The Digital Creative Economy, Global Value Chains and Developing Countries

The Role of Aid for Trade in Building Connectivity and Facilitating Market Entry for Developing Countries

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Introduction

The rise of the digital economy is one of the defining features of the contemporary global economy.[[1]](#footnote--1) It is also one of the fastest rising components of global trade.[[2]](#footnote-0) The creative economy is a critical aspect of these trends given that creative content accounts for a significant share of ecommerce and the content on the Internet. In many developing countries, the creative industries sector is making an increased contribution to GDP, exports and employment. However, most countries operate with a large trade imbalance, the exception being countries like China, India, Brazil, South Korea and Mexico that have strong industrial and export capabilities in creative goods, services and intellectual property and have large home and diaspora markets.

The issue at hand is that developing countries have some comparative advantage in the production of creative content but their capabilities in the marketing, distribution and retail of content – the key value-added segments of the global value chains – is relatively weak and these countries are unable to maximize on the burgeoning digital creative economy. The expansive range of trade and industrial policy issues affecting creative industries highlights the need for a strategic export-oriented policy framework.[[3]](#footnote-1)

To tap into the emerging opportunities developing countries need to not only improve the quality and marketability of their content they are also required to find ways to participate in the higher value-added segments of global value chains. Drawing on the experience of Africa and the Caribbean the paper identifies a roadmap for building connectivity and for facilitating market entry. As such, the aim of this paper is to identify Aid for Trade mechanisms to strengthen the export capabilities and increase the participation in global value chains. The focus will be on trade support programmes that target industrial upgrading and enterprise development.[[4]](#footnote-2)

## The Rise of the Digital Creative Economy

The creative sector is a major growth pole in the digital economy as exemplified by the shift towards a post-industrial economy where personal, recreational, and audiovisual services have expanded as a share of the expenses of the average household and as a share of the economy.[[5]](#footnote-3) In the midst of the worst global economic depression in living memory, the creative sector has outperformed most other sectors in part because of the growth of the digital economy where intellectual property and trade in services have expanded as a share of global value-added.[[6]](#footnote-4) The creative industries experienced an average annual growth rate of 8.6% between 2002 and 2012. Global trade in creative goods and services were estimated at US$ 547 billion in 2012 after rebounding from a slump in the aftermath of the global economic crisis and downturn.[[7]](#footnote-5) The developing countries share of the sector has been rising particularly in the area of creative goods from US$87 to $272 billion between 2003 and 2012.[[8]](#footnote-6)

Furthermore, it is increasingly recognized that creativity is a critical element of innovation and global competitiveness.[[9]](#footnote-7) Some analysts have argued “the industries of the twenty-first century will depend increasingly on the generation of knowledge through creativity and innovation."[[10]](#footnote-8)

The growth of the digital creative sector is accounted for by rapid techno-economic change in products, distribution and marketing (e.g., e-books, iPods, iTunes, Amazon.com, Google, NetFlix, Spotify), the increasing commercialisation of intellectual property in the digital world (e.g., digital rights management), the growth of social networking (e.g. Facebook, YouTube, Twitter, Instagram, Snapchat) and through the synergies forged by value enhancing activities (e.g. cultural tourism, intellectual property and destination branding) and the convergence of content, media and telecoms (e.g. the Internet, mobile and *e*commerce).

The creative sector is generally understood to encompass the creative arts and the creative industries. However, the impact of the sector has widened over time to generate what some have described as the creative economy.[[11]](#footnote-9) This is related to the shift in thinking towards seeing economic and value-added flows that include the role of the creative class[[12]](#footnote-10) and the contribution of creative cities[[13]](#footnote-11) in making economies globally competitive. What is observed is that the creative sector plays a vital role in differentiating and enhancing the value proposition in multiple sectors that are increasingly reliant on the use of creative content and creative experiences to generate growth in global markets.[[14]](#footnote-12)

In addition, new digital, mobile and Internet technologies offer alternative business models and markets which make creative industries a critical resource for economic development in multiple spheres. However, in many countries, the main focus has been on the creative industries as a standalone sector in spite of the fact that the sector is a key driver of consumer demand for information and communication technologies, ecommerce, Internet services as well as tourism. For example, analysts at UNCTAD argue “the creative economy reflects contemporary lifestyles increasingly associated with social networking, innovation, connectivity, style, status, brands, cultural experiences, and co-creations”.[[15]](#footnote-13)

