple economic, health and security crisis, other industries, such as performing arts are now endangered.

This report measures the contribution of the CCI to the Lebanese economy for the period between 2016 and 2019, with an in depth analysis of the theater, festivals, film, jewelry, music streaming, and video games sectors. The desk review, information gathering and data collection were conducted between November 2019 and June 2020, **the scope of the study therefore ending in fiscal year 2019, with a few elements from the first two quarters of 2020.**

The report underlines that CCIs are at the heart of Lebanon's economic specialization. CCIs are a strategic industry for Lebanon with an important value added and a major asset for a healthy integration into the commercial and financial circuits of globalization. The reports suggests recommendations and courses of action for active policies in favor of the development of these industries and their growth. In the future, any possible improvement of the Lebanese growth model will necessarily involve exploiting the potential of the cultural and creative industries.

Methodology of research and data collection

In addition to existing reports and second-hand data made available by major international institutions, the study gathered original **data from the Ministry of Finance.** In compliance with the Personal Data Protection Act or the Tax Code, the General Directorate of Finance shared **anonymized quarterly tax declarations for the period 2016 and 2019 of 1,272 taxpayers from 38 different categories of the CCI sector,** including visual arts, audiovisual, performing arts and festivals, jewelry and heritage, textile, publishing and press, accounting for a total of 20,400 observations over 4 years. This exercise was completed by a detailed tax study of the 5 companies with the largest turnover in the fields of jewelry, festivals, theater and cinema.

The Customs Administration shared the customs data for the period between 2011 and the first two quarters of 2020, for the researchers to analyze the evolution of imports, exports and the creative trade balance of 30 cultural and creative industries, with 300 observations on exports and the same for imports and trade balances (excluding services).

This accounting approach was complemented by an **analysis of the structure of the different sub sectors and of the main activities of the key players,** their economic functions and their scope of action.

Two consultation questionnaires were also conducted: the first one involved 14 municipalities and the second 123 cultural actors from 7 sub sectors, with the aim to assess the current challenges the sector is facing, particularly in times of Covid-19 and dwindling financial resources.

Finally, the study of available data and figures was complemented by in-depth individual interviews with more than 30 key CCI professionals (creators and major creative and/or cultural actors) operating in different fields, as well as two focus groups (for the sectors of cinema and performing arts).

The data collected in this study provides data on revenues generated from the cultural and creative activities between 2016 and 2019, totaling around **1 billion USD per year, or half of the estimated total revenues generated by the entire CCI sector in Lebanon.** The other half seems invisible in accounting terms. This is due to a number of factors among which tax evasion and the difficulty to measure some creative activities.

Unlike tangible goods, creative services are difficult to integrate into a cultural accounting system: particularly in the case of intangible heritage, music, architectural services, programming and video games. Moreover, it has been impossible to obtain reliable figures on the contribution of crafts, most of which are carried out informally.

Table 1 | **Evolution of the contribution of CCI to the economy (in USD) according to classification adopted by the study between 2016 and 2019**

Classification of CCI	2016	2017	2018	2019
Performing arts and festivals (excluding music)	92,835,167	114,514,367	99,330,352	86,144,627
Visual arts	36,396,776	38,165,192	38,019,488	31,400,757
Textile: manufacture and repair	18,249,234	17,224,705	15,869,161	14,354,155
Cinema	87,000,295	93,086,065	89,171,695	78,810,150
Museums, sites and heritage conservation	12,060,354	14,880,729	11,824,232	12,810,295
Publishing: books and press	494,256,050	476,757,914	417,898,006	353,028,202
Movies and TV series	46,930,695	50,222,884	49,298,732	41,446,005
Jewelry, styling and fashion design	188,215,028	182,775,566	237,611,406	265,469,611
Advertising	6,509,287	8,515,990	12,182,424	10,788,639
Total CCI	**982,452,887**	**996,143,410**	**971,205,494**	**894,252,442**

Following the UNESCO Framework for Cultural Statistics, cultural and creative activities are grouped into six cultural domains.

