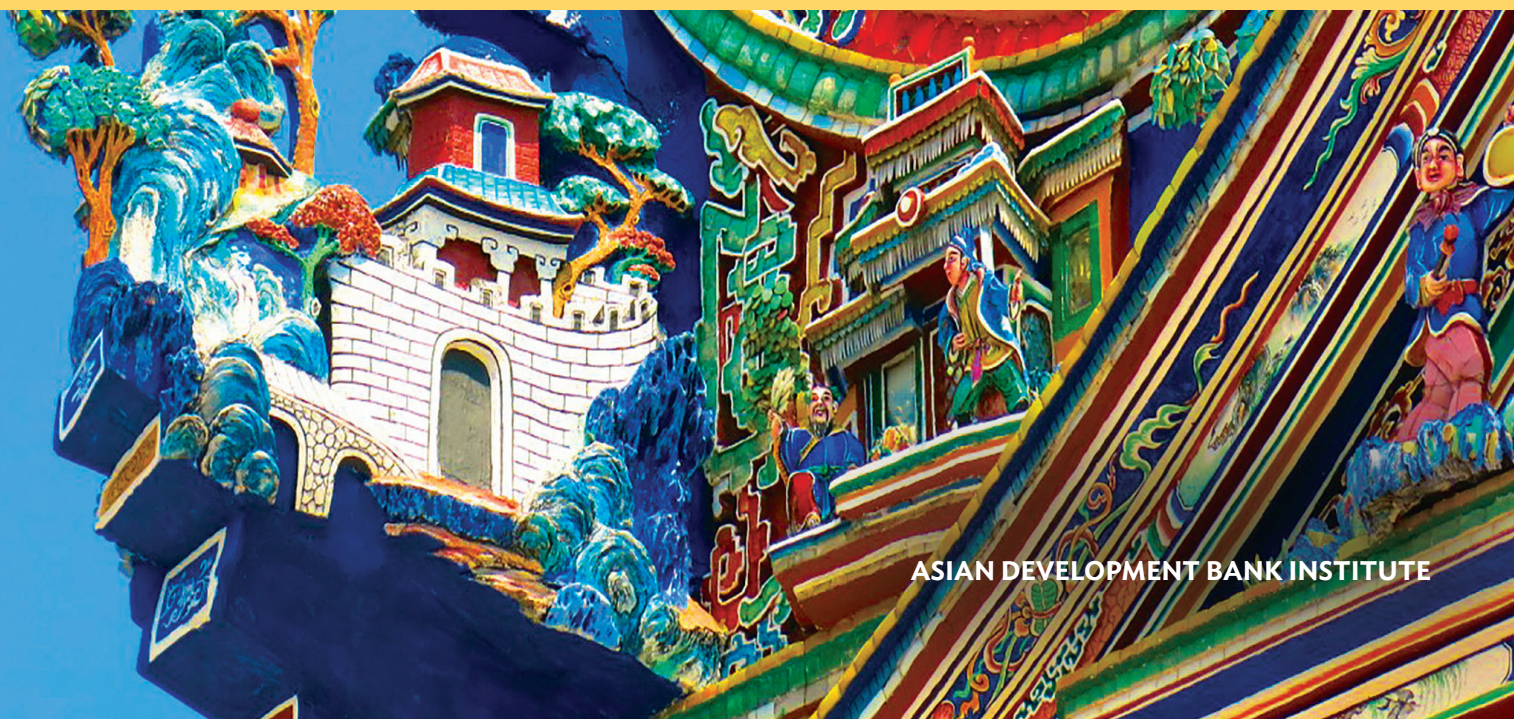


CREATIVE ECONOMY 2030

*Imagining and Delivering a Robust, Creative,
Inclusive, and Sustainable Recovery*



Edited by Tetsushi Sonobe, Nicolas J.A. Buchoud, Tan Ghee Tiong,
Seungju Baek, Nella Sri Hendriyetty, and Erica Paula Sioson



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Asian Development Bank Institute
Kasumigaseki Building 8F
3-2-5, Kasumigaseki, Chiyoda-ku
Tokyo 100-6008, Japan
www.adbi.org

CONTENTS

Tables, Figures, and Boxes	vi
Contributors	ix
Foreword 1	xiii
Foreword 2	xiv
Foreword 3	xvi
Acknowledgments	xvii
Preface	xviii
Introduction: A Creative Recovery: A G20 Roadmap and Special Focus on Indonesia Nicolas J.A. Buchoud	1
Part I Global and Regional Perspectives on Creative Economy for a COVID-19 Pandemic Exit Strategy	11
1 Creative Economy and the Future of Work: A Case of G20 Nations Prateek Kukreja	13
2 Orange Growth: Latin America's Experience Facing Creative Economies in Asia and the Pacific Daniela Allerbon and Carla Gebetsberger	26
3 Indonesian Foreign Policy and the Creative Economy: The Journey, Diplomacy, and the Pandemic Dio Herdiawan Tobing and Vicky Nauli Barreto Simanjuntak	34
4 How Governments Could Better Engage with the Working Practices of the 21st Century Creative Economy Avril Joffe, Dwinita Larasati, and John Newbiggin	49
5 Fostering the Role of the Creative Economy toward the ASEAN Green Transition and Sustainable Economic Recovery Lisa Wijayani and Handriyanti Diah Puspitarini	65
6 The Performance and Determinants of Creative Industries in Asia Muhammad Zubair Mumtaz and Zachary A. Smith	84
7 Promoting the Creative Economy for a Robust Post-Pandemic Recovery in Indonesia Riski Anugrah Murti Dewi	103

Part II	The Changing Geo-Economy of Creative Economy	115
8	Culture, Front and Center: Creative Economy Framework for a Robust, Inclusive, and Sustainable Post-COVID-19 Recovery Helene George and Aushaf Widisto	117
9	The Transformative Path Post-Pandemic: Promoting a More Inclusive and Circular Creative Economy Paramita Datta Dey and Ajay Suri	131
10	The Creative Economy and Information Technology Brankica Todorovic	142
11	Creative District: Re-modelling the Post-pandemic Indonesian Creative Economy Ricky Pesik and Benno Ramadian	157
12	Creative Economy District Development Study: Case Study on Maja, Rangkasbitung, and Karawang in Indonesia Riyanto, Muhammad Sowwam, Mohamad Dian Revindo, Teuku Riefky, Andre Notohamidjoyo, Dini Oktaviyanti, Yessy Febrina Usman, Lyon Lasarus	167
13	Creative Hubs at the Heart of the Creative Economy: Lessons from the British Council's Decade-Long Work with Creative Hubs Globally Roxana Apostol and Camelia Harahap	181
14	The Sixth Helix Tb. Fiki C. Satari, Dwinita Larasati, Vicky Barreto Simanjuntak, and M. Aldi Novri Kurnia Abidin	195
Part III	Making the Case for Creative Economy Throughout Asia	207
15	Toward Sustainable Recovery and Inclusive Growth of the Creative Economy in a Post-COVID-19 World Yelena Kalyuzhnova, Olena Khlystova, and Assel Imayo	209
16	The Entertainment Industry of the Republic of Korea in the Context of COVID-19: Lessons for Association of Southeast Asian Nations Countries Khussamov Rail and Garaeva Aisylu	222
17	Key Growth Determinants for Micro, Small, and Medium-Sized Enterprises in the Textile Sector in India: A Perception Survey of Four Clusters Nidhi Gautam	236
18	Supporting Youth-Led Creative Solutions for Sustainable Development: A Case Study of the Bagmati River Basin Improvement Project in Nepal Dina Azhgaliyeva, Ranjeeta Mishra, and Swithun F. Rumble	251

19	The “Lanna” Project: Redefining Hope for a Sustainable and Creative Economy in the Northern Economic Corridor of Thailand	262
	Nattapan Kongbuamai, Kiki Khoifin, and Nathapornpan Piyaarekul Uttama	
20	International Trade of Women-Led Creative Industries from South Asia: Trends, Potential, and Challenges	278
	Saurabh Kumar, Chetna K. Rathore, and Srijata Deb	
21	Toward Recognition of New Forms of Work: Protecting Creative Industry Workers in the Freelance Sector	290
	Earla C. Langit and Madeiline J. Aloria	
22	Financing Creative Industries in Indonesia	304
	Hilda Fachrizah, Manuel Andi Sihombing, Yoshua Caesar Justinus, Mohamad Dian Revindo, and Teuku Riefky	

TABLES, FIGURES, AND BOXES

TABLES

1.1	Industry 4.0 and Changing Demand for Skills	17
3.1	Contribution of the Creative Economy to Gross Domestic Product	36
3.2	Creative Economic Policy under Jokowi's Administration	38
4.1	Policy Solutions for Informal Cultural Economy	58
A4.1	Examples of Effective Intermediary Bodies	64
5.1	Stage of Development, Challenges, and Policy Recommendations for Greening ASEAN Micro, Small, and Medium-Sized Enterprises	67
5.2	Innovation and Technology Adoption in Indonesia and ASEAN	71
5.3	Criteria of Micro, Small, and Medium-Sized Enterprises in the European Union	73
5.4	Definition of Micro, Small, and Medium-Sized Enterprises in ASEAN Member States	74
5.5	Gross Domestic Product Growth in 2025 and 2030 Compared to the Value in 2020	78
6.1	Descriptive Statistics for United Nations Conference on Trade and Development Economies for Exports of Creative Industries	89
6.2	Estimation Results of Single-Index Model	91
6.3	Estimation Results of Single-Index Model, Regional Analysis	93
6.4	Summary Statistics	94
6.5	Panel Cross-Section Dependence Tests	95
6.6	Determinants of Creative Industries in Asia	96
6.7	Region-Wise Analysis: Determinants of Creative Industries	97
7.1	Proportion to Total Creative Economy Actor on Three Main Sub-Sectors	106
A7.1	Provincial Creative Economy Statistics	112
8.1	WAA Economic Model Before and After	124
8.2	WAA Sustainability Outcomes	125
10.1	Country Scores (SDG 11, SDG, Spillover Index)	144
10.2	Transformation: Digital Revolution for Sustainable Development	145
10.3	SDG Framework to Map Out Possible Government Responses to COVID-19 – Transformation 5 and 6	145
10.4	Variables and Creative Outputs	148
10.5	Platforms for Virtual Events	150
10.6	Travel and Outdoor Events	150
10.7	Amazon Explore Events	152
12.1	Output, Gross Value Added (GVA), Income and Creative Economy Labor Multiplier	174
16.1	The Main Characteristics of the ASEAN Countries (2020)	227
17.1	Contribution of India's Textile Sector	237
17.2	Employment Generated by the Textile Sector in India	237
17.3	Major Studies in Support of the Theoretical Framework	241
17.4	Analysis of the Responses Received from MSMEs of Four Select Textile Clusters	243
17.5	Result for Performance of MSMEs Determinants (W)	245
19.1	GPP Per Capita in Four Economic Corridors of Thailand in 2019	263
19.2	Classification of Cultural and Creative Domains and Related Subsectors: Comparison Between UNESCO and Thailand	265
19.3	Creative Economy Competitiveness Matrix	267
19.4	SWOT Matrix: A Pivotal Base for the NEC's Creative Economy Policy	272
19.5	TOWS Matrix: A Design of Strategic Policy for the NEC's Creative Economy	273
20.1	Creative Economy Products with High Participation of Women	280
21.1	Training Programs Offered by the Technical Education and Skills Development Authority	297
22.1	Sources of Financing for Creative Industries	306
22.2	Types of Financing for Creative Industries	307

22.3	General Typology of Creative Industry	308
22.4	Creative Industry and Capital Segments	309
22.5	Credit from Financial Institutions for Creative Actors in Indonesia	312
22.6	Estimation Result	313

FIGURES

1.1	World's Top 10 Exporters of Creative Goods, 2015	14
1.2	Share of Major Occupations Demanded by G20 Countries on the Online Labor Market, 2020	18
1.3	Shares of Employment in Major Occupations on the Online Labor Market in G20 Countries, 2020	19
1.4	Trends in Shares of Workers and Vacancies in Creative and Multimedia Occupations on the Online Labor Market in G20 Countries, 2016–2021	21
3.1	The Indonesian Creative Economy's Journey	35
3.2	Creative Economy Classification during SBY and Jokowi's Era	37
3.3	Stages of Creative Economy Policy Development in the National Development Agenda	38
3.4	The Journey of the Creative Economy in Indonesian Foreign Policy	41
4.1	Policy Recommendations	54
5.1	Annual Growth Rate in Southeast Asia	66
5.2	ASEAN Trade Exports and Imports for Creative Goods	68
5.3	Interlinkages among Stakeholders in Support of Eco-Innovation	69
5.4	Targeted Activities for Implementation by ASEAN Member States by 2015 and by 2025	70
5.5	Gross Domestic Product Contribution by Subsector in Indonesia	72
5.6	Growth of Financial Aids for Micro, Small, and Medium-Sized Enterprises in ASEAN	77
5.7	Gross Domestic Product Projection	78
5.8	Increasing Trend of Total Internet Users in ASEAN	79
6.1	Performance Ratios of Regional Portfolios	93
7.1	Indonesia Creative Economy Growth	105
8.1	Throsby's Concentric Circles Model of the Cultural Industries	120
8.2	Creative Economy Concentric Circles Model	121
8.3	Creative Economy Sustainability Framework	122
10.1	Smart City Benchmarks: Tokyo, Barcelona, and Stockholm	146
10.2	The 5 CS Model	147
12.1	Creative Economy Subsector Growth and Contribution to the Creative Economy (2018)	173
12.2	Regulations Regarding Incentives for Creative Economy Actors	175
12.3	Interaction in the Triple Helix Model	176
12.4	Various Cooperation Schemes Based on the Triple Helix Model Framework	177
14.2	ICCN Framework	197
14.1	The 10 Principles of Indonesia Creative Cities	197
14.3	Catha Ekadasa	198
14.4	Homogenous Aggregator Business Model	199
14.5	Non-homogenous Aggregator Business Model	199
14.6	The Structure of Asia's Food Service Industry Is Changing	201
15.1	Number of Employees in the Creative Industries of the United Kingdom, by Subsectors	212
15.2	Distribution of Innovation Expenditure in the German Creative Industries by Subsectors	214
16.1	Steps of Entry to the International Level	228
16.2	Changes in Demand for Goods of the Republic of Korea Entertainment Industry by Country	230
17.1	Methodological Framework of the Research	241
17.2	NVIVO Result	246
18.1	The Bagmati River Basin and Related SDGs	252
18.2	Youth-Led Creative Solutions for Achieving Sustainable Development Goals	253
18.3	The Bagmati River Basin	255

18.4	Knowledge-Attitude-Practice (KAP) Index	257
19.1	Population of Northern Thailand	263
19.2	GPP Per Capita, 2010–2019	264
19.3	Average RCA Index by Economic Sector, 2010–2019	269
19.4	Average Annual Growth Rate of GDP by Sector, 2010–2019	270
19.5	Matrix of the Creative Industry in the NEC, 2019	270
19.6	Matrix of Different Creative Industries in the NEC, 2019	271
20.1	Creative Product Imports of the World	281
20.2	Creative Products Exports from South Asia to the Rest of the World	282
20.3	South Asian Creative Products with Export Potential in the Global Market	282
20.4	South Asian Exports of Miniature Toys, Decorative Items, and Showpieces	283
20.5	South Asian Exports of Wooden and Paper Masks, and Showpieces	284
22.1	Sources of Capital for Creative Industries in Indonesia	305
22.2	Differences in Business Flow in Creative Industries with and without Copyright Protection	311

BOXES

9.1	The Case of Banjara Market in Gurugram, Haryana, India	133
9.2	Case Study of the Pre-owned Clothes Market at Raghbir Nagar	137

CONTRIBUTORS

M. Aldi Novri Kurnia Abidin is a Policy Advisor, Ministry of Cooperatives and Small & Medium Enterprises (MoCSME), Indonesia.

Garaeva Aisylu is a Master's Student, Faculty of World Economy and World Politics, National Research University "High School of Economics", Moscow, Russian Federation.

Daniela Allerbon is Director of Government Centres, Secretary of Strategic Affairs, Presidency of the Argentine Nation, and Professor, Master on Cultural Management, Universidad de San Andrés

Madeiline J. Aloria is a Master's in Development Economics Candidate, University of the Philippines-School of Economics, Philippines.

Roxana Apostol is a former Creative Economy Programme Manager, British Council, Indonesia.

Dina Azhgaliyeva is a Research Fellow at the Asian Development Bank Institute, Tokyo, Japan.

Seungju Baek is Deputy Dean (Capacity Building and Training and Special Activities) at the Asian Development Bank Institute, Tokyo, Japan.

Nicolas J.A. Buchoud is Co-Founder and President of the Grand Paris Alliance for Metropolitan Development (Cercle Grand Paris de l'Investissement Durable).

Srijata Deb is a Master's (Public Policy) Student, St. Xavier's College, Mumbai, India.

Riski Anugrah Murti Dewi is an Economic Analyst at the Coordinating Ministry for Economic Affairs, Indonesia.

Paramita Datta Dey is a Program Lead, National Institute of Urban Affairs, New Delhi, India.

Hilda Fachrizah is a Research Associate, Institute for Economic and Social Research, Faculty of Economics and Business, Universitas Indonesia (LPEM FEB UI), Indonesia.

Nidhi Gautam is a Research Scholar and Senior Consultant, Ministry of Skill Development and Entrepreneurship, New Delhi, India.

Carla Gebetsberger is an Assistant Professor, Universidad de San Andrés, and Academic Assistant, Argentine Council for International Relations (CARI).

Helene George is Founder and CEO, Creative Economy; UNESCO Expert, 2005 Convention for the Protection and Promotion of Diversity of Cultural Expressions; Past UNESCO Expert International Fund for Cultural Diversity; and Member, Northern Territory of Australia Ministerial Creative Industries Advisory Council.

Camelia Harahap is Head of Arts and Creative Industries, British Council, Indonesia.

Nella Sri Hendriyetty is Director for the Center for Regional and Bilateral Policy, Fiscal Policy Agency, Ministry of Finance of the Republic of Indonesia, and a former Senior Capacity Building and Training Economist at the Asian Development Bank Institute, Tokyo, Japan.

Assel Imayo is a PhD Researcher, Kurmangazy Kazakh National Conservatory, Almaty, Kazakhstan.

Avril Joffe is a Postgraduate Coordinator of the Cultural Policy and Management program at the School of Arts, University of the Witwatersrand, and a Member of the United Nations Educational, Scientific, and Cultural Organization's Expert Facility on Cultural Policy and Governance in Johannesburg, South Africa.

Yoshua Caesar Justinus is a Junior Research Associate, Institute for Economic and Social Research, Faculty of Economics and Business, Universitas Indonesia (LPEM FEB UI), Indonesia.

Yelena Kalyuzhnova is a Professor, The Centre for Euro-Asian Studies, Henley Business School, University of Reading, United Kingdom.

Olena Khlystova is a PhD Researcher, Henley Business School, University of Reading, United Kingdom.

Kiki Khoifin is a Lecturer at the School of Management, Mae Fah Luang University, Chiang Rai, Thailand.

Nattapan Kongbuamai is a Lecturer at the School of Management and a Researcher at the Office of Border Economy and Logistics Study, Mae Fah Luang University, Chiang Rai, Thailand.

Prateek Kukreja is a Consultant, Indian Council for Research on International Economic Relations (ICRIER), New Delhi.

Saurabh Kumar is an Economist, India.

Earla C. Langit is an LLM Graduate, University of Michigan, United States.

Lyon Lasarus is a Strategic Analysis Staff, Ministry of Tourism and Creative Economy, Indonesia.

Dwinita Larasati is a Lecturer and Researcher at the Faculty of Arts and Design, Institut Teknologi Bandung in West Java, Indonesia.

Ranjeeta Mishra is a Consultant at the Asian Development Bank Institute, Tokyo, Japan.

Muhammad Zubair Mumtaz is an Associate Professor of Finance in the School of Social Sciences and Humanities, National University of Sciences and Technology, Islamabad, Pakistan, and in the College of Business and Administration, University of Bahrain, Sakhir, Bahrain.

John Newbiggin is Chair of the Policy and Evidence Centre's International Council, Creative Industries Ambassador for the Mayor of London, and a Visiting Fellow at the Institute of Creative and Cultural Entrepreneurship at Goldsmiths, University of London, United Kingdom.

Andre Notohamidjoyo is Vice Deputy of Disaster and Social Conflict Mitigation, Coordinating Ministry for Human Development and Cultural Affairs, Indonesia.

Dini Oktaviyanti is a Policy Analyst, Ministry of Tourism and Creative Economy, Indonesia.

Ricky Pesik is President Commissioner of the Indonesia Tourism Development Corporation, Former Vice Chairman (Deputy Head) of BEKRAF, Government of Indonesia Agency for Creative Economy, Indonesia.

Handriyanti Diah Puspitarini is a Senior Researcher, Institute for Essential Services Reform, Jakarta, Indonesia.

Khussamov Rail is a Candidate of Economic Sciences, Associate Professor, Department of Management and Innovation, Financial University under the Government of the Russian Federation.

Benno Ramadian is Principal of BRd Design, Co-Founder of BEKRAF, Government Agency for Creative Economy, Indonesia.

Chetna K. Rathore is an Economist, India.

Mohamad Dian Revindo is a Lecturer and Researcher, Graduate School of Strategic and Global Studies, University of Indonesia (SKSG UI), Indonesia.

Teuku Riefky is a Research Associate, Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI), Indonesia.

Riyanto is a Lecturer and Researcher, Faculty of Economics and Business, University of Indonesia, Indonesia.

Swithun Rumble is a Youth for Asia Consultant at the Asian Development Bank.

Tb. Fiki C. Satari is a Special Advisor to the Minister of Cooperatives and Small & Medium Enterprises, Indonesia.

Manuel Andi Sihombing is a Research Associate, Institute for Economic and Social Research, Faculty of Economics and Business, Universitas Indonesia (LPEM FEB UI), Indonesia.

Vicky Barreto Simanjuntak is a Policy Advisor, Ministry of Cooperatives and Small and Medium Enterprises (MoCSME), Indonesia.

Erica Paula Sioson is a Senior Officer of the Culture and Information Division, Sustainable Development Directorate at the ASEAN Secretariat, Jakarta, Indonesia.

Zachary A. Smith is an Assistant Professor of Economics and Finance in the Tapia College of Business, Saint Leo University, St. Leo, Florida, United States.

Tetsushi Sonobe is Dean and CEO of the Asian Development Bank Institute, Tokyo, Japan.

Muhammad Sowwam is a Research Associate, Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI), Indonesia.

Ajay Suri is a Senior Advisor, Inclusive Development, National Institute of Urban Affairs, New Delhi, India.

Tan Ghee Tiong is Head of the Culture and Information Division, Sustainable Development Directorate at the ASEAN Secretariat, Jakarta, Indonesia.

Dio Herdiawan Tobing is a Senior Fellow (adjunct), ASEAN Studies Center, Universitas Gadjah Mada, Yogyakarta, Indonesia.

Brankica Todorovic is a Professor, School of Economics Uzice, Serbia.

Yessy Febrina Usman is a Digital Economy and Creative Product Sub-Coordinator, Ministry of Tourism and Creative Economy, Indonesia.

Nathapornpan Piyaareekul Uttama is a Lecturer at the School of Management and a Researcher at the Office of Border Economy and Logistics Study, Mae Fah Luang University, Chiang Rai, Thailand.

Aushaf Widisto is a Research and Communications Assistant, Creative Economy, Australia.

Lisa Wijayani is a Program Manager for Green Economy, Institute for Essential Services Reform, Jakarta, Indonesia.

FOREWORD 1

The socioeconomic contributions of the creative economy are increasingly recognized as an important engine of growth worldwide. Beyond improving the livelihoods of people, the sector provides creative and curative wherewithal to uplift the social wellbeing of individuals, communities, and societies.

With rapid digital transformation, the creative economy has presented new and innovative prospects, where we are witnessing the dynamic growth of creative startups that opens up rewarding and cutting-edge job opportunities for many creative and cultural workers. In the ASEAN region, the pandemic has accelerated the number of new online users in Southeast Asia by 70%¹ resulting in a burgeoning digital market where e-commerce revenue in ASEAN is projected to reach more than \$80 billion by 2024.²

At ASEAN, we are taking steps to concretize regional efforts to leverage the strong trajectory of potential growth to promote and develop the ASEAN Creative Economy. To support our region toward a resilient and robust post-pandemic recovery, ASEAN Leaders adopted the ASEAN Comprehensive Recovery Framework (ACRF). Under the ACRF, the ASEAN Creative Economy has been identified as an important driver that is in need of policy assistance for recovery, but at the same time, is also recognized as a key driver that could provide impetus for the region's recovery from the pandemic.

Allow me to congratulate the Asian Development Bank Institute (ADBI), in collaboration with the ASEAN Secretariat, for putting together this timely publication, *Creative Economy 2030: Imagining and Delivering a Robust, Creative, Inclusive, and Sustainable Recovery*. This publication has benefited from the substantive exchanges of views and ideas that took place at the *ASEAN-ADBI Webinar on Creative Economy for Sustainable Development: Potential, Challenges, and Ways Forward* held in April 2021, and the *Virtual Policy Dialogue on Creative Economy 2030: Imagining and Delivering a Robust, Inclusive, and Sustainable Recovery* in November 2021.

With the launch of this publication, I hope that it will encourage more policy dialogues and industry exchanges of ideas among key stakeholders to discuss pragmatic ways to further realize the potential of the creative economy in ASEAN and beyond.

Ekkaphab Phanthavong

Deputy Secretary-General of ASEAN
ASEAN Socio-Cultural Community (ASCC)

¹ Hootsuite and We Are Social (2022) The Global State of Digital 2022. Accessed from [<https://www.hootsuite.com/resources/digital-trends>]

² OECD. 2021. Economic Outlook for Southeast Asia, China, and India 2021. Accessed from [Economic Outlook for Southeast Asia, China and India 2021: Reallocating Resources for Digitalisation | READ online (oecd-ilibrary.org)]

FOREWORD 2

In 2021, global economic activity recovered at a solid pace, but as the G20 Leaders acknowledged in Rome, the recovery remains highly divergent across and within countries. The same phenomenon has been witnessed in many sectors of the economy, with adverse consequences for those most impacted, such as youth, and informal and low-skilled workers.

The creative economy has been severely affected by the pandemic lockdowns. Yet not all players and all regions have been equally impacted. Multilateral and regional coordination is thus essential to prevent the aggravation of imbalances in cultural and creative industries, to ensure that the benefits of digitalization are shared broadly and contribute to reducing inequalities.

The Indonesian Presidency of the G20 welcomes warmly the initiative of the Asian Development Bank Institute (ADBI) to edit this book *Creative Economy 2030*. It is a milestone in the recognition of the socio-economic value of the creative economy and a meaningful contribution to promote cooperation for recovery. We value the engagement of the ASEAN Secretariat along with leading think-tanks and organizations that have a long history of promoting the creative economy.

“*Recover Stronger, Recover Together*” is the baseline of G20 Indonesia and we are fully supportive of government and civil society initiatives aimed at responding through creative and innovative ways to the current challenges. Cooperation among G20 engagement groups and with G20 ministerial working groups is essential.

Creative Economy 2030 is an opportunity to address flaws and inherited fragilities in the organization of the creative economy since the issue emerged on the global stage at the turn of millennium. It is not an issue of creative classes any longer, nor should creative economy be in the hands of global platforms only. Securing intellectual property (IP), creating a globally agreed taxonomy and definition for creative economy, safeguarding and promoting culture, valuing local governments’ initiatives in favor of creative and cultural industries, are priorities. The engagement of international institutions, such as the World Trade Organization (WTO), the International Property Organization (IPO), the United Nations Education, Science and Culture Organization (UNESCO), the United Nations Commission for Trade and Development (UNCTAD), the United Nations World Tourism Organization (UNWTO) is essential.

Indonesia has long argued in favor of the creative economy. It supported the Bali Agenda for Creative Economy in 2018 and the adoption by the United Nations General Assembly of the resolution making 2021 as the Year of the Creative Economy for Sustainable Development. As host country of the G20 in 2022 and chair of the ASEAN secretariat in 2023, we seek to streamline local, regional, and global efforts to strengthen the creative economy as a driver of content-driven prosperity. The creative economy is an asset for promoting accessible jobs, especially in micro, small, and medium-size enterprises, in times of rapid changes in labor markets. The creative economy is an important dimension of the development of sustainable tourism.

The G20 was established following the Asian financial crisis of 1997. Since then, the world economy has faced two major economic crises in 2007–2008 and since 2020. In more than 20 years, the G20 has transformed. Initiated as a consultative forum for the finance ministers and central bank governors, the forum has included a growing number of issues in its agenda. Such changes are a reflection of deep transformations of the world economy, calling for forward thinking and creative institutional and entrepreneurial responses.

The models of quadruple or penta-helix coalitions of governments, academic, civic, and entrepreneurial stakeholders that underpin successful creative economy initiatives should serve as examples for the G20. We have tried to innovate this year and have asked creative minds to provide a graphic G20 diary that is shared widely. I am very pleased that *Creative Economy 2030* has been developed with a similar mindset.

Let's continue to be creative together!

Edi Prio Pambudi

Co-Sherpa, G20 Indonesia

FOREWORD 3

In the face of global disruptions and challenges arising from the 4th Industrial Revolution and the COVID-19 pandemic, we are seeing renewed interest in culture's role in achieving sustainable development. Culture has a clear impact and is an important driving force for the development of a vibrant creative economy, which goes beyond trade and monetary potential. It also provides curative benefits in promoting the wellbeing of people, which is at the heart of ASEAN's vision of a people-oriented and people-centred community.

I welcome the timely publication of *“Creative Economy 2030: Imagining and Delivering a Robust, Creative, Inclusive, and Sustainable Recovery”* as ASEAN continues to strengthen efforts in building a vibrant ecosystem to support the growth of cultural and creative industries.

At ASEAN, we are currently working toward a Ministerial Declaration to demonstrate our regional efforts to promote and develop the cultural and creative industries, and to consider the modalities for a center to undertake research, capacity building, and networking for the ASEAN cultural and creative industries.

On behalf of the ASEAN Culture and the Arts sector, I would like to extend my gratitude to the Asian Development Bank Institute (ADBI) for working with ASEAN and the ASEAN Secretariat to convene the *Virtual Policy Dialogue on Creative Economy 2030: Imagining and Delivering a Robust, Inclusive, and Sustainable Recovery* last year. I would also like to acknowledge the substantive contributions by the Indian Council for Research on International Economic Relations, the Institute for Economic and Social Research of the University of Indonesia and the British Council, for the policy dialogue and this publication.

I am confident that this publication will serve as an insightful and relevant reference for academics, creative actors, artists, content creators, businesses, consumers, industries, and policy makers to further discuss transformative ways to promote and develop the cultural and creative industries in ASEAN and beyond.

Pen Moni Makara

Chair, ASEAN Senior Officials Meeting for Culture and Arts Chair (SOMCA), SOMCA Chair Cambodia, and Secretary of State, Ministry of Culture and Fine Arts of Cambodia

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PREFACE

Before the COVID-19 crisis, creative industries constituted one of the fastest-growing sectors globally. They were forecast to become an increasingly important contributor to global GDP growth and account for 10% of global GDP by 2030. Creative industries are critical to the sustainable development agenda, as they have the potential to support inclusive, sustainable, and equitable economic development. In recognition of its economic and social significance as a driver of the 2030 Sustainable Development Goals (SDGs), the United Nations in 2019 declared 2021 the International Year of Creative Economy for Sustainable Development.

However, the creative economy has been badly hit by the COVID-19 pandemic. The cultural and creative industries as a whole are estimated to have shrunk by \$750 billion in 2020, implying a significant setback in the ability of these industries to serve as drivers of sustainable cultural, economic, and social output.

The Group of 20 (G20) is exploring how the creative economy, along with culture and tourism, could contribute to a more inclusive global recovery. This includes hosting the first G20 culture ministers meeting in 2021 to examine the links between responsible consumption and investment, social inclusion, gender equality, and the value of tangible and intangible heritage. The creative industries could play a significant role in mediating the digital transformation that has occurred globally, especially after the outbreak of the COVID-19 pandemic pushed us online at an unprecedented pace.

In light of this, a joint effort was made to nurture a G20 Roadmap on Creative Economy by the Asian Development Bank Institute (ADBI), the Association of Southeast Asian Nations (ASEAN), Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI), Indian Council for Research on International Economic Relations (ICRIER), and British Council. The outcome is this report. It examines the role of the creative economy in delivering a robust and inclusive post-pandemic recovery in developing Asia and the Pacific and explores how the post-COVID-19 revival of the creative economy could advance the realization of the SDGs, setting the stage for possible action during Indonesia's G20 presidency in 2022. I hope that this report will shed light on the possible contribution of the creative economy to inclusive and sustainable COVID-19 recovery and the SDGs, and that it will be an invaluable resource for policy makers, researchers, and others interested in the creative economy.

Tetsushi Sonobe

Dean

Asian Development Bank Institute

A Creative Recovery: A G20 Roadmap and Special Focus on Indonesia

Nicolas J.A. Buchoud

“We underline the role of culture and of cultural and creative professionals and businesses as drivers for sustainable development and in fostering the resilience and the regeneration of our economies and societies (...). We ask our relevant institutions to further pursue the G20 cooperation on culture.”

G20 Rome Leaders' Declaration, 31 October 2021

1 From Rise to Fall to Transformation: The Creative Economy in the Global Landscape of the COVID-19 Era

The creative economy, defined by UNCTAD and UNDP as “*an evolving concept based on creative assets potentially generating economic growth and development*,” was one of the fastest growing sectors in every region of the world, North and South, East and West, before the COVID-19 pandemic.

Twenty years ago, the creative economy was seen as primarily a phenomenon of a few developed economies, but this has changed. Lately, the combined processes of the World Conference on Creative Economy (WCCE) initiated in Southeast Asia and of the Orange Economy in Latin America have accelerated South–South and triangular cooperation. Remarkably, over 80 countries co-sponsored the United Nations' General Assembly resolution “*2021 International Year of Creative Economy for Sustainable Development*” in the fall of 2019, largely due to Indonesia's multilateral, inclusive leadership.

Globally, creative economy export growth averaged 7 percent between 2002 and 2015, often outpacing the growth rate of other industries and gaining traction in all major emerging markets. In 2015, UNCTAD pegged the value of the global market for creative goods at a significant \$509 billion. According to other calculations by UNESCO and dating back from 2013, global creative industries reportedly generated \$2.25 trillion in revenue and formally employed 29.5 million people worldwide. According to pre-crisis forecasts, the creative economy was to represent 10 percent of global GDP before 2030. In emerging markets, the artisan economy is a major driver of informal jobs for an estimated 300 million people, with pre-crisis estimates of a potential global valuation of \$985 billion by 2023.

Highly transformative in terms of income generation, job creation, and export earnings, with spillover effects that stimulated innovation in other sectors, the creative economy also proved inclusive and agile, with low barriers to entry. The production and circulation of intangible goods also has a lower carbon and environmental footprint than many other economic sectors. The COVID-19 pandemic initially brought this exceptional growth to a standstill and exposed the fragilities of micro-businesses that often rely on informal work practices, with few tangible assets and real but unevenly distributed capacities to benefit from the digitalization of the world economy.

A research study from the first half of 2021 by the German cooperation agency compiled and interpreted advanced data about the impact of COVID-19 on the music, fashion, and design sectors in several countries from Africa and the Middle East. Results show that across sectors and cities, financial losses

were often extreme. Full-time employment dropped by two-thirds in some cities, and only a small minority reported maintaining steady income. Another study conducted in the United Arab Emirates in preparation of the delayed World Conference on Creative Economy session in Dubai (held in December 2021) showed that even there, more than 40% of the companies in cultural and creative sectors lost a significant part of their revenue. A report looking into the Creative Economy situation in 9 Asian and European countries from June 2021 by the consulting company Deloitte similarly reported staggering losses. For instance, over 9,000 cinemas have closed across the EU in 2020 (European Parliament), and not all of them have reopened since then. A UNESCO study from mid-2021 showed that cultural and creative industries globally lost more than \$750 billion in 2020 as compared to 2019 (sample of 20 economies), corresponding to an estimated loss of more than 10 million jobs and with knock-on effects that were much larger, although still difficult to quantify.

That the creative economy sectors and subsectors have been hit hard by the pandemic is an issue that goes far beyond cultural and creative industries. As a whole, the creative economy offers a unique means of developing international trade on the basis of cultural distinctiveness and diversity. At a time of growing youth unemployment, the creative economy can yield high value social and cultural capital for the whole world. The Bali Agenda on Creative Economy adopted in 2018 described it as *“a bridge for communication and understanding between countries and cultures, connecting urban, metropolitan, and rural ecosystems with low initial barriers of entry.”* As the G20 in 2022 focuses on *“recovering stronger, recovering together”* with a focus on *“global health architecture, digital and economic transformation, and energy transition,”* the creative economy should be among the main drivers of job creation and sustainable and inclusive growth. It could support several important agendas, such as women and youth empowerment and inclusion, and sustainable and inclusive urban growth.

Civic responses to the COVID-19 crisis around the world have demonstrated the importance of creativity and culture in sustaining community resilience and protecting livelihoods when formal health, social, and economic systems were under pressure or even ceased to function. Furthermore, evidence indicates that the creative economy is a sector that is genuinely inclusive and agile. With the development of technologies that create new products, new services, and new revenue streams, it clearly has potential as part of a more sustainable global economy in the future.

After over two years of the pandemic unfolding and virus mutations, the global creative economy landscape is changing significantly. Globally as well as among the members of the Association of Southeast Asian National (ASEAN) region, the pandemic has accelerated transformation in labor markets and the adoption of digital technologies. Forty million new users went online for the first time in Southeast Asia in 2020, outpacing the average increase of 25 million yearly in the past 4 years. E-commerce revenue in ASEAN is now projected to reach more than \$80 billion by 2024. This trajectory presents opportunities and challenges for the CCI, especially the small and medium creative enterprises (SMCEs).

The COVID-19 pandemic has also shown that growing imbalances in the global economy were affecting creative economy sectors, spurring a wide range of short- and long-term responses connecting recovery and cultural and creative industries. In Asia, the ASEAN Secretariat has pursued many initiatives to promote the role of the creative economy in its Comprehensive Recovery Framework, as illustrated by the ASEAN magazine special issue of October–November 2021 and the program of a large business forum on the creative economy in Bali. The Asian Development Bank has launched a webinar series on *Digital Technologies and Quality Jobs: Lessons Learnt and New Horizon* and devoted a session to the Creative Economy in December 2021. The initial results of a large-scale global study on *The Future of Work in the Global South* coordinated by Argentine think-tank CIPPEC and whose results are to be

presented in the fall of 2022 in Jakarta, highlight the role of the creative economy in the transformation of labor markets.

The creative economy is quickly becoming a vital part of countries' core global and regional "post- COVID-19" strategies. In Nigeria, for instance, the music industry was growing at an annual rate of 13.4% in pre-crisis time, with Nollywood, the Nigerian film industry, employing over 1 million people. As of 2021, the creation of the African Continental Free Trade Area became a central issue for the country's creative economy. In the Middle East, the United Arab Emirates launched a new 10-year National Strategy for the cultural and creative industries in November 2021, as the country prepared to host the second edition of the World Conference on Creative Economy. The aim is to increase the contribution of the creative economy to the country's GDP to 5 percent over the next decade and to become part of the most important economic sectors in the Emirates. In Europe, the European Commission launched a new institute of innovation in the fall of 2021 specifically targeting cultural and creative sectors after several reports and assessments from the European Parliament, EU member countries, and groups of experts such as the Group of Societies of Authors and Composers showing the role of culture as a factor behind the net surplus of €8.6 billion in 2019, among many other regional, local, national, and global initiatives.

2 Turning Awareness into a G20 Roadmap for the Creative Economy

In 2021, the G20 ministers of culture and tourism met for a summit in Rome and issued a common declaration in which they *"recommend including culture, cultural heritage, and the creative sector in national and international post-pandemic recovery strategies, recognizing that international cultural exchanges depend on strong cultural and creative actors in all countries."* At the G20 leaders' summit held a few months later, the final Declaration recognized that the *"regeneration of our economies and societies was also depending on the role of culture and of cultural and creative professionals and businesses."*

In November 2021, the executive board of UNESCO adopted a decision entitled *Building on the 2021 International Year of Creative Economy for Sustainable Development Through Consolidated Action*, submitted by the UAE in partnership with Indonesia, Colombia, and Bangladesh. The document strengthens the importance of creative economy ecosystems, calls for initiating international indicators on cultural and creative industries, and for enhanced cooperation between UNESCO and the World Intellectual Property Organization (WIPO). In the fall of 2021, the 15th forum of the United Nations Commission for Trade and Development (UNCTAD) was (finally) held online and in a smaller format than initially planned, after it was postponed due to the pandemic. It nevertheless included a Creative Industries and Trade Digitalization forum, which calls for the creative economy to be "more than just a group of business sectors."

In 2022 and beyond, it is time to align dispersed initiatives and formulate a G20 roadmap for the creative economy that addresses structural, pre-crisis imbalances and respond to the new risks, challenges, and opportunities created by the pandemic. The research project *Creative Economy 2030* has been designed to gather peer reviewed, independent insights to nurture a G20 Roadmap for the Creative Economy. It has been built around institutional and community perspectives, with a focus on Asia and in particular the ASEAN and the South American region. *Creative Economy 2030* features cross-disciplinary perspectives and original case studies, with special focus on Indonesia as a creative economy global powerhouse, holding the G20 Presidency in 2022 and chairing the ASEAN Secretariat in 2023.

We have identified 8 key issues to be addressed by the G20 to support the creative economy.

First, there is a need for a broad, global consensus on the definition of the creative economy, and corresponding standards and norms and to quantify the impact of the pandemic on cultural and creative industries, especially in emerging and lower-income countries.

Second, in reaching out to a global consensus, a culture-centred approach can prompt bottom-up societal and behavioural changes across the development of tangible and intangible assets.

Third, the creative economy can yield sustainable growth thanks to linkages between the creative subsectors and other economic sectors. Quality and inclusive market systems supporting production, distribution, and knowledge exchange and institutional systems supporting social and physical infrastructure are essential.

Fourth, traditional barriers such as market access and business models, intellectual property, and copyright protection are redoubled by the accelerated automation of numerous production processes in response to the pandemic, impacting global value and supply chains and calling for massive (re)skilling. The creative economy can help ensure that the theme of “the future of work” becomes synonymous with an inclusive digital future, focusing on product distribution and universal access to advanced research and development (R&D).

Fifth, the diversity of creative industry segments underscores the industry’s different funding needs, which calls for the development of suitable market categories, financing instruments, and direct and indirect incentives.

Sixth, creative hubs, districts, and clusters are important entities in the (re)development of the creative economy. Concrete solutions to respond to the increasingly precarious conditions of the micro, small, and medium cultural and creative industries (MSMCEs) are required, provided they are part of holistic and integrated agglomeration and metropolitan planning.

Seventh, on democratizing spaces, we provide more attention and support to the vulnerable segments of our population (women, youth, etc.).

Eighth, change-makers use culture, arts, and creative solutions through concerts, films, exhibitions, among others to spread environmental awareness, while there is a thrust toward greening many subsectors of the creative economy such as fashion. Therefore, the creative economy can significantly support the development of a green economy.

Let us insist on 3 specific priority areas that should be on the table regarding future G20 exchanges on the creative economy. (1) The asymmetry between transnational digital platforms and content creators; (2) The (unworthy) competition among multilateral institutions and United Nations organizations to take the lead on the creative economy, whereby the lack of regulatory structures slows down global progress regarding IP, taxonomy, and even standard definitions of the creative economy; and (3) The need to connect the future of the creative economy with the wider issue of the future of work, in particular in the global South. Based on these priorities, *Creative Economy 2030* proposes concrete pathways to elevate the issue of the creative economy within G20.

The creative economy should be part of the G20 debates on digitalization in the sectors of trade and the future of work, and infrastructure investments.

The creative economy can strengthen the delivery and financing of Agenda 2030. Whereas the economic crisis has slowed down the completion of many of the sustainable development goals, in particular poverty alleviation, the creative economy could be discussed among the topics of the Development Working Group jointly with the Tourism Working Group and the follow up of the G20 Italy Culture Working Group.

The creative economy has high social capital potential that can be multiplied by a cross-pollination of civil society through G20 engagement groups. Gender equality and inclusion (W20), youth (Y20), business and values (B20 and V20), and urban development (U20), together with the T20 and think-tanks, can consolidate the legacy of the International Year of Creative Economy for Sustainable Development. We value such opportunities in 2022 such as *Connecti: Citi* in Bandung, the 3rd World Conference on Creative Economy, or the Indonesia Creative Cities Network festival in Labuan Bajo. They are pivotal to illustrate concretely the “togetherness” part of G20 Indonesia’s agenda.

Strengthening the macroeconomic potential of the creative economy to support growth and recovery in a sustainable and healthy way means addressing multiple financial, sectoral, practical, and social dimensions at the same time. Therefore, we recommend that a G20 creative economy taskforce or panel is created to coordinate creative economy initiatives and events during G20 Indonesia and beyond. This work would be initiated in 2022 and carried out in 2023 and beyond.

Contrary to the popular image of a 2-day summit with a lot of fuss, the G20 is a forum that lasts a full year and includes multiple formats of meetings and gatherings, both online and offline. May the present report contribute to positioning the creative economy as an issue worth triggering fruitful negotiations among G20 members and partners. May it bring new ideas and fresh perspectives on the role of the creative economy to recover from the COVID-19 pandemic together, in South-East Asia and beyond.

3 Structure of the Report

This report examines how the creative economy can contribute to inclusive and sustainable COVID-19 recovery in developing economies in Asia and the Pacific. Reviving the creative economy, facilitated by the digital marketplace, will be critical to realizing an inclusive recovery that boosts MSMEs and employment for women and youth in the region’s rural and urban areas, as reflected in the ASEAN recovery framework. This report discusses the implications of creative economy development for the circular economy, environmental, social, and governance policy, SDGs, and how the G20 and ASEAN can support post-COVID-19 growth of creative industries.

The chapters that follow this Introduction are split into 3 parts. **Part 1** contains 7 chapters that take global and regional perspectives on the creative economy for a COVID-19 pandemic exit strategy, while **Part 2** comprises a further 7 chapters that discuss the changing geo-economy of the creative economy. There are 8 chapters in **Part 3**, which make the case for the creative economy throughout Asia. All of the chapters have been peer reviewed by at least 2 independent referees in accordance with international best practice.

Chapter 1, by Prateek Kukreja, examines the role of the creative economy in shaping the future of work among the G20 countries and also looks at the scale of impact that the current pandemic has had on the sector. With the proliferation of the platform economy globally, the author found that the Creative and Multimedia sector is one of the most sought-after occupations within the online labor market in G20 countries, both by hiring firms as well as by workers. However, the sector’s workforce, in the

wake of the current pandemic, seems to be hit the hardest, particularly the performing arts subsector. It is observed that the share of vacancies for creative and multimedia occupations dropped sharply between 2019 and 2021, even though the share of workers employed remained steady. This indicates a widening gap between the demand and supply of workers in the creative sector, contributing to rising unemployment. This chapter accordingly provides policy suggestions for governments globally, particularly in the G20, to respond efficiently such that the creative industries could play a central role in driving the recovery process.

Chapter 2 by Daniela Allerbon and Carla Gebetsberger launches a literature review of Latin America's Orange Economy's impact on economic growth with a focus on SDGs to reevaluate future global strategies in the upcoming years. It proceeds to unravel incomes and outcomes of the cultural sector as distinct from those of the creative sector and points out the need for sustaining this distinction to advance on building responsive and conducive ecosystems. The authors consequently recommend specific actions developing economies and multilateral systems could take to adapt their strategies for domestic implementation as well as collective action to contribute to a more robust and inclusive global recovery.

How did the creative economy become a national and international agenda in Indonesia, and does it relate to a current nationwide recovery scheme and longer development planning? **Chapter 3** by Dio Herdiawan Tobing and Vicky Nauli Barreto Simanjuntak explores answers to this question by performing literature and policy review of the creative industries policy during President Susilo Bambang Yudhoyono to Joko Widodo's administration.

How could governments better engage with the working practices of the 21st century creative economy? Avril Joffe, Dwinita Larasati, and John Newbigin in **Chapter 4** provide 3 key recommendations. First, trusted intermediary organizations are the best way for public policy to engage with the rapid changes in informal business practices driven by digital technology, new cultural practices, and urban growth. Second, new definitions of work and business are needed to improve social protection for informal workers and to improve access to finance and skills for marginalized workers. Third, making business registration and regulation simpler and more transparent would enable the creative energy of the informal sector to benefit the formal economy and would encourage a more imaginative use of public procurement to the benefit of communities and social equity as well as the fulfilment of government obligations.

ASEAN observed economic contraction of -4.4% in 2020. Micro, small, and medium-sized enterprises (MSMEs), as a backbone of the ASEAN economy, have the potential to achieve sustainable economic recovery. To find the best way to foster green entrepreneurship, Lisa Wijayani and Handriyanti Diah Puspitarini, in **Chapter 5**, compare business regulation and circular economy policies between the EU and ASEAN. Their findings highlight the need for support for enhancing environmental, social, and governance (ESG) initiatives, adopting innovation and technology, and unlocking access to finance for creative industries. Finally, the authors recommend raising awareness of customers to penetrate new markets and to reap benefits of ASEAN intra-market regulations such as non-tariff barriers.

Chapter 6 by Muhammad Zubair Mumtaz and Zachary A. Smith examines the performance and determinates of Creative Industries (CIs) in 32 Asian economies using a dataset from 2002 to 2015. To model the performance of CIs, they follow the Markowitz model. They seek to determine the sensitivity of CI exports in individual countries to the overall output of CIs throughout Asia. Their findings illustrate that certain regions benefit more from increases in CI activity; likewise, certain regions benefit without experiencing as much volatility. They also examine the factors that cause trade

in CIs and find that the lagged value of trade of CIs, GDP growth, mobile and internet technologies, R&D expenditures, and real interest rate are the significant determinants.

Chapter 7, authored by Riski Anugrah Murti Dewi, sheds lights on promoting the creative economy toward robust post-pandemic recovery in Indonesia. Indonesia considers creative economy development closely through Law of Republic of Indonesia Number 24 Year 2019 on Creative Economy. The data collected from the Special Survey of Creative Economy 2016 and Economic Census 2017 shows the subsectors with the greatest contribution among 34 provinces are culinary, fashion and craft, while animation is one of the promising subsectors. These sectors are labor intensive and remained fairly resilient during the pandemic. Participants in the creative economy are generally centralized in West Java, Central Java, and East Java. The other province outside Java Island with strong creative economy penetration is North Sumatra. Robust engagement between the local government and community is needed to achieve feasible formulation for creative economy development.

In **Chapter 8**, the opening chapter of Part 2, Helene George and Aushaf Widisto discuss key global policy developments and approaches of the key proponents of the creative economy. Significantly, they introduce a sustainable development framework for the creative economy, and through an action research case study, demonstrate how the framework contributes to sustainable development, notably throughout the COVID-19 pandemic. Overall, their research outlines how a creative economy that positions culture front and center can be an effective instrument for sustainable development.

In **Chapter 9**, Paramita Datta Dey and Ajay Suri discuss the impact of the pandemic on the creative sector. They explore the research gap and potentials of circularity in the creative sector, and deliberate on some of the emerging opportunities in the creative sector embracing the concept of circularity. Their conclusion and recommendations underline how the paradigm shift of local and shorter distribution channels using local talent and locally available raw materials is imperative. Their research urges policymakers to recognize that strategies for a circular creative economy need to cut across economic, social, and environmental policies.

Chapter 10 by Brankica Todorovic discusses the usage of modern and innovative IT for development of cities (waste management system, sustainable energy system, creative clusters), the application of IT in the domain of creative economy such as virtual tours (case study), and the development of an institutional infrastructure for innovation and technology-based development of modern cities. The development of the IT sector has enabled the presentation of objects and entities of cultural and historical significance in an innovative manner, which is available to every user of a computer or mobile phone. In this way, virtual tours are organized that allow us to get acquainted with the characteristics of the area without putting additional pressure on the environment. The COVID-19 pandemic also highlighted the need to meet our needs in the field of culture in a modern and creative way. The case study deals with concrete examples that connect the IT sector and the creative economy until the beginning of 2020, and from the beginning of 2020 until today.

Chapter 11 by Ricky Pesik and Benno Ramadian analyzes the recent pandemic and identifies the multi-layered problem in government policies and the Indonesian archipelago's varied socio-economic cultures. The authors provide 3 key recommendations: (1) to deliver a model of the integrated progressive incentive ecosystem area as a pilot of a Creative District, which can be multiplied and developed in regenerating the post-pandemic economy; (2) to prioritize the 3 main strategic subsectors of film, fashion, and music; and (3) to implement the Intellectual Property (IP) financing system and next steps for the green-polycentric pilot model approach in redeveloping the post-pandemic creative industry ecosystem.

Chapter 12 by Teuku Riefky, Mohamad Dian Revindo, Andre Notohamidjoyo, Dini Oktaviyanti, Yessy Febrina Usman, and Lyon Lasarus aims to analyze the feasibility of developing a creative economy district. Through a literature and regulation review, secondary data analysis, surveys, and Focus Group Discussions (FGD), the authors conclude that the success of an economic district is largely determined by location choice, the state of existing creative businesses, presence of anchor investors, government incentives, availability of supporting infrastructure, access to raw materials and value chain match, as well as the surrounding social conditions.

Roxana Apostol and Camelia Harahap, in **Chapter 13**, offer insights and lessons learnt from the British Council's decade-long global work to map, research, and support creative hubs – grassroots actors and powerhouses of the creative industries and the creative economy. This chapter draws on multiple reports commissioned by the British Council, and pulls case studies from programs the organization runs in Southeast Asia. It substantiates a myriad of ways in which creative hubs bring about social, cultural, and economic impact and calls for more consistent and coherent mappings, impact evaluation, and support from local authorities for creative hubs.

Chapter 14, by Tb. Fiki C. Satari, Dwinita Larasati, Vicky Barreto Simanjuntak, and M. Aldi Novri Kurnia Abidin aims to identify the characteristics and positions of the aggregator platform by analyzing best practices, particularly in the MSME sector, within the context of the creative economy, resulting in an encouragement regarding formal recognition and support from the policy side. The authors argue that aggregators play a significant role in creative industries' ecosystems in providing alternative financial resources and support, such as logistic support, marketing and market insights, collective processing, and stable supplies to the direct market. During the pandemic, the aggregator platform has become a key stakeholder by bringing together struggling restaurants and shops, and leveraging the ecosystem by connecting restaurants to delivery services. The platform can become an intermediary within the ecosystem to the business sector that requires a long chain of logistics, and help maintain a stable price for producers in sectors such as agriculture and aquaculture. Aggregators with the use of technology are able to revive dying artistic industries, which are the face of creative industries.

In **Chapter 15**, the opening chapter of Part 3, Yelena Kalyuzhnova, Olena Khlystova, and Assel Imayo provide an overview of the literature on creative industries, sustainability, and inclusive growth, focusing on the creative economy in different CAREC countries. It discusses ways in which helping the creative economy in CAREC countries contributes to sustainable recovery in the post-COVID-19 economy. The authors suggest that countries should encourage entrepreneurial activity in creative industries. Creative workers would benefit from having open access to specialized training to develop their businesses. Finally, the development of local creative ecosystems would help small and medium-sized enterprises to thrive and facilitate the interactions between stakeholders in the creative industries.

In **Chapter 16**, Khussamov Rail and Garaeva Aisylu use the SWOT classification and primary data analysis to investigate the experience of the Republic of Korea's entertainment industry in the context of COVID-19. Their research identified country models of the ASEAN entertainment industry and estimated that the potential capacity of the ASEAN entertainment industry (2020) could be 212 million people aged 15 to 35 years. Finally, the authors proposed several ways of developing the ASEAN entertainment market.

Chapter 17 by Nidhi Gautam captures the real time issues and challenges faced by MSMEs in 4 textile clusters of India. Through using a bottom-up approach and questionnaire to collect primary data on a Likert Scale, the author suggests addressing the multidisciplinary nature of MSMEs using a mix of support measures to scale up their contribution to the economy.

In **Chapter 18**, Dina Azhgaliyeva, Ranjeeta Mishra, and Swithun F. Rumble discuss a case study that supports youth-led creative solutions for the Bagmati River Basin improvement project in Nepal. Based on the case study, the authors provides lessons for organizations interested in engaging youth and stimulating creative solutions for sustainable development. Their findings suggest that young people can be meaningfully engaged as influencers and active changemakers to solve entrenched problems and promote community-based sustainable development and achievement of SDGs. Sustained government and international agency support for youth help build intergenerational partnerships and foster trust and cohesion between citizens and the state. The successful engagement of young people requires engaging them throughout the project development cycle—from inception to implementation.

Chapter 19 by Nattapan Kongbuamai, Kiki Khoifin, and Nathapornpan Piyaarekul Uttama contributes to the creative “Lanna” policies for Thailand’s Northern Economic Corridor (NEC). Based on the competitiveness matrix and SWOT-TOWS analysis, the authors detected 4 comparative advantages regarding the creative economy in NEC: Information and communication; Art, entertainment, and recreation; Human health and social work; and Accommodation and food service. There offer 6 pertinent policies for a creative ecosystem based on a people-based nature, intra- and extra-NEC integration and cooperation, the next creative industry, human resource development, market channels and networks, and international product standards. Creative economy policies designed in their study are a broad in scope focusing on creative people, creative places, creative products, and creative partnership, which are the factors in transforming traditional creative “Lanna” to the next creative “Lanna.”

Chapter 20, by Saurabh Kumar, Chetna K. Rathore, and Srijata Deb critically examines the challenges faced by women-intensive creative goods in selected product categories in South Asia. The authors use Revealed Comparative Advantage analysis and also draw inferences from selective case studies. Their research suggests that women in South Asia play a very significant role in selected categories of creative industries like arts and crafts, audio-visuals, design, visual arts, and performing arts.

Chapter 21, by Earla C. Langit and Madeiline J. Aloria presents a set of analyses that supports the call for the government to provide formal recognition of freelancing work especially in the creative sector, and design data-driven policies to target their needs. A scoping of available government statistics shows that freelancers, especially in the creative sector, are not captured. In addition, research on Indonesian policy landscape regarding legal protection and policy interventions currently available to freelancers shows that these measures are severely lacking. Given this reality, there is a need to introduce measures that would strengthen the rights of freelancers, including the recognition of freelancing as a new mode of work.

The final chapter, **Chapter 22**, by Hilda Fachrizah, Manuel Andi Sihombing, Yoshua Caesar Justinus, Mohamad Dian Revindo, and Teuku Riefky explains the factors behind the suboptimal interaction between demand and supply related to financing in the creative industries in Indonesia by using a typology framework, literature review, and logit estimation. Their study finds that different creative industry segments possess different funding needs and require suitable financing instruments. Moreover, market access, copyright protection, and business models are the 3 main aspects considered as barriers to creative industries funding.

PART I

Global and Regional Perspectives on Creative Economy for a COVID-19 Pandemic Exit Strategy

Creative Economy and the Future of Work: A Case of G20 Nations

Prateek Kukreja¹

1.1 Introduction

The current wave of globalization fueled by rapid technological advancement has forever transformed our consumption and production patterns. Diversification of production value chains has made mass consumption of commodities cheaper, quicker, and convenient. This surge in global demand along with breakthroughs in technology has eventually led to the automation of low-skilled jobs, making certain occupations redundant (OECD 2013). Since the late 20th century, in various economies, ranging from the United States to South Asia and sub-Saharan Africa, there has been a consistent, increasing trend in the demand for non-routine, analytical, and interpersonal skills in the occupations and a sharp decline in the mid-level routine, manual jobs (Autor and Price 2013). This rising demand in favor of high-skilled labor has created both opportunities and challenges for the global youth population. While this offers new and better job opportunities for the skilled, better equipped workforce, people involved in the mid-level, routine, manual jobs will most likely be pushed out (UNIDO 2013). If adequate measures are not taken for the safe transition of workers in terms of providing upskilling opportunities and developing essential youth creativity, wages of the mid-skilled workers will be pushed further down, creating more polarization and inequality.

In this context, the discussion on “creative economy” has been gaining worldwide attention for making the future of work more just, inclusive, and sustainable. Creative industries include a diverse range of knowledge-based industries such as design, architecture, arts and crafts, advertising, research and development, publishing, fashion, films, videos, photography, music, performing arts, software, and computer games.² Unlike many other sectors where advancement in technology and artificial intelligence (AI) is increasingly replacing manual labor and traditional human skills, the cultural and creative sectors continue to require individuals’ cultural sensitivity, social skills, and personal vision, which are relatively hard to replace (Buchoud et al. 2021). This makes employment in such sectors technology resilient and growth oriented. The data collected in January 2021 indicate that 51.2 million people on LinkedIn registered as working full-time or part-time in the creative and cultural sectors. This accounts for nearly 6.7% of all the LinkedIn users globally (Naylor, Moretto, and Traverso 2021). While this may not be representative of the overall workforce in general, it does highlight the growing importance of the creative sector in the world economy. According to a 2016 report by UNESCO, culture and goods or services directly associated with creativity account for around 3% of the world’s gross domestic product (GDP) and employ 29.5 million people globally (ISSC, IDS, and UNESCO 2016). The industry is growing rapidly at a rate of nearly 10% per year in developing countries; if it continues to grow at this pace, estimates suggest that it will soon account for as much as 10% of global GDP (UNCTAD 2021b). Correspondingly, the value of the global market for creative goods has more than doubled from \$208 billion in 2002 to \$509 billion in 2015. The growth rate in exports has also been quite impressive, at over 7% between 2002 and 2015 (Redazione 2021). A major contribution to this rise in exports was by Association of Southeast Asian Nations (ASEAN) member states, plus the People’s

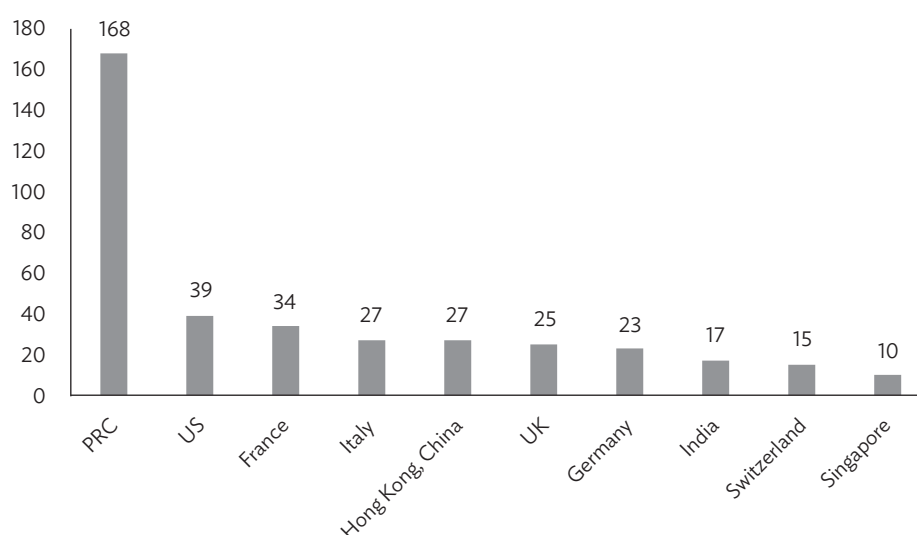
¹ The author would like to thank Pragati Dabas for excellent research assistance.

² See the Creative Economy Programme webpage (UNCTAD, n.d.).

Republic of China (PRC), Japan, and the Republic of Korea (ASEAN+3), accounting for almost 40% of global exports in creative goods (OECD 2021).

While creative industries are a key element in global exports and GDP, their relevance within the G20 could not be overemphasized. Among the world's top 10 exporters of creative goods, seven are a part of the G20, with the PRC being the largest exporter, followed by the United States and France (Figure 1.1). Furthermore, in G20 nations such as the PRC, France, India, Italy, Turkey, and the United Kingdom, creative goods account for over 5% of their total country exports (OECD 2021). On the one hand, the G20 contributes significantly toward the growth of the creative sector globally; on the other, the sector itself plays a key role in the economic growth of various G20 nations.

Figure 1.1: World's Top 10 Exporters of Creative Goods, 2015
(\$ billion)



PRC = People's Republic of China, UK = United Kingdom, US = United States.

Source: UNCTAD (2018), based on UN Comtrade estimates.

The creative economy is increasingly being seen as an untapped resource not just to address the issues of economic growth or unemployment among youth but also to act as a critical driver of building human capital and sustainable development (UNIDO 2013). Besides yielding economic benefits, the cultural and creative industries support people-centered value, sustainable urban development, and development of creativity and culture. They also contribute to the achievement of the 2030 Agenda for Sustainable Development.³ By providing not just employment but also technology-resilient employment, the creative industries certainly have the potential to redefine the future of work globally.

Against this backdrop, this paper examines the role of the creative economy in shaping the future of work and also looks at the scale of impact that the current pandemic has had on the sector. It accordingly

³ See Sustainable Development Goals Fund (n.d.) webpage.

provides policy suggestions for the governments globally, particularly in the G20, to respond efficiently such that the creative industries could play a central role in driving the recovery process. In what follows, section 2 tracks the evolution of the creative economy agenda at the global level.

1.2 Evolution of the Creative Economy Agenda at the Global Level

The creative economy was elevated at a global level into the international economic and development agenda for the first time by the United Nations Conference on Trade and Development (UNCTAD) in 2004, when it was defined as “the knowledge-based economic activities upon which the ‘creative industries’ are based” (U20 2020). UNCTAD classified creative industries into seven distinct categories: arts and crafts; audiovisual; design; new media; performing arts; publishing; and visual arts.

In 2019, at the 74th session of the United Nations (UN) General Assembly, the year 2021 was declared the International Year of Creative Economy for Sustainable Development. Indonesia was the key sponsor of the proposal, which was presented by a global grouping of countries, including Australia, India, Indonesia, Mongolia, the Philippines, the PRC, and Thailand. While the decision was made before the coronavirus disease (COVID-19) pandemic, as the world grapples with the consequences of the pandemic, the resolution seems to be more relevant and crucial than ever before.

The importance of the creative economy is being recognized globally. Consequently, it is becoming a critical component of the agendas of the various international country groupings, including the G20. The Saudi Arabian G20 presidency in 2020 was the first to recognize and acknowledge the cultural and creative industries as key drivers of inclusive and sustainable economic development. For the first time, on the margins of the G20 Summit under the Saudi Arabian presidency, cultural ministers held a joint meeting and recognized the growing contribution of culture to the global economy. The Government of Indonesia suggested that the major economies should focus on the creative economy sector as a catalyst for the global economic recovery following the pandemic, and these recommendations were adopted by the G20 leaders (Mawangi 2020). Saudi Arabia understood the significance of these industries and highlighted their key role in the achievement of its 2030 vision goals (UNCTAD 2021a).

Subsequently, the issue was carried forward during the Italian G20 presidency in 2021 and was firmly placed on the agenda. As a historic move, the first-ever G20 Culture Ministers’ Meeting took place under the Italian presidency. The Culture Ministers’ Meeting also unanimously adopted the Rome Declaration of the G20 Culture Ministers, which inserted the cultural sector into the G20 process, recognizing its economic value. The G20 leaders achieved consensus to work toward creating special forces to protect cultural heritage at risk in crisis areas. The declaration focused on (Asia-Europe Foundation 2021):

- (i) protection and promotion of culture and creative sectors as “drivers for regeneration and sustainable and balanced growth”;
- (ii) “protection of cultural heritage” against risks, including natural disasters, environmental degradation and climate change, deliberate destruction and looting, and illicit trafficking in cultural property;
- (iii) promotion of “digital and technological transformation in the cultural and creative sectors”;
- (iv) “building capacity through training and education” to address the complexity of contemporary world and cultural sector challenges; and
- (v) addressing “climate change through culture”.

Indonesia, which is assuming the G20 presidency in 2022, has often emphasized the role of the creative economy sector in promoting sustainable development. The country has taken various steps to support the creative economy at the UN, given the organization's contribution to sustainable development in many countries. Indonesia was the first country to initiate a UN resolution on the creative economy at the General Assembly, which was adopted by consensus and appreciated by the European Union and many other delegates. The Indonesian resolution, sponsored by 81 countries, promotes investment in production and trade in the creative sector and supports the role of micro, small, and medium-sized enterprises (MSMEs), women, youth, and local communities in the development of the creative economy (Ministry of Foreign Affairs, Republic of Indonesia 2019). Given that the creative economy can play a key role in the achievement of the 2030 Agenda, Indonesia is planning to place priority on it during its presidency in 2022.