*The Creative Economy and Trade Policy*

Transformations in the creative industries sector have been complimented by the emergence of a trade policy framework and regime for the harmonization and internationalization of copyright regulations (WTO-TRIPs; WIPO copyright & digital treaties); the liberalization of cultural industries under WTO-GATS; and, the protection of cultural diversity (e.g. UNESCO *Convention on the Protection and Promotion of the Diversity of Cultural Expressions).*

The 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions sought to embody principles particularly related to the advancement of developing countries. The main objectives of the convention are to “establish an innovative platform for cultural cooperation” (UNESCO, 2007). In this respect, specific goals outlined under Article 1 - Objectives below may prove especially relevant when examining the implementation progress to date of the convention’s goals, in the context of the EPA agreement between the CARIFORUM and EU parties:

* To reaffirm the importance of the link between culture and development for all countries, particularly for developing countries, and to support actions undertaken nationally and internationally to secure recognition of the true value of this link; and
* To strengthen international cooperation and solidarity in a spirit of partnership with a view, in particular, to enhancing the capacities of developing countries in order to protect and promote the diversity of cultural expressions.

The concept of international cooperation is emphasized as an integral tool for promoting cultural dialogue as well as access to cultural goods and services, particularly in developing countries. Article 16 on Preferential Treatment For Developing Countries of the UNESCO Convention states that:

*Developed countries shall facilitate cultural exchanges with developing countries by granting, through the appropriate institutional and legal frameworks, preferential treatment to artists and other cultural professionals and practitioners, as well as cultural goods and services from developing countries.*

In 2008 a comprehensive Economic Partnership Agreement (EPA) was signed between the CARIFORUM states and the EU.[[16]](#footnote-14) The EPAs were meant to help the ACP countries integrate into the global economy and act as important tools for EU-ACP cooperation. Particularly relevant for the evaluation of the cultural industries as it relates to the implementation of the UNESCO Convention to date, are the EPA provisions under the List of Commitments on 'Investment and Trade in Services' as well as 'Protocol III on Cultural Cooperation' (Cultural Protocol). These provisions outline the conditions under which CARIFOURM cultural services and goods providers may enter the EU market.

The Protocol III on Cultural Cooperation in its opening paragraph states that its commitments were based upon the principles of the UNESCO Convention. An integral aspect of the EPA is its overall incorporation of development cooperation as a key factor to address the asymmetrical trade relations between developed and developing countries. Consequently, the features of development cooperation are also found embedded within the Cultural Protocol. To this end, the signatory parties of the EPA, having ratified the 2005 UNESCO Convention, according to the preamble of the Protocol III on Cultural Cooperation of the EPA, intended to:

Effectively implement the UNESCO Convention and to cooperate within the framework of its implementation, building upon the principles of the Convention and developing actions in line with its provisions, notably its Articles 14, 15 and 16.

Therefore, the wording of trade facilitation commitments made under the EPA for the cultural sector, closely reflects the contents outlined under the UNESCO Convention’s Articles 14, 15 and 16.[[17]](#footnote-15) According to Articles 14 and 15 countries agreed to cooperate towards development via collaborative arrangements. Such collaboration could take the form of activities geared at infrastructural and human capacity development, market access opportunities, policy development, provision of financial support, facilitating the movement of professionals and the encouragement of partnerships. As such, the provisions set forth under Articles 14 and 15 may guide the realization of Article 16 under the UNESCO Convention.