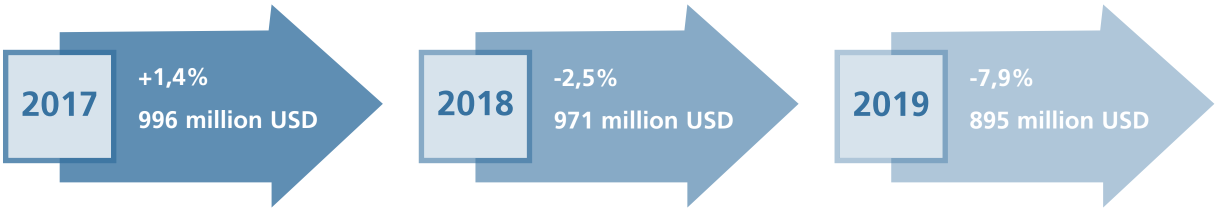
Table 2 | **Cultural statistics in Lebanon in 2017, according to the UNESCO classification**

Books and press	USD 476.8 million
Visual arts and crafts (including jewelry and textiles)	USD 223.2 million
Audiovisual and interactive media	USD 143.3 million
Performing arts and festivals	USD 114.5 million
Design and creative services (including jewelry design and fashion)	USD 23.5 million
Heritage (Museums, sites and conservation excluding natural heritage)	USD 14.9 million
Total	**USD 996.1 million**

An all-time peak in 2017 followed by a recession from 2018

In recent years, the CCI sector growth was in line with the general trend of the Lebanese economy, marking a turnover peak in 2017, **with a slight increase of 1.4% compared to 2016, comparable to the GDP growth rate.** In 2018 and 2019, the sector is in recession and suffers an aggravated activity slowdown, with **negative growth rates of -2.5% in 2018 and -7.9% in 2019.** Economic activities measured in this study thus show a decline from 996 million USD in 2017 to less than 895 million USD in 2019. Given that between 2016 and 2019, the variation in turnover is comparable to the growth rate of the Lebanese economy and extrapolating on the untraceable share of revenues generated by CCI (roughly the double), **the study concludes that the relative weight of CCI in Lebanon is between 4.75 and 5% of GDP, or a market value of more than 2 billion USD.**

Figure 1 | Growth rate and revenue volume of CCI between 2017 and 2019



Evolution of the main sub sectors of creativity in Lebanon

Some of the CCI sub sectors were able to adapt to the «recessionary» cycle that began in 2018, while other sub sectors seem to be in extreme danger, following the multiple economic, security and health crisis that hit Lebanon. Thus, the relative weight of jewelry increases from 18% of CCIs in 2017 to 30% in 2019 while that of performing arts decreases from 12% to 10% and the cinema seems to keep a constant weight between 2016 and 2019 of around 9%.

1 | Publishing: a sub sector in crisis maintaining nonetheless its leading position

The publishing sub sector generates the highest revenues (476 million USD in 2017), almost half of the total revenues of 2016, but it only weighs 43% of the total of the CCI in 2018 (417 million USD), and less than 40% in 2019 (or 353 million USD).

Prior to 2007, **the publishing and press sector was the CCI's largest revenue generator and biggest employer,** accounting for 37% of the industries' revenues, employing 39% of the creative workforce and accounting for 41% of creative businesses. According to UNCTAD data from 2015, the «books and press» exports accounted for half of the country's creative exports, amounting to 119 million USD (slight difference with the study's calculations based on customs data).

2 | Jewelry: the country's main comparative advantage

According to our classification, **the jewelry manufacturing and repair sub sector ranks second** after publishing, generating around 168 million USD in 2017 and surpassing 246 million USD in 2019, therefore marking the highest growth among all CCI sub sectors.

3 | Performing arts and festivals: an endangered sub sector

The «performing arts and festivals» sub sector ranks third among the CCI in terms of revenue, ahead of cinema, generating revenues of around 115 million USD and 99 million USD in 2017 and 2018 respectively, but slipping into a recession between 2018 and 2019, with revenues of 86 million USD in 2019, a 13% decrease.

4 | Lebanese cinema: a golden age followed by a premature slowdown

The Lebanese cinema sector reached a peak in 2017 with revenues exceeding 93 million and started dropping as of 2018. From an average value of 87 million USD per year between 2016 and 2019, the sector witnessed a 4% decline in 2018, and another 12% decline in 2019, generating around 78.8 million USD, However the sector maintains a stable weight within the CCI, representing 9% of the cultural and creative sector throughout the period between 2016 and 2019.

