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WORKING PAPER 08/2014

# The creative ecosystem: Facilitating the development of creative industries

INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT



RESEARCH, STATISTICS AND INDUSTRIAL POLICY BRANCH  
WORKING PAPER 08/2014

# **The creative ecosystem: Facilitating the development of creative industries**

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UNIDO

Rural Entrepreneurship Development and Human Security Unit



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
Vienna, 2015

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ClIs are defined as a set of economically relevant heterogeneous sub-industries that require creativity as an input for the creation of products and services. This may include knowledge-based artisan works and handicrafts, but also arts and music as well as businesses based on new ideas, innovative product designs with novel marketing strategies. The lack of creativity and innovation often imply that people and communities living in rural areas, in particular, fail to benefit from development opportunities which in the long run can contribute to improving their living conditions.

This UNIDO Working Paper reviews how CI development can foster poverty reduction, income and employment generation in both rural and urban areas of developing economies. Chapter 1 introduces the concept of ClIs and discusses its relation to economic development. Chapter 2 discusses some common approaches to CI development applied by various multilateral development agencies. Chapter 3 introduces UNIDO's technical assistance experience with CI development in rural and urban areas. Chapter 4 proposes a new integrated approach to facilitate CI development, i.e. the development and nurturing of a creative eco-system, and discusses its benefits and possible drawbacks. Chapter 5 draws conclusions and provides recommendations on the development approach to CI, based on the points discussed in the previous chapters.

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## THE CREATIVE ECOSYSTEM

### EXECUTIVE SUMMARY

Creative Industries (CIs) are an essential part of the economic system, and their contribution to the social and economic performance of any country is usually underestimated. CIs are knowledge-intensive in nature and can become a vehicle for sustainable economic growth, inclusive development and poverty alleviation in developing economies. It is therefore crucial to analyse and develop the eco-system to enable CI development in a given country at three key levels, i.e. at the micro, meso and macro level.



## ACRONYMS AND ABBREVIATIONS

CI	Creative Industry
EDIE	Entrepreneur-Driven Innovation Ecosystem
FCS	Framework for Cultural Statistics
GVA	Gross Value Added
IP	Intellectual property
ISID	Inclusive and Sustainable Industrial Development
MNEs	Multi-National Enterprises
MSEs	Micro and Small Enterprises
MSMEs	Micro Small and Medium Enterprises
NESTA	National Endowment for Science, Technology and the Arts
NGO	Non-Governmental Organization
PPECP	Public-Private-Education-Community Partnership
SMEs	Small and Medium Enterprises
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
VCA	Value Chain Approach
VTCs	Vocational Training Centres
WIPO	World Intellectual Property Organization







# CHAPTER 1

Introduction

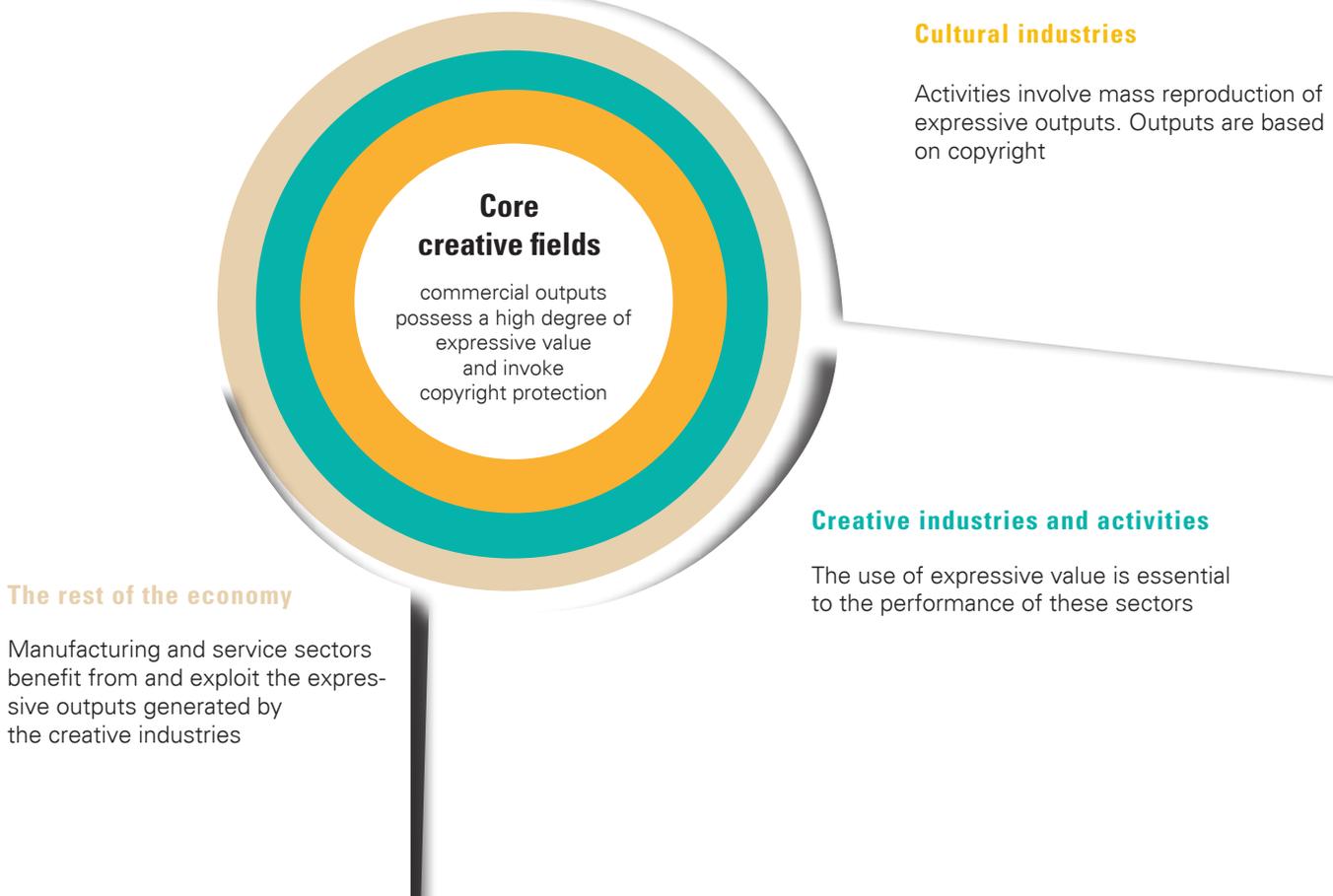
## 1.1 WHAT ARE CREATIVE INDUSTRIES AND WHAT IS THEIR RELEVANCE TO INCLUSIVE SUSTAINABLE INDUSTRIAL DEVELOPMENT?

Creative Industries (CI) are defined by UNCTAD (2008) as “cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs”. These “constitute a set of knowledge-based activities, focused on but not limited to arts, potentially generating revenues from trade and intellectual property rights” and “comprise tangible products and intangible intellectual or artistic services with creative content, economic value and market objectives”. Being “at the cross-road among the artisan, services and industrial sectors”, they constitute “a new dynamic sector in world trade”. UNESCO (2012) also provides a definition, describing CIs as all those wealth- and employment-generating industries with individual creativity, talent and skills as their origin, which can create and exploit intellectual property.

According to UNCTAD<sup>1</sup> and UNESCO, CIs can be classified into countries’ cultural heritage, visual & performing arts, media and functional creations related to sub-industries such as leather, textiles, wood and food.

The concept of CIs was introduced in the “Creative Nation” report, published by the Labour Government of Australia in 1994. The idea was further strengthened by the UK to support and revive urban and old industrial areas. The then-Labour Government in the UK (1997), later also endorsed by the Government of Gordon Brown, included CIs in its development and political agenda that brought about the ‘Cool Britannia’ in the late nineties which led to the creation of the Department of Media, Culture and Sport (DCMS) and the Creative Industries Task Force.

Figure 1  
Work Foundation CIs Model  
Source: Work Foundation, 2007



The DCMS based its mapping and assessment of the UK's CIs on the notion that such industries entail "those activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property" (DCMS, 1998). Thirteen sectors were identified as components of CIs in the UK: advertising, interactive leisure software (electronic games), architecture, music, arts and antique markets, performing arts, crafts, publishing, design, software and computer services, designer fashion, television and radio, film and video. DCMS promoted cultural and creative industries, including them in regional and local cultural and economic policy strategies. DCMS insisted in particular on the novelty of the concept of CIs (as opposed to cultural industries), unquestionably paving the way for much academic debate over the terminological confusion (Arts Council of England, 2007). To this day, CIs remain a priority for UK policymakers (Oakley, 2004).

The DCMS approach is not the only one that was developed in the UK. Two other approaches to CI analysis were put forward by the Work Foundation and by the National Endowment for Science, Technology and the Arts (NESTA). The Work Foundation model (Figure 1), also known as the concentric circles model, outlines a creative core, cultural industries and creative industries as layers of the economy (Work Foundation, 2007). According to this model, the core creative arts are where sound, text and image originate. These constitute creative ideas and influences that diffuse outwards through concentric circles, increasing the ratio of commercial to cultural

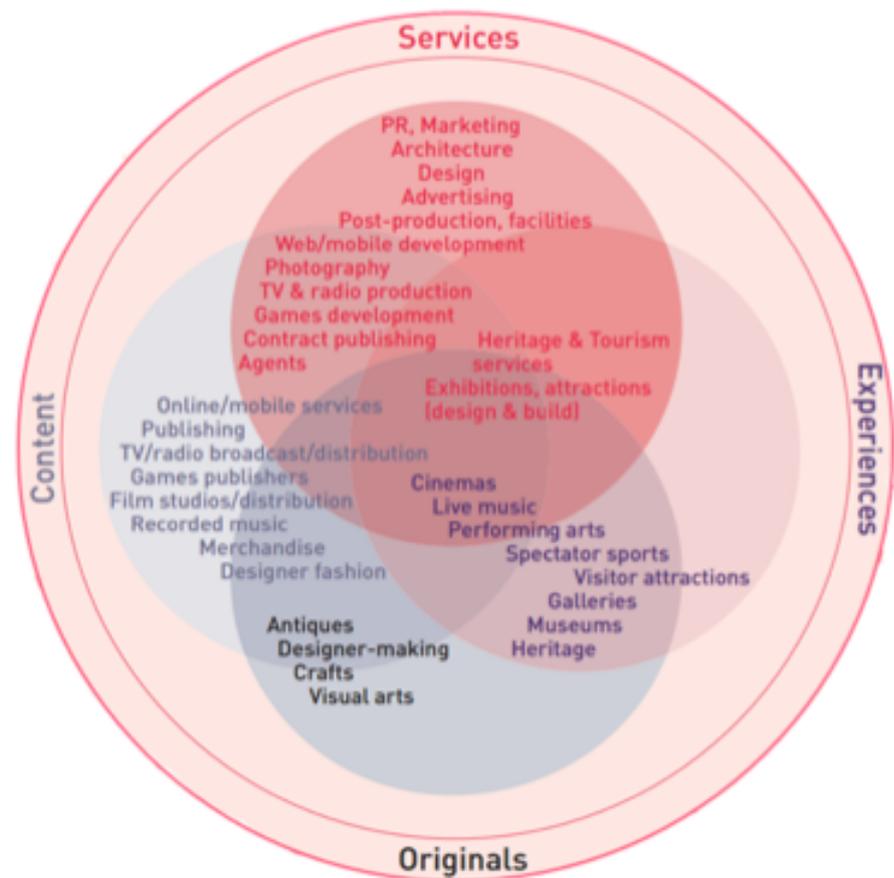


Figure 2  
NESTA CIs Model  
Source: NESTA, 2006

content as they move towards the outer circumference.

NESTA (Figure 2) developed an approach centred on four overlapping areas of creativity, all with a strong economic significance. This model segments CIs into four groups, bringing together those industries that have a given number of commonalities (in terms of business models and value chains).

The two main contributions to CIs were arguably made by Howkins (2001) and Florida (2000, 2002). Florida (2002) argues that the driving force of modern society is the increasing human creativity, and that creativity and diversity are crucial to new economies (Florida, 2000). Howkins' analysis (2001) found that the creative economy is becoming the dominant economic form of the twenty-first century. However, it has been argued that, albeit relevant, Howkins applied a very loose definition of 'creative economy'.

CIs are innovation-driven industries in modern information and digital-based economies, encompassing not only arts but also scientific industries and new technologies that are based on copyright and intellectual property. As Cuningham (2004) asserts, CIs are simultaneously cultural, service- and knowledge-based industries. In spite of the academic debate concerning the definition of CIs, there is consensus on their significance and role in developed and developing countries alike (Flew and Cuningham, 2010).

The popularity of CIs among policymakers following its promotion by DCMS generated a number of definitions and approaches adapted to the national context and needs of each country adopting CI-led policies. Various definitions reflected the national approach taken by each government. The Australian concept of CI initially described the interface between commercial cultural activity and emerging new media driven by technological change (Foord, 2014).

As discussed, the DSCM's definition widened the scope of CIs to include a larger set of commercial activities. The DSCM's approach has, however, been questioned in terms of its transferability and statistical soundness (Stevenson, 2004; Gibson and Klocker, 2004). This resulted in an understanding of CIs as including intellectual property (significant at local level in the digital technology upswing) through patents, trademarks, copyrights and design rights (Foord, 2014).

## 1.2 THE DEVELOPMENT OF THE CREATIVE INDUSTRIES CONCEPT

As already mentioned, the concept of CIs entails a set of economic activities, characterized by a strong artistic component (UNCTAD, 2004). CIs have a broad scope and include all products that are of a symbolic nature target markets that are as broad as possible, and originate from activities that heavily rely on IP. CIs thus comprise potential commercial activities previously considered

irrelevant from an economic standpoint (UNCTAD, 2010) and constitute a synthesis of arts, business and technology (UNCTAD, 2004). Due to the nature of CIs, economic activities that fall under this definition are typically linked by strong mutually-reinforcing relationships (UNCTAD, 2004). Growth in CIs is attained through learning and experimentation. Because of the idiosyncrasies of CIs' products, however, growth may be volatile (UNCTAD, 2004).

Although the terms "creative industries" and "cultural industries" are often used interchangeably, WIPO (2008) distinguishes between the two, describing CIs as including cultural industries as well as all cultural and artistic productions used in live performances, cultural heritage and other art-intensive activities. In its definition of CIs, UNESCO (2013) includes a broad productive set of "goods and services produced by the cultural industries and those that depend on innovation, including many types of research and software development".

The reason for the replacement of the term "cultural industries" with the term "creative industries" in policy debates is attributable to the belief that CIs are a key sector for economic growth and a key source of employment (Garnham, 2005). Hence, a definition of CI must factor in consumer demands and a creative cultural market orientation.

In recent years, the creativity-led policy discourse has been expanded with the introduction of the concept of Creative Economy (CE). Introduced by Howkins in 2001, the concept of CE includes all those economic goods or services resulting from creativity and having economic value (Howkins, 2002). The CE includes CIs as well as contributions from creative occupations outside CIs (DCMS, 2014).

As regards UNIDO's activity, which is specifically targeted at attaining inclusive and sustainable industrial development (ISID), the CE still plays a marginal role. A comprehensive and structured approach to fostering CIs in developing economies certainly allows for creativity to become pervasive and an essential component of a competitive economy.

However, it should be noted that in the current development phase of the economies in which UNIDO projects are being implemented, the socio-economic environment is not yet ready to sustain a CE-led policy. Therefore, UNIDO's technical cooperation activities through CI programmes could aim at contributing to the emergence of CEs in the long run.

### 1.2.1 COUNTRY-SPECIFIC PRACTICES IN CREATIVE INDUSTRY DEVELOPMENT

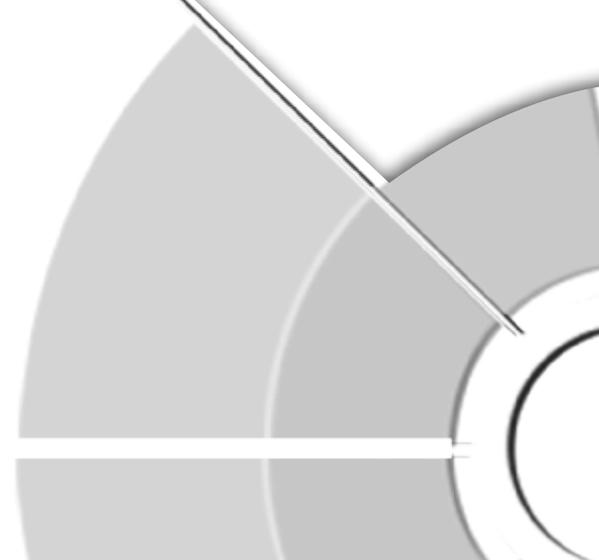
It has been observed that in developed economies in different geographic areas, different CI approaches have been developed. In the United States, policies promoting CIs are subnational in scale and dual in nature (arts/culture and entertainment/copyright) in nature (Wyszomirski, 2008). In Europe, the focus used to be on cultural rather than on creative industries (Flew and Cunningham, 2010) and was based on the "concentric circles" model (Figure 1).