The implementation of the EPA Cultural Protocol presents an opportunity to observe the extent to which key provisions of the UNESCO Convention, namely Article 16 on 'Preferential Treatment For Developing Countries', have been realized. The EPA’s Cultural Protocol particularly speaks to the achievement of such objectives through its horizontal provisions under Articles 2 to 9. This is further reinforced by the general commitments laid out under the EPA main text, for example under its Article 132 Objectives to *“facilitate the production and commercialisation of innovative and creative products between the Parties”.* Also reinforced by Article 135 on Cooperation in the area of competitiveness and innovation to promote *“innovation, diversification, modernisation, development”* in businesses while also promoting *“dialogue and exchanges of experience and information between networks of economic operators”.* Such cooperation was envisioned as stipulated under Article 201 of the EPA’s main text to take place in the form of activities which involved the:

1. Exchange of information and expertise;
2. Assistance in drafting legislation, guidelines and manuals;
3. Provision of training key personnel;
4. Assistance with the establishment and functioning of relevant institutional frameworks;
5. Assistance with the design and implementation of compliance initiatives aimed at economic operators and consumers in order to stimulate investor and public confidence.

The market opportunities offered by the EPA for CARIFORUM cultural goods and services are significant for several reasons. For the first time the EU has made a comprehensive offer in the liberalization of entertainment services (CPC 9619) other than audio-visual services.

The area where the CARIFORUM countries gained the highest level of preference is in terms of mode 4 (movement of natural persons). The EPA provides for quota free market access for temporary entry (for up to six months in a calendar year) by contractual service suppliers (CSS)[[18]](#footnote-16) and employees of these services firms. Market access is subject to qualification requirements and economic needs tests.[[19]](#footnote-17)

One of the most important features of the treatment of culture in the EPA is the Protocol on Cultural Cooperation. The Protocol on Cultural Cooperation in the EPA provides the framework within which the Parties are to cooperate for facilitating exchanges of cultural activities, goods and services, including inter alia, in the audiovisual sector.

In addition the Protocol aims to facilitate the implementation of cultural policies that protect and promote cultural diversity, collaboration with the aim of improving the conditions governing exchanges of cultural goods and services and to redress the structural imbalances and asymmetrical patterns which may exist in such exchanges. ANNEX II B shows main excerpts of the key provisions in the Cultural Protocol of the CARIFORUM-EC EPA.

From a commercial standpoint the main achievement of the Protocol is the inclusion of Articles 5 and 6 whose focus is on the audio-visual sector. The provisions of these articles allow for co-productions between producers in the EU and CARIFORUM countries. The co-produced works are to qualify as European works within the EU and as CARIFORUM works where preferential schemes for the promotion of local and regional content are established. This preference is subject to ownership and nationality requirements as well as financial contributions on an 80/20 split for both Parties.

The inclusion of the audio-visual sector in the Protocol represents an area of preference for CARIFORUM countries given the sensitivities and the usual exclusion of the audio-visual sector from multilateral and bilateral agreements by the EU and other developed countries.[[20]](#footnote-18) In this sense the Protocol is a complement to the market access commitments under entertainment services because it includes the audio-visual sector which is excluded under the services commitments. From the standpoint of the EU because of the non-binding provisions on cultural cooperation the inclusion of the audio-visual provisions under the Protocol serves to preclude third countries from using the MFN provision to claim that their own service supplier are entitled to equal treatment.

The above observations on the scope, workings and performance of the EPA are reinforced by recent analyses. A paper commissioned by the European Centre for Development Policy Management[[21]](#footnote-19), states that the main benefits of the agreement for CARIFORUM cultural actors are:

1. Improved conditions for the entry into and the temporary stay in the EU or the CARIFORUM for a period up to 90 days in any 12-month period for artists carrying out non-commercial activities.
2. Caribbean-European co-produced audio-visual works can enter the European market as a “European work” in accordance with the provisions of EU Audiovisual Media Services Directive and benefit from existing broadcasting quotas. To qualify for this status, the CARIFORUM partner must fund at minimum of 20% and the European partner a maximum of 80% of the total film budget.

Another study commissioned by the CARICOM Secretariat examines the industrial and trade context for the Caribbean cultural industries and outlines a strategic action plan which aims to provide a framework for export enhancement for the cultural sector in CARIFORUM States so as to take advantage of development cooperation and trade opportunities under the EPA.[[22]](#footnote-20)

Both studies provide a useful overview and general assessment of the key objectives and achievements of the EPA at the time of publication. However, in both cases there is an absence of data to access the performance of the EPA. What is also evident is that none of the existing institutions that have the mandate to implement and monitor the EPA have in place any mechanism to map and document the impact on the cultural sector based on the available evidence.