Indonesia has led the creative economy agenda globally through its domestic policies. For instance, the national government has created incentives for creative small and medium-sized enterprises to switch to e-commerce platforms in times of lockdowns (Buchoud et al. 2021). In 2018, Indonesia also hosted the World Conference on Creative Economy in Bali, where more than 50 countries participated, and issues and challenges facing the creative economy were discussed. The conference produced an outcome document, titled "Bali Agenda for Creative Economy," which acknowledged the vast potential and significant contributions of the sector to drive economic growth, as well as social and cultural development in the framework of the Fourth Industrial Revolution (Buchoud et al. 2021).

1.3 Fourth Industrial Revolution and Creative Economy

Technological progress is an ongoing process affecting all aspects of social and economic life. A collection of these changes is referred to as a technological revolution. The Industrial Revolution is one such example, with technological advancement leading to changes in the levels of growth in the industry. The world has experienced three "industrial revolutions" since the 18th century, each of which has brought about significant changes in the social and economic aspects of the world around us. These changes have essentially been a source of economic growth and development in most countries. The global economy is now believed to be at the brink of what has been widely referred to as the Fourth Industrial Revolution (or Industry 4.0). Importantly, each of the past industrial revolutions has both created and destroyed jobs. Estimates indicate that more than 65% of students who enter primary education today will likely end up in jobs that do not exist currently in 15 years from now.

Industry 4.0 is mainly driven by four specific technological developments: high-speed mobile internet, AI and automation, use of big data analytics, and cloud technology. Of these, AI and automation are expected to have the most significant impact on employment figures within the global workforce. According to the World Development Report 2019, these changes lead to both creation and destruction of jobs. While new jobs are created directly in the tech sector, comprising smartphones, tablets, portable devices, etc., a huge number of routine, easily codifiable jobs in the manufacturing sector are the most vulnerable.

Tasks globally can be classified under four categories: (i) routine manual, (ii) routine cognitive, (iii) non-routine manual, and (iv) non-routine cognitive. Industry 4.0 is significantly changing the demand for skills, with the demand for routine and non-routine cognitive tasks rising, whereas the demand for routine manual jobs contracting significantly. The demand for lower-skilled, non-routine manual tasks has remained more or less steady (World Bank 2019). The demand for non-routine cognitive skills is estimated to be rising much faster in comparison to the demand for any other skill, whereas low-skilled workers, particularly those involved in manual jobs, seem to be losing out as a result of Industry 4.0.

Table 1.1: Industry 4.0 and Changing Demand for Skills

Kind of Skills	Occupations	Change in Demand due to Industry 4.0
Routine manual	Mechanic, plumber, printer, electrician, gardener, train driver, etc.	Sharp decrease
Routine cognitive	Secretary, bookkeeper, filing clerk, bank teller, etc.	Increase
Non-routine manual	Janitor, waiter/waitress, driver, etc.	Steady
Non-routine cognitive	Manager, professional, technician, associate professional, etc.	Sharp increase

Source: Author's compilation from various sources.

Clearly, Industry 4.0 is set to transform the world of work by disrupting the demand for skills within a number of occupations globally. Jobs involving routine manual work are likely to be replaced and make way for more creative value-added activities involving cognitive and problem-solving abilities. Labor market projections for the United Kingdom indicate that the rate of growth for creative and so-called STEM (science, technology, engineering, and mathematics) occupations together will be more than double the average job growth across the country's whole economy. According to the 2020 World Economic Forum report, creativity, originality, and initiative are among the top five skills demanded by 2025, as perceived by companies globally.

Some of the activities in the creative industry are traditional, while others are more digital and technologically sophisticated, providing a unique amalgamation of culture and innovation. The mix of culture and technology has the potential to add immense value to the global value chains, boost international trade in goods and services, and generate multiple income flows. For example, a traditional handwoven dress could be purchased by a popular fashion brand and made more valuable through better marketing. In this way, a creative product provides scope for multiple networks of value addition, in terms of designing, branding, marketing, and royalties from intellectual property rights such as patents and trademarks. In addition, the consumption of creative products such as movies and music increases the usage of internet services for accessing the content (UNIDO 2013). Therefore, the creative industries are capable of generating new stages in the global demand and supply chains, driving the engines of economic growth and fostering innovation.

Creative Employment and the Emergence of Platform Economy

The creative industries facilitate an “uber-ification of the workforce” by offering new forms of flexible working and therefore contribute to the emergence of short-term, contract-based work, shaping what is known as the gig economy. Given that the large set of occupations within the creative industries require self-employment, entry and exit of workers is also relatively easy (Daubaraite and Startiene 2014). Furthermore, these industries are resilient to the ever-changing technology and are at lower risk of becoming obsolete. This could address the issues of structural and frictional unemployment, if these industries are better supported and the workforce is skilled in a way that they can be absorbed in the emerging creative economy market.

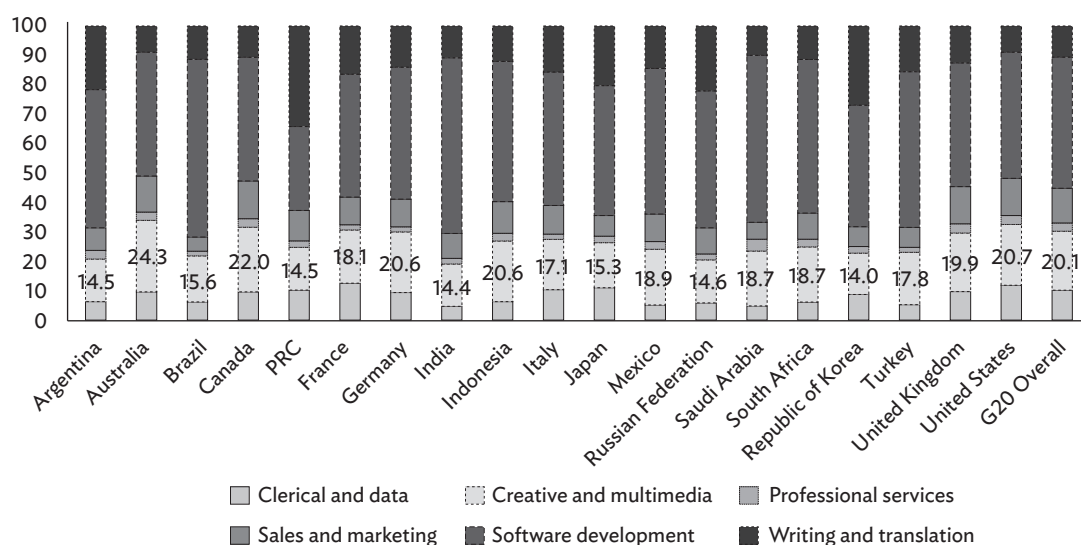
Lately, online labor platforms have proliferated thanks to Industry 4.0, which has provided workers with greater flexibility, allowing anyone to supply their labor and skills to the market, whether in addition to or instead of a standard job (OECD 2019). Primarily, two major forms of platforms exist. The first form is where the platform sets the price of the service and acts as an intermediary between the consumer and supplier of services, such as a cab service provider. In contrast, the second form of platform acts as a marketplace that enables sellers of services to connect to buyers. In this case,

prices are negotiated between the sellers and the buyers. Examples include Upwork and Freelancer (Oyer 2016).

These platforms allow hiring companies to connect with a huge number of freelancers around the world. Kassi, Lehdonvirta, and Stephany (2017) and Horton, Kerr, and Stanton (2017) show that there is a typical North–South trend in the flows of employment through these platforms globally. While the United States is the major hiring country, South Asia and Southeast Asia are the major service providers (OECD 2019). This also leads to a convergence in the nature of labor markets in both developed and emerging economies. The major occupations in demand on these online platforms varies widely across countries. Figure 1.2 shows the distribution of vacancies across major occupations in the online labor market in G20 countries in 2020. The data are based on the Online Labour Index developed by the Oxford Internet Institute, which provides an online gig economy equivalent of conventional labor market statistics. The index measures the supply and demand of online freelance labor across countries and occupations by tracking the number of projects on the five largest English-language online labor platforms, representing at least 70% of the market by traffic. These projects are then classified by occupation and employer country

In most G20 countries in 2020, the creative and multimedia category is the second most important in terms of share of vacancies in the online labor market, after software development, (Figure 1.2). In other words, among all major occupations offered by online platforms, creative and multimedia skills are the second-most demanded by hiring companies in G20 countries. The share of vacancies related to this category is highest in Australia at 20.7%, followed by Canada. The Republic of Korea reports the lowest share of creative and multimedia vacancies of 14%, still higher than the other major occupations except software development. The average share of creative and multimedia in total vacancies on the online labor market in all G20 countries combined is an estimated 20.1%.

Figure 1.2: Share of Major Occupations Demanded by G20 Countries on the Online Labor Market, 2020 (%)



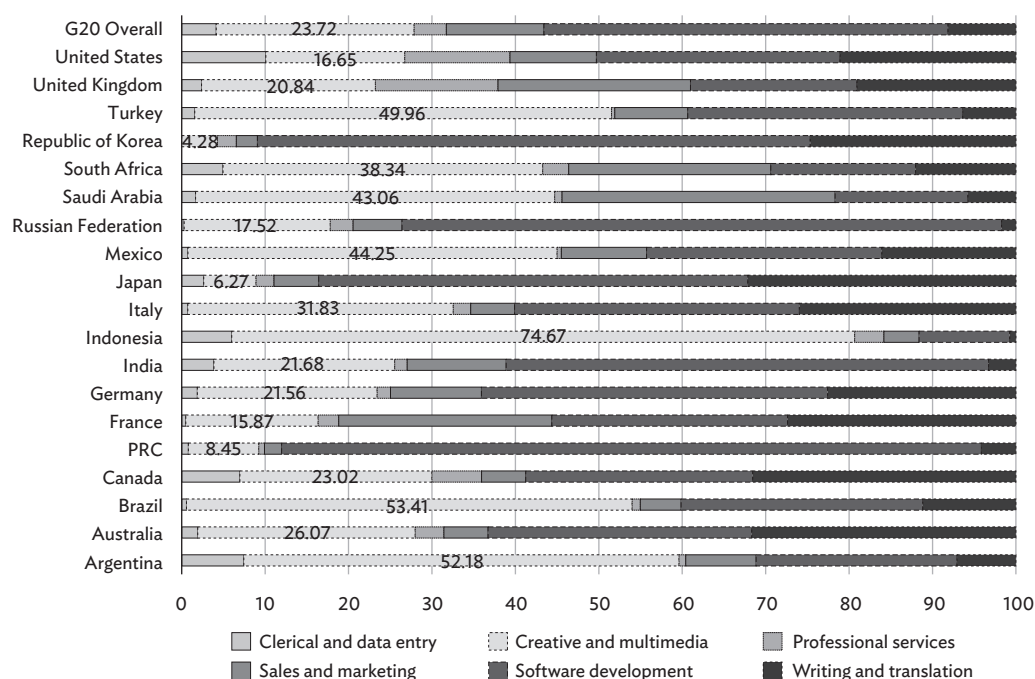
PRC = People's Republic of China.

Source: Author's computation based on Online Labour Index.

Clearly, creative and multimedia occupations have become one of the most sought-after within the platform economy globally. As machines take up an increasing number of discrete tasks and jobs, replacing humans, certain jobs requiring creativity and human cognitive abilities will remain outside the purview of current and near future technologies. Therefore, such activities and occupations are likely to acquire a sizable share in the total demand. There could in fact be instances where humans and machines find themselves in a symbiotic relationship, helping each other do what they do best (THISDAYLIVE 2021).

While there seems to be a high demand for creative activities and occupations in the online labor market, there is a need to assess the supply-side dynamics. Therefore, we next look at the distribution of workers across major occupations in the online labor market in G20 countries. Figure 1.3 indicates that creative and multimedia occupations account for the second-highest worker share among major occupations on the online labor market in G20 countries, after software development, which is consistent with the demand-side trend. Indonesia has the highest worker share in creative and multimedia occupations among G20 countries, of about 75%, followed by Brazil (53.41%) and Argentina (52.18%), whereas the Republic of Korea has the lowest reported share (4.28%). Interestingly, most developing and emerging economies have relatively higher worker shares in creative and multimedia occupations than the developed economies within the G20, reiterating the argument that the flow of services takes place from the former to the latter.

Figure 1.3: Shares of Employment in Major Occupations on the Online Labor Market in G20 Countries, 2020 (%)



PRC = People's Republic of China.

Source: Author's computation based on Online Labour Index.

Thus, with the emergence of the platform economy, as a consequence of Industry 4.0, the general concept of “jobs” has been disrupted globally. There has been an increasing focus on nonstandard forms of employment, which differ significantly from the traditional concepts. While this has put forward various difficulties and challenges including increased job insecurity, skilling bottlenecks, and increased labor market volatility, it has also opened up new markets for many creative entrepreneurs working within and beyond the creative industries. Since these creative occupations do not face a direct threat from automation and AI in the immediate future, they offer a just, inclusive, and sustainable future of work. However, the current pandemic, which hit these industries the hardest, threatens to reverse the progress made by the sector so far.

1.4 COVID-19 and the “Culture Shock”

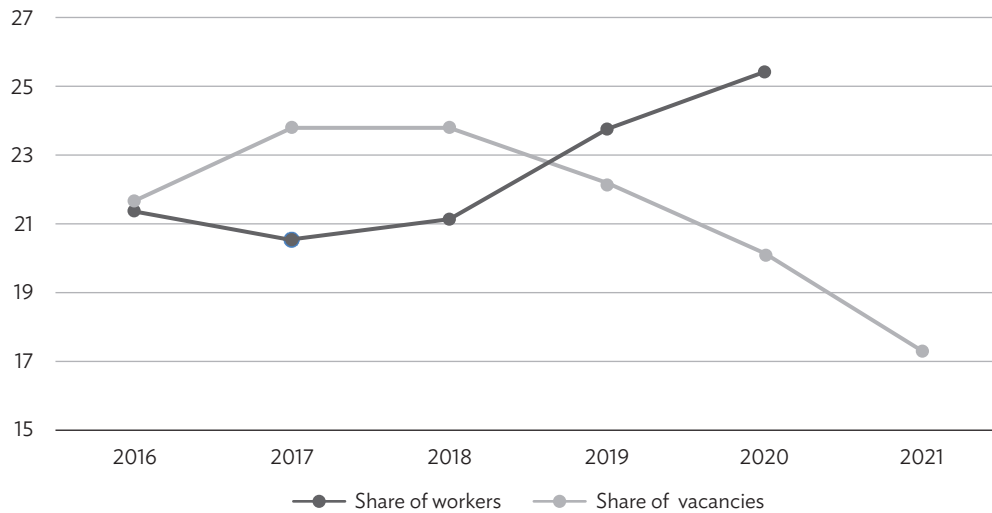
The impact of the pandemic on the global economy has been far worse than anticipated, and the recovery is expected to be slow. It has sparked a debate on the future of work, as well as the role of innovation and technology. With sudden and prolonged lockdowns imposed all over the world, while those who could adapt to the virtual environment managed to sail through, others suffered wide-scale layoffs and heavy losses of income. In 2020, an estimated 8.8% of global working hours were lost relative to the fourth quarter of 2019, which is equivalent to 255 million full-time jobs (ILO 2021).

According to the World Economic Outlook, global growth is projected to revive and increase at 6% in 2021 and 4.9% in 2022, after a devastating contraction in what is being described as the deepest global recession in decades (IMF 2021). While growth is expected to rebound, the pandemic-induced slowdown has had long-term implications on employment in various sectors, particularly the creative industries. These industries are largely comprised of micro firms, non-profit organizations, and freelance creative professionals, often operating on the margins of financial sustainability (OECD 2020). Pandemic-induced demand and investment shocks, coupled with likely curtailment of public and private funding, may threaten the viability for these professionals and firms to continue operating. As a result, at least over the medium term, the anticipated drop in the levels of domestic and international tourism, lower incomes and purchasing power, and curtailing of public and private funding for arts and culture, especially at the local level, could exacerbate the situation.

Since a large proportion of creative industries rely and thrive on live performances, the industry has taken a massive hit due to the COVID-19 restrictions. UNESCO estimates suggest that the gross value added by the creative industries globally contracted by \$750 billion in 2020 compared to 2019. This significant loss in gross value added also corresponds to more than 10 million job losses in the creative industries. Of these, the self-employed and freelance workforce suffered the most. The demand for creative sector workers is likely to shrink further. Consumers are likely to reduce their consumption of cultural and creative sector goods and services due to physical distancing norms and also due to a decline in purchasing power. This will have wider implications on the entire ecosystem of creative firms and professionals. Moreover, as the pandemic continues to distort supply chains, the creative sector will also face a contraction in demand from other business sectors such as marketing, product development, and innovation.

To gauge the scale of the disruption in the job market in the creative industry, we look at the trends in vacancy and employment shares of creative and multimedia occupations on the online labor market in G20 countries between 2016 and 2021. While the share of workers in creative occupations continues to grow during the pandemic, there is a sharp drop in the share of vacancies in such occupations (Figure 1.4). Clearly, a contraction in demand for creative activities is adversely impacting the demand for workers in such occupations.

Figure 1.4: Trends in Shares of Workers and Vacancies in Creative and Multimedia Occupations on the Online Labor Market in G20 Countries, 2016–2021 (%)



Source: Author's computation based on Online Labour Index.

Figure 1.4 shows that the gap between the demand and supply of workers is fast widening, contributing to rising unemployment in the sector. In fact, estimates suggest that the unemployment rate in creative occupations in certain countries have remained higher than other occupations during the pandemic. According to OECD estimates, the unemployment rate overall of the cultural and creative sector in Germany at 6.2% in June 2020 is higher than the unemployment rate in the economy as a whole (5.2%)—and has been rising steadily. Also, notable variations are observed across subsectors. The highest unemployment rates are for the performing arts sector (13.10%), followed by visual designers (10.6%) (OECD 2020).

Undoubtedly, the current pandemic will change the way the creative economy functions. While some agile sectors or subsectors might adapt, others face the risk of being decimated. Nonetheless, it is expected that the “new” creative economy in the post-pandemic world will benefit from the opportunities offered by the pandemic.

1.5 The “New” Creative Economy in the Post-COVID-19 World

Besides numerous challenges, the pandemic has brought with it some opportunities as well. The creative economy has always been a torchbearer when it comes to adoption of new technologies. When the pandemic struck the global economy, the sector was able to adapt quickly to the expected consequences, for instance, by reaching audiences in new ways. The sector has, to some extent, managed to forever condition the people in favor of online media. The challenges created by the pandemic also brought new opportunities of digitalization of stage performances making use of over-

the-top or OTT platforms and their associated value chains. There has been a pandemic-induced emergence of technology and innovation within the creative industries with livestreaming of events in theaters, opera houses, and so on. Many innovators have also come up with new online platforms such as Beyond Live, specially created to enhance the virtual experience of the audience (UNESCO 2021). Similar innovations have also sprung up for live tours of museums, art galleries, and similar places. This development demonstrates the effect of backward and forward linkages of creative goods on the revival of the economy.

While international tourism has taken a toll as a result of the pandemic, new models of creative tourism have proliferated. Innovations in digital and virtual tourism seem to have immense potential to promote “hybrid” tourism and offer new and sustainable tourism models. With increased digital attractiveness of destinations, demand for tourism may get restored and even widely spread across different destinations. Further, the creative industries may continue to play a key role as both developers and testers of new technological solutions for other sectors to follow and replicate. For example, efforts by museums to reach the public through digital platforms in the wake of the pandemic could in fact serve as a model for welfare and social services in the areas of telemedicine, elderly care, support to students in rural and isolated areas, and similar services.

Therefore, given that governments globally are reconsidering different growth models to respond efficiently to the crisis induced by the pandemic, there is a great opportunity for cultural and creative sectors not only to survive but also to play a critical role in driving the recovery process. The G20 Summit in Riyadh in 2020 duly recognized the role of cultural and creative industries in reviving the global economy and achieving the Sustainable Development Goals. The G20 leaders addressed the impact on creative sectors due to the restrictions imposed by the COVID-19 pandemic, as well as the need for finding newer mediums to engage audiences of music, art, films, and so on.⁴

1.6 Policy Recommendations

For the creative and cultural industries to play a critical role in driving the recovery process, governments globally need to reform policy in their own countries, as well as collectively by coming together and forming consensus within country groups such as the G20. A number of areas demand policy reforms in order to adapt to and absorb this new form of industry. First and foremost, with digital tools, infrastructure, and skills being unequally distributed among firms and workers around the world, the sector faces important bottlenecks related to the digital divide. Countries need policies to promote widespread internet access, even to remote locations. Further, since most firms involved in the sector are micro level and most workers freelance—with marginal financial support—governments must ensure a more accessible and affordable provision of digital creative production tools. Public-private partnerships could help facilitate this. Furthermore, the scale of public investment in the sector is unreasonably low currently. Available data suggest that in G20 countries, government expenditures on recreation, culture, and religion range from \$20 per capita to about \$500 per capita (OECD 2021). In order to assess the actual scale and impact of and on the creative sector, governments must work toward improving internationally comparable statistics and database. Since the creative sector plays a key role in the achievement of the 2030 Agenda for Sustainable Development, governments must integrate culture into their broader economic and social development strategies in line with the Sustainable Development Goals (OECD 2021). Finally, since the creative industries operate in an ecosystem where they are defined by standard regulations, intellectual property rights, taxation, and other issues, the

⁴ See Riyadh International Creative Economy Forum webpage (UNCTAD 2021b).

regulatory landscape should reflect the changing digital landscape to ensure the rights of artists and organizations are protected, and broad access to culture is safeguarded for the future.⁵

1.7 Conclusion

While the pandemic-induced crisis in the labor market has undoubtedly focused research attention on the future of work, the debate on the evolving demand for skills as a response to technological advancement has been mainstream for a very long time. Even before the pandemic struck, the global economy, economic growth, and employment in several countries were sluggish, and unemployment rates were staggeringly high due to Industry 4.0. In this context, the creative sector, being technology resilient and growth oriented, was beginning to be seen as a major driver of economic growth and employment generation. As Industry 4.0 led to the proliferation of the platform economy, the creative economy took the centerstage. Creative and multimedia occupations are one of the most sought-after within the platform economy globally, both by the hiring firms as well as by the workers. In the wake of the current pandemic, however, the sector's workforce seems to be hit the hardest, particularly the performing arts subsector. The share of vacancies for creative and multimedia occupations dropped sharply between 2019 and 2021, even though the share of workers employed remained steady. This indicates a widening gap between the demand and supply of workers in the creative sector, contributing to rising unemployment. Besides the various challenges and disruptions in the creative job market brought about by the pandemic, the sector offers opportunities as well, which may lead to an emergence of a new technologically advanced creative sector, ready to drive the recovery process. However, the sector needs to overcome a number of constraints, including a rising digital divide, unaffordability and inaccessibility of digital creative production tools, low government expenditure, and unavailability of internationally comparable data, among others.

⁵ See European Commission (n.d.) Regulatory Framework webpage.

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Orange Growth: Latin America's Experience Facing Creative Economies in Asia and the Pacific

Daniela Allerbon and Carla Gebetsberger

2.1 Introduction

Since developing countries have looked forward to addressing cultural and creative industries (CCI) as key drivers of the 2030 Agenda for Sustainable Development, governments worldwide have identified the need to build robust CCI measurement frameworks on policy making. Hence, building responsive and conducive cultural and creative ecosystems for future development has emerged as a macroeconomic priority in Southeast Asia and Latin America. More recently, the World Conference on Creative Economy (WCCE), initiated in Southeast Asia, and the Orange Economy in Latin America have accelerated South-South and triangular cooperation. Moreover, readapting and reinventing CCI development strategies have become crucial to cope with the pandemic without setting aside the 2030 Agenda. In attempting to develop successful post-pandemic recovery strategies, taking into account CCI regional initiatives such as the Orange Economy in Latin America may be a good starting point (IADB 2020, 2021). Knowledge of CCI impacts has been fragmented, with different approaches, perspectives, and case studies. By critically and systematically analyzing the processes and agents of policy formulation, this paper provides a comprehensive overview of the main unwanted CCI impacts revealed by recent Latin American case studies. Attesting to the lack of operationalization of CCI impacts on development, we unravel the incomes and outcomes of the cultural sector as distinct from the creative sector and point out the need to sustain this distinction to advance the building of responsive and conducive CCI ecosystems. It consequently recommends specific key actions that developing economies in Asia and the Pacific could take to adapt their strategies for domestic implementation, as well as collective action to contribute to a more robust and inclusive global recovery.

2.2 The Rise of Creativity?

The CCI category in fact subsumes cultural industries into creative industries; the shorter designation of creative industries arose over cultural industries. This shift has led to a wide debate around definitions, bringing into play a whole range of linkages and tensions around the issues of culture and economics (Hesmondhalgh 2007). This change was not neutral: “it served to uncouple the ‘creative industries’ from ‘arts and cultural’ policy, yet hoping at the same time to recoup some of the benefits for those very arts and cultural policy agencies” (O’Connor 2007). Crucial to this was the identification of the creative industries as a “new economy” driven by digital technologies and closely related to the knowledge economy, positioning the creative industries at the forefront of economic competitiveness.

Over the past years, CCI have therefore been presented as the engine of a renewed productive revolution driven by knowledge—a new era of unlimited growth, with “creativity” as its main intangible and ubiquitous input worldwide, accounting for 3% of global gross domestic product (GDP) and employing 29.5 million people in the world (UNESCO 2015). In 2015, UNCTAD pegged the value of the global market for creative goods at a significant \$509 billion. According to precrisis forecasts, the creative economy could represent 10% of global GDP before 2030 (UNCTAD 2018). The resolution of the 74th session of the United Nations General Assembly establishing 2021 as the International Year of Creative Economy for Sustainable Development confirmed the rising role of the creative economy on

the global stage. Building a responsive and conducive ecosystem for cultural development emerges as a macroeconomic priority to the Global South. Even responses to the coronavirus disease 2019 (COVID-19) pandemic have shown joint efforts of governments, civil society, the private sector, and social organizations highlighting the importance of the creative economy as part of the global recovery.

CCI were not only identified as one of the fastest-growing sectors of the world economy over the past 2 decades, but they were also understood as highly transformative in terms of income generation, job creation, and export earnings. Moreover, they were acknowledged as key drivers for “new opportunities for developing countries to leapfrog into emerging high-growth areas of the world economy”. However, as Guilherme Nobre (2016) shows in “Creative Economy and Sustainable Human Development,” even if cultural and creative sectors help achieve inclusive development, its intensification also exacerbates existing income inequalities and marginalization of certain population groups. Orange Economy case studies have acknowledged that creativity is not as much of an infinite resource as it seems, but that it has also brought unwanted effects—and they have identified an insurmountable tension between economic and cultural criteria (Panos 2014; Bustamante 2011; Rosatto 2016). When promoting CCI as development drivers, it is key to take into account economic, social, environmental, and political considerations. Re-evaluating future global strategies on the upcoming year's recovery requires operationalizing the relationship between CCI and development with a focus on the Sustainable Development Goals (SDGs).

2.3 Orange Economies: Exploring a Latin American Perspective toward Creativity

Latin American policy makers began adopting the CCI terminology after the first decade of the 21st century. The regionally branded term for CCI was “Orange Economy,” echoing the 2015 work of two influential staffers at the Inter-American Development Bank. During the 2000s, researchers, culture ministries, and national statistics offices of Latin America identified measuring the economic contribution of culture across the region as one of the main challenges. Initial attempts at building an economic measurement of culture were related to the implementation of Culture Satellite Accounts within the United Nations framework. Derived from the National Accounts but restricted to cultural domains, Culture Satellite Accounts intended to develop similar economic measurements and principles at national level. Within this structure, efforts have been made to develop a common platform to measure the economic contribution of the region's industry.

By the time Orange Economy emerged as a policy paradigm across the region, some major accomplishments were already made to assess the quantitative importance of culture's impact on economic growth. Further, new tools allowed the estimation of CCI's contribution to economic growth. The Complexity Index, for example, emerged as a tool that could predict the rate of economic growth of a certain city or region based on the level of “Economic Complexity” of its exports, an outcome related to the level of embedded knowledge in the economy's productive structure. Once CCI's economic impact was finally measured, it seemed that their automatic promotion relied more on a belief of its infinite capacity to promote growth rather than a thorough analysis and prioritization based on the know-how, infrastructure, and local opportunities and limitations of a particular region, as Growth Diagnostics derived from the Economic Complexity theory points out.

While there have been major efforts to assess CCI's economic importance, the effects on human development are still relatively little studied. The immediate problem remains that the CCI definition simply does not describe the complex structure of the sector. The latest thus encouraged a deeper delusion that policies to support and encourage such creative entrepreneurialism would suffice as

an industrial strategy. It became a small business strategy that, whatever the merits of its particular implementation, found it difficult to address structural sectoral questions, such as “value-chains, missing skills and professions, access to space and technology, development of and entry into new markets, linkage to the manufacturing/materials sectors – and more seriously, to do anything about it when it did identify problems” (Pratt 2005 in O’Connor 2007).

When it comes to identifying the contribution of creative products and services to development, Latin American experts have taken this relationship for granted. On the one hand, the consensus regarding the positive impact of cultural projects was extended to the cultural industry and later on to the creative industry without acknowledging differences among two very different realms. Therefore, evaluating CCI’s impact on development, while taking into account the fact that cultural goods and services often rely on a vastly different logic than creative ones, arises as a challenge. On the other hand, the extended belief that CCI companies and entrepreneurs are more prone to incorporate social and environmental concerns into their objectives than other industries led policy makers to often prioritize CCI as a development strategy without systematizing its development outcomes in terms of the SDG.

There is an important issue to address regarding CCI’s definition. Cultural goods and services are commonly defined by three characteristics: they derive property rights from their production, they use creativity as a resource, and they convey symbolic meaning. They cover publishing, audiovisual productions, music, performing arts, and crafts. The CCI definition extends to all industries that fulfill the first two conditions, incorporating architecture, gastronomy, fashion and design industry, software design, advertising, research and development, and games and toys, among others. While cultural goods and services are considered “merit goods” such as education goods that entail positive externalities—and thus, their mere existence contributes to human development—not all creative goods and services may fall automatically in this category. Hence, it becomes necessary to evaluate the different dimensions of development of CCI impacts at the local, regional, and national levels, and to operationalize these measurements.

2.3.1 Orange Economies and Economic Growth from a Global Perspective (SDGs 8, 9, 10, and 17)

Three main indicators are commonly used to identify CCI’s economic contribution (Benavente and Grazzi 2017): GDP, employment, and international trade flows. GDP is the most accepted indicator of economic growth; occupation is usually employed to analyze inclusiveness and, along with GDP, is required to measure labor productivity (Bille 2012). Trade flows are often measured to study openness and cultural diversity (Janeba 2004; Rauch and Trindade 2009), but they also reveal strong geopolitical patterns (O’Connor 2019). According to pre-pandemic forecasts, the creative economy could represent 10% of global GDP before 2030. However, global measurements tend to hide global inequalities, which are exposed when analyzing trade flows (Piedras 2004). Developed countries tend to have a higher average cultural GDP than developing countries: 5% versus 2%–3%. Likewise, when looking closely at the cultural trade balance of developed countries, a surplus enhances the place of cultural production in the economy, as UNCTAD statistical data show.

With the European Union as the leading region, developed countries dominate CCI exports. The claims around the Global South representing nearly half of the global trade in cultural goods shifted when the People’s Republic of China was taken out of the equation: “[The People’s Republic of China] accounted for half of this trade, leaving the Global South with just over a fifth of total global trade in creative goods” (O’Connor 2019, p. 3). In fact, the share of the 49 less developed countries in global creative goods exports was 0.11% in 2012, which, relative to its large share of the world’s population (12%) is far from a success (De Beukelaer 2014). Furthermore, looking at what is classed as creative

goods, the vast majority are manufactured goods of the kind the People's Republic of China excels in producing: furniture, glassware, ceramics, toys, etc. This classification undermines the idea of the “creative economy” as being about “intangibles” and extends the notion of “creative industries” into areas of mass manufacture not normally covered by a term designating a new economic epoch (O'Connor 2019, p. 3).

2.3.2 Orange Economy Impacts on Employment (SDGs 1, 5, and 8)

CCI, emerging at the crossroads of the arts, culture, and business, have been hit disproportionately hard by the COVID-19 crisis (OECD 2020), in particular workers in the informal economy (ILO 2021) in cities (U20 2020). Even before the pandemic revealed the frailty of informal economy workers, especially in cultural industries, their situation had been serious in emerging countries. While creative industries kept producing, cultural industries were the most affected by the restrictions on mobility and had one of the worst performance records in decades. Most cultural workers in emerging economies, including musicians, artisans, performers and visual artists, often find themselves beyond the reach of official regulation.

The growing gig economy remains more a risk than an opportunity for its workers as informality is more often a condition rather than a choice. This is true in particular regarding cultural industries, where the supply is usually bigger than the demand and a “winner takes it all” market dynamic concentrates earnings on very few cultural producers and artists. There is a great difference between an *entrepreneur* with access to capital, infrastructure, and exports due to the cultural dominance of the region where he or she operates—the Global North, and a cultural *freelancer* who has to reinvent himself or herself every 5 years with poor access to investment, the economies of scale of the market of a big developed economy, and/or the possibility to export contents, as the ongoing pandemic has demonstrated.

Gender equality is also very different between creative and cultural industries. In many developing countries and transition economies, women who work in CCI are more likely to be in crafts and the visual arts—that is, cultural industries. Software and video game development employ a very low proportion of women. In Argentina, for instance, only 17% of women are in science, technology, engineering, and mathematics (STEM) careers. In cultural industries, in particular cultural management (public employment) and cultural training, men and women workers are more equally distributed. This is not the case in the software industry where high wages and home-based work allow almost privileged work conditions to engineers and user experience (UX) designers.

2.3.3 Orange Economy and Spatial Impacts (SDG 11)

Academic writing about around regional clusters of embedded networks taken up in the emergent policy discourse regarding cultural industries and local economic development suggests a close connection among clustering of cultural industries and urbanity. In 2002, Richard Florida pointed out with optimism the rise of the worldwide urban “creative class.” He later issued a book in 2017 with a title that refuted the positive effects of this phenomenon as he pointed out gentrification and inequality as direct outgrowths of the recolonization of the city by an upper advantaged class. Literature over the last years has identified economic and racial gentrification, segregation, spatial inequality, and entrenched poverty as being related to CCI projects aiming to revive urban centers. Despite seeming to follow an intersectoral productive approach, they ended up marginalizing a subsector of the cultural industries not quite economically competitive but highly productive in symbolic terms (Bayardo 2016, p. 171). Moreover, contrary to usual belief, Latin American cluster projects have revealed that state investment is not only bigger than that of the private sector but also tends to favor big capital investors (Gonzalez Redondo 2020a, 2020b).

2.3.4 Orange Economy Impacts on the Environment (SDGs 13, 14, and 15)

Although the primary sources of the creative industries are ideas and knowledge, both intangible factors of production, its consumption, and enjoyment are embedded in technological devices that require a high amount of physical resources and are very inefficient in terms of waste management. They are certainly not part of the “circular economy.” These devices respond to a logic of planned obsolescence that dictates its replacement for a newer one almost every year, thus explaining partly the correlation between carbon dioxide emissions and developed countries. Therein lies the challenge to endogenize the environmental impact of these industries, as the gastronomy sector has done by taking into account the distances ingredients have to travel and trying to lower the sector’s carbon footprint by promoting food based on local and seasonal ingredients.

2.4 Conclusion and Policy Recommendations

While CCI policies have revealed positive impacts on aggregated level measurements, Latin American case studies have pointed out a nuanced perspective over the past years. Orange economies have shown attainable levels of economic growth, but they have also made evident disadvantages in comparison to developed countries and have presented clear unwanted consequences. This leads us to the preliminary conclusion that while economic growth may be essential to development, it is certainly not enough. If the COVID-19 pandemic responses are looking forward to a people-centered recovery via CCI, strategies to promote development may need to be revised. Countries in Asia and the Pacific may benefit from paying attention to some of the CCI inadequacies in Latin America that recent case studies revealed.

This paper has gathered the following recommendations along the lines of looking forward to addressing CCI as key drivers of the 2030 Agenda for Sustainable Development to contribute to a more robust and inclusive global recovery:

- **Recommendation 1: Harmonizing definitions (SDGs 9 and 10).** The definitions of “creativity” and “culture” fail to identify the distinctive impact of the production and circulation of “cultural goods and services.” This adds confusion to trade agreements at an international level, and at local levels impedes governments in predicting the needs and trends in the sector.
- **Recommendation 2: Converging Latin American and Asian CCI experiences (SDG 17).** Harmonizing definitions and related diagnosis (Recommendation 1) needs to be addressed at international levels. Following this objective, Latin American and Asian CCI measurement systems may benefit from learning from each other, while distinguishing differentiated cultural from creative outcomes. International measurement entities may benefit from each other’s experiences in order to prevent unwanted outcomes.
- **Recommendation 3: Reinforcing a systems approach (SDG 17).** Latin American and Asian countries may operationalize a cooperation convergence by enhancing specific international cooperation mechanisms. G20 countries could potentially profit from their engagement in the group in order to strengthen cooperation ties. The 2021 Think 20 (T20) communiqué captured the importance of the creative economy, and the G20 has leveraged the relevance of culture in countries’ development since the creation of the Culture Ministers’ Meeting.
- **Recommendation 4: Preventing inequality between creative and cultural workers (SDGs 1, 5, and 8).** It is crucial to attend to CCI differences in order to better respond with rapid and inclusive policies toward women and informal workers, who constitute a wider sector of cultural industries, rather than creative ones.

- **Recommendation 5: Promoting impact investment¹ (SDG 11).** Promoting access to credit to both creative and cultural industries may be a key to advance in this direction.
- **Recommendation 6: Promoting sustainable urban development (SDGs 11, 12, and 13).** Taking into account the local inhabitants in the design of a creative cluster (for example, through a participative design tool) could be a good start to include them in the gains of development.
- **Recommendation 7: Launching Gig economies equality (SDG 1).** Preventing an oligopoly of intermediary platforms and promoting ways of collective negotiation are encouraged, as an individual creator has no option than to accept the terms and conditions of giant companies to showcase and monetize his or her creations. Moreover, countries should ensure that tax policy is equally applied to internet platforms, especially when the taxes collected from the entertainment industry are redirected to promote the creation of local productions.

¹ Taking into account social and environmental impacts, as well as economic profits.

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Indonesian Foreign Policy and the Creative Economy: The Journey, Diplomacy, and the Pandemic

Dio Herdiawan Tobing and Vicky Nauli Barreto Simanjuntak

3.1 Introduction

Whither Indonesian foreign policy? is a commonly raised question since the transition of the executive administration from Susilo Bambang Yudhoyono (SBY) to Joko “Jokowi” Widodo in 2014. The furniture maker who captured a nation’s imagination, as Ben Bland (2021) puts it, rose to the top as the chief of the republic with a lack of experience in handling foreign relations and affairs. Jokowi received much criticism from Indonesian foreign policy scholars due to his lack of internationalism as he had not attended many world leaders’ summits. To date, he has never stood at the podium at the United Nations General Assembly (UNGA) (Purba 2019). Not until 2020, when the world was hit by a global pandemic, did he finally address the UNGA from his residence at Bogor Palace via video message (Ihsanuddin 2020)—the president lacking foreign relations experience hit by the hardest borderless challenge: coronavirus disease (COVID-19). If it had happened during his first term, he might have been able to delegate his international duties to Jusuf Kalla, his former deputy, to handle the transnational cooperation side as usual. During Jokowi’s first term, Kalla was in charge of foreign affairs. He addressed the 70th to the 74th sessions of the UNGA on Jokowi’s behalf, acted as the country’s chief negotiator on Afghanistan, served as a chair for the 2019 Sustainable Development Goals (SDGs) Summit, and also represented Indonesia at some of the Asia-Europe Meeting (ASEM) sessions (Berita Satu 2016; Bestari 2018; Aminah 2018; KEMLU 2019b; ABC Australia 2019; Ihsanuddin 2020). Such an option no longer exists for Jokowi during his second term since his senior clerical deputy has even less experience on the subject matter.

During Jokowi’s administration, Indonesian foreign policy started to move in an economic-minded direction, perhaps also due to the pandemic and the need to recalibrate foreign priorities toward economic recovery during his second term. However, the foreign policy imperatives of the creative economy actually started before the pandemic in 2017/18, a decade after the country identified the creative economy as a national agenda in 2008 through the adoption of the first-ever Blueprint for the Development of the Indonesian Creative Economy 2025 and the Development of 14 Sub-Sectors of the Indonesian Creative Industry during SBY’s administration. Now the subsectors have expanded. Rigorous policy measures have also been taken, including on the international stage through the initiation of the World Conference on Creative Economy (WCCE) in 2018 and the surrounding programmatic approach in diplomacy: creating the coalition of Friends of Creative Economy (FCE) and leading the adoption of the UN resolution that declares the International Year of the Creative Economy for Sustainable Development, 2021 (IYCESD 2021).

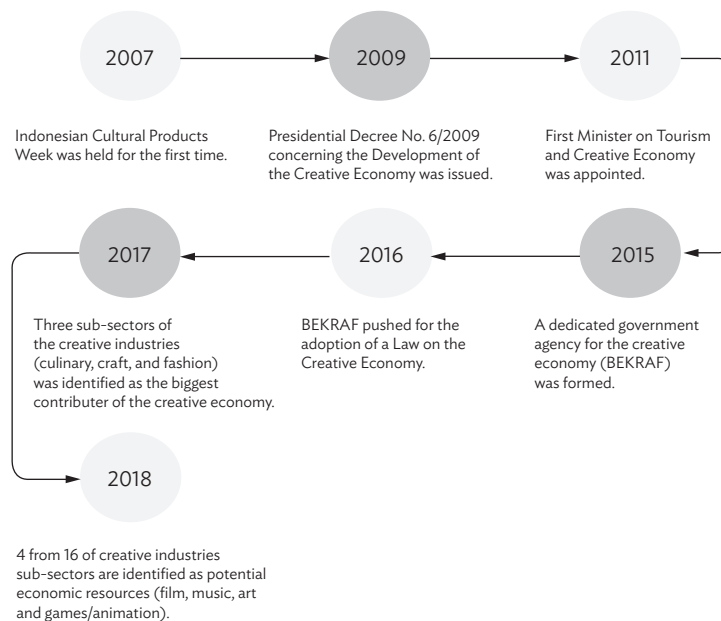
How did the international economy become a national agenda? What is the impact of the COVID-19 pandemic on the creative industries? And, how does the creative economy interplay with Indonesian internationalism? This paper seeks to answer these questions by instigating a discussion on the development of the creative economy in the Indonesian governance context and its foreign policy nexus. This research mainly employs a desk review, combining primary data sources from government agencies and secondary literature, which mostly cover information from academic publications,

newspapers, and United Nations reports. It starts by addressing the historical and foundational context of Indonesian foreign policy in general, the emergence of the creative economy as an national economic agenda, the impact of the global pandemic on the creative industries, and the journey of internationalizing Indonesia's creative economic interest globally. Lastly, policy recommendations will be drawn to ensure the relevance of this paper to contribute to the betterment of the environment of creative industries.

3.2 Creative Economy as a National Agenda

The creative economy, though not a new creature in Indonesia, only gained the government's attention in 2007 despite its contribution to the country's economy (see Figure 3.2 to follow its development). The creative industries contribute \$77 billion to the Indonesian gross domestic product (GDP), which originated from three sectors: culinary, fashion, and crafts (Yasyi 2020). However, to date, the government does not have a clear classification as to which businesses are labeled as creative industries or micro, small, and medium-sized enterprises (MSMEs) that do not belong to the creative sector. The classification is important because the creative industries require specific policy design approaches that cannot be generalized to most MSMEs. Some creative industries do not produce "hard" goods, which entail a different pathway to supply chains (gaming industry, filmmaking, music, etc.). Hence, they also require a different policy design to ensure their smooth access to capital. Due to the absence of a classification, the real amount of the contribution of the creative industries to the Indonesian economy is unclear. Despite the ambiguity, Sandiaga Uno, Minister of Tourism and the Creative Economy, claims that the culinary sector contributes 41% to the country's economy (Kumparan 2021).

Figure 3.1: The Indonesian Creative Economy's Journey



Source: BEKRAF (2019).

3.2.1 The Emergence of the Creative Economic Agenda

The SBY era initiated the foundations for creative economic development. SBY launched Indonesia’s first *Blueprint for the Development of the Indonesian Creative Economy 2025 and the Development of 14 Sub-Sectors of the Indonesian Creative Industry* (Era Digital Indonesia 2018). He also pioneered Presidential Decree No. 6/2009, which served as the initial basis of creative economic development. He merged the creative economy portfolio with that of the Ministry of Tourism and appointed the first Minister of Tourism and Creative Economy, Mari Elka Pangestu, in 2011. Jokowi’s first-term administration focused attention on the creative economy. The portfolio was separated from the Ministry of Tourism with Jokowi’s issuance of Presidential Regulation No. 6/2015, which gave rise to the National Creative Agency (BEKRAF) in 2015. The BEKRAF did not last long. The agency, tasked with building a cohesive creative economy ecosystem through education, marketing and sales, product ideation, and production, as well as ensuring the application of intellectual property rights, was re-merged with the Ministry of Tourism during Jokowi’s second-term administration. Whether this action has led to positive, stagnant, or negative outcomes is still unclear as the presidency is ongoing. What is sure is the positive growth in the economic contribution from the creative industries during Jokowi’s administration. When Jokowi came to power in late-2014, the creative economic contribution to GDP in 2015 was over \$59 billion (Table 3.1); today, the contribution is predicted to be as high as \$91 billion (Safitri 2021b).

36

Table 3.1: Contribution of the Creative Economy to Gross Domestic Product (\$ billion)

Year	Amount
2019	84
2018	77
2017	70
2016	64
2015	59.7

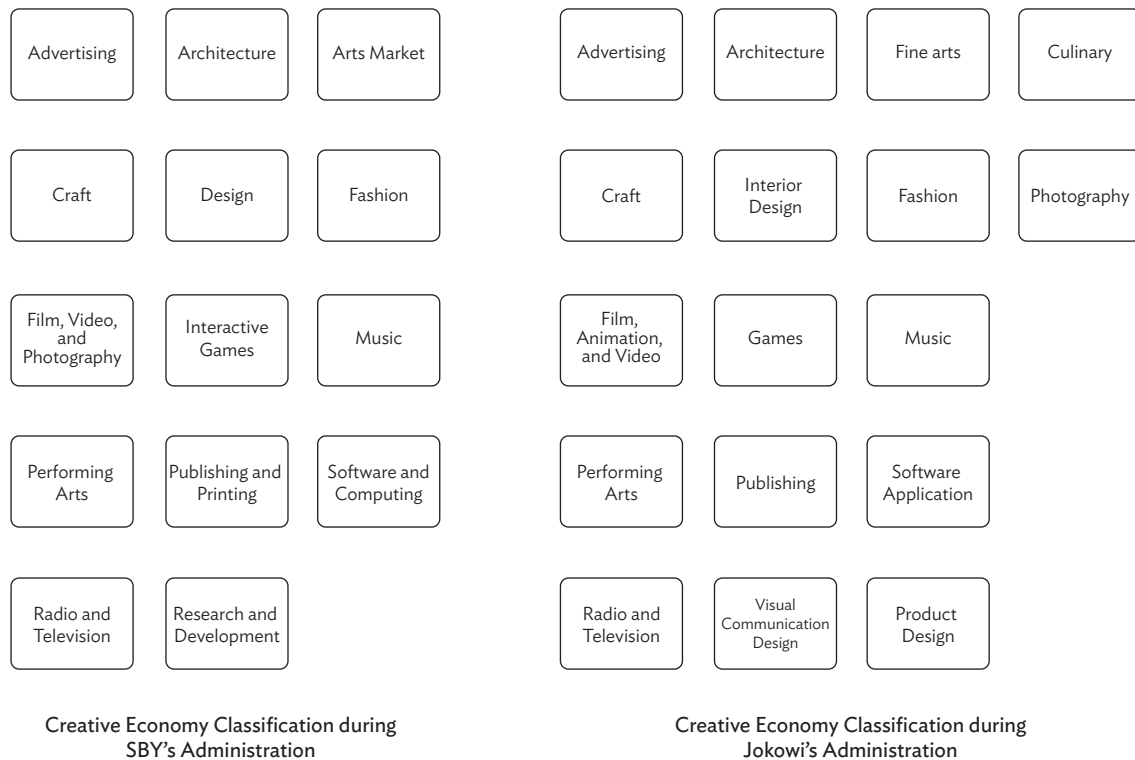
Source: BEKRAF (2019).

The growing economic contribution from the creative industries cannot be separated from the growing labor force these sectors absorb. The labor force of the creative industries grew almost 5% each year from 2015 to 2019. In 2019, the creative economy labor force was around 17 million (KEMENPAREKRAF 2021b), which is around 13% of the total workforce in Indonesia (ILOSTAT Database 2021, cited by World Bank). Sandiaga Uno predicts the workforce absorbed by the creative economy in 2024 will make up 20 million and a surplus of 12 million (Intan 2021).

While this paper acknowledges that there is an ambiguity in terms of data collection and presentation for the purpose of classifying the creative industries, the transformation of the government’s commitment as seen in its policy approaches has been progressing throughout the years. When the foundation of the creative economy was built in 2008, the government notably found the creative industries to be a rather abstract creature and came up with a classification of 14 subsectors: advertising; architecture; arts market; craft; design; fashion; film, video, and photography; interactive games; music; performing

arts; publishing and printing; software and computing; radio and television; and research and development (Pangestu 2008). Under Jokowi's presidency, the classification is being further expanded to 17 subsectors to also include culinary and fine arts. Figure 3.2 displays the classification changes.

Figure 3.2: Creative Economy Classification during SBY and Jokowi's Era



Sources: Pangestu (2008); BEKRAF (2019).

The changes or shifts in terms of classification also suggest how the Government of Indonesia is advancing the creative industry realm toward a better development agenda (Table 3.2 and Figure 3.3). The 2005–2009 National Mid-Term Development Plan (RPJMN) incorporates no strategic objectives on the creative economy (BAPPENAS 2005). This is easy to follow given the first exploration of the creative economy in the Indonesian economic landscape only appeared in 2007. The 2010–2014 RPJMN started to incorporate the creative economy imperatives and prescribes that “the creative economy plays a constructive role in supporting the economic growth” to achieve a wider realm of productive economic development (BAPPENAS 2010). The 2010–2014 RPJMN realized the importance of specific attention to this sector, noting: “encourage the development of creative industries...,” realize village development through “creative industry-based village in tourism,” and “developing small and medium-sized industries in creative industries, especially crafts, performing arts, design, computer and software services, as well as research and development in the Province of DI Yogyakarta.” The 2010–2014 RPJMN does not elaborate how this is done, except tasking the relevant ministries,

such as the Ministry of Culture and Tourism, the Ministry of Research and Technology, the Ministry of Cooperatives and SMEs, the Ministry of Trade, and the Ministry of Sports and Youth, to support the development of creative industries in their respective fields.

Table 3.2: Creative Economic Policy under Jokowi’s Administration

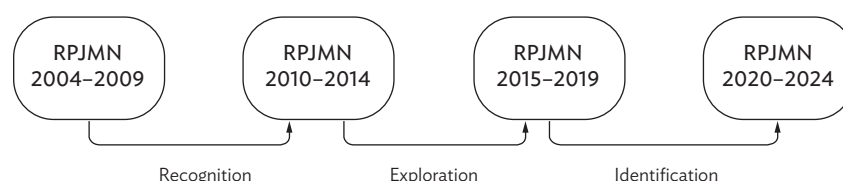
Creative Economy Policy Responses	
SBY’s Administration	Jokowi’s Administration
• First Blueprint for the Development of the Indonesian Creative Economy 2025 • 14 subsectors of the Indonesian creative industries identified • Issuance of Presidential Decree No. 6/2009 concerning the Development of Creative Economy • Expanded “Ministry of Tourism” to “Ministry of Tourism and Creative Economy” • Second Mid-Term Development Plan (RPJMN) started to incorporate the creative economy agenda	• Separated the Ministry of Tourism’s creative economy portfolio and established BEKRAF, the Agency for the Creative Economy. In his second term, however, they are re-merged into the same ministry. • Expanded creative economic industries’ classifications to 17 subsectors • Both RPJMN of Jokowi’s administration encourage the development of the creative economy.

Source: Compiled and analyzed from various sources by the authors.

The 2015–2019 RPJMN, at the start of Jokowi’s administration, has gone far beyond its previous editions. Jokowi’s government provided detailed policy responses for the creative industries. His government’s development white paper stipulates the readiness of the state to facilitate the creative economy to grow, starting from idea creation to production, distribution, consumption, and conservation (BAPPENAS 2015). The document also outlines the strategic objectives of the government for a 7% GDP contribution from the creative economy, 2% workforce increase, and 0.5% businesses increase. What is missing, however, is the link of the *creative* economy and the *digital* economy, despite BEKRAF’s creative economy approaches are heavily influenced by the digital landscape, such as initiating Go Startup Indonesia, a program aiming to provide facilitation for start-ups to scale up, and Go Startup Indonesia Championship (GSC), a start-up championship program (BEKRAF 2019).

The link between the creative economy and the digital economy only appeared in the 2020–2024 RPJMN, which prescribed that the “digital and creative economy continue to be developed in order

Figure 3.3: Stages of Creative Economy Policy Development in the National Development Agenda



RPJMN = Medium-Term National Development Plan.

Source: Authors.

to realize a creative and forward-thinking Indonesia” (BAPPENAS 2020). The development agenda asserts that creative cores such as arts and culture, the basic substance of creative and digital product development, are expected to be stronger given the enabling infrastructure has already been developed in the form of creative industry growth centers, incubators, science and technoparks, creative clusters, access to electricity, and broadband network. This strategic objective is in line with the Ministry of Tourism and Creative Economy (KEMENPAREKRAF) Strategy No. 15 2020–2024, which encourages creativity to produce added value for the creative economy based on culture, science, and technology (KEMENPAREKRAF 2020b).

3.3 The Global Pandemic and the Creative Economy

The global pandemic was unforeseeable for all economic sectors. When the government issued its first circulation letter to ban all outdoor and indoor activities on 18 March 2020, the tourism and creative economic sector activities were delayed temporarily. On the one hand, not all sectors within the creative economy are able to operate digitally. On the other, there is a low level of e-commerce adoption among entrepreneurs in the creative economy, which deserves special attention (Priambodo et al. 2021). Sandiaga Uno reported that the pandemic has impacted (e.g., job losses) 34 million people in the labor force of the creative industries and reduced the sales rate and income of 67% of the creative actors (Safitri 2021a; KEMENPAREKRAF 2020a). Meanwhile, KEMENPAREKRAF reported that five subsectors in the creative industries grew their workforce: telecommunications, software programming, information services, central office activities, and architecture and library activities (which encompasses apps and gaming development as well as their architecture). However, the increase in these sectors does not offset the imbalance between job losses and job increases. Job losses in the entertainment sector, comprising music, film, and performing arts, amounted to 49.32% in 2020. The broadcasting sector (TV and radio) also experienced job losses, up to 37.81% in the same year. With 62% of the creative economic activities either changed, moved to online space, or cancelled (KEMENPAREKRAF 2020), the total GDP contribution sank to \$77 million in 2020 (Kumparan 2021)—the same rate as in 2018—and it is projected to bounce back to \$91 million in 2022 (Safitri 2021).

In a recent KEMENPAREKRAF survey involving 3,017 respondents throughout Indonesia, only 15.58% admitted that the pandemic either provides no or positive influence on their creative businesses. The rest were negatively impacted by the pandemic. In response to the massive impact of COVID-19, the government took up several initiatives to ease some of the burdens the creative industries faced. In mid-2020, the government allocated \$1.68 million for six subsectors of the creative industries: gaming, craft, culinary, fashion, film, and tourism. Each of the businesses could access capital up to \$14,000 depending on the business criteria provided by the government (Karunia 2021). The survey report also found that only 20.46% creative businesses are operating digitally from end to end. Most (74.26%) use digital means only to communicate with their customers, while almost half do not digitally market their products (49.37%) and do not use digital transaction methods (49.04%). Hence, the majority of the government initiatives are focusing on addressing the digital gap through capacity building, such as digital literacy, digital marketing, digital creative content, and copywriting training (KEMENPAREKRAF 2020c, 2021a; Khairally 2021).

3.4 The Creative Economy and Foreign Policy Nexus

What is Indonesia’s foreign policy? Whenever this question is raised, the most common answers lie between the normative and formal domains. The 1945 Indonesian Constitution does not expressly prescribe the foundations of the country’s foreign policy. However, the fourth paragraph of the constitution prescribes that, “*to form a Government of the State of Indonesia that.... [...] in order to advance*

general prosperity, to develop the nation's intellectual life, and to contribute to the implementation of a world order based on freedom, lasting peace and social justice." This provision implies the following foreign policy foundations: that Indonesia carries out peaceful internationalism, seeks to maintain peaceful relations with other countries and respect their sovereignty by not intervening in the domestic problems of other countries, fully supports the creation of world peace and active participation in international organizations, supports the creation of global social justice based on the United Nations Charter, and upholds the spirit of sovereign equality and independence for all nations (Abidin 2019). The following norms are then being codified under the Law No. 37/1999 concerning foreign relations, which expressly states under Article 3 that Indonesia's "foreign policy shall adhere to the principle of free and active principles that serves for the country's national interests." Both principles imply a foreign policy that does not align with any superpower and has an active role in contributing to world peace (Tobing 2019). Since the foreign policy principles of the country are expressly codified under the Law No. 37/1999, legally speaking, whoever serves as the President cannot envision a foreign policy beyond the two abovementioned principles. However, each president will have their preferences and priorities in terms of operationalizing their foreign policy. Soekarno, Indonesia's first president, for instance, labeled his foreign policy as *Rowing between Two Reefs*, which describes Indonesia's nonalignment with the Western and Eastern bloc of polarization. Recently, SBY also employed different slogans for his two administrations. First, he used the metaphor *Navigating a Turbulent Ocean* in a speech in 2005 to emphasize Indonesia's worldview of being a peacemaker, confidence builder, problem solver, and bridge builder (Habir, Gunawan, and Andika 2014). His second term suggested a rather different outlook, calling for a *Zero Enemy, a Thousand Friends* foreign policy, which underlined the importance of Indonesia's all direction foreign policy (Kompas 2009). Jokowi's first administration was also characterized using a foreign policy slogan. He capitalized on Indonesia's maritime state status to label the country the *Global Maritime Fulcrum*. Jokowi acknowledged the world's substantial geo-economic and geopolitical shift, in which the center of gravity is moving from the West to the East. Hence, according to Jokowi, it is the right moment for Indonesia to assert itself as a force between the two oceans: the Indian Ocean and the Pacific Ocean (Witular 2014).

3.4.1 Where Is the Creative Economy Angle? The Industries and the Nation

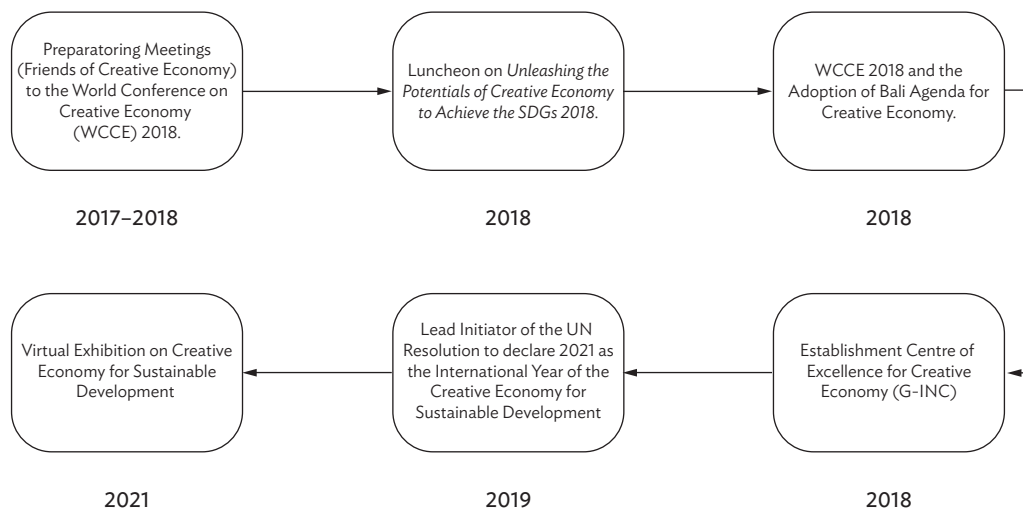
From a grand worldview, the nexus between the creative industries and Indonesia's foreign policy seems to be missing, but not necessarily its "economic" angle. Since Jokowi came to power in 2014, the foreign policy direction of Indonesia changed from a "norm standard setter" to a foreign policy grounded in "economic interest." Jokowi, as a former furniture businessman, naturally put the economy at the center of his presidency (Bland 2021). In 2019, coming up to his second term, he appointed Mahendra Siregar, former Ambassador to the United States and former Deputy Finance Minister, as Deputy Foreign Minister, clearly showing how serious he was about boosting his economic-oriented diplomacy (Sari 2019).

As previously discussed, the government's creative economy policy only started in 2008, as did the foreign policy field, which did not emerge until a few years back. The first creative economy exposure to foreign policy only took place in 2018 (see development in Figure 3.4), a decade after the government issued Indonesia's first creative economy blueprint, in connection with its hosting of the first World Conference on Creative Economy (WCCE) in Bali on 6–8 November 2018. The conference was preceded by initiating the so-called Friends of Creative Economy (FCE) coalition through a series of preparatory meetings to the WCCE 2018 to provide a platform for a cooperation between all stakeholders from different countries to exchange insights and ideas about enhancing the creative economy (WCCE 2018b). The FCE itself is envisioned as a group of nations, international organizations, and non-state actors who share common views on the importance of the creative economy in achieving sustainable development (BEKRAF 2018). The preparatory meetings were held in Bandung on 5–7 December 2017

and 2–4 May 2018. Both resulted in the adoption of Chair’s summaries that highlighted the importance of the creative sectors for social impact; the need for creating adequate regulation to create an enabling, safe, and protected environment for the creative economy to grow and the need for empowerment to monetize the intellectual property rights; and the necessity to create an ecosystem of collaboration among multiple stakeholders, including the MSMEs (BEKRAF 2018).

Incorporating the creative economy as an Indonesian foreign policy imperative, however, was never part of a thorough policy discussion. Despite the country’s free and active foreign policy, which allows the government to exercise an all-directions foreign policy through freely and independently exploring issues of interest that could potentially add up or leverage the country’s global interest (KEMLU 2015), the wording related to the creative economy in terms of Indonesian internationalism only appeared from the 2018 Annual Foreign Minister Press Statement (PPTM) onward in light of the preparation for the WCCE 2018 (KEMLU 2018). The “creative economy” language did not appear in the Ministry of Foreign Affairs’s 2015–2019 Strategic Planning nor does it appear in the 2015, 2016, and 2017 PPTM. The 2020–2024 Strategic Planning of the Ministry of Foreign Affairs, however, has taken a substantial amount of interest in leveraging the creative economy for the country’s foreign policy objectives as the document notes that “Indonesia is also interested in advancing the strengthening of ASEAN’s creative industry/economy, which in the future is one of the potential sectors” (KEMLU 2019c). This is unsurprising, given the Ministry of Foreign Affairs and Indonesian missions abroad have kick-started creative economic initiatives in their respective posts.

Figure 3.4: The Journey of the Creative Economy in Indonesian Foreign Policy



Source: Compiled from various sources by the authors.

In October 2018, in Indonesia’s capacity as MIKTA Coordinator, Indonesia co-hosted a side event on Unleashing the Potentials of Creative Economy to Achieve the Sustainable Development Goals (SDGs). The event took stock of potential issues to consider to boost the growth of the creative industries, such as the emergence of the creative economy and creative networks as enablers for sustainable development; the opportunities and threats posed by increased automation and digitization; the need for training,

retraining, and upskilling for new industry jobs; the role of creative industries in promoting gender issues as well as diverse and marginalized views; the disparities in creative economic growth depending on geographies; the challenges of sharing lessons and practices between and among countries; the need to integrate creative industries into national economic and development plans; and the huge potential for more South–South cooperation to leverage untapped potentials (MIKTA 2018).

During the WCCE 2018, the stocktaking was then transformed into a more in-depth exploration of topics, exchanges of knowledge and experience, and the formulation of a global commitment on the creative economy's contribution to sustainable development (BEKRAF 2018):

1. how the creative economy can provide equal opportunities for all, how cross-cultural exchanges through creative economy reinforce social cohesion that unites people, and how the internet of things (IoT), among contemporary digital changes, can help tear down barriers for entrepreneurship;
2. how the regulatory frameworks should be dedicated to create an enabling environment for the creative economy, protecting and promoting intellectual property, and supporting financing systems;
3. how to harness the potential of untapped markets and effective marketing strategies;
4. what the constraints are and the need to create an enabling environment (such as through creative cities) and provide necessary support for the talent through training and capacity building; and
5. how all the stakeholders involved should prepare themselves in bridging communication and understanding between cultures and countries to support the creation of inclusive and equal business opportunities for the creative economy.

More than 2,000 participants joined the WCCE 2018, representing governments, international organizations, private entities, academia, and the media. The conference successfully adopted the world's first commitment on the creative economy: *Bali Agenda for Creative Economy*. It underlines three main points: (i) the need to promote international political commitments, collaboration, and collective behavior to address the challenges and seize the opportunities of the creative economy; (ii) creation of an enabling environment and development ecosystem to boost the growth of creative industries while taking full consideration of equal opportunities between men and women; and (iii) the importance of utilizing the creative economy as a driver toward achieving the global 2030 Agenda for Sustainable Development (WCCE 2018c). The conference also established the Global Center of Excellence for International Cooperation and Creative Economy (G-CINC), which serves as the global focal point of international research, development, and acceleration of cooperation to promote the advancement of the creative economy (WCCE 2018a).

Such commitments were capitalized by Indonesia to fully steal the international attention calling out for an overarching global commitment. On 14 November 2019, Indonesian Ambassador to the UN, Triansyah Djani, introduced Indonesia's sponsored Draft Resolution A/C.2/74/L/16/Rev.1 to propose for the declaration of Year 2021 as the International Year of the Creative Economy for Sustainable Development (KEMLU 2019a). Ambassador Djani, as recorded by the UN repository, underscored that the creative economy, encompassed from knowledge-based economic activities and activities based on the interplay between human creativity, knowledge and technology, to cultural activities and diverse forms of artistic expression, could make significant contribution to advance the progress in achieving SDGs (UN 2019). The resolution, which was co-sponsored by other 26 UN member states, was adopted as resolution 74/1998).

But Indonesia's commitment to advance its creative economy globally should not stop at the adoption of the UN resolution for an international year of the creative economy in 2019. With the global pandemic hitting all countries in the world, it cannot be more monumental for Indonesia as the lead initiator of the draft resolution to take the 'International Year' into action — all eyes are now directed to Indonesia. A recent UNESCO report estimated an overall \$750 billion contraction of the gross value added by cultural and creative industries in 2020 globally that also led to a severe disruption in global employment in the creative industries sector which is estimated to be 10 million job losses (Naylor et al. 2021).

Mandated by the resolution to 'raise awareness, promote cooperation and networking, encourage sharing best practices and experiences, enhance human resource capacity, promote an enabling environment at all levels as well as tackle the challenges of creative economy' (UN 2019), Indonesia hosted a global virtual exhibition to connect creative economic actors around the globe between 6 and 15 July 2021 to enable discussion and sharing best practices for a more inclusive and resilient creative economy that can contribute to the sustainable development and strengthening economic growth as well as expediting post-pandemic global recovery by promoting inclusive creative economy (UNCTAD 2021).

3.5 The Creative Economy, Foreign Policy and National Development: Some Concluding Thoughts

As Retno Marsudi underlined, the International Year must go beyond talks and festivities but to also elevate partnerships to better support the creative industries as part of the global economic recovery (Marsudi 2021), this paper notes there is an existing gap between the creative economy, foreign policy, and national development. The 2020-2024 Strategic Planning of the Foreign Ministry has identified the creative industry as an important sector in ensuring economic development (KEMLU 2019c), particularly during the pandemic. Yet unfortunately, the 2020-2024 RPJMN does not touch base upon what are the targets and objectives as well as the means of achieving any targets for national development. This showcases the absence of link between and incoherence between the two documents despite the Foreign Ministry's 2020-2024 Foreign Ministry explicitly acknowledges the 2020-2024 RPJMN as the basis in developing the strategy.