Asian governments apply heterogeneous approaches, shaped by the social and cultural features of each nation, often based on an extensive understanding of CIs (Keane, 2007) and aiming for export growth and branding (Kong et al., 2006). Hong Kong SAR and Singapore, for example, adapted the DCMS approach to include, respectively, the local dimensions of IT and social media, and the locally relevant design and media for arts and culture (Foord, 2014). Moreover, the models applied by developing countries are mostly centred on cultural heritage conservation through arts and crafts and

basic needs satisfaction, avoiding uncritical promotion of measures linked to an information-based economic development (UNCTAD, 2008).

UNCTAD (2010) carried out an extensive analysis to assess the approaches towards and the needs for CI development in different regions of the world. The report finds that Africa, Asia-Pacific, Central Asia and the Middle East, Latin America, the Caribbean and Eastern Europe each face unique challenges with respect to CI development, which require a flexible approach. Moreover, it appears that the heterogeneity of the measures already taken requires context-specific reactions.

Pratt (2004) ascertains that a one-size-fits-all approach is doomed to fail in a CI context. Each sub-sector of CIs requires solutions that target the specific challenges and barriers they face, so that the system as a whole can remain on the cutting edge. According to Pratt (2004), this is the only way the governance of CIs can incorporate organizational dynamics, production processes, regulatory forms and economic development.





In this paper, we aim to develop a holistic approach to CI that can be tailored to the relevant country, region or city. The approach put forward in this paper consists of measures aimed at developing CIs at the macro, meso and micro levels to facilitate inclusive and sustainable developments relevant to the industry. In order to thoroughly evaluate the role of CI in the knowledge economy, local specificities must be taken into account. This allows for a comprehensive understanding of the innovation and production linkages between CIs and other industries, allowing for better prediction of creativity-led policy results (Foord, 2004).

### 1.3 THE ECONOMICS OF THE CREATIVE INDUSTRIES

There is some evidence that the development of CIs can have a significant and positive impact on economic development, and may even contribute to the promotion of globalization, provided that there is growth in the sector. UNCTAD (2008; 2010) has identified three drivers of growth in CIs:

- ◆ technology
- ◆ demand
- ◆ tourism

Firstly, technological products and process innovation are pivotal to CI development. Similar to other industries, CIs' progress is contingent on the translation of fundamental research into marketable products. Secondly, demand-oriented growth in CI products and markets is crucial to creativity-led economic growth. The rise in demand are attributable to:

- i) a raise in real incomes in developed countries, which is reflected in an increase in demand for "income-elastic" products, such as creative goods and services;
- ii) a drop in the real prices of creative goods and services and of the means for their consumption due to technological progress, and
- iii) global tourism growth which results in higher sales volumes of creative goods and services.

As regards the monitoring of CIs growth, two components are essential for the production of reliable statistics on CIs in a given geographical area: a consistent definition of the creative sector and the development of solid classification tools (Deloumeraux, 2012).

The challenge lies in the absence of government statistics on the value added of CIs (UNCTAD, 2008). Without a solid growth monitoring methodology, government officials cannot develop effective evidence-based policies to support CIs (UNESCO, 2006).

An indicator<sup>2</sup> of CI growth and its potential can be found in international trade trends. UNCTAD (2010) identified perceptible trends in the trade of creative goods and services when compared to other industries, even more so if we consider that the figures almost certainly underestimate the actual value of creative goods and services traded. In 2011, the global trade of creative goods and services amounted to a record US\$ 624 billion, maintaining constant growth. The average annual growth rate in the 2002-2011 period was 8.8 per cent. Creative goods exports from developing countries grew at an even higher pace, averaging 12.1 percent annually over the same period (UNCTAD, 2013).

## 1.4 CREATIVE INDUSTRIES AND ECONOMIC DEVELOPMENT

There seem to be many advantages in the development of CIs, as they can provide more direct benefits to a country's socio-economic and political development. CIs can, particularly in developing economies, have a significant positive impact towards the attainment of the Millennium Development Goals (MDGs).<sup>3</sup> Specifically, CI development has been instrumental in achieving Goals 1, 3, 7 and 8 (poverty eradication and reduction of inequality, gender equality, sustainable development strategies, global partnerships for development) (UNCTAD, 2010).

The cross-cutting nature of CIs implies that policies seeking to develop this particular industry will have a spill-over effect on a range of other development areas<sup>4</sup> (UNCTAD, 2010). Foord (2014) finds that the main rationale for governments to implement policies designed to foster CIs is indeed economic development and employment generation. The reasons CIs are instrumental for sustainable development are the following:

- ◇ CI development implies concepts that are directly connected to sustainable development, such as intergenerational equity, diversity safeguard, precautionary principles and interconnectedness (UNCTAD, 2010).
- ◇ CIs can easily adapt to sustainability rules and objectives as they do not rely as deeply as other industries on heavy industrial infrastructures (UNCTAD, 2008).
- ◇ CIs are a platform for ethical business models by fostering innovation-led strategies as opposed to cost-cutting ones (UNCTAD, 2010).

Furthermore, CIs also have important social consequences in terms of:

- ◇ **Contribution to employment** and high job creation potential (UNCTAD, 2008). Being both knowledge and labour intensive, CIs account for 2 percent to 8 percent of the total workforce in a given economy (UNCTAD, 2010).
- ◇ **Promoting social inclusion**, due to the nature of their grassroots activities that can link social groups and foster social cohesion (UNCTAD, 2008).
- ◇ **Influence on the education system**. Schools shape motivated and skilled people who can contribute to creative economic activities, while education institutions benefit from CI inputs that facilitate social education and cultural awareness (UNCTAD, 2010).

An additional motivation for policymakers to include CIs on their agenda is that in addition to the aforementioned economic benefits, the development of CIs also results in cultural value creation (UNESCO, 2010).

Cultural value is essential to meeting society's cultural objectives, which alongside the economic ones, are key to development. Moreover, WIPO found that the contribution of the creative sector to GDP is positively related to innovation, competitiveness, international property rights and freedom from corruption (WIPO, 2014).

<sup>2</sup> The characteristics of creative products are: i) their production requires some input of human creativity; ii) they are vehicles for symbolic messages to those who consume them, i.e. they are more than simply utilitarian insofar as they additionally serve some larger, communicative purpose; and iii) they contain, at least potentially, some intellectual property that is attributable to the individual or group producing the good or service (UNCTAD, 2010)

<sup>3</sup> There are eight goals and specific targets to be reached by 2015: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria and other diseases; (7) ensure environmental sustainability and (8) develop a global partnership for development.

<sup>4</sup> Economic development and economic growth; international trade; regional economic development; planning and regional growth; labour market and employment; private investment, both domestic and foreign; telecommunication; cultural development; tourism; social welfare; and education.

## 1.5 SUSTAINABLE CREATIVE ENTREPRENEURSHIP

Several projects have demonstrated that creative entrepreneurship plays a major role in developing dynamic CIs, which entails creation and innovation as well as bringing businesses and communities together in networks. It is more crucial than ever for CI entrepreneurs with business acumen, commercial abilities and emotional competencies to complement the usual skills and services of traditional artisans in order to transform the sector. Opportunity-driven entrepreneurship is essential to support entrepreneurs who are willing to continuously innovate, to set up “green businesses” and to engage in new learning to remain competitive. Only then can it be expected that CIs will contribute to the following:

**POVERTY ALLEVIATION:** A dynamic CI sector can empower entrepreneurial-driven women, youth, rural and urban groups as well as peripheral communities to respond to market opportunities to produce innovative goods and services through ‘shared value’. This can be achieved by utilizing the given country’s rich creative cultural heritage and diverse creative knowledge/references of developing economies. A targeted environment of policy support measures, micro-credit schemes as well as venture funds and business support mechanisms need to be established and directed towards this end in order to attain sustainable results.

**GENERATION OF SPILLOVER EFFECTS:** The CI sector could enhance capacities for opportunity-driven creative entrepreneurs and industrial leaders to improve livelihoods and job creation opportunities. This would impact local economic development by generating economies of scale. Consequently, existing industries can be positively influenced, diversified and made more competitive. Furthermore, mentoring and coaching programmes can be introduced and aptly monitored. This would induce creative attitudinal change, innovative and competitive mind-sets and the behavioural/technical skills required at various levels of the value chain system.

Creative talent and cultural expressions can have important spillover effects on local economic development. On the one hand, they are often rooted in and built on what is characteristic of a given territory and its traditions, thus fostering local competitive advantages (enhancing local materials, products, processes and cultural attractiveness).

Successful entrepreneurial efforts can amplify the reputation of the locality around a specific industry/product/service to further attract new entrepreneurs and clients and increase local external economies. Tapping and unleashing the creative potential of all actors involved as well as integrating rural/peripheral communities (who already work as artisans, producers and service providers in businesses) can result in their organization into “CI hubs” for regional and local development programmes to sustain socio-economic growth and enhance shared value in other industries.

**BUILDING RESILIENCE:** The development of a dynamic CI sector and the support provided to creative undertakings fosters greater adaptability. This leads to resilient entrepreneurs and a solid SME community, which in turn can have a positive impact on local economic growth and development. Developing creativity does not mean endowing people with one specific technical skill, but rather to promote creative entrepreneurial and design thinking as well as inventiveness (“thinking outside the box”) and resilience among employees, job seekers and entrepreneurs. In addition, endowing them with cross-cutting skills and abilities that allow them to better capture new business opportunities, innovate and adapt to new techniques, materials, work situations, market changes and political circumstances will contribute to building the resilience of both individuals and communities.

Within the above context, it should be noted that UNIDO and UNCTAD assist developing economies in enterprise development programmes to shift towards a more holistic approach, focusing on the interface between economics, culture and technology. Several forums have analysed the CI sector and found it to be a feasible development option and have called for the need to sensitize both public and private sector stakeholders about the potential of CIs in fostering socio-economic development.



## CHAPTER 2

Multilateral institutions and creative industries

## 2.1 APPROACHES

For the purpose of this Working Paper, the following relevant CI inputs by the multilateral institutions of the United Nations are worth noting:

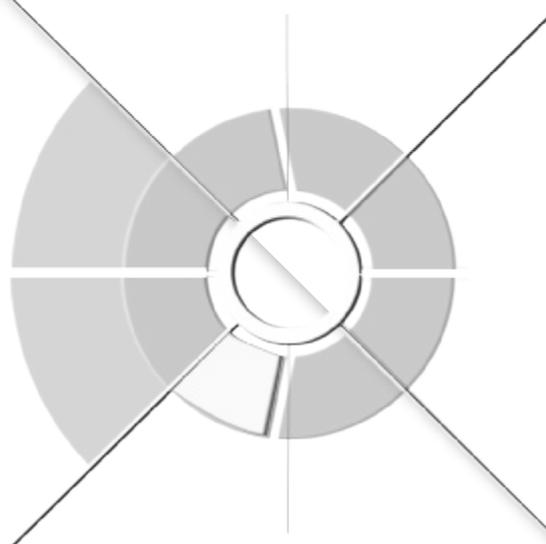
### WIPO

WIPO has been conducting research on CIs since 2002. Its main activities in this area consist of data analysis and guidelines applicable at the firm level. WIPO's mandate is centred on intellectual property; its approach to CIs is therefore presented from an IP perspective. WIPO prefers to use the term 'copyright-based industries' over 'creative industries'.

Its model - also known as the copyright model - includes all industries involved in a direct or indirect way in the creation, manufacture, production, broadcast and distribution of copyright goods and services. With IP as its core, this model differentiates between industries that produce IP and industries that deliver IP to the market (WIPO, 2008). The WIPO model revolves around four types of copyright-based industries (WIPO, 2008):

- ◇ **Core copyright industries**, wholly engaged in creation, production and manufacturing, performance, broadcast, communication and exhibition, or distribution and sales of works and other protected subject matter.
- ◇ **Interdependent copyright industries**, engaged in production, manufacturing and sale of equipment, whose function is entirely or primarily to facilitate the creation, production or use of works and other protected subject matter.
- ◇ **Partial copyright industries**, in which a portion of the activities is related to works and other protected subject matter and may involve creation, production and manufacturing, performance, broadcast, communication and exhibition or distribution and sales.
- ◇ **Non-dedicated support industries**, in which a portion of the activities is related to facilitating broadcast, communication, distribution or sales of works and other protected subject matter, and whose activities have not been included in the core copyright industries.

A study conducted by WIPO in 42 countries found that copyright-based industries account on average for 5.18 percent (2.77 percent for the core copyright industries) of a country's GDP, and for 5.32 percent (2.77 percent for the core copyright industries) of national employment (WIPO, 2014).



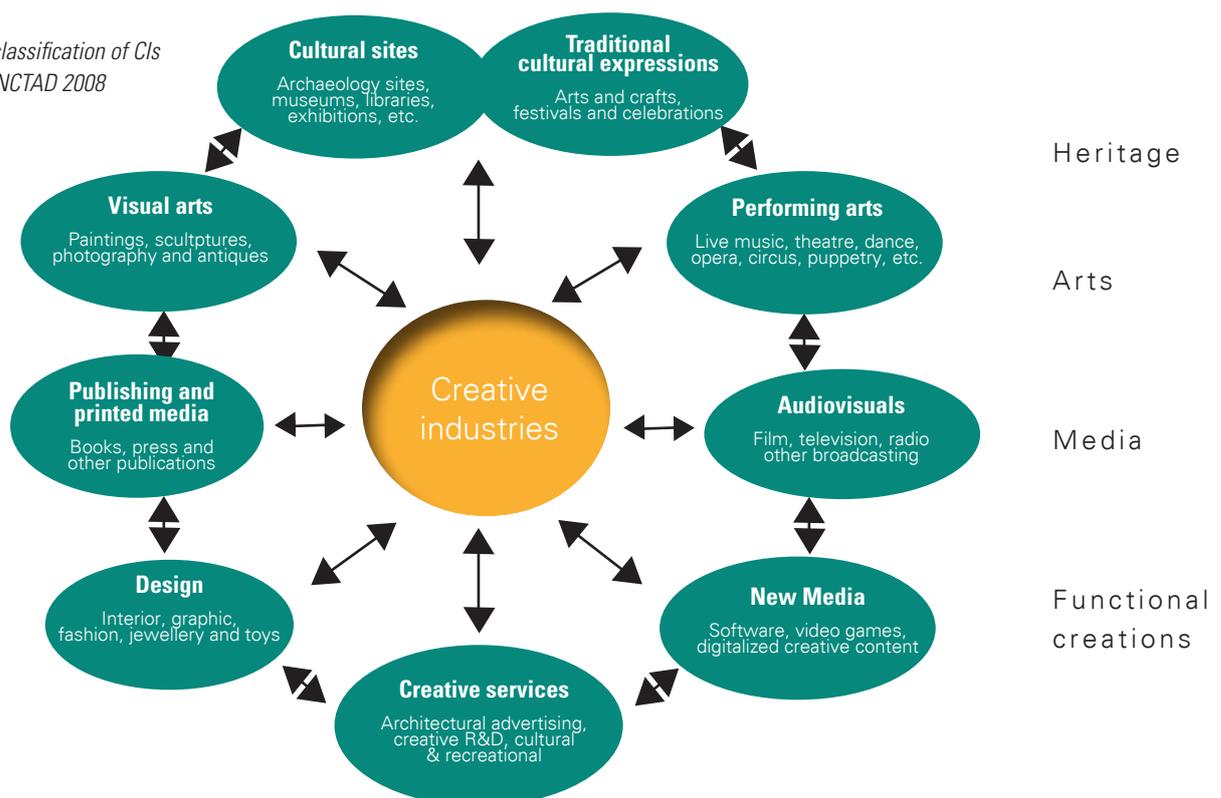
## UNCTAD

UNCTAD's activity concerning CIs consists primarily in analysing its importance, structure and challenges to deliver evidence-based policy advice. The approach of UNCTAD towards CIs is characterized by a broad concept of creativity and a twofold perception of creative activities (UNCTAD, 2008; 2010). Creativity is understood as any economic activity that produces symbolic products for the widest possible market and significantly relies on intellectual property (UNCTAD, 2004). Creative activities are grouped as upstream or downstream creative activities (UNCTAD, 2008; 2010). Upstream creative activities include cultural activities of a traditional nature.

Downstream creative activities encompass activities that are closer to the market and generate commercial value from reduced production costs and linkages to other economic domains (UNCTAD, 2008; 2010).