## Africa Case Study - Situational Overview

The creative and cultural industries in Africa have been described as “relatively small and fragmented”.[[23]](#footnote-21) However, UNCTAD showed in 2008 that the rate of growth of the sector of the continent was 13.9% while the exports of creative goods only accounted 1% of global exports.[[24]](#footnote-22) The importance of the creative industry in the region was clearly articulated in the African Union 1992 Plan of Action on the Cultural and Creative Industries in Africa, however, the reality of implementation has been slow.[[25]](#footnote-23) A notable concern emanating from that report, in that period, was the need for financial mechanisms to support the implementation of the action plan as well as the entrepreneurs. However, notwithstanding the development of financing mechanism within Africa, the continent faces a number of challenges in order to improve the access of financial resources to entrepreneurs in the creative economy.[[26]](#footnote-24) The high duties and taxes on equipment for the industry while imported products have been said to have easy market access into the continent has made competition with cultural imports difficult.

### Trade Performance

The trade performance in the Africa ACP region is such that there are few territories having significant export earnings. Figures 1 and 2 shows the trade coverage ratio for several African countries most of which are net importers. This is typical for most developing country regions. In this regard, Nigeria is an outlier to the pattern within Africa in that it is the only country with a trade coverage ratio above 100 meaning that it is a net exporter. Nigeria is a large country with strong industrial capabilities that benefits from a sizable internal market and external diasporas. The other countries with relative trade capabilities with a TCR over 30 are Botswana, Madagascar, Mauritius, South Africa, Uganda, Zambia and Zimbabwe. While these countries are net importers the data suggests that there are some potential for export expansion.

The analysis generated by the TCR is borne out when the export of cultural goods is isolated. Figure 3 provides data on the exports for West Africa and it shows that Nigeria is way ahead of its neighbors in the creative industries sector. Nigeria’s export earnings are estimated to be US$154 million in 2013. None of the other West African countries generated exports above US$10 million.

Figure 4 provides data for the Central Africa region. What is evident is that this region is not a major export region in that none of the countries register exports more than $1 million. Given the size of populations these earnings are considered relatively small. It does suggest that is huge potential for growth.

The East African region has higher levels of exports compared to the Central Africa region (see Figure 5). For example, the largest exporter from East Africa is Kenya with approximately $17 million. The other major exporters are Uganda ($7.5 million) and Tanzania ($4.4 million). Burundi and Rwanda are very small exporters.

The Eastern and South African region has a few key exporters. Zambia tops the list with earnings of $22 million in 2013 (see Figure 6). The other top exporters were Zimbabwe ($16 million) and Madagascar ($5.5 million). Sudan ($4 million) and Ethiopia ($3 million) are the next largest exporters.

The Southern African region (SADC) has the country with the highest level of exports among all African countries (see Figure 7). South Africa generated exports of $256 million. The neighboring countries with some exports are Namibia ($12.6 million) and Botswana ($9.5 million).

The other area for which there is some data is in creative services exports (see Figure 12 below). Three African countries are captured: Mozambique ($11 million), Mali ($2.6 million) and Guinea ($0.56 million).

What is evident from the above analysis is that in each of the respective ACP regions in Africa there is one country that dominates the trade and economic landscape in the creative industries sector. For example, South Africa is the largest player in SADC, Nigeria in West Africa and Kenya in East Africa. In the other regions the level of economic activity is of a lower order and the disparity among countries is not as high. These conclusions have much significance for the implementation of a creative industries financing strategy because it suggests that the market and export potential is stronger in some regions/countries and embryonic in others. This differentiation among the regions is also evident in the policy context.