Moreover, the 2020-2024 RPJMN fails to observe the 2015-2019 Indonesian efforts to raise international awareness and solidarity for partnerships in calibrating foreign policy that is inclusive for the creative industries. The foreign policy development map 2015-2019 adds no reference to creative economy, FCE or the WCCE 2018. Even economic diplomacy achievement as a whole is missing in the map. Meanwhile, Jokowi himself addressed the world on his belief that the future of Indonesia will be dominated by this sector as he points out that, "I believe that the future of Indonesia will be dominated by the craft and creative industries" (UNCTAD 2018).

There is no development without recovery, and there is no recovery without policy. While it might be impossible for the two ministries to revise their policy products, the National Development Planning Agency (BAPPENAS) and the Ministry of Foreign Affairs (KEMLU) could arrange a bilateral memorandum of understanding for the purpose of aligning creative economic diplomacy and pandemic recovery. Organizing a national coordination meeting (Rakornas) inviting central and local governments as well as nongovernment creative economic players will be even more strategic to align the vertical and horizontal policy objectives and programs for creative economic-driven sustainable recovery.

Hosting such Rakornas would be timely as Indonesia is presiding over the G20 in 2022. Under the G20 presidency, the creative industries also deserve special attention, given the massive contribution of the sector to the Indonesian economy. Representation from the creative economic actors under the umbrella of outreach groups will benefit the stocktaking of issues and policy escalation to the Sherpa Track to further realize its “Recover Together, Recover Stronger” theme toward an inclusive and sustainable recovery.

Finally, the Government of Indonesia also needs to clearly classify which industries belong to the creative economy and which are common MSMEs. This will help create a targeted policy intervention so they can actually survive the pandemic and scale up, hence leading to economic development. Without this clear distinction, creative industries are prone to be treated with a similar umbrella policy as the government provides for MSMEs in general. This may lead to lack of innovation in the industry, thus having the creative economy run in circles.

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How Governments Could Better Engage with the Working Practices of the 21st Century Creative Economy

Avril Joffe, Dwinita Larasati, and John Newbiggin¹

4.1 Background and Context

The coronavirus disease (COVID-19) pandemic has revealed the role of cultural activity in sustaining communities and individual livelihoods outside the structures of the formal economy. The pandemic has also highlighted the close and complex relationships between culture, community, and economy. While the informal economy has been the topic of much writing, there is—with such notable exceptions as the work of Alacovska and Gill (2019), Boyle and Joham (2013), Merkel (2019), and Snowball and Mapuma (2020)—surprisingly little research about the informal economy’s intersections with the cultural economy, even though in some regions the informal economy accounts for 40% or more of cultural production (SACO 2019). An International Labour Organization (ILO) report of 2018 indicates that more than 60% of the world’s employed population works in the informal economy, with 93% of that population living in developing countries. Women and young people are disproportionately represented in this figure. The ILO report indicates 58.1% of those in the informal sector are women, meaning some 740 million women are in uncertain and possibly precarious work situations. In Africa, 95% of youth employment is informal (Munyati 2020).

While the level of informality varies significantly from region to region—68.2% in Asia and the Pacific, 68.6% in the Arab states, 40.0% in the Americas, and only 25.1% in Europe and Central Asia—informal employment is becoming an increasingly prominent feature of the developed economies of the North, driven by the spread of the gig economy, deregulation, outsourcing, and contract, flexible, and temporary work. Most of these informal workers, whether in the Global South or Global North, lack social protection, rights at work, and decent working conditions (Stewart and Stanford 2017).

People have long assumed that the informal economy was a marginal phenomenon that would eventually be absorbed by a modernizing urban industrial sector (Moser 1978). However, all indications point to it growing rather than declining (ILO 2013). The ILO definition of the informal economy includes income generating activities that fall outside the purview of state regulation: “all economic activities by workers and economy units that are—in law or in practice—not covered or insufficiently covered by formal arrangements” (ILO 2002).

This definition includes activities that evade the law (specifically on the part of migrants or refugees) or simply do not follow the law (such as paying tax), thereby criminalizing informal work or people in the informal sector. We contend that the ILO needs to revise its definition especially when we assess the definition against the characteristics of the cultural economy—in particular the nature of its workforce, with a predominance of freelancers, artists, and crew and own account workers and with the project-based nature of much cultural production. In this chapter we argue that the definition

¹ All three authors are members of the International Council of the Policy and Evidence Centre led by Nesta, which is a core element of the United Kingdom’s Arts and Humanities Research Council program exploring the relationship between higher education and creative clusters. The International Advisory Council is funded by the British Council and aims to strengthen creative economy research and policy globally.

ought to accommodate forms of local resilience, community inclusion, voluntarism, and the generation of income other than through formal means of transaction (Brown, McGranahan, and Dodman 2014: 9). A useful definition should account for the realities of regulation in places such as informal settlements, townships or favelas, as well as distinguish between urban and peri-urban areas and rural communities. It should also accommodate the fact that many creatives pursue artistic and cultural work for other than purely economic reasons, even though their work may have economic value. The ILO definition does not reflect these tangible and intangible characteristics. Our research findings suggest that cultural workers value portable, flexible benefits rather than a single employment contract and that, as Chen (2012: 6) argues, “supporting the working poor in the informal economy is a key pathway to reducing poverty and inequality.”

To explore these relationships between informal cultural work and the cultural/creative economy, the International Council of the Policy and Evidence Centre (PEC), of which we are members, initiated 10 short research projects.² We describe these projects in more detail below.

The PEC International Council undertook this research for a number of reasons:

- (i) The overwhelming narrative in relation to the informality of the cultural/creative economy has been that the sector needs to be formalized (Maloney 2004). This research recognizes the need to decolonize much of the creative economy discourse, especially the accepted narrative that formalization is the only answer (Brown, McGranahan, and Dodman 2014; ILO 2015).
- (ii) Given that policy research into the creative economy remains heavily skewed toward the northern hemisphere, the research explores whether effective and innovative policy practice in the southern hemisphere could offer lessons about inclusion and diversity specifically of those involved in informal cultural work.
- (iii) The research explores what public policy and other support mechanisms might be useful to mainstream the work of informal cultural workers and cultural professionals (ILO 2015).

Despite its apparent fragility, the cultural/creative sector has demonstrated astonishing resilience throughout the pandemic, as the many ResiliArt debates have shown. As well as being a source of income for individuals, the sector has had a role in sustaining the cultural, social and economic bedrock of communities (UNESCO 2020). It is agile, innovative, and, despite some clear outliers such as the fashion industry, relatively low in its environmental and natural resource impacts (Joffe 2017). All these qualities have given it the potential to make a significant contribution to public discourse during 2021, declared by the United Nations the International Year of Creative Economy for Sustainable Development, adding to the many reports on the contribution of creativity and innovation to inclusive and sustainable growth produced by the United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Educational, Scientific and Cultural Organization (UNESCO), and others. Yet there is shockingly little research into how public policy might build on its strengths, minimize its weaknesses, and facilitate the many complex and productive interactions between the formal and informal cultural economies.

Formalization is one of many possible policy responses and is much supported by international financial institutions and governments, despite their constant push for further deregulation of the economy and calls for more flexible work arrangements and labor regulations (Chen, Vanek, and Carr 2004). The objective of this chapter is to elucidate, in the context of the creative economy, the comment made by

² The British Council Creative Economy team has published reports on the projects online. See *The Relationship between the Informal Economy and the Cultural Economy in the Global South*: <https://medium.com/informal-economy-in-the-global-south>.

Marty Chen, cofounder and international coordinator of Women in Informal Employment: Globalizing and Organizing (WIEGO), that “what is needed, most fundamentally, is a new economic paradigm: a model of a hybrid economy that embraces the traditional and the modern, the small scale and the big scale, the informal and the formal” (Chen 2020). To that end, we pull policy recommendations from our review of the PEC research study and related literature.

4.2 A Conversation between Informal Economy Research and the Cultural/Creative Economy

We start our exploration of the relationship between the cultural and creative industries (CCIs) and the informal economy with the recognition that it “needs to be analysed in terms of the specific processes that generate and/or maintain it” (ILO 2013) but question the ILO’s view that formalization is the primary policy response. The 2018 ILO report advocates an urgent need to formalize those in the informal economy to ensure decent working conditions. However, as Brown, McGranahan, and Dodman (2014) argue, “Defining or describing informality as involving no or insufficient coverage by formal arrangements might seem to suggest that formalization is inherently desirable.” They argue that the reasons for informality may have more to do with the fact that “prevailing formal arrangements and regulations that are being applied are poorly designed or discriminate against certain segments of society.”

We bring this pertinent research in the informal economy into conversation with the CCIs to explore informal cultural value chains and work relationships. While the informal economy tends to be labor rather than capital intensive and depends on innate creative ability or self-taught rather than formally acquired skills, this is not necessarily the case for informal cultural workers in the CCIs, many of whom have tertiary education and can earn significant income from their project-based work (Comunian and England 2020; SACO 2019). Nevertheless, tertiary education is no guarantee of a high or stable income. The Designers and Artists Copyright Service in the United Kingdom (UK) reports the average income of visual artists in the UK is less than a quarter of the median wage. Cultural workers (as with many other informal workers) relate to the state and capital not through the wage but through a variety of forms of self-employment, own account work, and work as contributing family members. Therefore, as Brown, McGranahan, and Dodman argue in relation to the informal economy, to focus on enforcing formal arrangements and regulations “more vigorously may drive the informal economy underground or may reduce the informal economy in ways harmful to those (previously and perhaps still) dependent upon it” (2014: 11).

There is a direct relationship between informality and poverty. While not all informal workers are poor, poverty is both a *cause* and a *consequence* of informality (ILO 2018). The ILO report shows that “the poor face higher rates of informal employment and that poverty rates are higher among workers in informal employment” (2018). As Snowball and Hadisi (2020) have shown, the lack of social protection, rights at work, and decent working conditions are all common issues faced by informal cultural workers across the Global South.

The drivers of informality are multifaceted. According to the IMF (2021), they include exclusion and incentives for individuals and firms to operate informally. The ILO is more precise, noting that the “root causes of informality include elements related to the economic context, the legal, regulatory and policy framework’s and to some micro level determinants such as a low level of education, discrimination, poverty and ... lack of markets” (ILO n.d.).

International organizations such as UNCTAD (2018) and UNESCO (2018) have documented the growth of the CCIs in every territory and their impact on innovation and development. Before the pandemic, the CCIs contributed 3% to global GDP (\$2,250 billion) and accounted for almost 30 million jobs worldwide (EY 2015). As drivers and enablers of development, they contribute to individual and societal value through the development of creativity, innovation, culture, dialogue, and understanding in both rural and urban settings. But the high proportion of informality in the cultural/creative economy contributes to the unequal distribution of these benefits. Women and other vulnerable groups, including migrant workers and those with disabilities (Chen 2012; Canclini 2019; Codina and Alarcon 2021; Vanek et al. 2012), are least likely to enjoy positive benefits or be able to extract value from any intellectual property they create (Castle and Feijóo 2021; O'Connor 2019). Addressing these vulnerabilities is critical to the achievement of the 2030 Sustainable Development Agenda (Culture Action Europe 2019). And for all the obvious downsides of exploitation and precarity in the informal sector, it is crucial in creating opportunities for women, young people, those lacking qualifications, and those of uncertain status, especially in the vast and rapidly growing megacities of the southern hemisphere.

Though relatively poorly documented, existing trends point convincingly toward the continuing growth of the CCIs worldwide and the growth of an informal proportion of its cultural workforce. Accelerating this growth are the accessibility of digital technologies, low barriers to entry, rising levels of education, and the importance of culture and cultural identity as counterpoints to globalization. Policy—at local, national, and international levels—is not engaging effectively with these major shifts in the way individuals, communities, and economies now work. This research is an initial contribution to this gap in our knowledge and policy thinking.

4.3 Outcomes of Research into Informality in the Cultural Economy during the COVID-19 Pandemic

This section outlines a number of findings from research, referenced above, undertaken by the PEC International Council into the relationship between the cultural economy and the informal economy in the Global South, with particular reference to the impact of the COVID-19 pandemic and the extent to which that revealed both the resilience and the fragility of the informal cultural sector. The International Council initiated short research projects in Brazil, Chile, Colombia, Ecuador, Egypt, Kenya, India, and Indonesia. This research has helped inform the policy recommendations we itemize in the following section.

By highlighting the myriad ways in which informal cultural workers, despite their informal status, are often integrated with formal and, at times, global value chains, the PEC research argues for moving away from a simple formalization approach to an economic paradigm that embraces both the informal and the formal.

The PEC research confirms that informality is best viewed as a spectrum. The distinction between formal and informal is often blurred (Simone 2010) and the interaction between the two is constant and complex in terms of geography, particular trades, and individual working lives, as shown by Joffe and Motholo (2021) and Nagati, El-Didi, and Suescun (2021). This is further illustrated by evidence from India of informal craft workers participating in global value chains (Krishnamoorthy et al. 2021); unregistered screenwriters in Latin America engaging with the international film industry (Rey 2021b); and photographers in South Africa using cash earned informally in the street to start formal registered businesses (Joffe and Motholo 2021).

The research identified some of the advantages and disadvantages of working informally for cultural workers. The principal upside is freedom from bureaucracy and corruption of officials. Compliance with formal regulation and status can be a costly and confusing business. Low literacy, past experience of corrupt officialdom, nonsensical or unrealistic regulation—all encourage enterprising workers to stay out of sight of the State. Informal work allows flexible working as well as the obvious benefit of not paying taxes on income. However, the downsides are severe. Migrants, the young, workers who have no formal qualifications, and most of all women, who make up a disproportionate share of the informal workforce, are often shut out from the chance of formal employment if they seek it and are particularly vulnerable to exploitation and abuse. As the pandemic has made clear, they have no access to any form of social protection by the State. Lack of access to finance, qualifications, markets, or wider networks all contribute to difficulty in developing consistency and scale in production. Seasonal work and competing demands of time, such as childcare, militate against an escape from informality.

Despite the diverse nature of the research projects, from traditional craft workers in India to TV scriptwriters in Colombia, the research revealed a number of issues common across all the geographies and sectors studied. These issues pointed to the need for practical policy initiatives that would address some of the sector's weaknesses, benefit disadvantaged and marginalized workers, and assist in the achievement of the Sustainable Development Goals (SDGs) and the 2030 Agenda.

First, informal cultural practitioners require alternative forms of finance because mainstream financial institutions are unwilling to engage with them, as revealed in Kenya (Gachara et al. 2021), Indonesia (Larasati 2021), and South Africa (Joffe and Motholo 2021). A lack of access to finance and difficulties in managing finance—whether cash flow or acquiring savings to capitalize a business—go hand in hand. Informal workers often make no distinction between finance for their business and their personal lives and therefore cannot show proof of business growth, making it difficult to create a business plan or raise finance through conventional channels. Without collateral, they have to borrow from friends and family—or moneylenders. Informal credit unions and other cooperative or mutual structures are a powerful and positive alternative, but they depend on a high level of trust (Gachara et al. 2021).

Second, informal cultural practitioners experiment with alternative or hybrid business models, as clearly shown in Brazil (Valiati, Delfino, and Heritage 2021), India (Krishnamoorthy et al. 2021), Indonesia (Larasati 2021), and South Africa (Joffe and Motholo 2021). For many workers in the CCIs, cultural expression is as powerful a driver as any economic imperative, a factor that lends itself to a mix of cooperation and competition with others that has been characterized as “coopetition,” well illustrated by a group of photographers in the Maboneng district of Johannesburg who collectively occupy the same space but employ different business models (Joffe and Motholo 2021). Activities that may lack any obvious commercial link still have compelling synergies—festivals or “cultural quarters” can bring together music, food, crafts, performance, and visual arts and fashion, as shown by Codina and Alarcon (2021) in the case of tourism in Chile and Peru. Specificity of place, time, and story may be an integral part of the value of what is being made and sold, as can be seen in the cultural entrepreneurs of Daveyton, South Africa (Motholo and Joffe 2021), but this quality of uniqueness militates against scale or commercial ambition. Intermediaries between maker and market may be important, but they must command trust, so cooperative or mutual bodies owned by a community of makers may be a safer and more successful business model than being a lone entrepreneur, as shown by Rey (2021a). Mutuals also offer a way to scale production by linking many different or dispersed makers to a single market.

Third, the importance of alternative networks and supply chains is illustrated by evidence from Cairo and Rio de Janeiro (Nagati, El-Didi, and Suescun 2021; Valiati et al. 2021). Success, or even survival,

may depend on juggling many different activities and many different forms of income generation. It may depend on access to secure physical space for workshops and sale outlets, even if these are on the street or online. It may depend on flexibility and adaptability, which can drive innovation in processes and in the use and reuse of materials and resources.

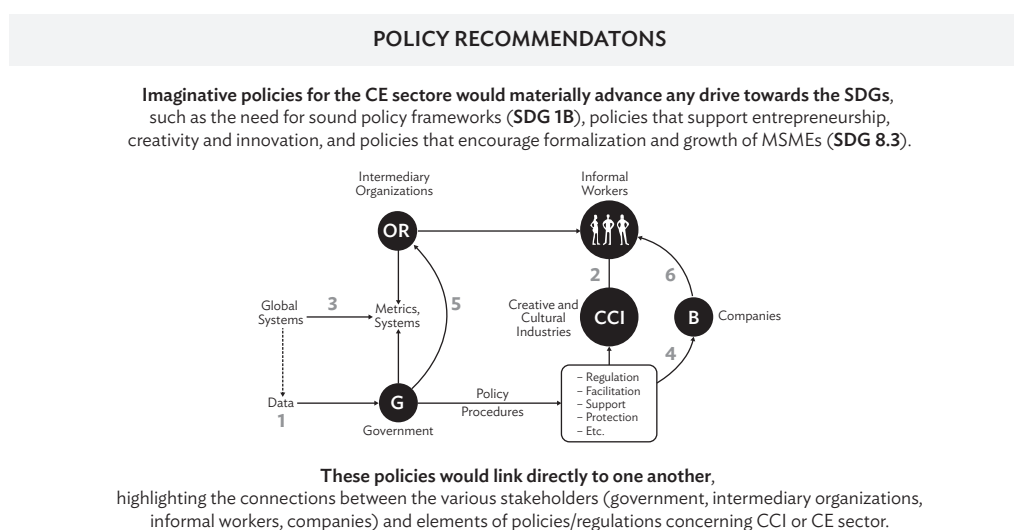
Like every other part of the informal work environment, the informal cultural economy depends on trusted networks that can provide finance, market intelligence, new ideas, new skills, and access to materials and markets. But the PEC research shows that what is unique to the cultural economy is that these community networks often provide the reason as well as the infrastructure for the activity, and so are absolutely essential. The relationship is symbiotic—the economic activity is part of the infrastructure of the community and its resilience; the culture of the community sustains the specific economic activity.

4.4 Policy Recommendations

The IMF (2021) makes the encouraging suggestion that any serious approach to policies for the informal economy must start by recognizing that informal work may be the only viable option for many people, so it is unhelpful to dismiss this type of work on grounds of illegality or evasion of taxes. The IMF argues that “... policies that have been found to be effective include reforms to ensure equitable access to education for boys and girls; increasing access to finance, including by leveraging mobile money and digital reforms, and putting in place measures to improve the business environment. Specific measures include simplifying registration and regulatory requirements for new firms, simple tax systems including easy registration and electronic payment of taxes, and labor market reforms.”

We strongly endorse these views. Furthermore, our research suggests that imaginative policies for this sector would not only bring significant economic benefits but would materially advance any drive

Figure 4.1: Policy Recommendations



CE = cultural economy, CCI = creative and cultural industry, SDG = Sustainable Development Goal, MSMEs = micro, small, and medium-sized enterprises.

Source: PEC 2021 A. Jofee, D. Larasati, J. Newbigin | ADBI Virtual Policy Dialogue 8-10 Nov 2021.

toward the SDGs by strengthening the mutual benefits that come from economic activity that supports and is fed by the cultural life of a community. These policies would link to a number of SDGs such as the need for sound policy frameworks (SDG 1B) and policies that support entrepreneurship, creativity, innovation, and growth of micro, small, and medium-sized enterprises (SDG 8.3). They would link directly to one another, as illustrated in Figure 4.1, which highlights the connections between the various stakeholders (government, intermediary organizations, informal workers, companies) and the policy and regulatory frameworks that impact the CCIs. This not an issue for national governments alone; policies and actions must align across local and national government, international institutions, nongovernment organizations, and civil society organizations, including very informal ones.

We propose seven areas where policy interventions would be useful to ensure the informal cultural economy is better integrated with the mainstream economy.

(i) Recognize, strengthen, and support the role of intermediaries and support structures

The CCIs are commonly the micro businesses of sole entrepreneurs, often coming together to form clusters of interdependent businesses and skills. As well as being mutually supportive in commercial and cultural terms, these networks help drive innovation and flexibility. In the informal sector, they may also have a social dimension, bringing together women, young people, and migrant or itinerant workers, and may include credit unions or other mutually supportive structures.

Despite these networks, informal workers often lack access to information about market trends, prices, and wider sales opportunities. Trusted intermediaries play a crucial role in providing such information, helping entrepreneurs to expand their horizons without undue risk of exploitation as a result of ignorance.

Intermediaries also play a crucial role as agents for investors who recognize the potential of investing in cultural and creative products and services but are discouraged by the fragmented and fluid nature of the sector. Governments, too, while increasingly recognizing the social and economic significance of the CCI sector, both formal and informal, find it difficult to engage effectively.

Nongovernment organizations, social enterprise organizations, and peer-to-peer support networks all offer significant and still underdeveloped ways of promoting growth and underpinning the sector's contribution to the SDGs.

(ii) Improve data collection and update definitions

Effective public policy depends on agreed-upon definitions and accurate data. Hampering a rapidly evolving creative sector has been the failure of international standard industrial classification (SIC) and standard occupational classification (SOC) codes to keep pace with change. Most countries have seen no attempt to capture the value and nature of informal cultural and creative production.

Most workers in the informal cultural economy have a number of different strands of income generation; they may work for barter and exchange as well as for cash, and part of their work may be in the formal sector. Their work may be sporadic and seasonal.

The provenance and method of production of artisanal work may represent part of its value, but without accredited ways of tracking supply and value chains, the makers are unable to satisfy the compliance requirements of increasingly demanding customers.

Lack of reliable data makes it impossible to identify, and therefore recognize and protect, materials, processes, supply chains, and networks—all of which may be essential to economies that contribute

to environmental sustainability through the use of local, recycled, upcycled, or seasonally available materials and may also contribute to cultural and social sustainability by preserving valued traditions or even whole communities. If individual or sector carbon credits become recognized features of international policy, this kind of data would help governments in calculating progress toward carbon neutrality.

Lack of business and trade data makes access to finance more difficult for entrepreneurs, thereby crippling the potential to scale up businesses or introduce innovations that require capital investment.

(iii) Make regulation simple, transparent, and appropriate

Unnecessarily complex registration processes that require personal information and signatures discourage those with low levels of literacy or an ingrained distrust of formal authority from seeking formal status as workers. These people thereby exclude themselves from most forms of State provision for social protection—an issue that has been highlighted by the pandemic.

Simplified accreditation, perhaps based on membership of an association, trade body, or credit union that already commands the trust of the informal worker and could act as an intermediary with the public administration, would enable informal workers to enhance their opportunities and security. Each informal worker could have a unique digital identity not dependent on a physical business address.

(iv) Create forms of social protection and labor regulation for informal cultural practitioners

Labor relations and social protection exclude many cultural practitioners as these workers do not fall into the definition of employee. They are paid mostly for results or projects rather than time spent. In this way, the work of cultural practitioners can be called atypical, nonstandard, or even marginal and refer to a range of types of work from freelance to contract, self-employment, own account work, fixed term, or part time as well as to those employed in the informal economy. However, unlike those in the broader informal economy, many of these vulnerable cultural workers are skilled although many are not covered by collective bargaining agreements or prescribed norms and standards. Freelancers and own-account workers often find themselves outside of regulatory mechanisms governing labor relations, decent work, occupational health and safety, unemployment provisions, or forms of collective bargaining that may be available to employees.

Freelancers in the CCIs are self-employed people who often work on overlapping project-based assignments for multiple clients. Their work is governed by a contract rather than by an employment relationship. They are often considered self-employed. Since freelancers are not in an employment relationship receiving a salary, they receive no employee benefits from their clients—sick pay, annual leave, maternity leave, minimum pay, working time rights, the right to join a union, health and safety protection, and protection from discrimination—and pay their own taxes.

Industrial health and safety regulation can unintentionally, and sometimes deliberately, discriminate against traditional work methods and materials in the informal sector, ignoring long-established social customs and environmental benefits.

The inadequate definitions for CCI work are a huge constraint also for those operating in the informal cultural economy as they make it impossible to access any social protection measures or insist on agreed labor standards for health and safety, working conditions, and the like. In some countries, people have done much work to ensure prescribed norms and standards. One example is the South African Guild of Actors, which has negotiated standard terms and conditions for contracts with the major producing bodies in the industry to provide some protection to freelancers (SAGA 2020). Other examples include

the work of the South African Law Reform Commission and WIEGO to change the definition of cultural workers to ensure access to these regulatory protections such as the new status category in labor statistics of “dependent contractor,” which captures more accurately the situation of the majority of outworkers, home-based workers, and “gig” workers (SALRC 2021; Chen and Carré 2020).

(v) Update intellectual property rules and their application

Informal workers should be able to protect the distinctive qualities of their work and work methods. Cultural production has cultural value as well as monetary value. Provenance of place, distinctiveness of materials, and identity of maker may all form an intrinsic part of the value of a product or service. While the global market for handmade artifacts and bespoke experiences grows as incomes and education levels rise, so does the expectation of buyers for proof of provenance, ethical sourcing, environmental sustainability, and the absence of exploitation or child labor.

(vi) Provide relevant public infrastructure—both physical and virtual

Making or selling on public streets or in the home creates opportunities for petty corruption and protection rackets, particularly for women, who are the majority of informal economy workers, as well as generates problems for municipal authorities. The provision of safe, affordable spaces both for making and selling brings benefits for local authorities and informal entrepreneurs. These benefits significantly increase with the provision of additional amenities such as toilets, childcare facilities, and hygienic facilities for food preparation. Such simple public provision can encourage informal workers to plan, to invest, to expand and, if appropriate, to formalize their businesses far more effectively than costly “job creation” and business development schemes.

The need for public provision applies as much in the digital as in the physical sphere. Secure, reliable, affordable access to the internet allows even the most traditional small-scale business ventures to engage with markets around the world.

Rising levels of social responsibility in big business, exemplified by organizations such as Unilever and IKEA, illustrate the extent to which global supply chains can be made more accessible, opening up new markets for entrepreneurs, providing a step toward formalization, and sustaining traditional community structures.

As internet access trends toward universal ubiquity, there is also the possibility that crypto currencies could become a significant element of the creative/cultural economy by making financial transactions more transparent for vulnerable informal producers.

(vii) Rethink public procurement

Government expenditure forms a major part of every national economy. Public procurement should therefore aim to improve the distribution of income, wealth, and opportunity across society, as well as provide goods and services to meet government obligations. Yet the rise of the informal economy is itself frequently testament to the failure of public provision to meet society’s needs rather than benefit a few well-placed corporate suppliers. Not only is the system of public contracts frequently corrupt, but it is also usually inefficient. A report on innovation and public procurement commissioned by the UK government observed, “The issue is not simply whether a proposed solution offers value for money, or even the best value for money of the options considered, it is whether a greater value could be obtained from a more innovative solution, perhaps allied to looking at the problem in a wider context” (Cox Review 2005).

The innovation and flexibility of the CCIs offers many opportunities to government for more creative, cost-effective, and socially just investment of public funds in delivering public services. But the fragmented nature of the CCIs, especially at their informal end, militates against its being able to bid for public contracts. The UK's Social Value Act of 2012 allows national and local government to consider social, cultural, and environmental as well as cost criteria in awarding public contracts. The result has been an increase in localized and bespoke delivery of goods and services, often from small suppliers, with significant benefits to local economies, community well-being, innovative solutions—and public expenditure.

Table 4.1 describes six specific policy solutions for the informal cultural economy.

Table 4.1: Policy Solutions for Informal Cultural Economy

(i) Strengthen and support intermediaries	(ii) Improve data and simplify bureaucracy	(iii) Extend labor and social protection to informal cultural workers	(iv) Protect intellectual property	(v) Ensure public infrastructure is accessible to informal cultural practitioners	(vi) Use public procurement mechanisms to benefit informal cultural practitioners
Governments should work with and fund intermediary organizations that a) command the trust of both formal and informal workers; b) can provide bespoke business support to workers; and c) provide informed policy support to government such as exemplified by the Craft and Design Institute in South Africa	Tracking systems need to be developed to allow creative and cultural goods produced in the informal sector to be traceable so that compliance requirements can be met	Engage departments of labor and employment to include freelancers and own account workers in the regulatory framework of social protection (labor relations support, health and safety requirements, retirement and maternity benefits). Standards for health, safety, and trading should take into account the social, environmental, and cultural value of work methods in the informal CCI sector	Increase the value and visibility of cultural production through an internationally agreed system of establishing IP rights and provenance, using digital tracking and imaging so as to be easily accessible and trusted for cultural workers (formal or informal) and networks	Local administrations should create safe and affordable work, exhibition, event, and sales spaces for informal cultural workers	Governments should reassess their public procurement criteria in light of the SDGs

continued on next page

Table 4.1 *continued*

(i) Strengthen and support intermediaries	(ii) Improve data and simplify bureaucracy	(iii) Extend labor and social protection to informal cultural workers	(iv) Protect intellectual property	(v) Ensure public infrastructure is accessible to informal cultural practitioners	(vi) Use public procurement mechanisms to benefit informal cultural practitioners
Governments, at both local and national levels, should work through and with formal and informal associations of workers and micro-businesses as the most effective and cost-effective way of developing policies that will be of practical value	Governments should consider simplified bureaucratic procedures that encourage informal workers to register their businesses and enable them to access business advice, skills training, and investment	Devise a specialized benefit system that allows informal workers to contribute to and benefit from basic social protection measures including sick pay, parental benefits, pension, and protection from fraud, abuse, or harassment		National governments should explore ways of connecting groups of informal workers to wider sales opportunities in the virtual and the physical environment	Governments should incentivize public officials at every level, but especially at local, municipal level, to issue contracts in ways that are accessible to local cultural and creative entrepreneurs, and in ways that deliver wider community benefits in social, cultural and environmental value as well as value for money
		Recognize the unique status of artists and cultural workers in law. This could extend to an exemption from paying income tax and from paying tax on materials and equipment		Regulatory tools should be developed to encourage large corporations to partner with small and bespoke suppliers, including those in the informal sector, as seen in cases such as the Indian government's requirement that larger businesses allocate a share of profits to support charities or social enterprises, or Creative England's "Big Guy Little Guy" partnerships	

CCI = cultural and creative industry, IP = intellectual property, SDG = Sustainable Development Goal.

4.5 Conclusion

This chapter contends that there are practical and realistic ways in which governments could engage more imaginatively with changing patterns of cultural work and creative businesses that are being driven by many factors, but principally by the evolution of digital technology, the increasing casualization of labor in many sectors, and failures of State provision, especially in rapidly expanding urban areas. We see the CCIs as being at the forefront of these changes and, as a rapidly growing and increasingly recognized sector in almost every region of the world, worthy of special interest.

Present failures to address these realities means that hundreds of millions of people are denied the status of workers—thereby losing opportunities to acquire skills, raise finance, contribute to growth, or enjoy any form of social protection, as the COVID-19 pandemic has made clear.

There would be many benefits from a more positive and perhaps creative engagement by policy makers, especially for women and young people. Given the intimate relationship between culture and economic activity in the CCI sector (both formal and informal), this engagement has the potential to enhance community and individual well-being as well as accelerate progress toward the SDGs. We recognize this engagement would represent a major challenge for governments. But the proven ability of a vast array of organizations, both statutory and non-statutory, to intermediate successfully between this emerging economy and the existing structures of State and commerce already points the way to new partnerships between government and civil society. Such partnerships would not only resolve many of the anomalies we have discussed in this chapter but could be a template for engaging citizens in a wider range of policy issues.

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Appendix 4.1

Table A4.1: Examples of Effective Intermediary Bodies

Organization	Location	Focus	Website
200 Million Artisans	India	Development agency, intermediary, network organization, and public policy lobbyist on behalf of craft makers	www.200millionartisans.org
Craft and Design Institute	South Africa	Business development agency for small creative businesses	www.thecdi.org.za
Creative UK	United Kingdom	Public/private business development and investment agency for independent creative businesses	wearecreative.uk
Indonesian Creative Cities Network	Indonesia	Intermediary between local authorities/cities, stakeholders in the creative and cultural industries, and communities	https://en.unesco.org/creativity/policy-monitoring-platform/development-national-creative
Apresiasi Kreasi Indonesia	Indonesia	Acts as an intermediary between creative entrepreneurs and government	https://aki.kemenparekraf.go.id/

Fostering the Role of the Creative Economy toward the ASEAN Green Transition and Sustainable Economic Recovery

Lisa Wijayani and Handriyanti Diah Puspitarini

5.1 Introduction

The United Nations Sustainable Development Goals (SDGs) were adopted by global leaders in 2015. This marked the global effort in pursuing the balance of economic growth, environmental sustainability, and social inclusion. Before the coronavirus disease (COVID-19) pandemic, the world was still focusing on achieving economic development and reducing poverty. However, the pandemic has had significant impacts on overlooked issues such as health and climate change. Consequently, countries worldwide, including the ASEAN member states (AMS) and the European Union (EU), are encouraged to enhance climate actions along with the efforts of expediting economic recovery.

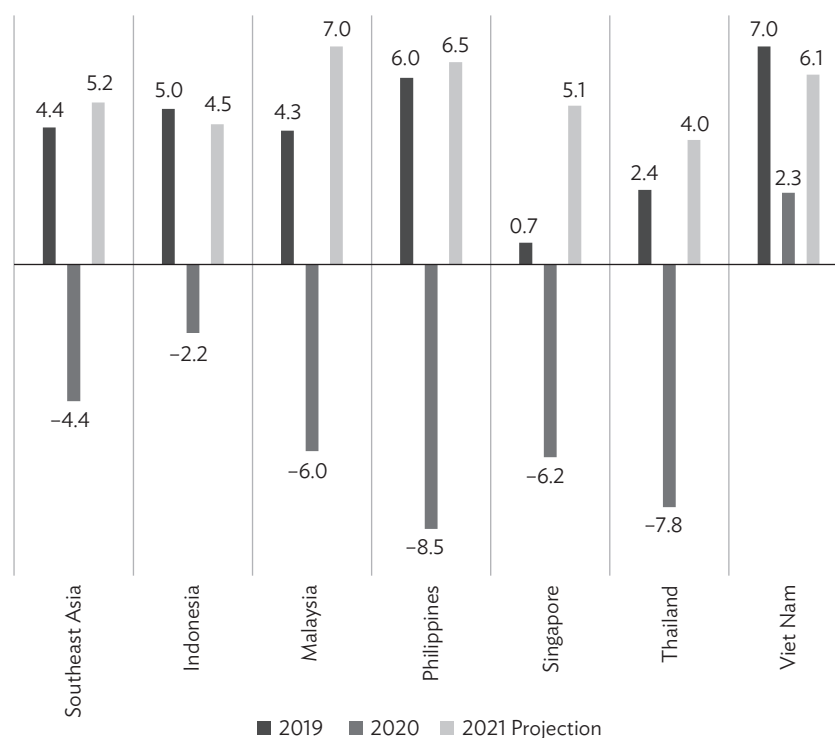
Micro, small, and medium-sized enterprises (MSMEs), which used to be a backbone of ASEAN's economy, have been supported to catalyze economic growth including in the creative economy sector. The creative economy observed a significant drop during the pandemic due to lockdowns and social distancing measures. Despite the pertinent role in the economy, MSMEs in the creative economy can also foster the green transition and are able to build back the economy better with strong climate resilience. Nevertheless, many AMS are still at the early and middle steps in fostering the green transition as many challenges remain, including technology adoption, access to finance, and ability to implement environmental, social, and governance (ESG) practices. Meanwhile, the EU member countries are more advanced in accelerating the green transition for MSMEs in the creative economy. This chapter explores the lessons learned from EU member countries and provides recommendations in fostering the role of the creative economy in support of ASEAN sustainable economic recovery.

5.2 COVID-19 Impacts on the ASEAN Economy and Micro, Small, and Medium-Sized Enterprise Development

COVID-19 entered most of the Southeast Asian countries in Q1 2020. To control the spread of the disease, the government undertook urgent policy actions in limiting any activities including business and economic work. By the end of August 2020, Singapore had the highest COVID-19 infection rate among Southeast Asian countries, followed by the Philippines, Indonesia, Brunei Darussalam, and Malaysia (Chong, Li, and Yip 2021).

Economic growth in the ASEAN economy slowed. Within Q2 of 2020, the global economy including ASEAN entered into an economic contraction comparable to the financial crisis of 2007–2009 (Fanelli 2021). Global economic contraction was estimated to reach –3.5% in 2020 or 0.9% higher than the projection made in the second half of 2020 (IMF 2021). For Southeast Asian countries, economic contraction was projected at –4.4% in 2020 and ASEAN gross domestic product (GDP) was forecasted to grow by 5.2% in 2021 (Figure 5.1). ADB (2020b).

Figure 5.1: Annual Growth Rate in Southeast Asia
(%)



Source: ADB (2020b).

In April 2021, ASEAN countries allocated around \$642 billion (equivalent to 6.88% of the region's GDP) for short-term economic stimulus packages (Martinus and Seah 2021). The stimulus packages funded health response, economic and social assistance, and incentives for critical economic sectors including support for MSMEs. These enterprises are considered crucial and a backbone of the ASEAN economy. MSMEs make up 97%–99% of the firms in ASEAN and generate between 51.7% and 97.2% of total employment (ASEAN 2021). Thus, the majority of ASEAN countries underscored the pertinent support toward MSMEs for short-term fiscal and monetary policy in stimulus packages.

Even though COVID-19 has deeply damaged the economic sector, at the same time it has created positive impacts toward digital transformation and development of MSMEs. In 2020, ASEAN e-commerce surged to \$62 billion, an improvement of 63% compared to 2019 (South China Morning Post 2021). Besides, financial technology (fintech) made it easy for MSMEs to obtain financial assistance during the global lockdown. Moreover, it has helped unbanked people to access government assistance in such countries as the Philippines (Carandang and Tobias 2020).

5.3 ASEAN Green Economic Recovery and Green Entrepreneurship

The adverse impacts of climate change will become another big crisis. The health crisis has challenged countries worldwide to pursue green economic recovery that can accelerate economic growth and foster climate resilience. Just like the EU, which is enforcing the acceleration of green recovery, ASEAN

has been persuaded to take part in global efforts in limiting the global temperature increase well below 2°C. ASEAN has been advised to foster the green transition through providing green stimulus packages and translate the fight against climate change into the ASEAN Comprehensive Recovery Framework (ACRF).

MSMEs generate about 64% of industrial pollution in ASEAN (OECD 2021). MSMEs can actually help to foster green economic recovery by increasing resource efficiency, reducing environmental damages, and accelerating energy efficiency. Moreover, according to Quintás, Martínez-Senra, and Sartal (2018), MSMEs can utilize green business models, which adopt environmental practices in meeting the goals of achieving profit, growth, social impacts, etc.. They have projected the utilization of new technologies and innovation in green business models to expedite decarbonization and prevent global warming.

The adoption of green initiatives and technology processes to business and manufacturing industries was already targeted to be done by 2020 in the ASEAN Strategic Action Plan for Micro, Small, and Medium Enterprises Development 2016–2025. The strategic plan is an initiative of the ASEAN Economic Community. Yet according to ASEAN SME Policy Index 2018, which was developed by OECD/ERIA (2018), ASEAN's average score of green and inclusive small and medium-sized enterprises (SMEs) was the lowest.

Table 5.1 lays out the challenges and policy recommendations for ASEAN based on the stage of development. For most ASEAN countries, the development and policy support toward green MSMEs is still at an early stage. Lack of awareness toward the advantages of the green economy and the disconnection among relevant stakeholders in MSMEs and the green sector still hamper the green

**Table 5.1: Stage of Development, Challenges, and Policy Recommendations
for Greening ASEAN Micro, Small, and Medium-Sized Enterprises**

Level of Policy	Challenges	Policy Recommendations
Early stage Cambodia, Myanmar, Brunei Darussalam, and Lao People's Democratic Republic	Disconnect between the agencies supporting SMEs and those supporting greener practices	Develop national policies that specifically support the greening of SMEs, as opposed to industry broadly, and that have clear action plans and timelines
	Lack of awareness about the advantages of greening and mechanisms available	Establish one-window agencies that support SMEs in becoming greener with advice and signposting to available resources
Mid stage Indonesia, Philippines, Viet Nam, and Thailand	Lack of awareness about the advantages of greening and mechanisms available	Develop communication strategies and information tools to reach out to SMEs and help them understand the business case for adopting more energy and resource efficient practices
	Monitoring mechanisms are generally already developed, but further evaluation mechanisms are still lacking	Strengthen monitoring and evaluation of the implementation of incentives and support schemes targeting SMEs in order to track their effectiveness and improve them
Advanced stage Malaysia and Singapore	SMEs might be disadvantaged compared to larger companies in having access to available incentives	Establish environmental regulatory regimes that differentiate between SMEs and larger enterprises, and that take account of the risk level of the activity being pursued, with regulatory incentives for going beyond compliances and with assistance for SMEs to accomplish this
	Potentially disconnect between the programs supporting SMEs and those supporting greener practices	Mainstream strategies to support SME greening with the overall approach to supporting SMEs, including technical assistance, access to finance, regulatory incentives, and market access

SMEs = small and medium-sized enterprises.

Source: OECD (2021).

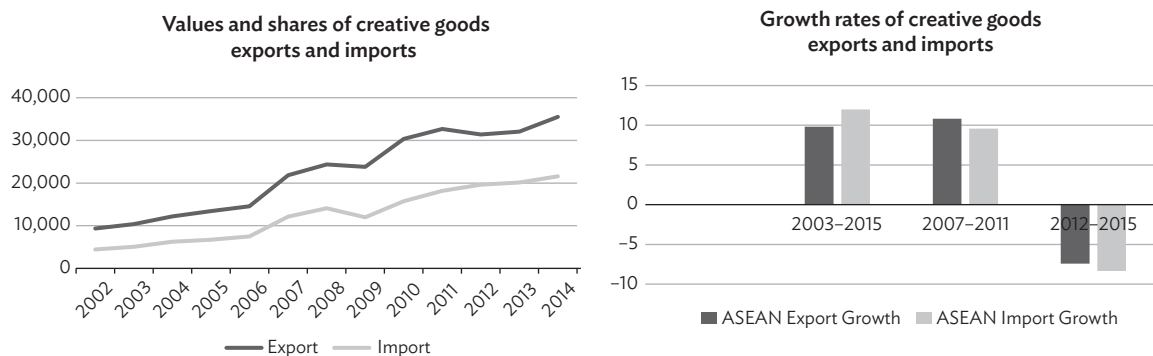
transition in ASEAN. Therefore, policy makers must improve policy measures and green practices as well as enhance coordination between MSME development agencies with other relevant government ministries to boost the greening of ASEAN MSMEs.

5.4 Creative Economy as a Prominent Sector in Boosting Economic Growth and Fostering Climate Sustainability

5.4.1 Overview of ASEAN Creative Economy

The COVID-19 pandemic induced the contraction of gross value added by \$750 billion of the cultural and creative industries globally in 2020 compared to 2019 (Naylor et al. 2021). The pandemic has impacted the creative industries, which often require physical presence and social interaction. However, before the pandemic, ASEAN's exports and imports for the creative industry had grown since 2003 except for a decline in 2012–2015, as Figure 5.2 shows (Sirivunnabood and Alegre 2021).

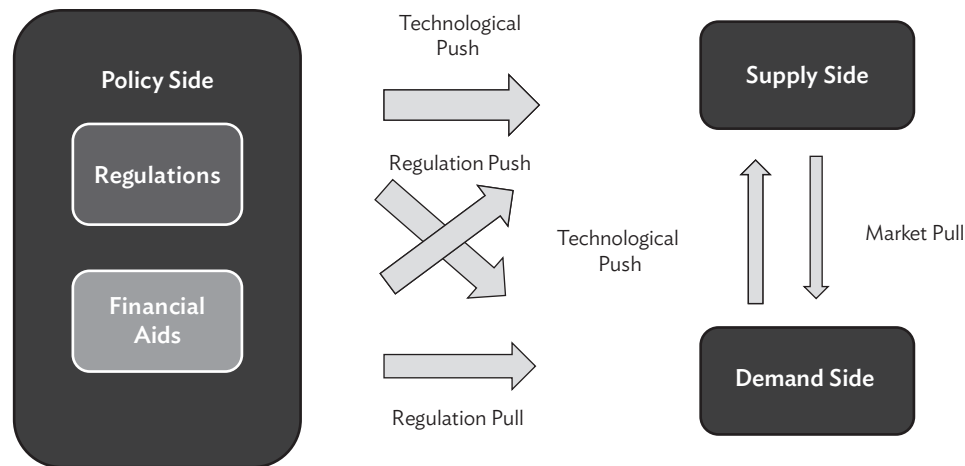
Figure 5.2: ASEAN Trade Exports and Imports for Creative Goods



Source: Sirivunnabood and Alegre (2021).

Creative industries can support eco-innovation by utilizing art and cultural products to create economic benefit and social impacts (Chang, Potts, and Shih 2021). Efforts to reduce environmental risks are associated with eco-innovation, which is frequently used in relation to eco-efficiency or eco-design (Jang et al. 2015). Eco-innovation provides opportunities for developing green products to catalyze sustainable development in developed countries such as OECD and EU member countries and fosters the green transition as it promotes innovations that can reduce emissions and strengthen climate resilience. Therefore, as Figure 5.3 illustrates, the government has a pertinent role in determining policy instruments that can foster eco-innovation such as through improving environmental regulations, financial schemes, research and development, as well as penetrating new markets to deal with the exclusivity of design and arts of creative products causing high prices of eco-products.

Figure 5.3: Interlinkages among Stakeholders in Support of Eco-Innovation



Source: Based on Jang et al. (2015).

5.4.2 Circular Economy and Sustainable Production in ASEAN Creative Industry

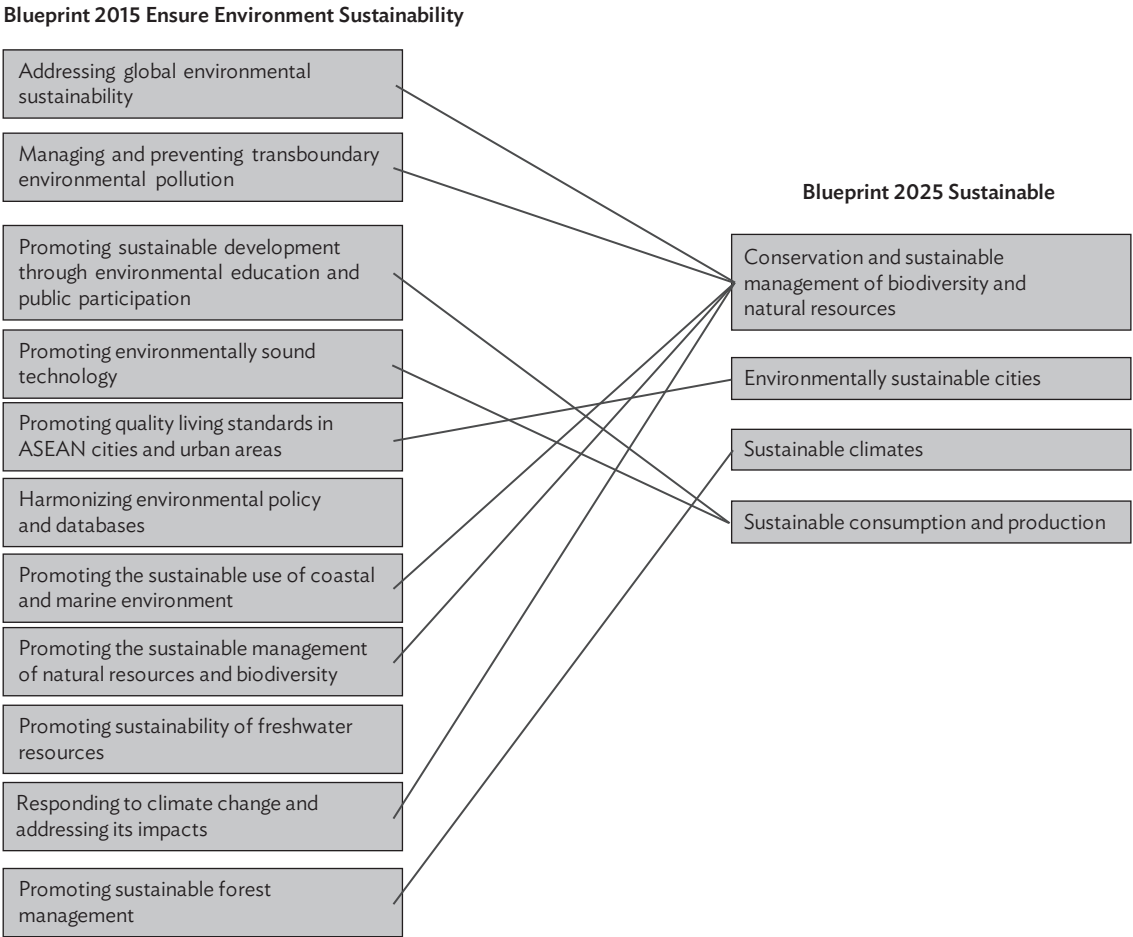
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ASEAN promulgates the ASEAN Comprehensive Recovery Framework (ACRF) as an exit strategy from the COVID-19 crisis. The ACRF encompasses the measures of the green transition and circular economy to foster a sustainable and resilient future for the region (OECD 2021). Underpinning the circular economy is the effort of conducting sustainable consumption and production, which increase resource efficiency, decouple environmental degradation and pollution, and increase quality of life (UNEP 2021). Through applying life cycle thinking and business model innovation, sustainable consumption and production can alleviate poverty, create new markets and decent jobs, and strengthen the efficiency of natural resource management. “8R” approaches in life cycle thinking include refuse, reduce, reuse, repair, remanufacture, redistribute, recover, and recycle (Hoballah 2015).

ASEAN member states (AMS) support the acceleration of sustainable consumption and production in the creative economy to expedite economic recovery mainly in the tourism sector. Among the activities on the environmental sustainability agenda, sustainable consumption and production is prioritized for the 2025 targeted activities as stated in the ASEAN Socio-Cultural Community Blueprint 2015 and 2025, as Figure 5.4 shows (Anbumozhi and Kojima 2019).

In addition to supporting a circular economy, the green transition in the creative industry has the potential to strengthen the implementation of green energy, green building, and waste management within the green effective policy level. A way to do this is through establishing a one-stop service that can be integrated with the progressive incentive mechanism.

Figure 5.4: Targeted Activities for Implementation by ASEAN Member States by 2015 and by 2025



ASEAN = Association of Southeast Asian Nations.
Source: Anbumozhi and Kojima (2019).

Looking at the case of Indonesia as a country with a middle stage of greening the MSMEs, high population, diverse culture, and large MSME markets, Indonesia has the potential to make use of the green transition in the creative economy sector to expedite sustainable economic recovery. The government of Indonesia enforced the development of the creative economy and MSMEs by establishing BEKRAF (Indonesian Creative Economy Agency), which was merged into the Ministry of Tourism and Creative Economy in 2019. The creative economy accounted for more than 7% of the country’s total GDP, represented 8 million businesses in 2016, and employed 17 million people (Asia Foundation 2020) or about 14% of Indonesia’s total workforce (Hasnan 2019). Furthermore, the creative industry has been continuously growing every year due to the government support for creative industry development, a growing middle-income population, and a large number of consumers from diverse cultures. The growing millennial population will increase the potential of the creative industry toward Indonesia’s economic growth. The contribution of Indonesia’s creative industries to GDP by subsector are, among others, sourced from culinary, fashion, craft, media, publishing, and architecture

(Hasnan 2019). To protect the creation of creative industries, Indonesia's Ministry of Law and Human Rights has actively invited creative industry members, especially MSMEs, to register their products on Indonesia's patent list since 2020. Highlighting the support from the central government, it is concentrated solely on providing platforms or websites and tax relief, but the access to finance is still a constraint. Approximately 92.4% of creative industry players were self-funded in 2017. Furthermore, although Indonesia is strong in creativity and cultural diversity, the population still lacks innovation (Table 5.2) and technology adoption and there is still no training offered to increase these skills.

Table 5.2: Innovation and Technology Adoption in Indonesia and ASEAN

	Indonesia	ASEAN
R&D expenditure (% of GDP)	0.08	0.70
Private share of R&D expenditure (%)	25	46
Patent applications (resident or not, per million population)	37	348
Scientific and technical journal articles (per million population)	30	412

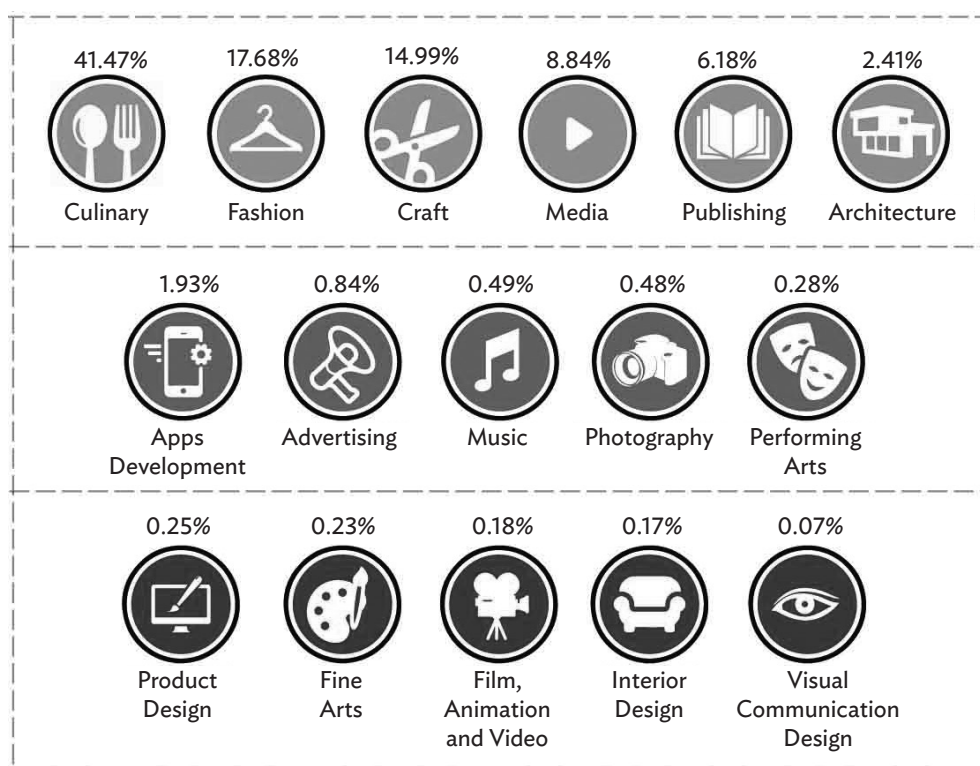
ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, R&D = research and development.
Source: ADB (2020c).

BEKRAF also reiterates that the number of Indonesians who purchase creative economy products such as movies, music, handicrafts, mobile apps, and trending culinary items has increased, as proven by the contribution of those products in the national GDP (Figure 5.5) and induced the creation of a new market for the creative economy. Indonesia's government has launched several programs to promote local products, such as the *Bangga Buatan Indonesia* program. Through this program, Indonesia's government created a website on which MSMEs actors can register and join events to promote their products to customers. Another platform called *Pasar Digital (PaDi)* acting as a marketplace for MSMEs was also created during the pandemic in 2020 to support MSMEs. Using these newly launched websites, Indonesia's government maintains its high hope for the increase of creative industries' GDP since digital technology contributes to the rapid growth of the creative industries with a global average annual growth between 5% and 20% (Simatupang, Rustiadi, and Situmorang 2012).

As the new leader in the G20 for 2022 and as the chair of ASEAN in 2023, Indonesia can take the lead in fostering the adoption of green policy known as "pay it forward" policy. This type of policy underscores the importance of conserving the environment while achieving the goals of economic growth and social empowerment. "Pay it forward" policy will encourage the private sector and industry to incorporate the protection of the planet and people into their business plans or strategies.

The second World Conference on Creative Economy was held in Bali in May 2021. Holding an international conference on the creative economy can be a way to build back the economy better by promoting green and creative industry. Moreover, 2021 was declared the International Year of Creative Economy for Sustainable Development at the 74th United Nations General Assembly in 2019 (UNESCO 2021), which underscores the relevance of fostering sustainable development in the creative economy. Indonesia was one of the main initiators along with Australia, the People's Republic of China, India, Mongolia, the Philippines, and Thailand (ASEF 2021).

Figure 5.5: Gross Domestic Product Contribution by Subsector in Indonesia



Source: Hasnan (2019).

5.5 Directing Small Businesses toward Green and Circular Economy in the European Union and ASEAN

5.5.1 European Union Platforms and Practices Helping the Growth of Micro, Small, and Medium-Sized Enterprises

For a group of countries in which MSMEs drive 41% of the economy (ADB 2020a), ASEAN needs a concrete example of how to build a sturdy ecosystem where MSMEs have unlimited chances to grow. Learning how the EU builds a friendly business ecosystem for MSMEs is one of the ways. The average of EU countries is ranked 39th in the global ease of doing business index (World Bank Group 2020).

Realizing that MSMEs contribute to more than half of the economy of the EU, this group of countries provides several platforms enhancing the ease of doing business, such as the Executive Agency for Small and Medium-sized Enterprises (EASME), initiated in 2008. Using this platform, MSME actors can easily find projects and grants under the auspices of the EU. After being hit by COVID-19 and even becoming the pandemic epicenter in 2020, the EU immediately changed EASME into the European Innovation Council and SMEs Executive Agency (EISMEA) aiming to provide more financial and technical help for MSMEs. At the beginning of 2020, several financial aid programs were available and can be easily accessed by the business actors depending on the size and challenges of the business.

For instance, the European Commission and European Investment Fund made available 8 billion euros and the European Fund for Strategic Investments made available 5.5 billion euros. Some financial intermediaries are also connecting MSMEs with public and private financial instruments, such as InvestEU and ESCALAR programs (European Commission 2020).

For granting the financial aid, the EU has different regulations depending on the size of the enterprises. Thus, they launched guidelines on the business criteria to help the growth of MSMEs, detailed in Table 5.3 (European Union 2015). Such categories can assure that MSMEs have better chances to win the grants and have a high level of assistance. Since the EU applies strict screening for selecting the enterprises that have the right to get grants, the first screening in the grant application selection is based on the enterprise criteria stated in the guidelines. According to the Center for Strategy and Evaluation Services (2012), 30% of the grant applicants did not qualify to be in the SME criteria, so they are now tightening the screening process.

Table 5.3: Criteria of Micro, Small, and Medium-Sized Enterprises in the European Union

Category	Number of Employees	Annual Revenue (€)	Annual Balance Sheet (€)
Medium	< 250	≤ 50 million	≤ 43 million
Small	< 50	≤ 10 million	≤ 10 million
Micro	< 10	≤ 2 million	≤ 2 million

Source: European Union (2015).

To help MSMEs to innovate, grow fast, and have higher competitiveness toward the digital economy, services are available, e.g., Enterprise European Network. This service gives advice to the business actors to create a breakthrough and connect with international stakeholders. There are also several financial aids and programs helping creative and innovative MSMEs obtain funding in order to boost the innovation of MSME actors. Examples include the Competitiveness of Enterprises and Small and Medium-sized Enterprises program, InnovFin launched by European Investment Bank Group, Employment and Social Innovation program, and Cultural and Creative Sectors Guarantee Facility.

By providing abundant funds and innovation assistance enhancing MSMEs' creativity, the EU improves the readiness of MSMEs to compete in the digital era. According to Oliver Wyman (2020), 11% of retail sales in France, Germany, Italy, the Netherlands, Poland, Spain, Sweden, and the United Kingdom were driven by e-commerce in 2019. The products and services most attracting e-commerce consumers are hobbies and leisure, electronics, fashion, and foods. Although European consumers shop in person by habit, e-commerce has become a convenient option during the pandemic. The abrupt preference changes caused the next concern on the environmental impact of the digital era.

Environmental, social, and governance (ESG) practices are one of the key points to evaluate the impacts and risks of a company or enterprise. In the EU, it is mandatory to disclose the ESG practices for large companies with more than 500 employees to the internal (e.g., companies' boards) and external (e.g., investors) stakeholders according to Directive 2014/95/EU. Such disclosure is considered a burden for small and medium enterprises, which have limited human resources, and thus it is not mandatory for them. Still, MSMEs aiming to improve their capability to grow can be the target of ESG products, such as loans, from banks or financial institutions (BlackRock and Financial Markets Advisory 2020).

Another key point to evaluate the readiness of MSMEs to compete in the local and global market is the level of innovation and technology applied. However, there is no standard from the EU on how to assess this, meaning that the business actors must do a market survey by themselves with guidance from several aforementioned platforms.

In the EU in 2020, COVID-19 hit the MSMEs hardest, affecting funding needs, regulation adaptation, and consumers' habits. Specifically, in Spain and Italy, 70% of the business actors declared that their revenue declined sharply and will depend highly on loans and that they would have to lay off more than half of their employees if the condition did not get better in 6 months (Dimson et al. 2020). The EU is shifting their regulation to adapt to this situation. A great example is the change to EISMEA from EASME with the aim of not only providing the funding and assistance to MSMEs, but also boosting the innovation of MSMEs, especially in the e-commerce and digitalization sectors, in order to be able to grab more opportunities in the global market. Since March 2020, the EU has also applied the State Aid Temporary Framework, which is a less complex bureaucratic process for MSMEs that want to apply for funding (European Parliament 2021; European Union 2021). The latest framework was amended in January 2021 and was to be valid until December 2021.

5.5.2 Overcoming the Challenges and Reviving ASEAN Micro, Small, and Medium-Sized Enterprises

There are no entities that provide funds under the control of ASEAN because ASEAN member states (AMS) do not apply single regulations or directives originated under a single umbrella, like the European Union. Thus, the actions to fund the AMS must regard each country as an individual case with its own conditions since each country has its rules regarding MSMEs, such as the definition of MSMEs (detailed in Table 5.4). Due to this, 72% of MSMEs are financed internally according to the survey done by the OECD (2020).

Table 5.4: Definition of Micro, Small, and Medium-Sized Enterprises in ASEAN Member States

Country	Service Type	Micro	Small	Medium
Brunei Darussalam	All types	1–5	6–50	51–100
Cambodia	All types	1–10	11–50	51–100
Indonesia	All types	1–5	6–50	51–100
Lao People's Democratic Republic	All types		1–19	20–99
Malaysia	Manufacturing	< 5	5–50	51–150
	Services	< 5	5–19	20–50
Myanmar	All types	< 9	10–50	51–100
Singapore	All types	< 200		
Philippines	All types	1–9	10–99	100–199
Thailand	Production	1–5	≤ 50	51–200
	Services	1–5	≤ 50	51–200
	Wholesale	1–5	≤ 25	26–50
	Retail	1–5	≤ 15	16–30
Viet Nam	All types	< 300		

Source: Kenan Institute Asia (2012).

The internet has high penetration in 9 out of 11 AMS (Statista 2021) and the average age of the population of AMS is 30.2 years old (Worldometer 2020), triggering the fast development of digitalization in ASEAN and leading to the intensive use of e-commerce. In 2018, the regional revenue from e-commerce doubled from the value in 2017 (Chen 2020). Indonesia alone contributed 45% of the regional e-commerce growth. With these facts, MSMEs in ASEAN need to catch up with the trend and go toward a digital economy and thus MSMEs focus on investing in future technologies (United Overseas Bank et al. 2018). However, SME actors must rely on their own capability to look for assistance on this since there are no institutions initiated by ASEAN helping to increase MSMEs' innovation.

Sustainable development is also a significant topic in ASEAN nowadays. Consumers, especially the youth, prefer buying sustainable goods, including shifting from fast fashion into sustainable fashion (Fashion Revolution Singapore 2021). However, there is still no obligation to disclose the ESG of MSMEs, or even guidelines on how to do it, in most of the AMS. The lack of this can trigger the increase of greenwashing from companies whose sustainability efforts are just for show. With its Green Plan 2030, Singapore tries to fill this gap by including ESG practices in its sustainable finance plan, including for MSMEs. The Minister of National Development Planning of Indonesia also provides some ESG practice examples aiming to reach a circular economy (Kementerian PPN/Bappenas, Embassy of Denmark, and United Nations Development Programme 2021).

Similar to MSMEs in the EU, COVID-19 has caused the extreme decrease of MSMEs' revenue in AMS. Despite assisting MSMEs by increasing their competitiveness with some training to cope with pandemic effects, ASEAN members support mostly on the subsidies and tax suspension (Fanelli 2021). Due to their agility, especially since most of them are funded internally from the beginning, MSME actors in ASEAN are used to learning the markets by themselves.

Marsan and Sabrina (2020) note that accelerating the digitization of MSMEs is one of the key points to improve the ASEAN economy, which depends highly on MSMEs. Since e-commerce and the use of e-wallets in ASEAN are the highest globally, digitizing the business can help MSMEs to increase their revenue and reach the international market. For example, the growth of Indonesia's e-commerce reaching 30% per year (Marsan and Sabrina 2020) indicates that the digital economy in this country will be established in the near future. This condition then implies that MSMEs in ASEAN must be able to innovate and catch up with the latest technology to produce higher quality and unique products in the post-pandemic era. However, SME actors must be able to look for the training opportunities to increase their innovation skill independently because there is no centralized platform to search for such training. This competitiveness skill through innovation must also be able to respond to the boom of customer preference for sustainable goods in ASEAN countries.

Key strategies to revive the growth of SMEs, not only in their numbers but also in their revenue and contribution to the national GDP in the post-pandemic period, are: (i) launching regulations that can deal with the revenue reduction due to COVID-19 and (ii) providing financial help and practical training to improve product quality. These strategies must aim to improve the ESG practices and innovation of SMEs to prepare them in the digitalization era.