UNCTAD groups CIs into four categories and nine subcategories (Figure 3), and uses this classification as the basis of their trade statistics (UNCTAD, 2008). The significance of this approach lies in the fact that dividing CIs in separate domains facilitates an understanding of the system as a whole as well as of its cross-sectional interactions (UNCTAD, 2010).

Figure 3  
UNCTAD classification of CIs  
Source: UNCTAD 2008



## UNESCO

UNESCO's contribution to CIs is more similar in nature to that of WIPO than UNCTAD, albeit applying a broader understanding of the concept of CIs and moving away from a strictly IP-based approach. UNESCO directed the works of the 2005 Naguar Symposium that resulted in the Jodhpur Initiatives, a series of guidelines for data collection and industry development with respect to CIs in Asian countries. In 2007, the Convention on the Protection and Promotion of the Diversity of Cultural Expressions, adopted by UNESCO in 2005, entered into force. The Convention acknowledges that CIs significantly contribute to economic and cultural development in both industrialized and emerging markets alike.

UNESCO (2006) recognizes that its mandate and the fact that it has a dedicated statistical unit place it in an ideal position to promote and encourage research on CIs. The aim of this research activity is to make reliable and comparable data on CIs available to national governments with the objective of encouraging the emergence of organic statistical standards (UNESCO, 2006).

In 2009, UNESCO updated its framework for cultural statistic (FCS), creating a new tool for the organization of national and international cultural statistics (Figure 4).

This tool is relevant for CIs as well; in fact, UNESCO (2012) identifies six areas of intervention for the development of "cultural and creative industries":

- ◆ promotion of competition and innovation;
- ◆ strengthening of capacities, resources and training;
- ◆ improving production infrastructure and develop investments;
- ◆ facilitating access to funding;
- ◆ improving the legal and regulatory frameworks; and vi) developing local and international markets.

In 2013, UNESCO published, jointly with UNDP, a special edition of the Creative Economy Report, confirming the importance of CIs for economic development. UNESCO supports the notion that specificities of CIs exist at the country-level, but also finds some communalities across countries (UNESCO, 2013).

- **Cultural heritage**
- **Creativity and medias**
- **Functional creations**

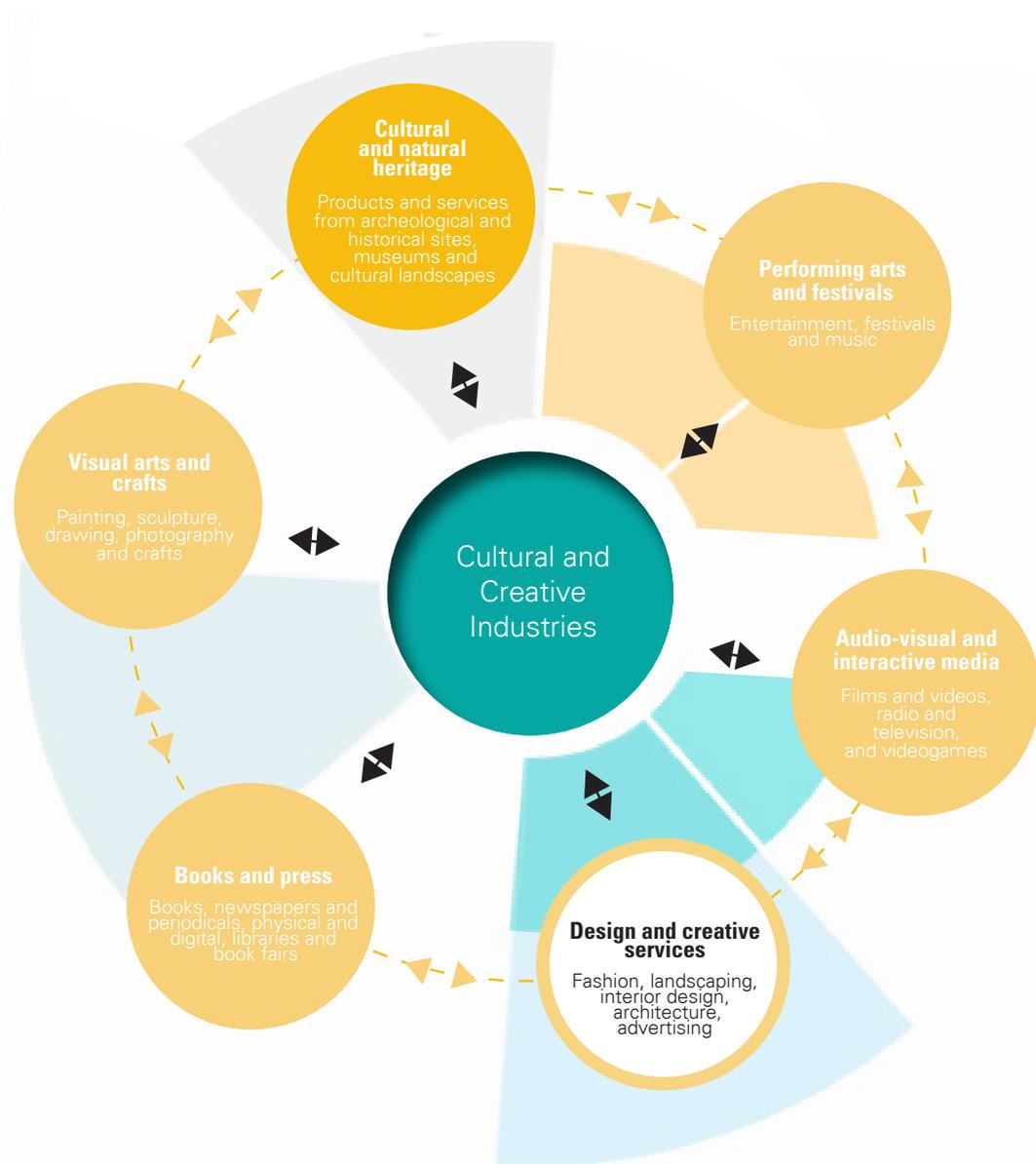


Figure 4  
UNESCO's framework for  
cultural statistics domains





## CHAPTER 3

UNIDO and the creative industries

## UNIDO

UNIDO has supported the growth and development of CIs in many countries. The strategy and methodology applied in implementation have evolved continuously. UNIDO activities typically entail value chain analysis (VCA) and cluster development to identify the areas in which small scale enterprises and individuals can engage in value creating activities. In order to promote its goal of inclusive and sustainable industrial development, this Working Paper recommends that UNIDO apply a creative ecosystem approach to CI development, incorporating elements of VCA and cluster development without the constraint of geographical proximity.

UNIDO's focus on CIs is especially relevant given that the targets of CI development support programmes increasingly are SMEs rather than large MNEs (Flew and Cunningham, 2010). This is attributable to the connotation of the creative sector's structure as an "hourglass", with a few big players surrounded by a large number of SMEs (Deuze, 2006). The loose structure of such creative networks is an important source of innovation and needs to be addressed properly with policy frameworks tailored to support these SME networks (Flew and Cunningham, 2010).

One of UNIDO's objectives is to alleviate poverty through productive activities with special attention on the most vulnerable groups such as women, youth and rural communities. In this regard, UNIDO has progressively supported countries, providing technical or policy level support in various sub-sectors. In this Paper, we analyse UNIDO's current approach to CI development and put forward a model that encourages a shift towards a more holistic approach focusing on the interface between cultural knowledge and technology with industry and development.

UNIDO has been at the forefront in fostering and promoting the role of CIs. The framework of the organization is work-in-progress and is showcased through UNIDO's projects. We argue in favour of the development of such an approach towards a structured intervention along three levels of action: micro, meso and macro.

This Paper draws upon other UNIDO working papers, technical reports, guidelines and studies and aims to contribute to the current approaches that seek to foster CIs. To better illustrate the role of UNIDO, it is useful to provide a brief description of selected UNIDO activities that are applicable to the needs of CIs:

### Policy studies

are prepared with the objective of supporting policymakers and stakeholders in the improvement of the industrial governance system and policy formulation, implementation and monitoring of strategies, policies and programmes to enhance productivity, innovation and learning.<sup>5</sup>

### Creativity and Innovation

Most, if not all of UNIDO's projects and activities in the field of MSEs, promote creativity and innovation in components of value chain development for value added. Craft development projects have been and are being implemented in several countries. For example, in Bhutan, support was provided by developing and nourishing community-based tourism in the country. The assistance came in the form of support for the traditional textile sector and specific cultural products as inputs for the community-based tourism sector. The technical assistance provided intended to enhance product development with marketing analyses, packaging and innovative designs, quality, value-added production and entrepreneurial competencies that will lead to job creation and (self) employment.<sup>6</sup>

### Technical Assistance

UNIDO SUPPORT PROGRAMMES FOR MSEs: Supporting the integration of more advanced SMEs into global value chains and procurement networks are seen as integral steps. This includes the promotion of horizontal, vertical and regional networks of enterprises,

<sup>5</sup> Ibid

<sup>6</sup> UNIDO The Creative Synergy Esprit – Ten steps within Creative Industries related projects, December 2011

improvement of the collective efficiency of existing clusters of enterprises and strengthening of specialized public and private service providers seeking to address market failures working against MSEs. In developing enterprises, creative entrepreneurship training is added for micro-enterprises with emphasis on disadvantaged rural areas to reduce potential development disparities and to harness the potential of women entrepreneurs.

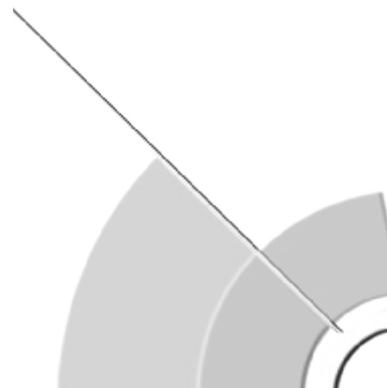
### **Structural Development Clusters**

Individual MSEs can rarely compete for market opportunities that require large production capacities, homogeneous standards and regular deliveries. Increased competitiveness can be achieved through the establishment of networks of enterprises within which each can make use of common support services and can jointly enhance their productivity and attain economies of scale. UNIDO has developed a unique MSE cluster/network development approach that has proven to be an effective tool for improving competitiveness and the growth of value chains. It may also function as support to poverty reduction systems targeting rural and semi-urban MSEs and handicraft producers. Cluster development in the CI context is especially important, as the positive externalities and spillovers generated by the firms' proximity are directly linked to the growth of creative production (UNCTAD, 2008). However, as argued later, limiting the approach to clusters might reduce the effectiveness of CIs' development impact.

### **Marketing Support**

The objective is to support producers within UNIDO-assisted clusters to improve their marketing strategies and to increase their opportunities for entering responsible trade distribution channels, the global value chains and markets. Strong marketing skills are essential for creative goods and services to generate value. The above-mentioned activities were implemented to facilitate the countries' development goals.





Furthermore, UNIDO supports institutions such as governments, NGOs and civil society groups in undertaking initiatives such as mapping partners at local and international level, helping to establish a web-based information platform accessible to cluster participants, providing a showcase for available products from the producers of each cluster.

UNIDO's CI activities are based on the DCMS's outline of 13 creative sectors discussed earlier. Similarly to other multilateral organizations, the rationale for UNIDO's CI activities originates from a deep appreciation of the impact these industries can have on socio-economic development. UNIDO's work focuses primarily on MSMEs, seeking to remove the obstacles that prevent the full development of creative entrepreneurship. The "Entrepreneurship for creative industries" programme targets the development of MSMs in CIs along three axes:

- ◆ The policy level by promoting a conducive framework for CI
- ◆ The institutional level by capacity building of business service providers
- ◆ The enterprise level by providing training to existing and potential MSME entrepreneurs

The projects carried out under this framework are implemented by the Rural Entrepreneurship Development and Human Security Unit and involve China, Egypt, Bhutan, Haiti, Ethiopia and Pakistan. The aim of these projects is to develop CIs by addressing macro, meso and micro level challenges to promote the inclusive and sustainable development of creative enterprises. UNIDO has also carried out case studies jointly with UNESCO in Iran, Pakistan and Thailand<sup>7</sup>.

UNIDO's work has also specifically targeted women (who make up 25-30 percent of MSEs globally) and youth<sup>8</sup> entrepreneurs.<sup>9</sup>

The way forward cannot disregard the importance of validating a methodology for the sustainable and inclusive development of MSMEs in the creative sector. While such a tool is not yet available, UNIDO is currently developing a holistic approach that will foster the sustainability of technical cooperation and capacity-building programmes. Such an approach will target the local marketing of improved CI products (micro level); demand-supply assessment and cooperation between firms and educational institutions<sup>10</sup> (meso level)<sup>11</sup>; and policymaking for CI development<sup>12</sup> (macro level).

These three dimensions coexist in the CI system and in the framework of the approach proposed in this Paper to create a virtuous cycle that continues to prosper even in the face of a lack of external incentives. This newly proposed approach has been partially applied in previous UNIDO projects<sup>13</sup>, but a comprehensive standardized approach needs to be established.

7 See: Creative Industries and Micro & Small Scale Enterprise Development: A Contribution to Poverty Alleviation, available at [http://www.unido.org/fileadmin/user\\_media/Publications/Pub\\_free/69264\\_creative\\_industries.pdf](http://www.unido.org/fileadmin/user_media/Publications/Pub_free/69264_creative_industries.pdf)

8 The record number of 45 million of which are unemployed worldwide.

9 See: Creative Industries for Youth: Unleashing potential and growth, available at [http://www.unido.org/fileadmin/user\\_media/Publications/Neue\\_Broschuere\\_Stand\\_08\\_01\\_2013.pdf](http://www.unido.org/fileadmin/user_media/Publications/Neue_Broschuere_Stand_08_01_2013.pdf)

10 The strengthening of this relationship aims to ensure that a qualified work force is made available for CIs. It will also result in ideas incubators. The outcome will be a virtuous cycle based on technological advancement and innovation that can exist without the need for external incentives.

11 Cooperation for technical and entrepreneurial capacity building in CIs.

12 This dimension is especially important because it can shape the reputation of CIs in society. The aim is to obtain a specific status for CI employees and to launch a campaign for the promotion of CIs as legitimate and value generating actors in the national economy.

13 In Ethiopia, there was a strong focus on local marketing and local skills. This very successful project lacked meso and macro dimensions, however, which hampered its sustainability in the long run. In Bhutan, both a macro (national strategy development) and a micro (creation of local tourism destinations) level approach was taken, but not at the meso level.



## CASE 1 - BHUTAN

Community-based tourism in Bhutan

## COMMUNITY-BASED TOURISM IN BHUTAN

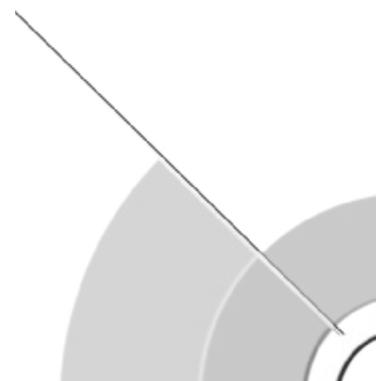
Bhutan has a tremendous cultural heritage and traditions that are still intertwined with everyday life. At the request of the Government of Bhutan, UNIDO jointly developed and supported community-based tourism within CIs across the country. This was achieved by innovating the traditional sector and cultural specific products as an engine of economic growth in Bhutan.

Promoting CIs to develop MSMEs as a source of generating income that will benefit rural development and the employment of young people and women is highlighted in Bhutan's 10th Five Year Plan 2008-2013. UNIDO's assistance is directed towards cultural specific products that are recognized as engines of economic growth. UNIDO's assistance focused on two levels, namely the micro and meso level:

- ◆ At the meso level, training institutions such as VTCs were strengthened. VTCs were primarily supported in the design of trainings programmes. The goal was to establish an institutional support system that will help develop MSMEs and individuals in their value addition, market linkages and capacities through various trainings. The technical assistance was also intended to enhance product development with marketing analyses, packaging and innovative designs, quality, value-added production and entrepreneurial competence that will lead to job creation and (self) employment.
- ◆ At the micro level, support for individuals and MSMEs was provided in terms of training in various technical skills and entrepreneurship. The importance of micro

level entrepreneurship is highlighted in the capacity of individuals and MSMEs to pursue business opportunities. The competitive and vibrant nature of CIs requires producers to adapt to various changes quickly, and this requires specific business know-how. The project trained individuals in entrepreneurship and design in order to acquire know-how of business transactions and help them in their small enterprises. The intervention focused primarily on the rural areas, which produce various crafts intended for the tourism sector.