## Creative Trade and Aid for Trade

The policy context for financing and business and trade support is quite diverse and dynamic. In terms of the latter there are a range of policy initiatives. In the area of trade policy one of the key concerns is that of tariffs on imported equipment. Tariff levels tend to be high, for example, the duties on phonographs is 140%, 100% on book making machinery, and 70% on imported equipment and instruments. There is also the challenge of non-tariff measures such as high entertainment taxes that average 40%.[[27]](#footnote-25) These challenges are further compounded by intense competition from imports weak intellectual property rights and poor access to financing.[[28]](#footnote-26)

These issues suggest that there is much scope for alternative and innovative funding/financing mechanisms. This has been signaled in the OAU Cultural Action Plan – Priority Area 5 – seeks to create an investment and financial system, in collaboration with banks, geared towards the cultural industry. Grant fundingis generally commonplace however it is often not directed towards commercial orientation or export development. Funding is also being made available to assist entrepreneurs that participate in international events, for example, mobility grants.

One of the related challenges facing the sector is the absence of data (e.g. size of economic sectors, purchasing patterns of consumers, return on investment**)** that could be used as basis for business and strategic planning as well as risk assessment. In such a scenario it is quite difficult for emerging entrepreneurs and small firms to access credit from traditional sources when there is little or no access to economic and marketing intelligence that could be used to justify investments and assess potential return on investment.

This issue is of supreme importance because the predominant mode for funding is directed at grants for non-commercial activity, principally. This point is made in an UNCTAD study of the creative sector in Zambia where they argue that “as in the great majority of countries, the cultural and creative industries are heavily dependent on public funds and incentives, mainly because traditionally they have been seen predominantly from a cultural rather than a commercial point of view.”[[29]](#footnote-27) The study goes on to elaborate that outside of the grant funds offer by the National Arts Council in Zambia access to financing is virtually non-existent:

Many small and micro creative enterprises do not have access to credit facilities or to loans and investment which would make their business viable, and from which artists and creators would be able to make a living exclusively from their their creative or artistic works, like any other professional. A major obstacle for local medium-sized businesses – particularly in non-traditional sectors such as creative industries – has been the high cost of domestic borrowing from local financial institutions, both for investment and working capital.[[30]](#footnote-28)

The case of Zambia is typical of most African countries and developing countries generally. An UNCTAD study of the creative sector in Mozambique, for example, argues that:

“Noteworthy policies and projects have been undertaken in support of the creative industries in some developing countries, but few could be identified as models for systematic and strategic support to build and strengthen their competitiveness. The potential for boosting sustainable socio-economic growth and employment through the creative industries in developing countries remains mostly untapped.”[[31]](#footnote-29)

This argument is made against the backdrop that the share of the national budget allocated to the cultural sector was 0.3 percent in 2009 and the government does not have any specific public funding programme in place to support industrial development of the creative industries. This is in spite of the commercial potential of the film and fashion sectors. The film sector does attract some external funding from the French Embassy which established a fund for film and audiovisual production in 2004. The fund is valued at 90,000 euros and has been tapped to fund one fiction film and three documentaries over the years.[[32]](#footnote-30) An internationally funded programme with greater resources is the UK/Nigeria exchange programme which involves a partnership of 70 Nigerian and British artists, institutions and organizations. The programme began in September 2015 and has generated more than 30 projects and 340 events in the areas of art, fashion, design, theatre, dance, music, literature and film some of which will be featured in the UK.[[33]](#footnote-31) However, the key point is that for most African creative entrepreneurs the framework conditions for industrial upgrading and global value chain participation remain very weak. This point is well elaborated in the study of the Tanzanian audiovisual sector which argues that:

The industry faces numerous barriers to local and global market participation, including lack of production facilities, poor market organization, inadequate rules and regulations, limited understanding of global markets, the problem of language, and lack of bargaining power and commercial relationships. Hence, the majority of local film-makers and producers are isolated and left to operate in marginal economic areas such as micro and informal enterprises. Their problems are magnified by the lack of access to networks that can help them compete in the global film business.[[34]](#footnote-32)

## Caribbean Case Study - Situational Overview

The creative industries of the Caribbean are estimated to contribute 5% of the region’s GDP, employing 3% of the region’s labor force (WIPO 2013, p. 9). There is much diversity in the regional creative industries given the different stages of development with some countries having more exposure to international markets and exporting. Generally, it can be argued that the sector is poorly served in terms of trade facilitation and access to finance.