Non-tariff measures (NTMs) have been enforced to support the SDGs globally. The Regional Comprehensive Economic Partnership was in place to propose a free trade agreement among 10 ASEAN Member States and 5 countries in Asia and the Pacific, namely Australia, the People's Republic of China, Japan, New Zealand, and the Republic of Korea, including the global countries (Zainuddin, Sarmidi, and Khalid 2020). NTMs such as trade quotas, licenses, label requirements, price controls, and anti-competitive measures can leverage policy instruments to support trade that does not harm

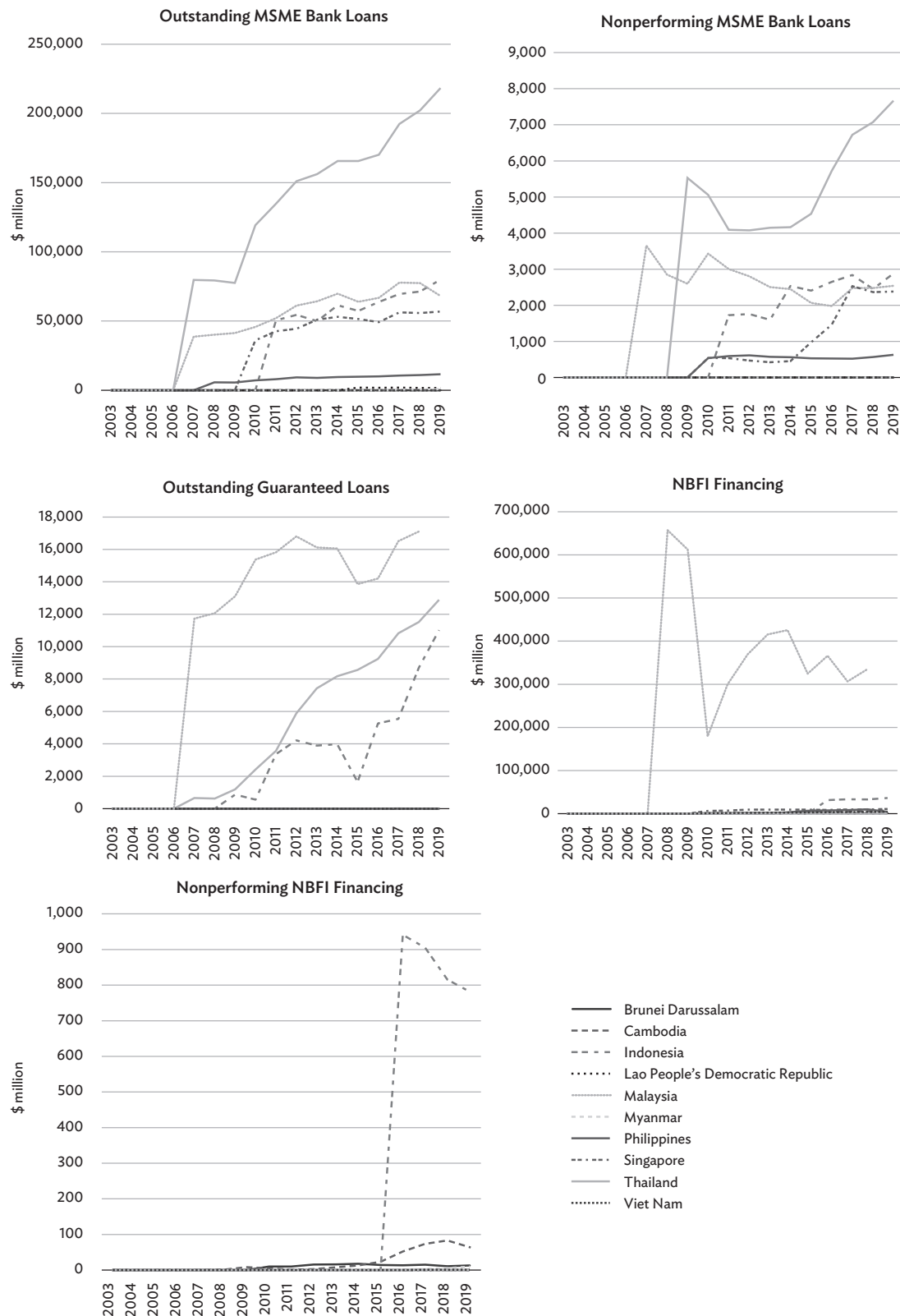
the environment. In ASEAN, SDG 3 on good health and well-being and SDG Goal 12 on sustainable consumption and production are ranked in 1st and 2nd place, respectively, as the goals that have been directly addressed by NTMs.

Moreover, the adoption of the Asian Trade in Goods Agreement has made ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) eliminate import duties on 99.6% of the tariffs, while ASEAN 4 (Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam) have eliminated 98.86% of the tariffs (Jakarta Post 2020). This means ASEAN MSMEs are free to trade their green and creative products among ASEAN countries. However, ASEAN NTMs on the green economy are still to be improved to support sustainable economic recovery through trade facilitation.

According to ADB (2020a), there is an increase of funds helping the growth of SMEs from banks, guaranteed loans, and non-bank financial instruments (NBFIs), indicating the increase of SMEs' attractiveness in recent years (Figure 5.6). Thailand excels in the growth of bank and guaranteed loans for SMEs. With their extraordinary e-commerce growth affected by the internet penetration growth (The Nielsen Company 2019), banks started to focus on financing SMEs in Indonesia and Malaysia. These three countries show a great increase in the growth of loans for SMEs, including the ones from NBFIs. There is no clear information on the change in financial aids during the pandemic.

Before the pandemic hit, the GDP of SMEs in ASEAN kept increasing from the early 2000s to 2018 (ADB 2020a). By assuming that SMEs' GDP drops by 3.7% in 2020 and recovers by 5.2% in 2021 similar to the GDP for ASEAN-5 (IMF 2021), their average GDP growth is predicted to increase by 17.3% in 2025 and 31.5% in 2030 compared to the value in 2020 simulated by the exponential growth model in Figure 5.7 and detailed in Table 5.5. Projections using the exponential growth model in this study analyze annual growth every 5 years to capture the annual and 5 consecutive years' growth through a moving window approach.

Figure 5.6: Growth of Financial Aids for Micro, Small, and Medium-Sized Enterprises in ASEAN

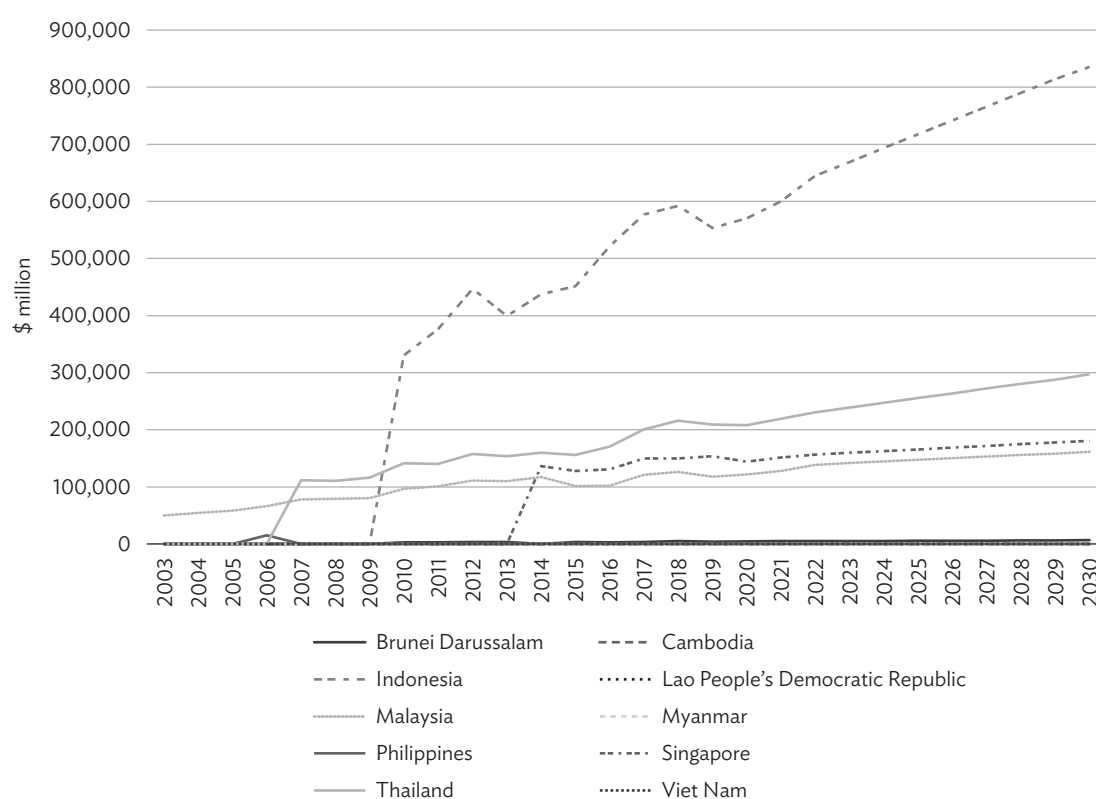


MSME = micro, small, and medium-sized enterprise, NBFI = non-bank financial institution.

Note: There is some missing data that is replaced by not-a-number (NaN).

Source: ADB (2020a).

Figure 5.7: Gross Domestic Product Projection
(\$ million)



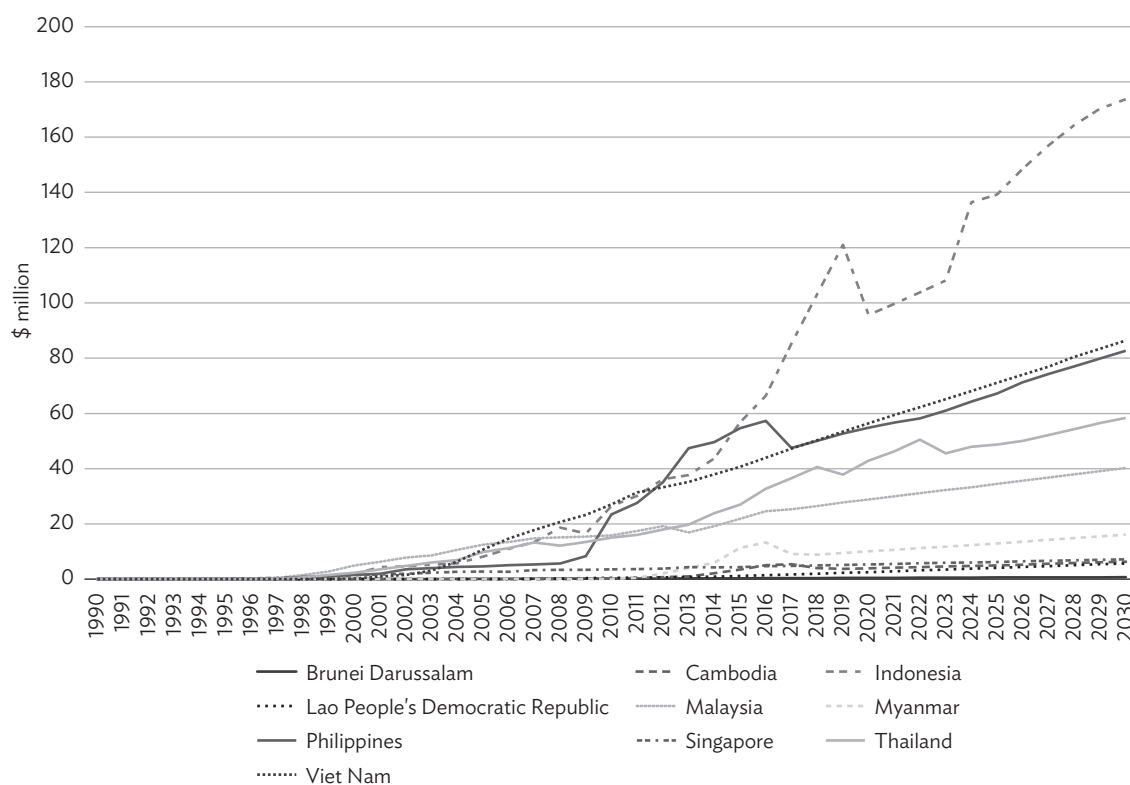
Note: Projection using exponential growth model based on the historical data. Some not-a-number (NaN) values are completed using linear regression based on the historical data recorded before the missing values.

Table 5.5: Gross Domestic Product Growth in 2025 and 2030 Compared to the Value in 2020 (%)

Country	2025	2030
Brunei Darussalam	19.0	40.9
Cambodia	...	...
Indonesia	25.8	46.5
Lao People's Democratic Republic	...	...
Malaysia	21.4	33.2
Myanmar	...	...
Philippines	...	...
Singapore	15.1	25.6
Thailand	22.7	42.7
Viet Nam	...	...
Average	17.3	31.5

A higher GDP of SMEs in 2025 and 2030 must come with an increase in the competitiveness of SMEs, themselves. Because the number of internet users in ASEAN keeps increasing (Our World in Data 2017, Figure 5.8) and because of people's preference for a sustainable lifestyle, which has an annual growth rate of about 9.1% in 2030 (Research and Markets 2020), SMEs must be able to read the global trend toward the digital and sustainable economy and create something new to increase revenue and compete in the global market.

Figure 5.8: Increasing Trend of Total Internet Users in ASEAN



ASEAN = Association of Southeast Asian Nations.

Source: Data from 1990 to 2017 is from Our World in Data (2017) and data from 2018 to 2030 is simulated using an exponential growth model.

5.6 Conclusion and Recommendations

MSMEs are one of the biggest economic contributors in ASEAN and the fastest sector that can follow consumers' preferences. However, MSMEs in ASEAN are not yet counted as an economic gem, so there is a lack of financial aid and technical assistance for improving their competitiveness. When COVID-19 arrived in 2020, MSMEs hit their lowest condition, and the lack of those two aids became the great threat standing in the way of MSMEs' revival. Learning from how the EU revived their MSMEs, the key

to revive MSMEs from the financial side is not only providing subsidies or tax relief, but also providing an intermediary platform on which MSME actors can freely access listings of grants and loans from central and local governments, national and regional banks, and international financial instruments. This type of centralized platform can help MSME actors understand that an abundant amount of financial aid can be accessed. Such a platform also emphasizes the importance of implementing ESG practices. By complying with the ESG practices, the MSMEs can easily get financial assistance from investors.

From the technical side, training for MSMEs must be directed into the digital economy and sustainable development, building the innovation skills to offer green products and services. Due to the high number of internet users and the growth of e-commerce in ASEAN, MSMEs must have a high capacity in terms of digital adoption and creativity and must thus be able to compete in the global market and be recognized for their uniqueness. Additionally, MSME actors must be able to capture the green transition trend toward offering sustainable products and services that will meet the consumers' demands. If MSMEs in ASEAN can gain these skills, they can align their business with the latest global trend toward digitalization and the sustainable economy. Thus, information on grants or financial assistance for MSMEs should be integrated with training on ESG practices and sustainable business to remove hassles in seizing the opportunities to accelerate the green transition in the creative economy.

Aside from fostering the contribution of MSMEs as producers, it is also crucial to raise the awareness of customers in ASEAN so as to penetrate new markets of the green and creative economies. However, green awareness should represent a cool culture and habits in creative ways to give deep impacts to the millennials as the future creative economy actors. In the EU, the government is the main driver of enforcing climate change perception through making regulations. Meanwhile, in each ASEAN country, the coordination among relevant ministries overseeing economic and climate policies must be improved to guide the society in support of a green economy. ASEAN has a big market for sustainable business, which is also supported by ASEAN intra-market regulations such as non-tariff barriers among AMS. This will make it easier to do business in the green and creative economies that ultimately allow green jobs to flourish and thus accelerate economic, social, and environmental sustainability.

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The Performance and Determinants of Creative Industries in Asia

Muhammad Zubair Mumtaz and Zachary A. Smith

6.1 Introduction

The creative industries are essential contributors to every economy. According to the United Nations Conference on Trade and Development (UNCTAD 2008), creative industries are divided into broad categories such as heritage, arts, media, functional creators, cultural sites, performing arts, audio-visuals, and creative services. However, there is no exact definition of creative industries. Martinaitytė and Kregždaitė (2015) modeled creative industries in two ways: (i) the effect of creative industries on economic growth and (ii) the scope of parameters that drive the development of creative industries.

During the last decade, international trade relating to creative industries has demonstrated constant growth. Global trade of creative goods and services amounted to \$837 billion in 2015 relative to \$302 billion in 2003.¹ Notably, the exports of Asian countries were increasing faster than those of developed countries. Among Asian countries, the People's Republic of China (PRC) is the largest exporter of creative goods. It is important to note that developing countries are contributing toward international trade in creative industries. The surge in creative sectors has resulted in a change in lifestyles linked with creative goods and services, better access to information and communication technology (ICT), changes in the dynamics and pattern of creative industries, and the trade of creative sectors opening up new avenues for future growth.

Due to social and cultural activities, creative industries contribute to economic growth and social, political, cultural, and economic development. Researchers (Hui 2007; Martinaitytė and Kregždaitė 2015) have identified the definition and typologies of creative industries differently, showing that creative industries are a rising economic area that contributes to the economy and creates employment opportunities. In addition to economic growth and employment opportunities, creative industries play an essential role in enabling economic advancement by influencing behavior and social and institutional development (Potts 2011). Likewise, culture can influence individual norms, lifestyles, or economic and social behaviors. These factors affect macroeconomic parameters like gross domestic product (GDP), technological progression, employment, intellectual property rights, structural changes, income, and social welfare programs (Throsby 2010).

Earlier studies (Getzner 2002; Tubadji, Osoba, and Nijkamp 2015; Martinaitytė and Kregždaitė 2015) identified GDP growth, personal income rate, unemployment rate, interest rate, inflation, and subsidies from the state as variables that influence the creative sector. They highlighted the strong association creativity and innovation have with productivity growth—a critical parameter of economic growth, competitiveness, and prospects.

This study has two broad objectives: (i) to examine the performance of creative industry (CI) exports in Asia and (ii) to determine the factors that cause trade activities of CIs. To accomplish these objectives, we consider 32 Asian countries covering Central Asia, East Asia, South Asia, Southeast Asia, and West Asia during 2002 to 2015. We follow the Markowitz model and use a single-index model (SIM) to

¹ Data according to UNCTADstat. <https://unctadstat.unctad.org/>

determine the sensitivity of the exports of creative industries. The findings of the SIM suggest that the slope coefficient (beta) of some Asian countries is higher than the benchmark index, which reflects a higher sensitivity of exports in those countries. We also employ the Sharpe and Treynor ratios to assess the performance of exports based on the risk or volatility associated with that performance. We report the difference in results owing to different measures used to compute risk-adjusted performance. In addition, we conduct region-wise sensitivity of CI exports and find that the performance of knowledge-intensive countries is remarkable. On the other hand, a few smaller and emerging economies of Asia show an incredible risk and return trade-off in terms of performance. To examine the factors that cause CI, we apply a two-step generalized method of moments (GMM) estimation technique and find that the lagged value of CI trade, GDP growth, mobile and internet technologies, research and development (R&D) expenditures to GDP, and the interest rate are significant determinants. We also find that determinants of the trade of creative industries vary across regions.

6.2 Review of Earlier Studies

Strong creative economies are increasingly important as global automation, digitization, and computerization affect the nature of work. Nurse (2021) describes how digital and creative goods are replacing physical goods in sectors such as music, books, and gaming. Accordingly, he defines the creative sector as one that “encompasses creative expressions, the arts and the cultural or creative industries such as design, fashion, music, publishing, audio-visual, animation, performing, visual and literary arts as well as architecture, advertising, broadcasting and gaming” (p. 257). Studies suggest that advances in the creative economy have led to direct and indirect spillover effects on other segments of the economy (Boix-Domènech and Rausell-Köster 2018), which means that growth in this segment has knock-on effects throughout the economy. This is similar to advances in the digital economy (Brynjolfsson and Collis 2019). Moreover, Bakhshi and Windsor (2015) show that jobs in the creative economy are resistant to automation as they contend that 87% of highly creative jobs are at no or low risk of automation due to digitization, whereas 40% of the remaining jobs in their study of the United Kingdom’s labor force had similar resilience. Chui, Manyika, and Miremadi (2015) made a similar claim. As digitization and computerization impact our lives, how we work and spend our leisure time, the creative economy is likely to play a more significant role in economic growth; hence, the focus of this chapter is to identify the drivers of the creative economy to enable developing, emerging, and developed countries in Asia to benefit from this shift from physical to digital production.

Asia has a diverse mix of economies, all of which will need to approach the development of their creative economies in a focused and targeted manner. For example, Singapore is a developed country in Asia that has no natural resources, so it has to focus on creating value through labor, intellectual capital, and providing services (Ooi 2007). The country has done this well historically by focusing on manufacturing and producing electronics, but it envisions a future in which its ability to make things is no longer a priority and the ability to “generate ideas that can then be sold to the world” (MITA 2000: 31) becomes paramount. Singapore continues to illustrate this focus on evolving and changing into a country that relies less on building things and more on developing its creative capabilities by stating that its objective is to create an innovation-fueled economy that finds ways to “fuse arts, business and technology” (ERC-CI 2002: iii). While Ooi (2007) provides a general idea about where Singapore is focused in developing its creative economy, there is a divergence between developed and developing nations within Asia. Even among the developing economies, there are differences in strategies to develop creative industries. For example, from the developing side, UNCTAD (2018) highlights that the majority of Pakistan’s exports or growth in exports from 2005 to 2014 resulted in its focus on exporting computer services (97%); this is very different from the 37% contribution in Kazakhstan

for computer services in terms of exports from the creative economy. Plenty more examples of these differences show up UNCTAD (2018). For example, Pakistan's global share of the handmade rug market is declining, Turkey's well-developed textile and clothing industry enables the country to compete internationally with a wide range of products, and India produces more movies than any other country and has become a center for global video game development.

Highlighting region-wise differences in the creative services industry from a global trade perspective, Gouvea and Vora (2016) used UNCTAD data from 2003 to 2011 explicitly focused on exports of creative services from 33 countries that had data available over that time period. They relied on modern portfolio theory and estimated the country-specific sensitivity to changes to changes in global trade (i.e., proxied for through a country's beta coefficient) and reward-to-risk ratios or returns to international trade in creative services relative to the variability associated with those returns (i.e., Sharpe ratio) and the excess return relative to the systemic risk of that return (i.e., Treynor ratio). Their analysis highlights the region-wise differences in the performance of the creative industries across Asia and provides some insight into their differences. For example, although the results were not statistically significant, Southeast Asia (which includes Cambodia, Malaysia, and the Philippines) had a negative beta coefficient and negative Sharpe and Treynor Ratios, which implies that this region's returns to trade in the creative industries seem to be negatively impacted by improvements in global trade and they are producing negative returns in terms of trade for their creative industries. Moreover, it seems as though Central Asia (which includes Kazakhstan and the Kyrgyz Republic) is much more sensitive to changes in global trade through creative industries as compared against other regions in Asia; further, Central Asia has to deal with much more volatility and variability associated with returns to their creative industries as compared against economies located in the PRC (which includes the PRC; Hong Kong, China; and Taipei, China) and Asia (which includes the Republic of Korea, Pakistan, Singapore, and Turkey).

The current level of development in a particular country, the specialized mix of products and services that it produces in its creative industry, its sensitivity to the performance of the creative industry across the global landscape, and its ability to generate improvements within its creative industry while minding the risk that it takes on will all be important considerations as this chapter highlights determinants of the creative economy in Asia.

To identify the drivers of the creative economy in Asia, we must identify the variables that might accelerate the growth of the creative economy in a particular region; likewise, the structural makeup of a specific nation is likely to have a significant impact on the evolution of the creative economy within that nation. As a starting point, Martinaitytė and Kregždaitė (2015) identify four broad groups of inputs that may impact the development of the creative economy: economic, technological, social, and cultural factors. This chapter will examine each of these categories to identify variables that are likely to drive growth in the creative economy. Additionally, Kemeny, Nathan, and O'Brien (2020) highlight the differences between the United States and United Kingdom in terms of the development and evolution of their creative economies and indicate that "industrial organization shapes creative intensity, and this is driven by national economic size, industry mix, human capital available and industry competitive position, among other factors" (p. 9). They conclude that policy initiatives deployed in one country may not be effective in the other due to dissimilarities in what activities are deemed as creatively intense and across industry structures, the structure of cities, and policy regimes. Given that differences in the size of an economy, industry mix within that economy, and the human capital available within that economy affect the development of the creative economy, it is important to also control for these influences when attempting to identify the drivers of the creative economy across Asia.

6.3 Methodology and Data

This study is grounded in modern portfolio theory and leverages the capital asset pricing model—CAPM (Markowitz 1959; Sharpe 1964; Lintner 1965)—to model the relationship between the volatility of each particular country's performance in the CIs and its performance. Historically, the pricing model has provided a mechanism for investors to assess the risk and return trade-off, and the investor can ascertain whether high returns back the risky assets. A market index is used to determine the risk and return trade-off of each of the risky assets. Generally, the risk is classified into two forms. From the perspective of Markowitz, it is the total risk captured by standard deviation. In the Sharpe–Lintner model, it is the market-based risk, determined by beta coefficient. It shows the average sensitivity of risky assets to the variation in the market as a whole—referred to as the systematic risk. In this study, we use a CAPM that is estimated based on the risk and return relationship (Gouvea and Vora 2015). This model is referred to as the single-index model (SIM) and expressed as:

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t}, \quad (1)$$

where $R_{i,t}$ is the return of country or portfolio exports i at time t , $R_{m,t}$ is the return of index m at time t , α_i is the intercept for country or portfolio, β_i is the coefficient of slope for country or portfolio i , and $\varepsilon_{i,t}$ is the error term. This study examines the sensitivity of exports to the variations in worldwide trade. In Equation 1, β_i is the slope coefficient that measures the sensitivity of exports. We estimate the simple-index model wherein $R_{m,t}$ represents the benchmark index, which is a proxy of total global exports.

This study also employs Sharpe and Treynor ratios to examine the sensitivity of CI exports in Asian countries. Sharpe (1966, 1964) proposes the reward-to-variability ratio, the ratio of the excess returns and the standard deviation of the particular returns.² Treynor (1965) suggests another measure of the reward-to-volatility ratio: the ratio of the excess return and the systematic risk of the specific returns.³

The other objective of this study is to examine the drivers of the creative industry in Asian economies. To test the hypotheses and identify the factors that influence the trade of CI, we propose the following model:

$$\begin{aligned} \ln(CIs\ trade_{it}) = & \beta_0 + \beta_1 \ln(CIs\ trade_{it-1}) + \beta_2 GDP\ growth_{it} + \beta_3 Mobile\ banking_{it} \\ & + \beta_4 Internet\ banking_{it} + \beta_5 \frac{R\&D\ expenditures_{it}}{GDP_{it}} + \beta_6 Interest\ rate_{it} \\ & + \beta_7 Inflation_{it} + \beta_8 Unemployment_{it} + \beta_9 \frac{FDI_{it}}{GDP_{it}} + \varepsilon_{it} \end{aligned} \quad (2)$$

Where $CIs\ trade_{it}$ shows the combination of exports and imports of creative industries in country I at time t , $GDP\ growth_{it}$ refers to the GDP growth in country i at time t , $Mobile\ banking_{it}$ is mobile cellular subscriptions that provide access to cellular technology, $Internet\ banking_{it}$ is a fixed broadband subscription which shows high-speed access to the internet, $\frac{R\&D\ expenditures_{it}}{GDP_{it}}$ is the ratio of R&D

² Sharpe ratio = $\frac{(\bar{R}_i - \bar{R}_f)}{\sigma_i}$, where $\bar{R}_i$ = the average returns for country or portfolio i , $\bar{R}_f$ = the average of risk-free return, and σ_i = standard deviation. This study does not consider the risk-free rate, so we assume that $\bar{R}_f = 0$. Thus, the Sharpe ratio can be written as $\frac{\bar{R}_i}{\sigma_i}$.

³ Treynor ratio = $\frac{(\bar{R}_i - \bar{R}_f)}{\beta_i}$, where $\bar{R}_i$ = the average returns for country or portfolio i , $\bar{R}_f$ = the average of risk-free return, and β_i = market-related risk. We assume that $\bar{R}_f = 0$. Thus, the Treynor ratio can be expressed as $\frac{\bar{R}_i}{\beta_i}$.

expenditures to GDP, *Interest rate* is the real interest rate, *Inflation*_{*i,t*} shows an increase in price level, *Unemployment*_{*i,t*} is unemployment rate, and $\frac{FDI_{it}}{GDP_{it}}$ is the ratio of foreign direct investment to GDP.

To examine the above hypotheses, this study uses a data set of 32 Asian countries covering the period from 2002 to 2015. The description of the variables and data sources used in this study are described in Appendix A6.

6.4 Results

6.4.1 Descriptive Statistics for Exports of Creative Industries

Table 6.1 presents the descriptive statistics for exports of CIs of 32 countries. We classify the exports of CIs into four parts and report data for 2002, 2005, 2008, 2011, 2013, and 2015. Panel A presents the exports of advertising, market research, and public opinion polling. On average, the compound annual growth rate (CAGR) is 12.28% over the 14 years, with exports increasing from \$193.906 million in 2002 to \$981.693 million in 2015. The PRC is the highest exporter of this category of CI; however, the lowest exporting countries vary over time. A larger standard deviation indicates that there is a large dispersion among exporting countries. We use the coefficient of variation (CV) as a measure of variability of exports and the results report that the CV had surged by 9% from 3.159 in 2002 to 3.455 in 2015.

Panel B shows the exports of architectural, engineering, and technical services for selected years. The mean value of CAGR is 10.16% over the 14 years, with exports increasing from a value of \$287.522 million in 2002 to \$1,115.215 million in 2015. Among Asian countries, the PRC is the largest exporter of CIs in this category, and the lowest exporter countries include Bahrain, Bhutan, Yemen, and Brunei Darussalam. The CV increased from 2.497 in 2002 to 3.395 in 2015.

Panel C reports the exports of the third CI category, creative research and development. On average, the CAGR of exports is 8.24% over the 14 years, with exports increasing from a value of \$76.745 million in 2002 to \$232.558 million in 2015. The lowest exporter of this category varies over time whereas the PRC is the largest exporter in all years. The substantial increase in the value of standard deviation reflects the dispersion of exports among sample countries. The CV jumped from 1.898 in 2002 to 2.983 in 2015.

Panel D demonstrates the exports of personal, cultural, and recreational services. The mean value of exports has surged from \$133.484 million in 2002 to \$824.661 million in 2015, indicating a mean CAGR of 13.88%. Like the other categories of CI exports, the PRC is also the leading exporter of personal, cultural, and recreational services. Over time, the lowest exporting countries of this category include Armenia, Yemen, and Bhutan. The CV declined from 3.464 in 2002 to 2.749 in 2015.

Panel E reports the aggregate values of all varieties (i.e., the total value of all CI exports). The average CAGR is 11.44% over the 14 years, with total exports increasing from \$691.658 million in 2002 to \$3,154.127 million in 2015. We report that the PRC is the largest exporter of all categories of CI exports; however, the lowest CI exports vary across countries and periods. The PRC's exports show year-over-year growth of 11.97%. A substantial variation in the value of standard deviation shows the fluctuation of CI exports among sample countries. The CV climbed from 2.678 in 2002 to 3.166 in 2015.

Table 6.1: Descriptive Statistics for United Nations Conference on Trade and Development Economies for Exports of Creative Industries
(\$ million)

	Year					
	2002	2005	2008	2011	2013	2015
<i>Panel A: Advertising, Market Research, and Public Opinion Polling</i>						
Mean	193.906	233.145	756.100	612.779	653.756	981.693
Std. dev.	612.512	901.003	3,044.587	2,213.104	2339.980	3,391.781
CV	3.159	3.865	4.027	3.612	3.579	3.455
Median	0.641	1.746	3.015	3.205	9.539	16.440
Highest	2,785.011	4,751.943	16,073.365	11,882.151	12,577.816	15,595.527
Country	PRC	PRC	PRC	PRC	PRC	PRC
Lowest	0.019	0.010	0.002	0.003	0.005	0.032
Country	Kyrgyz Republic	Bangladesh	Bhutan	Yemen	Yemen	Armenia
Skewness	3.753	5.028	5.072	5.055	5.067	4.400
Kurtosis	14.227	25.921	26.284	26.417	26.504	19.774
Countries	26	28	28	29	29	21
<i>Panel B: Architectural, Engineering, and Technical Services</i>						
Mean	287.522	427.410	591.101	730.139	857.393	1,115.215
Std. dev.	717.882	1,162.531	1,995.880	2395.117	3,014.049	3,785.708
CV	2.497	2.720	3.377	3.280	3.515	3.395
Median	22.426	39.029	24.938	43.197	54.684	65.019
Highest	3,568.730	6,206.371	10,721.820	12,867.117	16,155.341	17,383.175
Country	PRC	PRC	PRC	PRC	PRC	PRC
Lowest	0.052	0.014	0.017	0.014	0.042	0.086
Country	Bahrain	Bhutan	Bhutan	Bhutan	Yemen	Brunei Darussalam
Skewness	4.160	4.703	5.009	4.984	5.012	4.369
Kurtosis	18.897	23.704	26.042	25.849	26.038	19.533
Countries	27	29	29	29	29	21
<i>Panel C: Creative Research and Development</i>						
Mean	76.745	119.665	200.891	198.370	220.992	232.558
Std. dev.	145.695	237.006	487.227	515.758	592.593	693.646
CV	1.898	1.981	2.425	2.600	2.682	2.983
Median	5.102	9.860	14.842	19.294	18.184	11.940
Highest	534.751	1,031.116	2,420.653	2,660.530	3,094.929	3,185.627
Country	PRC	PRC	PRC	PRC	PRC	PRC
Lowest	0.001	0.030	0.001	0.028	0.068	0.024
Country	Cambodia	Bhutan	Bhutan	Bhutan	Brunei Darussalam	Brunei Darussalam
Skewness	2.225	2.669	3.870	4.224	4.418	4.247
Kurtosis	4.063	7.583	16.774	19.747	21.241	18.697
Countries	27	29	29	29	29	21

continued on next page

Table 6.1 *continued*

	Year					
	2002	2005	2008	2011	2013	2015
<i>Panel D: Personal, Cultural, and Recreational Services</i>						
Mean	133.484	202.855	592.114	704.819	757.861	824.661
Std. dev.	462.364	603.494	1,441.680	1884.952	2,501.930	2,267.269
CV	3.464	2.975	2.435	2.674	3.301	2.749
Median	5.620	10.687	18.019	16.737	7.986	12.894
Highest	2,336.974	3,157.632	5,009.713	8,631.448	13,126.330	9,986.330
Country	PRC	PRC	PRC	PRC	PRC	PRC
Lowest	0.023	0.012	0.013	0.007	0.137	0.184
Country	Armenia	Yemen	Bhutan	Yemen	Armenia	Armenia
Skewness	4.703	4.549	2.597	3.435	4.675	3.698
Kurtosis	22.880	22.182	5.409	12.164	23.165	14.631
Countries	26	29	28	29	29	21
<i>Panel E: All Categories</i>						
Mean	691.658	975.036	2,086.688	2,246.106	2,490.002	3,154.127
Std. dev.	1852.369	2,814.860	6,474.318	6,749.079	8,327.225	9,987.171
CV	2.678	2.887	3.103	3.005	3.344	3.166
Median	73.022	153.998	75.210	189.441	173.573	148.166
Highest	9,225.467	15,147.062	34,225.551	36,041.247	44,954.417	46,150.389
Country	PRC	PRC	PRC	PRC	PRC	PRC
Lowest	0.474	0.306	0.033	0.521	0.712	1.446
Country	Kazakhstan	Yemen	Bhutan	Kyrgyz Republic	Brunei Darussalam	Armenia
Skewness	4.278	4.884	4.707	4.813	5.073	4.388
Kurtosis	19.626	25.107	23.570	24.501	26.589	19.703
Countries	27	29	29	29	29	21

CV= coefficient of variation, PRC = People's Republic of China.

Source: Authors' calculations.

6.4.2 Estimation of Single-Index Model: A Country-Specific Analysis

To examine the sensitivity of CI exports to the fluctuations in global trade, we use the slope coefficient of the simple linear regression to estimate the sensitivity and two performance measures (i.e., Sharpe and Treynor ratios). Table 6.2 reports the estimation results of the SIM, Sharpe ratio, and Treynor ratio of 32 countries and the portfolio. We estimate the SIM using a simple linear regression model, and the values of intercept and beta are reported. The beta coefficients of 4 countries (PRC, Israel, Thailand, and Turkey) are significant at the 1% level; those of 5 countries (Bangladesh, Indonesia, Japan, Malaysia, and Saudi Arabia) are significant at the 5% level; and those of 3 countries (Cyprus, Kyrgyz Republic, and Viet Nam) are significant at the 10% level. The overall portfolio beta is a significant determinant at the 1% level. The betas of 20 countries are insignificant.

It is difficult to make inferences from the results of the single-index model; thus, we employ two performance measures. The PRC has the highest Sharpe ratio (1.0586) while Brunei Darussalam has the lowest (−0.1360). Per unit of risk is captured by volatility in the Sharpe ratio, and the result suggests that the PRC has the best returns over the sample period. In contrast, we find that Brunei Darussalam has the lowest returns. The portfolio Sharpe ratio is 1.1277, which is the highest among sample countries. This finding shows the diversification effect, which means that returns of cumulative exports of CIs increase relative to sensitivity associated with the exports. We also use the Treynor ratio to examine the performance of CI exports. This ratio estimates the historical performance in terms of return per unit of risk (systematic risk). Malaysia has the highest Treynor ratio (5.4805), while Bahrain has the lowest (−3.0419). The Treynor ratio depends on systematic risk; in case of high risk, it will distort the performance of CI exports. The negative values of Sharpe and Treynor ratios indicate negative returns obtained by particular countries in terms of their exports. The portfolio Treynor ratio is 0.1221, which illustrates that the excess return per unit of risk offset the returns.

Table 6.2: Estimation Results of Single-Index Model

No.	Region	Country	Intercept	Beta	Sharpe Ratio	Treynor Ratio
1	Southeast Asia	Brunei Darussalam	−0.0843 (0.2440)	−0.3543 (0.7323)	−0.1360	0.3069
2		Cambodia	0.2533 (0.1930)	−1.3538 (1.4517)	0.2744	−0.1183
3		Indonesia	0.0407 (0.0371)	0.4756** (0.2047)	0.5097	0.1544
4		Malaysia	0.0876** (0.0333)	0.0162** (0.2736)	0.9350	5.4805
5		Philippines	0.0117 (0.0828)	0.0351 (0.7016)	0.0782	0.4024
6		Singapore	0.0258 (0.0561)	2.0768 (0.9295)	0.5239	0.0812
7		Thailand	−0.0005 (0.0139)	0.8735*** (0.0764)	0.5629	0.0681
8		Viet Nam	0.1310* (0.0610)	0.6032* (0.3307)	0.8192	0.2860
9	South Asia	Bangladesh	0.0311 (0.0530)	1.3539** (0.4965)	0.4688	0.0918
10		Bhutan	0.0203 (0.7888)	−3.6736 (4.9766)	−0.0977	0.0632
11		India	0.1332 (0.1414)	−0.1142 (1.1497)	0.4278	−1.0971
12		Iran	0.0410 (0.0234)	0.3142 (0.2218)	0.5195	0.1995
13		Nepal	0.0651 (0.0954)	−0.5983 (0.7917)	0.1298	−0.0400
14		Pakistan	−0.0550 (0.0978)	0.3809 (0.7366)	−0.0716	−0.0447
15		Sri Lanka	−0.0195 (0.0361)	0.3956 (0.3295)	0.0706	0.0194

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Table 6.2 *continued*

No.	Region	Country	Intercept	Beta	Sharpe Ratio	Treynor Ratio
16	East Asia	People's Republic of China	0.0528*** (0.0115)	1.0896*** (0.1356)	1.0586	0.1173
17		Japan	-0.0905 (0.0674)	1.7908** (0.7957)	0.1165	0.0182
18		Republic of Korea	-0.0017 (0.0247)	0.6844 (0.2047)	0.4264	0.0663
19	West Asia	Armenia	-0.0253 (0.1280)	0.8133 (1.1334)	0.1013	0.0376
20		Bahrain	0.2770 (0.2223)	-0.0890 (1.0816)	0.4183	-3.0419
21		Cyprus	-0.0933 (0.0752)	1.1476* (0.6076)	-0.0786	-0.0126
22		Israel	-0.0469 (0.0336)	0.8542*** (0.2450)	0.0907	0.0138
23		Jordan	0.0904* (0.0493)	0.3036 (0.5056)	0.5166	0.3667
24		Kuwait	0.2575* (0.1248)	-0.7890 (0.7472)	0.5758	-0.2577
25		Lebanon	0.0315 (0.0356)	0.1925 (0.3631)	0.2582	0.2324
26		Oman	0.1653 (0.1536)	-2.0414 (1.1595)	0.0350	-0.0122
27		Saudi Arabia	-0.0437 (0.0644)	1.7203** (0.5845)	0.2151	0.0433
28		Turkey	0.0330 (0.0209)	1.2033*** (0.1474)	0.8374	0.0963
29		United Arab Emirates	0.1659 (0.1073)	0.1543 (0.5166)	0.5074	1.1437
30		Yemen	-0.1156 (0.2169)	0.0723 (0.8729)	-0.1483	-1.5294
31	Central Asia	Kazakhstan	0.0541 (0.1824)	2.1666 (1.8257)	0.2690	0.0938
32		Kyrgyz Republic	-0.1683 (0.1674)	3.3953* (1.7404)	0.0929	0.0192
	Asia	Portfolio	0.0501*** (0.0133)	0.9403*** (0.1029)	1.1277	0.1221

Source: Authors' calculations.

6.4.3 Region-Wise Analysis: Estimation of Single-Index Model

This section analyzes a single-index model based on different Asian regions (Table 6.3). The betas of all Asian regions are statistically significant except South Asia. Based on beta values, we can infer that the sensitivity of exports in East Asia and Central Asia is higher than total world exports. The Sharpe ratio is the highest for East Asia and the lowest for Central Asia. Additionally, the Treynor ratio is the highest for West Asia and lowest for Central Asia (ignoring the negative ratio for South Asia). Figure 6.1 demonstrates the performance ratios of regional portfolios.

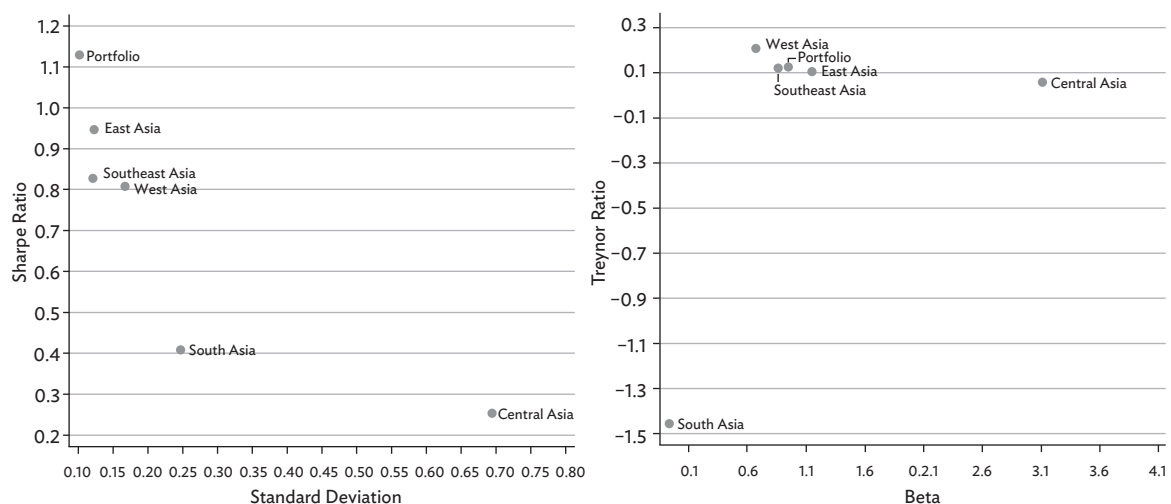
Table 6.3: Estimation Results of Single-Index Model, Regional Analysis

No.	Region	Intercept	Beta	Sharpe Ratio	Treynor Ratio
1	Southeast Asia (8)	0.0404* (0.0221)	0.8733*** (0.2737)	0.8268	0.1150
2	South Asia (7)	0.1056 (0.1209)	-0.0689 (0.9777)	0.4072	-1.4616
3	East Asia (3)	0.0380*** (0.0076)	1.1450*** (0.0537)	0.9465	0.1020
4	West Asia (12)	0.0893* (0.0496)	0.6770** (0.2712)	0.8081	0.2008
5	Central Asia (2)	-0.0386 (0.1196)	3.1109* (1.5930)	0.2521	0.0563
	Portfolio (32)	0.0501*** (0.0133)	0.9403*** (0.1029)	1.1277	0.1221

***, **, and * show the significance levels at 1%, 5%, and 10%, respectively.

Source: Authors' calculations.

By employing the modern portfolio theory, we can precisely assess the performance of portfolios of CI exports. Sharpe and Treynor ratios capture risks from two different standpoints. The standard deviation measures the risk that captures the exports' variation (assets' returns) in the Sharpe ratio. On the other hand, we use the beta to gauge fluctuations in the index's returns in computing the Treynor ratio, as the beta represents the association between the export portfolio and the market index. The benefit of the single-index model is the ability to determine the statistical significance of the beta through regression analysis. We can argue that the most knowledge-intensive countries of East Asia (PRC, Singapore, and Republic of Korea) and Southeast Asia (mainly Malaysia, Singapore, Thailand,

Figure 6.1: Performance Ratios of Regional Portfolios

Note: Total of the 12 countries presented in Table 1.1.

Source: National authorities.

and Viet Nam) exhibit the dominant performance based on the Sharpe ratio, but the Treynor ratio does not support this argument. It is important to note that a few smaller and emerging economies of Asia (e.g., Bangladesh, India, Jordan, Kuwait, Turkey, and United Arab Emirates) demonstrate incredible performance regarding risk and return trade-off.

6.4.4 Summary Statistics

Table 6.4 shows the summary statistics of the variables used for the 32 Asian countries from 2002 to 2015. On average, the value of GDP growth is 4.15%, with a median value of 10.84%. The difference in maximum and minimum values shows a large dispersion in GDP growth. The mean value of the logarithm of mobile technology is 16.760. A considerable variation between maximum and minimum values indicates the number of mobile users over the sample period. Internet technology refers to fixed broadband subscribers and, on average, the logarithm of internet technology is 13.512, with a standard deviation of 2.452. The mean value of $\frac{R\&D \text{ expenditures}}{GDP}$ is 0.765 with a standard deviation of 1.119. On average, the real interest rate of sample countries is 4.94% whereas maximum and minimum values of real interest rates show a large dispersion. The mean inflation value is 5.02%, with a maximum value of 30.91% and a minimum value of -15.21%. On average, the unemployment rate of the sample countries is 5.48% with a standard deviation of 4.10%. The mean value of $\frac{FDI}{GDP}$ is 4.04% with a median value of 2.12%.

Table 6.4: Summary Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
ln(CI trade)	10.463	10.842	14.732	6.027	2.116
GDP growth	4.152	4.567	18.361	-27.995	3.977
ln(mobile technology)	16.760	16.788	21.281	11.315	1.952
ln(internet technology)	13.512	13.721	19.923	6.870	2.452
R&D expenditures/GDP	0.765	0.278	4.953	0.010	1.119
Interest rate (%)	4.941	4.225	18.012	-15.212	5.167
Inflation (%)	5.015	3.604	30.907	-3.749	5.226
Unemployment rate (%)	5.478	4.225	19.010	0.130	4.101
FDI/GDP	4.039	2.118	-3.175	55.893	5.964

CI = creative industry, FDI = foreign direct investment, GDP = gross domestic product, R&D = research and development.

Note: This table shows the summary statistics of the variables for 32 Asian economies from 2002 to 2015.

Source: Authors' calculations.

6.4.5 Diagnostic Testing

We consider the dynamic panel data model as the cross-sections of countries used in the study are greater than the time periods (Pesaran 2004). This study applies different tests to investigate the cross-section dependence, and we report the results in Table 6.5. The null hypothesis of the cross-section dependence test envisages independent and homogeneously distributed error terms. Our results reject the null hypothesis of no cross-section dependence and suggest that the panels are cross-sectionally dependent. To test the heteroskedasticity of our panel data, we use a White test and find the problem of heteroskedasticity in our data set ($\chi^2(44) = 171.47$, p -value = 0.000). Next, we apply the

Durbin–Wu–Hausman test for examining the endogeneity and find that p-values are less than 5% for most of the independent variables, which illustrates the endogeneity issues in the data. A two-stage least squares/instrumental variables technique captures the endogeneity issues (Li et al. 2021). Based on the instrumental variables method and its assumptions, we can move to complex procedures, for instance, generalized method of moments (GMM) estimation, which offers a provision for addressing complicated identification issues (Hansen 1982). To overcome the endogeneity issues, we use the system GMM for the analysis.

Table 6.5: Panel Cross-Section Dependence Tests

Test	Statistics	P-Value
Breusch–Pagan LM	2,848.975	0.000
Pesaran scaled LM	73.691	0.000
Bias-correlated scaled LM	72.358	0.000
Pesaran cross-section dependence	41.032	0.000

LM = Lagrange multiplier.

Note: This table presents the results of the cross-section dependence test (correlation) in residuals by applying the fixed effects model of 32 Asian economies from 2002 to 2015.

Source: Authors' calculations.

6.4.6 Determinants of Creative Industries in Asia

95

This section examines the factors that influence the trade of creative industries in Asian economies using a two-step GMM estimation technique (Table 6.6). In Model 1, we analyze the impact of the lagged value of creative industries and find a positive and significant relationship that shows that the trade of creative industries depends on the previous year's trade of creative industries. The coefficient of GDP growth is positive and statistically significant at a 1% level, which illustrates that an increase in GDP growth by 1% leads to an increase of 0.041% in trading of creative industries. It seems that a meager share of CI exports contributes to GDP growth; however, we can argue that an increase in CI exports effects these industries' economic performance and their contribution to GDP is likely to increase in the future.

Model 2 estimates the effect of mobile and internet technologies and R&D on the trade of CIs. We report a positive relationship between mobile and internet technologies on CI trade, which indicates that these modes of transactions will improve and contribute to CIs' trading activities. The results reveal that the coefficient of mobile technology (0.101) is higher than that of internet technology (0.089), indicating that mobile technology is considered better for conducting businesses and enhancing trading activities. The coefficient of $\frac{R\&D\ expenditures}{GDP}$ is positively associated with CIs. This finding implies that a higher value of $\frac{R\&D\ expenditures}{GDP}$ leads to greater possibilities for enhancing trade in the CIs.

In Model 3, we include other control variables and find that the variables estimated in Models 1 and 2 are significant determinants of CI trade. The interest rate variable is negative and significantly influencing CI trade, which suggests that low interest rates provide an opportunity for borrowers to obtain funds and contribute to promoting the trade of CIs. However, the rest of the variables do not affect CI trade in our analysis. In short, we can conclude that the lagged CI trade, GDP growth, mobile and internet technologies, $\frac{R\&D\ expenditures}{GDP}$, and the interest rate are the vital factors that impact CI trade in Asian economies.

Table 6.6: Determinants of Creative Industries in Asia

	(1)		(2)		(3)	
	Coefficient	SE	Coefficient	SE	Coefficient	SE
$\ln(\text{CI trade}_{t-1})$	0.992***	0.001	0.945***	0.006	0.915***	0.024
GDP growth	0.041***	0.001	0.051***	0.001	0.030***	0.002
$\ln(\text{mobile technology})$			0.101***	0.018	0.139***	0.029
$\ln(\text{internet technology})$			0.089***	0.012	0.057***	0.011
R&D expenditures/GDP			0.122***	0.066	0.209***	0.065
Interest rate					-0.027***	0.002
Inflation					-0.001	0.002
Unemployment rate					0.006	0.004
FDI/GDP					0.001	0.001
Constant	-0.041***	0.014	-0.236	0.169	-0.832**	0.322
Observations	384		416		416	
Hansen (<i>p</i> -value)	0.535		0.793		0.566	
Arellano–Bond 2	0.135		0.177		0.189	
Instruments	36		37		37	
No. of lags	(1–2)		(1–2)		(1–2)	

CI = creative industry, FDI = foreign direct investment, GDP = gross domestic product, GMM = generalized method of moments, SE = standard error.

Notes:

This table presents the results of the determinants of creative industries by employing the data set of 32 Asian economies from 2002 to 2015. The dependent variable is the trade of CIs. Independent variables include $\ln(\text{CI trade}_{t-1})$, lagged value of CI trade; GDP growth; $\ln(\text{mobile technology})$, the logarithm of mobile cellular subscribers; $\ln(\text{internet technology})$, the logarithm of fixed broadband subscribers; $\frac{\text{R\&D expenditure}}{\text{GDP}}$; real interest rate, inflation, unemployment rate, and $\frac{\text{FDI}}{\text{GDP}}$. Hansen J-test refers to the overidentification test for the restrictions in GMM estimation.

*** and ** show the significance at the 1% and 5% levels, respectively.

Source: Authors' calculations.

6.4.7 Determinants of Creative Industries: A Region-Wise Analysis

To better understand the factors that cause CI trade, we conduct a region-wise analysis, and Table 6.7 reports the results. The lagged value of CI trade is positive and statistically significant in Models 3 and 4, which suggests the CI trade of the current year depends on the previous year's trade. However, the lagged value of CI trade is insignificant in Southeast Asia, South Asia, and Central Asia. The coefficient of GDP growth is positive and significantly affects CI trade in all the models. This finding illustrates that CI trade contributes a small share toward the GDP growth of the Asian economies.

Mobile technology is a robust predictor for Central Asian countries (Model 5); however, this variable has no effect in other Asian regions. Another form of digitalization is internet technology, and the results show that trading of CIs is positively influenced through internet technology in all the models except for in West Asian countries (Model 4). We can infer from this finding that internet technology plays a crucial role in connecting importers and exporters of creative products and services. The coefficient of $\frac{\text{R\&D expenditures}}{\text{GDP}}$ is only significant for East Asian countries (PRC, Japan, and Republic of Korea), demonstrating that knowledge-intensive countries spend funds on research and development-related activities, enhancing the trading possibilities of creative products and services (Model 3). However, this evidence does not hold for other Asian economies.

Table 6.7: Region-Wise Analysis: Determinants of Creative Industries

	(1) Southeast Asia		(2) South Asia		(3) East Asia+		(4) West Asia		(5) Central Asia+	
	Coefficient	SE	Coefficient	SE	Coefficient	SE	Coefficient	SE	Coefficient	SE
$\ln(CI\ trade_{t-1})$	0.202	0.142	0.102	0.071	0.667***	0.173	0.952**	0.364	0.303	0.247
GDP growth	0.391*	0.171	0.126**	0.042	0.037***	0.009	0.158**	0.067	0.044***	0.012
$\ln(\text{mobile technology})$	0.236	0.343	0.232	0.265	0.319	0.207	0.105	0.113	0.995**	0.431
$\ln(\text{internet technology})$	0.127*	0.054	0.962**	0.367	0.528***	0.154	0.032	0.166	0.267**	0.102
R&D expenditures/GDP	0.473	0.306	0.210	0.322	0.116*	0.063	0.594	0.412	0.840	2.945
Interest rate	-0.080*	0.042	-0.034*	0.017	-0.022**	0.008	-0.046	0.027	-0.025	0.022
Inflation	-0.046***	0.012	-0.004	0.016	0.039***	0.012	-0.217*	0.101	-0.035	0.058
Unemployment rate	-0.267***	0.072	-0.090	0.146	-0.038	0.127	-0.012	0.103	0.036	0.077
FDI/GDP	0.404**	0.012	0.188**	0.075	0.121**	0.051	0.075	0.059	0.010	0.009
Constant	0.453	0.310	0.234	0.153	0.046	0.247	0.155	0.129	-0.662	0.510
Observations	104		91		39		156		26	
Hansen (p-value)	0.325		0.453				0.981			
Arellano-Bond 2	0.650		0.522				0.164			
Instruments	24		24				24			
No. of lags	(2-2)		(2-2)				(2-4)			
Countries	8		7		3		12		2	

CI = creative industry, FDI = foreign direct investment, GDP = gross domestic product, GMM = generalized method of moments, R&D = research and development, SE = standard error.

Notes:

This table presents the estimation results of region-wise analysis in terms of the determinants of creative industries by employing the data set of 32 Asian economies from 2002 to 2015 using a two-step generalized GMM technique. The dependent variable is the trade of CIs. Independent variables include $\ln(CI\ trade_{t-1})$, lagged value of CI trade; GDP growth; $\ln(\text{Mobile Technology})$, the logarithm of mobile cellular subscribers; $\ln(\text{internet technology})$, the logarithm of fixed broadband subscribers; $\frac{R\&D\ expenditure}{GDP}$, real interest rate; inflation; unemployment rate; and $\frac{FDI}{GDP}$. Hansen J-test refers to the overidentification test for the restrictions in GMM estimation.

+ Due to small sample size, GMM estimation technique cannot be applied, so we use a fixed effects model to estimate our results.

***, **, and * show the significance at the 1%, 5%, and 10% levels, respectively.

Source: Authors' calculations.

Other factors such as real interest rate, inflation, unemployment rate, and $\frac{FDI}{GDP}$ are considered to examine their effect on CI trade. We find that a decrease in interest rate leads to an increase in CI trade (Models 1 and 3). This may mean that a reduction of interest rate provides an opportunity for producers of creative industries to obtain funds and contribute toward business activities, resulting in a surge in trading activities of CIs. Inflation also negatively influences the trading activities of creative industries with the exception of the South Asian and Central Asian economies. This evidence suggests that a high cost of doing business restricts the activities of CIs as the demand for products and services may be reduced. A high employment rate positively contributes to CI trade, but this evidence holds only for Southeast Asian countries (Model 1). Finally, we find that $\frac{FDI}{GDP}$ positively influences CI trade, which indicates that a higher FDI to GDP ratio leads to an increase in possibilities for CI trading for Southeast Asia, South Asia, and East Asia.

6.4.8 Discussion and Policy Implications

This study follows the Markowitz model and uses a single-index model to determine the performance of creative industries in Asia. Employing the single-index model and two performance measures (Sharpe and Treynor ratios), this study examines the performance of exports in terms of systematic risk (beta), and standard deviation. This analysis illustrates that the systematic performance of creative industries varies substantially across Asia, but there are also intra-regional differences that may be worth considering when developing any targeted policies to promote the development of creative industries within these regions. For example, Central Asia seems to be very responsive to changes in the performance of creative industries across time; however, this region is less successful at turning those increases in performance across Asia into increases in a country's performance or increases in the associated output of a country's creative industry. In comparison, East Asia seems to move in line with the performance of Asia as a whole, and it is successful at translating that sensitivity to Asia into performance or increases in the output associated with the regional output associated with creative industries in that region. The betas, Sharpe ratios, and Treynor ratios all provide different insights into the responsiveness of a particular region/country to changes in the output of the creative industries across Asia and some indication of how effective those regions/countries are at leveraging volatility or variability and turning that into performance increases for that particular region/country.

The country and regional differences are also apparent in our comparison of the determinants of the region-wise output from the creative industries. For example, R&D expenditures/GDP is an important variable to consider for East Asia, but not for the other regions in Asia. This makes sense because Japan and the Republic of Korea are developed countries and the PRC, although still considered a developing economy, has the world's second-largest economy, so it is likely that policies that would cause growth in the creative output of these economies are likely different from policies that may lead to growth in South or Central Asia. Our region-wise analysis highlights, from a macro level, what determinants are likely to affect regional output in creative industries; however, there will also be variability within the individual countries that decision makers have to consider, which will change based on the mix of goods and services that the individual country has a comparative advantage in. Based on our findings, we suggest these policy implications for Asian economies:

- (i) Most Asian countries in our sample are developing and emerging economies, so the government must provide incentives for imports and exports of creative industries. The incentive package will attract new players to be involved in the creative industries and explore new avenues for diversifying their businesses.
- (ii) Financing plays a crucial role in promoting the activities of creative industries. In this context, banking regulators must set a low interest rate and develop an easy mechanism to provide funds, which helps this industry to flourish.

- (iii) In developing and emerging economies, the governments must set up a vocational training institute to provide creative industries skills. This course of action will build expertise in creative industries and reduce the number of unskilled workers.
- (iv) Governments may allocate funds for the research and development activities for the promotion of the creative industries. Due to a lack of resources in developing and emerging countries, this proposal may be challenging to implement. However, the governments must allocate a small amount, which will help to promote creative industries in their respective countries.
- (v) A plan needs to be chalked out among Asian countries so the export and import opportunities can be identified as per their expertise, and incentives may boost creative industries' activities in Asia.

6.5 Conclusion

The creative economy accelerates innovation in all sectors of the economy and leads to contributions in economic development. Keeping this perspective, this study empirically examines the performance and determinants of creative industries in 32 Asian economies using a data set from 2002 to 2015. We use the Markowitz model and employ a single-index model (SIM) to examine the sensitivity of the exports of creative industries. We report that the relationship between global trade and the sensitivity of exports generated in Central Asia is higher than it is in other regions in Asia. The Sharpe and Treynor ratios are used to determine the performance of exports and illustrate that East, Southeast, and West Asia seem to be performing relatively well when considering both the ratios as compared to the other regions. This study also performs a region-wise sensitivity analysis of creative industry exports and finds the incredible performance of knowledge-intensive countries. However, a few emerging countries perform better in terms of the risk-return trade-off. We empirically examine the factors that cause trade of creative industries and find that (i) the lagged value of trade of creative industries depends on the previous year's trade of creative industries, (ii) an increase in trading activities contributes to an increase in GDP growth, (iii) digitalization through the use of mobile and internet technologies positively affects the trading activities of creative industries, (iv) a direct relationship exists between the ratio of R&D expenditures to GDP and creative industry trade, which illustrates that R&D related activities contribute to increases in exports and imports of creative products and services, and (v) low interest rates reduce the cost of business and help to increase trading in creative industries. Governments play a crucial role in promoting creative industries' activities by reducing interest rates, incentivizing exports and imports, establishing vocational training institutes, making comprehensive trade plans, and investing in R&D activities. For future research, an empirical analysis may be considered for other regions to examine the sensitivity of exports and determine the factors that cause trade of creative industries.

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Appendix A6

Table A6: Variables and Data Sources

Variable	Description	Data Source
Creative industries trade	Trade of creative industries	UNCTAD
GDP growth	GDP growth rate	WDI
Mobile and internet technologies	Mobile technology refers to mobile cellular subscriptions that provide access to cellular technology. Internet technology is a fixed broadband subscription that shows high-speed access to the internet	WDI
R&D expenditures/GDP	A ratio of R&D expenditures to GDP	WDI
Interest rate	Real interest rate	WDI
Inflation	Inflation	WDI
Unemployment	Unemployment rate	WDI
FDI/GDP	A ratio of FDI to GDP	WDI

FDI = foreign direct investment, GDP = gross domestic product, R&D = research and development, UNCTAD = United Nations Conference on Trade and Development, WDI = World Development Indicators.

Promoting the Creative Economy for a Robust Post-Pandemic Recovery in Indonesia

Riski Anugrah Murti Dewi

7.1 Introduction

Southeast Asia and the rest of the world continues to combat the novel coronavirus (COVID-19) pandemic through various policies such as lockdowns and vaccination. However, it brought enduring changes to the global economy especially through massive digital adoption, with Southeast Asia reaching 40 million new internet users in 2020. This indicates 70% of the population is now online and 94% of the new internet users intend to continue using digital service post-pandemic (Google et al. 2020).

Despite the challenges facing the global economy, the creative economy has shown itself to be resilient. UNCTAD Creative Economy Outlook and Country Profile report (2018) demonstrated not only that there has been significant growth in the creative economy but also that it can contribute to sustainable development goals. Both during and following the 2008 financial crisis, the creative economy has been robust; similar expectations are for the post-pandemic recovery.

In 2020, Southeast Asia's digital economy remained resilient at \$100 billion and is forecasted to reach \$300 billion by 2025 as consumers and MSMEs expected come online, despite a challenged environment (Google et al. 2020). Digital activity is indeed a shortcut to the outside world during a pandemic especially when mobility restriction is applied. This increased online engagement shifted behavior in several activities, such as grocery shopping and entertainment (CSIS 2020).

Indonesia's digital economy is expected to reach \$124 billion by 2025, the highest estimated value in Southeast Asia (Google et al. 2020). Indonesia's digital economy is dominated by e-commerce, followed by ride-hailing, online travel, online media, and digital financial services, which link up with the creative economy. A pre-pandemic forecast expected Indonesia's creative economy would contribute 6.98% to GDP in 2020. In line with that, the main creative economy sectors such as fashion and culinary arts continued to contribute to the national economy during the COVID-19 crisis. There are six sub-sectors that showed an increase in the number of workers, namely telecommunications, programming activities, information service activities, head office activities, architectural activities, and libraries affiliated with the application, game developer, and architecture sub-sectors. Along with Indonesia's economy being projected to become one of the world's largest by 2030, its creative economy is also poised to grow into one of the world's powerhouses (Opus 2021).

In addition to promoting resilience, creative economies are a source of soft power, highlighting values and attracting borderless audiences (CSIS 2020). Therefore, the creative economy needs to be considered as potential strategy to accelerate sustainable recovery from the pandemic.

This paper offers policy recommendations on robust post-pandemic recovery through the creative economy based on Indonesia's experience. A well-structured digital transformation will provide a new frontier for Indonesia's creative industries (Opus 2021). Technology will become a key facet of the creative economy by adding new innovative resources for creating art, forming a new creative outlet, and expediting production, promotion, and distribution (CSIS 2020).

7.2 Literature and Regulatory Overview

Creative economy could be perceived as a system where value is based on imaginative qualities rather than the traditional resources of land, labor, and capital (Howkins 2001). As defined by Howkins, the creative economy is comprised of advertising, architecture, art, crafts, design, fashion, film, music, performing arts, publishing, research and development, software, toys and games, television and radio, and video games. This definition is used as a principal guideline on creative economy worldwide.

In 2004, The UNCTAD Secretary-General established the Creative Economy Programme and continue to conduct research and policy analysis, consensus building, and technical cooperation. UNCTAD defined creative economy as an evolving concept that builds on the interplay between human creativity and ideas and intellectual property, knowledge, and technology.

In Indonesia, creative economy activity was initiated in 2007 through Indonesia Cultural Product Week (Opus Creative Economy Outlook 2019). Indonesia is acquainted with the potential of creative economy and therefore established the Ministry of Tourism and Creative Economy in 2011. The following year, the Agency for Creative Economy was established to capture the creative economy opportunities and challenges. The Indonesian Agency for Creative Economy was officially formed in 2015, eventually merging with the Ministry of Tourism and Creative Economy.

Regulatory strengthening was accomplished through Presidential Regulation of The Republic of Indonesia Number 142 of 2018 on the 2018-2025 National Master Plan for Creative Economy Development, and followed by the Law of Republic of Indonesia Number 24 Year 2019 on Creative Economy. According to the mentioned regulations, creative economy is defined as manifestation of value added from intellectual properties gained from human creativity based on cultural heritage, science, and/or technology. Creative economy in Indonesia is defined by 16 creative sectors, namely (1) application and game developer; (2) architecture; (3) interior design; (4) visual communication design; (5) product design; (6) fashion; (7) film, animation and video; (8) photography; (9) craft; (10) culinary; (11) music; (12) publishing; (13) advertising; (14) performing arts; (15) fine arts; and (16) television and radio.

The 2018-2025 National Master Plan for Creative Economy Development was designed in two stages: 2018-2019 and 2020-2025. Policy designs and strategies focus on the following areas: (1) empowerment of creative economy actors; (2) creative city development to explore, utilize, grow, manage and conserve creativity, also utilize science and technology, arts, and culture to develop local potential; (3) increasing public appreciation of creativity and intellectual property rights; (4) provision of adequate and competitive technology infrastructure to support creativity development; (5) institutional development that supports ecosystem creativity; (6) increased financing for creative economy businesses; (7) enhancement of protection, development, and utilization natural resources, and cultural heritage as raw materials for creative economy business; (8) increased protection and use of intellectual property; (9) provision of adequate infrastructure and technology and competitive for Creative Economy business development; (10) development of standardization and best practice for creative economy businesses and creative works; (11) increased marketing and promotion of creative works within and abroad; and (12) strengthening a conducive business climate for business development creative economy.

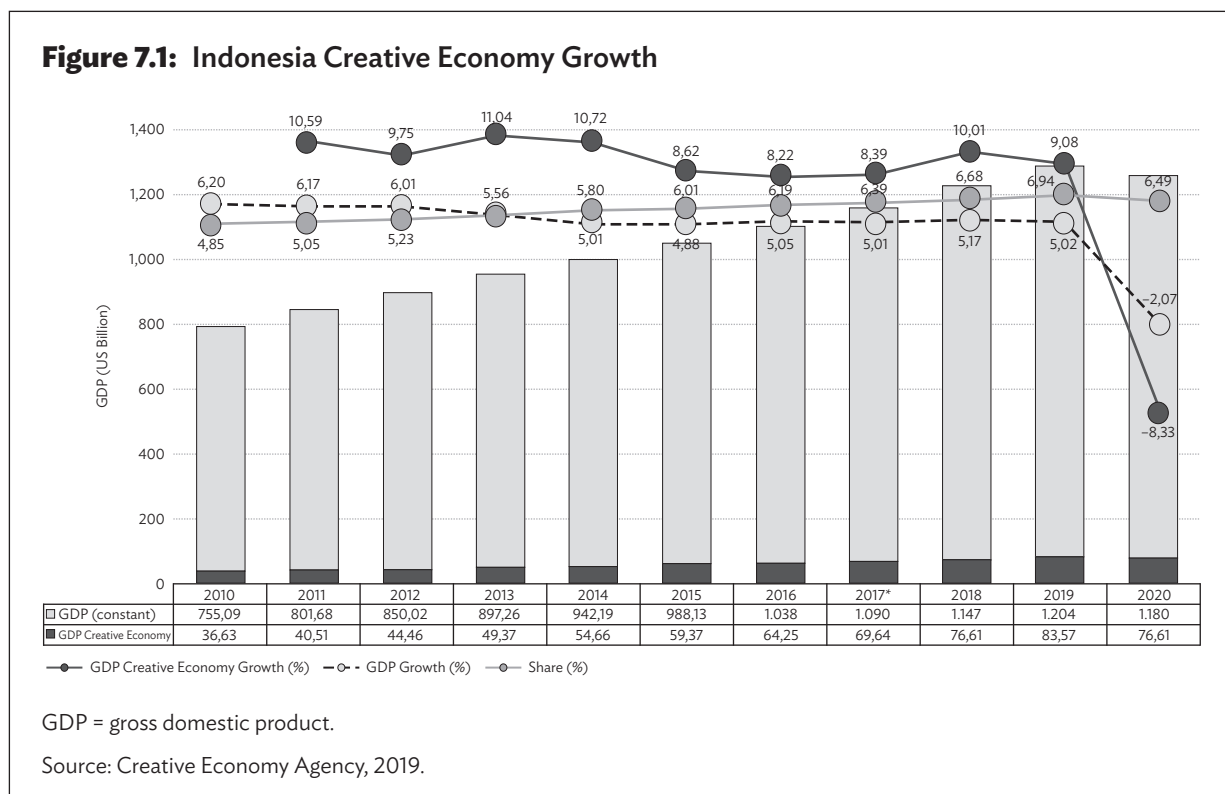
In order to implement the regulatory framework above, institutionalization needs to be considered. Universities play a role in helping the government grow the creative economy. Lessons learned from study in Trenggalek suggest that strong collaboration between government, businesses, academia, and communities is needed. Policy makers should look at the whole of competitive advantage so that the creative industry can compete globally. Furthermore, a Creative Industry Hub will help local

communities to promote and achieve sustainable creative ideas (Agustina et al. 2020). The other lesson learned comes from Yogyakarta; government facilitates the community to form a creative economy forum across the district. Local communities will spread initiatives to explore the creative economy (Utomo et al. 2021).