5 | Clothing design, fashion and styling: a sub sector not exploiting its full potential

A considerable deficit is apparent in the fashion and clothing design trade balance. The clothing and apparel industries generated cumulative exports of 210 million USD between 2016 and 2020. The total cumulative textile turnover for the period 2016-2019 reached 729.8 million USD despite the structural and contextual challenges these industries are facing. In 2018, the contribution of the creative textile sub sector (production and repair, excluding design) was 15.8 million USD and accounted for 9% of the total sector turnover.

A decrease in exports except for publishing and jewelry

According to UNCTAD data, ending in 2015, **Lebanon reached an all-time high in its exports of CCIs in 2014**, totaling 263 million USD. Tracing the evolution of the creative trade balance between 2016 and 2019, based on the Lebanese customs data (excluding services), Lebanese creative industries seem to play an important role in the regional economic specialization.

Nevertheless, it seems that Lebanon's overall creative exports started decreasing as of 2014, while imports rose rapidly. According to the Lebanese Customs data, imports increased in 2015 by almost 12% compared to 2014, while exports fell by almost 24%, taking the cultural and creative trade balance from a surplus of 5.4 million USD to a deficit of 61.7 million.

Between 2015 and 2018, the deficit doubles again, from USD 61.7 million in 2015 to USD 123 million USD. The surplus of 68 million USD scored by the publishing sector in 2014 dropped to 30 million USD in 2019 and to less than 8 million USD on the first two quarters of 2020. Audiovisual exports remained fairly stable at around 3 million USD per year, registering nevertheless a peak of 10 million USD in 2010.

Exports of jewelry, stones and precious metals grew considerably between 2016 and 2019, registering 586 million USD in 2017 and 1.4 billion USD in 2019. In this same category, creative exports of creative jewelry products accounted for 10% of the sector, amounting to more than 110 million USD in 2012. The «jewelry and creative bijoux» registered a positive external balance only between 2011 and 2014 and a deficit of 80 million USD in 2018.

In conclusion, the cultural and creative trade balance registered a deficit on a recurrent basis, except for the year 2014 (following a significant increase in exports). However, the sub sectors of publishing and «fine jewelry and jewelry» seem to stand out as the ones that could register a positive external balance at this time.

Strong employment potential: 5.8% of the working population

Data on creative jobs and work remains extremely incomplete in Lebanon, as is the case in other economic sectors, due to the lack of national labor force surveys between 2007 and 2018. The labor and employment market being outside the scope of this study, we based our figures on the triangulation of existing data often contradictory and incomplete to advance work hypothesis in line with empirical observations. The CAS and ILO study of 2018 estimates that 13,000 people (of which only 3,000 are women), or 0.8% of the total labor force, work in artistic occupations, which is in stark contrast with the sectoral data we were able to aggregate in this study.

According to McKinsey and World Bank reports, the creative sector employs 4.5% of the workforce, or 75,000 people, a number that seems to largely underestimate the employment in the sector. The study estimates the total creative workforce at least around 100,000 people, or **5.8% of the active population.** Based on the questionable CAS data, to the 13,000 artists stricto sensu, we can add 25,000 employees in the information and communication sector and 60,000 in «scientific and technical» professions. However, this estimate of 100,000 creative workers does not include craftspeople and skilled workers employed in activities that support the cultural or creative sector nor the auxiliary occupations in the fields of education or health, nor architects, engineers or interior designers.

Should we add to the 100,000 creative professions mentioned here above all the skilled workers and crafts-people (whose creative share is impossible to determine), we can fairly estimate the **«potentially creative» population around 360,000 people, or 20% of the total working population.**

Jewelry

The jewelry sector (excluding design services) generated annually, **around 170 million USD in 2016 and 2017, increasing to 219 million in 2018 and to around 246 million in 2019**. In 2014, Lebanon was the 5th largest exporter of jewelry to Europe, the sector experiencing a significant increase in domestic and international demand for Lebanese products between 2010 and 2019. Thus, foreign trade in jewelry and precious stones reached 1.5 billion USD (3 to 4% of GDP) in 2019.