- ◆ This pilot project was based on a UNIDO TC programme in close collaboration of UNDP and UNESCO to develop CIs designed to impact on the MDGs, specifically, private sector development and job creation for women and youth. The project strengthens VTC's institutional capacity and facilitates value addition by MSMEs. At the macro level, assistance is provided to develop a National Entrepreneurship Strategy (NES) which should contribute to CIs' ecosystem in the long run.





## CASE 2 - CHINA

Local economic development for ethnic minorities through creative industries

## LOCAL ECONOMIC DEVELOPMENT FOR ETHNIC MINORITIES THROUGH CREATIVE INDUSTRIES

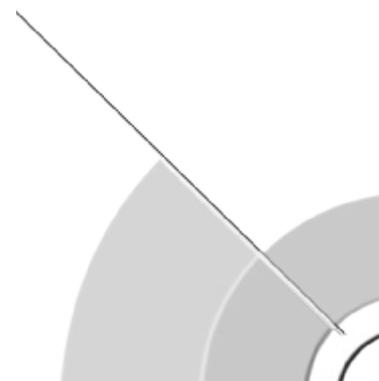
Local economic development is one of China's key priorities. To contribute to this development, a project under the Spanish MDG Achievement Fund – China Culture and Development Partnership Framework (CDPF), was implemented. It is a joint programme that aims to design and implement policies that promote the rights of ethnic minorities in Guizhou, Unnan, Tibet and Qinghai. The project aims to empower ethnic minorities so they can better manage their cultural and creative resources to benefit from culture-based economic development, thereby also promoting vibrant and inclusive communities. Specific needs in two major areas have been identified: to strengthen the inclusion of ethnic minorities in cultural, socio-economic and political life through policies and services; and to empower ethnic minorities in managing cultural resources and to benefit from cultural economic development.

The intervention focused on the macro and micro level, namely on the promotion of policies towards ethnic minorities and on capacity building of ethnic groups.

- ◇ At the macro level, the intervention provided institutional support in policymaking specifically for the socio-economic and cultural rights of ethnic minorities. The project provided policy information for the arts and crafts industry. Market assessment, policy and institutional reviews were carried out in the Guizho Province.

- ◇ At the micro level, UNIDO's technical assistance provided entrepreneurship and business development services to the beneficiaries, specifically those working in the handicraft industry. Women and youth have been the primary targets. The groups are encouraged to start their own businesses and to create more employment opportunities in the community.

The project enhanced the capacities of ethnic minorities in self-development and in setting up their own livelihoods. Networks have been established between local craft associations and the government, as well as with global market outlets. The Seal of Excellence for Handicraft (SEAL) programme provided training to local artisans in marketing and in developing product lines for crafts with a quality seal. The project has raised awareness and sensitivities towards integrating ethnic minorities and has promoted local stakeholders to adopt a more culturally sensitive approach to community development and local job creation.





## CASE 3 - EGYPT

Mobilization of the Dahshour world heritage site for community development

## MOBILIZATION OF THE DAHSHOUR WORLD HERITAGE SITE FOR COMMUNITY DEVELOPMENT

Egypt recognized the development potential of CIs. UNIDO was asked to support and assist the pilot Dahshour Programme in 2009 jointly with other UN agencies. This joint programme aims to preserve the cultural heritage and natural resources of the Dahshour area by promoting CI development in the surrounding communities. It is designed to focus on catalysts for socio-economic development and encapsulates an innovative approach to culture and development by engaging the date-palm communities, motivating women and youth as beneficiaries and guardians of heritage.

The Government of Egypt, through the Industrialization Modernization Centre (IMC), situated in the Ministry of Industry, joined hands with local communities in Dahshour to promote CIs and cultural traditions. The human skills factor is considered to be one of the most important competitive elements in the creative and ethnic products sub-sector.

The project focused on the micro level:

- ◇ The project concentrated on one level of action providing training and business support to MSMEs and individuals. The project provided technical know-how and business skills to local communities and the capacity to adapt to market demand. Thus, this project addressed the constraints MSMEs face within the Dahshour community in such areas as technology, product design for innovation, marketing and building value chain linkages. The project highlights the importance of creating an international platform for product innovation and creative solutions between stakeholders, designers, artisans, organizations, entrepreneurs and the business community.

With its CI approach, UNIDO's technical assistance focuses on harnessing cultural and intellectual productive activities that support innovation and creative entrepreneurship, increasing the value of traditional knowledge with designs for niche markets. Cultural and traditional designs are transformed into creative products that feed into and add value to furniture, textiles and jewellery sub-industries. With the close involvement of the IMC as one of the main stakeholders for implementation, the macro level assistance for policy formulation was clearly incorporated. However, due to political unrest and major security constraints during the so-called Arab Spring movement, IMC was dissolved and could not continue its involvement in the project.



## CASE 4 - PAKISTAN

Women Entrepreneurship Development (WED) in non-traditional CIs

## WOMEN ENTREPRENEURSHIP DEVELOPMENT (WED) IN NON-TRADITIONAL CIs

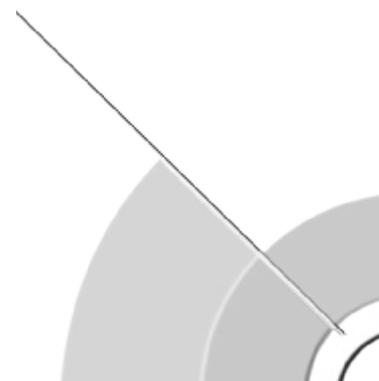
Pakistan has a rich cultural heritage, which includes traditional skills from various provinces to produce creative products. These traditional skills, which cannot be outsourced, are appealing to both domestic as well as international markets, and are mostly practiced by women. The project is a response to the need to organize women entrepreneurs in non-traditional CI-related businesses – enabling them to cater to niche demand, gain collective access to wholesale input markets, control quality, exposure to contemporary trends and to create linkages with relevant end product markets.

The project supports women entrepreneurs in enhancing the production capacities of businesses, develop marketing strategies and identify business opportunities and access to the required services and training. The Ministry of Industry and private sector partners are fully engaged in linking women entrepreneurs with business development services (BDS). The assistance focuses on the meso and micro level, but also targets macro level interventions:

- ◇ At the micro level, UNIDO has assisted with demand-driven trainings to innovate non-traditional sectors and enhance the role of women entrepreneurs on the national level through gender mainstreaming of key stakeholders to promote competitive thinking and innovation of traditional products. These programme interventions were a follow-up after a series of VCAs conducted for 3 CI sub-sectors (i.e. textiles, marble and mosaic and jewellery). The project promotes (self-) employment and creates livelihood opportunities for women through productive work and income earning activities as some of the most effective ways to alleviate poverty and empower women economically.

- ◇ At the meso level, the institutional capacity of training institutions and Business Growth Centres (BGC) were strengthened. Gender mainstreaming programmes of key stakeholders were conducted to urge these institutions specifically to support women entrepreneurs. Key activities include: decentralizing BGC, supporting institutions such as banks in business development services; gender-based value chain analysis and skills-training through training of trainers in home textiles, marble and mosaic, gems and jewellery. The project reached at least 1,000 women entrepreneurs.

- ◇ The WED programme clearly recognized that macro level work was necessary to support the CI sector and gender equality policies within the Ministry of Industry, and consequently undertook preparations to design an Industrial Modernization Centre (IMC). In addition, it worked closely with the National Chamber of Commerce, i.e. their WED Chapter, and associations of manufacturing agencies for the marble and jewellery industry. In addition, strategic linkages were set up with agencies involved in supporting eco-friendly and green businesses.





## CASE 5 - PERU

Inclusive creative industries: Innovative tool for poverty reduction

## INCLUSIVE CREATIVE INDUSTRIES: INNOVATIVE TOOL FOR POVERTY REDUCTION

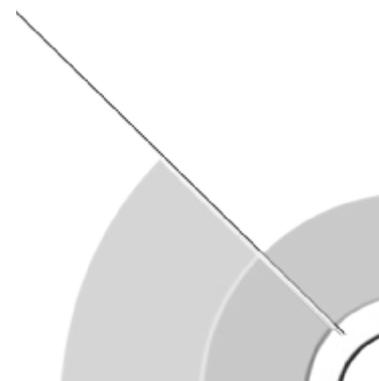
In the country's remote rural areas, thousands of Peruvians strive to earn a living from the production of traditional handicrafts and from small scale agro-food production. UNIDO, jointly with FAO, ILO, UNDP, UNESCO & UNWTO, promotes an inclusive environment for those normally excluded from economic activities. Targeted marginalized groups will be supported to increase value added, improve working conditions, strengthen cultural identity and facilitate access to new and more profitable markets. Within the programme,

UNIDO assistance focuses on the jewellery industry and contributes to the improvement of the institutional framework for the development of inclusive CIs as well as of the productive and marketing capacities of micro and small scale producers. UNIDO's intervention has been designed to include the promotion of local economic development, fostering vertical and horizontal business networks and supporting business start-ups.

The assistance focused on one level of action:

- ◇ At the macro level, the project improves the regulatory framework for the promotion of CIs by supporting institutional capacity, and at the micro level, the assistance focuses on the improvement of the manufacturing and marketing capacities of small producers through various trainings.

Within the framework of the joint programme, close alignment with and active participation of the public sector are being sought to ensure the sustainability of the approach once the UN agencies pull out. Furthermore, institutions representing the private sector are also involved in the project activities as an additional commitment to improve the livelihood of the beneficiaries. The project has assisted more than 2,000 producers and providers of handicrafts, organic food products, rural tourism and gastronomic services in the regions of Puno, Ayacucho, Cusco and Lambayeque.





## CASE 6 - ETHIOPIA

Assistance to the leather industry to develop and brand "Made in Ethiopia" products

## ASSISTANCE TO THE LEATHER INDUSTRY TO DEVELOP AND BRAND “MADE IN ETHIOPIA” PRODUCTS

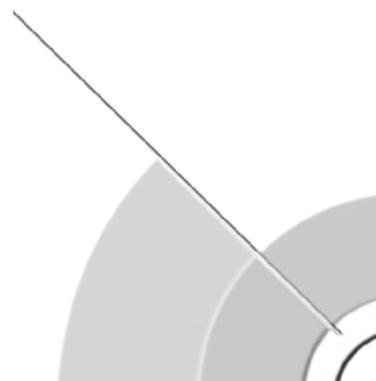
A project in Ethiopia under UNIDO’s Integrated Programme was implemented to assist in diversifying the country’s exports, which are mainly composed of primary agricultural commodities. The Italian Development Cooperation and USAID-backed project includes the introduction of value added manufactured products and by increasing the competitiveness of enterprises through product development.

Thus, factories have been assisted in the promotion of “Made in Ethiopia” branded products. The result is the Taytu Collection which is a creatively cultural and innovative marketing concept based on shifting trends in the fashion industry that redefines luxury as embracing authenticity, uniqueness and exclusiveness while rediscovering ancient values. Elegant and colourful leather handbags are a balance of handicraft, fashion and culture.

The use of traditional materials and the creation of exclusive pieces with a highly personal touch come with a creative added value: cultural references from an ancient African civilization. The collection, contemporary chic products primed in niche markets in the West and not to be confused with traditional handicrafts, are organically Ethiopian and sophisticated, delivering a charming artistic abstract edge that breathes Ethiopia.

The project focused on one level of action:

- ◇ At the micro level, the project supported enterprises through various value chain activities from tannery supplies, leather processing to design. The assistance also provided trainings in various areas. The project primarily used cultural commodities to diversify and develop current production and to develop its quality for international markets.





## CASE 7 - ECUADOR

The Montecristi Hat

## THE MONTECRISTI HAT

In Ecuador, a woven straw hat also known as a “Panama hat” has been a long tradition. Although straw hats are manufactured across Latin America, the straw hats from Montecristi Manabi province, labelled as “finos” or “superfinos”, are undoubtedly the most reputable Panama hats produced worldwide.<sup>14</sup> In partnership with the Ministry of Industry and Productivity, Institute of Promotion, Exports and Investment and IEPI Ecuadorian Institute of Intellectual Property, and funded by the Italian Institute of Foreign Trade,

UNIDO implemented a project that aimed at improving the living conditions of the stakeholders of the Montecristi Hat value chain through coordinated actions between public national and local institutions, cooperation organisms and stake holders of the entire value chain.

The assistance focused on one level of action:

- ◇ At the micro level, assistance was provided to stakeholders in the form of technical skills and capacity in the production of the hats. Skills training was offered in various areas such as design, quality and processing. At the meso level, market research, cost analysis and technical support activities were conducted to further standardize specific value chain processes, thus allowing for a more diverse product range. Furthermore, a school/workshop was developed to help improve the knitters’ performance and the quality of their hats as well as to provide insights into the legal requirements for their commercialization.

The project resulted in the establishment of a knitting association in the Pile district, Montecristi Canton, to supervise the qualitative requirements to improve the manufacturing processes, an inter-institutional convention was signed on the construction of the Pile Craft Training Centre, 30 persons trained in ancestral knitting and weaving techniques for both fine and extra fine hats and increased revenues and a related increase in the quality of life for the producers and their families.

<sup>14</sup> In 2012, through Decision 7.COM 11.12, UNESCO included the traditional weaving of the Ecuadorian toquilla straw hat in the Representative List of the Intangible Cultural Heritage of Humanity.



## CHAPTER 4

Introducing the Creative Ecosystem Approach



## 4.1 FROM THE INNOVATION SYSTEM TO THE CREATIVE ECOSYSTEM TO FACILITATE CI DEVELOPMENT

UNIDO has implemented many successful projects by applying different tools, including a cluster approach to CIs. While clusters are part of the creative ecosystem, development practitioners will benefit from a more holistic approach that incorporates clusters and takes into account the bigger picture. Martin and Sunley (2003) suggest this as well, for it is preferable to not start from a strict creative clusters approach, and creative clusters are not always found to be an appropriate tool for governance of CIs (Pratt, 2004).

Creative clusters are misleadingly considered a sub-set of industrial clusters (Kong, 2009), while the analysis of CIs must be approached with a tool that makes it possible to take account of the specificities of the industries and their location, and makes the analysis more complete by better capturing the dynamics of production (in terms of space, time and organization). Moreover, the geographical vicinity of economic actors among which important linkages exist is not a valid reason to base policies on locally-confined clusters (Simmie, 2004).

Therefore, it is proposed to opt for the development of a 'creative ecosystem' approach (Figure 6) as an enabling environment for CIs. The proposed approach builds on the Triple Helix model for national innovation systems (NSI) analysis and on the creative clusters approach while incorporating the VCA methodology and the entrepreneur-driven innovation ecosystem (EDIE). The Triple Helix model demonstrates that the systemic interactions between university, industry and government are crucial for fostering innovation (Etzkowitz and Leydesdorff, 2000; Ranga and Etzkowitz, 2013).