Where financing in the industry is concerned, inconsistent government support and difficulties in obtaining private financing pose the biggest challenge. Additionally, there is said to be a disconnect between the needs of the industry and the level of facilitation by the public sector. However, there has been rising interest in the creative industries by governments and regional organizations. Sectors like fashion, music and the audiovisual sectors have been attracting investment.

### Trade Performance

The Caribbean region has a strong tradition of cultural production and export. However, the data on trade performance shows that no Caribbean country is a net exporter. The Dominican Republic and Cuba are the two countries with the highest TCR. The Dominican Republic is at 98 and Cuba is at 93. The other Caribbean countries are far behind these two countries. Barbados (33), Guyana (25) and Trinidad and Tobago (21) are the next best performing countries. The other countries such as Jamaica, Suriname and Dominica have a TCR hovering around 10 (see Figure 9).

When it comes to the export of cultural goods the data shows that the Dominican Republic is the largest exporter by a significant margin. Figure 9 shows that the Dominican Republic had exports of $211 million in 2013. The next export earners are Cuba ($16 million), Barbados ($9.5 million), Jamaica ($8 million) and Trinidad and Tobago ($5 miilion). These economies have seen a decline in goods exports with the advent of the digital age (see Figure 10).

An increasing share of earnings have emerged in the services sector for the top exporting countries like Jamaica, Belize, Barbados and Dominican Republic. As Figure 11 below shows the earnings from creative services exports have fluctuated between 2004 and 2013. Exports peaked in 2007 at US$ 150 million and thereafter expereinced a precipitous decline to $44 million in 2013.

## Creative Trade and Aid for Trade

Facilitating access to finance is a key element of the enterprise development process in the Caribbean. In an IDRC commissioned study of 2012 which focused on creative entrepreneurship in Barbados, Jamaica and Trinidad and Tobago it was identified that own-resources or self-financing were the main source of investment for most enterprises (see Figure 12). In most cases it is equity financing from family, friends and colleagues that are the main source of finance particularly for emerging artists as well as small and startup companies. The next biggest sources of financing came from reinvestment, loans, grants and new investors. The key highlight that differentiates one country from another is that loans were more important in Barbados and grants in the case of Jamaica. Reinvestment was relatively low in the case of Trinidad and Tobago.

As illustrated in the chart above own-resources is an important form of equity financing in the region which is not peculiar to the creative sector. Nonetheless it is an indispensible source of financing as it offers higher risk ventures an opportunity to get off the ground. This is often the only option available where venture capital and other alternative forms of financing are underdeveloped. This would also apply to innovative approaches like crowd funding and angel investing which are becoming more ubiquitous in developed market economies.

From a trade facilitation standpoint business support organizations play a critical role in minimizing some of the risk associated with the creative sector by offering a range of financing services that could include market development grants, export assistance grants, business competitions as well as reimbursable grants.

The **Caribbean Export Development Agency (CEDA)** offers a range of services along these lines. For example, the CEDA provides a Direct Assistance Grants scheme targeted at SMEs across the region and for multiple export sectors. As the chart below illustrates the share of funds allocated to the creative industries has been relatively small in most territories averaging five percent across the board. The countries with the highest shares for the creative industries were St. Lucia, Barbados, St. Vincent, Haiti and Jamaica.

These financing and supporting trade services help emerging firms to structure their business propositions at an early stage for example through the requirements of having a business plan or a feasibility study. This is important to note, as the DAGs are one of the main sources of alternative financing targeted in part at the creative industries (see Figure 13).

The funding to the creative sector over the period can be broken down by sector. As Figure 14 shows the sectors which attracted the greatest share of funding was fashion with 36 percent followed by handicraft (30%), music (24%), film (14%) and animation (7%).

## Global Value Chains and AFT

From a global value chain perspective (see Figure 15) the creative industries in most developing countries operates with a large number of creators operating in an eco-system with a high level of fragmentation and competition. There are very few large firms and little or no foreign firms in the production end of the value-chain as primary investors. The larger foreign firms along with those operating in the Diaspora are secondary investors in manufacturing, marketing, distribution and copyright administration, which are the more lucrative elements of the value chain. The marketplace is another area where you find a mix of diaspora and global firms and limited participation from local firms.

Figure 15: Value-Chain in the Creative Industries

Creators

(authors, composers, artists, songwriters, etc.)