The fine jewelry, jewelry, and precious and semi-precious metals trade sector includes 373 declared enterprises, 76% of which are jewelry and watches retail businesses, with another 43 companies specializing in creative jewelry and fashion design, totaling 416 enterprises (including styling and fashion designers). The Lebanese industry is based on a long tradition of gold and precious stones crafts, and the Lebanese diaspora is very much involved in the global jewelry trade and includes a large number of world-renowned collectors. Lastly, Lebanese jewelry is dependent on tourist flows, with sales generally increasing by 60 to 80% between June and August with a strong demand from tourists and the diaspora. However, the sector lacks transparency, suffers from bureaucratic red tape, especially in terms of exports, political instability and talent drain. Lastly, the industry's deficiency in terms of production automation limits its competitiveness and threatens the future of the jewelry sector in Lebanon, which faces increasing competition from Asian countries.

Performing arts and festivals

According to UNESCO's classification, performing arts include the sub sectors of theater, festivals and exhibitions, as well as performances in clubs and pubs. **In 2017, they accounted for 12% of the total turnover of CCI in Lebanon,** an annual turnover peak of 114.5 million USD and down to 10% in 2019, in line with the general economic situation. However, it is interesting to note that this turnover is concentrated around five to six main players representing 34% and exceeding 3 million USD in revenue.

Festivals, which make up a large portion of the performing arts sector are no longer profitable, their profit margin was reduced because of the combined effect of inflation and excessive taxation between 2016 and 2019. The sources of funding they rely on are threefold: sponsorship between 30 and 50%, ticketing and subsidies. The subsidies, though often disbursed with significant delay, were estimated at 2.6 million USD in 2017, however it is expected that they be even scarcer nowadays because of to the depreciation of the Lebanese pound and the ongoing financial crisis. It is worth mentioning that the festival sub sector differs from the other performing arts sectors because of the indirect benefits generated by the touristic attractiveness (restaurants, hotels, shops).

Out of the 43 theaters that existed in Lebanon, only 7 remained functional in 2020. Beyond the economic impact they generate, theater has a considerable importance on the socio-cultural level, notably by the force of change they represent.

Finally, soaring security expenses and «risk premiums» for foreign performers because of the local and regional unrest, repression and censorship, as well as the lack of national vision, free public spaces and scarce resources are all obstacles that undermine the development of performing arts and jeopardize the resilience of the sector.

Cinema

Although the projection sub sector represents only 16% of registered enterprises, it nevertheless accounts for 1/3 of the sector's revenues.

Between 2005 and 2019, 119 Lebanese film productions made their entry in the box office, with a significant increase as of 2008. Also, a number of other film productions did not make it to the box office, but were screened at festivals. The number of admissions to movie theaters for Lebanese and foreign movies increases as of the beginning of the last decade, (43% increase in 2017). Lebanon thus became a regional leader in production and post-production, exporting audiovisual content to most of the Arab world with 37 production houses declaring profits between 2016 and 2019.

Financing films in Lebanon remains an obstacle for many local production companies. Therefore, international co-productions are a possible solution to financing and distribution problems and the State support remains crucial to facilitate and encourage audiovisual cooperation agreements that are favorable to the development of this industry.

Recommendations for the development of this sub sector include the reconfiguration of syndicates, the support for the opening of new distribution channels (especially online and VOD), the integration of a culture of cinema in school systems and the modification of current taxation systems. Finally, positive discrimination in favor of the Lebanese cinema and encouraging television stations to broadcast local productions would promote this sub sector and increase the local audience.

Fashion and clothing design

Between 2016 and 2019, Beirut is considered a creative city by excellence and a potential capital of creativity in the MENA region. With designers such as Elie Saab, Tony Ward and Rabih Keyrouz, the country is one of the most vibrant of the region in this field. **Although the Haute Couture has a low economic impact (11% of the sub sector), it remains one of the most powerful sources of cultural inspiration.**

However, nearly 60% of companies subcontract their productions partially or totally to local factories or workshops, half of which are specialized in couture, luxury ready-to-wear and bridal wear. Nevertheless, this percentage is decreasing in haute couture. **The larger fashion houses employ an average of 30 to 60 tailors and embroiderers, while less prominent ones employ only a handful qualified people.** The latter have a starting salary of 800 to 1,000 USD per month.

The design industry is characterized by a high-end, high production cost and limited-edition sales. **Lebanese designers mostly produce exclusive items, selling at high prices to clients from the Gulf region with sales limited in volume.**

Because of this elitist positioning, demand for ready-to-wear clothing is mainly met by imports. Limited production capacity, high production costs, strong competition and low tariffs on imported products lead the garment industry to focus on high-end products rather than low-cost ready-to-wear. The last few years have witnessed an important development of the chic ready-to-wear, a promising sector in the context of the current crisis and depreciation of the Lebanese pound.