In this Working Paper, it is argued that such partnerships are indeed essential for innovation. However, the focus of the approach put forward here is on creativity; for this reason and because of its widespread use in other international and governmental organizations, the concept of creative clusters cannot be ignored. Clusters are "geographic concentrations of interconnected companies and institutions in a particular field" (Porter,

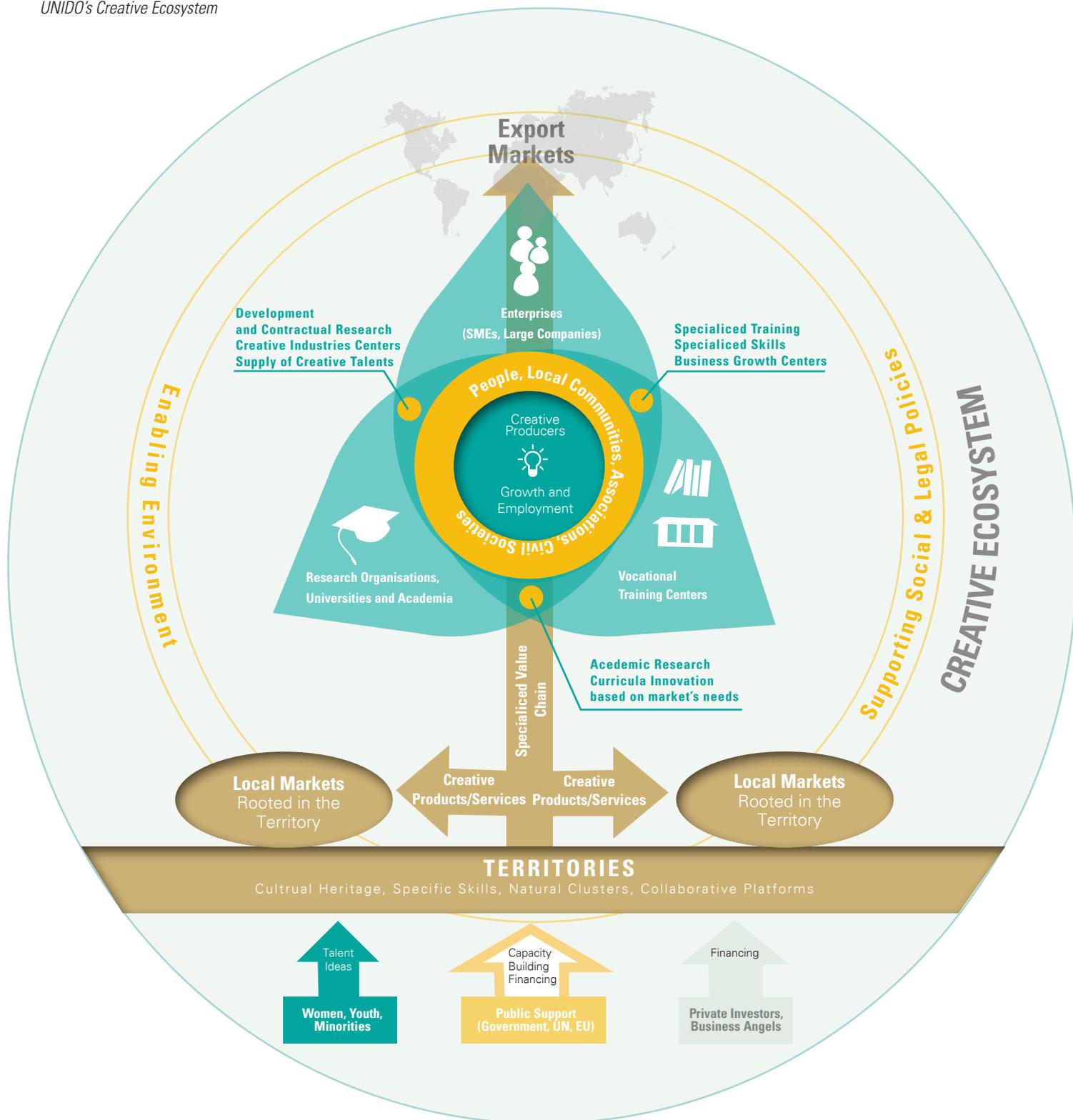
1998:78), encompassing an array of industrial entities and other institutions linked to one another. The importance of clusters, among others, lies in the leverage they provide to companies' competitiveness. The relevance of an environment that enables competition is the foundation of the creative ecosystem approach discussed here.

Creative clusters are developed as a sub-set of industrial clusters and are found to be a key player in local and regional innovation systems (NESTA, 2010). It is argued here that innovation systems do not necessarily need to be limited by national borders (nor by geographical proximity).

In the innovation and creativity model proposed by UNIDO, the creative ecosystem, the role of the government gains importance in the second stage of the CI development process. Policymakers' decisions become crucial once the targeted economic activity has been successfully integrated in a flourishing creative industry sector and durable linkages between players (communities, private sector, academia and vocational training centres) have been established. Policy support, both financial and institutional, allows the creative ecosystem to remain stable and to continue growing, eventually resulting in sustainable and inclusive industrial development.

The EDIE has been specifically tailored to the European context and offers a platform for growth and ideas exchange as well as the governance necessary to provide enterprises with a safety net, thus allowing for more ideas to translate into innovation (Esposito, 2014; World Economic Forum, 2014). The concept of innovation ecosystems is most relevant for CIs. It is argued here that a creative ecosystem that derives from the Triple Helix and creative cluster models and is based on the VCA approach represents a valid path for further CI development.

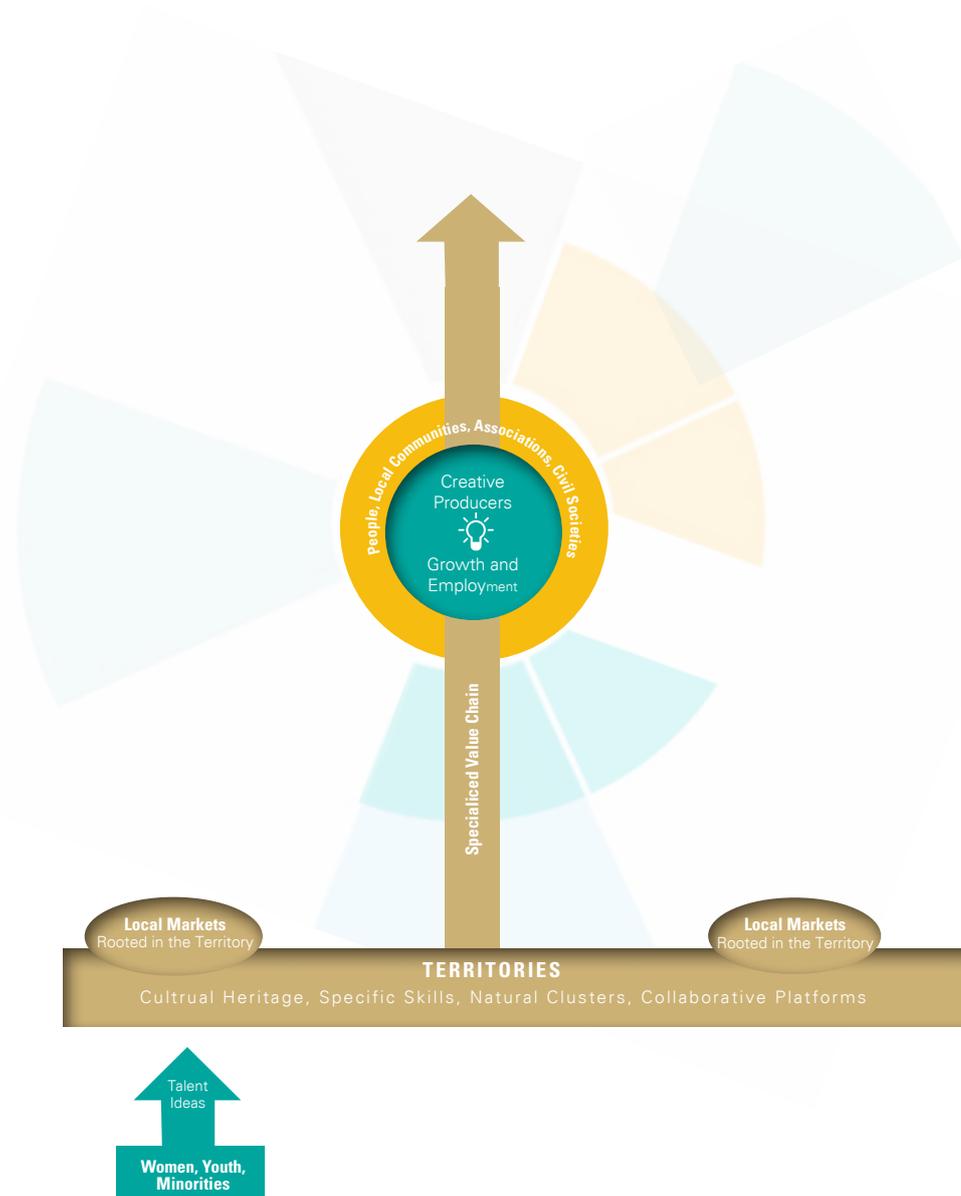
Figure 6  
UNIDO's Creative Ecosystem



A creative ecosystem is a combination of enterprises, training centres, academia and research units engaged in public and private synergies around joint creative projects in a given immaterial space that can be achieved through the links the system's members maintain between them<sup>15</sup>. This system of partnerships is organized to create a pool from where innovative, creative ideas are extracted that can eventually be used by existing companies. At the same time, these systems contribute to the continuation of spillover effects to other sub-sectors and areas, since the knowledge of human creativity is continuously renewed with new generations.



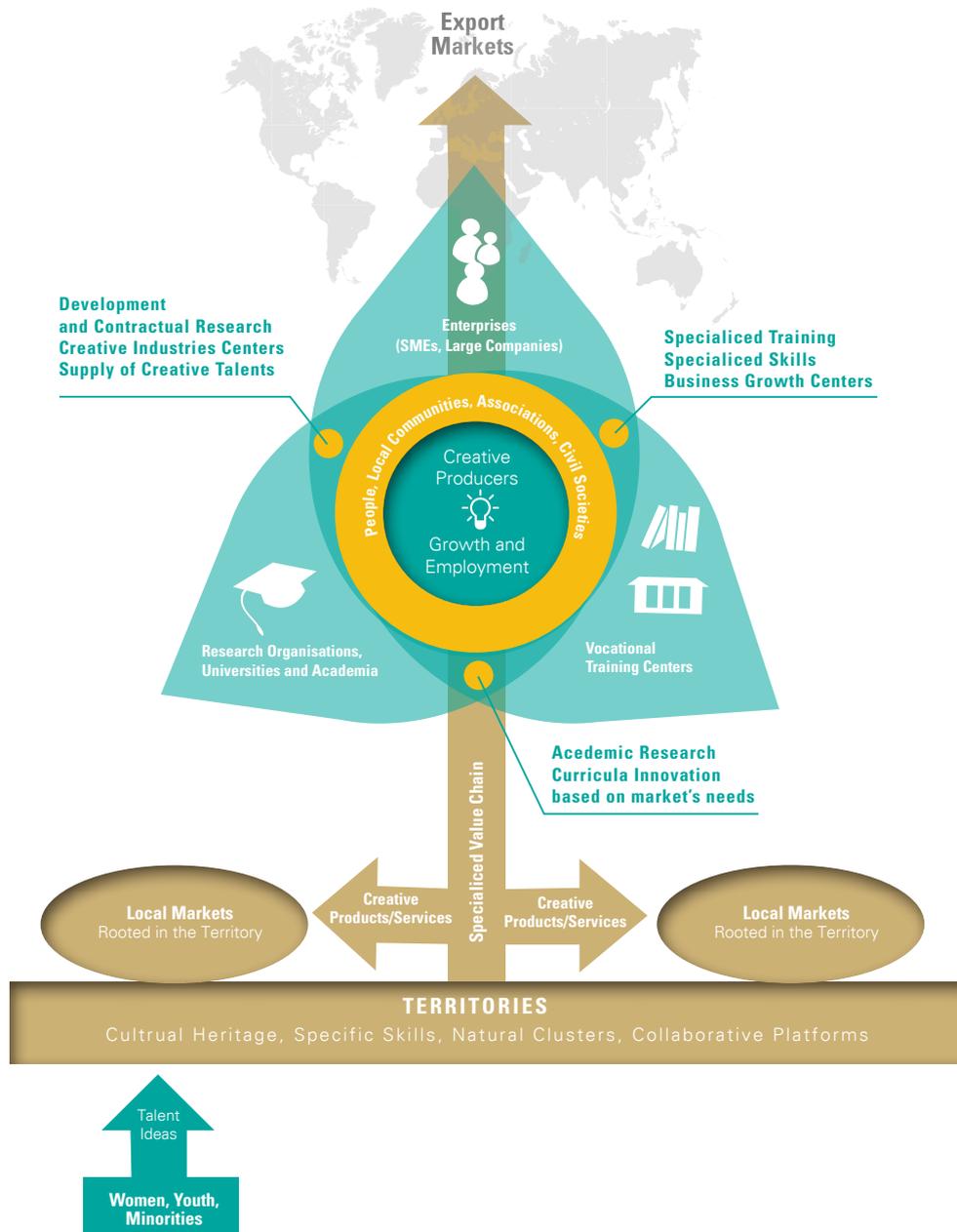
*The territory and communities are the starting point of the creative ecosystem. It is here that, through VCA, creative products and services can be identified and selected for development. In this instance, cultural heritage, traditional value chains and new clusters should be identified and analysed.*

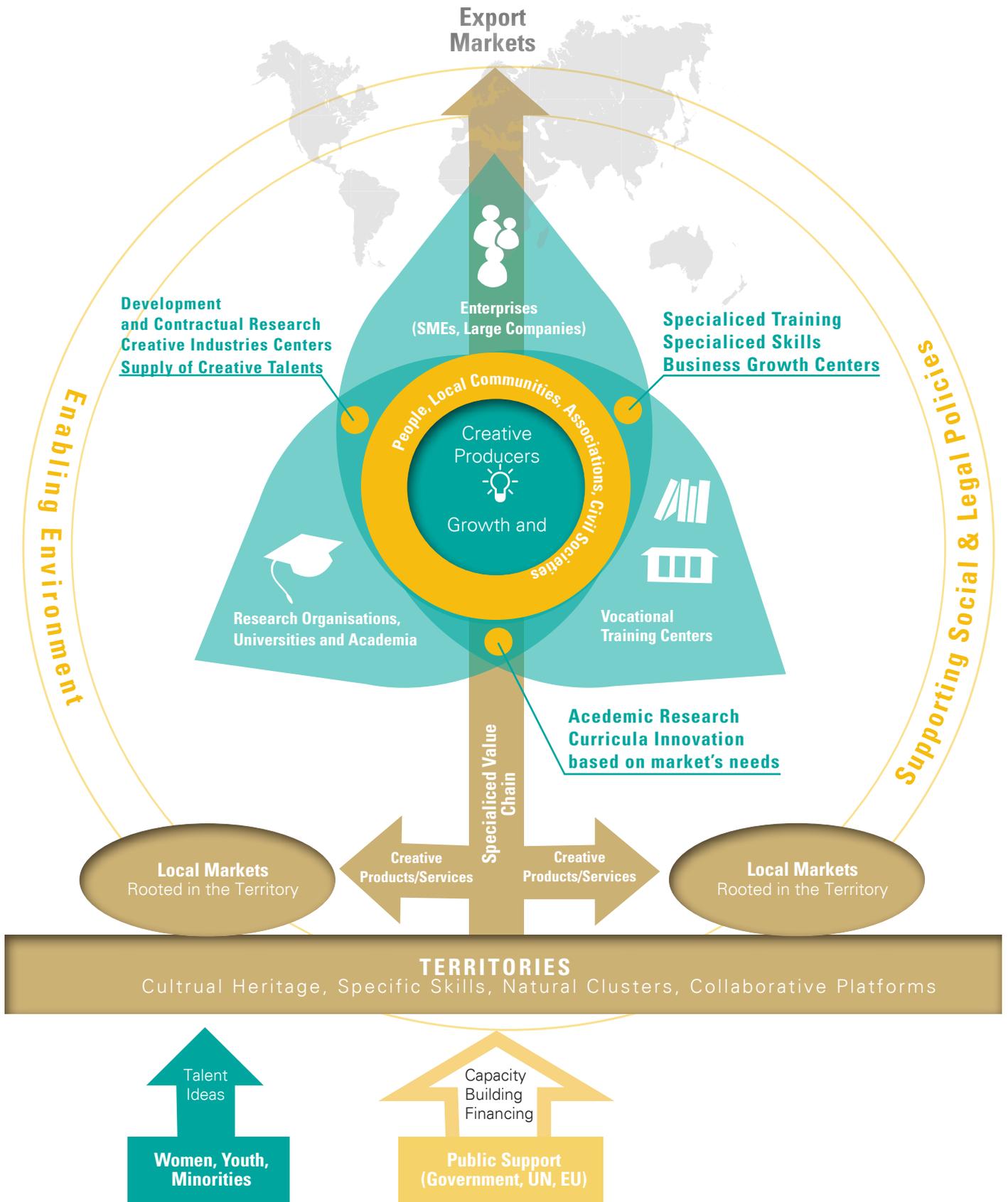


<sup>15</sup> Typically, a creative ecosystem does not require geographical proximity of actors and is not defined in a limited geographical space.

The training centres/universities and local businesses need to be linked to the people involved in the creative activities identified locally. In this regard, the involvement of enterprises (SMEs and large companies), VTCs and research institutions allow for specialized skills and training, curricula, innovation based on market needs, the creation of incubation centres for CIs and supply of creative talent. People, local communities and civil society are fully involved and benefit from growth and employment as the creative product reaches local markets.

Vulnerable groups such as women, youth and minorities contribute their talents, new designs and ideas, and public support increases, bringing about capacity building assistance and, together with private investors, financing. The workforce can thereby become skilled in the competencies needed, specifically by CIs, and corresponding entrepreneurial abilities can be developed and nurtured. The development of a Business Support Centre at this stage ensures the sustainability of this link.





*The creative product is marketed both locally and internationally, finding new partners to develop CIs and to allow for further value creation. Supporting legal and social policies developed at this stage creates an enabling environment that allows for a further development of the supply chain and the expansion to export markets.*

It should be noted that the establishment of creative ecosystems has its inception at the local level, within the communities or the traditional natural clusters present in the territory, by identifying value chains and linking communities/clusters to the territory. The first spark of the ecosystem is generated by this type of intervention at the early stage of a project. In practical terms, the areas of intervention at government level to foster CI development have been found to fall under six main categories (Foord, 2004):

- i) Property and premises strategies;
- ii) Business development, advice and network building;
- iii) Direct grants and loans schemes to creative business/entrepreneurs;
- iv) Fiscal initiatives;
- v) Physical and IT infrastructure; and
- vi) Soft infrastructure.