Beside the contribution to the national economy, the creative economy also contributes to strengthening the national identity and social tolerance, closing social and economic inequalities, increasing the utilization of local raw and environmentally friendly materials, increasing the role of women in development, and encouraging creativity development (Fathurahman and Huseini 2018).

7.3 Data and Analysis

This study used forecasted data from the Special Survey of Creative Economy 2016 and Economic Census 2017 published by the Central Bureau of Statistics of Republic of Indonesia and the Indonesian Agency for Creative Economy (Figure 7.1). Survey data use a standard survey life cycle, which starts from client liaison, planning, survey development, sample design, data collection, processing, estimation, analysis, dissemination, and evaluation (Lestariningsih et al. 2018).



Indonesia's creative economy fluctuated in 2010–2020. However, the share-to-GDP shows a positive trend. The data illustrate that the creative economy was hit hard during the COVID-19 pandemic, dropping by 8.33% in 2020, due to mobility restriction. Despite this, the creative economy share-to-GDP remained at 6.49%. This indicates that creative economy has the capacity to perform. Underlying

Table 7.1: Proportion to Total Creative Economy Actor on Three Main Sub-Sectors

Fashion		Culinary		Crafts	
Province	Proportion (%)	Province	Proportion (%)	Province	Proportion (%)
Southeast Sulawesi	22,70	North Kalimantan	79,84	West Nusa Tenggara	19.82
South Sulawesi	21,48	Banten	77,01	Bali	19.32
Special Capital Region of Jakarta	20,92	North Sulawesi	75,77	East Nusa Tenggara	12.73
Bali	20,16	Papua	76,41	Southeast Sulawesi	11.46
Nangroe Aceh Darussalam	19,81	West Kalimantan	76,12	West Sumatra	10.36

Source: Creative Economy Agency, 2019.

the Indonesia 2045 vision to avoid the middle-income trap and continue to perform as the world's top five per capita income in 2045 is the development of creative economy.

The Appendix depicts 16 creative economy subsectors on provincial level. The most contributed sub-sectors among 34 provinces are culinary, followed by fashion and crafts. These sectors are labor-intensive and remained relatively resilient during the pandemic. Table 7.1 shows the top five provinces with highest proportion to total creative economy actor on fashion, culinary, and craft. Southeast Sulawesi Province gains the most advantage by leading fashion (22.70%) and crafts (11.46%) in terms of employment absorption. On top of that, animation is a promising sub-sector, with average annual growth of 26%. Generally, creative economy actors are in West Java, Central Java, and East Java, which absorb a higher number of employees. The other province outside Java Island with a good creative economy penetration is North Sumatra.

The data need to be maintained as source of monitoring the development of actors in creative industries since the government has launched various assistance and facilitation in all sectors, including on business license aspects through Online Single Submission – Risk-Based Approach.

As a potential source of growth, the creative economy can be further supported as a post-pandemic driver through the development of digital policies, educational initiatives, and financing programs that establish creative communities regionally and nationally. In the long run, this will promote inclusive and sustainable development. Indonesia's position on Bali Agenda for Creative Economy held on 2018 is a commitment to collaborate and develop creative economy.

7.4 Challenges for Promoting the Creative Economy in Indonesia

UNCTAD has noted that global creative economy data are difficult to attain since many countries do not report specifically on creative services, and only publish data on broader categories. The available published data are mainly from developed economies and have long lag times. Industry-level data are difficult to present because of many overlapping areas, sectors, and industries. UNCTAD continues to work on a more detailed and feasible methodologies, including frameworks for measuring creative services (UNCTAD, 2018).

Similar situations have emerged in Indonesia. As the creative economy has become the new source of economic growth in Indonesia, relevant data are high priority. The available source was based on a 2016 survey; using up-to-date data will be beneficial for policy makers. A more systematic and accurate survey is required, following the life cycle survey, consisting of client liaison, planning, survey development, sample design, data processing, estimation, analysis, dissemination, and evaluation. Standardized concept frameworks and methodologies are important to exercise current insights for evidence of contribution toward sustainable development. (Lestariningsih et al. 2018).

Meanwhile, regional hurdles are the lack of optimal facilitation and awareness of Intellectual Property Rights; limited source of database of 16 creative economy sub-sectors; nonoptimal assistance and facilitation; and market competition with low-priced imported creative products, especially textiles and garments (Cahyani 2013). Another challenge is that creative economy actors are easily satisfied and most likely do not upgrade their abilities. Difficulties in accessing raw materials and funding access also need to be solved (Utomo et al. 2021). Solid synergy among stakeholders is required in order to encourage a more accurate and reliable data-driven policy and achieve sustainable development in the long run.

7.5 Policy Recommendations

7.5.1 Determine the Target Area Based on Potential Creative Economy Mapping at the Regional Level

Based on the Grand Strategy Creative Economic Development 2020-2024 Report and the 2020-2024 Medium-Term National Development Plan technocratic draft, policy directions on creative economic development will be implemented through two approaches: management of economic resources and increasing economic value added. These approaches are the basis of synergy and integration of cross-sectoral policies covering the food and agriculture sectors, maritime and fisheries, processing industries, tourism, creative economy, and the digital economy. The implementation of these two focuses will be supported by data improvements such as via monitoring and evaluating references. Increasing value added will be implemented through (1) assistance and incubation; (2) development of center of excellence; (3) innovation and brand strengthening facilitation, (4) development and revitalization of creative spaces including creative clusters/cities; (5) application and commercialization of rights to intellectual property; and (6) supply chain strengthening and creative business scale. The increase in the population of digital business actors will also be facilitated through the development of digital clusters, including village-based ones, ease of doing business, and access to finance and markets.

In reference to the Grand Strategy Creative Economic Development 2020-2024, the creative economy and the digital economy development focus on eight creative clusters in Java, Medan and Makassar, emphasizing culinary, fashion, craft, digital applications and content, games, films, and music sectors. The expansion of creative economic activities is carried out gradually in other areas that have great added value potential.

The determination of focused cluster is based on regional creative economy performance, using the number of creative economy actors in the region. Creative economy statistics show that provinces in Java have the highest number of creative economy actors, followed by North Sumatra. Furthermore, Makassar has great potential with the development of new priority tourist destinations in the Makassar-Selayar-Toraja area, such as the Kapoposang Islands Marine Tourism Park, Bantimurung Bulusaraung National Park and Takabonerate National Park, Toraja, Selayar, and Maros Geopark. In addition, to improve creative economy performance in the region, government has developed a Creative Economy Zone and creative economy clusters. Creative Economy Zones are developed in Kulon Progo-Yogyakarta

and Malang City-East Java. Creative economy clusters are located in eight points area namely Medan, Greater Jakarta, Bandung, Yogyakarta, Semarang, Surabaya, Bali, and Makassar. This strategy is part of the Center of Excellence which functions as a platform for creative economy actors from around the world to connect ideas, resources, information, and business concepts, including in the music, culinary, digital applications and other sectors.

7.5.2 Develop Digital Infrastructure and Supporting Regulation/Policy

Digital disruption is the key trend influencing the future of the creative economy, especially in developing economies (UNCTAD 2018). COVID-19 has underlined the potential new direction for creative industry, supported by the digitalization. Creative economy development is in line with digital economy development. Digital economy development is part of economy transformation as formulated on Indonesia National Medium Term Development Plan 2020-2024. Digital transformation adds to a robust and sustainable economic growth.

Utilization of the digital economy as an enabler of economic growth and as a primary requirement must be done in order to achieve national economic recovery, especially post-pandemic, and as well as the demands of the industry 4.0 era. Prerequisites on implementing digital transformation are carried out, among others, through digital databases, digital infrastructure development such as high internet penetration, digital-oriented policies/regulations, as well as digital talent development that are continuously supported by the government and stakeholders including private sectors engaged on the digital field.

The Law of Republic of Indonesia Number 11 Year 2020 on Job Creation supports economy digitalization starting from integrated business license process through Online Single Submission – Risk-Based Approach (OSS RBA). This regulation carried the national vision to survive from middle income trap and continue to perform as the world's top five per capita income in 2045.

7.5.3 Upstream-Downstream Integration to Comply with Market Standards

Creative Economy Statistics describes three main potential sub-sectors in Indonesia: creative economy, namely culinary, fashion, and craft. Food and beverage industry in Indonesia has major share on the economy. This also takes into consideration that 87% of the population is Muslim, meaning that halal standard is a mandatory, along with the other food safety standards. Law of Republic of Indonesia Number 11 Year 2020 on Job Creation mandates the halal mandatory standard for all goods and services in Indonesia, including imported goods and services. Mutual recognition agreement on halal standard and other trade standard needs to be considered on the region. Law of Republic of Indonesia Number 11 Year 2020 on Job Creation also gives more access for MSMEs assistance and facilitation, in order to comply with the market standards such as halal certification and Indonesia National Standard.

Numerous creative industries, particularly film and television, video games, and music, have shown outstanding resilience in the face of the COVID-19 pandemic crisis. Their success has largely involved industry leaders who reach out to audiences abroad, embrace technology, and are willing to compete with large, global platforms. The fashion industry has not adapted as quickly, in large part due to its reliance on offline stores, but opportunities remain if it can adapt to the digital age. These observations yield recommendations for creative industry leaders (CSIS 2019).

7.5.4 MSME Assistance and Facilitation

UNCTAD has noted that MSMEs, including in the creative sector, face many challenges in reaching export markets, such as logistics for shipping goods abroad, knowledge of regulatory requirements in the exporting and importing countries, and trade finance (UNCTAD, 2018). MSMEs need to be considered and given broader access on every economy sector that have the potential to contribute to the sustainable development goals.

57.31% of Indonesia's economy is constructed by domestic consumption, 89% of which is supported by MSMEs activity. This means that Indonesia MSMEs are the backbone of the economy. Indonesia continues to give its best assistance and facilitation for MSMEs. The frontier policy is the facilitation of ease of doing business for MSMEs thorough the omnibus law, Law of Republic of Indonesia Number 11 Year 2020 on Job Creation. Government continues to cooperate with private sectors to encourage the MSMEs on boarding and servicification. Local government engagement with creative economy actors and MSMEs has key role in designing policy for creative economy development. Creativity will thrive with cities that have a creative climate. It is also necessary to develop creative cities as attraction magnets to doing businesses in Indonesi (Utomo et al. 2021). Creative Industry Hub will provide creative economy incubators for the creative economy actors, and help local communities to promote and achieve sustainable creative ideas (Agustina et al. 2020).

One Village One Product (OVOP) is a regional development program, established by the Japanese Governor in 1980. OVOP concept has been adopted in many economies, i.e., Thailand (*One Tambon One Product*), Malaysia (*Satu Distrik Satu Industri*), Philippines (*One Town One Product*), Cambodia (*One Village One Product*), Taipei,China (*One Town One Product*), as well as in South Asia, Africa, East Europe, and South America. OVOP started in Indonesia in 2008 initiated by the Ministry of Industry to improve MSMEs' competitiveness. This approach is focused on product uniqueness in each region, including cultures, environment, raw material, and producing aspects. OVOP in Indonesia are generally MSMEs that consistently collaborate with state-owned enterprises and continue to receive guidance and various assistance from the government. Some of the OVOPs are pottery craft in Tabanan Bali, rattan woven craft in Central Lombok, copper craft in Boyolali, waving craft in Jepara and batik craft in Surakarta (Cahyani 2013). To conclude, this would take good governance, strong business and MSMEs partnership as well as open-minded society to succeed.

7.6 Conclusion

Creative economy is a potential source of growth amid economic slowdown. Massive digital adoption brings several creative economy sub-sectors such as fashion, culinary, craft, and animation into the spotlight. Robust engagement between local government and communities is needed to achieve creative economy development. Coordination, synchronization, implementation, monitoring and evaluation programs among government institutions are needed, as well as institutionalization, local community partnership and budgeting support in regional level. This also is in line with the G20 Sherpa pillar: Enabling Environment and Multi-stakeholder Partnership.

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Appendix 7.1

Table A7.1: Provincial Creative Economy Statistics

No	Province	Subsectors Proportion to Total Creative Economy Actor (%)																Total Creative Economy
		Applications and games	Architecture	Interior Design	Visual Com. Design	Product Design	Fashion	Film, Animation and Video	Photography	Craft	Culinary	Music	Publishing	Advertising	Performing Arts	Fine Arts	TV & Radio	
1	Nangroe Aceh Darussalam	0.03	0.40	0.01	0	0.02	19.81	0.02	0.52	8.96	68.40	0.36	1.08	0.04	0.08	0.14	0.13	148.953
2	North Sumatra	0.18	0.06	0.01	0	0.02	15.66	0.05	0.30	6.86	74.45	0.71	1.35	0.04	0.16	0.11	0.05	401.105
3	West Sumatra	0.13	0.11	0.01	0.01	0.04	19.55	0.03	0.76	10.36	66.56	0.54	1.46	0.03	0.12	0.23	0.07	210.810
4	Riau	0.48	0.19	0.01	0	0.03	17.63	0.02	0.62	7.58	70.94	0.49	1.56	0.06	0.17	0.14	0.08	160.933
5	Riau Islands	0.32	0.15	0.03	0.01	0.05	15.45	0.05	0.35	6.22	74.97	0.50	1.24	0.13	0.19	0.17	0.17	53.991
6	Jambi	0.06	0.22	0	0	0.02	17.22	0.02	1.27	8.56	70.26	0.54	1.39	0.07	0.11	0.20	0.06	84.358
7	South Sumatra	0.41	0.04	0.01	0.01	0.02	15.44	0.05	0.92	8.13	72.38	0.56	1.46	0.05	0.25	0.25	0.05	156.332
8	Bangka Belitung	0.01	0.19	0.01	0	0.04	18.59	0.03	0.81	8.36	68.45	0.79	1.65	0.05	0.69	0.16	0.16	33.757
9	Bengkulu	0.08	0.30	0.01	0	0.02	16.73	0.03	1.27	8.90	69.38	0.54	1.93	0.05	0.29	0.24	0.23	43.206
10	Lampung	0.15	0.27	0.02	0.01	0.37	15.67	0.01	0.74	8.15	71.25	0.77	1.94	0.04	0.30	0.24	0.06	178.511
11	Special Capital Region of Jakarta	0.19	0.08	0.02	0.01	0.15	20.92	0.04	0.24	4.82	70.13	0.39	2.43	0.14	0.19	0.22	0.02	428.094
12	West Java	0.41	0.15	0.02	0.02	0.08	17.77	0.04	0.36	6.62	71.72	0.47	1.68	0.07	0.31	0.24	0.04	1,504.103
13	Banten	0.47	0.08	0.02	0.01	0.03	13.90	0.02	0.31	5.87	77.01	0.35	1.36	0.06	0.28	0.18	0.04	299.385
14	Central Java	0.25	0.14	0.02	0.02	0.13	16.96	0.03	0.56	8.71	69.80	0.42	2.18	0.10	0.21	0.41	0.06	1,410.155
15	Special Region of Yogyakarta	0.38	0.25	0.07	0.10	0.15	14.65	0.12	0.69	8.74	69.28	0.52	3.49	0.19	0.40	0.90	0.08	172.230
16	East Java	0.28	0.14	0.02	0.02	0.05	14.41	0.03	0.46	7.25	74.07	0.44	2.11	0.10	0.26	0.31	0.06	1,495.148
17	Bali	0.30	0.34	0.03	0.04	0.07	20.16	0.48	0.48	19.32	55.32	0.41	1.97	0.12	0.37	0.98	0.05	196.999
18	West Nusa Tenggara	0.20	0.20	0.03	0	0	11.22	0.01	0.51	19.82	65.67	0.32	1.52	0.01	0.18	0.18	0.12	143.163
19	East Nusa Tenggara	0.07	1.04	0.11	0	0.02	16.82	0.06	0.94	12.73	64.62	0.45	2.34	2.34	0.20	0.29	0.23	86.928
20	West Kalimantan	0.09	0.32	0.02	0.01	0.03	13.53	0.02	0.53	6.91	76.12	0.71	1.21	0.05	0.11	0.24	0.11	90.649
21	Central Kalimantan	0.14	0.27	0.01	0.01	0.01	16.33	0.02	0.58	7.84	71.93	0.78	1.28	0.05	0.22	0.31	0.22	59.377
22	South Kalimantan	0.17	0.12	0.01	0	0.04	16.94	0.04	0.61	7.71	71.83	0.61	1.45	0.02	0.19	0.07	0.07	149.970
23	East Kalimantan	0.32	0.23	0.03	0.01	0.03	14.15	0.02	0.56	7.03	74.78	0.47	1.53	0.04	0.36	0.27	0.17	92.489
24	North Kalimantan	0.05	0.33	0	0.02	0.05	12.43	0	0.72	4.89	79.84	0.32	0.95	0.95	0.05	0.21	0.09	13.853
25	North Sulawesi	0.06	0.08	0	0	0.01	13.53	0.05	0.63	6.72	75.77	1.12	1.49	0.06	0.18	0.20	0.11	62.734

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Table A7.1 *continued*

No	Province	Subsectors Proportion to Total Creative Economy Actor (%)																Total Creative Economy
		Applications and games	Architecture	Interior Design	Visual Com. Design	Product Design	Fashion	Film, Animation and Video	Photography	Craft	Culinary	Music	Publishing	Advertising	Performing Arts	Fine Arts	TV & Radio	
26	West Sulawesi	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	210.810
27	Central Sulawesi	0.07	0.50	0.03	0.01	0.04	14.86	0.01	0.86	8.92	71.43	0.82	1.80	0.06	0.30	0.04	0.10	74.716
28	Southeast Sulawesi	0.09	0.59	0.0	0.01	0	22.70	0.04	0.51	11.46	61.74	0.78	0.90	0.01	0.07	0.13	0.17	60.130
29	South Sulawesi	0.29	0.25	0.02	0.01	0.01	21.48	0.01	0.81	8.66	65.26	0.44	2.18	0.06	0.27	0.13	0.11	188.547
30	Gorontalo	0.06	0.32	0	0	0	15.79	0.03	0.79	9.33	71.26	0.65	1.37	0.03	0.09	0.07	0.23	35.103
31	Maluku	0.07	0.22	0.06	0	0	15.78	0.02	0.49	7.73	73.74	0.59	0.82	0.04	0.06	0.19	0.18	32.056
32	North Maluku	0.01	0.26	0	0	0.03	16.24	0.03	0.45	9.85	71.72	0.25	0.89	0.01	0	0.12	0.15	18.516
33	West Papua	0	0.27	0.06	0	0	13.46	0	0.39	7.77	76.00	0.31	1.08	0.04	0.04	0.04	0.04	13.445
34	Papua	0.19	0.36	0.06	0	0.60	11.40	0.06	0.68	8.08	76.41	0.26	1.47	0.06	0.12	0.50	0.29	25.705

Source: Creative Economy Agency, 2019.

PART II

The Changing Geo-Economy of Creative Economy

Culture, Front and Center: Creative Economy Framework for a Robust, Inclusive, and Sustainable Post-COVID-19 Recovery

Helene George and Aushaf Widisto

8.1 Introduction

At the 74th United Nations (UN) General Assembly, the year 2021 was declared the International Year of Creative Economy for Sustainable Development, encouraging countries to observe the year in accordance with national priorities to advance the creative economy (United Nations 2019). The proposal, mainly sponsored by Indonesia and supported by a global grouping of countries, recognizes the need to foster innovation, promote sustainable and inclusive economic growth, and provide opportunities and empowerment for all by leveraging the emerging creative economy.

The UN made this declaration just in time, around the onset of the coronavirus disease (COVID-19) pandemic, where the entire value chain of the creative economy has been paralyzed, from production, distribution, and consumption, to access and enjoyment of all its subsectors. The pandemic has revealed the pre-existing vulnerabilities of the cultural and creative industries. In some parts of the world, for instance, many of its actors have been ineligible for economic assistance and resources that were available to other sectors. This occurrence has thus increased the urgency for more strategic policymaking and development for the creative economy.

Following the UN declaration, in July 2021, the G20 Ministers of Culture declared to insert culture into the G20 process, recognizing its economic potential and committing to promote and protect cultural heritage (G20 2021). This again shows that global alliances are becoming increasingly aware of culture's role in the sustainable development agenda and are taking real steps to advance it.

With the fourth industrial revolution, the world's economy started shifting from tangible to intangible resources such as human knowledge, ideas, and imagination. Perhaps, then, to move toward the creative economy is the natural course of development, and it is imperative that we get ahead of it. The creative economy is vital to economic diversification and has the potential to address social and economic inclusion, cultural diversity, gender equality, rural and regional development, and particularly sustainable development for developing and developed nations.

In this paper, we outline how a creative economy that puts culture front and center can create a robust, inclusive, and sustainable post-COVID-19 recovery. In the following sections, we first examine the policy development of the creative economy and the definitional approaches of key proponents in the creative economy. Afterward, we introduce the Creative Economy Sustainability Framework and demonstrate how this approach has been utilized successfully in achieving sustainable development using the case study of Waringarri Aboriginal Arts. Finally, we contextualize the framework's insights to provide policy recommendations.

8.2 Creative Economy in a Policy Context

In 1994, Australian Prime Minister Paul Keating launched the *Creative Nation* policy, which was the first Commonwealth cultural policy document in Australia's history. Most importantly, it was the first national policy in the world to consider culture as an economic policy. *Creative Nation* asserted that “this cultural policy is also an economic policy” and emphasized culture's importance of identity, more specifically, “the identity of the nation, communities, and individuals” (Australian Government 1994). Significantly, the policy has also defined culture more broadly than earlier conceptions, by including arts and cultural industries with film, radio, multimedia and technology, multiculturalism, Aboriginal and Torres Strait Islander cultures and languages, heritage, libraries, festivals, and cultural tourism.

Drawing upon Australia's *Creative Nation*, the United Kingdom's (UK) Department of Culture, Media, and Sport published *Creative Industries Mapping Documents* in 1998 that aimed to provide a framework for the creative economic activities in the country. The documents outlined 13 areas of activity that all have a common origin, which revolves around human creativity, skill, and talent; and have the potential for wealth generation through intellectual property creation. This notion of the “creative industries” broadened the definition of cultural industries to encompass technology, content, and software that were the dominant sectors in this version of a “creative economy.” In the mid- and late-1990s, a period dubbed “Cool Britannia,” there was a resurgence of cultural pride in the UK and the country was considered a world leader in this space (McGuire 2009).

In the United States (US), policymakers in the cultural sphere have been influenced significantly by the ideas of Richard Florida, notably his “creative class” concept, which we will explore more in the following section. Florida's model of the creative economy emphasizes certain groups of people, namely cultural and creative professionals who add value to the economy through their ideas and talents. People belonging to the creative class, Florida argues, are to be desired by cities wanting to revitalize themselves. This led mayors and leaders across the US to adopt Florida's blueprint for the creative economy, and afterward to credit it for revitalizing their struggling cities. This notion has also attracted criticism, notably regarding gentrification, exacerbation of social inequality, and the overglorification of hipster subcultures (Wainwright 2017).

Internationally, global organizations such as World Intellectual Property Organization (WIPO), United Nations Conference on Trade and Development (UNCTAD), and United Nations Educational, Scientific, and Cultural Organization (UNESCO) have played differing roles in advancing the creative economy agenda. WIPO is engaged in the discourse on intellectual property as the key source of value for the creative economy, following the conceptualization of creative economy by John Howkins, which will be explored more in the following section. UNCTAD, since its ninth Ministerial Conference in 2004, has been working to elevate the creative economy on the global economic and development agenda, mainly through their Creative Economy Programme, which focuses on trade in creative goods and services in the cultural and creative industries. UNESCO utilized its *2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions* to demonstrate culture as a vector for sustainable development with technical assistance programs in developing nations and an International Fund for Cultural Diversity. In 2013, UNESCO released the *Hangzhou Declaration: Placing Culture at the Heart of Sustainable Development Policies* as a contribution to the formation of the Sustainable Development Goals (SDGs) Agenda.

Today, the important role of culture is being increasingly recognized around the world and the creative economy continues gaining momentum, especially in key growth areas such as the Asia and the Pacific region. Countries such as the People's Republic of China, Republic of Korea, Indonesia, Singapore, and

Malaysia are putting culture at the forefront of their strategic development plans and are resolved on advancing that decision for the foreseeable future.

8.3 Creative Economy Literature Review

Since the term “creative economy” was popularized by John Howkins in 2001, the concept itself has continued to spread and evolve. It is also known by various names. For instance, in the context of Latin America and the Caribbean, the Inter-American Development Bank (2013) coined the alternative term “orange economy” to refer to the creative economy. The color orange, which has been associated with culture, creativity, and identity, was chosen to represent the creative economy and embody its philosophy.

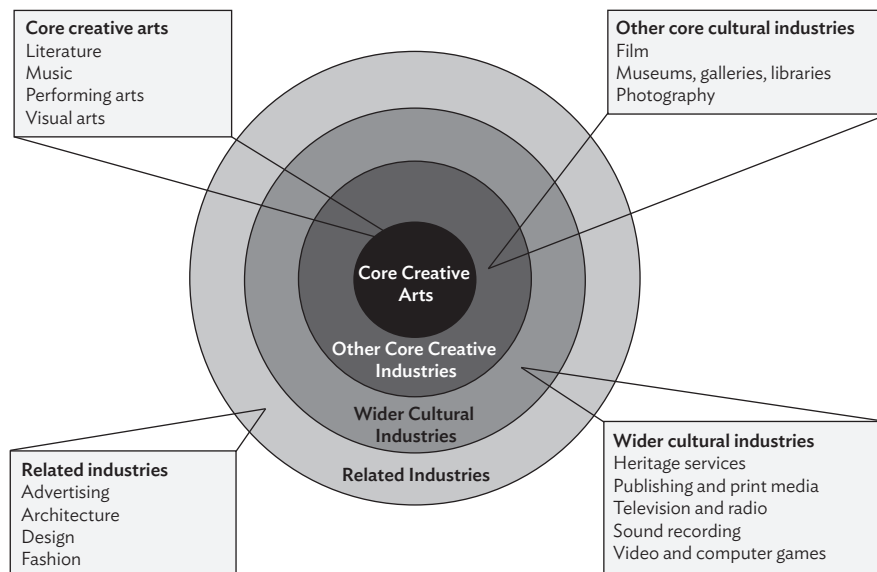
Much like how manufacturing typified the 19th and 20th centuries, the creative economy has been regarded as the defining characteristic of the 21st century. Howkins in his book *Creative Economy: How People Make Money from Ideas* (2001) used the term “creative economy” to describe creativity throughout a whole economy, not limited to specific sectors as is the case with “creative industries” in the UK Department of Culture, Media, and Sport’s definition. His definition of a creative economy, which includes both the arts and sciences, relies on intellectual property and copyrights as its currency which works well in developed nations with robust intellectual property regimes, such as the US, the UK, and other leading countries in the West. However, it is not as effective in countries with less solid foundations for intellectual property protection, where piracy and other copyright issues are often still unaddressed. Howkins’ version of the creative economy, therefore, has limited relevance to sustainable development in developing nations and trade in the Global South.

Not long after, Richard Florida joined the creative economy discourse by introducing his creative class concept as a new social class. Florida (2002) categorized a particular class of workers as the “creative class,” largely workers in technology, design, media, arts, and entertainment industries whose work revolves around higher-order cognitive tasks and produces “meaningful new forms.” The rising importance of creativity brings about what he calls the “creative age” where the creative economy, heralded by the creative class, becomes a dominating force. With the creative age comes a significant shift in trends and values. “Creativity has come to be valued,” Florida wrote, “and systems have evolved to encourage and harness it” (Florida 2002: 15). The Florida proposition is that cities can affect economic turnaround by attracting the creative class. Florida’s theories were welcomed at a time when many cities were looking to revive their post-industrial economies throughout the 2000s; however, critics cite Florida’s blueprint for creative urbanization as fueling gentrification and inequality.

Another framework for the creative economy came from David Throsby, a cultural economist researching the economics of arts and culture. In his time, various terminologies have been used interchangeably in the creative economy such as “content industries,” “new media industries,” or “entertainment industries,” as well as “cultural industries” and “creative industries.” In reality, while their definitions can overlap, there are nuanced differences between them; therefore, these terms are not exactly synonyms.

According to Throsby (2008: 147), a “systematic understanding of the structure of the cultural economy and how its various parts fit together” is essential in formulating effective policies. However, defining the creative economy and the cultural and creative industries remains a matter of ongoing debate. At the time of this writing, there has not been a single definition or model that has been universally agreed upon. Throsby has illustrated the structure of the cultural industries in his concentric circles model (Figure 8.1).

Figure 8.1: Throsby's Concentric Circles Model of the Cultural Industries



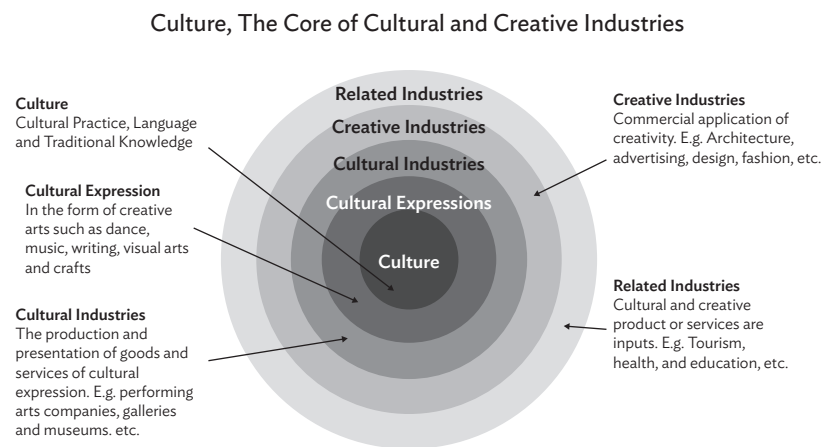
Source: Throsby (2008).

The concentric circles model applies an economic approach to creative arts and the cultural industries and is based on the initial proposition that cultural goods and services produce both economic and cultural values (Throsby 2008). The model is centered around the “core creative arts,” which include literature, music, performing arts, and visual arts. In the next layer, there are the “other core cultural industries,” containing film, museums, galleries, libraries, and photography. In the third layer, there are the “wider cultural industries,” comprising heritage services, publishing and print media, television and radio, sound recording, and video and computer games. Finally, in the outermost layer, there are the “related industries,” which include advertising, architecture, design, and fashion. Throsby (2008: 149) explained that the model “adopts an assumption that cultural content springs from the incorporation of creative ideas into the production and/or presentation of sound, text, and image and that these ideas originate in the arenas of primary artistic creativity.” This assumption, then, gives primacy to the processes of artistic creativity (as opposed to scientific creativity), and thus it is the reason why the creative arts are put at the center of the model. The successive layers of the concentric circles are then seen as expansions of the creative arts.

Proposing creative arts as the core of the model and the source of cultural and economic value tends to account for only a Western perspective of culture. Though the framework explains very well the economics of arts and cultural industries, it provides limited elaboration on the value of culture.

Helene George adapted Throsby's concentric circles model to make it more relevant in a sustainable development context, creating the Creative Economy Concentric Circles Model in the *Situational Analysis of Cultural Industries in the Pacific* (George and Mitchell 2012) to make it relevant to the developing Island nations of the Pacific for sustainable development (Figure 8.2).

Figure 8.2: Creative Economy Concentric Circles Model



Source: Creative Economy. © Creative Economy Pty Ltd.

George's concentric circles model puts culture itself at the core, instead of the creative arts. What is considered "culture" here includes cultural practice, language, and traditional knowledge; radiating out to cultural expressions in the form of creative arts, and then expanding to cultural industries as the production and presentation of goods and services of culture and cultural expression. This then expands to creative industries with the commercial application of creativity and then to related industries where culture and creative products become inputs to other sectors such as tourism, health, and education. This concentric circle model is essentially a representation of the value chain in the creative economy.

The model utilizes culture itself as a source, driver, and enabler to generate economic value, which makes it different from Throsby's arts-centric and Western-centric model and Howkins' capital market-oriented definition of the creative economy. George's model puts culture front and center, making it locally applicable and internationally scalable in the context of both developed and developing countries as well as urban, rural, and regional areas.

8.4 Creative Economy as Sustainable Development

In this section, we will examine how the Creative Economy Sustainability Framework has been successfully utilized in Australia, using the case study of Waringarri Aboriginal Arts (WAA).

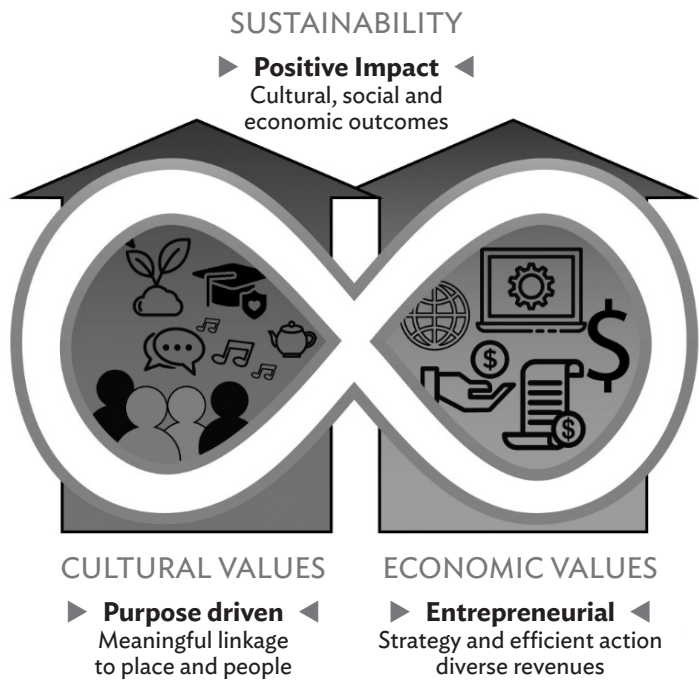
The WAA case study provides a demonstration of how this framework creates sustainability and greatly improves economic outcomes when using the Creative Economy Concentric Circles Model with culture at its core. This case study is particularly relevant to post-COVID-19 recovery as the framework was implemented in 2019, the year preceding COVID-19, and in reflection has positioned WAA to be resilient and to achieve a robust and sustainable recovery.

a. Creative Economy Sustainability Framework

The Creative Economy Sustainability Framework has been developed from practice in the field working with thousands of cultural and creative enterprises and entrepreneurs including in remote Aboriginal communities and the Pacific. The framework is both informed by and reflective of Aboriginal logic and cultural practice. Aboriginal logic is holistic in that the elements of country, culture, and community are intrinsically linked and the well-being and success of one depend on the health of the other (George, Grosser, and Jack 2014).

The following Creative Economy Sustainability Framework considers sustainability in a holistic sense, as the achievement of economic outcomes together with positive cultural and social outcomes. The framework illustrates that sustainability is achieved primarily from cultural values, i.e., culture-driven purpose, that are localized with meaningful linkages to people and places with the addition of economic values of entrepreneurship, and diverse revenue streams (Figure 8.3). Cultural and economic values are not mutually exclusive. In fact, when combined they create greater economic value (George 2018).

Figure 8.3: Creative Economy Sustainability Framework



Source: Creative Economy. © Creative Economy Pty Ltd.

b. Context: Aboriginal Communities in Australia

To provide context, while Australia is a developed nation, ranked the 12th-largest national economy by nominal gross domestic product (World Bank 2019), its First Nation Aboriginal and Torres Strait Islander people remain the most disadvantaged group in terms of health, poverty, employment, and justice. In Australia, the many nations of Aboriginal and Torres Strait Islander peoples can be considered as developing nations, having been adversely impacted by colonization and systemic discriminatory policies.

The current Government maintains a policy titled “Closing the Gap” that aims to reduce the disparity in economic, social, and health indicators between Australia’s First Nation Aboriginal and Torres Strait Islander peoples and the general population. For example, Aboriginal and Torres Strait Islander peoples’ life expectancy compared to the general population is almost 10 years less, child mortality is twice as high, and the unemployment rate for Aboriginal and Torres Strait Islander people is 35% in remote areas compared with the 5% of the general population (Australian Government 2020).

Despite this, Aboriginal and Torres Strait Islander peoples have formed their own organizations where they are achieving positive outcomes with local solutions and programs in their own communities. Aboriginal arts and culture centers in some remote communities are the only enterprises. As well as providing economic opportunities such as income and employment, they also provide important social and cultural capital. The following case study provides an illustration of how sustainable development in the creative economy has been achieved even during COVID-19.

c. Case Study: Waringarri Aboriginal Arts

123

WAA is an Aboriginal art center located in the township of Kununurra in the Kimberley region of northern Western Australia. Kununurra is situated on the traditional lands of the Miriwoong people.

WAA is the first Aboriginal-owned art center in Western Australia and one of the longest continuously operating art centers in Australia. WAA was established in the late 1970s by cultural leaders and initially supported artists across the region, and is now focused on only supporting artists living in the Miriwoong Dawang and the remote community of Kalumburu.

WAA is a collective enterprise that enables member artists to maintain culture through art and to earn income and be employed. WAA operates artists’ studios and a gallery in its own purpose-built facility and supports almost 100 artists ranging from painters, sculptors, textile artists, printmakers, wood carvers, to boab engravers. In their day-to-day activities, the artists are supported by a team of local Aboriginal art workers. WAA recently began operating cultural tours that provide visitors with a rich insight into Miriwoong culture. Despite this, WAA has always been a financially marginal enterprise with static turnover.

In 2018, Creative Economy was engaged to work with the Miriwoong people of WAA to apply its sustainability framework. The previous business model for the center was predominantly focused on a transactional market economy model of production and selling of artifacts and artworks.

1. Cultural Values

The first stage of the framework was for senior Miriwoong cultural leaders and directors to articulate the cultural values of the enterprise in a meaningful statement of purpose capturing the original inspiration and drive for forming the enterprise.

This resulted in the following statement of purpose:

Waringarri Aboriginal Arts was established by Miriwoong elders to lead in working together to retain and share culture following Ngarrangarni law so that our children's grandchildren's grandchildren will know their culture.

Waringarri Aboriginal Arts is a place for community to come together to feel good in understanding and passing on culture through the arts and to build Aboriginal enterprise and employment (Waringarri Aboriginal Arts 2018).

2. Economic Values

To generate economic value, a business model is developed to define and identify entrepreneurial revenue streams through the Creative Economy Concentric Circles Model. Table 8.1 below shows how this approach is applied.

Previously, WAA worked in a business model based on the economics of art with revenue of product outputs in art and cultural industries. This transactional output-based business model was less viable as the financial margins were insufficient to cover the high costs of operating in a remote location and a collective enterprise. Applying the framework and the concentric circles model created a more entrepreneurial enterprise generating multiple revenue streams in diverse methods throughout the value chain of the creative economy. Importantly, for the first time, this included securing revenue for culture which had previously only been a cost.

Table 8.1: WAA Economic Model Before and After

Layer	Before	After
Culture	Language, cultural knowledge, traditional laws, cultural practices exist but without resources	• Service contracts for community development through cultural engagement • Philanthropic funds
Cultural Expression	Paintings, art prints, artifact carvings, textile prints, ceramics sales	• Commission fees from institutions to create artworks for exhibition • Sales of artworks
Cultural Industries	Gallery exhibitions and dance performances are free of charge at WAA	• Sponsorship for events at WAA as "a place to come together" • Commissions to curate exhibition presentations in institutions and at events/festivals
Creative Industries	Public art, design, and manufacture through grants and sales	• Licensing fees and % sales units for designs to fashion and homewares • Commission for public art, interior design, and major architectural projects
Related Industries	Cultural tours sales Employment services fee contracts	• Cultural tours sales • Health service fee contracts for inclusion of disability inclusion programs • Employment services fee contracts • Regional development fees and regional coordination

WAA = Waringarri Aboriginal Arts.

Source: Author's analysis.

3. Sustainability Outcomes

The business strategy using the sustainability framework was formulated in 2018 and implemented in 2019 prior to the COVID-19 outbreak. The implementation quickly transformed the economic sustainability of the enterprise which ensured WAA confidently pivoted to the challenging environment of restrictions and lockdowns due to COVID-19.

In March 2020, as COVID-19 lockdowns and border closures began across Australia, 65 artists and their families made the decision to move out of the town of Kununurra and return to their community outstations to keep vulnerable artists and elders safe. Every week, WAA art center staff who stayed behind dropped off food, art supplies, and iPads to each community. The communities had limited or no internet or mobile phone range, so iPads were the main record of activity and source of communication with the outside world, sharing a positive regenerative story of arts and culture.

The ability to pivot in this way and service outstations was made possible with the revenue achieved through fees received for community development for cultural engagement, a resource that was not otherwise available before the strategy.

Table 8.2 demonstrates the outcomes achieved before and after the application of the Creative Economy Sustainability Framework.

Table 8.2: WAA Sustainability Outcomes

Outcome	KPI	Before	After
Cultural	Strategy	Culture is not valued in the economic model	Culture core of the economic model
	Recognition	Recognized as an art gallery	Recognized as cultural leaders and cultural enterprise
	Resources for cultural transmission	Limited resources for cultural practice	Annual and multi-year contract fees for community development through cultural engagement
	Quality of art and craft produced	Quality art and craft by artists	Quality art and craft produced as cultural expression and collaborative artworks
	Digitalization	Predominantly offline sales with online information	Increased online sales and rich digital content stories in language and on country share the context and culture of art, artists, and WAA
Social	Healthy community	In town exposed to COVID-19	Safe and healthy COVID-19-free artists and families
	Community Engagement	Artist engagement	Community and family intergenerational cultural learning and skills development
	Inclusion	Artist engagement	Inclusion of diverse people, e.g., disabled, unemployed, aged, young people

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Table 8.2 *continued*

Outcome	KPI	Before	After
Economic	Annual turnover	A\$1.2 million (2018)	A\$2.8 million (2021)
	Employment	Static employment	• Increased by 35% • More people earning income from the enterprise • Increased earnings by artists and cultural workers
	Reserves	Asset-based	Asset and accumulated cash reserves
	Market position	Market profile as an art center in Kununurra	Higher market profile locally, nationally, and internationally through repositioning strategy, new relationships, and digital content
	Sustainability	Marginal	Positive and improved sustainability

KPI = key performance indicator, WAA = Waringarri Aboriginal Arts.

Source: Authors' analysis.

The results of the new business model within the Creative Economy Sustainability Framework have enabled WAA to realize cultural value which has created increased economic value. WAA grew its annual turnover from A\$1.2 million in 2018 to an annual turnover of A\$2.8 million by 2021. The improved economic position of WAA and the adoption of the holistic sustainability framework provided a solid platform to pivot and be resilient through the impact of COVID-19.

As Cathy Cummins, Manager of WAA states, “our creative economy framework where we take into account culture, social impacts, and enterprise now drives our organization. We consider it the world’s best transformative framework.”

8.5 Conclusion

In this paper, we have outlined how a creative economy that positions culture front and center is an effective instrument for sustainable development. The Creative Economy Concentric Circles Model and Sustainability Framework presented here are different from other well-known creative economy models such as those proposed by Howkins and Throsby, in that they are universally applicable for sustainable development in various contexts, including developing and developed countries and urban, rural, and regional areas as shown in the WAA case study. Furthermore, the Creative Economy Sustainability Framework proved to be effective when used for crisis response and post-crisis recovery as evident in how it was used by WAA during the COVID-19 pandemic.

The WAA case study demonstrates how the framework can be leveraged to advance the 2030 Agenda, particularly for SDG 8, “Decent work and economic growth,” and SDG 10, “Reduced inequalities.” The framework helps in advancing SDG 8 by helping individuals, who otherwise operate ad hoc in the informal economy, and collective cultural enterprises in the creative economy to generate sustainable economic returns. This in turn also advances SDG 10, by helping marginalized communities, in this case, a remote Aboriginal community in Australia, to achieve economic, social, and cultural

inclusion and reduce inequality. The framework has been successful in helping WAA as well as many other Aboriginal and Torres Strait Islander artists and art centers in remote regional areas in Australia.

The Creative Economy Sustainability Framework results in stronger cultural and social outcomes and in turn greater economic impact and sustainability. This holistic approach is more aligned to Eastern and Indigenous logic and philosophies that acknowledge the interconnectedness and interdependencies of land, culture, and community for health, wellbeing, and prosperity. Thinking about economic frameworks from Eastern and Indigenous perspectives reveals the opportunities of the creative economy for sustainable development that enables social, cultural, and economic inclusion. Furthermore, the Creative Economy Concentric Circles Model and Sustainability Framework provide a bridge to the informal economy and increase economic participation, which contributes to overall economic growth and reduction of inequality. This is the true potential of the creative economy.

8.6 Policy Recommendations

The development of the creative economy to realize a robust and inclusive recovery requires new ways of thinking about the most appropriate development framework, especially in the context of Asia and the Pacific.

This paper shares an alternative conceptual model of the creative economy that puts culture front and center and introduces a sustainable development framework that in application demonstrates how the creative economy produces robust and inclusive recovery and sustainable economic growth. The insights from this paper inform the following policy recommendations:

- **The creative economy as a national development policy**
Domestically, the creative economy as a national development policy can create transformative change throughout the economy. Internationally, a strong creative economy can promote the unique cultural strengths of a nation, highlighting a nation's distinction in an increasingly competitive global economy.
- **Recognize the creative economy as a vehicle for social and economic inclusion**
The source of the creative economy relies on culture, cultural knowledge, and creative expertise and talent. These abilities are equally found in people with less social and economic mobility. The creative economy provides an effective vehicle for social inclusion that can lead to economic participation. Increased inclusion leads to overall greater economic development.
- **Include cultural programs as a cross-sectoral strategy in government policy platforms**
Culture is a transformative force and is both an enabler and driver of the economy. Cultural programs add value to other sectors and are effective ways to engage and create more inclusive and holistic outcomes. This includes regional development, micro, small and medium-sized enterprise development, tourism, health, education, social inclusion, community development, etc.
- **Public sector procurement strategies, requirements to procure and commission cultural services and products**
The public sector is a significant consumer in the economy. Public sector procurement strategies are an effective way to directly invest in the creative economy, especially in commissioning cultural expertise, services, and products. For example, a requirement for infrastructure development initiatives over a certain financial value to allocate a budget for public art procurement within design and development.

- **Invest in local artists, cultural practitioners, and cultural enterprises**
Cultural practitioners and artists are at the heart of the creative economy. Cultural enterprises have the capacity to be vital vehicles for these artists to earn revenue. Direct public investments of operational funds to provide cultural enterprises are important catalysts for leveraging further funds and generating entrepreneurial revenues.
- **Local content quotas**
In the creative economy, local content quotas are important policy interventions to support smaller economies. They are mostly associated with the requirement of local content to be included in broadcast audiovisual sectors such as television, radio, and online media. This is an important enabler and driver of screen-based sectors that have inputs from other cultural industry sectors. This type of policy action could be applied to other areas of the creative economy at a national and/or regional level.
- **Digital infrastructures**
Access to high-speed digital platforms is an essential part of an enabling environment for the creative economy. Actors in the creative economy require access to affordable and reliable digital connectivity.
- **Professionalization of management in the creative economy**
A manager in the creative economy today is required to be a cultural entrepreneur, equally adept at dealing with local artisans, and generating revenues while understanding increasingly complex regulations and compliance in global markets. The sector requires skills development in management that is not generic management theory based on industrial engineering and production lines, but specific to cultural management.

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The Transformative Path Post-Pandemic: Promoting a More Inclusive and Circular Creative Economy

Paramita Datta Dey and Ajay Suri¹

9.1 What Do We Understand by the Circular Economy and Why Is It Relevant Today?

The world consumes 100 billion tons of resources every year. This includes minerals, metals, and fossil fuels among other natural resources. Out of this, only 8.6% is recycled and reused (Haigh et al. 2021). If this trend continues, the use of such natural resources is expected to more than double by 2050. The higher use of natural resources will be accompanied by higher levels of pollution and degradation. It is therefore important to adopt policies that promote resource efficiency, which will reduce greenhouse gases (GHGs) by about 15% to 20% by 2050 (UNEP 2017). It has been found that around 70% of GHG emissions happen during the handling of materials. Therefore, in addition to resource efficiency, it is crucial to transition from linear to a circular flow of materials. If the concept of a circular economy is applied, it can enhance the value of resources and reduce excessive consumption, thereby leading to further reduction of GHG emissions (UNEP 2017). A linear economy refers to “use-it-up-and-throw-it-away” models. The concept of a circular economy emphasizes that waste and pollution can be “designed out” and products and materials can be used for longer, thus facilitating natural systems to regenerate. The circular economy strives to remove waste in the ecosystem. In this concept, waste is not the usual reference to “junk”. It indicates the underutilization of resources or assets. There are four types of waste that circular models try to eliminate. These include: (a) Wasted resources - Material and energy that cannot effectively be regenerated over time; (b) Wasted capacities - Products and assets that are not utilized fully; (c) Wasted lifecycles - Products reaching the end of life prematurely due to planned obsolescence or lack of second life options; and (d) Wasted embedded values - Components, material, and energy not recovered from waste streams (FICCI 2018).

The circular economy is not new and cannot be attributed to any particular person. The discussions around this concept originated in the 1970s, but have gained vigor in the last decade or so. During the 2012 World Economic Forum, a report published by the Ellen MacArthur Foundation (EMF) and McKinsey Company emphasized the benefits of transitioning to a circular economy for the first time. This report stressed that, by transitioning to a circular economy, some manufacturing sectors could benefit as much as \$630 billion per year. Five schools of thought have been instrumental in shaping the circular economy concept: Industrial Ecology, Cradle to Cradle, Performance Economy, Blue Economy, and Biomimicry (Wautelet 2018).

The circular economy may be adopted through a blend of practices—innovations in product design, extending the life cycle of products, reuse, recycle and remanufacturing. Business models will also need to be revisited. Instead of selling newer products, the focus will have to shift to developing models that offer better quality services (UNEP 2017).

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9.2 What Do We Understand by the Creative Economy?

The creative economy covers the knowledge-based economic activities upon which the creative industries are based. These industries include advertising, architecture, arts and crafts, design, fashion, film, video, photography, music, performing arts, publishing, research and development, software, computer games, electronic publishing, and TV/radio. (UNCTAD 2021)

The year 2021 has been declared by the UN as the International Year of Creative Economy for Sustainable Development. Isabelle Durant, Deputy Secretary-General of UNCTAD, stated,

The creative industries are critical to the sustainable development agenda. They stimulate innovation and diversification, are an important factor in the burgeoning services sector, support entrepreneurship, and contribute to cultural diversity...Without them, the economic development, women's empowerment, and cultural and poverty alleviation targets within the SDGs are unlikely to be met. (UNCTAD 2021)

Many of the activities in the creative economy are in the informal sector, particularly relating to arts and crafts, including performing arts (British Council 2020). The skill sets are traditional and passed across generations to the workers or entrepreneurs or own-account enterprises. The services and products are dynamic and customized to the contemporary demands and lifestyles of society. This has been in response to change in the business model of this sub-sector of the creative economy in the recent past from patron-focused to market-based operations. The earlier activities flourished under the royal patronage but now must adapt to create market demand. The challenges facing the sub-sector include raw material procurement, market intelligence, sales networks, access to appropriate technology and equipment, institutional finance, etc.—all critical for viable business operations. Consequently, the informal workers engaged in the creative economy are highly vulnerable to demand variations and business disruptions.

9.3 Impact of the Pandemic on the Creative Economy

Though more than 30 million people are engaged in creative industries globally (UNCTAD 2021), this primarily relates to the formal sector and does not capture the informal economy which absorbs a large segment of the workforce in the middle- and low-income countries (Chen 2016; ILO 2018). Across the formal and informal spectrum, the creative industry is predominantly characterized by freelancers or own-account enterprises with unpredictable and varying income flows, which makes them vulnerable in the event of economic disruptions. However, the formal economy has the comfort of a social security cushion. The COVID-19-induced lockdowns and the resultant economic disruptions have badly impacted the income flows across the creative industries. Since the services and products offered by the creative industry are not in the “essentials” category, the sector faces a huge fall in demand. The creative industry requires specially designed government relief packages such as those in India in support of the informal economy. The sustained growth of the creative industry also requires reimagining its business processes, and products and services further tailored to contemporary needs.

Approximately 0.8% to 5.5% of jobs are at risk in the culture and creative sectors located in the OECD region (OECD 2020). According to estimates, in 2020, “the cancellation of public performances alone has cost authors roughly 30% of global royalties, while the global film industry has lost \$7 billion in revenues” (UNCTAD 2021). In India, the creative economy sector is shrinking, and many organizations have shut down or have retrenched staff to reduce overhead costs. Some have tried to adapt to digital

modes. For many freelancers and enterprises, the remuneration has been unpredictable and intermittent (British Council 2020). The pandemic has also revealed economic and housing vulnerabilities of the migrants in cities, most working in the informal sector, as was exhibited in the phenomenon in 2020 termed as “reverse migration”.

If immediate attention is not given to support the sector through recovery strategies and provisions, it will harm cities concerning jobs, revenues, and the well-being of residents and communities.

Box 9.1: The Case of Banjara Market in Gurugram, Haryana, India

Amid the bustling posh localities of Gurugram nestles the furniture lovers’ paradise “the Banjara market” spread across approximately 25 acres of land. The name of the place is coined after a nomadic tribe of Rajasthan called the “Banjaras (Nomads)”. There are over 450 to 500 nomadic artisan families of the “Gadiya Lohars” community of Chittorgarh city residing in the place for the past 15 years. Mushrooming as an encroachment over the municipal land, the place has now emerged as the largest market for artistic raw hides in the city. The roadside market offers a range of furniture and furnishing items like wooden frames, cupboards, desks, rugs, linen, artistic crockery, and cutlery items in the small, makeshift furniture shops at affordable prices. Most of the products sold in these shops are reclaimed, restored, and spruced up as new. These shops set an ideal example of the scenario where the creative sector can embrace the principles of the circular economy. One of the other interesting features of this market is the fact that most of these shops are run by women of the community. The women members of the family are equally involved as men in all the tasks including setting up, painting, cleaning, negotiating, dealing, cooking, selling, or simply supervising.

While this demonstrates the essence of circularity and inclusivity in the creative sector, the adverse impacts of the pandemic and subsequent lockdown have had a devastating impact on the community. A shrinking economy, unemployment, reduced spending have resulted in a severe cash crunch affecting the average income and savings of the residing community.

Bindiya, owning a handloom shop in the market, stated “COVID-19 has adversely affected their social and financial security, forcing them to return to their native land. Amidst a shortage of raw material and additional overhead costs due to lockdown, they are left with no savings to reinvest.” Bindiya also mentioned that the entire community is facing the threat of losing their home and livelihood due to the recent government order announcing demolition of the market with no rehabilitation measures yet known to the community.

Jittu, another respondent owning a furniture and crockery shop stated “the local administration has given them a month’s deadline for vacating the area”. He further shared that “before the pandemic, their daily sale ranged from Rs7,000–8,000 (approximately \$95–\$109). Due to the pandemic, their sales has reduced to around 40% owing to the shortage of raw material and decline in sales.”

Jittu’s younger brother, Sameer also highlighted that due to unavailability of a gadget (laptop or tablet), he was unable to attend school since the pandemic began in India.

Source: Based on the survey conducted by authors and contributors.

9.4 How Can a Creative Economy Embrace Circularity?

The current pandemic has not only led to a huge loss of lives, but has also tremendously restricted the movement of people and goods. In the process, it has led to huge loss of livelihoods and disrupted global supply chains. All this has had severe negative economic repercussions. It has also led to the realization that there is a need to devise ways of functioning smoothly without being able to move freely across boundaries.

For example, in May 2020, India announced the “*Atmanirbhar Bharat*” initiative that includes an economic stimulus package of Rs.20 trillion or around \$265 billion (estimated at 10% of gross domestic product) toward building a self-reliant and resilient India. The package endeavors to cater to 12 main sectors: food processing; organic farming; iron; aluminum and copper; agrochemicals; electronics; industrial machinery; furniture; leather and shoes; auto parts; textiles; and coveralls, masks, sanitizers, and ventilators.

Governments have realized the necessity of focusing on supporting businesses and enterprises that can offer more localized, wide-ranging, and dispersed production. This can be done by emphasizing repair, remanufacture, and refurbishment—all key elements of the circular approach.

9.5 Some of the Emerging Opportunities in the Creative Sector Embracing the Concept of Circularity

This chapter looks at three sectors: the built environment, the fashion industry, and the food packaging industry, with opportunities for the creative sector to embrace circularity. In the urban context, all these sectors are growing fast; for example, 70% of the buildings expected to be built in India by 2030 are not yet built, compared with 25% in the UK. (Ellen Macarthur Foundation 2016). The worth of the apparel market in India will be the sixth largest in the world at \$59.3 billion in 2022, in comparison to the UK (\$65 billion) and Germany (\$63.1 billion) (McKinsey & Company 2019). India is poised to be a hub of the fashion industry because it has a fast-growing consumer base comprising the upwardly mobile middle class. The packaging industry in India was worth \$32 billion in 2015 and is projected to grow at the rate of 18% per year, owing to changing lifestyles associated with an increase in income and expanding e-commerce (entrepreneurindia 2021).

9.5.1 Built environment

The construction industry is one of the major contributors to the national economy and employment. Not only are these the places where most creative activities take place, but their design and construction also involves a substantial group of professionals belonging to the creative industry, largely through informal operations.

The creative industry could facilitate the transition of the construction sector from linear to circular systems. This may require support in design whereby the buildings make optimal use of energy and promote the use of building materials based on recycled products; for example, use of fly ash from thermal power plants for building blocks and reuse of steel and wood, which are scavenged or recycled from unserviceable dilapidated buildings.

The growth in the urban population is generating huge demand for additional built-up spaces for all uses: residential, commercial, and industrial. Not only are cities going to expand with more new buildings, but the current and older ones will also need repair and renovation. The creative industry can also help in repurposing old buildings, thereby ensuring optimal use of existing stock and reducing the need for construction (Ellen Macarthur Foundation 2016). This is more so because the world is also grappling with energy poverty and the need to use cleaner and greener sources of energy for lighting, cooling, and heating. This will require creative skills for the design of structures as well as products. The creative industry can show the construction industry how to adopt a circular approach to address these challenges. The creative economy will help the construction sector to find robust solutions to design out waste, keep materials with a high value in use for a longer time, integrate nature-based solutions for heating, cooling, and treating waste, and regenerate natural systems. In a nutshell, they

will help to plan a built environment that is “safe, liveable, cost-effective and contribute to achieving climate targets” (Ellen Macarthur Foundation 2020). The discourse on circularity points to several instruments to achieve this, such as creating online platforms to list underutilized building spaces to ensure multiple and adaptive uses of spaces, use of “products as a service” like renting durable home products monthly as an alternative to owning them. Similarly, instead of demolishing old buildings, creative ways of retrofitting, renovating, refurbishing old buildings will not only offer opportunities for cost-effective, less resource-intensive and lower-emission solutions, but it will also create green job opportunities for creative professionals. Circular renovation and renewal projects will thus extend attractive opportunities for boosting local economy through the employment of local professionals and skilled workers. This will also boost the affordable housing sector.

9.5.2 Fashion industry

The emissions from textile production totaled 1.2 billion tons of CO₂ equivalent in 2015 (Ellen Macarthur Foundation 2016). At this rate, by 2050, the textile industry will account for more than 26% of the global carbon budget. The pandemic has forced people to rethink their shopping behavior. According to estimates, there has been a 27%–30% reduction in revenues in 2020 in the global fashion industry. Although many big companies have transitioned into online shopping mode, buyers have become more discreet and therefore online sales have also declined by 5%–20% in Europe and 30%–40% in the US, in 2020. Due to this, exports worth approximately \$2.9 billion have been cancelled or suspended globally, affecting the livelihood of more than 2 million workers. Even before the pandemic, around \$500 million was lost annually because of the underutilization of clothing and lack of recycling, which resulted in deadstock. This is an opportune time to think about circular economy approaches in this sector. Two aspects need to be looked at: (a) rental and resale of clothes and accessories, and (b) collecting, sorting, upscaling, and recycling of clothing. This will also help in reducing GHG emissions by a huge mark; for example, the purchase of one pre-owned garment can save 1 kg of waste, 3,040 liters of water and 22 kg of CO₂ (Ellen Macarthur Foundation 2016).

The value of the global demand for creative goods is around \$400 billion annually (Matthew 2017). This is poised to grow and thereby create a lot of opportunities for the creative industry, particularly the craft-based manufacturing industry. **India is home to a large variety of traditional labor-intensive craft industries that provide a livelihood to a huge home-based workforce. If these skilled people are employed in the upcycling business, it will not only employ them for green jobs, but will also help traditional crafts thrive.** For example, in India, women from economically weaker sections vend steel utensils and utility products in exchange for old or pre-owned clothes, which are resold and bought by poor people who cannot afford to buy new clothes. Many NGOs like *Goonj* carry out collection drives for the donation of old clothes, which they further distribute to the needy in orphanages, retirement homes, etc. They are also making affordable sanitary napkins out of old clothes. These models can be up scaled and mainstreamed into sustainable business models.

In his speech on 15 August 2021, India’s Independence Day, the Prime Minister of India proudly mentioned that,

More than eight crore sisters in the villages, who are associated with self-help groups, design top-end products. Now the government will also prepare an e-commerce platform for their products so that get a big market in our country and abroad. Today, when the country is moving forward with the mantra of Vocal for Local, this digital platform will connect the products of women self-help groups with people across the length and breadth of the country as well as internationally. Their horizon shall thus get enhanced. (Pakrati 2021)

Upcycled products can adopt e-platforms to create sales networks. This will additionally help artisanal enterprises to track orders, while customers will be able to track the ecological footprint of their purchases and be proud of investing in upcycled products. The business model may be further promoted by encouraging and recognizing environmentally responsible shoppers. For example, as part of the Project Avthar by Exnora Green Pammal from Chennai, India, the small enterprise *cum* nongovernmental organization collects one-time plastic waste pouches and converts these into upcycled fashionable products like bags, folders, pen stands, etc. made by poor women federated through self-help groups. Similarly, in many cities in India, several start-ups make upcycled products from plastic and other waste; “Sahaas Zero Waste” not only makes and sells upcycled products, but also provides end-to-end waste management services. They provide services on handling waste from institutions, technology parks, residential communities and other bulk-generating organizations and institutions in Bangalore, India (Sahaas 2020).

There are many examples of young entrepreneurs in India who are working with designers and local craftsmen from Rajasthan on innovative ideas like making footwear and furniture out of used tires (Menezes, Anisha 2020). Anu Tandon Vieira, a sculpture graduate and textile designer from Bangalore, India, works with craftspeople to make amazing pieces of furniture and showpieces from scraps of old clothes from numerous manufacturing units and used packaging material and plastic. Not only does she take care of durability, but she is also meticulous about the look of her products. However, her major challenge is pricing. She states that most buyers feel that any product made of waste material should be cheap. On the contrary, a lot of effort is incurred in designing and making upscaled products. In addition, because of limited opportunities and a restricted market, it is a challenge to keep craftspeople motivated. She further mentions that, despite being proficient in creating products with fine craftsmanship, craftspeople pay less attention to finishing and detailing as they are not motivated enough to deliver products of top quality; as a result, she engages only with a small group that are willing and driven (Pareek 2014).

Utilizing recycled plastic for carpets is gaining its place in India. Companies are working with designers and craftspeople to make cushion-backed modular carpet tiles by recycling single-use plastic bottles in huge quantities. In an interview with *The Indian Express*, the Global Business Director of “Carpets Inter” mentions the company’s initiative and goal of recycling over 1 billion plastic bottles by 2025 (Khatoon 2021).

Another example is the handmade paper industry in Sanganer in the city of Jaipur in India. Here, papermaking has evolved from being a household industry to a more organized activity comprising a few factories. The community that makes these are locally known as the *Kagzis*. They use cotton rags, silk, and banana trunk fiber as raw materials to produce paper. This handmade paper made of recyclable material comes in numerous appealing finishes like paper glazed to look like a foil; leathered paper; paper infused with flower petals and leaves and decorated with tinsel; block-printed like running cotton fabric material, and many more options (Outlook Traveller n.d.). This industry has the potential to be replicated and upscaled.

Box 9.2: Case Study of the Pre-owned Clothes Market at Raghbir Nagar

Old Raghbir Nagar is situated in West Delhi with a distinct socio-economic demography. This neighborhood is resident to a predominantly Waghbari tribal community who hail from Rajasthan and Gujarat. Their indigenous textile industry livelihood is one of their primary ethnic indicators passed down over generations, and significantly contributing to the informal economy. The element of circularity is visible in their style of work and the entire recycling process that each cloth material goes through.

The Waghbari community vends from one neighborhood to another and collects pre-owned or old clothes from households in exchange for steel utensils and kitchen utilities. Essentially, women take up the responsibility of vending and buying clothes, going from one house to another mostly in better-off neighborhoods, collecting clothes. Each community member manages to gather 75–100 pieces of pre-owned clothing daily. Subsequently, clothes are sold in the mandi or market popularly known as the “Raghbir Nagar Cloth Market” to retailers which comprise mostly the economically poor. This market is specifically meant for pre-owned or old clothes. The prices vary according to the quality of the clothes collected and available on a particular day. Some of the clothes are refurbished and sold in stores or malls at a higher price, while some are bought by production houses to use as cleaning material. This is the main livelihood of the Waghbaris and the community barely manages to make ends meet with approximate income of about Rs5,000–7,000 per person in a month.

In the past 2 years since the COVID-19 pandemic broke out, this cycle has seen a disruption, as the market witnessed multiple lockdowns. It is only since the first week of September 2021 that the bustling market has resumed selling a wide range of pre-owned clothes.

The ethnicity of the community association is due to its intangible legacy. According to Rami, 52, whose family has been in this profession for many generations, “This is the only profession we can easily fit into and feel rightfully belongs to us.” During the pandemic, the community members depended upon their own community for subsistence and financial resilience. Mithu, 34, says “We had no support from external agencies or individuals outside our community. It is the community members who came forward to support us during the challenging times of the pandemic.” An interaction with members of the community made the authors feel that there is a profound essence of circularity and inclusivity combined with indigenous nature of this work. The community has been deeply impacted by the pandemic and the resultant economic instability across labor markets. The statement from Juna, 40, summarizes this emotion “We are all illiterates, do you think we will be welcomed in any other profession? This is the only work we know and this is what our generations will carry forward as a legacy.”

This case study is an example of how traditionally the circular approach is ingrained in the work of an entire community in India. As the world strives to “build back better”, it is very important that appropriate efforts are made to mainstream and build on such models. In addition to promoting circularity in the textile sector, this model has the potential to promote green jobs and economically empower an entire community.

Source: Based on the survey conducted by authors and contributors.