Primary Investors

(labels, publishers, managers, promoters, etc.)

Secondary Investors

(manufacturers, distributors, copyright societies, etc.)

Marketplace

(retail, online, broadcasters, festivals, venues, etc.)

Improving the export capabilities of the creative industries sector and tapping into the rise of the digital economy requires the development of a complex of trade, financing and business support services along with tax incentives, access to training, knowledge and intellectual property protection and exploitation.[[35]](#footnote-33) International best practice suggests that building competiveness of creative industries firms needs the establishment of adequate financial resources which would help to cover a range of expenses such as the cost of artistic production; to cover the fees of industry facilitators like entertainment lawyers, booking agents, publishers, promoters and technical services; to bear the relevant risks in marketing and promotion; to bundle intellectual property rights and protect them; and to be able to gain from ancillary markets such as merchandising. Improved access to finance, credit, trade facilitation and business support services are critical for start-up and export-ready firms and artists.

Based upon the above analysis it is evident that the supply of creative content from Africa and the Caribbean is highly fragmented and there are few identifiable marketplaces to access the content. Maximizing on the opportunities of the digital market is one of the key areas of greatest potential as well as tapping into traditional and non-traditional markets for creative goods and services.

The overarching argument is that the enhanced integration of the creative industries from developing countries in global value chains requires a shift in the industrial paradigm and business practice from the low value-added, stand-alone creative firm, cultural practitioner or artist operating in isolation to a context where there are higher levels of collaboration, coordination and organization. For example, there is a clear opportunity for the aggregation of content to take advantage of the expanding digital trade in online, streaming and subscription services.

A key element of the intervention framework relates to the creation of enabling institutions to facilitate the growth and industrial upgrading of the sector. This could include the creation of umbrella organizations, business support organizations, export consortia or industry coalitions. On the government side this could involve the harmonization of governmental policies, agencies and ministries that interface with the sector, for example, in the fields of cultural policy, trade facilitation, intellectual property rights, enterprise development, and education and skills training.

It is also important to promote cross-sectoral linkages as the creative industries have multiple markets and sources of income, many of which intersect with ICTs, manufacturing and tourism. In short, the objective is to make creative entrepreneurs and their works more visible and accessible to the wider markets, potential clients/sponsors/investors and policy makers.[[36]](#footnote-34)

Moving beyond “market access” to “market penetration” requires interventions beyond the traditional passive trade policy tools (e.g. implementation of trade agreements) to involve the establishment of proactive mechanisms such as funding for start-ups, innovation labs, market incubators, cluster development and market development programmes. These mechanisms can play an important role in the development of entrepreneurial skills among industry participants, encourage experimentation with new ideas, techniques and media, and facilitate capacity development particularly among young entrepreneurs who can overcome their creative or intellectual isolation through networking, mentorship and peer-to-peer-coaching.[[37]](#footnote-35)

Another key area is trade financing such as market development grants and financing for participation in trade fairs, outbound and inbound trade missions, business-to-business meetings and other forms of market entry programmes. Additionally, new mechanism for financing intangible assets such as intellectual property needs to be pioneered so that creative businesses can grow sustainably and benefit from increased access to different sources of finance (seed financing, cluster financing, export financing, debt, private equity or venture capital).[[38]](#footnote-36)

Also significant is the integration of policy arenas, a practice which is becoming increasingly accepted in the creative industries. The EU report on promoting entrepreneurship in the creative sector suggests that there are at least six intersecting areas for intervention that would improve the prospects for the sector (see Figure 16):

1. Access to markets – Enhanced market presence requires brand development, promotional campaigns along with appropriate distribution channels.
2. Access to finance and investment – Improved access to finance, credit and business support services are critical for start-up and export-ready firms and artists.
3. Intellectual property rights promotion, protection and exploitation – The creative industries cannot survive in the marketplace without adequate protection from copyright infringement or from royalties collection.
4. Access to knowledge and training – Upgrading the human resource capabilities of the creative sector through training in the arts as well as training in arts administration, management and creative entrepreneurship is vital.
5. Business networking and cluster development – Building institutional and sectoral capacity tends to reduce risk and allows firms to achieve economies of scale and scope.
6. Innovation and technological upgrading – in the creative industries this means investment in and experimentation with the art form which is best described by the term artists and repertoire (A&R), for example in the music industry.