For CI development policies to be effective, they must result from a solid institutional mechanism of multi-stakeholder dialogue (UNCTAD, 2010).

Usually, universities, vocational training centres and sectoral associations bringing together the existing companies can be the starting point for creative ecosystems. From there, a strategy can be put in place for the development of the system by basing its “raison d’être” on the country’s natural resources and cultural heritage<sup>17</sup>. The governance of the system is ensured by classifying members in five groups:

- i) the individual entrepreneurs;
- ii) the private sector agencies and organized business associations;
- iii) the research and training institution, including academia;
- iv) the communities;
- v) the government agencies (central or local through the hub).

The key question on interventions and policies is their sustainability and benefits to society. For this reason, UNIDO’s approach does not consider creative ecosystems to be separate entities that function with other bodies, but rather interconnected spheres that function together and complement one another. The people and the communities that function within these intertwined spheres are the key actors.

As shown in Figure 6, the link between enterprises, university, research and academia and vocational centres would ideally result in creative products and services, thus ensuring employment and growth for the country. When these three actors converge, sustainability is extremely high because not only are people being educated and trained, they are also connected in the value chain and to the market.

From UNIDO’s experience, this is a functional setup that creates considerable balance in all of the forces involved in CIs and is highly sustainable.<sup>18</sup> The next section looks at the environment of creative ecosystems and how they enable the industry to either flourish or be constrained. As aforementioned, the creative ecosystem approach is a more comprehensive tool for CI development and governance than creative clusters alone.<sup>19</sup> We can understand and interpret creative clusters as part of or as a sub-sector of a creative ecosystem, where more than one cluster may exist. However, a creative ecosystem approach towards CI development is not based on the notion of geographical concentration.

<sup>17</sup> Without forgetting the development, economic and social benefits of CIs earlier discussed in this publication.

<sup>18</sup> For more examples, see UNIDO Publication “The Creative Synergy Esprit Effect”, available at [http://www.unido.org/fileadmin/user\\_media/Publications/Pub\\_free/SEE-Small-10.pdf](http://www.unido.org/fileadmin/user_media/Publications/Pub_free/SEE-Small-10.pdf)

<sup>19</sup> Creative clusters are defined as the combination of production and distribution activities, operating within a common structure, capable of promoting creativity, research applications and distribution systems and sponsored by both private and public financing and in some cases defined as a concentration of competitors striving together within a single economic system.

### 4.1.1 THE CREATIVE ECOSYSTEM: A FRAMEWORK FOR ANALYSIS OF CREATIVE INDUSTRIES AND IMPLEMENTATION OF CREATIVE INDUSTRY SUPPORT ACTIONS

An essential component of a successful industry is an enabling and conducive environment; it is essential to gain effective support at all levels - from the public, -private and education sectors to the community and people. UNIDO's actions reflect the conviction that such an environment should be ensured in order to guarantee an industry's inclusive and sustainable development. In the case of CIs, such an environment is one that promotes creativity and innovation, comprising numerous aspects - from infrastructure development to local governance, to fiscal and legal frameworks. In many developing economies, an enabling environment in which CIs could flourish is lacking. It is argued that development practitioners should bear this in mind when designing projects aimed at CI development.

Such an enabling environment ensures the sustainability and durability of the creative ecosystem and streams from the systematic coordination of all relevant actors - from the public sector to the private sector, civil society and educational institutions. This could be seen as a development of the traditional public-private partnership (PPP)<sup>20</sup> approach. The approach proposed in this Paper builds on the idea of partnerships<sup>21</sup> and extends beyond its traditional binomial structure to embrace two other dimensions that are intertwined in the creative ecosystem: communities and people and the education sector (universities, knowledge-based and research institutions and vocational training centres).

Before looking at each dimension to understand their significance and the role they play, we must understand the specific role each dimension plays in the system depending on the level of analysis (micro, meso or macro) as shown in Tables 1 to 3. It is important to note in this matrix is that each sector has a greater impact at specific levels.

For example, the public sector has the greatest impact and the greatest need at the macro level of a country, such as infrastructure and legislation, while at the micro level, people and communities have the greatest impact at the micro level.

<sup>20</sup> PPP refers to arrangements, typically medium to long term, between the public and private sectors, whereby some of the services that fall under the responsibilities of the public sector are provided by the private sector with clear agreement on shared objectives for delivery of public infrastructure and/ or public services. PPPs typically do not include service contracts or turnkey construction contracts, which are categorized as public procurement projects or the privatization of utilities, where there is a limited ongoing role for the public sector. PPPs combine the skills and resources of both the public and private sectors in new ways by sharing risks and responsibilities. This enables governments to benefit from the expertise of the private sector and allows them to focus instead on policy, planning and regulation by delegating day-to-day operations. In order to achieve a successful partnership, a thorough analysis of the long-term development objectives and risk allocation is essential. In addition, the legal framework must adequately support this new model of service delivery and be able to monitor and regulate the outputs and services provided (World Bank Group, 2014 available at: <http://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>).

<sup>21</sup> Embracing the six meanings of partnership outlined by Linder (1999) as: i) management reform; ii) problem conversion; iii) moral regeneration; iv) risk shifting; v) restructuring public services; and vi) power sharing.



## THE THREE LEVELS OF INTERVENTION:

MICRO LEVEL			
Communities and people	Private sector	Education sector	Public sector and policy makers
<p>The needs of rural and vulnerable groups are identified and the specificities of the territory and its heritage highlighted. The role of the communities is crucial, as it is from and for them that the creation of the creative ecosystem is initiated.</p> <p>Communities are also the starting point for defining the applicable governance type which must be tailored to the specificities of the community in which the ecosystem is being established.</p>	<p>Value chains and/or industrial clusters from which creative pro-poor economic activities can be developed are identified; a territorial marketing approach in line with the local heritage is implemented.</p> <p>A value innovation strategy is designed and implemented in order to create a new market space and capture new demand.</p>		

Table 1 – The micro level of the creative ecosystem approach

### MICRO LEVEL:

At the micro level, action focuses on product and service development and marketing potential: entrepreneurship and creativity are key to value creation. The most important activities at this level are territorial marketing and value innovation. For a vibrant and competitive CI, it is important for creative producers to adopt entrepreneurial approaches to business development or to at least work with people who have entrepreneurial know-how. In developing countries, too many ideas are not translated into marketable products and services, and too few acts of innovative and creative origin are developed into tangible or at least “commodifiable” assets.

This can be attributed to multiple factors, not least to a “culture of doing business” that prioritizes lifestyle factors above commercial considerations or simple knowledge barriers that make commercialization too difficult. Therefore, pre-graduation entrepreneurial development and specialist business support are crucial to setting off the development of creative entrepreneurship across developing economies.

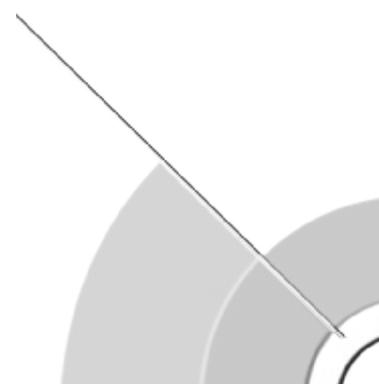
MESO LEVEL			
Communities and people	Private sector	Education sector	Public sector and policy makers
People are empowered through trainings on account of the activities of the education sector to engage in value generating creative activities.	Activities initiated at the micro level continue to be carried out and are empowered by the input of labour due to the involvement of the education sector.	A bottom up approach is applied to align universities, VTCs and other educational institutions with the needs of the local and territory-specific CIs. Trainings are provided and people enter the creative industry labour force.	

Table 2 – The meso level of the creative ecosystem approach

## MESO LEVEL:

At the meso level, the approach focuses on the creation of a network of technical and entrepreneurial learning. The most important actors are education institutions, VTCs, academia and research centres. Adopting a bottom-up approach is, according to UNIDO's experience, the most effective practice. At the meso level, practitioners apply a bottom-up approach and explore new ways of sustaining CIs by creating interconnections between the private sector, the vocational training sector and the education sector. The sustainability of a creative sector can be obtained through the development of curricula for entrepreneurs that will benefit from the help of ad-hoc support centres.

A successful entrepreneur is a business-oriented person that not only understands design, but can also manage a design project from start to end (i.e. from the procurement of raw materials to the sale of the final good), and can solve problems creatively. This does not necessarily imply that the entrepreneur is the designer, but she/he can find the necessary expertise in these creative ecosystems from collaborations with enterprises, VTCs and academia, and eventually with private sector agencies.



MACRO LEVEL			
Communities and people	Private sector and policy interventions	Education sector	Public sector and policy makers
Communities and people are now part of a stable, durable, inclusive and sustainable creative ecosystem that defines an economy where creativity is ever-present.	CIs evolve into a creative economy, where creativity is present at all levels. The ecosystem is stabilized by the intervention at the macro level.	On account of the policy support (institutional and financial), research institutions carry out R&D activities directly linked to the CI in order to generate innovation.	Policymakers appreciate the benefits of the creative ecosystem and gain interest in developing a sustainable and inclusive creative economy. The evidence-based industrial policy is designed with the support of policy advisors.

## MACRO LEVEL:

At the macro level, measures are directed towards the policy support environment, the role of the state and the organized private sector and support CIs through targeted policy instruments. The role of development practitioners in this regard is to provide advice to policymakers who want to establish strong cultural policies following the successful implementation of a creative ecosystem. The measures implemented by development practitioners at this stage should focus on providing policy advice to governments in order to kick-start the shift from a creative industry characterized by a sectoral approach to a proper creative economy, where creativity is pervasive at all levels. An enabling environment must be provided for CIs, either by the central government (state level, federal level) or by local governments (city administration, rural administration) and agencies such as the Chambers of Commerce, Industries and Trade.

Problems related to access to funding could hamper the sector's development process unless removed by policymakers. Credit accessibility, loans and crowd funding options have to be addressed to create a jumping-off point for those seeking active participation in the CI. Another feature that can be made available at the macro level is connection with the CI's communication infrastructure. Effective communication allows for a strong connection of the CI with global markets, which is

crucial and if not addressed, may hinder the development process of CIs.

These three levels of action should be tackled simultaneously throughout a CI development project to allow for the creative ecosystem to be established and prevail. However, due to the complexity of this holistic approach, measures usually focus on only one or two levels (e.g. the micro and meso, meso and macro or only macro). In the future, the use of the three-level holistic methodology is envisioned but this requires the model to be further developed. Project and global forum experience has proven that practitioners must continuously refocus their technical assistance regardless of what level they have reached. It is necessary to effectively adapt to the possible changes in the priorities of stakeholders and recipients. Within the creative ecosystem approach, there is room for cluster development, and we argue that this should occur within a holistic development of the CI. UNIDO's approach to cluster development has proven successful (UNIDO, 2009) and was applied, among others, in India, Ecuador and Nicaragua; therefore, when the situation allows, it should be part of the creative ecosystem. However, as already argued, current demands call for a more comprehensive approach with a wider network of partners joining forces in an ecosystem for CI.

*Table 3 – The macro level of the creative ecosystem approach*

## 4.2 THE MICRO LEVEL

### 4.2.1 COMMUNITIES AND PEOPLE

At this level, the main focus lies on communities, entrepreneurs and individuals. The need for creativity and entrepreneurial qualities depends on the willingness, opportunities and passion of individuals. Three main factors enable CIs: commitment to a creative enterprise, creativity and innovation as vectors for value creation and solid entrepreneurial qualities.

Entrepreneurial qualities are strongly linked with the education sector, specifically with VTCs and academia. Once the actors have acquired an entrepreneurial attitude towards the economic ventures they want to undertake, they must acquire effective management concepts to establish a company. This can take place as early as the secondary level.

The entrepreneur needs to acquire skills in the following fields:

#### Marketing

Marketing is the spear of a company to penetrate markets. Marketing is often understood as a synonym of appealing communication, whereas marketing activities in fact configure the product the company offers on the market in order to: i) make it appealing for the customer (acceptable price and value for money); and ii) efficient for the company in terms of turnover and margin. In the context of the creative ecosystem, the use of territorial marketing and branding is preferable. This type of marketing brings about advantages for the social system, the productive system and the communication networks (Aranda and Combariza, 2007).<sup>22</sup>

#### Finance

Finance can sometimes be easily reduced to costs and earnings. When a manager knows what the cost of the product and/or service proposed to the customers is, she/he can easily calculate a margin to determine a selling price that is convenient for both parties (the company and the customer).

#### Production

The focus of production and services design is on the quality of the final product or service. Sometimes quality can be a differentiating factor for actors in developing countries where the companies differentiate their offer for local and for export markets. If companies considered the demands of customers as universal (e.g. all customers want quality), this would translate into a benchmark to judge other players in the sector. Competitors would therefore either comply or disappear or even propose a better quality product.

#### Corporate governance & human resource management

Provided that the context allows for it and if adequate knowledge on the legal payroll exists, the approach to governance and human resource management in creative companies needs to apply a stakeholder approach to human resources. Pigé (2008a, 2008b, 2009, 2010)<sup>23</sup> defines stakeholders as actors holding a resource used by the organization and therefore exposed to the risks of the organization.

This means that the company should consider all employees as having an interest in the development of the company and thus deem them "shareholders".

<sup>22</sup> The necessary steps to implement a territorial marketing approach are: i) placing the information at the heart of the approach; ii) market analysis; iii) study the market environment; iv) assess the competitive position of the territorial offer; v) analyse the relationship of supply/demand; vi) summarize the evaluation of land supply in terms of demand and market conditions; vii) create an ambition; viii) build on its primes in defining its position; ix) construct the partition by the "marketing mix"; x) optimize the action plan.

<sup>23</sup> Pigé, B. (2008a), *Gouvernance, contrôle et audit des organisations*, Economica, Paris.

Pigé, B. (2008b), *Ethics and corporate governance: Freedom space and responsibility*, working paper.

Pigé, B. (2009), *Stakeholder Capitalism, the Organization as a Cooperative Gamble*, working paper.

Pigé, B. (2010), *Ethique et gouvernance des Organisations*, Economica, Paris.

The model of governance to be adopted by newly created CIs must be developed according to the specificities of the given territory. It is necessary to avoid importing without critical assessment of governance models that worked in different contexts. Rather, it is imperative to incorporate the features of the community in an ad-hoc governance model.

Empowering through ownership is an essential incentive for CIs to be successful. The need for communities and people to recognize and own their cultural heritage is a pivotal step in the development of CIs. Policies aimed at supporting and maintaining cultural values and ideas within society are quite common, however, a concrete solution is necessary not only to preserve culture throughout all segments of society but also to use it as an inspiration for entrepreneurs and artists to own and empower their activities.

There is an underlying need for entrepreneurs to acquire the capacity and opportunity to take part in CIs, which in many cases can be met, thanks to various forms of policy support. One interesting example is the establishment of business support centres and industrial parks. The Business Support Centre (BSC) acts like a hub, constituting an avenue for business development and culture preservation as well as a place for entrepreneurs, artists and, most importantly, the community to witness their cultural heritage.

A BSC provides for the following:

#### Business support and assistance to start ups

The BSC would feature a business support system for aspiring entrepreneurs as well as individuals trying to start a business. The support could come in various forms such as legal help in establishing a business, business mentoring and guidance as well as support in finding investors.

#### An image bank for cultural preservation

The BSC may feature an image bank, where images and videos of colours, designs, patterns and shapes constituting the cultural heritage of a country are saved and where people from various segments of society can have access to them and use them as an inspiration to create new products. This at the same time allows for the preservation of culture throughout generations and strengthens the existing design inspirations of artists and entrepreneurs working in CIs.