9.5.3 Food Packaging Industry

During the pandemic times, the food delivery industry saw growth as people ordered food from home. To cite an example, the “Just Eat Takeaway” organization registered a growth of 42% in 2020 as compared to the previous year (Potts 2021). This has led to the consequent generation of huge amounts of single-use packaging materials, mostly petroleum-derived plastics. The post-COVID-19 expected drop in oil prices may additionally reduce the cost of production of plastics. This will directly affect commitments to sustainable packaging. The panic of contamination by SARS-CoV-2 has further motivated an intensified disposal of these materials (Oliveira, Azerdo, Neri-Numa, & Pastore 2021).

The increase in takeaway food deliveries during the COVID-19 period is also linked to tighter food packaging requirements. The environmental considerations require the development of food packaging materials that have similar characteristics as plastic, devoid of any negative environmental

impact. Ongoing research suggests that biodegradable bioplastics use lactic acid polymer and offer good prospects to swap petroleum-based plastic food packaging material. However, the available technologies to produce bioplastics are mainly based on first-generation sugars obtained from corn, wheat, or sugar beet. This entails the production of corn or sugar beet on an industrial scale. This would only be feasible through large-scale plantations. The challenge in this approach is the scarce availability of agricultural land that would have to be swapped to produce these first-generation sugars. As per laws in most regions (e.g., the Agricultural Policy in the EU), corn and sugar beet can be produced only for food or feed, meaning the scientific community is faced with the question of how to effectively produce bioplastics without draining food resources. The only answer is to follow the paradigm of a circular economy and the quest for an appropriate technology that can produce bio-plastics from the large quantities of food waste (Kochanska, Łukasik, & Dzikú 2021).

The creative economy has a major prospective role in the food packaging sector. Companies endeavor to create a market niche through appropriate product differentiation and Unique Selling Proposition (USP) strategies. Concurrently, consumers are increasingly becoming environmentally conscious. Companies can create USP strategies by engaging design firms to create reusable packages with a focus on design and fun, keeping in view various demography-defined market segments. This has the potential for creating many green jobs.

To cite an example, the DuPont Awards for Packaging Innovation in Europe recognizes innovations through their annual “Packaging Innovation Awards”. These awards promote advances in responsible packaging, and developments in technology and user experience. In 2019, awards were given to paper-based, recyclable innovations in the food packaging industry. One of the prize-winning entries was an innovatively designed recyclable and reclaimable bottle for tube feeding for patients who cannot swallow (Sykes 2019).

9.6 Conclusion and Policy Recommendations

The COVID-19 pandemic has highlighted the need for the countries to nurture a creative economy that embraces the circular approach. This should be based on the paradigm of shorter distribution channels that will use local talent and locally available raw materials. This will minimize the consumption of raw materials, energy, and water, and reduce waste products throughout the life cycle of products. This paradigm shift is in line with low-carbon development. This scenario will require supportive government policies to make the creative units sustainable and adopt business processes that are environmentally sensitive and use production processes/technologies that promote circular economic principles.

The creative workers/own-account enterprises need a comprehensive support package for sustenance including institutional credit, market intelligence, raw material sourcing, skilling, access to technology, workplace, among others. While institutional credit is easy to fix through appropriate federal directives, the other support activities need concerted and sustained efforts by various development agencies and formal enterprises.

The historic challenge for the informal sector has been establishing backward and forward linkages with the formal sector, and more intense integration with the value chain. **The circular approach offers good prospects for the creative economy to be better integrated with the city economy.** The construction sector is the most amenable and could have a demonstration effect across activities in the sector. The linkages with the creative industry may be established through a development marketplace.

E-platforms may be used as an effective marketing tool for the creative industry but the informal units will need to be federated to reach the required production scale for online trading. The collective approach will help the development agencies to provide the creative units with skill upgrading to adapt their goods and services to market demand and appropriate technological equipment. The workers collective would find it more affordable to meet the capital and operating costs. E-Platforms can also be used for sourcing recycled/underutilized raw materials, which will help lower the production costs for creative units and create USP strategies.

The general perception is that the circular economy strategy entails formulating and adopting policies on waste management, and that recycling will take care of everything. According to the European Union's Action Plan on Circular Economy, the aim is to recycle 70% of all packaging waste by 2030 and 65% of all municipal waste by 2035. It is, of course, practical to focus on recycling as the production models that produce volumes of waste cannot be stopped. However, over time, the world needs to shift to a consumption pattern in such a way that less energy is used, and the life span of products is extended through repairs, refurbishments, and remanufacturing.

Policymakers need to understand that circular economy strategies cannot be implemented in isolation and must cut across economic, social, and environmental policies. A collaborative approach is crucial to deal with mitigation and adaptation measures about climate change.

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The Creative Economy and Information Technology

Brankica Todorovic

10.1 Introduction

Creativity and innovation are considered among the most important elements regarding the development and wealth of a city in modern society. Along with several challenges related to a growing population and mounting pressures of tourism, modern cities also provide many opportunities for creativity, innovation, and the use of information technology (IT).

In the post-industrial society, traditional factors such as geographic location, traffic infrastructure, and resources, which once determined a city's attractiveness and prosperity, mean less today than before (Kantor 1987). Now, the creative economy provides the main stimulus for urban competitiveness. Cities use creativity and innovation to create specialized clusters if they want to prepare a successful development strategy for the global knowledge economy (Scott 2007). Creative clusters offer unique opportunities for non-formal knowledge, shared learning, following the latest trends, employment opportunities, and skill acquisition (Mould 2014).

Due to the growing role of technology and its importance in interactions between people, various platforms that offer online tours of countries and their cultural wealth and heritage are gaining in importance. These platforms are a combination of innovation, creativity, and IT, and strive to offer users meaningful content as fully as possible. Given the COVID-19 pandemic, their importance is growing and they are attracting more and more users. The information infrastructure and certain policies and priorities of national governments enable the development of the creative economy in a modern society.

10.2 The Use of Modern and Innovative IT for the Development of Cities

Since 2007 more than half the world's population has been living in cities that contribute about 60 percent of global GDP. Cities as drivers of climate change tend to develop on the principles of sustainability as "Green" and "Smart" cities. Green cities are defined as environmentally friendly entities that pay adequate attention to issues about energy and water consumption, levels of pollution and carbon emission, energy mix, water quality, waste volumes and recycling rates, green-space ratios, primary forests, motorization rates, agricultural land loss, the share of apartment living, modal share of urban transport, and the ecological footprint (Brugmann 1999; Meadows 1999; Ewing et al. 2010). Smart cities are defined as entities that include a focus on urban planning and governance, energy, transport, the environment, education and health, and technologies: mobile solutions, Internet of Things (IoT), big data, artificial intelligence (AI), and blockchain.

Numerous examples show how cities pursue a goal of becoming green and smart. Feiburg in Germany is an example of sustainable building and investment in recycling, which reduced CO₂ emissions per capita by 12 per cent between 1992 and 2003 (Dünnhoff and Hertle 2005). Carbon emissions are

directly influenced by income, and per capita incomes are higher in cities than in rural areas. However, relatively low levels of CO₂ is produced by high income cities like Paris or Tokyo, which supports the argument that once per capita incomes reach a certain high level, cities typically become more carbon-efficient compared with the average.

Smart transport systems are being used in complex physical infrastructure to facilitate congestion pricing and supply real-time information on traffic problems. Singapore was the first city in the world to implement an electronic road toll collection system for congestion pricing in the 1980s (Phang 1993). Curitiba in Brazil designed policies to integrate transport planning and land use with an innovative rapid transit system (Economist Intelligence Unit 2010). Stockholm's Gothenburg congestion tax represents the tax levied on vehicles entering and exiting Central Gothenburg to reduce traffic congestion and help the environment (Transport Styrelsen 2021).

In Amsterdam, through the use of information and communications technology (ICT), all work processes are fully supported and enhanced with flexible and scalable workspace options (Connected Urban Development 2008). This project, which is based in Almere, features 34 fully equipped workstations, 30 lounge workstations, dual Cisco Tele Presence CTS-1000 units, a childcare center, a restaurant, and an ATM. The goal of project *"The future of transport and land use in the digital city"* is to identify how new sources of data and urban design tools can help urban mobility and land use strategies in the digital age and, also, with respect to the COVID-19 pandemic.

Barcelona's digital platform is place for dialogue between Barcelona city council and the parties in the quadruple helix (the public, academia, the business sector, and public administration) (The Barcelona Urban Innovation Platform – PIU). Technology is used to improve city residents' quality of life by humanizing technology, transforming public administration, and offering residents more and better services.

Technology must be at the service of a fairer society, and it must ensure the privacy of personal data and technological equality. The use of technology must be sustainable and designed to achieve the UN Sustainable Development Goals.

Green cities can benefit from principles of symbioses between constituent parts. For example, São Paulo's Bandeirantes landfill is sufficiently large to provide biogas that generates electricity for an entire city district (ICLEI Local Governments for Sustainability 2009).

Listed below are some projects designed to improve the quality of life and address the challenges brought about by urban society:

- JoinEnergy, a platform for self-managing energy communities pursues the goal of making the most of roofs on multi-owned buildings and empowering citizens regarding energy transition.
- Dades x Comerc, which incorporates the use of data in small neighbourhood shops as an element of progress in digital transformation.
- The Urban Eco-Map is a cooperative initiative between citizens and other interested parties (journalists, subject matter experts, academics) in climate change, which incentivizes relationships between all public and private stakeholders and offers them support.
- The Mobile World Capital, Barcelona Tech City, Barcelona SuperComputing Center and 2Cat, and Big DataCoE, are examples of public and private collaboration.

10.2.1 Indicators of sustainable development and the development of smart cities

The UN Sustainable Development Goals (SDGs) include the achievement of 17 goals in accordance with Agenda 2030. The 2020 SDG Index gives the highest values to 3 Nordic countries: Sweden, Denmark, and Finland (United Nations 2020). G20 countries contribute two-thirds of the world population, account for 85% of global gross domestic product, and generate 80% of global energy-related carbon-dioxide emissions. The People's Republic of China and India have the largest shares of the global SDG performance gap, as highlighted by the Spillover Index. This index measures a country's capacity to achieve the SDG and covers financial spillovers, environmental and social impact, and security/development cooperation (Table 10.1).

Table 10.1: Country Scores (SDG 11, SDG, Spillover Index)

Country	SDG11 Sustainable Cities and Communities	SDG score	Spillover Index Score and Rank
Argentina	0.2	51	86
Australia	0.2	37	145
Brazil	1.7	53	60
Canada	0.2	21	147
People's Republic of China	13.5	48	84
Germany	0.4	5	153
France	0.3	4	158
United Kingdom	0.2	13	157
Indonesia	3.6	101	56
India	27.2	117	36
Italy	0.7	30	132
Japan	1.2	17	143
Republic of Korea	0.4	20	135
Mexico	0.9	69	78
Russian Federation	1.0	57	123
Saudi Arabia	0.8	97	125
Turkey	1.0	70	94
United States	1.4	31	151
South Africa	0.5	110	100
European Union	2.7	–	–
Total G20	56.8	–	–

>20%

10–20%

2–10%

0–2%

Source: UN Sustainable Development Report 2020.

The SDG Index shows the percentage of people using the internet with a goal of greater access to quality digital services, which focus on digital infrastructure, open government data, cyber security, and policies to promote internet freedom (Table 10.2).

Table 10.2: Transformation: Digital Revolution for Sustainable Development

Country	UN E-Government Development Index	Open Data Inventory: Coverage and Availability of Official Data	Global Cyber Security Index
Argentina	0.83	46.8	0.41
Australia	0.94	63.1	0.89
Brazil	0.77	62.3	0.58
Canada	0.84	76.0	0.89
People's Republic of China	0.79	35.1	0.83
Germany	0.85	77.3	0.85
France	0.87	62.0	0.92
United Kingdom	0.94	57.8	0.93
Indonesia	0.66	67.8	0.78
India	0.60	58.1	0.72
Italy	0.82	65.9	0.84
Japan	0.90	68.2	0.88
Republic of Korea	0.96	70.4	0.87
Mexico	0.73	69.3	0.63
Russian Federation	0.82	59.0	0.84
Saudi Arabia	0.80	47.9	0.88
Turkey	0.77	55.4	0.85
United States	0.93	70.4	0.93
South Africa	0.69	52.0	0.65
More ambitious > 0.7 Moderately ambitious > 0.5 Less ambitious below 0.5			

Source: UN Sustainable Development Report 2021.

The Sustainable Development Report gives guidelines for possible government responses to COVID-19 (Table 10.3).

Table 10.3: SDG Framework to Map Out Possible Government Responses to COVID-19 – Transformation 5 and 6

Transformation 5: Sustainable Cities and Communities	• Development of integrated territorial strategies • Short-term reduction in pollution levels • Assistance to vulnerable groups in urban settlements • The territorial distribution of doctors and availability of care • Easier access to public/green spaces
Transformation 6: Harnessing the Digital Revolution for Sustainable Development	Further development of: • STEM (science, technology, engineering and mathematics), digital skills, equity and lifelong learning • Online education tools • Digital health solutions • Digital government services and e-commerce • Measurement of the support for a fair transition for workers affected by the digital and technological revolution

Source: UN Sustainable Development Report 2021.

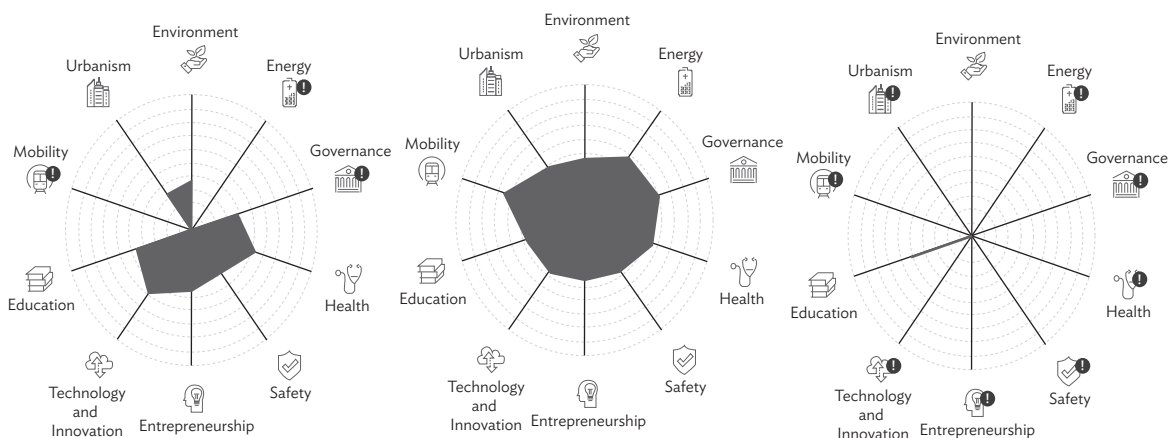
City Possible is a new model for urban innovation in which a global network of cities, businesses, academics, and communities work together to make the world's cities more inclusive and sustainable. The model uses 128 indicators to evaluate 10 metrics of urban performance: Governance, Education, Health, Urbanism, Environment, Security, Mobility, Entrepreneurship, and Technology and Innovation.

Bright Cities is a platform that evaluates areas it covers and suggest points for improvement. The diagnosis showed that some of strongest areas are Health and Energy. There were positive results in indicators such as Average Life Expectancy, Percentage of the population with authorized electric service, and Percentage of total energy from renewable sources. The platform suggested 110 viable solutions to make the city smarter. The 160 indicators adopted by the Brights Cities platform are related to the 174 Sustainable Development Goals.

Juazeiro do Norte in Brazil, received a smart roadmap (Redzone Map) from Bright Cities that improves public services and the local quality of life. Redzone Map uses reliable government data to determine the fastest and safest routes to a destination.

The graph below shows a picture of Tokyo, Barcelona, and Stockholm from the perspective of the development of smart cities and offers a proposal for areas of improvement (Figure 10.1).

Figure 10.1: Smart City Benchmarks: Tokyo, Barcelona, and Stockholm



Source: Bright Cites Platform.

10.2.2 Creative economy and creative clusters

The UN published the first Creative Economy Report in 2008, which showed 14 percent growth in the global trade of creative goods and services between 2002 and 2008 (United Nations 2008). The Creative Economy Report from 2010 states that developed economies use the advantages of the creative economy in the domain of economic growth, employment, trade, innovation, and social cohesion. The new development paradigm highlights creativity, knowledge, and access to information

as drivers of economic growth in a globalizing world. Developing countries do not fully exploit the potential of the creative economy due to certain weaknesses in national policy and the business environment (UNCTAD 2010).

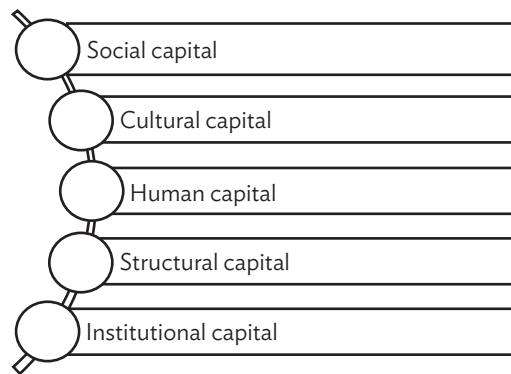
There is no simple definition of creativity that encompasses all its various dimensions. (KEA European Affairs 2006)

Creativity in today's economy encompasses:

1. Economic creativity, which is a dynamic process that fosters innovation in technology, business practices, marketing, etc.);
2. Scientific creativity, which involves curiosity and willingness to experiment and make new connections in problem-solving;
3. Cultural creativity; and
4. Technological creativity

Creative activities take place in the context of social interaction and the creativity index (the 5 CS model), which includes outcomes of creativity through various forms of capital: social, cultural, human, structural, and institutional (University of Hong Kong 2005).

Figure 10.2: The 5 CS Model



Source: University of Hong Kong. 2005. A Study on Creativity Index.

The Index of Economic Freedom documents the relationship between economic freedom and a variety of positive social and economic goals in 186 economies by analyzing 12 types of freedoms. Encouraging innovation and entrepreneurship results in a higher value of the index. In 2021, the highest level of economic freedom was present in the following countries: Singapore, New Zealand, Australia, Switzerland, and Ireland. The People's Republic of China is at the 107th place in the category of the freest countries. Japan's economy came in 23rd on the list. Legislation has revised the Women's Empowerment Law, expanded reporting requirements, and added required disclosures. In Taipei, China, the government provides research and development grants to encourage its high-tech firms to forge partnerships with foreign companies (The Index of Economic Freedom 2021).

The relationship between creativity and innovation can be understood in a way that defines creativity as a catalyst for innovation and a source of entrepreneurship (Nelson and Winter 1982). Eysenk constructs a relationship between creativity and innovation using the following variables: Cognitive, Environmental, and Personality, which produce creative outputs (Eysenk 1996).

Table 10.4: Variables and Creative Outputs

Variables	Creative outputs
Personality	Confidence
	Internal motivation
	Non-conformity
	Creativity
Cognitive	Technical skills
	Knowledge
	Intelligence
	Special talents
Environmental	Educational factors
	Cultural factors
	Socio-economic factors
	Politico-religious factors

Source: Eysenk, H. J. 1996. The Measurement of Creativity. In Dimensions of Creativity, edited by Boden, M. A. Cambridge: The MIT Press.

The rise of the creative economy has become an important factor in various countries (UNESCO 2000). Florida (2002) developed a new framework for evaluating a creative economy called the “creative capital theory,” where centers are:

1. Super-creative core, which includes fields such as computer science and mathematics; training and library science; and art, design, entertainment, sports, and media and
2. Creative professionals in various fields including management, business and financial operations, law, health care, technical areas, and high-end sales and sales management.

Florida and Tinagli apply their 3T framework to the European context (Florida and Tinagli 2004). The 3Ts of economic development are: Measurement of Talent, Measurement of Technology, and Tolerance. Among the 41 countries in the 2004 ranking, the United States received the highest overall ranking in the “Creativity Index” (ranked highest in the “Technology Index” and “Tolerance Index” and fifth in the “Talent Index”) and in the 2021 report, Switzerland had the highest ranking.

The creative economy is one of the main drivers of urban competitiveness in post-industrial society (Landry 2000; Florida 2002). Creative clusters can play an important role in global positioning. Cities usually decide to form creative clusters in order to stimulate the creative economy. The concept of the creative city was introduced by Landry (2000) and Florida (2002). Landry emphasizes the importance of small companies, creative and talented residents, the creativity of the city government, while Florida emphasizes the role of the creative class that the city government should attract and retain. Creative clusters offer unique opportunities for non-formal knowledge, shared learning, following the latest trends, employment opportunities, and the like.

In the 21st century, over half in world lives in cities (in Europe over 75 per cent and in the developing world 50 per cent); therefore, cities need to rethink their role and positioning: regionally, nationally, and globally.

The creativity city paradigm is connected to the notion of the creative economy. The creative economy is a platform for developing the economy in three main domains: media and entertainment, the arts and cultural heritage, and creative business-to-business services (Landry 2000). Creative Austria focused on the intersection between contemporary culture and creative industries via architecture and street art (print magazine Creative Austria, YouTube channel WatchCreativeAustria, creative content). Paris is promoting synergies between the tourism and creative industries with the portal www.creativeparis.info, where the site lists over 400 arts centers and more than 1000 courses in various fields. SXSW is one of the most successful festivals; it is a creative cluster composed of music, film and interactive media with 313,200 attendees, generating a total economic impact of \$218.2 million (SXSW 2013).

10.3 The Application of IT in the Domain of the Creative Economy via Virtual Tours

Digitalization affects the integration of online platforms and provides channels for intermediation of final goods (World Bank 2016). The integration covers only a limited level of value chain digitalization, which is common in lower-income developing economies (Murphy and Carmody 2015). Small hotels in East Africa use ICT to coordinate and send e-mail confirmations of bookings and offer transparent price information to sell their products via online e-commerce platforms (Foster and Graham 2015).

Scientific research regards virtual tourism as a new kind of tourism (Fan and Wang 2012). The future of tourism is directly linked to the ongoing processes of computerization and digitalization. Fast-developing virtual reality technologies are becoming instrumental in addressing many challenges. Users can actively participate in the process of creating an exhibition by choosing the artifacts they want to see and curating a fully interactive exhibition. In this way, the museum is given the ability to design and create exhibitions outside their galleries in real time and space, and to move its content through a variety of virtual exhibitions in internet galleries.

Virtual exhibitions are one of the modern audio-visual methods of presenting cultural heritage. The concept of virtual exhibitions is to enable the museum to present the digitized materials online through web pages, and to store them on other portable media (CD, DVD, flash drive). Virtual exhibitions provide an opportunity for achieving interactive online communication. To create virtual exhibitions isn't a goal by itself; rather, the emphasis is on feedback and communication with users from various social and educational backgrounds. The users give their impressions of the material, exhibitions, share their opinions with other users and curators. Furthermore, curators associate with their colleagues at other museums and engage in a professional discussion. It is possible to monitor the presence and level of users' interest from different environments for specific exhibits and to get feedback for artifacts whose data were incomplete.

Virtual Museums (VM) are also an interactive model of communication between visitors, media, IT and digital libraries of 3D models, texts, images, geospatial data, audio, videos, etc. (V-must.net). The Virtual Smithsonian, as a virtual, audio guided, room-by-room tour of the whole museum includes digital presentation in the 3D hall environment (Schroeder 1996). There are several benefits of a virtual tour: it saves money; eliminates travel time; and makes activities, experiences, and destinations accessible. The British Museum has over 5,000 items on display; Rijksmuseum (Amsterdam) has 80 galleries with over 8,000 artworks to explore virtually; several national parks offer virtual tours: Hawaii Volcanoes National Park, Glacier National Park.

This case study analyzes the virtual tours offered in 2021 by different platforms that give users access to virtual activities (travel, museums, cultural heritage). The paper analyzes the following platforms: Eventbrite, Flyover Zone teletours, Amazon Explore, Airbnb Experience, Google Arts and Culture, and The Other Art Fair Virtual Editions.

Table 10.5: Platforms for Virtual Events

Platform	Number of events	Cost
Eventbrite	660	\$0-\$150
Flyover Zone teletours	4	free
Amazon Explore	10	Under \$25 to \$75
Airbnb Experience	700	Average price: \$23
Google Arts and Culture	over 2,000	free
The Other Art Fair Virtual Editions	6	\$0-\$35

Source: Web pages of the platforms.

Eventbrite is service provider for millions of global events and experiences. This platform seeks to add online experiences with over 1 million online events and over 75 million attendees worldwide in 2020.

Table 10.6: Travel and Outdoor Events

Online event	Organizer	Summary	Cost
Birthplace of the Renaissance: Florence Interactive Live Virtual Tour	The Tour Guy	60-minute online tour of Florence that includes: an expert English-speaking Florence Guide, A 1-hour virtual experience touring the city of Florence and its museums. • A live Q and A session to answer any questions regarding the content and visiting Florence.	\$15
Plan the ultimate Kenya trip	National Geographic Traveller	Abundant wildlife across over 45 national parks, reserves and sanctuaries and over 100 conservancies in Kenya, beautiful landscapes.	Free
VTAS : Worldwide Tours, Cruises and Tropical Vacations presented by AAA	Travel and Adventure Show/ Unicom LLC	A one-of-a-kind virtual platform designed to help fulfill users' bucket list with offers of worldwide tours, cruises, and tropical vacations.	Free
Travel Indoors! (Black Travel Summit Digital Sessions)	Black Travel Summit	Instagram Live for monthly digital sessions with a variety of Black travel influencers, Black ski groups, Digital Nomads. Topics include the Black experience in travel, ways to create and market your brand successfully, making a living while traveling, growing the Black travel industry.	Free
Travel Geeks online: beers, bears and beyond in Estonia	National Geographic Traveller (UK)	Travel Geeks events will feature a panel of travel writers and experts to curate an Estonian itinerary. Whether it's visiting some of the country's 2,000-plus islands, bog-walking through an Ice Age landscape, spotting bears in the forests, or experiencing its luxurious side.	Free

continued on next page

Table 10.6 *continued*

Online event	Organizer	Summary	Cost
The British Library: A Virtual Walk through the World's Collective Memory	Steve Fallon, Blue Badge Tourist Guide	Join Blue Badge Tourist Guide and Lonely Planet guidebook writer Steve Fallon on a virtual tour of enormous building – the largest built in the UK in the 20th century – which also boasts some rather unusual architecture and an inordinate amount of artwork.	£10
FlowMap de Turismo Regenerativo	Travindy Español	The FLOWMAP is a tool that allows imagining, thinking, and acting in a fractal, holistic, and evolutionary manner, inviting users to transcend the mechanistic, linear, and finite gaze of organizations, activities, and destinations.	Free
Virtual Travel Talk: Viking Cruises	Merit Travel	Viking offers extraordinary itineraries that open doors to new cultures, food, local life, music, and unique behind-the-scenes experiences.	Free
Travel The World Debt Free	Certified Financial Coach Jonelle Rocke by Wanderful	• Understand how mindset and intentionality influence financial preparedness for travel. • Learn how to rework a budget in order to strategically save for your dream vacation. • Explore an investment strategy that we can implement to start generating money for your next trip.	Free
Florence Virtual Walking Tour - The cradle of the Renaissance	NextStopItaly	Join our virtual walking tour in which our guide will take you through the winding alleys and beautiful piazzas of this amazing city. You will visit the best sights of Florence beginning with the Cathedral of Santa Maria del Fiore (Duomo) where you will learn about the dramatic and exciting story behind the architectural marvel of Brunelleschi's Dome.	Free
Leaders for Outdoor Equity Workshop Series	The Nonprofit Institute, School of Leadership and Education Sciences	This program includes a workshop series on historical and contemporary issues of exclusion and inequity as they relate to our public lands, and highlights current efforts to address these issues.	Free
The bay of Naples virtual tour	NextStopItaly	Discover one of the finest and most beautiful destinations in the world thanks to virtual tour.	Free

Source: <https://www.eventbrite.com/d/online/travel-and-outdoor--events/?page=1>.

Flyover Zone teletours is a platform where tours run on devices ranging from smartphones and PCs to VR goggles for exploring cultural heritage sites. One of teletours, Baalbek Reborn, was created through a collaboration between the German Archaeological Institute, the General Directorate of Antiquities of the Lebanese Ministry of Culture, and Flyover Zone.

Amazon Explore is a platform that is livestreamed one-on-one with a host, in the landmark walking tours and cooking classes, where two-way audio allows for plenty of dialogue.

Table 10.7: Amazon Explore Events

Amazon Explore	Number of Events	Online events	Location
Culture and Landmarks	4	1. Explore the Arctic City of Tromsø in Northern Norway. 2. The most expensive street in Barcelona: see Gaudí's Modernist masterpieces and more. 3. Explore Neve Tzedek, the first Jewish neighborhood built beyond Jaffa 4. A living basilica: explore Barcelona's majestic Sagrada Família Temple	Spain, Israel, Norway
Food and Drink	2	1. Make Italian style bruschetta and panzanella. 2. Gin cocktail party: make iconic drinks and learn about gin with a fun British host.	Italy, United Kingdom
Nature and Outdoors	2	1. MYSTIC CHICKS! Visit a virtual Roadside Attraction featuring fortune telling chickens! 2. Explore San Jose's central market and learn about Costa Rican medicinal plants.	Costa Rica, United States
Learning and Creativity	1	A living basilica: explore Barcelona's majestic Sagrada Família Temple	Spain
Personal Shopping	1	LIVE shop Scottish pewter quaichs, flasks, tankards, and more.	United Kingdom

Source: <https://www.amazon.com/b?ie=UTF8&node=19419898011>.

Airbnb Experience - Experiences is a virtual travel platform for online experiences. One of the most popular tours is the “Harry Potter Magic in Edinburgh Tour” (<https://www.businessinsider.com/best-airbnb-online-experiences#harry-potter-magic-in-edinburgh-tour-8>). Airbnb, the International Olympic Committee (IOC), and the International Paralympic Committee (IPC) hosted a 5-day summer festival featuring more than 100 Olympian and Paralympian Online Experiences hosted by some of the world's best athletes.

Google Arts and Culture is a virtual platform for global art and artifacts (2,000 museums and archives), which are then digitized and optimized for 3D printing.

10.4 IT Infrastructure for Smart Cities and the Creative Economy

“Intelligent” infrastructure connects people to people, people to city systems, and city systems to each other, and enables ICT to improve operational efficiency and the quality of life of citizens. The smart cities connect modern information technologies with physical, social, and business infrastructure, which indicates the application of smart solutions (Caragliu et al. 2009). The development of cities brought about challenges such as the greenhouse effect, resource exploitation and so on, which is why smart transport systems are needed to tackle congestion, facilitate road user charges, and supply real-time information on traffic problems (Nam and Pardo 2011).

National policy regarding the development of creative tourism can include the role of different actors: governments, private sector, tourism organizations, and consumers (OECD 2014). Governments can provide online support networks, strengthening creative clusters and branding places and experiences. The private sector and tourism organizations can play a role in creating creative content that is

available on different platforms including online networks. Consumers can play an active role in the development of creative tourism by sharing knowledge and skills relevant to the creation of tourism experiences.

There are different models of cooperation between different actors: in the Republic of Korea, creative tourism has been used to foster integration and convergence between different creative sectors and tourism because creative tourism is set within a wider national policy framework for the development of the creative economy.

In India, the Smart Cities Mission and the DataSmart Cities Strategy launched by the government for the adoption of technology solutions by Indian smart cities used the Integrated Command and Control Center (ICCC) (WEF 2020).

In Finland, a national umbrella program for the development of cultural and creative tourism promotes cooperation between national and regional development clusters including enterprises, government, and research institutions in tourism.

Information technologies are used to provide instruments, platforms, and systems for the development of smart tourism destinations and stakeholder participation: the intelligent hotel management system, the intelligent ticketing system, the intelligent remote video monitoring system, the intelligent tour guide system, and the intelligent travel agency system (Del Chiappa and Baggio 2015; Guo et al. 2014). Innovations and investments in human and social capital are used for application stimulation of smartness in the smart tourism destination (Buhalis 2015).

Human capital, a set of knowledge, skills, and the skills that employees incorporate into production and services, contributes to the firm's economic value. Human capital and IT can collaborate to foster a cleaner and more innovative economy. Thus, human engineering includes the application of innovative and practical solutions within which the traffic and urban space is shaped. Therefore, the role of GIS (Geographic Information System) can be seen in the context of the need to monitor environmental pollution, as well as modeling activities to combat pollution and minimize any ensuing negative effects. Smart technologies, and in particular intelligent transport systems (ITS), can make a significant contribution to cleaner, safer, and more efficient transport. The legal framework (Directive 2010/40/EU) was adopted on 7 July 2010 and is an important instrument for the coordinated implementation of ITS in Europe.

10.5 Conclusion

Creativity and innovation are considered the most important elements of the development and wealth of the city in modern society. Cities tend to develop on the principles of sustainability and there are several indicators to gauge the progress the city is making toward becoming a green and smart city, such as: SDG, the Spillover Index, and the Index of Economic Freedom. Sustainable development goals consider issues related to the sustainability of cities and provide guidelines that can improve the future development of cities.

The development of information technologies enables, especially in the field of creative economies, the creation of online platforms that allow users to visit museums, cities, etc. The museum is given the ability to create exhibitions in internet galleries. This is a very important option especially during the COVID-19 pandemic, as well as during financial crises, and also reduces the environmental pressures on the current and future development of cities. In the future, cities will increasingly use the benefits of creativity, innovation, and IT to pursue their transition to becoming smart and green. The use of

smart technologies will contribute to cleaner and more sustainable development of cities in the future. Therefore, directives and plans that encourage sustainable urban mobility should be adopted and implemented as instruments for the coordinated implementation of ITS.

In addition to the indicators of sustainable development defined within the goals of sustainable development, in the future, increasing attention will be given to online events and activities, which highlight the development of the creative economy and its connection with the IT sector.

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Creative District: Re-modelling the Post-pandemic Indonesian Creative Economy

Ricky Pesik and Benno Ramadian

11.1 Introduction

Over the last two years, the COVID-19 pandemic has had an immense impact on the world economy, including Indonesia, specifically regarding its creative economy sector. Like many other developing countries, the creative industry in Indonesia, which is largely composed of scattered micro, small, and medium-sized enterprises (MSMEs) and the informal sector has been hit the hardest by lockdowns and quarantines.

However, prior to the pandemic, 2 major global financial institutions (HSBC, September 2018 and Standard Chartered Plc., January 2019), forecast that Indonesia, with economic growth around 5%, would become one of the largest economies in 2030. This is in line with President Joko Widodo's policy of prioritizing the creative sector as a future economic catalyst, one that could make the greatest contribution to GDP instead of the oil and gas sector.

The term “creative economy” is described in the Indonesian Law of Creative Economy No. 24 of 2019 as “the embodiment of added value from an intellectual property right of human creativity, based on science, cultural heritage, and technology” (BEKRAF 2019a). As the main resource for the creative economy, those value-added contributions are provided by creative individuals, in sectors that have low barriers of entry (of capital and costs), flexibility, collaboration, and high economic value.

One of the fundamental steps taken under President Joko Widodo's administration (popularly known as Jokowi) is the establishment of the Indonesian Agency for Creative Economy (BEKRAF - Badan Ekonomi Kreatif) on 20 January 2015, a ministerial-level government body (Presidential Regulation Number 6 of 2015). It came about as a result of the grassroots movement by Jokowi supporters from the creative sector to emphasize the importance of government involvement in the creative economy.

With the establishment of BEKRAF, the Indonesian government is prioritizing the untapped creative sector, with the aim of exploring its potential, addressing the challenges it faces, and boosting opportunities. BEKRAF, as the state creative economy agency aims to achieve its 3 main Key Performance Indicators (KPI): an increase in GDP, greater export revenues, and higher employment rates.

After the 2019 Indonesian presidential election, Jokowi, who won a second term, has merged the creative economy agency into the Ministry of Tourism and Creative Economy amid political and efficiency considerations. Under the new merged institution, the ministry has maintained the previous BEKRAF functions and tasks. All programs initiated and executed by the agency since 2015 have resumed and continue to achieve the KPI targets.

The Agency covers 6 functions: research, development, and education; access to capital; infrastructure, marketing, facilitation; regulation of intellectual property (IP) rights; intergovernmental relations; and interregional relations. It also coordinates with other government agencies that have established creative economy support programs to ensure that all actions are aligned and coherent.

In mapping the Indonesian creative sector, based on the possibility of John Howkins's list within the Indonesian creative scene context, the Agency's founding team has resolved to accommodate 16 subsectors i.e. apps and game developers, architecture, interior design, visual communication design, product design, fashion, movies, animation, and videos, photography, crafts, culinary, music, publications, advertising, performing arts, art, and TV/radio. It then distributed them into 17 subsectors by separating the apps and game developers subsectors.

Since the 5 years of BEKRAF's establishment, the creative economy's contribution to overall GDP continues to show significant growth every year. According to data from the Indonesian Central Statistics Agency (BPS), the country's GDP in 2018 was Rp14,837 trillion (BPS 2017), and the contribution of the creative economy has reached 7.45%.

The GDP growth of the creative sector also showed an increase from 2015 to 2018. From 4.38% in 2015, it rose to 5.25% in 2017, and to 5.6% as of November 2018. In 2015, the GDP of the creative economy was at Rp852 trillion, and increased by 29.7% within 4 years to Rp1,105 trillion in 2018, and is projected to reach Rp1,211 trillion in 2019 (BEKRAF 2019b).

There has also been an increase in the employment levels of the creative economy. In 2016 there were 15.46 million people working in the creative sector, which increased by 12.74% to 17.43 million in 2017 (BEKRAF 2019b).

Subsequently, during the COVID-19 pandemic in the first quarter of 2020, the Indonesian creative industry sectors were severely affected by the lockdown and local quarantine measures. The economic impact will be felt across all sectors, but given the specific characteristics of the creative industries, there are both challenges and remedies that are distinctive for this sector.

11.2 Leading and Priority Subsectors

The Indonesian creative sector has three leading subsectors that are the largest GDP contributors:

11.2.1 Culinary

As a basic human need, the food industry is classified as a perpetual industry. With growing incomes and lifestyle expectations, the industry has been transformed and has become an integral part of lifestyle and leisure.

Culinary refinement is the next stage of development of the food and beverage industry, which involves elements of creativity as added value. And now culinary has become a major part of the lifestyle and leisure culture. The Culinary subsector is the main driver of Indonesia's creative industry, and is the subsector that had the largest contribution (41.4%) to the creative economy's GDP, at Rp382 trillion, employing 7.98 million workers (BEKRAF 2019b).

11.2.2 Fashion

As a subsector that meets consumers' needs beyond just basic clothing, fashion describes a lifestyle, and is a reflection of self or group identity. Fashion makes a large contribution to the added value of the economy, and was the second-largest contributor (at 18% or Rp166 trillion) to the creative economy in 2016. It also had the largest share of exports within the creative economy sector, with a value of 54.54% (worth \$10.9 million), employing 4.13 million people (BEKRAF 2019b).

11.2.3 Crafts

Crafts had the third-largest contribution to the creative economy's GDP in 2016 (15.40%), worth Rp142 trillion. Crafts is also the second-largest subsector in terms of the creative economy's exports in 2016 at 39.01% and provides employment to roughly 3.72 million workers (BEKRAF 2019b).

Craft art in the Industrial 4.0 era has become a very promising business once there is a collaboration between designers, small and medium-sized enterprises, and manufacturers of lifestyle products that are mushrooming in various online marketplaces.

Through BEKRAF (later the Ministry of Tourism and Creative Economy), the government plays a significant role in supporting this subsector with initiatives such as talent scouting and training incubation via IKKON & Orbit programs that create collaboration between designers, small and medium-sized enterprises, and manufacturers. There is also a promotional program for craft products at home and abroad by sending the best products to prestigious exhibitions such as NY Now and the London Design Biennale.

11.3 Why Creative District?

Based on global economic developments in August 2019, the World Bank stated that global economic growth slowed by 2.6% due to sluggish investment, trade barriers, reemerging financial pressures, and sharp declines in several major countries. This projection was made on the assumption that new import duties and taxes will be imposed, and trade relations between the US and People's Republic of China (PRC) will continue to deteriorate.

The global economic slowdown also had an impact on Indonesia as growth in the 2nd quarter of 2019 stagnated at 5.05% from the previous quarter's 5.07% (BPS 2019). However, even though Indonesia's trade balance continues to record a deficit, the product transaction balance remains in surplus and growth continues to increase. Based on data released by United Nations Conference on Trade and Development (UNCTAD) in 2018, Indonesia recorded a creative product trade surplus of \$3.68 billion, equivalent to Rp51.24 trillion, with total exports reaching \$5.15 billion and imports of \$1.46 billion (UNCTAD 2018).

The creative economy in Indonesia has great potential. In 2016, its contribution to the national economy was 7.44 percent and it is projected to continue to increase significantly. The GDP of the creative economy reached almost \$70 billion (Rp1,000 trillion) in 2017 and increased to almost 10% within a year to nearly \$77 billion in 2018.

As in other countries, the Indonesian creative economy sector relies on the creativity of the cutting-edge millennial generation that is well-versed in digital information technology and social media communication in the upcoming era of Internet of Things (IoT). Indonesian millennials, with their high-mobility activities, both online and offline, influence changes in the national economy through their lifestyle, work, and leisure activities.

Considering this potential, President Joko Widodo has noted that the creative industry is an important industry for Indonesia to compete with advanced industries in the developed countries. Therefore, BEKRAF initiated an integrated program to develop a Special Creative Economic Zone, a place to synergize Indonesia's creative industry ecosystem, from upstream to downstream, to accelerate the growth of Indonesia's creative economy.

11.4 Special Area for the Creative Economy: *A Creative District*

Over the last 5 years, BEKRAF has been through a process of deepening and measuring the potential of creative industries around Indonesia. After evaluating the implementation of its programs as outlined in the OPUS annual report (BEKRAF 2017–2019), it seems that the creative industry chain is scattered geographically across creative individuals and their communities. This non-consolidated industry chain is reflected in production, marketing, and export constraints.

One of the main challenges is the licensing procedure for creative products, which still has to follow the conventional manufacturing regulation that requires all industrial production to be located within the integrated industrial zone.

As an example, let us consider the challenges faced by Indonesian coffee brands such as Tanamera Coffee and Anomali Coffee. It turns out that most of the roasting of coffee beans is carried out in residential areas, which causes difficulties in securing legal permits to obtain a certification number from BPOM (Indonesia's Food and Drug Administration). This is because the licensing procedure still follows the conventional Spatial Planning Regulation of each municipal entity, which requires the roasting process and all the production stages to be located in the industrial zone. This issue occurs in all products in the creative sector along the production and marketing chains.

The creative industry in the Industry 4.0 era that involves digital technology and the Internet of Things (IoT) platform, has a very different character from the conventional industrial pattern. In the creative industry, the industrial chain is very sporadic, growing from the creativity of individuals and communities that are rich in their creative ideas and innovations, and who are connected, mobilized, and monetized with IoT digital technology.

A conservative licensing regulation is contrary to the dynamic character of the creative industry, which requires flexibility in its application. Specifically, from the production stage to marketing, there are many technical challenges in the creative sector, from the startup companies' legal permit, capital investment patterns, supply lines for raw materials, and securing production equipment through customs. Moreover, the production process is spread out in various locations that are not designated in the integrated industrial area.

Therefore, to consolidate and address the challenges above, BEKRAF prioritized the establishment of a Special Economic Zone for Creative Industry (SEZCE), which includes a progressive incentive ecosystem for all creative subsectors that will start from the local micro-level district area: a Creative District (CD).

This progressive incentive ecosystem involves intensive policies specific to the creative sector, and is very important for accelerating Indonesia's creative industry as it seeks to make it competitive at the local, national, and global level. This breakthrough policy initiative aims to synergize the different parts of the creative industries behind common goals and a singular voice on the issues that cut across subsectors.

The policy is also informed by the experiences of countries that have developed their creative industries. For example, in the Republic of Korea, the creative industry has seen rapid growth due to the incentives provided by the government over many decades, and later strengthened by the foundation of KOCCA

(The Korea Creative Content Agency) in 2009 with the mission in making the country “one of the world’s five greatest content powers.” (KOCCA 2018)

The SEZCE Creative District (SEZCE-CD) seeks to become the center of the creative economy around the surrounding district areas. It aims to facilitate the whole creative ecosystem industry, from start-up ideas, production chain, marketing/promotion, and sales. It will also become an integrated creative industry infrastructure framework to produce a variety of superior creative products that will add significant value in the national and international markets.

11.5 SEZCE-CD Development Policy Strategy

According on the latest World Bank report updated in September 2019, the increasing tension amid the trade war between the US and PRC and the widening of geopolitical escalation has an adverse impact on Indonesia. The World Bank estimated Indonesia would require roughly Rp227 trillion to cover its current account deficit, and recommended increasing Foreign Direct Investment (FDI) toward export-oriented sectors that would create new jobs (World Bank 2019b).

Furthermore, the prolonged COVID-19 pandemic has affected all sectors of life, including the cultural and creative industries and poses significant challenges for all countries. However, the pandemic has led people to adapt to the “new normal,” as people are beginning to get used to COVID-19 while observing standard health protocols. The Indonesian creative economy is also showing resilience at the national as well as regional level.

The establishment of a SEZCE-CD is considered a key factor supporting economic recovery after the pandemic. Through its integrated localized creative industry ecosystem, from upstream to downstream, the SEZCE-CD is expected to provide direct economic boost for private investors both locally and globally, and promote global best practices in the country. Thus, it is expected to result in synergies within the creative industry ecosystem, and increase the contribution of the creative sector to the national economy.

There are two strategic lines in the initial stage of SEZCE-CD recommendations. The first is an “inward” strategy of building a creative district ecosystem by inviting all regulatory stakeholder authorities to develop a progressive incentive ecosystem policy within the SEZCE-CD. The second is the “outward” strategy that will integrate the ecosystem chain, from upstream to downstream, to be multiplied and distributed as pilot projects in various potential creative areas spread across the Indonesian archipelago.

The SEZCE-CD was planned within a 5-year development program. It is targeting an almost 10% annual growth rate in its contribution to the creative economy’s GDP, which before the pandemic was projected to reach \$100 billion (Rp1,500 trillion) in 2024. It also aims to increase the creative industry’s export target of \$25 billion, and that of providing employment to 19.1 million.

To provide solutions to challenges that arise in the creative industry, SEZCE-CD’s core will have an integrated leading creative industry center as an umbrella program to facilitate the industry’s activities. The following programs and services are important elements of this strategy:

- (i) One-Stop Creative Industry Licensing Services
- (ii) Tax Incentives for Anchor Tenants
- (iii) Integrated Export Services

- (iv) R&D and Incubation Centers
- (v) Startup Hub
- (vi) Cultural Centers
- (vii) Digital Financial Clubs
- (viii) IPR (Intellectual property rights) Offices
- (ix) Creative Trading Houses
- (x) Digital Techno Park
- (xi) Co-working Offices
- (xii) Livable Dwelling Environment
- (xiii) Health and Education Facilities

As the first SEZCE-CD core facility, the One-Stop Licensing Services will be a center for inter-ministerial and inter-agency license bureaucracy, for central and local government coordination, labor regulations, and inspections, in an effort to attract significant FDI.

11.6 Prioritized Subsectors of the SEZCE-CD Ecosystem

Regarding the Indonesian creative landscape, since the BEKRAF period, we recommended prioritizing 3 subsectors for the SEZCE-CD development program:

11.6.1 Film

Film, as part of the Film, Animation, and Video subsector, is an intellectual property (IP) ecosystem that represents almost all creative subsectors in their creative industry. If well-programmed and well-developed, this subsector can have a significant impact on the national economy.

The GDP growth rate of this subsector had been increasing rapidly before the pandemic, along with an increase in Indonesian film production and moviegoers. In 2016, this film subsector achieved the second-highest growth (10.09%) in the creative economy's GDP. There were 78.66% of film entrepreneurs with the income of around Rp300 million a year and 10.96% who earned Rp2.5–Rp50 billion annually.

Likewise, the number of cinema audiences in Indonesia reached 42.7 million in 2017. An example of a bestselling film is “Dilan 1990,” which was released on 25 January 2018. It has reached 6,315,664 cinema viewers, as of June 2018, and earned around \$15.47 million (Rp221 billion) from ticket sales. In 2018, there were 4 films that exceeded the 1 million viewer mark. In addition, in 2020, right before the pandemic, cinema audiences topped at 51.7 million, making Indonesia one of the top 5 in the world (BEKRAF 2019b).

During the pandemic, the Indonesian film industry was severely impacted, as conventional cinema halls were closed. Even after the Ministry of Tourism and Creative Economy initiated CHSE (Cleanliness, Health, Safety, and Environment) protocols for all cinemas in Indonesia, the occupancy rate remains low, around 5%–10%.

In the developed countries, the film industry switched to digital platforms, leading to the proliferation of various video streaming platforms such as Netflix, HBOGo, Disney+Hotstar, etc., which are developing content rapidly to generate revenues. Meanwhile, in Indonesia and other developing countries, local digital streaming platforms such as Vidios and MolaTV are also developing their subscriber base, thus providing various options for the public to enjoy.

In the SEZCE-CD development policy, the government is prioritizing film production. It is streamlining various facilities, starting from the creative concepts in studios, production houses, and film companies; providing good quality shooting locations for indoor and outdoor studios; easing supply of equipment and property for film production; providing other film infrastructure-supporting facilities, as well as housing for film industry workers. In addition, it is facilitating one-stop licensing services, access to funding, tax incentives, promotions, and ticket sales.

11.6.2 Apps and Game Developers

Currently in the Apps subsector, Indonesia has 4 “unicorns”: Gojek, Tokopedia, Traveloka, and Bukalapak, whose valuation is above \$1 billion. Even GoJek, in its 10-year journey, has now become a decacorn super-app with a valuation value of over \$10 billion (CNBC 2019).

Similarly, the world’s gaming industry offers lucrative business opportunities. This industry is also buoyed by the growing use of mobile devices for gaming. According to a Superdata report, the average smartphone user plays mobile games 3 times a day, with an average of 10 minutes per session. Games with simple, short, and easily accessible gameplay are played more often than those that offer complex gameplay.

Based on Newzoo data, the 2019 global gaming market’s valuation reached \$152.1 billion, involving around 2.5 billion people who played games on smartphones and tablets (Wijman 2019). If you look at the gaming market in the Republic of Korea, which was ranked the 4th largest in the world in 2018 and 2019 (worth \$6.194 billion), this subsector has surpassed other creative industries in the country (Newzoo 2019).

Meanwhile, the valuation of the Indonesian gaming market in 2017 was \$879.7 million with an 8.06% GDP growth rate in the Applications and Game Developers subsector (BEKRAF 2019b). This subsector is predicted to continue to grow with more startups emerging such as Agate Studio, Altermyth Studio, Toge Production, Tinker Game, and Touch Ten Game. Mobile usage in Indonesia is high. Almost 89% of the Indonesian population had access to mobile phones and gadgets in 2021, according to data from the Ministry of Communication and Information.

11.6.3 Music

Music is a soft power of a nation’s culture. As we can see, K-Pop is one of the most successful vehicle of cultural soft power dissemination in modern civilization. It is the “tipping-point” of the development of Republic of Korea’s creative industry.

Meanwhile, the Music subsector in Indonesia also experienced rapid growth, with GDP growth of 7.59% in 2016. Therefore, since BEKRAF period, the music subsector has become one of the priority subsectors. However, in the era of the digital platforms, the intellectual property (IP) ecosystem in music has to be well regulated in order to support the industry’s financial metrics. Therefore, the government established an anti-piracy task force in 2021 to support musicians and the industry.

As part of the SEZCE program, after analyzing the potential of the musical culture in Maluku province in Indonesia, BEKRAF initiated the establishment of a music city in Ambon, which was included in UNESCO’s world music city list in 2019.

11.7 IP

Intellectual Property (IP) is a critical value-added component of the creative economy. Importantly, in the digital transformation of the creative industry, without IP protection, a product simply becomes a commodity, with no added value. That is why raising awareness across the creative sector about the advantages that can flow from the strategic use of IP assets is a top priority of SEZCE-CD.

In the Indonesian film landscape, for example, the film producers of the famous Indonesian movie, *Ada Apa Dengan Cinta* (What's Up with Love), demonstrated what can be achieved through the strategic use of IP rights. The movie was a box office hit when it was released in 2004, and recognizing an opportunity to leverage its popularity, the producers signed licensing deals for a TV series and merchandizing items.

Therefore, in addition to the physical planning of the designated creative district area, the SEZCE plays a vital role in facilitating the flow of capital to Indonesia's creative businesses and supporting the monetization and commercialization of the country's many creative assets by encouraging creative businesses to think more strategically about their IP assets. The SEZCE-CD is expected to become a center for creative businesses to learn about IP and connect with potential investors. The growing number of media outlets covering IP-related issues demonstrates the solid progress made thus far.

The latest government policy designed to strengthen the importance of IP is the Ministry of Tourism and Creative Economy's IP-based financing program, which will be a new breakthrough in the national financial and capital ecosystem. The IP-based financing model needs to adopt prudent basic principles that apply in the financial and capital ecosystem. One of the elements that needs to be emphasized is the existence of an authority to manage accurate, reliable data sources, which can meet the standards that have been applied in the financial industry previously.

11.8 Further Steps

For the physical planning of the first SEZCE-CD strategy, we recommend developing a pilot project within a chosen area by assessing the local area's potential character, which should be in-line with the 3 main subsector priorities. This designated creative district area can then be replicated in other potential centers in various industrial lines. This polycentric concept is projected to be a driving force for the economy around the SEZCE-CD selected areas.

On the regional scale of the physical planning development strategy, the SEZCE-CD shall include an internal transit hub connection, a continuous green-blue network, creative agriculture, and a green strategy for sustainable development.

Along with physical planning, the IP-based system is an essential ecosystem in the creative industry that relies on its ability to create exponential economic value.

The success of creative product marketing penetration, both through offline and online distribution, is highly dependent on the hegemony of the main centers and platforms in each sector.

There are 2 further strategies that may be pursued to ensure that Indonesia's creative products/works are able to penetrate the global market. First is a renegotiation process to reach a new agreement with the predominant creative industry distribution ecosystem, by emphasizing more profit in the creative process. The second is to build a new national ecosystem that is capable of global penetration.

Offline penetration can be achieved by creating incentives on national digital market platforms, which are supported by the designated SEZCE-CD's localized ecosystem, in order to be able to compete in global markets.

With the establishment of SEZCE-CDs across Indonesia within 5 to 10 years, all the designated creative districts are expected to become new economic generators locally, and accelerate Indonesia's creative economy sector.

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Creative Economy District Development Study: Case Study on Maja, Rangkasbitung, and Karawang in Indonesia

Riyanto, Muhammad Sowwam, Mohamad Dian Revindo, Teuku Riefky, Andre Notohamidjoyo, Dini Oktaviyanti, Yessy Febrina Usman, Lyon Lasarus¹

12.1 Introduction

Creativity and innovation are vital for adding value and developing economic resilience, especially in the midst of a business climate wherein change occurs swiftly. The creative economy can serve as an alternative prime catalyst to revive an adaptive and dynamic business ecosystem for creating innovative products and services. The scope of the creative economy based on the UNCTAD definition includes activities related to creativity, cultural heritage, economy, and technology. Indonesian Law no. 24 of 2019 defines the creative economy as “the embodiment of added value from intellectual property originating from human creativity based on cultural heritage, science, and/or technology.” The importance of the role of knowledge in the creative economy production process makes the quality of individuals/groups who possess creativity, skills, and talents an important factor that determines the value of the output generated.

The creative economy has actively contributed to transforming income creation, employment, and export income (UNESCO 2013). The role of the creative economy in creating prosperity and economic growth has a significant impact on efforts to diversify sources of income and increase economic resilience. In 2016, the creative economy contributed 13.8% of Indonesia’s total exports, amounting to \$19.9 billion. It also employed 17.4 million workers in 2017. Worldwide trade in the creative economy averaged 7.34% during 2003–2015. As the world was shaken by the 2008 global financial crisis, the creative economy proved resilient (UNCTAD 2018). The value of global trade in creative goods during the same period more than doubled, increasing from \$208 billion in 2003 to \$509 billion in 2015.

In addition to the economic impact, the creative economy has a wider impact on the social ecosystem of the community due to its ability to embrace marginalized communities; strengthen cultural identity and diversity; stimulate innovation for economic restructuring; and create new creative styles and products (UNESCO 2009). Furthermore, the creative economy ecosystem, characterized by an innovative and creative nature, possesses an ability to amplify growth in other economic sectors. The spillover of ideas generated in the creative economy can encourage the creation of new businesses and investment as well as inspire the use of skilled workers in other economic sectors. Knowledge integrated in the creative economy ecosystem plays a major role in spearheading the process of creation, transformation, and dissemination of knowledge.

The creative economy’s positive impact makes it an attractive sector to develop. One path to do this is through agglomeration, which enables economic actors to build networks through the exchange of know-how, experience, and best practices. As a result, more opportunities open up for businesses

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from different sectors to collaborate, increase production efficiency and growth, as well as support sustainable development efforts (Porter 1998).

For its impact to be effective, agglomeration in the creative economy requires a well-rounded plan. This is because the creative economy is highly dependent on the quality of the production, distribution, and exchange of knowledge systems (OECD 2014). In addition, institutional systems and physical infrastructure are vital in creating agglomeration competitiveness (Doloreux and Parto 2004). On that account, the government plays an important role in developing an entrepreneurial socio-economic environment that is conducive to creative economy entrepreneurs (Audretsch 2005). In order to achieve this objective, Leydesdorff and Etzkowitz (1996) recommend that the government build cooperation with the private sector and academia as equal partners in a model widely known as a “Triple Helix.”

Despite its benefits to the economy, Indonesia has yet to develop agglomeration, let alone a creative one. To remedy this, the government has prioritized the creative economy in the 2019–2024 National Medium-Term Plan (Rencana Pembangunan Jangka Menengah Nasional/RPJMN). The government aims to create a quality, inclusive, and sustainable creative economy capable of supporting innovation through the formation of a special economic zone in 1 of 3 potential locations, namely Karawang, Maja, and Rangkasbitung. Karawang is a regency located in the province of West Java, while Maja and Rangkasbitung are subdistricts in the regency of Lebak, an administrative region in the province of Banten. In order to realize this goal, the Indonesian government also plans to develop a new economic district by utilizing a Public Private Partnership (PPP) scheme, also known as *Kerjasama Pemerintah dan Badan Usaha* (KPBU).

Currently, to the best of our knowledge, there is no academic literature that examines the development of a creative district in Indonesia. Therefore, this study aims to analyze the feasibility of developing a creative economy district; weigh which prospective location is best suited to each criterion suggested by previous literature; and analyze Indonesia’s best-performing creative economy sectors and match them with those of each prospective location.

The paper is structured as follows. This study takes up benchmarking by describing other countries’ experience in developing creative districts. It then proceeds to examine the creative ecosystem in the prospective location. The next section analyzes the feasibility of developing a district in each region by discussing the problems facing creative actors and considering economic, social, and environmental matters pertaining to district development. Next, the study presents a cooperation model suitable for developing a creative district. Finally, we conclude our analysis and offer suggestions for future studies.

12.2 Experience from Developing Creative Districts in Other Countries

This section discusses the experience of three countries, namely Canada, People’s Republic of China (PRC), and the Republic of Korea. In line with previous literature, this section attempts to identify why the projects in these countries succeeded. The findings are then used as lessons for developing Indonesia’s own creative district.

The Film Industry Cluster in Vancouver

Vancouver, known as “*North Hollywood*,” is one of Canada’s largest film production centers. Currently, it is home to tens of thousands of industry-related workers and multiple studios capable of producing

50 films simultaneously. Vancouver gained a footing in the film industry due to a combination of factors. First, it has an advantageous geographical setting. It is situated in the same time zone as Los Angeles and is just within 2 hours by plane. The city also possesses a range of sceneries, which add value to the filmmaking process. Second, Vancouver uses English as the official language. This removes any potential barrier stemming from communication difficulties. Third, Vancouver has an excellent supporting infrastructure for production, creating a conducive and comfortable work environment.

The development of this cluster was made possible by the incentives provided by both the local and federal governments. Industrial businesses are entitled to tax breaks, which are determined by the number of workers employed and the production factors used in the filmmaking process. In addition to material assistance, the governments of Vancouver and British Columbia provide support through an institutional system designed to create a conducive business climate, and offer marketing and distribution assistance to local filmmakers.

Gaming Industry Cluster's Development in Montreal

Montreal is the fifth-largest video game development hub in the world with more than 140 game development studios and a workforce of 15,000 experts. (Montreal International 2019). There are 2 reasons behind Montreal's rise. First, it is home to large companies such as Ubisoft and Electronic Arts. These companies have utilized the Canadian film industry's business networks to acquire licenses for Hollywood films, and have used these films to develop new games. Second, the location of game studios in the city is within driving distance, making it very conducive for interaction between workers.

Similar to Vancouver, local companies also receive support from the government through the National Film Board (NFB) and the City of Multimedia. NFB first served as an incubator for creative actors to develop technology for films and animations. Innovations produced by these actors were subsequently used for the game development process. In addition, the establishment of the City of Multimedia was designed to agglomerate multimedia and game companies in Montreal as well as strengthen the city's branding as a creative city. The government also provided an incentive for every business in the form of a 25% wage bill subsidy to attract new businesses.

Zhongguancun Science Park Development in the PRC

Zhongguancun Science Park (ZSP) has an area of 488 km² and serves as the agglomeration center for the People's Republic of China (PRC). Today, ZSP has the second-highest density of unicorn companies in the world, behind only Silicon Valley. It is also home to numerous highly ranked higher education and research institutions. The government has played a critical role in orchestrating ZSP's meteoric rise. It encourages cooperation between research institutions and the private sector. In addition, it welcomes foreign talent as evidenced by tens of thousands of foreign workers, students, and scientists working in the ZSP. In order to achieve this, the government has relaxed the working permit provision for those working in the area (Zhou and Xin 2003).

The government aims to foster a sound business ecosystem by encouraging lecturers to become angel investors for companies founded by their students, establishing incubators for entrepreneurship activities, and creating shared laboratory facilities for scientists and students. As a result, ZSP currently holds more than 20,000 annual domestic and international entrepreneurial events. Furthermore, the government actively encourages companies to pursue growth beyond their core business. At the same time, these companies, along with state-owned enterprises, are also pushed to integrate their production chains with smaller businesses.

Regional Innovation Cluster: Pangyo Techno Valley IT Cluster in the Republic of Korea

Pangyo Techno Valley (PTV) is the Republic of Korea's 0.66 km² research and development (R&D) center located in the southeast border of Seoul. In 2019, there were more than 1,300 companies operating in PTV, employing 63,000 workers.

PTV's successful development is based on 2 factors. First, PTV is strategically located right next to Gangnam district, Seoul's central business district (CBD), which is home to Samsung and LG's R&D centers, venture capitalists, and the nation's leading universities. This provides companies in PTV with opportunities to access knowledge and investment from the nation's best institutions (Lee, Noh, and Ji 2017).

Second, the role of the central and the provincial governments is crucial in developing PTV as they provide infrastructure, establish supporting institutions, and create policies to encourage growth. At the start of the construction, the government provided tax incentives and offered lower rental prices for companies willing to move their companies to PTV. Despite experiencing rapid growth, the government was able to maintain a relatively stable rental rate each year, which was consistently below the rental value in the Seoul business district, thereby reducing the building vacancy rate to 1.8% compared to 8.7% rate in the Seoul business district. As PTV grew, the incentives were gradually reduced (CBRE 2020).

Lessons from the Development of Creative Economy Districts in Various Countries

Based on the experience of the development of creative economy centers around the world, there are 4 important lessons to consider.

First, it is crucial to nurture an ecosystem capable of supporting innovation and creativity. A creative district must be able to foster collaboration and knowledge-sharing between business actors and academia. This is in accordance with Triple Helix model proposed by Leydesdorff and Etzkowitz (1996).

Second, the potential location of the creative district must have the supporting infrastructure capable of assisting the district's development.

Third, any government aiming to establish a creative economy district should consider attracting big businesses to partner with in the project. Big businesses are able to create positive spillover effects for smaller businesses through technology transfer and cooperation. Moreover, big businesses possess an established network of consumers, suppliers, production, and finance. This should help the district's branding as a creative center.

Fourth, financial incentives are crucial in stimulating the district's growth and economic activities.

12.3 Creative Industry Ecosystems in Prospective Locations

This section discusses each prospective location's readiness to host the new creative economy district. Taking into account the criteria for establishing a sound economic ecosystem as suggested by academic literature and the benchmarking process, this study analyzes 4 factors in each location: (1) availability of

infrastructure, (2) availability of labor and human resources, (3) existing creative economy industries, and (4) social conditions.

Karawang, Maja, and Rangkasbitung are shortlisted due to their strategic location and connectivity to metropolitan areas. With easy access to big cities and industrial areas, these locations have the potential to amplify the economic multiplier created by increased activity. Furthermore, these areas are also listed by the 2019–2024 National Medium-Term Plan (*Rencana Pembangunan Jangka Menengah Nasional/ RPJMN*) as the government’s priority for creative economy central, with the aim of creating a quality, inclusive, and sustainable creative economy capable of supporting innovation through the formation of a special economic zone. The Ministry of Creative Economy and Ministry of Public Works and Housing also support the RPJMN by highlighting these areas as their priority locations to be developed.

In terms of train station availability, Karawang has more stations than the other two. Nevertheless, Rangkasbitung’s station is closest to the downtown area. With respect to seaports and airports, Karawang performs better than the others as it has better access to a larger number of seaports and airports.

When it comes to health and education infrastructure, the 3 prospects perform quite similarly. Both regions possess adequate health infrastructure, but are severely understaffed. The number of healthcare workers are below the national average, particularly in Rangkasbitung. With respect to education, we find that the number of elementary schools (*Sekolah Dasar/SD*) and their equivalent is higher than that of junior high schools (*Sekolah Menengah Pertama/SMP*) and senior high schools (*Sekolah Menengah Atas/SMA*) in the 3 regions. Besides, the teacher–student ratios in the 3 regions are higher than the national average. In terms of the number of institutions at the basic educational level, Karawang is far behind Maja and Rangkasbitung. However, the teacher–student ratio is better in Maja and Rangkasbitung. In summary, Maja performs the worst in this regard as it has the least developed infrastructure. However, it has the potential to become competitive in terms of infrastructure within the next 5 years given its inclusion in the government’s medium-term development plan.

Second, in terms of human resources, all three prospects have a young demographic structure wherein people in the 15–19 and 20–24 age brackets are dominant in the population. Job seekers appear to be leaning toward Karawang at the moment. Our estimates suggest that there are 4 job seekers in Karawang (86% of whom are high school graduates), for every job seeker in Maja and Rangkasbitung, of whom 78% are high school graduates.

Moreover, this study also considers the existence of higher educational institutions in both regions. Karawang performs better on this criterion as it has more institutions to supply workers. Furthermore, Karawang also has more institutions specializing in creative economy sectors, such as informatics, engineering, and broadcasting.

Third, regarding the existing creative economy in each prospective location, there are some differences between Karawang and Lebak (where Maja and Rangkasbitung are located). Karawang is currently home to more than 1,200 creative economy actors, with more than half actively engaged in the music industry. The data for Maja and Rangkasbitung is unavailable as there are no records at the subdistrict level. However, the number of creative actors in Lebak currently stands at 240, in which the leading economic subsectors are culinary, music, and craft. The population difference in the 2 regions accounts for this unequal figure.

Lebak is at an advantage when it comes to access to raw materials as it is self-sufficient in this regard. The same cannot be said for Karawang, owing to the structural mismatch between the region’s leading

creative economy subsectors and the structure of its local economy, where manufacturing has been dominant for some time.

On the other hand, in terms of government support, both the Karawang and Lebak governments have shown their commitment to developing the creative economy sector by establishing formal institutions and strategic plans, as well as by organizing various programs related to the creative economy process: discussion, training, and promotion.

Fourth, we consider the social aspects in both regions. We utilize data provided by BPS-Statistics Indonesia to examine 2 aspects: (1) social acceptance, or the degree to which residents are willing to work together and help each other and (2) security. Our assessment shows that Rangkasbitung has the highest social acceptance, while Karawang has the lowest. Our analysis also concludes that Maja has the highest crime rate, while Karawang is the safest location.

12.4 Feasibility Analysis of Creative District Development

This study analyzes the feasibility of developing creative districts by delving into the challenges faced by creative economy actors as well as by examining economic, social, and environmental factors. We surveyed several companies engaged in the creative economy and reviewed laws and development plans concerning these 3 locations.