Recommendations for a public policy of the CCI

Supporting the cultural and creative sector could be based on 4 pillars, namely strengthening the existing regulatory, legislative, fiscal and syndical frameworks, building capacities and professionalizing the workforce, developing digital tools and encouraging sustainable and proactive partnerships.

1 | Strengthening the regulatory, legislative, fiscal and syndical frameworks

The budget of the Ministry of Culture is extremely limited (33 million USD in 2019) and 0.24% of the State budget in 2020, largely inferior to the UNESCO recommendation of 1%.
Therefore, we would recommend to:

- Provide Lebanon with a national framework for cultural statistics and a database for the CCI;
- Review the «artists» status and the financing modalities of the mutual fund;
- Review the fiscal framework and customs duties to eliminate double taxation, and introduce incentives and exemptions;
- Strengthen the role of the Ministry of Culture.

2 | Supporting the CCI through training and education

The creative industries cannot be developed unless their human resources are offered the needed qualification, training and professionalization in soft skills but also in technical competencies.
This implies:

- Updating and professionalizing academic curricula;
- Providing entrepreneurial coaching and training for professionals;
- Developing and implementing e-learning modules such as MOOCs.

Moreover, the Lebanese educational system does not provide young people with the necessary awareness and opportunities to access the World of culture. This is a mere necessity to develop the «cultured» public of tomorrow. It is therefore crucial to:

- Review primary and secondary schools' curricula to reintroduce culture and promote artistic and cultural education;
- Strengthen artist-school partnerships to create new synergies and opportunities for artists (employability) as well as for the training of teachers and students (workshops, artistic residencies at schools, etc.).

3 | Supporting the digital transition of CCIs

To improve competitiveness and facilitate the circuits of innovative financing, it is necessary to optimize the use of digital tools for a progressive evolution of the sector and its sustainable growth, namely through:

- The support of cooperative banking and crowd-funding initiatives;
- The development of mini-hubs of culture to promote the digital environment and cultural entrepreneurship with physical spaces to facilitate networking, co-working and innovation and especially collaborative initiatives between talents from the digital and creative worlds.

4 | Build proactive and diversified partnerships

Partnership building is a necessary condition for the implementation of inclusive and effective CCI policies. It is essential today to «decentralize culture», in a context where local artistic scenes are emerging in most Lebanese big cities. Indeed, through the principle of subsidiarity, local authorities are the first in line in terms of the identification of the needs of their community at the cultural level. It is therefore necessary to develop transnational networks linking Lebanese cities with foreign ones in an effort to share knowledge and experience, but also to ensure the visibility of Lebanese CCI internationally. Moreover, fostering the role of municipalities represents a relevant axis of intervention, as well as encouraging cultural mobility. This implies:

- Strengthening the role of municipalities in their capacity to finance and support CCI projects;
- Developing transnational networks with Mediterranean cities and cooperation agreements with other countries;
- Encouraging cultural mobility in between Lebanese regions and with other countries.

The report also provides a blueprint for a national system of cultural statistics focused on cultural products and selected creative services, allowing the development of cultural statistics for Lebanon in the future.

However, the above recommendations could be reformulated according to 4 axis of priority intervention: infra-structures and equipment, institutional support, training and professionalization and cultural entrepreneurship.

Conclusion

The CCI present a high value added for the Lebanese economy, they are a strategic industry for Lebanon, and could be one of the country's major assets for a healthy integration into the commercial and financial circuits of globalization. The study therefore suggests recommendations and courses of action for the development of active policies for the development and growth of this sector, through a double temporality: the urgency to save the existing cultural fabric and the long-term action to achieve a structural and sustainable impact. Therefore, an effective action must combine an emergency response for the coming few months and the development of an action plan over the coming five years.

Today, more than ever, culture and creation cannot be considered «secondary» fields of minimal importance, in which institutional action would be optional. On the contrary, Lebanon’s recovery necessarily requires the safeguard and growth of cultural and creative industries that generate wealth, jobs and exports in a context of depleted economy. The current crisis should therefore be seen as an opportunity to redesign Lebanon's production model, but also to establish strong grounds for the creative and cultural industries and fight against the sector’s precariousness and informal employment.