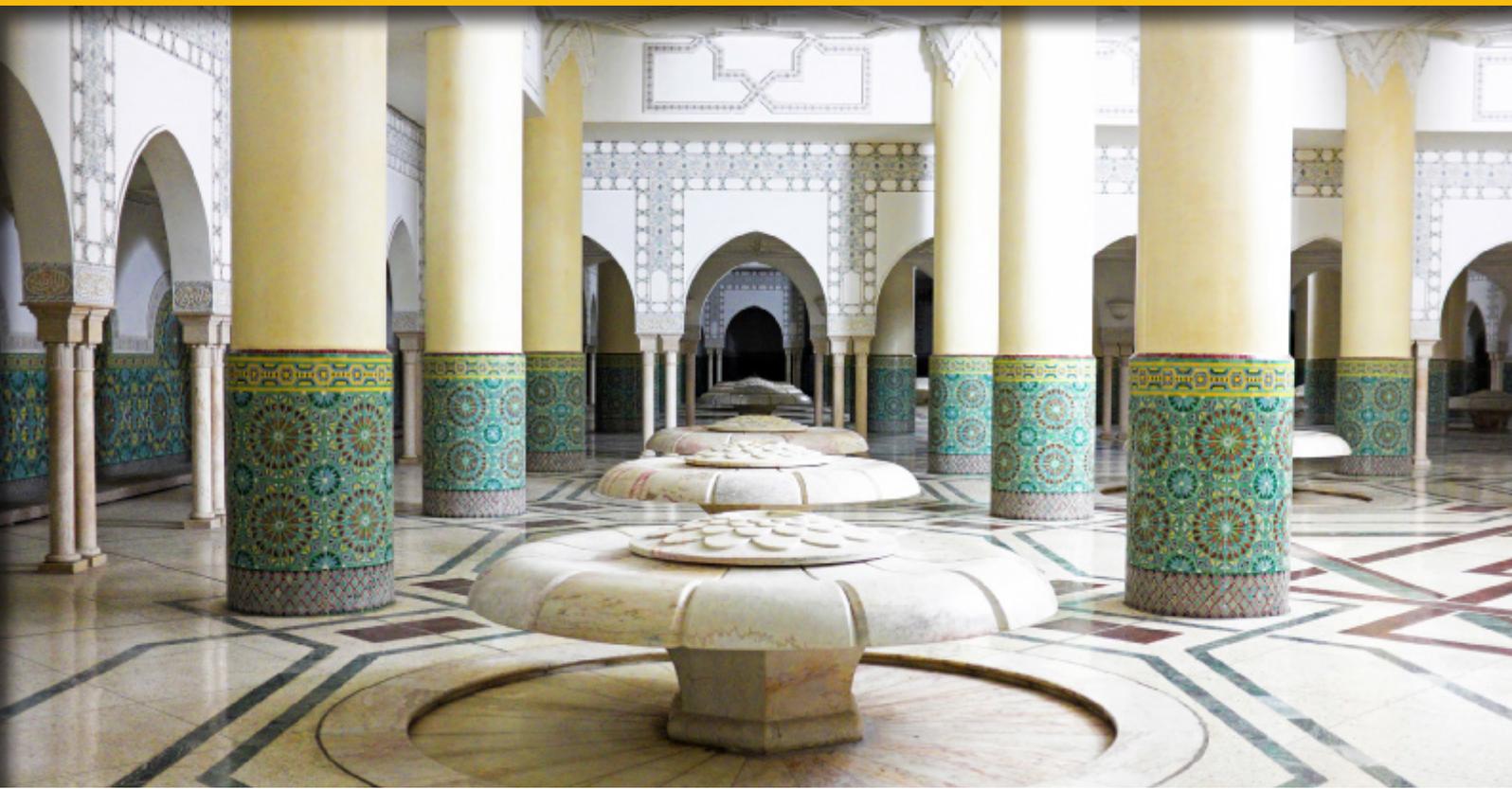
#### Skills training and equipment for production

The BSC can be an avenue for artisans, craftsmen and artist to produce specific outputs through the centre's stations and with its equipment. The aim is to provide a place for people to be inspired by their own culture and to also have a place to design and create, eliminating the initial obstacle of capital and resources limitation.

#### Market place and exhibition option

The BSC can also be an avenue for artists to sell and exhibit their outputs to various audiences. This would enable them to establish a potential link to the market as early as possible and gain an understanding of what to produce and who to produce it for.

Granting access, especially to vulnerable communities, is crucial because it not only empowers them through knowledge and information, but also allows them to build an avenue where productive activities can start to flourish.



## 4.2.2 PRIVATE SECTOR

The private sector agencies' role in the creative ecosystem is pivotal due to the need to connect the economy to the market and because the private sector can facilitate the entry points and marketing for the creative outputs of CI entrepreneurs. The development of territorial marketing, for example, is a key enabling step that is ideally facilitated by the private sector.

Value and innovation are fairly abstract terms and as a result, are open to broad interpretation. To help us explore this link between value, creativity and innovation, the following definitions may offer further insights:

**VALUE** is the degree to which a service is relevant and effective, or more specifically, the degree to which the service aligns with customer needs and the effectiveness of service delivery in satisfying those needs.

**INNOVATION** is the creative use of what exists or is known to create something new and different. Innovation is the creation of new concepts, new products, new services or new processes to deliver services that differ from products of competitors.

According to the value innovation theory (Kim and Mauborgne, 2005), value and innovation must be equally emphasized. On the one hand, a value-centred approach that disregards innovation creates value on an incremental scale, but is not sufficient to make a product stand out in the marketplace.

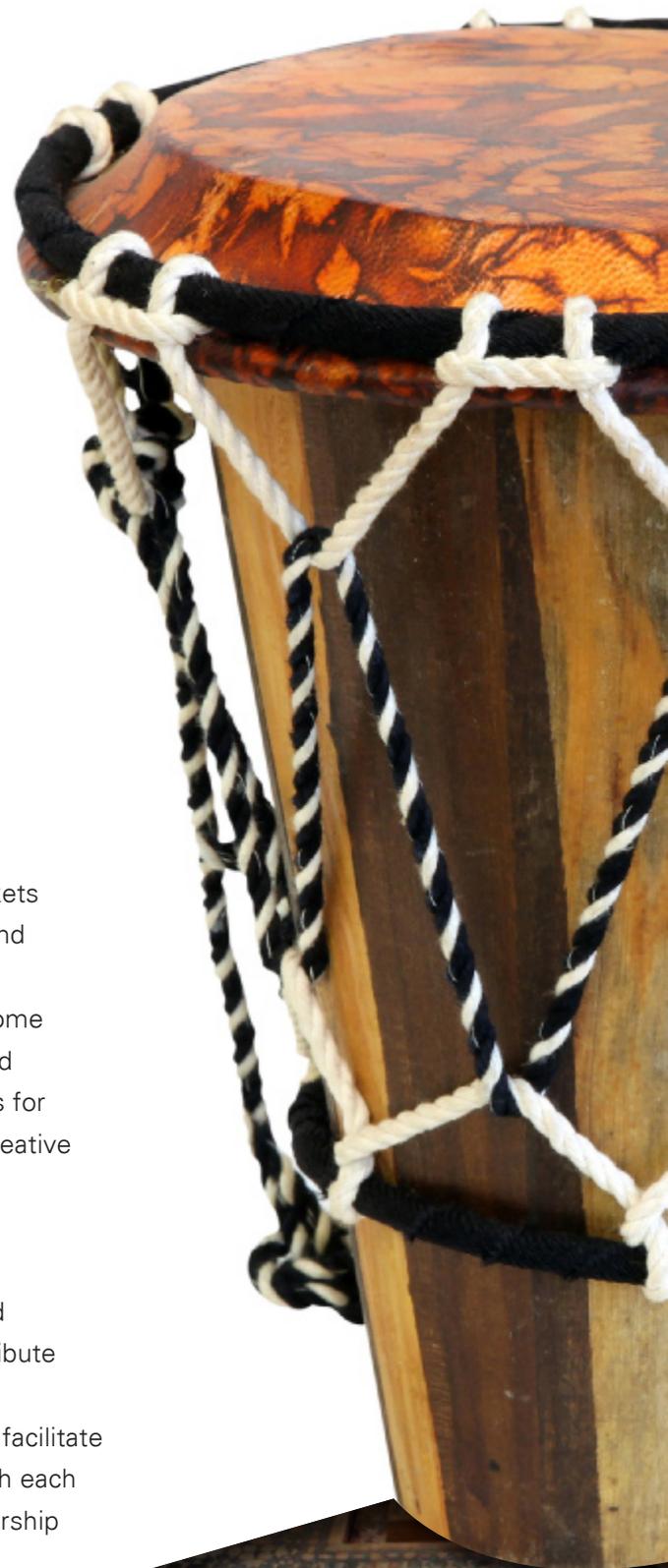
On the other hand, innovation without value tends to be technology-driven, market pioneering or futuristic, often shooting beyond what customers are ready to accept and pay for. Value innovation occurs only when individuals align innovation with utility, price and cost. The right strategy is to drive down costs while driving up the value for buyers.

This approach is known as the blue ocean strategy and was developed by Kim and Mauborgne (2004). This strategy fits very well within a creative industry framework, as it pushes its actors to create value while controlling the costs of acquisition, and can be applied to products as well as services.

In most developing countries, the presence of the global market is quite insignificant, especially for CIs. Many produce very few goods and services, primarily because of the lack of supply capacity and competitiveness. Market access is a problem to some extent, but is just part of the bigger picture. We see industries that have penetrated and have access to the market but lack the productive creative capacities to compete globally. Simply put, even when countries have the capacity to produce, there is a lack of coordination and appreciation of market demands (for more information, see Annex 1.0 on Territorial Marketing and Steps to Territorial Marketing).

Practitioners and private sector policymakers should look at trade development and CI promotion along three axes:

- i) greater emphasis should be placed on creating and producing before trying to penetrate the market based on demand;
- ii) once a product or service is developed and based on market needs and preferences, promotion should work in favour of markets that have room for competition to nurture a culture to innovate and improve. There should be a focus on creating and looking at new market opportunities. Emerging countries, where disposable income has rapidly increased in the last few years (e.g. in China, India and other middle income countries) can be considered viable markets for exporting creative goods and services. In fact, consumption of creative goods is slowly increasing as these countries catch up with industrialized economies;
- iii) partnerships with various stakeholders such as governments and universities should be encouraged. Other stakeholders can contribute capacities that the private sector might not have. For instance, governments can help in the cooperation with other countries to facilitate the export of creative goods. There are many more ways in which each stakeholder can promote CI development, but this type of partnership assumes a crucial strategic role and should therefore always be encouraged.



## 4.3 THE MESO LEVEL

### 4.3.1 THE ROLE OF THE EDUCATION SECTOR

The education sector can foster the promotion and encouragement of creativity and an innovation culture at all levels. Ken Robinson (2001) emphasizes how the current educational system focuses on hard subjects that are primarily targeted towards producing good workers but not creative and innovative thinkers. Robinson argues that in the dominant conception of education and intelligence, creativity has become increasingly stereotyped: it is considered marginal for academic success and opposite to discipline and high standards, a feature of a limited amount of individuals that therefore cannot be taught.

For this reason, the promotion of creativity in national education systems is often ineffective.

As Robinson puts it, creativity is a function of intelligence relevant to science, technology and the humanities as well as to the arts: a process of having original ideas that have value<sup>24</sup>.

According to Robinson, everyone has creative potential but creativity development requires a balance of skills and control and the freedom to experiment and take risk. Creativity could therefore be developed through policy and complement academic standards, and should be integrated into entrepreneurial competencies.



PROMOTION OF ENTREPRENEURSHIP

PROMOTION OF CONTINUING PROFESSIONAL AND SKILLS DEVELOPMENT, INCLUDING DESIGN THINKING

NURTURING INNOVATION AND RESEARCH

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<sup>24</sup> Ken Robinson interviewed by Amy M. Azzam, Education Leadership, 2009. Available at [www.ascd.org](http://www.ascd.org)

### 4.3.2 ENTREPRENEURSHIP

ClIs require not only technical skills and creativity, but also business skills in order to function effectively. Productivity in the CI, because of its cultural nature, is not just a response to market demands but also has an important artistic and value creation dimension. It takes more than just being creative and producing something to succeed, but in emerging economies, an agrarian setting characterized by a lack of opportunities still prevails.

To face this challenging environment, entrepreneurship programmes were developed. These programmes aim to provide targeted population groups with the business capacities needed to be successful as workers and entrepreneurs. Entrepreneurship is crucial to CI development because of its high added value. For example, SMEs that function through the production of specific goods and services need a profound understanding of how to run a business. Having basic skills, for example, accounting, and innovate thinking is essential to succeed in this field.

Entrepreneurial skills also enable entrepreneurs and artisans to gain a deeper understanding of the business cycle and of the market characteristics at any point in time.

It is essential to understand that creativity and innovation complement entrepreneurial thinking. The development of entrepreneurial skills and the use of innate knowledge and culture as the basis for creativity can allow for ClIs to flourish.

### 4.3.3 CONTINUING PROFESSIONAL AND SKILLS DEVELOPMENT

The complexity and competitiveness of ClIs requires a continual professional skills development for those working in the industry. This industry requires continuous growth and learning to adapt to the ever changing dynamics of the market. The fast moving nature of ClIs requires many skills ranging from computer and digital skills, to industry-related and technology-related skills such as using new machine tools. Entrepreneurs, current and future, need to be on top of new developments to retain their edge.

The education sector offers continuous professional and skills development through its universities, polytechnics and vocational training centres. Universities are the providers of technical and advanced skills in areas like manufacturing and production as well as business. Vocational training centres streamline training for new technological equipment that is relevant for specific industries. Universities can develop degrees that promote technical skills and also multi-disciplinary education programmes that foster creativity and innovation by supplying new ideas and practices.

### 4.3.4 NURTURING INNOVATION AND RESEARCH

The education sector, in combination with other players, is often the leading provider of innovation and research. Universities are key players in providing new ideas and methods in various fields because of their technical and organizational capacity. Innovation and research are promoted thanks to intensive research projects and initiatives as well as through the promotion of new ideas and concepts by technical professionals. Although many universities rely primarily on state funding, innovation can be pursued through various funding institutions which are also funded by private entities.

## 4.4 THE MACRO LEVEL

### 4.4.1 PARTNERSHIP AND DEVELOPMENT

The role the education sector plays in the PPEC partnership is twofold:

- ◇ firstly, the education sector will be the vector to promote creativity, entrepreneurship and technical skills development. These are complementary features that should be encouraged in all levels of education<sup>25</sup>;
- ◇ secondly, the education sector is a crucial source of new ideas and concepts, promoting innovation and directly influencing CIs. As the centres of innovation and research, universities play a key role in creativity development. The support provided by universities to CIs ranges from research in new methods of preserving food to the treatment of specific materials for durability. Furthermore, universities have the capacity to act as a hub for creativity because of their high concentration of relevant resources both in terms of equipment and human capacity<sup>26</sup>.

There is no doubt that the role of the education sector in supporting an enabling environment for CIs is pivotal. However, as aforementioned, this sector may be heavily dependent on public policy, especially state-funded institutions. An adequate policy support to the education sector is necessary to realize its potential. Ultimately, the education sector can provide CIs with entrepreneurship curriculum programme, continuing professional and skills development and nurturing innovation and research.

As outlined in this Working Paper, we are further developing the approach most frequently used by UNIDO when implementing projects in CIs. The approach put forward is a holistic one that calls for a three-level intervention. Measures should be focused at the micro, meso and macro levels in order to attain inclusive and sustainable industrial development.

Therefore, we are introducing the creative ecosystem model, building on the PPP approach, Triple Helix model and creative clusters theory. The usage of the creative ecosystem as an approach emphasizes not only the importance of the links created between the public and the private sector, but also the pivotal role of links with other stakeholders such as local communities, associations, end-users and the fundamental role of education and educational institutions as a major vector for CIs. This type of partnership is of paramount importance for the development of business acceleration models, targeted investment and specialized intellectual property services.

Ultimately, it allows for the launch and growth of creative businesses in developing countries and the sustainability of CIs. Rural and urban communities are often overlooked, while project experiences seem to indicate that gathering people around the development of the creative sector is of paramount importance, and often develops dynamic undertakings. The education sector - including not only academic education but also vocational training - which acts as a platform for knowledge, and know-how exchange has spillover effects in the CI sector, is also often disregarded by development practitioners as project partners.

<sup>25</sup> Namely in the diversification of core subjects and focus on elementary and secondary education to the creative and innovative encouragement in vocational training centres, not just focusing on hard skills but also on design and innovation, and lastly, at universities promoting more free research.

<sup>26</sup> <http://www.vitae.ac.uk/CMS/files/upload/The%20Creative%20Economy%20300x300.pdf>

As a result, many creative activities in developing countries are not meeting their economic potential. This is due to a mix of structural and cultural barriers to growth<sup>27</sup> that include:

### On the supply side

- ◇ underdeveloped entrepreneurial and managerial skills;
- ◇ insufficient knowledge of intellectual property issues;
- ◇ weak supply chains (inside and outside the CI);
- ◇ finance and investment market failures impacting early stage and small creative firms.

### On the demand side

- ◇ underexploited local markets for creative goods and services;
- ◇ underdeveloped export markets for CI's products;
- ◇ labour market supply in rural areas of emerging economies is far smaller than in "global creative capitals" and "global creative regions".