Figure 16: Key areas for Intervention in the Creative Industries

Access to Markets

Finance & Investment

IPRs

Knowledge & Training

Networks & Clusters

Innovation Governance

Source: EU Report on Entrepreneurship in the Creative Sector, 2000.

The key challenge is that most of the AFT mechanisms operate in silos and have limited linkages with wider market penetration initiatives. As such there is an absence of end-to-end business support, financing and trade facilitation mechanisms. This suggests that the problem is more than financing or trade facilitation to effect the desired transformation in the sector. From this perspective AFT can play a critical role in coordination and up-scaling the creative industries once integrated support mechanisms are employed.

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2. http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows [↑](#footnote-ref-0)
3. Keith Nurse and Zhen Ye,(2012) *Youth Entrepreneurship and the Rise of the Creative Industries.* UNIDO, Vienna. [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) [↑](#footnote-ref-1)
4. Cirera, X. (2009), *Changing the Aid for Trade debate towards content*, Brighton, Institute of Development Studies, IDS In Focus Policy Briefing 6. [↑](#footnote-ref-2)
5. Michael Masnick and Michael Ho (2012) The Sky is Rising: A Detailed Look at the State of the Entertainment Industry. Floor 64 <http://www.techdirt.com/skyisrising/>; Lury, Celia. (1996) *Consumer Culture*. Cambridge: Polity Press. [↑](#footnote-ref-3)
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7. See UNDP/UNESCO (2013) *The Creative Economy Report 2013: Widening Local Development Pathways* UNDP/UNESCO, New York/Paris, p. 161-163. [↑](#footnote-ref-5)
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15. Kindly see UNCTAD Press Release http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=498 [↑](#footnote-ref-13)
16. Keith Nurse, “The Economic Partnership Agreement and the Creative Sector: Implications and Prospects For Cariforum” in *The Cariforum-EU Economic Partnership Agreement: A Practitioners' Analysis*, edited by A. Beviglia Zampetti and J. Lodge, London, Kluwer International 2011, 149 - 163. [↑](#footnote-ref-14)
17. Please see ANNEX II A for full excerpts of Articles 14 and 15. [↑](#footnote-ref-15)
18. Under the EPA chapter on Services, Contractual Service Suppliers (CSS) are defined as follows: Natural persons of the EC Party or of the Signatory CARIFORUM States employed by a juridical person of that EC Party or Signatory CARIFORUM State which has no commercial presence in the territory of the other Party and which has concluded a bona fide contract to supply services with a final consumer in the latter Party requiring the presence on a temporary basis of its employees in that Party in order to fulfil the contract to provide services. [↑](#footnote-ref-16)
19. The main criteria for economic needs tests will be the assessment of the relevant market situation in the Member State or the region where the service is to be provided, including with respect to the number of, and the impact on, existing services suppliers. [↑](#footnote-ref-17)
20. For a detailed discussion of this see Silvia Formentini and Lelio Iapadre, *Cultural Diversity and Regional Trade Agreements: The Case of Audiovisual Services*, UNU-CRIS Working Paper, W-2007/4. [↑](#footnote-ref-18)
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22. See Intellect Management Inc. (2013) Developing An Action Plan For Increasing The Export Of Entertainment Services To The EU Markets. Report prepared for CARICOM Secretariat. [↑](#footnote-ref-20)
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36. “creativ wirtschaft austria“ is an example for such an CI umbrella organisation. Founded in 2003, it is closely associated with the federal chamber of commerce, but co-founded by the Federal Ministry for Economics. [↑](#footnote-ref-34)
37. Austria developed and runs a highly successful peer-to-peer-coaching in its Creative Industries: A group of 20 young entrepreneurs, guided by two experienced supervisors, works for 6 months on crucial areas of their own development, e.g. how to find clients, how to differentiate oneself from others, how to manage finances etc. <http://www.facebook.com/choch3.creative.community.coaching> [↑](#footnote-ref-35)
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