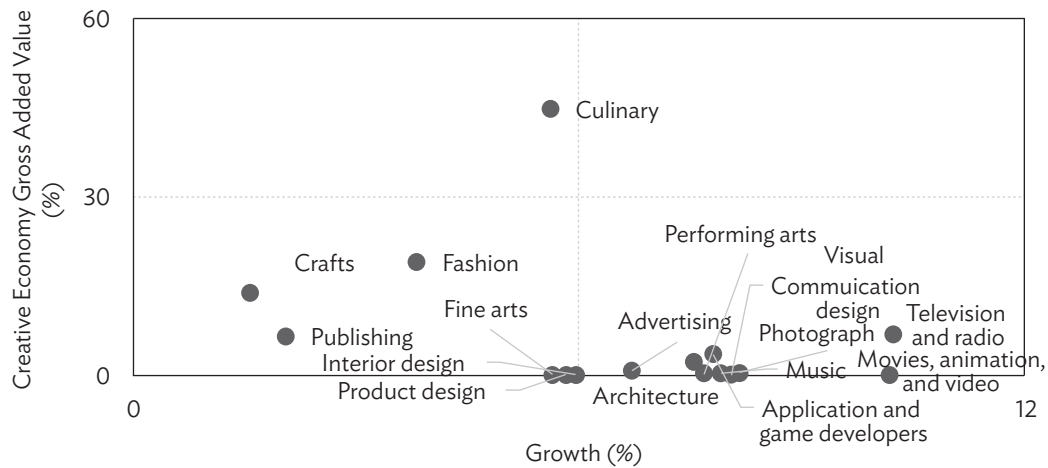
Our survey shows that creative economy business respondents are: (1) dominated by the culinary, fashion, and crafts subsectors; (2) the majority are still informal; (3) most of them are businesses that have been operating for less than 3 years; and (4) the average company's turnover is generally below Rp300 million per year. The study also finds that most companies are located less than 10 km from the downtown area, mainly due to proximity to customers, workers' homes, social conditions of the surrounding community, as well as proximity to suppliers and public facilities.

Even though most companies have found customers or partners online, product marketing challenges still abound. They have also faced challenges in distributing products despite having used social media, online marketplaces, etc. Consequently, the results are subpar. On top of that, many actors in the creative economy still face challenges when it comes to branding, without which they are merely focused on selling products while overlooking quality control.

Simultaneously, our survey also reveals a mismatch between the number of companies expecting fiscal incentives and those that actually receive them. When asked about their willingness to relocate to the new district should there be adequate incentives to do so, 29% of the respondents responded positively.

As for economic feasibility, this study examines GDP growth, value added, and multipliers produced by creative economy subsectors. Television and Radio; Movies, Animation, and Video; and Photography are the 3 best-performing sectors in terms of growth. Culinary; Fashion; and Crafts add the highest value to the economy. In the graphic below, it is clear that there are sectors with high growth but low value added, and those with low growth but high value added.

Figure 12.1: Creative Economy Subsector Growth and Contribution to the Creative Economy (2018)



Source: BPS-Statistics Indonesia, Authors' own calculations.

Multipliers are broken down into 4 categories: Output, Gross Value Added, Income, and Labor. In all categories except labor, culinary, publishing, and crafts are the 3 best sectors. By way of example, an output multiplier of 1.91 for Culinary means that an increase in final demand by Rp1 trillion results in an increase in economic output by Rp1.91 trillion due to developments in the upstream industry. Meanwhile, the value-added multiplier of 2.25 for Crafts means that an increase in added value of the subsector by Rp1 trillion will result in an increase in the economy's value added by Rp2.25 trillion. As for the Labor multiplier, Performing Arts; Fine Arts; and Movies, Animation, and Video are the largest employers.

Considering each potential location's main sectors and the creative sector's performance nationwide, it is logical that Lebak should consider the Culinary and Crafts subsectors' needs should the project be underway in that location. Meanwhile, district development in Karawang will presumably be better off if the government prioritizes increasing employment. The Movies, Animation, and Video subsector's high labor multiplier suits Karawang well because the region already has informatics, engineering, and broadcasting institutions to supply the necessary workers for the industry.

Overall, the government should pursue development of subsectors that offer high growth and added value regardless of where the district is eventually located. Therefore, Apps and Game Developers; Television and Radio; Movies, Films, and Video; Advertising and Performing Arts; Fashion; and Culinary are the subsectors the government should focus on.

Table 12.1: Output, Gross Value Added (GVA), Income and Creative Economy Labor Multiplier

Subsector	Output	GVA	Income	Labor
Apps and Game Developers	1.6	1.56	1.76	0.0020
Architecture	1.5	1.47	1.50	0.0051
Interior Design	1.5	1.40	1.42	0.0066
Visual Communication Design	1.4	1.34	1.27	0.0054
Product Design	1.5	1.41	1.37	0.0067
Fashion	1.7	1.53	1.68	0.0182
Movies, Animation, and Video	1.4	1.35	1.43	0.0184
Photography	1.7	1.68	1.60	0.0121
Craft	1.9	2.25	1.76	0.0166
Culinary	1.9	2.16	2.06	0.0181
Music	1.4	1.33	1.07	0.0151
Publishing	1.9	1.91	1.89	0.0082
Advertising	1.6	1.47	1.49	0.0071
Performing Arts	1.5	1.44	1.30	0.0643
Fine Arts	1.5	1.39	1.45	0.0190
Television and Radio	1.4	1.35	1.44	0.0028

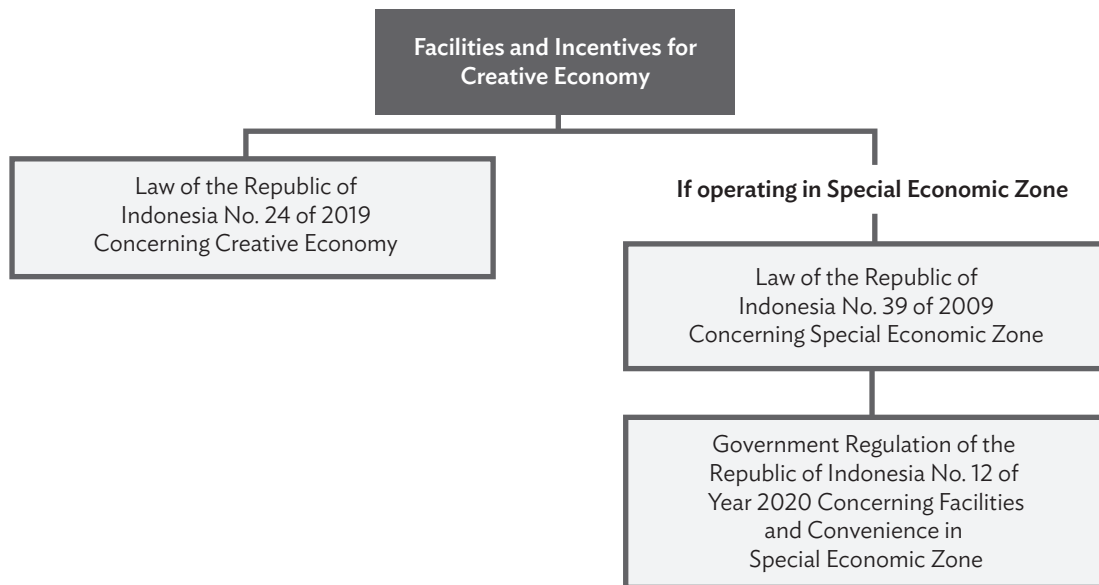
Source: BPS-Statistics Indonesia, Authors' own calculations

Next, this study analyzes social feasibility in order to identify and evaluate potential impacts during the pre-construction, construction, and operational stages of the creative economy district, as well as cost estimates. Discussions with local governments reveal a mismatch between the skills needed by local industries and those provided by educational institutions. Should this remain unaddressed, there is a potential for resistance by locals as they would not find employment in the project. At present, there are no analyses in place regarding how land acquisition and settlement plans will impact the region's future land prices and use.

Regarding environmental feasibility, this study highlights 7 nationwide regulations regarding environmental protection. The laws in place generally regulate types of businesses that are required to undertake environmental impact assessment, procedures for land acquisition for public interest, and procedures for infrastructure provision between the government and private sector. These regulations should serve as a foundation for future feasibility studies, such as matching the district's development with local spatial planning. This is particularly important given the Banten and Lebak governments' plans in place to transform Maja and Rangkasbitung into the region's economic powerhouses. The same holds true for Karawang, in which 10 subdistricts are stipulated to serve as industrial areas.

This study also takes a look at the regulations regarding the creative economy in Indonesia, which are contained in Indonesia Law no. 24 of 2019 concerning the Creative Economy. The law regulates the capacity development of creative economy actors and the creative economy ecosystem, which includes the facilities and incentives that creative economy actors will receive. On top of that, Law no. 39 of 2009 concerning Special Economic Zones (SEZ) also regulates the facilities for business sectors that are pursuing the main activities in the SEZ, including the creative industry. Regulations pertaining to incentives for creative economy actors are illustrated in Figure 12.2.

Figure 12.2: Regulations Regarding Incentives for Creative Economy Actors



Source: Authors' Illustration.

The essential part of Law no. 24 of 2019 is the role of the government in developing creative actors' capacity and fostering a creative economy ecosystem through the development of research and education, funding and financing, infrastructure, marketing assistance, financial incentives, protection of intellectual property, business coaching, business standardization, and professional certification.

In addition, the Regulation of the Republic of Indonesia no. 12 of 2020 enables creative actors to obtain facilities and support regarding taxation, customs and excise, goods traffic, employment, immigration, land and spatial planning, as well as business permits should they decide to operate in the SEZ.

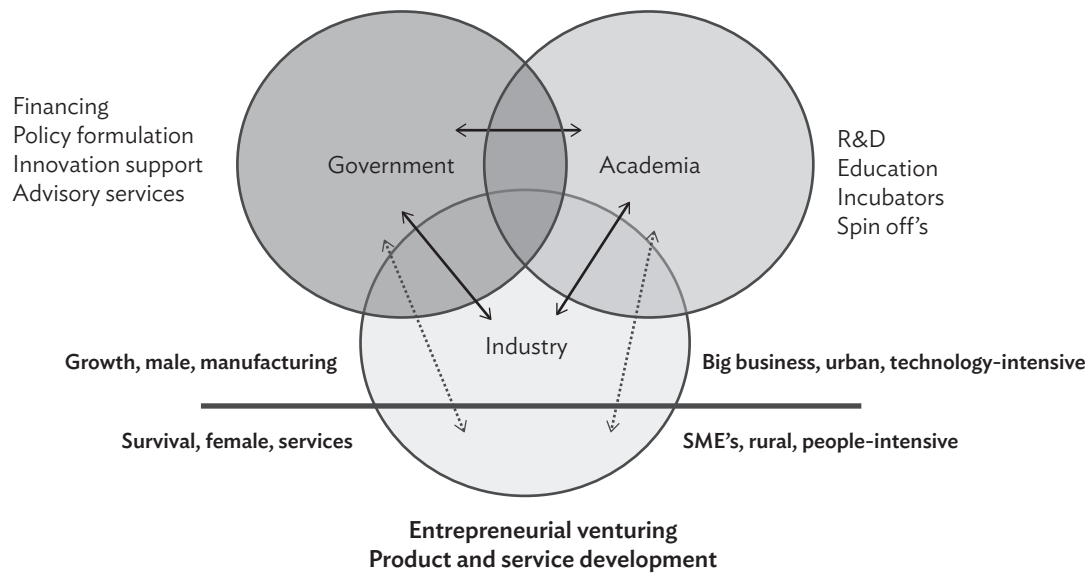
12.5 Creative District Development: The Cooperation Model

This section digs deeper into the Triple Helix model, the cooperation model proposed by Leydesdorff and Etzkowitz (1996) and used widely by other economic districts. This section also highlights the importance of Public Private Partnership in implementing the Triple Helix model.

The Triple Helix Model

In this model, there is a symbiotic relationship between industry actors, government, and universities. Cooperation between parties in the Triple Helix model can amplify the resulting impact on the process of capacity building and local and national economic growth (Ranga and Etzkowitz 2013).

Figure 12.3: Interaction in the Triple Helix Model

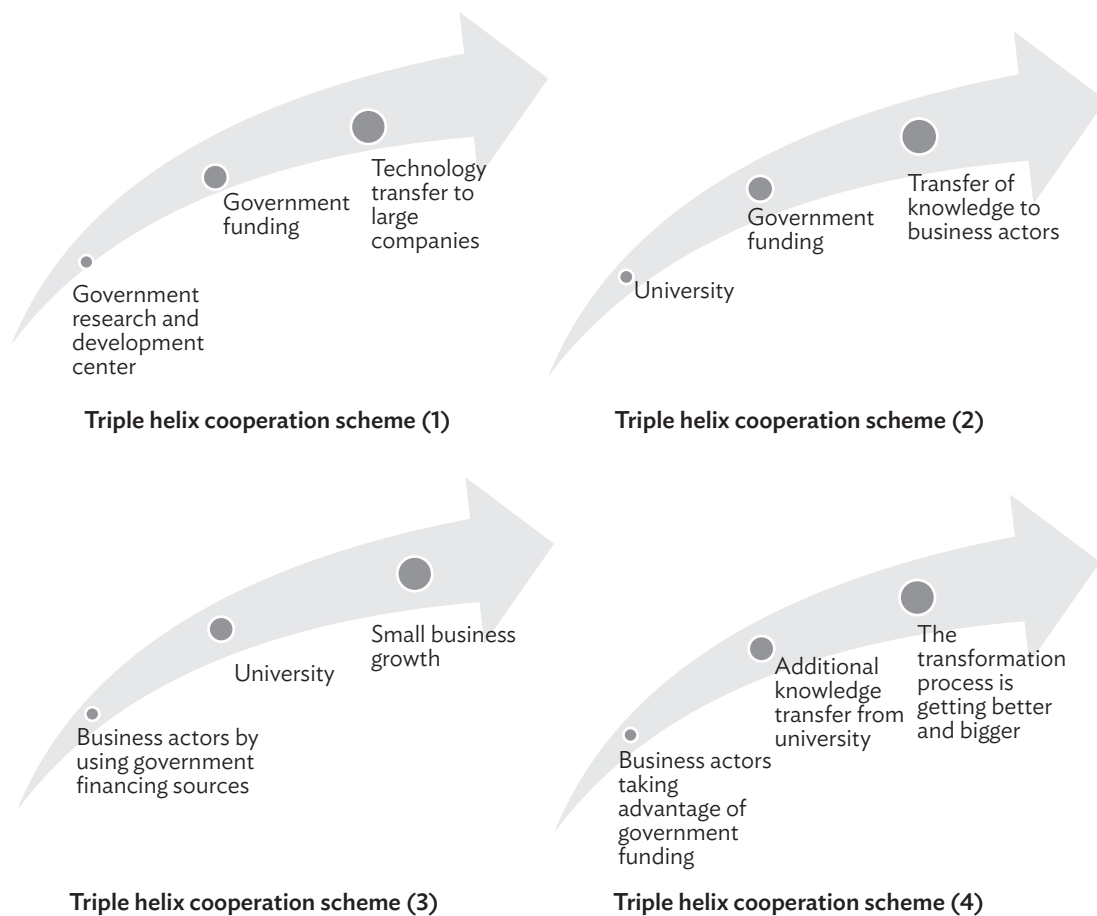


Source: Lindberg, Packendorff, and Lindgren (2014).

The Triple Helix approach allows for a “swapping” of roles: universities can participate in the formation of new ventures, playing a role like that of industry; the government plays the role of venture capitalist, providing financing for businesses; industry improves training and research capabilities, carrying out activities normally carried out by universities. Etzkowitz (2008) describes this situation as an optimal Triple Helix model in which each party can fluidly exchange functions and collaborate to develop entrepreneurship while retaining its main function. The crux of the Triple Helix model is the creation of reciprocal and mutually supportive relationships between parties to learn from each other and provide each other with necessary inputs. OECD (2013) developed 4 schemes of cooperation on the framework of the Triple Helix model described in Figure 12.4.

For the Triple Helix model cooperation to be effective, relevant parties need to ensure that the objectives and scope of the project, as well as the specific roles of each party, are clearly defined. These collaborative activities must be based on best practices so that they can be adjusted as needed. If the innovation is successful, the next step is to share the results of the innovation with those who need it to obtain their feedback.

Figure 12.4: Various Cooperation Schemes Based on the Triple Helix Model Framework



Source: OECD (2013).

Bringing Triple Helix into Action Through Public Private Partnership

Given that the creative district will be designated as a Special Economic Zone and subsequently receive tax exemptions and other incentives, there are 2 stages that require cooperation between the involved parties: (1) the development and construction phase of the creative economy district area, mainly related to land and infrastructure development that requires large investments; and (2) the operational phase. Cooperation is important as private business entities, having contributed greatly to funding in the construction phase, will expect to get a return on their investment during the operational phase. A cooperation scheme widely used in such projects is Public Private Partnership, otherwise known as PPP.

By utilizing PPP, the government and private sector are able to work on building infrastructure that would have been otherwise too expensive to undertake. Through this scheme, the government is able to achieve sustainable funding for public infrastructure projects by involving the private sector, encouraging private actors to undertake public projects, and providing assurance for private actors

regarding a return on their investment by ensuring continuous payment while being able to build infrastructure of the highest quality. Besides, PPP enables fast-tracking of projects that would have otherwise taken a very long time to be completed due to a complicated bureaucracy.

12.6 Conclusion and Suggestions

The creative economy has enormous potential to encourage economic growth and provide employment. Furthermore, it also has a broad socio-economic impact on society because of the economic and social linkages between the creative economy subsectors and other economic sectors.

In order to realize its potential, it requires a quality system capable of supporting production, distribution, and knowledge exchange. The competitiveness of the creative economy also depends on the availability of institutional systems, supporting physical infrastructure, knowledge, and the necessary skills. One way to foster creative economy development is through agglomeration, as it enables economic actors to build networks through the exchange of know-how, experience, and best practices. The government, therefore, plays a vital role in this matter. However, it needs to collaborate with the private sector and academia to realize the full benefits via a model known as Triple Helix.

Despite its benefits to the economy, Indonesia has yet to develop agglomeration, let alone a creative one. Therefore, the government has prioritized the creative economy through the development of a creative district in the 2019–2024 National Medium-Term Plan (Rencana Pembangunan Jangka Menengah Nasional/RPJMN). Currently, the government is evaluating 3 locations as prospective sites for the new creative district: Karawang, Maja, and Rangkasbitung.

Therefore, this study aims to assess the feasibility of developing a creative economy district; evaluate and recommend which prospective location performs the best in each criterion suggested by previous literature; and analyze Indonesia's best-performing creative economy sectors and match them with those of each prospective location. These objectives are achieved through literature and regulation review, secondary data analysis, surveys, and focus group discussion.

We find that the success of the economic district as an industrial cluster that encourages industrial agglomeration is largely determined by an ecosystem that supports innovation and creativity. The ecosystem is strongly influenced by the following factors:

1. Location-related factors. Creative districts located in urban areas and adjacent to the capital city have an advantage as there is spillover from the availability of research and educational institutions that facilitate collaboration with industry.
2. The presence established creative firms in the target area. This helps form a strong industrial culture, thus supporting the ecosystem for human resources, which is attractive for MNCs investments.
3. An anchor investor (large company) in the creative district. A large company is able to influence the branding of creative districts and attract more creative economy businesses to invest.
4. Targeted fiscal and non-fiscal incentives provided by the government to stimulate the creative economy ecosystem and integrate it with local economic activities.
5. Availability of infrastructure.
6. Access to raw materials and value chain match.
7. Supportive and conducive social conditions.

Regarding the 3 locations analyzed as a potential creative district (Karawang, Maja, and Rangkasbitung), we offer the following conclusions:

1. In terms of existing infrastructure, Karawang is superior to Maja and Rangkasbitung.
2. In terms of labor availability, Karawang is also relatively better prepared because the ready availability of labor to support the creative economy in the region means there is no need to transport workers from other regions. Meanwhile, in terms of educational background, the profiles of job seekers in Karawang, Maja, and Rangkasbitung tend to be similar, dominated by high school graduates or equivalent.
3. In terms of the availability of raw materials, Maja and Rangkasbitung tend to be superior, considering that the creative economy subsector in Lebak is dominated by one based on processed products, namely culinary and handicrafts. Meanwhile, the creative economy sector in Karawang is labor-intensive and creativity-based and not product-based (e.g. music and performing arts). It does not match the region's economic structure that is dominated by the manufacturing sector. Meanwhile, educational institutions in Karawang tend not to provide the required majors to support these 2 subsectors.
4. In terms of aspects of social life, Rangkasbitung is at an advantage compared to the other 2 regions. Almost all villages in Rangkasbitung have a culture of helping each other in times of difficulty/disaster and for things that are of common interest (e.g., community service). Meanwhile, Karawang tends to be superior in terms of security, followed by Rangkasbitung and Maja. The crimes that require major attention in Maja are the numerous cases of gang fights, while for Rangkasbitung they are related to drug abuse/trafficking.
5. Development of a creative district will require different strategy depending on where the district is going to be located. Should the district be constructed in Lebak, the government should pursue development that caters to the needs of Culinary and Crafts. However, district development in Karawang will presumably be better off if the government prioritizes increasing employment, as its supporting infrastructure is well-suited to the region's potential subsector.

We believe that the creative district program should proceed, considering that the demand for the creative economy will continue to increase and its linkages plus multiplier effects in the economy are quite large. Other factors supporting the continuation of the creative district program are industries' willingness to relocate to the new site of creative economy district and the potential to further develop creative economy subsectors of high growth and high added value. However, further assessment of the impact of the creative district on social order and environment is needed. The government should also explore the possibilities of performing a Public Private Partnership scheme in developing the district to leverage the Triple Helix model.

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Creative Hubs at the Heart of the Creative Economy: Lessons from the British Council's Decade-Long Work with Creative Hubs Globally¹

Roxana Apostol and Camelia Harahap

13.1 Introduction

The British Council is the United Kingdom's (UK's) international organization for cultural relations and educational opportunities. It works to create friendly knowledge and understanding between the people of the UK and other countries. For over a decade, the British Council has been investing in and delivering Creative Economy programs through its worldwide network and with local and international partners. From mapping creative industries in East Asia to training creative economy and innovation policy makers in the Americas, from bringing together creative hubs across Europe to training hundreds of creative entrepreneurs in Africa, these programs have reached far and wide and have recurrently helped mobilize the recognition of the importance and impact of the creative and cultural industries or that of emerging creative ecosystems in various countries. A report by Tom Fleming highlights the British Council as “a much-valued facilitator and enabler, connecting talent locally and with the UK, giving visibility and voice and thus acting as a go-to partner for information, access to networks and connections to the UK” (TFCC 2019).

Through its Creative Economy work, the British Council enables people around the world to shape and share in a creative and prosperous future. For over a decade, the British Council's Creative Economy Team has been connecting ideas and experience from the UK with emerging global cultural leadership, building networks and supporting international collaboration for long-term impact, mutual benefit, and greater international understanding. The team works with the next generation of artists and creative entrepreneurs around the world to tackle today's challenges, providing research, tools, space, and connections that creative communities need to experiment, learn, and flourish.

Large international organizations such as the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the European Union often refer to the creative economy in terms of its trade and monetary potential, focusing on transforming cultural and creative products into economic value—and this is not a bad approach in itself. The Creative Economy Team cited above also works to understand the conditions in which creative economies can thrive and grow in a way that is embedded, sustainable, and inclusive.

But increasingly, more governments have started to recognize that the creative economy and its ecosystem bring more than just financial return; it also generates immeasurable social and cultural impact, which can help them transition from industry-based economies toward more sustainable systems. Immeasurable because of how hard it is to quantify these types of impact: creative organizations and individuals working at the grassroots of the ecosystem are its true key cogs, but they often lack the means, time, or methods to collect the data and tell their story.

¹ The authors give special thanks to Malaya del Rosario, Patcharawee Tunprawat, and Ian Thomas.

Creative hubs are essential organizations working at the heart of the creative economy, operating as complex networks that foster growth, innovation, and empowerment for creative individuals, and bridging between grassroots communities and higher-level actors. Bird's eye studies like *The Missing Pillar* report (Nordicity 2020) commissioned by the British Council offer anecdotal evidence of not only the social benefit cultivated by actors of the creative economy, including creative hubs, but also the sector's substantial contribution to global challenges and the Sustainable Development Goals (SDGs).

The British Council has worked with over 1,000 creative hubs globally since 2014. The organization sees creative hubs as vital grassroots actors of the creative economy, who gather and represent diverse creative communities. Hubs have featured greatly in the British Council's programming—as partners, collaborators, producers, and researchers, and helping to design, curate, host, and manage events of all shapes and sizes. Working with creative hubs is a one-to-many approach that allows the support given to a hub leader to trickle into supporting and strengthening the creative community they represent. Hub leaders act as a gateway to grassroots creative individuals, to networks, creative talent, audiences, and valuable industry data and statistics that might ordinarily be hard to discover, reach, and connect.

Building thriving, inclusive, and sustainable creative economies is a continuous endeavor that requires systemic engagement and support from and at all levels: the grassroots actors, the intermediaries, and the policy makers. Understanding the conditions in which grassroots actors—creative hubs specifically—thrive and grow is the first step in this effort. But measuring this sector is often seen as a Sisyphean task. With data being the polarizing driver of power nowadays, the ability to understand who the creative industries' grassroots actors are, what types of activities they cover, where they are clustered, and how they operate is the fundamental step in unlocking the full potential of a dynamic creative economy.

This paper will offer insights and lessons from the British Council's decade-long global work to map and research creative hubs: grassroots actors and powerhouses of the creative industries and creative economy.

13.2 Context Setting

Creative hubs are made up of many shapes and sizes, from temporary to permanent, digital, or physical, local or global. They might be brick-and-mortar spaces that house creative practitioners and businesses, temporary labs and incubation spaces that ignite innovation, or online networks that bring people together around a recurring program of events. While some hubs specialize in a specific sector, others welcome a wide range of sectors together (i.e., a space where a variety of sectors gather, from artists, animators, and designers to architects, writers, and illustrators); and they can be as small as a handful of people or as large as several thousand people (Smith 2018). As evidenced in the British Council report *Creative Hubs: Understanding the New Economy*, the hub manager must act as a curator who carefully selects those that will benefit for sharing the same environment to build a community (Pratt et al. 2016).

The British Council uses a definition for creative hubs research and programs which qualified these organizations as “a physical or virtual place that brings enterprising people together who work in the creative and cultural industries.” In practice, however, there are many definitions of creative hubs, and numerous organizations around the world might not resonate with the “creative hub” designation.

The observations and most of the depictions in this paper are drawn from the experience of British Council staff working within the creative economy sphere and supporting creative hubs globally for

over a decade. They are based on qualitative data, anecdotal evidence, and hands-on experience, as well as a vast collection of British Council-commissioned reports and mappings.

For the purpose of this paper, a number of research reports commissioned by the British Council have been cited. Notably, *Mapping Creative Hubs in Scotland* (2020), *Mapping Creative Hubs in England* (2021), and *Situational Analysis of Creative Hubs in Malaysia* (2020) were all used to provide recent data on the work and relationship of creative hubs with their local communities and the global SDGs. The British Council's *Hubs for Good Monitoring and Evaluation Report* (2021) was also a key source of data from the Southeast Asia region.

Most of the case studies used in this paper stem from the Creative Hubs for Good regional program implemented by the British Council between 2018 and 2021, which aimed to support creative hubs as key drivers and catalysts for good in cities in Southeast Asia, namely in Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.

Creative hubs have been popping up all over the world since the early 2000s, but research on them is still in the process of building up and strengthening. There is a historic precedent to arts and craft actors associating in trades and clustering geographically, but modern-day creative hubs host a bigger diversity of sectors, and evolve continuously and at a fast pace. This makes it difficult to understand what creative hubs are and how they really operate. The British Council was one of the first international organizations to recognize their potential and support creative hubs on a global scale, helping unlock the first hubs-specific funding stream from the European Union (Apostol and Smith 2016). Between 2016 and 2018, the British Council has led a partnership with six creative hubs across Europe, to deliver a 2-year project co-funded by the European Union. It aimed to establish a European Creative Hubs Network (ECHN); and by its conclusion, it had created a community of experienced creative hub leaders across Europe, enhanced the ecosystem that supports the development and growth of the creative hubs and cultural and creative industries sector, and promoted creative hubs as innovative models to the European policy makers and funders. The community of creative hubs has taken the network forward and set up an independent legal entity at the end of the project. And it all started with a simple desk research to map creative spaces and coworking organizations across the region.

Mapping creative hubs in various locations has been a greatly useful exercise in assessing the value of the ecosystem and the impact creative hubs bring. It helped the British Council understand who and where the hubs are, what their needs and challenges are, and learn more about their wider ecosystem. Keeping in mind the purpose and the audience of the mapping has helped British Council reports be recognized as cornerstones of emerging programs of support for the sector. The methodology employed by the organization often pairs UK expertise—often people with experience in running a creative hub—with local expertise and talent, and engages a vast local network of intermediary organizations, in order to be able to create mapping resources that respond to real needs and foster that invaluable exchange of knowledge. Two of the most recent creative hubs mapping reports, also cited in this paper, looked at the ecosystem in Scotland (Dunbar 2020) and England (O'Hara and Naik 2021), as part of an endeavor to map creative hubs in all four nations, which will hopefully be completed by the end of 2022.

Nowadays, creative hubs are increasingly recognized as essential blocks of the creative economy. The Government of Malaysia, for example, has included them in its strategic plan to grow the creative and cultural economy. Hubs are seen as a way of providing much-needed infrastructure to this fast-growing sector, particularly in Kuala Lumpur. They are now a key pillar of Kuala Lumpur's 5-year plan (Frost & Sullivan et al. 2018), but are also working with regional governments to create new opportunities through initiatives wanting to catalyze the economic growth of the creative industries. This indicates that from a political standpoint, hubs are increasingly seen as key social and economic

drivers (Turner 2020). In 2020, the British Council commissioned a situational analysis of creative hubs in Malaysia (Turner 2020).

Their network-like character puts creative hubs right at the heart of the creative economy. In addition to the economic value they foster within their network of members and collaborators, they also have an impact on their external environment. Hubs contribute to regeneration of urban and rural areas, while acting as lighthouses for invisible communities. Being part of a hub enables artists, creatives, and any aspiring entrepreneurs to feel part of a larger community of peers who share their challenges and successes. Rather than working in isolation, being part of a community increases the confidence, experimentation, collaboration, and growth of these creative individuals and their micro, small, and medium-sized enterprises. Between 2018 and 2021, the British Council's Creative Hubs for Good program in Southeast Asia has directly involved more than 10,000 beneficiaries—individuals and organizations—from more than 29 cities and surrounding locations, all by working with groups of creative hubs. The program aimed to support creative hubs as key drivers and catalysts for good in cities in the region through capacity building and skills training, creation of new networks, and advocacy and policy dialogue engagement,

13.3 Mapping Creative Hubs: Case Studies

Mapping reports are decisively a great way to understand trends, challenges, impact, and geographic distribution of creative hubs. With the British Council's mission to create friendly and mutual understanding and exchange of knowledge between the UK and other countries, it was important to document the creative hubs landscape in the UK, just as much as in other countries.

With the creative industries being flexible, fast-paced, and at the forefront of innovation, it is often difficult to keep up with the sector's evolution. Therefore, periodic mapping exercises can help keep track of shifts and major changes. Through various mapping and research actions, the British Council has identified over the years more than 300 creative hubs in England (2021), more than 130 creative hubs in Scotland (2020), and more than 100 creative hubs in Wales (2018). The desk research exercise preceding the European Creative Hubs Network project revealed more than 600 creative hubs and coworking spaces in Europe (2014/15). These numbers testify to the proliferation of creative hubs since the early 2000s, and, even more so, to the need for these types of organizations.

Knowing how many creative hubs there are in a country or region, where they are clustered, what their typology is, what kinds of sectors they support, and what challenges they face, as well as what they excel at, helps assess what value and impact they bring to the wider creative economy; therefore, mapping creative hubs can be a particularly useful exercise. The British Council-commissioned Connecting Creative Communities report analyzed creative hubs across Malaysia, Thailand, Indonesia, and the Philippines, revealing they are perceived by their users and the wider public as places that facilitate learning, fostering a sense of community, and as catalyzers for the city and for the arts sector. The report also pointed toward their precarious financial sustainability, limited staff resources, and relative lack of recognition and support at the time (Siregar et al. 2017).

These creative hubs' mappings have helped the British Council find local partners and raise the profile of the hubs' ecosystem. They also revealed the needs and barriers of hubs and those of their wider ecosystem, and have helped plan and inform programming. By way of these reports, the British Council was able to engage in and facilitate dialogues between high-level stakeholders and policy makers with the creative community.

The mapping reports are usually authored by consultants, academics, creative hubs, or creative professionals. Cooperation is a crucial aspect of the mapping exercises, and the British Council often looks at partnering with like-minded organizations in order to strengthen the commission and its future outputs. For example, the British Council collaborated with Hivos to commission a Southern Africa creative hubs mapping, which was developed by a local creative hub (Electric South 2018). A similar exercise was done in collaboration with ATÖLYE, a creative hub based in Istanbul (Ataman 2017). In Indonesia, a partnership with the Centre for Innovation, Policy and Governance in 2017 generated the *Enabling Spaces: Mapping Creative Hubs in Indonesia* report (Siregar and Sudrajat 2017). In 2016, a partnership with the Culture Foundation-Songshan Cultural and Creative Park also helped publish a mapping report for Taipei, China (Chen and Chen 2016). More recently, the Creative Scotland-British Council collaboration has resulted in the *Mapping Creative Hubs in Scotland* report.

The methodology used for the most recent two mappings in the UK started with a preliminary desk research exercise, including a refinement of older British Council knowledge and contacts across the country. The process then advanced to a data collection phase, where online surveys were distributed widely, through networks of contacts and via social media and other online platforms. The data analysis phase started toward the end of the data collection: while the majority of survey responses targeted were collected, the researchers were able to draft some preliminary observations, firmed up after the closing of the survey. A number of more in-depth interviews were foreseen to either validate observations or to collect case studies for the report. While running the mapping exercise in England, the researcher also incorporated a valuable extra step in the process—namely, a meeting where the draft survey was shared with a control group of creative hubs representatives—for sense checking topics, and for clarity and ease of usage. Pre-testing the survey with a small control group (an advisory board, steering committee, etc.) could help mitigate some of the challenges of online surveys.

Therefore in 2017, a few years into working with creative hubs around the world, the *Creative Hubs: Understanding the New Economy* (Pratt et al. 2016) report was commissioned and published, in response to requests for greater understanding of hubs and their value. This was an initial effort to unpack the definitions and roles of creative hubs and take a closer look at their day-to-day practice through a series of case studies from the UK. Three important themes emerged from this study, which helped inform future activities and programming from the British Council. First, the study outlined creative hubs as more than their physical space and their networks, with their success depending on collaboration and exchange between their members. Second, the theme testified to creative hubs being embedded in their communities and regions, with their profile depending on their local context. Third, the report observed that evaluation of creative hubs requires multiple criteria. These learnings were put into practice by the British Council through local and regional programs focusing on developing skills for hubs leaders and their communities, empowering creative hubs to tell their impact stories, and trying to devise a tool to help creative hubs self-assess their impact.

In 2019, the British Council in partnership with Creative Scotland commissioned the *Mapping Creative Hubs in Scotland* report, authored by Lindsay Dunbar. It provided a record of hubs across the nation, along with an overview of their sustainability, social and economic impacts, international connections, and inclination to respond to global challenges. This report was commissioned as the first stage of a UK-wide attempt to map creative hubs to refresh knowledge of the sector in the UK, and it mirrors the sector as it was before the global pandemic.

Scotland's creative industries comprise over 15,000 businesses employing more than 70,000 people, in addition to a large number of freelancers as well as students studying creative courses; and they contribute more than £5 billion to the Scottish economy every year. More than 130 creative hubs have been identified across the country, with an almost even proportion located in urban and rural areas.

A crucial observation of the report points to the need to continuously challenge the definition of a creative hub, which confirms the ever-changing, i.e., flexible and adaptable, nature of these organizations.

The report also documents that many hubs are formed by community members coming together around a like-minded vision, but some have been developed as a result of local authorities' intervention (Dunbar 2020). It also seems that very few creative hubs in Scotland do not have a legal structure, a majority of them adopting a social enterprise model. When it comes to financial sustainability, although creative hubs employ ways to generate their own income and demonstrate some positive steps toward doing this sustainably, a majority of those involved in the study still depend on public funding.

The creative hubs' outputs recorded by this report show evidence of their contribution to the SDGs: SDG 8 Decent work and economic growth, SDG 10 Reduced inequality and balanced society, and SDG 11 Sustainable cities and communities. Through their activities of providing training, workshops, access to equipment, resources, skills, and networks, hubs support individuals toward engaging in suitable employment, education, and training, as well as accessing relevant opportunities, in alignment with SDG 8. Hubs surveyed here are also seen as providers of collaborative and inclusive spaces, driving gender equality and empowerment of women, as well as high well-being, social, and community impact locally, in alignment with SDG 10. Anecdotal evidence collected in this report also portrays hubs as catalysts for collaboration in rural and urban spaces, contributing thus toward SDG11.

The creative hubs' contribution toward these SDGs is not a surprising observation; many of these organizations have explicitly included social impact in their mission statements. Equally, in a barometer-type study (ECBN 2017) commissioned as part of the European Creative Hubs Network project, creative hubs respondents across Europe identified themselves as having a social (83%), economic (65%), and environmental (21%) impact. The definition of each of these three impact areas is not clear in the study, but it does provide a series of activities carried out by creative hubs which support the impact statements.

Another compelling observation of this report points to the innovative thinking displayed by creative hubs in Scotland (Dunbar 2020). It takes note of how creative hubs have been working closely with local authorities and key economic development agencies, while acting almost as advocates for the regions and communities in which they operate. Documentation shows creative hubs support young people in their development of skills, and by instilling confidence, countering as such the brain drain phenomenon from rural areas. Equally important, the creative hubs sector in Scotland recognizes the benefits of supporting each other, and the benefits of international partnerships and mutual learning.

However, it seems that creative hubs in Scotland are still struggling with measuring their impact beyond anecdotal evidence, and therefore failing to communicate benefits sufficiently. The conclusion points, once more, to the sector's need to develop a tool for consistent evaluation, which would reduce the need for creative hubs to generate a variety of reports for different audiences.

Following the 2019 exercise in Scotland, the British Council commissioned Ellen O'Hara and Deepa Naik in 2021 to compile a Mapping Creative Hubs in England (O'Hara and Naik 2021). The team identified 316 creative hubs in England, concentrated in major urban centers, as well as emerging in small cities and towns across the country. The report described a dynamic, diverse, and evolving sector, and a highly complex and non-homogenous spectrum of creative hubs.

The concentration of creative hubs across the English region varies. Some 30% are located in small urban centers with 12% in towns, with a small number located in rural or semi-rural locations, a contrasting picture to Scotland. Unsurprisingly, creative hubs in England also operate a mixed economy

business model, with grants being one of the main income strands, although not the most common one for creative hubs here. Multilayered missions, and complex and hybrid operating models describe the sector in England. The researchers were able to distill three key drivers for creative hubs—artistic, creative, cultural impact; social impact; and economic impact—overlapping with a few common themes such as education and skills development, research and innovation, and transformation of locations into better places to live and work.

Although the identified key drivers paint a similar picture to Scotland, creative hubs in England have remarkably declared their largest impact areas contribute toward SDG 3 Good health and well-being and SDG 4 Quality education, along with SDG 8 Decent work and economic growth. Moreover, some creative hubs have affirmed their alignment with Living Wage principles and serving communities from low socioeconomic backgrounds as ways to contribute to SDG 1 No poverty. Shifts in their activities during the pandemic also show creative hubs providing emergency services, redeploying resources to become food banks and community response units. From the British Council's experience, this also closely resembles activities undertaken by creative hubs in Southeast Asia during the pandemic. When it comes to SDG 3, creative hubs generate impact that supports the already documented connection between culture and creativity with health and well-being. SDG 4 is also cited among creative hubs' goals, through their upskilling, capacity building, and talent development programs, which enable access to formal education, qualifications, and apprenticeships. Oddly, creative hubs in Scotland cited similar activities as contributors to SDG 8, a difference that indicates a fragmented understanding of the SDGs across the sector.

This mapping of creative hubs in England has highlighted a spectrum of roles and relationships creative hubs play, hold, and nurture in their ecosystem. They are often community builders, playing a role in convening like-minded people, galvanized by a common vision or purpose. The role of co-creators, co-producers, and co-curators is a common feature of many hubs who work with their local communities to co-produce programming, crowdsource content from members, or solve complex social problems. Hubs are also enablers and facilitators who nurture people and create an environment for change and development, as well as a safe space for communities and individuals. They also work as brokers and anchors for their communities; mature hubs in particular being seen as trusted and active partners. Creative hubs work as activators and change agents where they help reimagine and revive disused industrial space, empty high streets, and forgotten heritage buildings. Ultimately, creative hubs act as leaders and advocates, driving new cultural strategy, with an active role in urban planning and regeneration, and advocating for policy change, thus nurturing the next generation of creative, cultural, and social leaders. Each of these roles, assumed either synchronously or asynchronously, validate what is sometimes only anecdotal evidence of the hubs' cultural, social, and economic impact.

Despite these fantastic outputs, 75% of creative hubs surveyed in England still cite finance as a key challenge, only worsened by the global pandemic, which is not surprising. And despite all the impact reports and creative hubs being around for more or less 20 years now, there are still challenges in gaining that political recognition and having a common narrative to build on. This is again attributed to the lack of robust or coherent impact measurement, a common theme across both nations—and beyond the UK, as can be seen later in this paper.

The authors of the mapping report in England identified three specific strengths to be turned into opportunities for the creative hubs surveyed. They referred to the hubs' strong sense of purpose rising from their addressing the needs of their local communities, in combination with their ability to connect with audiences, and how this could only be amplified by the increased digitalization and their interest in connecting and sharing with creative hubs around the world. They also cited hubs' skills in running community-led, emerging business practices as themes other sectors could look at for inspiration and

resilience. Finally, creative hubs could gain more recognition, support, and investment, if they leverage their ability to create both economic and social value, and their contribution to improving mental well-being.

13.4 Supporting Creative Hubs: Case Studies from Southeast Asia

The British Council's long-standing work in the creative economy and with creative hubs in Southeast Asia has led to numerous partnerships and generated networks over the years. The Creative Hubs for Good regional program implemented by the British Council between 2018 and 2021 aimed to support creative hubs as key drivers and catalysts for good in cities in Southeast Asia, namely in Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. The following two case studies from this regional program illustrate the far-reaching and diverse impact the British Council has been able to mobilize by supporting and working with creative hubs.

13.4.1 Thailand

In a growing environment of creative entrepreneurship, British Council Thailand has been undertaking a range of research and development activities to promote a wider recognition of the value of the creative industries.

In 2018, the British Council mapped the creative hubs scene in Bangkok, penciling a timeline of their evolution in the city and identifying their impact and challenges. The report showed that since 2002, at least 19 diverse creative hubs have emerged in Bangkok, leaving their mark on the city's lifestyle and economy. Changes in terms of investment, tourism, and the livelihood of communities were evident, as was the general public's perception of art and design. Suddenly, new platforms were available for future entrepreneurs, networks were empowered, and collaborations started flourishing. The same year, the organization worked together with the Government of Thailand to provide capacity-building training for university-based creative hubs and their managers. The aim was to empower university-based creative hubs across the country, which act as drivers for the local economy and can counter the brain drain phenomenon.

The British Council went a step further and commissioned the Creative and Cultural Districts in Thailand report in 2019, aiming to understand the role and value of cultural and creative districts, the factors impacting them, and where creative hubs fit in (Yee et al. 2020).

In Thailand, the government's 4.0 policy has highlighted the creative economy as a key driver for advancing the country's growth, by promoting innovation and creativity in all sectors. At the same time, the Creative Economy Agency was established in 2018 to lead Thailand's creative economy agenda. This opportune context has sparked increased public and private investments in innovation and creativity agendas, with a recorded emphasis on creative districts and, more recently, creative hubs as catalysts for social and economic changes.

In 2020, the British Council organized a social innovation hackathon in Bangkok to encourage collaboration between UK and Thai hubs specializing in placemaking and creative problem solving, with the purpose of addressing some of the social and environmental issues present in the Nang Loeng neighborhood through creativity and social innovation. This is a bustling, historic area, well-known for beautiful buildings and the Nang Loeng Market, the oldest market in the city, selling a variety of food as well as fresh produce. The local population makes a living from running local businesses. Nang Loeng is

facing a number of threats due to urbanization, poverty, pollution, and ageing population, made worse by the coronavirus pandemic, which caused further economic decline. The community needed support to make the area a better environment to live and work, in order to protect their cultural roots and improve their livelihoods. The project was organized in partnership with Urban Studies Lab (USL), a nongovernment think tank organization on urban development and placemaking, and Ford Resource and Engagement Center, a community-based environmental conservation hub run by Ford Motors.

Participating hubs included four Thai hubs from Bangkok, Nonthaburi, and Chiang Mai, and UK hubs including Kiondo from Walsall and the University of the West of England. The hubs attended briefing sessions and community visits in order to understand the needs and perspectives of the local community. UK hubs were able to participate in the sessions online and paired up with Thai hubs to develop proposals together. During the hackathon, Thai hubs also received additional mentorship from Thai experts, and consultation with UK hubs and the local community to finalize their ideas.

The winning project, “Sky Tapestry” by Weave Artisans Society, received financial support in the form of a project grant. The team is currently working to tackle plastic waste issues (the consequence of a large number of plastic bags being thrown away after a single use at the market). The project proposed to set up recycling stations in the community, turn plastic bag waste into tarpaulin, and use the tarpaulin to create canopies in public areas, which will provide more recreational spaces for the community and attract visitors to the neighborhood. A business model has been finalized, with support from the UK hub Kiondo, to ensure that the project will be sustainable and bring steady income to participating community members who act as recyclers and activators.

Recognizing the significance of creative hubs as agents of change, the British Council commissioned another research report titled *Social Impacts of Creative Hubs in Thailand* (to be published at the end of 2021), which provides an in-depth analysis of the roles of creative hubs in generating social impacts on a local and city level. Therefore, the spotlight on creative hubs and these deep dives into the interlinks between hubs and the neighborhoods they are nestled within were timely. The two published reports mentioned earlier have been referenced subsequently by creative and cultural practitioners, as well as policy makers in the country. The work also resulted in the British Council becoming a connector between creative hubs and government agencies, introducing the roles of creative hubs into the wider Thai creative districts and cities policy. The British Council has also been invited to attend policy meetings on creative districts and creative economy, and provide further input for a number of relevant government agencies.

13.4.2 Philippines

The British Council in the Philippines developed the Creative Innovators Programme in 2018, in partnership with the Design Center of the Philippines, Thames International, and Apl de Ap Foundation. The program aimed to help creative hubs in the Philippines become more sustainable and impact led, contributing to more inclusive cities and communities, and therefore strengthening the creative industries across the country. It covered a 3-year fellowship experience for 15 Filipino creative hubs, which included personalized mentorships from creative industries leaders from the UK and internationally, a capacity-building workshop designed specifically for creative hub leaders, a study visit to the UK and the chance to connect and learn from creative businesses, project grants, and various networking opportunities.

A 2019 report titled *Happy Nests: The Social Impact of Creative Hubs in the Philippines* (Ormston, Ouano-Sguisag, and Intac 2020) thoroughly surveyed and evaluated the hubs participating in the Creative Innovators Programme. It found that hubs are best understood “as an ecology, rather than as

more traditional sectoral structures,” a hypothesis that stood at the basis of all creative hubs programs the British Council designed.

It also claimed that “strategic and operating principles, like a virtuous economy that reinvests in development or cultural investment linked to social benefit, is as important as mapping and data.” This seems to be a common trend with creative hubs operating in England where, as mentioned earlier, cultural, social, and economic impact, overlapping with a few common themes such as education and skills development, research and innovation, and transforming locations into better places to live and work, are key drivers—and the struggle to evaluate impact consistently and coherently is present too. A need for standardized evaluation frameworks and quantifiable evidence for creative hubs has, here as well, been highlighted as essential in raising awareness about the sector’s impact, but it is easier said than done.

Seeing the creative hubs’ creative responses to the challenges raised by the COVID-19 pandemic, by strengthening and digitalizing their creative work, pursuing hybrid business models, and advocating for the creative and cultural sector, raised an interest in exploring the creative value and resilience of hubs in the Philippines. The British Council commissioned a study (Toivonen and Co 2021) that found that creative hubs generate “creative value added” through enabling interactions among their members that drive problem-solving, learning, and meaningful progress. This ethic, which was maintained throughout the pandemic, seems to have played a vital role for the communities of creatives. However, Filipino creative hubs faced very similar challenges to hubs elsewhere in the world, with loss of income and the financial insecurity of their community members being the biggest concern, especially during the pandemic.

A particular observation of the report appreciated that the network and inter-hub connections existing in the country have enabled essential knowledge exchange and vital peer support during the difficult times, a result of the British Council’s consistent pre-pandemic efforts to organize opportunities, to connect and build up the ecosystem.

Notable collaborations facilitated through the British Council program include:

- A short film co-production between Film Producers Society (PH) and London Film School (UK), which went on to win the Silver Bear Jury Prize for short films at the 70th Berlinale in Germany in 2020.
- Shoe hub, Zapateria (PH) and I Can Make Shzoes (UK) co-delivered a project to empower underprivileged, young women through shoemaking, allowing them to learn a new creative skill for their livelihood.
- Consultations between the cities of Cebu and Dundee as led by the creative hubs Matic (PH) and Creative Dundee (UK) helped build Cebu’s successful bid to be recognized as a UNESCO Creative City for Design in 2019.
- Through the British Council’s partnership with Design Center of the Philippines, a new project was developed with creative economy experts, Nordicity (UK) and Bayan Academy (PH) to develop the Philippines’ first national policy for design.

Building on how essential connectivity and peer support proved to be for creative hub leaders during this crisis, and anticipating the world will be forever changed by the global pandemic, the British Council in Southeast Asia put in place a series of conversations among hub leaders globally. The online forums titled Communities of a New Future were held between May and July 2020, brought together more than 300 direct participants across three sessions, and sought to create a space for creative hubs to share their challenges, distress, solutions, and ideas for the future. These forums and the reports

commissioned during this time have hopefully been valuable to creative hubs across the board in developing their plans of action for recovery.

13.5 Conclusions

13.5.1 Lessons Learned

Working with creative hubs over the last decade has been not only eye-opening, but also extremely inspiring. Creative hubs have an intrinsic community focus, which engenders their potential for social and cultural impact. They are ever changing in nature, a feature often seen as challenging in their effort for evaluation, recognition, and growth; except it seems to be the exact source of their resilience and proliferation.

A lot can be learned by looking at the flexibility and dynamism of creative hubs as small enterprises. In the wake of the pandemic, some studies have started exploring this overlooked potential.² Fundamentally, creative hubs are key elements at the heart of the creative economy, bringing together varied practices, fostering innovation, providing much needed space of experimentation and collaboration, and promoting their communities of artists and creatives, and their well-being.

There is still a lack of sector-coordinated and up-to-date creative economy sectors mapping and research from the national to local level, with a variety of sector definitions and significant gaps in baseline data, such as for microenterprises and certain creative sectors. As Pratt (2021) highlights when exploring evaluation approaches to Creative Hubs: “It is not a question of either quantitative or qualitative; economic or social/cultural values: the answer is always quantitative and qualitative; culture, social and economic.”

191

13.5.2 Impact

Creative hubs embody enormous potential to impact our societies in positive ways. The mix of evidence and program experiences cited through this paper, as well as the data shared with the British Council by creative hubs, sometimes anecdotal, but also robust and quantitative in certain cases, all substantiate a myriad of ways in which creative hubs bring about social, cultural, and economic impact.

Their support for professional and surrounding communities (social impact), fostering of cultural diversity, expression, and participation (cultural), as well as facilitations of economic growth for their communities and localities can all be amplified with a little more recognition and support from local authorities and the private sector.

13.5.3 Recommendations

Regular data collection, evaluation, learning and analysis, and dialogue will help solidify knowledge and awareness of the public and authorities about creative hubs, with mappings being a great starting point. But more work needs to be done to enable creative hubs to assess and share their impact coherently and leverage it for their long-term recognition and sustainability. Research should be supported by policy-level entities, but the grassroots organizations—the creative hubs—should be involved in its

² COVID-19 Creative Economy Resilience and Recovery (CCERR) research project led by Dr. Tarek Virani at the University of the West of England. See <https://www.baltic-creative.com/baltic-creative-partners-with-uwe-bristol-on-covid-19-research-project/> and https://www.youtube.com/watch?v=sIOBejWEyvw&ab_channel=DCRCUK.

conception, development, and delivery. Both parties should be committed and consistent in rolling out these exercises.

Formal and informal networks and connections between creative hubs, within a country, region, or worldwide, are vital for the survival and advancement of these fantastic organizations, starting with breaking down silos and working toward building a common narrative. Facilitating organizations (such as the British Council), networks, and platforms offering networking and collaboration opportunities have a key role to play in enabling the cross-fertilization of ideas and practices.

Financial support or growth and development programs driven by local authorities should always be designed with the targeted beneficiaries in mind and at the heart of the design process. By mindfully involving creative hubs—the beneficiaries—in the consultation process, their most relevant needs can be voiced, heard, and incorporated meaningfully in the respective program. Integrating a local or international collaboration element as a delivery methodology for the program beneficiaries is also an excellent way of fostering more cross-fertilization of knowledge and ideas among creative hubs, for a more robust and longer-term impact in the sector.

13.6 About the British Council

The British Council is the UK's international organisation for cultural relations and educational opportunities. We create friendly knowledge and understanding between the people of the UK and other countries. We do this by making a positive contribution to the UK and the countries we work with—changing lives by creating opportunities, building connections and engendering trust, making a lasting difference to the security, prosperity and influence of the UK.

We work with over 100 countries across the world in the fields of arts and culture, English language, education and civil society. Each year we reach over 20 million people face-to-face and more than 500 million people online, via broadcasts and publications. Founded in 1934, we are a UK charity governed by Royal Charter and a UK public body. The British Council employs over 10,500 staff worldwide. It has its headquarters in the UK, with offices in London, Manchester, Belfast, Cardiff and Edinburgh.

Our work in the arts has been central to this mission for more than 80 years, seeking to find new ways of connecting with and understanding each other through creativity. Our arts programme utilises the world-leading innovation and creativity of the UK to make a positive contribution to the people, institutions and governments of the countries we work in. Our work in the arts has grown substantially over the last five years across different disciplines covering the full breadth of the UK arts and creative industries. Further information can be viewed at www.britishcouncil.org.

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The Sixth Helix

Tb. Fiki C. Satari, Dwinita Larasati, Vicky Barreto Simanjuntak, and M. Aldi Novri Kurnia Abidin

14.1 Introduction

The creative economy sector comprises an ecosystem that includes the identification of stakeholders and their roles in each phase. The Government of Indonesia has adopted and implemented the widely known formation of Penta Helix, comprising academia, business, community, government, and media stakeholders, particularly since the establishment of the Indonesian Agency for Creative Economy (BEKRAF) in 2015. However, the current condition requires a proven method that would actually increase the capacity of the country's micro, small, and medium-sized enterprises (MSMEs) within the creative economy sector to support the growth of creative industries subsectors.

This paper introduces “aggregators” as the sixth helix, which includes financial institutions, accelerators, enablers, and incubators. It will discuss how aggregators would create significant improvements in the creative economy ecosystem due to their ability to provide alternative financial resources and support. Aggregators can also provide market insights, access to raw and production materials, collective processing that reduces production costs, access to alternative financing and capital support, access to markets, and much more, both upstream and downstream. This paper concludes with recommendations for the government to regulate and support aggregators as the sixth helix, to rebuild a creative economy ecosystem that grows and thrives in a post-pandemic world.

195

14.2 Creative Economy Nomenclature in Indonesia: Within the National Structure

The creative economy is a relatively new sector in Indonesia. The seeds of the creative economy were first planted during the 2007 Indonesian Cultural Product Week. In 2009, the Government of Indonesia issued Presidential Instruction No. 6/2009, a pioneer legislation that sets forth the road map for the development of the creative economy, positioning this sector at the national level. Presidential Regulation No. 92/2011 institutionalized the creative economy sector at the ministry level by establishing a new ministry, the Ministry of Tourism and Creative Economy. In 2015, BEKRAF was formed under the administration of Joko Widodo through the Republic of Indonesia's Presidential Regulation No. 6/2015. BEKRAF received a direct mandate from the President to advance and develop the creative economy sector in Indonesia with three performance indexes: gross domestic product (GDP) contribution, employment number, and export value. The results of a joint research between Statistics Indonesia (BPS) and BEKRAF (2016) show that the creative economy sector contributed 7.38% toward the total GDP of the country and recorded an increase in its labor workforce. In 2016, 16.91 million people were actively engaged within the creative economy sector, showing an increase of 5.95% compared to the recorded number in 2015 (BEKRAF 2019). In 2018, Presidential Decree No. 142/2018 on the National Master Plan for the Creative Economy Year 2018–2025 was released, prior to the passing of the National Law on Creative Economy No. 24/2019. The nomenclature at the national level shifted when in 2019 the creative economy sector was again structured under the Ministry of Tourism and Creative Economy, based on Presidential Decree No. 69/2019.

These dynamics highlight the roles of Indonesia's creative economy at the international level. In 2018, BEKRAF and the Indonesian Ministry of Foreign Affairs held the first World Conference on Creative Economy (WCCE), themed "Inclusively Creative," which resulted in the Bali Agenda for Creative Economy, containing 21 road maps for countries to advance and mainstream the issues of the creative economy at the global level. As a follow-up in 2019, Friends of Creative Economy (FCE), a multi-stakeholder forum involving Penta Helix from various countries, established the Global Center of Excellence for International Cooperation and Creative Economy (G-CINC), and a draft was released of the United Nations General Assembly (UNGA) Resolution on the Year of Creative Economy for Sustainable Development (IYCE) 2021. Approaching the end of 2019, the 74th session of UNGA declared the IYCE initiative that was led by Indonesia, presented by a global grouping of countries (Australia, India, Indonesia, Mongolia, People's Republic of China, Philippines, and Thailand). Dubai's plan to host the second WCCE during the World Expo 2020 had to be postponed to 7–9 December 2021 due to the pandemic.

14.3 Indonesia Creative Cities Network: Concept, Framework, and the N-Helix Stakeholders

At a city or regency level, the creative economy sector takes its shape as creative urban initiatives and movements led by local leaders in cross-community forums. Among the influential ones is Bandung Creative City Forum (BCCF), a hub organization established in 2008 as a result of urban activism that has been building prototypes of urban solutions in Bandung City, the capital city of West Java Province. In the earlier years, the stakeholders of creative economy development were known as the Triple Helix of academia, business, and government. However, due to the significant influence of communities such as BCCF, the fourth helix "community" was added to the formula—hence the term Quadruple Helix. The concept of the Quadruple Helix "innovation actors" accommodates the perspective of a media- and culture-based society, which has become an element of a whole innovation process in the 21st century (Park 2013). The thinking concept or remodeling of creativity-based economy and market development models with Quadruple Helix enables the forming of a cross-disciplinary network (Carayannis and Campbell 2014). The involvement of media and journalism as among the determinants in innovation and the creativity process was also brought up (Porlezza and Colapinto 2012), particularly as a result of technological advancement in the fields of communication, digital, and informatics, which has been encouraging social and conventional media, to dominate and often direct mindsets and movements. Based on the social implications and firsthand experiences, BCCF added media as the fifth helix, forming the term currently known as the Penta Helix stakeholders of creative economy development.

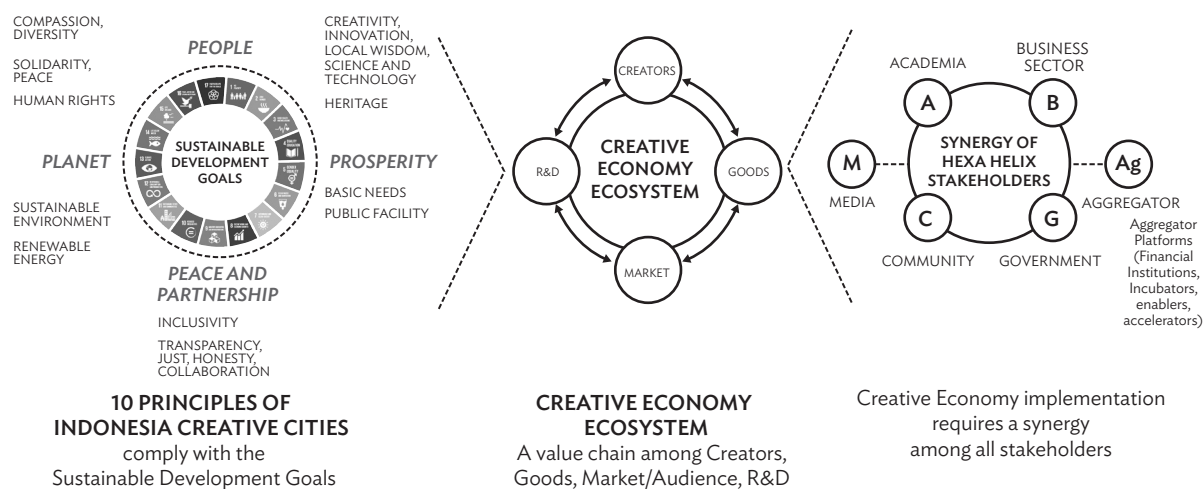
In 2015, BCCF held the Creative Cities Conference to consolidate similar city-scale initiatives and community forums from all over Indonesia, resulting in the "10 Principles of Indonesia Creative Cities" (Figure 14.1) that initiated the establishment of Indonesia Creative Cities Network (ICCN). This network was legally formed in the same year, during the first Indonesia Creative Cities Conference (ICCC) in Surakarta. All city and/or regency representative members of ICCN are committed to implementing the 10 Principles of Indonesia Creative Cities. In the first year of its establishment, ICCN members came from about 20 cities; today, ICCN has gathered more than 220 cities and/or regencies from all over Indonesia.

Figure 14.1: The 10 Principles of Indonesia Creative Cities

1. A creative city is a **compassionate** city. A city that highly values social and cultural **diversity** by virtues of guidance, affection and nurture.
2. A creative city is an **inclusive** city. An open city that highly regards the values of humanity and the spirits of unity, solidarity, and global peace.
3. A creative city is a city that **protects human rights**. A city that defends the whole rights of its people to economy, social and culture.
4. A creative city is a city that highly respects the **creativity** of its people. A city that utilises and develops intelligence, local wisdoms, skills, creative capabilities, and logical capacities, science and technology as the basis for creation and innovation.
5. A creative city is a city that grows along with **sustainable environment**. A city that lives in harmony with the dynamics of ecology and the surrounding nature.
6. A creative city is a city that maintains **historical wisdom** while developing **progressive spirits** in order to create a better future for all its people.
7. A creative city is a city that is managed in **transparent, just, and honest** manners. A city that prioritises the values of collaboration and partnerships, opening access and public participation to be involved in the city development.
8. A creative city is a city that can fulfil the **basic needs** of its people. A city that always seeks to increase prosperity, happiness, and life quality of its people.
9. A creative city is a city that utilises **renewable energies**. A city that always strives to fulfil the needs of energy in a wise and sustainable manner.
10. A creative city is a city that is able to provide **adequate public facilities** for its people, including facilities that are accessible for vulnerable groups and people with special needs.

ICCN = Indonesia Creative Cities Network.

Source: ICCN (2021).

Figure 14.2: ICCN Framework

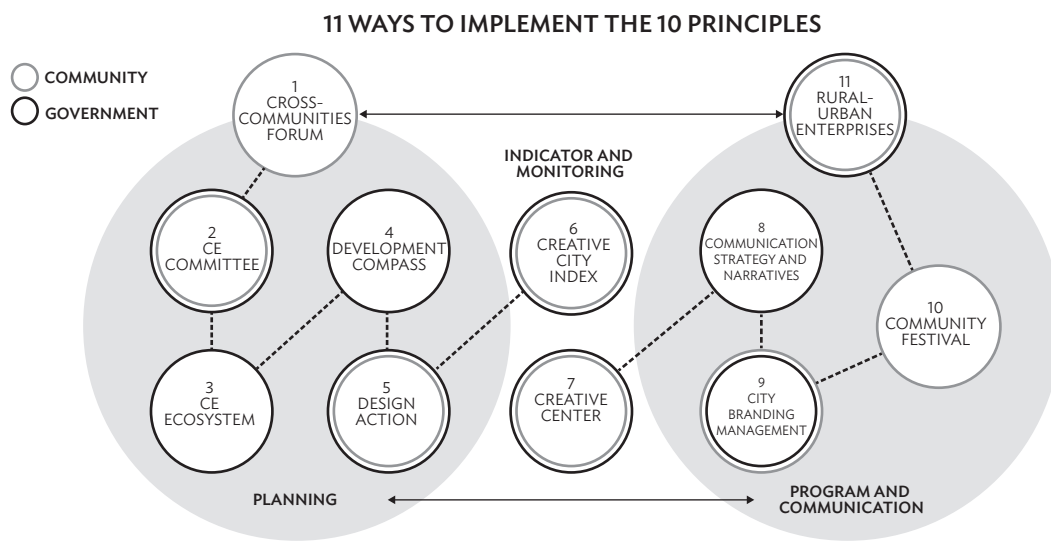
ICCN = Indonesia Creative Cities Network, R&D = research and development.

Source: ICCN (2021).

In order to manage and keep providing benefits for its huge numbers of members and networks, and in accordance with its purpose to encourage and promote its community members to become the main partners of their respective local governments within the context of the creative economy, ICCN has determined a set of frameworks (Figure 14.2). The first is a model of the creative economy ecosystem, containing the four elements of creator or human resources; creative products, services, and systems; users or markets; and research and development. All of these elements work in an iterative circle for creative economy development (Pokja Ekraf 2014). This ecosystem attempts to identify the main

creative potential of a city, so all its stakeholders have an understanding of the city's capacity within the creative economy ecosystem. The second is the 10 principles that comply with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development, containing keywords such as compassionate, inclusive, diverse, and collaboration, which have become the main commitments of all ICCN members (Figure 14.1). The third is *Catha Ekadasa*, or “11 Ways to Implement (The 10 Principles),” formulated to support each city and/or regency member to align their programs and activities with the principles (Figure 14.3). *Catha Ekadasa* was formulated so that each city and/or regency may follow the “ways” that best fit their conditions, considering their diverse conditions. The fourth one is the Hexa Helix stakeholders. The sixth helix, aggregators, was announced during the 2020 ICCN in Bali. The aggregator platform in this context includes financial institutions, incubators, and enablers, among others. Articulating aggregators as among the main stakeholders of creative economy development would open more opportunities for people and companies who work in the creative economy sector to experiment and iterate their business models. It is crucial to discover new ways of doing business, as well as alternative methods and measurements for growth, for the recovery of both health and the economy.

Figure 14.3: Catha Ekadasa



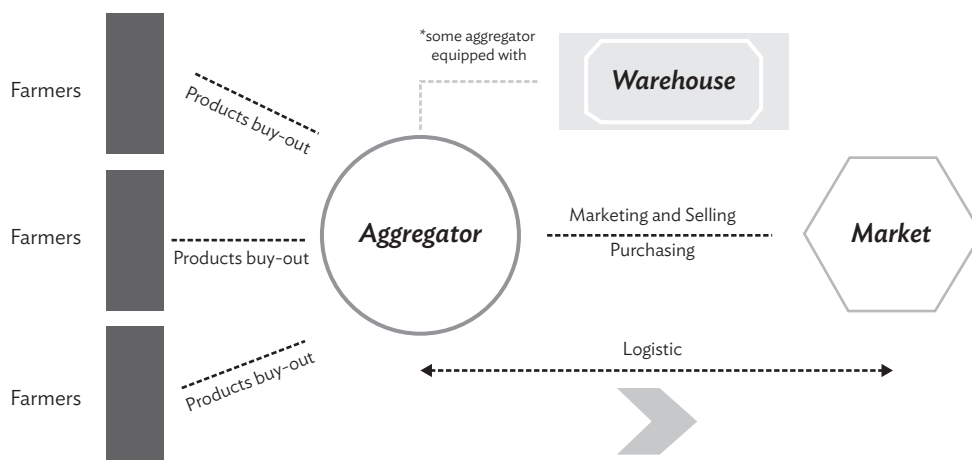
Source: ICCN (2021).