The need for partnership and dialogue in developing CIs in an emerging economy context is tremendously important as it can radically shape the environment in which creative activities take place. If prudently addressed, the outcome of the dialogue process can be an enabling environment that will allow for CIs to thrive.

Partnership and dialogue directly affect national policies; therefore, priorities and needs must be communicated directly and advocated (especially for the private and education sectors). This will result in progressive public and private sector policies shaping an education sector that supports and promotes CIs.

Developed infrastructures, effective policymaking and entrepreneurial market forces are just a few of the factors that help CIs to flourish. Stakeholders within this context have an important role to play and must be included in the dialogue process.

Without proper coordination between sectors, efforts cannot be strategized to complement each other. The need for a coordinated effort is even more salient in developing countries where the lack of resources and capacity represents a challenge, and where repeated and non-complimentary efforts are therefore highly dysfunctional. Nonetheless, uncoordinated efforts are often implemented by various development organizations in emerging economies. A national inter-ministerial or coordination body could address this issue and provide the much-needed coordination to development efforts in emerging economies.

## 4.4.2 THE ROLE OF PUBLIC SECTOR AND PUBLIC POLICY

The public sector is one of the key players in society when it comes to socio-economic issues, including ISID. At the macro level, public policy and political support are crucial enabling factors for industry in general and certainly for CIs. In terms of national support, the macro level is where government actors can make the biggest contribution.

<sup>27</sup> See: A Creative economy green paper for the Nordic Region (2007).



In this section, we discuss various spheres of the public sector, public policy and the private sector, public policy for the education sector and public policy for people and communities. As it is necessary to understand the different levels and sectors, public policies are directed towards fully appreciating their impact at the micro, meso or macro level.

Before addressing the different public policy levels in support of CIs, we must understand a country's cultural policy and other policies that have an impact on CIs, as well as the orientation of the said policies and their implications. Are cultural policies needed for the sake of culture, or do they need to be oriented towards an economic development goal? One might say that cultural policies need to exist for the sake of diffusion of culture and preservation of the population, and not necessarily for its economic scope and value. This key question is essential to understand how a country directs its cultural policies and which areas need improvement.<sup>28</sup> It can be argued that cultural policies have positive indirect effects on a series of economic activities, such as the tourism and crafts industries.

National cultural policy shapes the political and socio-economic goals of public policy with respect to culture. In developed as well as developing economies, most cultural policies are primarily geared towards the preservation of culture and not necessarily directed at economic goals. This often hampers the development of small-scale creative enterprises in CI sub-sectors. When cultural policies are primarily directed towards the preservation of cultural heritage, certain issues need to be considered.

First, there is a lack of funding in the area of creativity promotion and cultural outputs. If preservation is the key objective, the indirect benefits such as tourism are just the few that contribute to CIs, as this is often included in the value chain. This is a challenge for developing countries in particular, where people who work in CIs need government support and are not the policy target recipients. Moreover, without basic policies in place that recognize CIs, this would affect policy making. According to Cooke and Lazzarotti (2008), a distinction can be made in cultural policies orientation, and they do not necessarily choose one against the other. In this regard, creativity represents trade and the "street" while the subsidized culture represents institutional culture for the elite.<sup>29</sup>

#### 4.4.3 CONDUCTIVE ENVIRONMENT THROUGH PUBLIC POLICY

Public policy plays a crucial role in setting the stage for all developments. The socio-economic environment that the government can provide predates the potential of any enterprise. Proper infrastructure, a suitable legal environment and financial support are just a few things the government can realize.

It is important to promote an efficient and effective CI approach with various stakeholders who are in the position to influence public policy. Public policy prerogatives can easily be changed at public and political will, especially in developing countries.

<sup>28</sup> For example, in Italy it was proposed to consider heritage as a cultural industry (Santagata, 2009, p. 261). It is not to be considered directly as a source of income and even less profit - it is also a very heavy burden in relation to the limited resources of public authorities, but the proposal is to promote its indirect effects on other economic activities, including cultural tourism, crafts and creative industries. These proposals are, for the time being, detached from political practices, both public attention and resources are focused solely on the preservation of heritage.

<sup>29</sup> Ibid.

Government and private sector agency interventions are necessary at the macro level to develop policies that incentivize potential entrepreneurs' access to CIs. This can be done in many ways, and involve financial or institutional support measures. Not only are important linkages created in this phase between public and private sector agencies, but a central role for communities also evolves (e.g. the people: individuals, local groups and civil society at large).

The government's main function according to the creative ecosystem approach is that of maintaining the ecosystem in equilibrium by implementing industrial policies that nurture the development of CIs.

Public support in creating a welcoming private sector environment for CIs is crucial. Policies in support of CIs should have the following features:

### The creation of a coordination body for multi-sectoral input

The creation of a coordination body provides an essential support for CIs. Its main role is responsibility for the coordination of the implementation of CIs. In this regard, sub-hubs could be created at the regional level, acting as platforms of data collection, advocacy and communication on government measures, incentives and policies to involve more people in these industries as well as practical support in the setup of a creative ecosystem and companies.

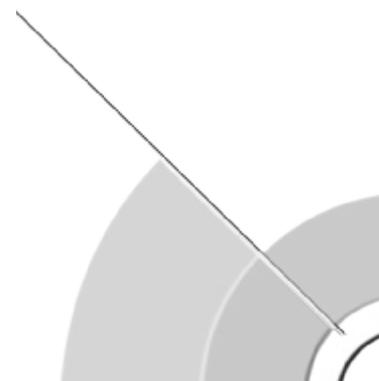
The rationale for a specialized body is twofold. First, there is a need for a body that assumes sole responsibility because of the complexity of CIs. CIs encompass the jurisdiction of various ministries (Science and Technology, Culture, Labour, Education etc.). The need for a coordinating body will enable practitioners and policymakers to properly plan and implement various programmes in this regard. The current organizational structures in many countries are fragmented, making the

design and implementation of strategies difficult. The lack of coordination between the different bodies and the pursuit of different priorities has been one of the key problems experienced during project implementation.

### Regulatory framework and legislation

There is a need to determine the juridical and social status of creative entrepreneurs and individuals. For example, if CIs and the people working in this sector gain recognition, they can obtain social protection and support. This can be done by creating funds through a variety of taxes. The experience of entrepreneurs in CIs varies, but there is usually a gap from the moment the business is established to the moment it starts yielding results.

Cross-country efforts vary greatly as well. In some developing countries, for example, creative entrepreneurs are mainly found in the tourism sector and they benefit from tax breaks and have a certain amount of leverage in reporting revenues to the tax bureau. This can be considered a short-term solution as there is no capacity to tax them. In developed economies, for example, artists and creative entrepreneurs can apply for tax exemptions and institutional support. In this regard, recognition of the CI sector is the most crucial issue. Recognition of this specific sector and of the people working for it will not only imply increased government and private sector support but also more international funding from various development institutions.





## Financial support and fiscal policy

Usually, entrepreneurship initiatives are hampered by access to credit, with the banking sector often being unwilling to take the risk of financing creative initiatives. Moreover, in many developing countries, creativity is not considered a proper asset for starting an enterprise with a product or service that cannot be outsourced. Many initiatives have been effective throughout the world to solve this problem.

Small scale institutions and social enterprises have started providing micro financing services and lending to farmers, petty traders and urban-based entrepreneurs by providing financial and business support. When necessary, the facilitation process to access a microcredit may require a validation process through public and private institutions responsible for promoting CIs in a given country.

Furthermore, support in the form of tax incentives and non-profit labels can assist NGOs and enterprises in supporting micro finance in communities, especially in rural areas. Other new forms of financing should be considered, i.e. crowd funding and even the use of savings schemes.

In terms of fiscal policy, there is an underlying fact that the more the government promotes economic activity, the more the economy is able to develop, especially as regards industries that are in incubation. Various methods are available to promote such industries. Most countries have specific fiscal incentives for industries that are growing rapidly. For example, outsourced companies receive tax breaks from countries such as India and the Philippines.

What is needed is encouragement of tax exemptions, reductions and possibly reduced duties and levies for exports. This will enable the industry in two ways. Firstly, this would encourage the industry to penetrate different markets, resulting in more economic activities. This is crucial in the latter stage of development where CIs have developed to the point of producing outputs ready to be distributed to a wider demographic and market. Secondly, this would create a more favourable investment environment.

## Development of infrastructures

The development of a country infrastructure can be considered a key requirement for economic development. The need for basic necessities such as roads, transportation and communication networks and ICTs are crucial to any industry and society at large. Stakeholders, for example, always assess the current infrastructure of the country before elaborating further development plans.

The infrastructural development of a country dictates the flow of goods and services. We can assert that infrastructural developments are crucial for CIs for the following reasons: a good road structure and ICT network within the country enables rural communities and vulnerable groups to have better access to the greater part of society. For example, this may entail that people can freely move from towns to cities, or that people are able to communicate by telephone or Internet. This is even more essential for CIs because it opens up many opportunities. They can have access to information and physical access to the market place.

Second, the more developed the infrastructure of a country, the more it encourages investment and development from various sources. The areas can be seen as profitable and growing, enabling more businesses and public works to develop. For example, countries such as India and the Philippines are able to utilize their developed infrastructure to promote foreign investment to outsource services in their countries. In the case of CIs, this is also true in terms of SMEs having access to both information and the market. For example, craftmakers in rural areas would have the chance to sell their products through market routes.

Although practitioners and CI stakeholders are less likely to influence the above-mentioned issues, demanding infrastructural development from policymakers and relevant stakeholders is as important. The advantages of a developed infrastructure does not only benefit the CI but also various other sectors of society.

## Incubation and start-ups with SME support

The incubation stage can be understood as the period from the establishment of the enterprise to the stage at which it develops and progresses. This period is crucial because this stage determines whether a new enterprise will advance despite all of the early problems businesses encounter. Policies on incubation of SMEs vary from country to country. Some countries focus on the planning stage, others on legal support. In the UAE, for example, the Business Incubation Centre was established by the Department of Economic Development and primarily aimed to help SMEs at the early stage of development with hands-on business guidance<sup>30</sup>. The Business Incubation Centre offers a wide variety of business guidance on legal, financial and strategic questions.

This approach enables entrepreneurs and starting companies to have a better chance to integrate into the market and produce profit. This support is especially important in developing countries. Underdeveloped industries and economies can use any form of incubation to fully blossom. The only challenge is to make CIs as promising as possible, as the country's development priorities may possibly be geared towards bigger and more developed industries.

30 <http://www.sme.ae/en/ideasandstartup/businessincubation/pages/default.aspx>

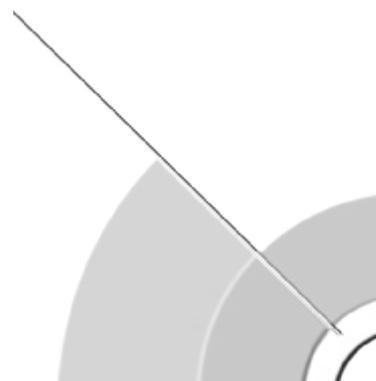


## Public policy promotion for CIs

Promotion can be considered from three aspects, namely institutional, investors and the markets. In terms of institutions, CIs do not bring a solution from outside but rather exploit the potentials of a country's culture to make it an attractive factor for tourism development, arts and crafts, etc. A promotion campaign for a target audience is essential as well as the institutions potentially involved in CIs and with a strong message that conveys pride in the actual cultural background of the country and always emphasizing that the ownership is theirs. In that regard, we can think of CIs as a brand and as such, a suitable baseline could be: CIs represent a solution from within.

As regards investors, it is necessary to have great visibility to attract potential investors from the market as well as from outside the markets. Public policies geared towards a leaner and more favourable environment for companies are an essential factor.

As regards the market, on the other hand, the focus should be entirely on the linkage of the goods and services to the market. Market promotion could be facilitated through public policies promoting creativity and cultural heritage. This could be in the form of grants and support from various relevant institutions as well as public private partnership that cater to new innovative and creative outputs.







## CHAPTER 5

Conclusions and recommendations

## 5 CONCLUSIONS AND RECOMMENDATIONS

The concept of CIs has increasingly gained attention from policymakers and international development organizations alike. In this Working Paper, we offer an overview of the current approaches to the development of CIs and put forward a new approach for stakeholders to engage in the development of talents and creative potential through CIs. Following a brief overview of the projects implemented by UNIDO in the area of CIs, we propose an integrated approach for multi-level action: the creative ecosystem.

We argue that this new approach will facilitate the development of sustainable creative industries. The creative ecosystem approach builds on private sector development concepts such as value chain analysis (VCA), creative clusters for industrial development, the Triple Helix model for synergies in science and technology development through collaboration with public research, private sector and universities and the entrepreneurship-driven innovation ecosystem (EDIE). The creative ecosystem approach includes micro, meso and macro levels of action, putting in motion a series of activities and strategic investments that ultimately should promote the creation of an environment that enables value-added creative activities and resulting in products and services. Once this ecosystem is in place, it will constitute the basis and an incentive for relevant industrial policies to be developed to diversify economies and ensure full integration of CIs into ISID. In the creative ecosystem, development practitioners can therefore find a strategy of analysis and development for CIs in a given country at the 3 main levels i.e., at the micro, meso and macro level. The issues discussed in this Working Paper can be summarized as follows:

- ◇ The value chain approach is a starting point to elaborate a development strategy for people who work in CIs to penetrate markets. Therefore, the value chain approach should be applied to CIs to identify possibilities for connecting creative and innovative entrepreneurs with markets and environments that are favourable to their development;

- ◇ Public policy should be geared towards the recognition of CIs as a policy target as a sector with untapped potential and this would allow for public funding and to improve the socio-economic and political environment for CIs.
- ◇ It is necessary to promote the establishment of a specialized entity or institution that will be responsible for coordinating all stakeholders and manage the environment of CIs (e.g. infrastructure development, legal recognition, cultural policy and financial support);
- ◇ Different means to promote innovation, design thinking and creativity in the education sector should be integrated, including the promotion of ECP, development of continuing skills development and nurturing an innovation culture and research;
- ◇ It is crucial to use creativity and culture as innovation factors for value creation since creative industries are fueled by cultural backgrounds, traditions and knowledge intrinsic to an area;
- ◇ Inclusive growth, partnerships and dialogues with all stakeholders must be promoted;
- ◇ A creative ecosystem for a CI-enabling environment should be put in place at the micro, meso and macro level;
- ◇ A holistic approach, encompassing three levels of intervention support (micro, meso and macro) and targeted communities, the private sector, training and education institutions and eventually policymakers, should be established as a valid development strategy for practitioners.

These recommendations do not encompass political, economic and technological changes, as the dynamics in industries shift rapidly. However, it offers a solid starting point for practitioners and policymakers to develop a sustainable approach to CI development.

This Working Paper aims to provide a thorough understanding of the notion of CIs by reviewing existing approaches and practices while contributing to UNIDO's experience in this field. Once the linkages between actors in CIs are created/restored, attention must be directed at the critical moment of market access. UNIDO develops its assistance not only by identifying the levels of intervention that allow a targeted approach, but also by connecting non-traditional value chains to more traditional ones such as the tourism sector, the homeware and home decoration sector.

It should be noted that the approach has to be holistic in a discourse that involves the public sector and to a larger extent, appropriate policies to create a conducive environment; private sector agencies that necessarily expand the development of innovative products at a larger scale; the communities/people who are consumers and actors in their territory; and the education sector (i.e. academic education and vocational skills training) which feeds the market with creative ideas. This would create a virtuous cycle that will lead to an approach towards CIs to be more inclusive and sustainable, and thus become an important contributor to countries' overall industry and economy.

UNIDO considers sustainable creative entrepreneurship to be essential to develop the CI sector. It aims at integrating entrepreneurship development in CIs by addressing all the levels concerned where obstacles to the development of CIs may arise.

The ideal intervention would be to address CIs at 3 levels simultaneously. However, experience has shown that entrepreneurs who are engaged in CIs need to prove that they can be successful (during the lifespan of a project) in order to have a constructive dialogue at the macro level.

The growing and developing concept of CI calls for a holistic approach to fully adapt and encapsulate its complexity. There is a need to recognize its ever changing dynamics to be fully aware of the needs and support for the sector. The development of ICTs, for example, is a great reminder as to how the dynamics of societies and economies can change with new technological advancements.



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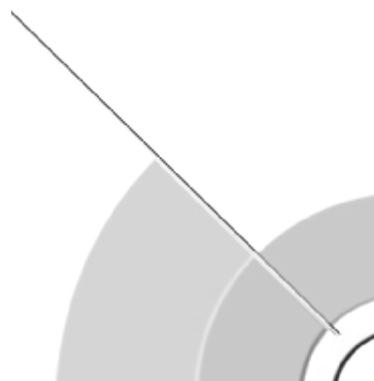
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