14.4 About the Sixth Helix

In the business process, an aggregator collects and acts as an intermediary (Tapsavi 2009). The aggregation itself means uniting items from different incoherent sources in one platform (Moghaddam and Moballeghi 2007). Subsequently, in this policy paper, an aggregator is defined as a company or actor that provides a platform to aggregate. However, it could also act as an off-taker for a variety of goods and products (culinary, agriculture, fashion, aquaculture, etc.) from the direct source (farmers, fishers, artists, restaurants, etc.) and make them easily available to the market (big hotel chain, big

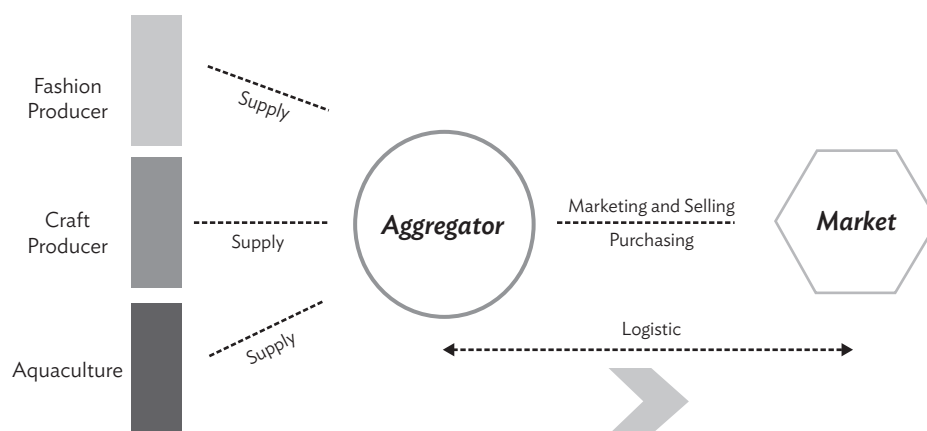
restaurant, direct market, etc.). Empirically, there are two types of aggregators—homogenous (Figure 14.4) and non-homogenous (Figure 14.5). A homogenous aggregator unites similar products into one platform and becomes an off-taker from the direct source. For instance, aggregators gather and buy all agricultural products from their partners, such as farmers, before storing them in a warehouse and selling them to designated markets, such as hotels, restaurants, and markets in general. A non-homogenous aggregator possess a similar business process to the homogenous one. However, the majority of non-homogenous aggregators do not act as off-takers for their producers.

Figure 14.4: Homogenous Aggregator Business Model



Source: Authors.

Figure 14.5: Non-homogenous Aggregator Business Model



Source: Authors.

14.5 Value Proposition of an Aggregator

Compared to the conventional landscape, aggregators offer several value propositions to increase the ecosystem's synergy within creative economy industries, mostly comprising microenterprises. This policy paper draws the value propositions of an aggregator based on the existing ones:

1. **Logistics assistance.** As 99% of the creative economy is classified as microenterprises (bps.go.id 2021 in Mahdi 2022), logistics is an imminent challenge; the aggregation method could reduce logistics costs. Furthermore, aggregation could vastly improve the delivery service quality.
2. **Marketing and market insight.** Aggregation can reduce the cost of marketing as aggregators market their platform to a wider audience. At the same time, as aggregators deploy technology in their operation, they could draw a better picture of market trends from their audience's data than owners of small businesses.
3. **Collective processing.** The platform enables microenterprise and small enterprise producers to perform collective processing within the aggregator facility, absorbing the workforce.
4. **Stable supply.** Collective processing of aggregators allows them to ensure the availability of products all year long.
5. **Access to alternative financing.** Aggregators equipped from end-to-end also offer alternative financing, such as peer-to-peer lending.
6. **Direct market.** Aggregators take on the role as off-takers. The platform can channel the products directly to a bigger market. This method maintains prices on the market, thus making production stable.
7. **Increasing production capacity.** With stable demand, the inability of microenterprises to access the market will be greatly covered by aggregators, thus boosting the rate of stable production.

14.6 Aggregator as a Stakeholder during the Pandemic

In the past 2 years, there has been significant growth of aggregators in the food delivery, cloud kitchen, agriculture, aquaculture, and art industries such as film and music. Looking into the situation of 2020 and 2021, the pandemic has challenged business sectors with “survival of the fittest.” This period has also seen accelerating digitalization of MSMEs across the country. In Indonesia, 15.9 million MSMEs have joined the digital ecosystem in the past 2 years (iDea 2021 in Kumparan Bisnis 2021). Aggregators occupy key roles as important stakeholders while the global pandemic continues.

First, amid the ever-changing conditions during the pandemic, aggregators have become key stakeholders in gathering struggling restaurants and shops. Aggregators have arisen from the unfortunate event of a closed restaurant, boutique, mall, and many other businesses that have yielded to COVID-19. Their platform has become a solution for a changing business landscape.

While the concept of aggregators has been around for a long time, it gained new attention during the pandemic as demand shifted from traditional options of purchasing to food delivery, which offers many options using one platform. Take the example of Grab, a Singapore grocery delivery digital application (app) that started in Indonesia in 2018 and expanded to Thailand and Viet Nam in 2019 (Chotigo and Kadono 2021). The app became so popular even before the pandemic that it soon covered most Southeast Asian countries (Reuters 2021). Multiple restaurants prepare their meals in one location accessible within this application, with an onboard delivery partner delivering the orders. The facility

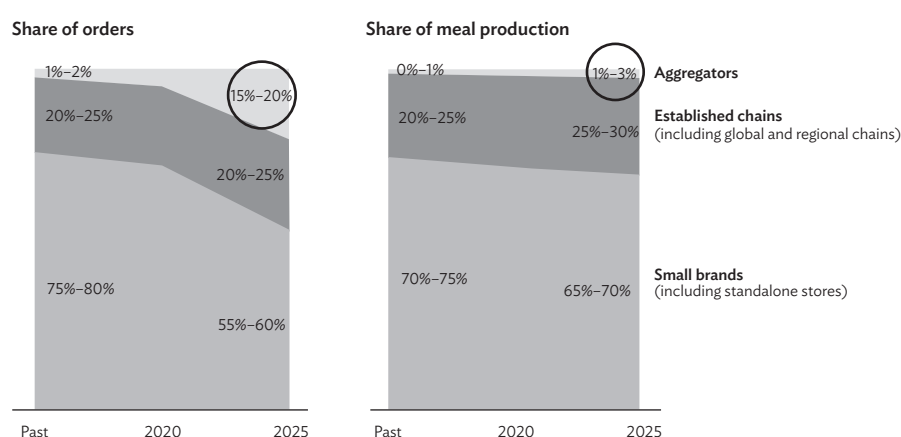
of “cloud kitchen” offers by an aggregator such as Grab and GoJek allowed many small restaurants to operate during the pandemic. Such a cloud kitchen was equipped with the proper hygiene measures that could not be provided by a smaller restaurant (Affility 2021).

Similarly, cloud kitchens in the United States announced that the platform would hire at least 1,000 new employees to bolster its network of 138 cloud kitchens; their company wanted to start operations with around 85 kitchens (Kearney 2021). Organizational and financial restructuring has taken center stage for many entrepreneurs and operators in the food and beverage business—and the pandemic has shown the way.

The growth cannot be separated from the changing structure of the industry, as store closures and market consolidation accelerate in the face of changing consumer behavior and the growing dominance of aggregators (Fioriti, Frangioni, and Poli 2021). At the portfolio level, food service companies will consolidate to achieve greater economies of scale; larger companies will acquire smaller companies with high growth potential; and aggregators will acquire microenterprises and small companies to improve their services and increase their capacity (EY 2020; Fioriti, Frangioni, and Poli 2021).

Kearney (2021) published a projection of how aggregators would dominate the food industry structure in Asia (Figure 14.6). Despite belonging to the group with significantly fewer small stand-alone stores and established brands, aggregators are projected to hold 20% off food order transactions in Asia by 2025. As the industry continues to develop, so will the type of employment. The increase in cloud and delivery kitchens will shift the total workforce from physical stores that are forced to reduce their workforce by 20%–30% to cloud kitchens and delivery (Affility 2021).

Figure 14.6: The Structure of Asia’s Food Service Industry Is Changing



Source: Kearney (2021).

Second, aggregators have taken on the role as effective intermediaries of several key resources during the pandemic. These resources include agriculture and aquaculture, craft, and other artistic products (Fioriti, Frangioni, and Poli 2021).

Even before the pandemic, the distribution of agricultural products has always been weak (Amallah Binhaq 2019). Especially as an archipelagic country, Indonesia is a logistical disaster landscape for the supply chain. Product prices are high at the customer level, mainly because of productivity problems and the low rate of production. Expensive products in wholesale and retail mostly are the result of long-chain and exorbitant prices in logistics (Ikhsan et al. 2015). This situation is where aggregators come into position effectively.

Spearheaded by the aggregators and homogenous e-commerce in agriculture, such as TaniHub and SayurBox, Indonesia saw a dramatic increase in agricultural product sales of up to 16.9% in 2020 during the global pandemic (Anggraeni 2020; Ministry of Agriculture 2021). This figure is astonishing in the face of closures of malls, cafes, and restaurants.

These aggregators secure a pathway for farmers to deliver their products to the market by being intermediaries for the producers. Aggregators off-take the agricultural products, store them in their warehouse, exercise their logistical support, and effectively sell them to big corporations, especially those who need such products, including beverage companies, health and beauty companies, and many more (Aprilianti and Amanta 2020). The same business model could apply to the fisheries, craft, and other sectors.

14.7 Important Role of Aggregator

It is interesting that aggregators also play an important role in the wholesale and retail sector, such as small shops and traditional micro food stalls (locally called *warung*). Similar to the cloud kitchen initiatives, Wahoo, an aggregator that focuses on resources from micro food stalls, can deliver food from a stall directly to customers, such as those in the critical sectors still running during the pandemic. Wahoo also connects micro food stalls with financial assistance during the pandemic by acting as a guarantor for their partners. This aggregator has managed to aggregate 36,000 micro food stalls that have remained operational during the pandemic (Karunia 2021).

The aggregator also plays a similar crucial role in reviving the art industries, the face of creative industries. Art industry aggregators are able to revive the dying industry impacted by the pandemic by utilizing technology. Platforms such as Vidio and BioskopOnline are able to aggregate films, TV series, and wide-screen movies that are scheduled to premiere in cinemas (APJII 2021 in LIPI Press 2021; Astuti 2021). This figure is, of course, a reflection of the significant increase of users of similar online streaming platforms, such as YouTube, Netflix, and Amazon Prime (Song 2021).

14.8 Conclusions and Policy Recommendations

Aggregators have performed well before and during the pandemic. It is crucial for all stakeholders of the creative economy sector to be aware of the significant roles of aggregators. They also need to formulate a method that yields optimum benefits from their existence within the creative economy ecosystem.

In order to accelerate the impact of aggregators for the recovery of the creative economy in the coming years, this paper proposes the following policy recommendations:

Regulation for aggregators is yet to be signed in Indonesia. As an actor within a business process that is able to significantly shorten long supply chains and provide direct access to the market, the

government must carefully execute the position of aggregators so that they are not merely a modern and technology-based intermediary.

Support should be given to aggregators as partner agencies in disbursing financial assistance for business owners in the creative economy sector. The government can disburse financial assistance to productive small enterprises partnering with aggregators as a stable supplier.

Aggregators should receive preferential treatment (from government and big corporations) in bidding and tenders of procurement. The snowball effect would be that aggregators are able to off-take from producers again, and the business cycle would effectively come full circle.

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PART III

Making the Case for Creative Economy Throughout Asia

Toward Sustainable Recovery and Inclusive Growth of the Creative Economy in a Post-COVID-19 World¹

Yelena Kalyuzhnova, Olena Khlystova, and Assel Imayo

15.1 Introduction

The creative economy has attracted a significant number of scholars in the field of business and economics. With regard to the dramatic growth of creative industries over the past 2 decades, many studies have examined the contribution of creative industries to sustainable and inclusive growth (UNCTAD 2010; Oyekunle 2017; Kaymas 2020; OECD 2006). In this study, we define creative industries as “those industries which have their origin in individual creativity, skill, and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property” (DCMS 2019, p. 7) and creative economy as an “evolving concept which builds on the interplay between human creativity and ideas and intellectual property, knowledge, and technology (UNCTAD 2010, p. 3).

The creative industries encompass different types of activities, from technologically intensive to crafts and performances. According to UNCTAD (2010), the creative economy in Organisation for Economic Co-operation and Development (OECD) countries has been growing annually four times faster than manufacturing and services industries. While the social and economic benefits from the development of a creative economy have been noted in developed countries, the last decade has demonstrated that cities and regions in developing economies and countries in transition are rapidly overtaking this gap. For example, it has been estimated that creative industries contributed \$2.25 *trillion* in revenues, created 30 million new jobs, and employed almost 1% of the world’s active population (UNESCO 2021).

The coronavirus disease (COVID-19) pandemic has had an overwhelmingly negative effect on the creative economy (Kalyuzhnova, Khlystova, and Imayo 2021; Laker 2022). This negative impact has been especially felt by freelancers and the visual arts sector (theaters, live music, festivals, cinemas, and museums). Many creative workers have experienced redundancies and event cancellations because of the physical distancing measures and national lockdowns. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has estimated that the creative industries significantly dropped their global gross value added in 2020, to \$750 *billion*, which means that the creative economy has dramatically reduced the capacity and direction toward sustainable development. The losses in revenue have also been significant, ranging from 20% to 40% in different countries. These consequences have negatively affected the livelihood of creative workers and artists in terms of global employment, resulting in 10 million redundancies compounded by a lack of government support for some creative artists, such as freelancers (UNESCO 2021). Therefore, it is crucial for policy makers to create appropriate and effective measures to support the creative economy and ensure its sustainability after the COVID-19 pandemic.

The international organizations and scholars consider the creative economy as a unique phenomenon, and a key to sustainability, diversity, and inclusion, as the creative industries include a broad range of activities, such as cultural heritage, architecture, music, live performance, publishing, the art and antique market, music, arts and crafts professions, television and radio, film and video, advertising,

¹ We are grateful to the British Council Creative Spark Project for Kazakhstan (project number EV16040X) that enabled us to conduct this research.

design, fashion, video games, software, and information technology (IT) services (WIPO 2017). In order to emphasize the importance of the creative economy and attract the attention of global leaders, the United Nations has named the year 2021 the International Year of Creative Economy for Sustainable Development. In addition, a broad range of economic indicators in different countries provides evidence that creative industries can promote sustainable development.

The study provides an overview of the literature on the creative industries, sustainability, and inclusive growth, together with the policies regarding the creative economy in different Central Asia Regional Economic Cooperation Program (CAREC) countries. The purpose of this study is to examine and articulate effective and practical ways of helping the creative economy in CAREC countries contribute to inclusive and sustainable recovery after the COVID-19 pandemic, using the experience of the United Kingdom (UK) and Germany.

15.2 Creative Industries, Sustainability, and Inclusive Growth

Over the last decade, there has been an extensive stream of research and debate regarding the creative economy and the development of creative industries (Banks and O'Connor 2009; Oakley and O'Connor 2015; Wilson et al. 2020). In addition, current policy interests and research have emphasized the crucial role of the creative industries in economic development, as well as for sustainable and inclusive growth (Oyekunle 2017). The United Nations Conference on Trade and Development (UNCTAD) has pointed out that the creative industries can facilitate job creation, social inclusion, and diversity by cooperating with the government in promoting creative goods and services, using appropriate incentives (UNCTAD 2010). The creative industries can contribute in many ways to sustainable and inclusive growth. The prerequisite to ensure the balance between the creative industries and sustainable development, it is necessary to facilitate the “development process that preserves all types of creative assets, from minority cultures and traditional rituals to artworks, artefacts and heritage buildings and sites, etc.” (Oyekunle 2014, p. 67). Also, the creative industries have been considered an important cultural asset of different communities and cultures, where creative workers and artists contribute to economic empowerment, cultural exchange, and social cohesion in society.

The literature has also recognized that another essential conduit to sustainable and inclusive growth in the creative industries is entrepreneurial activity (Porfirio, Carrilho, and Mónico 2016; García-Tabuenca, Crespo-Espert, and Cuadrado-Roura 2011; Henry 2007). The development of creative industries and creative class entrepreneurship could significantly assist in reducing income inequality and poverty, through facilitating entrepreneurial activity. However, one cannot assume that this is the case for every economy. The development of intermediate goods requires labor and “creative class” people. Creative class entrepreneurs are those people who benefit from observing the stock of intermediate goods already existing in the economy, finding ideas for new goods and services and bringing these ideas to the industry to guarantee the highest returns. Minniti and Lévesque (2010) have shown that an increase of entrepreneurial activity in equilibrium has a positive effect on economic growth, but emphasized that this effect depends on the cost of technological change and the knowledge intensity across various sectors. For instance, if the cost of technological change is sufficiently high, then the labor employed in developing original technological discoveries is linked with more creative and complex decision-making; and labor employed in trivial technological processes is linked with less creative, monotonic decision-making that can exhibit different levels of productivity.

The starting point of the argument is that the impact of various types of entrepreneurship on economic growth depends on the type of labor needed to transform the intermediate goods into final goods across the various sector. The effect also depends on the level of complexity, creativity and problem-solving

efficiency required by entrepreneurs to achieve higher productivity. A positive relationship between entrepreneurial activity in the creative industries and sustainable economic growth is affected by the proportion of labor with different skills and creative endowments, acting in the face of uncertainty and transforming ideas into marketable innovations (McMullen and Shepherd 2006).

However, the efficiency of an ecosystem may also be associated with the abundance of resources and creativity embedded in the industry (UNCTAD 2010; Donald ,Gertler, and Tyler 2013). These studies show that the available creative sector has coped relatively well during the economic downturn in comparison to other sectors. De Propis (2013, p. 26) noted that creative industries are “showing a more resilient intrinsic dynamism than other parts of the economy,” related to “a growth in employment and the capacity to retain creative talent,” meaning they are “able to swing between different company sizes.” Creative businesses are more likely to be open to risk, making them more agile; their need for adaptability strongly affects their business models (Bain and McLean 2013; Donald ,Gertler, and Tyler 2013). This can be a positive albeit not an altogether desirable one, as creative small and medium-sized enterprises are in an advantageous position when compared to more traditional industries; their developed micro resilience makes them more prepared for the uncertainty that an economic downturn brings. Furthermore, the flexible nature of the creative forms of production, relying on high-level (though very porous) co-dependency between such creative firms, is an asset for adaptability.

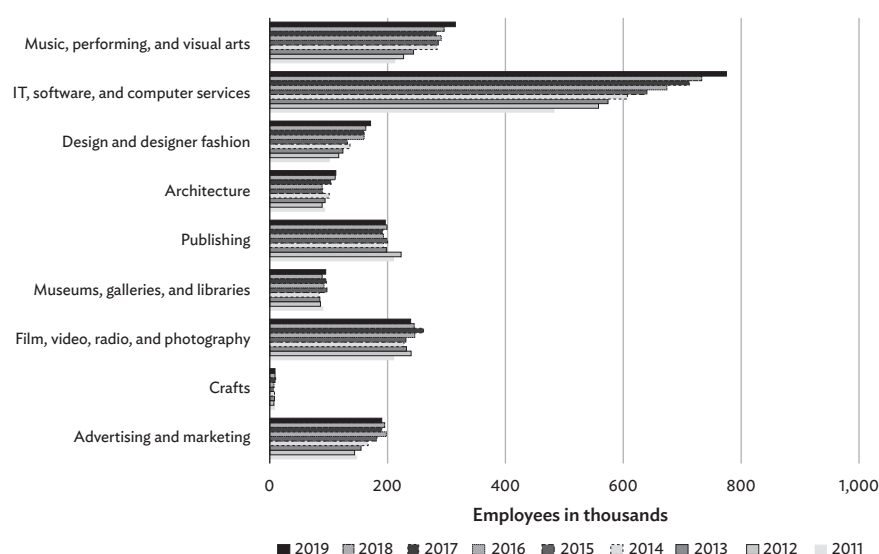
Creative class entrepreneurs are required to be independent thinkers who combine standard approaches in unique ways to fit a problem, or push ideas further to the market, perhaps by improvising or trying something radically new beyond their job description. Therefore, creative industries are expected to have a high density of creative class workers and entrepreneurs, exhibit higher growth, and be more inclusive. Inclusiveness of people is at the heart of the creative industries. By contrast, there is only a limited concentration of creativity and human capital in sectors such as agriculture and fishery, manufacturing and mining, construction, or in the retail trade, hotel business, cafes, and restaurants, where more routine skills and less creativity are in demand. These industries will demonstrate lower returns to entrepreneurial ideas (Florida 2002, 2019).

15.3 Lessons from International Experience in Designing the Sustainable Recovery Measures for the Creative Economy after the COVID-19 Pandemic

For this study, the UK and Germany were selected as examples for the international experience for the following reasons. First, the UK is a global leader in the creative industries, and this sector has been growing very fast over the last decade (Creative Industries Federation 2020). Second, the creative industries in Germany contribute more than 3% to the country’s gross domestic product (GDP), and the government has launched many initiatives to develop this sector as well as actively invested in fostering dynamic and resilient creative industries (Federal Ministry for Economic Affairs and Energy 2019). Third, prior research (Khlystova, Kalyuzhnova, and Belitski 2021; Kalyuzhnova, Khlystova, and Imayo 2021; Agostino, Arnaboldi, and Lampis 2020; Banks and O’Connor 2020; Dümcke 2021; Pokorná et al. 2020; Ocholla 2021; Kumar and Sharma 2021) has demonstrated that these countries introduced the most effective measures toward coping with the COVID-19 pandemic during lockdowns, supporting the creative entrepreneurs and businesses, and creating opportunities to recover and grow even faster in a post-COVID-19 world.

The COVID-19 pandemic has been felt by many industries, including the creative economy. The creative economy is a fast-growing sector in the UK, where it contributed nearly £11 billion to the economy in

Figure 15.1: Number of Employees in the Creative Industries of the United Kingdom, by Subsectors



IT = information technology.

Source: Department for Digital, Culture, Media and Sport.

2018 and continues to generate almost £13 million to the economy every hour (DCMS statistics 2020). In addition, employment in this sector is developing faster than in other sectors and is powering the growth of the workforce in the UK (Figure 15.1).

The estimations made by the Creative UK Group suggested that the creative economy would be a catalyst for post-COVID-19 pandemic recovery, potentially employing nearly 300,000 new employees and contributing an extra £28 billion to the economy by 2025 (Creative UK Group 2021). However, according to the data of the Creative Industries Federation, the creative industries in the UK experienced a £77 billion turnover loss in 2020 compared to 2019 (31%). In terms of employment, compared to 2019 statistics, there has been a drop of 122,000 employees and 287,000 job losses among self-employed workers (Oxford Economics 2020). Therefore, it is vital for policy makers to address these issues and introduce sustainable recovery measures to support the growth of the creative economy.

A good example of the actions taken by the UK government and organizations has been the introduction of measures intended to rebuild a more inclusive creative economy after the pandemic. In order to ensure further development of the UK creative industries toward inclusiveness and sustainability after the COVID-19 pandemic, the following areas for improvement have been identified. First, according to research led by NESTA, the UK creative industries have been held back by a lack of diversity. Recent studies (Create London 2018; O'Brien et al. 2016) have emphasized a persistent underrepresentation of the working class in the creative industries and the dominance of people from privileged backgrounds (Carey et al. 2020). According to this study, a privileged background makes it 2.5 times more likely for a person to end up in a creative occupation, as compared to their working-class peers. Policy makers therefore need to widen the opportunities for the working class by easing the pressure of any existing barriers placed by employers and the market (Carey, Florisson, and Giles 2019).

Another important measure to support the creative industries after the pandemic has been the announcement of a £1.57 billion rescue package (£880 million in grants and some £270 million in loans) from the UK government. The loans will be made on generous terms, tailored to ensure that they are affordable for cultural institutions (Digital, Culture, Media, and Sport Committee 2020). In addition, the creative industries are planning to be included in the government's definition of research and development (R&D) as well as in the UK's migration system reform. According to this reform, a freelance visa will be introduced and used for fiscal tools such as the Recovery Loan Scheme, the Shared Prosperity Fund, and the Levelling-Up Fund, to ensure that the post-COVID-19 pandemic recovery is felt evenly across the UK (Beckett 2020). The COVID-19 pandemic has also helped identify those creative industries that are most fragile (visual arts, publishing, music) and fast-growing (IT sector). The government will accordingly continue supporting the most vulnerable creative subsectors and workers, such as freelancers and the publishing sector.

Germany is an example of successful strategic planning toward the sustainable recovery of the creative economy after the COVID-19 pandemic. The creative economy plays an important role for the German economy, contributing more than €100 billion to their economy in 2018 (Federal Ministry for Economic Affairs and Energy 2018). According to the medium scenario of the situation of the creative industries after the COVID-19 pandemic, the turnover loss in Germany would be €21.7 billion (12.7 % of annual turnover), while the worst-case scenario estimates turnover losses amount to € 39.8 billion (23 % of annual turnover) (Arndt et al. 2020).

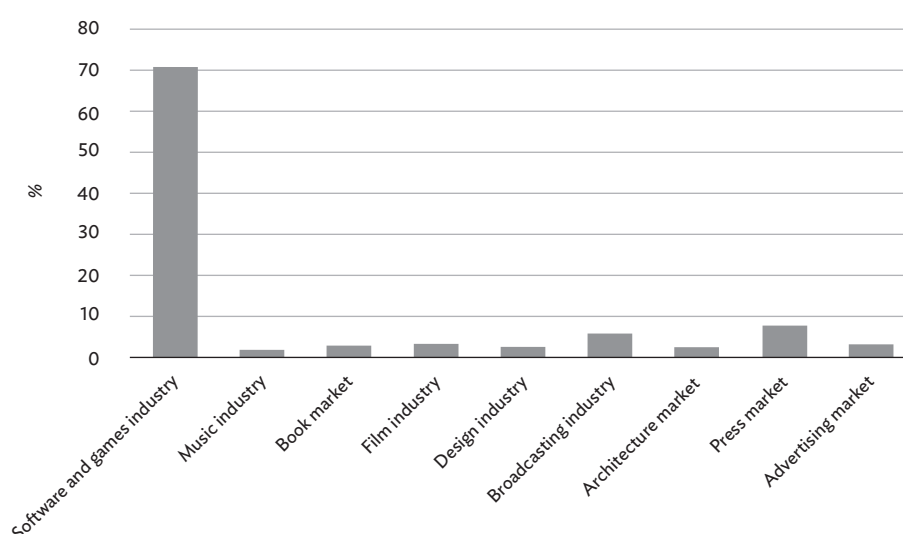
In order to eliminate the risks and ensure sustainable recovery after the COVID-19 crisis, the German government has introduced the following measures. First, immediate financial support programs were introduced at city level, from the beginning of the pandemic. For example, in Hamburg, the City Council supports small and medium-sized businesses and freelancers. The City Council has also been providing support packages for cultural institutions and music clubs, both public and private, amounting to a total of €25 million. The Hamburg investment and promotional bank also offered a package for businesses in the creative industries amounting to €50 million.

Similar actions were taken at national, regional, and city levels, in addition to private support. The government offered financial support via grants and loans, and preserved liquidity through credit aid; specific rental agreements were devised to allow rent debts for studios, rehearsal rooms, clubs, etc., and indirect financial support was made available via tax relief measures, with options for deferring tax liabilities and reducing tax advance payments. Short-term work allowances were adopted as an instrument for bigger and smaller cultural institutions and cultural enterprises (Dümcke 2021, p. 21).

German cultural organizations were furthermore allocated €1 billion to support the cultural infrastructure, in a program aiming to give financial support to all creative industries. This program includes pandemic-related investments in cultural institutions (€250 million); maintenance and strengthening of the cultural infrastructure and emergency aid (€450 million); promotion of alternative offerings, including digital (€150 million); and support for federally funded cultural institutions and cultural projects (€150 million) (NEUSTART 2020; Dümcke 2021). In addition, to support the self-employed and small businesses, the national government announced a \$54 billion support package. This package consists of grants to help with overhead costs (e.g., venue rentals and artists' studios) and loans to help businesses survive after the COVID-19 pandemic.

The German government has identified investment in R&D for the creative industries as an effective mechanism to ensure the sustainable recovery and growth of the creative economy in the future. For example, in 2016, the average expenditure on innovations in the creative industries was €5.6 billion, amounting to 3.6% of total spending on innovation. The distribution of the spending is presented in Figure 15.2.

Figure 15.2: Distribution of Innovation Expenditure in the German Creative Industries by Subsectors



Source: Cultural and Creative Industries Monitoring Report 2018.

The German government invests massive resources in the development of the software and games industry, broadcasting, and press industries, in order to stimulate innovation in other sectors and increase the synergy between creative industries and other economic sectors. The creative industries are considered a strategic and inclusive sector that can generate huge income flows as well as enable sustainable future economic growth of the German economy.

15.4 Fostering the Inclusive and Sustainable Growth of the Creative Economy in Central Asian Countries

During the last decade, the creative economy has been considered a strategic driver to ensure economical and sustainable growth. In view of the negative consequences of the COVID-19 pandemic and the particular inclusiveness of the creative industries, the creative sector could significantly increase job creation and reduce inequality. Policy makers are therefore interested in developing the creative economy, especially in the aftermath of the COVID-19 pandemic, because during the pandemic, the creative industries demonstrated a remarkable congruence between each other and real resilience in terms of recovery strategies, sources of income, etc. According to Deloitte (2021), the creative economy is very likely to grow globally up to 40% by 2030, contributing to the creation of 8 million new jobs.

As the Euro-Asian region, in particular CAREC countries, has been demonstrating rapid economic growth and expansion over the recent years (Kalyuzhnova 2016), it is important to investigate the mechanisms that enable this economic upturn and success. CAREC includes 11 countries: Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, People's Republic of China [PRC], Tajikistan, Turkmenistan, and Uzbekistan. This program aims to reduce poverty and facilitate sustainable economic growth and shared prosperity in this region. The program's long-term strategy is to develop the potential of regional cooperation in Central Asia by uniting policies, projects, and the mechanism that helps ensure sustainable growth (CAREC 2017).

The impact of the COVID-19 pandemic on CAREC countries has had severe social and economic consequences. These countries have faced considerable disruptions in trade, travel, commodity prices, value chains management, etc. As the CAREC region mainly focuses on exporting commodities, such as oil, natural gas, and coal, and the COVID-19 outbreak has made substantial changes to CAREC's regular activity (Holzhacker 2020), the members of this program started to find more resilient ways to facilitate their social and economic development.

The UNESCO Agenda 2030 recognizes the importance of the creative industries for sustainable development in CAREC countries. Specifically, the development of the creative industries in CAREC countries is now crucial, considering the statistics of new job perspectives for young people and creative entrepreneurs. Kazakhstan is an example of continuous growth in legal entities registered as creative industries. In 2018, it was estimated that 3.8% of all registered companies and entrepreneurs were classified as creative industries in Kazakhstan (British Council 2018). The PRC provides another example of this trend of rapid growth of the creative economy, with the exponential rise of 14% of trade in creative goods and services over the past 15 years (UNCTAD 2018).

The implementation of strategies supporting the sustainable growth of the creative economy can be analyzed through government programs such as “Made in China 2025” and the national strategic programs of Afghanistan, Azerbaijan, “Creative Georgia,” Kazakhstan, Uzbekistan, and others. These initiatives have as main characteristics their focus on infrastructure development for the creative industries, knowledge commercialization, financial incentives for businesses, and diversity and inclusion. With regard to diversity and inclusion, the aim is to involve talented young people from low-income backgrounds, so that they contribute to the development of the creative economy through different training pathways. Also, CAREC countries have been making efforts toward the development of local creative ecosystems.

In Kazakhstan, for example, the “Almaty 2050” strategy aims to develop a strong local creative economy by offering educational programs relevant to creative workers and entrepreneurs. In addition, the local council involves the local stakeholders to participate in the development of the “Creative Almaty” strategy. This strategy focuses on the promotion of the music industry, literature, visual arts (theaters, operas, ballet), fashion, media, broadcasting, architecture and design, IT and games, and advertising industries (British Council 2018). The Government of Georgia has also developed strategies for cities: “Resilient Tbilisi 2030” thus aims to promote Tbilisi as a creative and cultural center by supporting the heritage, IT, and other sectors through education, finance, and networking (Resilient Tbilisi 2019).

The experience of other countries meets the academic literature in recognizing the creation of creative and cultural clusters as an effective method for sustainable and inclusive growth. The main feature of this method is the enhancement of the links between different regions and territories via culture, manufacturing, knowledge sharing, and product or service creation. To date, there are three main ways of putting this method into practice:

1. In urban areas where there is a concentration of visitors and tourists, a cluster could be heritage institutions, galleries, and museums conveniently located in relatively close proximity.
2. A cluster of creative businesses or self-employed in agglomeration areas would allow the participants to maximize benefits such as knowledge spillovers, sharing, and commercialization (Audretsch 1998).
3. Cultural districts can form a cluster based on a trademark secured for its products (Yang and Černevičiūtė 2017, p. 233).

The PRC has successfully implemented this method to develop a creative economy. By 2002, the PRC government had created 48 creative and cultural clusters, an indicator that increased dramatically to

1,234 creative clusters in 2010 and 2,506 creative clusters in 2014, respectively. The government also developed a classification to measure the productivity of these clusters, including at provincial and city level, etc. The result of this strategy added more than CNY3 billion value in 2016 (4.07% of the country's GDP). Having evaluated the efficiency of the clustering approach, the tax-cut policy, low-profit loans, and land policies have been introduced to further foster the development of the creative economy in the PRC (Yang and Černevičiūtė 2017).

The sustainable development of CAREC countries can thus be observed through further urban development, human orientation, creativity, and the enhancement of city competitiveness. The appropriate localization of the creative industries should be a priority for policy makers, as the creative industries should be based on the local culture and attractions. The focus on the uniqueness of a city's culture facilitates creativity and enhances the further growth of the creative ecosystem. To ensure the sustainable recovery and development of the creative economy, creative cities need to ensure they possess four essential characteristics. First, creative cities need a highly qualified workforce to boost innovation and economic growth. Second, diversity and inclusion should be nurtured, to encourage new ideas, creativity, and smart solutions. Third, alongside a strong local identity, the organizational culture plays an important role in accomplishing different strategies and tasks, and embracing new ideas. Finally, the infrastructure and facilities should be well-developed, to promote communication and networking (Pratt 2011; Rodrigues and Franco 2018; Wu and Lin 2021).

15.5 Conclusion and Policy Implications

The development of the creative economy is a top priority for the policy makers of CAREC member countries. A crucial lesson from the COVID-19 pandemic has been that markets cannot cope under such circumstances without government support. This has also been experienced by the creative industries. Therefore, the government plays a vital role in designing national and international strategies to support and foster the sustainable growth of the creative economy. Our study has demonstrated that there is a high growth potential for creative industries in several CAREC countries. According to UNCTAD (2010, p. 24): "The growth is a confirmation that the creative industries hold great potential for developing countries that seek to diversify their economies and leapfrog into one of the most dynamic sectors of the world economy."

Our study has several policy implications for the sustainable and inclusive growth of the creative economy after the COVID-19 pandemic. First, following the academic literature and international experience, the CAREC countries should encourage entrepreneurial activity in creative industries. This would significantly move forward the creative economy toward continuous economic growth and greater inclusion. In order to do so, the policy makers should provide a range of incentives for creative entrepreneurs, such as tax incentives for innovation, flexible access to credits, loans, and funding for creative and cultural projects.

Second, creative workers and artists would benefit from having open access to education and training to familiarize themselves with different financial tools to develop their businesses and enhance their understanding of contracts, regulations, intellectual property rights issues (e.g., copyright, know-how), new business model benefits and networking, and IT. This would ensure sustainability and promote creative content.

Third, the development of local creative ecosystems (creative clusters) would help small and medium-sized businesses to thrive and facilitate the interactions between stakeholders in the creative industries. In addition, creative artists, whether freelancers, self-employed, or working independently, or in creative companies, would benefit from building clusters and alliances with government officials,

the private sector (companies, sponsors, business groups), and nonprofit organizations (academia, nongovernment organizations, foundations). Finally, the policy makers should review their policy strategies and increase expenditure on the creative industries in their R&D budget. This stimulus would maintain the growth of the creative economy and considerably facilitate innovative activity in this sector, thereby involving more workforce in the creative industries. All these measures could help inflect the policy strategy toward an informed, evidence-based policy-making system; promote cultural diversity and inclusion policies; and establish the rebranding of the creative economy as a national priority (UNCTAD 2010).

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The Entertainment Industry of the Republic of Korea in the Context of COVID-19: Lessons for Association of Southeast Asian Nations Countries

Khussamov Rail and Garaeva Aisylu

16.1 Introduction

The modern globalizing reality has influenced and modified human society. This applies not only to the life of an individual, but also to entire communities and states, with economic and political programs differing from those of the recent past. At the end of the 20th-/beginning of the 21st century, the American political scientist Joseph Nye introduced and consolidated the term “soft power”. Nye defined this as a mechanism of influence on a society using the external and (or) internal attractiveness of an object (Nye 2005). It includes the results of the cultural, political, and economic aspects of life. This term has acquired the status of an indicator of the effectiveness of policy in the 21st century.

The economic slowdown and foreign cultural influence forces governments to prioritize creativity. Results of the economic sector, including the production of artistic, cultural, and technological goods, began to be called the “creative economy”. In a general sense, this industry is the outcome of human intellectual activity.

Types of creative policy can be divided into two large areas:

1. Orientation to the domestic consumer or import substitution;
2. Satisfaction of the foreign consumer or export orientation.

At the same time, we believe that is also possible to structure them into a system that represents separate stages of the development of the national creative economy. This can be stated in the following thesis: The gradual satisfaction of an internal market’s consumers with creative economy goods allows a state to increase the economic and labor potential of the sector, which becomes a base for its promotion abroad.

Currently, the Association of Southeast Asian Nations (ASEAN), with a population of 666 million and a gross domestic product (GDP) of \$2.9 trillion, has an urgent need to develop its member countries. One of the most developed creative industries of ASEAN is tourism. Due to the restrictions caused by the coronavirus disease (COVID-19), tourism has suffered significant losses. For example, in 2019, 139 million tourists visited ASEAN countries, which accounted for 9% of the global total. However, in 2020, the number of foreign tourists fell by 5.5 times to 25 million people (World Tourism Organization 2021).

In connection with this, we decided to analyze the current situation in the region, as well as develop some recommendations. The following tasks were set:

1. Classify the ASEAN member countries;
2. Find the most successful creative policy and consider its development stages; and
3. Determine its applicability in the ASEAN countries.

We have conducted research in this area over the past 2 years, using such empirical methods as a SWOT analysis, content, comparative analysis, and classification using the following hypothesis: the Republic of Korea entertainment industry's development in the conditions of COVID-19 can be successfully adapted in the ASEAN countries. We used materials provided by state and non-state organizations of the Republic of Korea, ASEAN, and other countries. Separate opinions of respected honorable experts, i.e., representatives of the above-mentioned states, were also analyzed.

16.2 The Entertainment Industries of the ASEAN Countries

Indonesia is one of the economic leaders of ASEAN, with a 2020 GDP of \$1.06 trillion in (UNCTAD 2020a). The average annual GDP growth rate for 2000–19 was 5.2% (World Bank 2020a). Indonesia's entertainment industry is a special object for analysis, since it is the largest country in ASEAN by population, with more than 273.5 million people as of 2020 (UNCTAD 2020a). The median age in Indonesia is 29.7 years (Worldometer 2020a).

Indonesia's creative economy is developed, which is confirmed by its contribution to the country's overall growth. In 2017, this sector produced more than 7% of GDP, and it employed about 15.9 million people (Jewell 2019).

In 2015, the Indonesian Agency for Creative Economy was established. Currently, the Ministry of Tourism and Creative Economy regulates the entertainment industry throughout the country, with two strategic goals for 2020–24: increasing the share of inbound tourism and attracting foreign currency, and adding value to the national creative economy (Kementerian Pariwisata dan Ekonomi Kreatif 2021).

Before proceeding to the characteristics of the Indonesian entertainment industry, we make the following comment. Based on open and accessible information, we calculate the potential capacity of the entertainment market for each ASEAN member. As a basic assumption, we believe this can be estimated by one parameter, i.e., the number of people from 15 to 35 years old, since this is the target market segment and the most active consumers of entertainment products.

The entertainment industry of Indonesia is a promising market with the following characteristics:

1. a market capacity of 86.6 million people, which is 31% of the total population (United Nations Statistics Division 2021);
2. governmental support; and
3. a predominance of small and medium-sized enterprises that produce products only for consumption within their country.

The next country is **Thailand**, which occupies the second position among the ASEAN countries in terms of GDP at \$499.6 billion in 2020 (UNCTAD 2020b), with the average annual GDP growth rate for 2000–19 of 3.9% (World Bank 2020b). The country's 2020 population was 69.8 million. The median age in Thailand is 40.1 years (Worldometer 2020b).

Tourism is the dominant sector of Thailand's entertainment industry. In 2009–19, the average annual growth rate of foreign tourists was 11% per year; in 2019, their number was 39.9 million. The share of the tourism sector in the total export of services in 2019 was 20%. However, in 2020, due to the pandemic, the share of tourism fell to 6%, and the number of foreign tourists dropped to a critical 6.7 million people (World Tourism Organization 2021).

On the one hand, we see a sharp drop of Thailand's sector for 2019–20; the number of foreign tourists decreased by almost six-fold. On the other hand, 6.7 million tourists was the best result in the entire Asia-Pacific region in 2020 (World Tourism Organization 2021).

The Creative Economy Agency is engaged in the development of the entertainment industry in Thailand (CEA 2021). The features of the Thai entertainment industry are:

1. a market capacity of 18.2 million people, which is one-quarter of the total population;
2. a specialized state body (Creative Economy Agency); and
3. tourism as the driver of the entertainment industry (in case of a victory over COVID-19, this industry will be able to recover).

A limitation is that the average age of the population, i.e., 40.1 years, is the highest among the ASEAN countries.

The Philippines is a developed industrial country, which occupies the third- highest ASEAN GDP, i.e., \$345.4 billion in 2020 (UNCTAD 2020c), with the average annual GDP growth rate for 2000–19 being 5.4% (World Bank 2020c).

The population of the Philippines is 109.5 million (2020), with a median age of 25.7 years (Worldometer 2020c).

In recent years, the main markets for creative products of the country were the United States (US) (54%), Asia (29%) and Europe (13%) (UNCTAD 2018).

In 2017, the non-profit Council of the Creative Economy of the Philippines was established, with a goal of being the leading accelerator of creative industries in the country, focusing on expanding international trade opportunities for Philippine creativity (The Creative Economy Council of the Philippines 2020).

The main characteristics of the Philippines' entertainment industry are:

1. a market capacity of 37.9 million people, which is 34.6% of the total population (Worldometer 2020c);
2. an incipient self-regulation of the industry;
3. a young audience (Worldometer 2020c).

Further, the Philippines has been providing animation services to the world for more than 30 years, making it an important outsourcing partner for large international creative economy companies (Animation Council of the Philippines 2017).

Singapore is a highly developed country with a market economy, which is the fourth largest in terms of GDP among the ASEAN countries. The country's GDP is \$337.8 billion, while the total population does not exceed 6 million people (UNCTAD 2020d).

The median age in Singapore is 42.2 years. (Worldometer 2020d). Despite the objective difficulties with the resource base, Singapore has highest share of the creative class at approximately 52% (Analytical Center for the Government of the Russian Federation 2017).

The state pays significant attention to the creative economy. In 2002–10, the first “Remaking Singapore” program was established to change the existing political, social, and cultural norms of the country

(Government of Singapore 2002). It continued within the framework of the “DESIGN SINGAPORE” Initiative.

Important characteristics of the Singapore entertainment industry are:

1. A market capacity about 1.5 million people or 25.8% of the total population; and
2. the presence of high-tech companies and state programs for the development of the creative economy.

A limitation is the high average age of the population (42.2 years).

Malaysia is the fifth-largest economy in ASEAN. The country’s GDP reached \$336.6 billion in 2020 (UNCTAD 2020e), with an average annual growth rate for 2000–19 of 5.3% (World Bank 2020e). Malaysia is the sixth-largest country in ASEAN by population, with more than 32.3 million people as of 2020 (UNCTAD 2020e). The median age in Malaysia is 30.3 years (Worldometer 2020e).

Labor productivity in Malaysia is significantly higher than in Viet Nam or Thailand due to the high density of industries that feature specialists with higher education.

We should note that Malaysia, the Philippines, and Thailand are among the most developed countries contributing to the global creative economy (UNCTAD 2018). The volume of exports of the creative economy of this country increased from \$3 billion in 2005 to \$13 billion in 2014. There is considerable competition from the enterprises of the creative economy of the Republic of Korea and the People’s Republic of China. The state creative policy is focused on the activities of one organization, the Cultural Economy Development Agency.

Important characteristics of the entertainment industry in Malaysia are:

1. a market capacity of about 11.25 million people, which is about one-third of the total population (Worldometer 2020e);
2. state support, which is manifested in the creation of the Agency for the Development of the Cultural Economy; and
3. the state initiative MyDIGITAL, which is key to the implementation of the country’s development strategy for 2021–25 and which is aimed at creating a technologically advanced economy (Malaysia Digital Economy Corporation 2019).

A neutral factor is the average age of the population (30.3 years) (Worldometer 2020e).

Viet Nam is a dynamic, developing country that has embarked on liberal transformations of its economy.

From 2005 to 2018, Viet Nam’s GDP grew more than four times from \$57 billion to \$244 billion (World Bank 2020f). In 2020, the GDP reached \$268.8 billion, (UNCTAD 2020f), and the average annual growth rate from 2000–19 was 6.4% (World Bank 2020f).

The entertainment industry of Viet Nam is mainly represented by tourism, and the government has many strategies for its development (Vietnam National Administration of Tourism 2020).

The key features of Viet Nam’s entertainment industry are:

1. a market capacity of 30 million people, which is 30% of the total population (Worldometer 2020f); and

2. the Ministry of Culture, Sports and Tourism, whose function is to create cultural sectors of the economy.

A neutral factor is the average age of the population (32.5 years) (Worldometer 2020f).

The next country that we will consider is **Lao People's Democratic Republic (Lao PDR)**. In 1986, Lao PDR initiated cardinal economic reforms, the purpose of which was the transition from a centrally planned economy to an open liberal economy. In 2020, the country's GDP reached \$19.2 billion (UNCTAD 2020g), with an average annual GDP growth rate for 2000–19 at 7% (World Bank 2020g). Agriculture employs about 70% of the working-age population.

The creative economy is in the initial stage of development.

The Lao PDR population is 7.2 million (2020), and the median age is 24.4 years (Worldometer 2020g).

The main characteristics of the Lao PDR are the following:

1. a market capacity of 2.6 million people, which is 36.5% of the total population (Worldometer 2020g);
2. a lack of a comprehensive strategy for the entertainment industry on the part of the government, which has shown some attempts to move in this direction; and
3. the youngest average age of its population compared to other ASEAN countries.

Cambodia is one of the fastest-growing economies in Southeast Asia, with an average annual GDP growth rate of 7.7% for 2000–19 (World Bank 2020h). The economy is based on the following industries: 1) the service sector; 2) agriculture; and 3) industry (World Integrated Trade Solution 2021).

The country's GDP in 2020 was \$26.8 billion. The total population is 16.7 million, and is relatively young (UNCTAD 2020h), with a median age of 25.6 years (Worldometer 2020h). Agriculture employs 60% of the working-age population, and provides about a third of the total GDP of the country.

Tourism is the most important sector of the Cambodian economy, constituting 26% of the total export volume in 2019. A total of 6.6 million people visited Cambodia and spent \$4.8 billion (World Tourism Organization 2021). Due to COVID-19, the number of foreign tourists in 2020 decreased by six times to 1.1 million people who spent \$1 billion (World Tourism Organization 2021).

The Ministry of Tourism of the Kingdom of Cambodia is currently guided by the strategy for the development of the Greater Mekong subregion until 2030 and the plan for the rehabilitation of the economy of the subregion for 2021–23. (Ministry of Tourism 2021).

The following key characteristics of the Cambodia entertainment industry are:

1. A market capacity of 5.8 million people, which is 34% of the total population;
2. insufficient attention to this industry from the government; and
3. a young average age of its population.

Myanmar ranks fifth in ASEAN in terms of population, with 54.4 million people in 2020. The GDP is \$92.1 billion (UNCTAD 2020i), with an average annual growth rate for 2000–19 at an impressive 9.5% (World Bank 2020i). The median age in Myanmar is 29 (Worldometer 2020i).

The creative economy of the country is at the initial stage of development. The characteristics of the Myanmar entertainment industry are:

1. a potential market capacity of 18 million people, which is 33% of the total population (Worldometer 2020i);
2. an uncertain future due to the coming to power of military leaders, and, in general, the political instability in the country in recent years.

Brunei Darussalam is the smallest country in ASEAN in terms of population and other important macroeconomic indicators. The economy is directly connected with the production and sale of oil and petroleum products. The GDP was \$12 billion in 2020, while the total population does not exceed 437,000 (UNCTAD 2020j). The median age in Brunei Darussalam is 32.3 years (Worldometer 2020j).

The average annual GDP growth rate from 2000–19 was 0.95% (World Bank 2020j).

The following key characteristics of the entertainment industry in Brunei Darussalam should be noted:

1. the potential market capacity of industry is small at 142,000 people (Worldometer 2020j);
2. the country has a high average age.

The results can be summarized in Table 16.1:

Table 16.1: The Main Characteristics of the ASEAN Countries (2020)

Country	GDP, billion US dollars	Population, million people	Average age, years	Capacity, million people
Indonesia	1,057	273.5	29.7	86.6
Thailand	499.6	69.7	40.1	18.2
Philippines	345.4	109.5	25.7	37.9
Singapore	337.8	5.8	42.2	1.5
Malaysia	336.6	32.2	30.3	11.2
Viet Nam	268.8	97.3	32.5	30
Myanmar	92.1	54.4	29.0	18
Cambodia	26.8	16.7	25.6	5.8
Lao PDR	19.2	7.2	24.4	2.6
Brunei Darussalam	12	0.44	32.3	0.14
Total	2,995	666.7		211.9

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic. Sources: UNCTAD, WorldBank, and Worldmeter.

According to our calculations, the potential market capacity of the entertainment industry of the ASEAN countries in 2020 was 212 million people aged 15 to 35 years.

16.3 The Most Applicable Example of Successful Creative Policy

The US and the Republic of Korea are considered leaders in the implementation of creative policy. Many experts note that the nature and speed of development of the creative economy industries in the two states differ significantly.

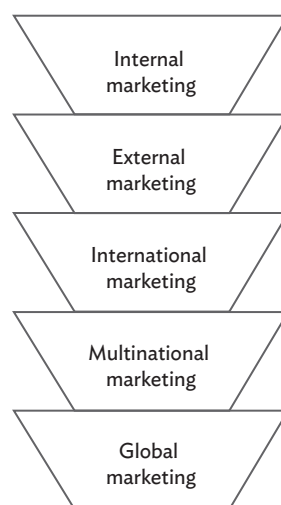
The US creative economy has evolved gradually over several decades and its creative policy has become globally popular due to a certain emptiness of “screen time” caused by the world’s restructuring in the 1980s and 1990s.

The Republic of Korea consciously developed its creative sector, wanting to displace imported products from abroad, those from Japan in particular. At the same time, its experience represents another “miracle on the Han River” and an unprecedented Asia-Pacific region creative economy success. The Republic of Korea develops and annually adjusts its political plans with this in mind, taking into account the regional, temporary, and political features of the recipient territories.

Most research devoted to the Republic of Korea’s creative sector note that this phenomenon has become a kind of response to the influence of Western culture. As noted by Hong Kong, China entrepreneur Yu Pun-hoi, modern culture and creativity are becoming the next stage of development after the gradual improvement of other sectors (National Research University High School of Economics 2020).

There are several stages of domestic company’s entry to the international creative economy (Hwan and Kang 2017). This is a gradual exit from the filling of the domestic market and providing products to the external market (Figure 16.1).

Figure 16.1: Steps of Entry to the International Level



Source: Hwan and Kang (2017).

We will not consider each in detail, but will pay more attention to the first two stages. The first step in international marketing is internal marketing. Before entering the international market, companies focus on the local market, which is characterized by limited needs of domestic consumers. Therefore, the company's strategic actions are not sensitive to changes in the international market and tend to ignore opportunities to go outside their country. When the internal competitive environment increases due to an oversupply in the market, manufacturers move to the export marketing stage. Companies get the opportunity to interact with the interests of consumers in other countries. However, at this stage, this often happens due to interaction with other larger players. The intensification of the domestic market allows companies to maximize their profits.

However, when analyzing the offered products of Japan for that period, we can see that it rarely adapted to the needs of the consumer. In our opinion, this has had a negative impact on the further expansion of Japanese culture.

By contrast, Republic of Korea producers constantly analyze the markets for further adaptation of products. In 1993, the government of President Kim Yong-sam concluded that it was necessary to modernize its creative sector to create a new popular culture. This is evident both in the speeches of the president and in political programs. Companies capable of analyzing and organizing the business processes of this industry were also created at the government level, with state subsidies given to the most successful private companies.

First, the Republic of Korea modernized the country's film industry. The reason for this was the demand for Japanese TV series and the economic success of US films on world screens. To protect state finances, the Republic of Korea people themselves constituted the target audience for this period. Analyzing the products of Japan and the US, Republic of Korea manufacturers created romantic TV series and action films that somewhat resembled the style of the products of these countries, adapting them to the tastes of the local consumer. The market success became noticeable with the release of the film "Shiri", which broke all sales records among the population of the Republic of Kazakhstan. The film cost \$8.5 million, most of which was financed by the Republic of Korea conglomerate Samsung. More than 6.5 million Koreans watched the film, beating the previous record of the US film "Titanic" (Leong 2001).

Subsequent government plans began gradually to expand the target audience from the population of the Asia-Pacific region to the whole world. The data of the Ministry of Culture, Sports and Tourism show that, in 2006, the focus of the entertainment industry changed to music. This is primarily due to the high benefit of the products of the cultural sector. The costs aimed at the country's film industry did not meet their expectations and at times became unprofitable. By contrast, the music industry was building up its potential, with artists acting as a kind of lever for the promotion of other structures: web comics, video games, cosmetics, tourism, and more.

16.4 The Positive Impact of Digitalization and Globalization

The Republic of Korea was already a high-tech country at the end of the 20th century. Today, more than 95% of the population are active users of the internet. Digital platforms and applications allowed the Republic of Korea brand to be widely popularized, starting with YouTube and ending with VLive. This is the next stage of the Republic of Korea's creative policy.

We conclude that it is necessary to apply the following to ASEAN countries' creative economy:

1. A planned policy aimed primarily at replacing imported products;
2. Creating a structural mechanism for analyzing and promoting the culture; and
3. Digitalization as a factor of popularization and cheapness of logistics.

At the same time, it is necessary to remember about the negative consequences that may arise with completely copying the Republic of Korea model:

1. Commercialization of the sector, with the loss of national identity; and
2. Social problems and pressure on people aged 15–35 years.

16.5 Implementation of Foreign Cases

The COVID-19 pandemic has had a significant negative impact on the creative sector of ASEAN, particularly regarding tourism. To prevent a downward trend on this issue, we offer the following solutions:

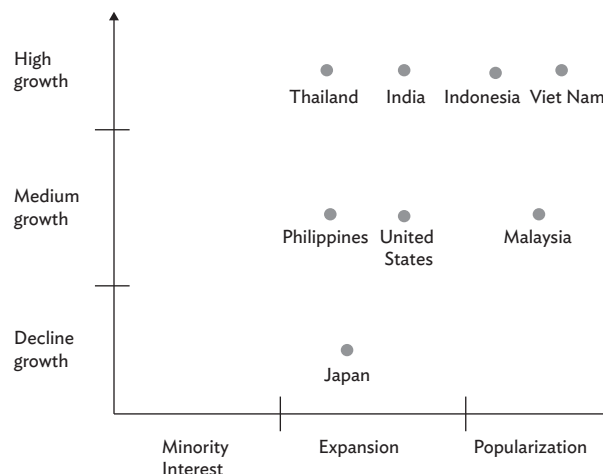
- Vaccination of the population to create a safe travel area;
- Development of domestic travel destinations for the local population;
- Improving the quality of security for customers.

However, these decisions will only ease the overall pressure on ASEAN tourism, but will not completely solve the problems of the creative economy. Therefore, we offer a diversification of the creative direction, which should also include music, book publishing, web culture, cosmetics, and clothing. Of course, not all countries will be able to develop these areas, due to differences in the degree of digitalization. However, this does not mean that transformation becomes impossible.

For better understanding, we analyzed the reports and materials published by the Ministry of Culture and the Korean Foundation. Korean manufacturers are constantly looking for new markets, and some ASEAN member countries are becoming a special target for them.

The Korean Foundation report for 2020 shows that countries such as Malaysia, Thailand, Indonesia, and Viet Nam represent a special layer of new consumers of Republic of Korea content.

Figure 16.2: Changes in Demand for Goods of the Republic of Korea Entertainment Industry by Country



Source: Hwan and Kang (2017).

More than 50% of users from these countries are active consumers of Republic of Korea content (Ministry of Culture 2021). The main product is modern Republic of Korea music, thanks to the attractiveness of performers, the energy of compositions, and the features of presentation (online/offline). The second and third most popular products are cosmetics and cinema, respectively.

It is also worth noting that the same consumers have a negative attitude toward Republic of Korea brands caused by excessive commercialization, the complexity of the Korean language, and the differences in the cultures of the donor and recipient countries. Republic of Korea humor and romantic lines sometimes seem strange to them. In other areas, such as cosmetics, fashion, and video games, the prices are too high. However, due to the lack of a domestic analogue, consumers are forced to use foreign content.

In 2020–21, the situation remained the same. Despite the pandemic, the cost of Republic of Korea products has not decreased. The countries most predisposed to copy the Republic of Korea experience are Viet Nam, Indonesia, Malaysia, Thailand, and the Philippines, due to having such factors as:

1. presence of state organizations aimed at analyzing trends of modern culture;
2. growth of knowledge of high technologies and digitalization;
3. experience of local talents working in the Republic of Korea industry.

The most consumed Republic of Korea creative products (70% of those exported) are music. Replacing these products, countries will be able to prevent a significant leakage of financial resources abroad. What also needs to be paid attention to is digitalization. Promotion of cultural brands should take place on the most-used international platforms. For example, in Japan it is Twitter; in Republic of Korea, YouTube, etc. To promote the music products of the ASEAN countries, it is necessary to start with YouTube, since this host is the most-used platform for finding music, video clips, etc.

ASEAN products should meet the needs of consumers. According to the Korean Foundation, the most popular groups today are BTS, TXT, and BlackPink. Since Republic of Korea creators are constantly striving to adapt products, the products in demand in Indonesia may differ dramatically from the results in Viet Nam.

Despite the Republic of Korea's music sector popularity, ASEAN member countries should also pay attention to other areas: for example, the Philippines, video games; Indonesia, cosmetics; etc. Their choice should vary based on the national preferences.

16.6 Conclusion and Policy Recommendations

We highlight two main conclusions:

1. The initial hypothesis of the study, i.e., that the Republic of Korea experience of the entertainment industry development in the conditions of COVID-19 can be successfully adapted in the ASEAN countries, was partially confirmed.
2. Using the criterion of the readiness of national entertainment industries to use the Republic of Korea model, we divided the ASEAN countries into the following groups:
 - a) The most ready: Viet Nam, Indonesia, Malaysia;
 - b) The least ready: Brunei Darussalam, Cambodia, Lao PDR, and Myanmar;
 - c) Singapore has a unique experience in the development of the entertainment industry, making it better able to collaborate with other ASEAN countries.
 - d) We include a group of countries in which the entertainment industry has one well-developed segment: Thailand (tourism), the Philippines (animation).

We see the future of the ASEAN entertainment industry developing along the following lines:

1. The annual ASEAN Television Song Contest, which is planned to be held alternately in each country, will involve a wide variety of young talents from ASEAN and neighboring Southeast Asian countries. The usefulness of this project will be to create a multiplicative effect, namely the development of the music industry and related industries of the entertainment industry;
2. Creation of a “High School of Talents” in the ASEAN structure, the main purpose of which will be to promote the selection, development, and training of creative abilities among youth of the ASEAN countries. The usefulness of this educational project has a long-term and international character in various branches of the entertainment industry: television, cinema, music, design, etc. The sponsors of this project can be both national ASEAN companies and the largest international companies in the entertainment industry;
3. Promotion by the ASEAN secretariat of national strategic programs for the development of the entertainment industry by attracting grants and other financial support from international organizations. International collaborations between ASEAN and organizations of other countries aimed at studying and using the positive experience of the development of certain branches of the entertainment industry (for example, Hollywood studios, Bollywood, etc.) are also recommended. The aim of these measures is to adapt and use international experience for the development of the ASEAN entertainment industry.

Our research aimed at exploring the prospects for the development of the entertainment industry of the ASEAN countries will continue, so we invite experts to join the discussion of these topical issues.

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Key Growth Determinants for Micro, Small, and Medium-Sized Enterprises in the Textile Sector in India: A Perception Survey of Four Clusters

Nidhi Gautam

17.1 Introduction

Given the importance of micro, small, and medium-sized enterprises (MSMEs) for economic development (Pillania 2006; Garg and Goyal 2012; Shelly, Sharma and Bawa 2020), their contribution to exports, employment and the overall gross domestic product (GDP) make them irreplaceable (Ranman and Kabir 2021). Over the years, MSMEs have accelerated rural economies, uplifting the economically weaker sections of the society.

India is the second-largest textile manufacturer and exporter in the world, accounting for 5% of the global trade in textiles and apparel (NITI Aayog 2020). In addition, the sector carries a traditional historical value. Handlooms, handicrafts, small-scale power looms, and handwoven textiles symbolize the culture of India itself, and are the biggest source of employment for the rural population.

Despite having socio-economic relevance, MSMEs are suffering from a host of problems and challenges (Mittal and Raman 2021), some of which pertain to a lack of a regulatory framework, market conditions, poor access to finance, lack of research and development and technology-related factors, and limited physical infrastructures, entrepreneurial capabilities, and entrepreneurial culture (Kshetri and Nir 2012; Mittal and Raman 2021).

Government has an important role in building regulatory frameworks pertaining to MSMEs with a special attention to their key challenges. India's Ministry of Textiles is mandated to look after the interests of the textile sector and workers engaged in it.

The literature reviewed clearly indicates that MSMEs need access to finance, advanced technology, skilled manpower, and efficient regulatory mechanisms in order to thrive. Although government policies have played a major role in boosting MSMEs' overall growth, there is a lack of impact evaluation of such policies. Several studies have analyzed the growth of MSMEs, but most have shown mixed results without any clear relationship. Thus, there is a need to identify the factors influencing the growth of MSMEs, especially in context of their issues and challenges.

This study attempts to capture the real-time issues and challenges faced by MSMEs in four textile clusters of India, namely Surat, Ludhiana, Guwahati, and Tirupur and evaluate the policy intervention at the grass root level in the four clusters. Although the study is focused on India, it can be replicated in other developing nations with similar challenges.

The methodology is a survey of MSME respondents at the four textile clusters using a bottom-up approach. Primary data collection through questionnaires, telephone interviews, and meetings was undertaken during the coronavirus disease (COVID-19) period. The results show that the full potential of MSMEs cannot be harnessed until regional efforts are implemented that scale up the overall contribution of MSMEs in the economy. Hence, a mix of policies, institutional support, and significant

efforts to create awareness about government schemes and policies in addition to new technology to catch up with the competitive markets, is crucial.

17.1.1 MSME Textile Clusters in India

Textiles are one of the crucial drivers for the economic growth of the country. India's textile sector is the second-largest manufacturer and exporter in the world after the People's Republic of China (PRC). Textiles and clothing accounted for 12% of total exports during 2018–19 (Annual Report 2019–20, Ministry of Textiles, Government of India), while MSMEs account for more than 75% of total textiles production in the country (Annual Report 2019–20, Ministry of Textiles, Government of India). Table 17.1 shows the contribution of India's textile sector.

Table 17.1: Contribution of India's Textile Sector

Units	Value
Share of India in global trade in textile and apparel	5%
Contribution in India's GDP	2%
Contribution in India's export earnings	12%
Contribution in direct employment generation	45,000,000 people
Contribution in indirect employment generation (allied sectors)	60,000,000
Traditional sectors	Handloom, handicrafts, and small-scale power loom

Source: Annual Report 2019–20, Ministry of Textiles.

There are an estimated 65,000 garment units in the organized segment of the textile sector, about 88% of which are producing woven cloth while rest are producing knitted garments. The remainder of the units are operating in the unorganized and small segment as only 30–40 units are large in size (Chandra 2006).

Table 17.2 below depicts the total employment generated by the textile and apparel sector in India.

Table 17.2: Employment Generated by the Textile Sector in India

Year	Number of persons employed	
	Total Manufacturing Sector	Textiles and Wearing Apparel Sector
2011–12	13,429,956	2,380,798
2012–13	12,950,025	2,331,619
2013–14	13,538,114	2,474,903
2014–15	13,881,386	2,526,610
2015–16	14,299,710	2,648,238
2016–17	14,911,189	2,697,123

Source: Annual Survey of Industries, 2016–17.

The textile sector of India is the second-largest manufacturer and exporter in the world. India accounts for 5% of the global trade in textiles and apparel. India's export of textile and clothing products, including handicrafts, have grown 3% from \$39.2 billion during 2017–18 to \$40.4 billion during 2018–19. However, India still trails other growing economies, namely the PRC, which contributes around 38% to global textile and clothing trade (Gupta 2020).

17.2 Objective and Scope of Work

The literature gives rise to the following research questions:

1. What are the key performance determinants for MSMEs?
2. Is there an alignment between key performance determinants and outcomes of government policy for MSMEs?
3. Which are the possible areas need to be focused upon by policy makers while designing policies for MSMEs?

Based on the above research gaps, the current research has three major objectives:

- To identify key determinants impacting the performance of textile MSMEs through a perception survey in four select clusters.
- To evaluate through a comprehensive and comparative analysis the key performance determinants derived from both top-down and bottom-up approaches.
- To suggest recommendations for improving the impact of government schemes for MSMEs in four select textile clusters based on the perception survey.

17.3 Literature Review

17.3.1 Challenges for MSMEs in the textile sector

Small enterprises serve as training grounds for developing entrepreneurial talents and are often able to utilize labor resources and raw materials optimally, which might otherwise remain idle. However, MSMEs are adversely impacted by a range of challenges.

17.3.2 Finance and Collateral

Finance is crucial for business expansion; however, MSMEs find it difficult to raise bank finance (Irwin and Scott 2006). Key challenges include the existence of a 'financing gap'; high transaction costs; and a lack of coordination and standardization among current investors. Further, lack of collateral restricts the expansion and growth of MSMEs (Solanki 2008) since they are mostly first-generation entrepreneurs and lack high-value property.

17.3.3 Regulatory and Legal Infrastructure

MSMEs suffer due to the lack of proper regulatory and legal infrastructure (Ramaswamy 1994). The Abid Hussein Committee recommended a "Basic Law of Small Enterprises" to define small enterprises sectors and outline the framework for their promotion. Legal reforms remain an area in which very little has been done or even attempted (Mathew 2000). Sathe (2002) also noted the necessity of having a comprehensive law in order to address the concerns of small-scale industries (SSIs) with respect to credit, marketing, delayed payments, streamline of inspections, etc.

17.3.4 Technology

Bhavani (2002) pointed out that, despite government focus on the development of MSMEs, the sector is lagging due to technological obsolescence and non-competitiveness. Changes in technology, credit, cost, and distribution are critical prerequisites for the growth of MSMEs. However, only large firms with global reach can acquire the technological, managerial, and financial resources to adopt the innovations needed to profit from this opportunity. Further, in this time of fast-changing technology, MSMEs are unable to reap benefits of modern technology.

17.3.5 Information asymmetry

The lack of a comprehensive database is a problem for MSMEs. There is no one source from where MSME-related information can be gathered. In the presence of information asymmetry in the market for loans, banks use high interest rates to equate demand and supply. This poses a difficulty in assessing the risk profile of a business proposal. Risky proposals create the problem of non-performing assets for the bank. Prahalad (2008) stated that lack of information may be the single biggest roadblock to sustainable development. MSMEs are mostly unaware about the various schemes and benefits made available by government (Annual Report of Ministry of MSME 2015).

17.3.6 Skilled workforce

Wiesner and McDonald (2001) observed the issues with human resource management in small and medium enterprises (SMEs). Their research highlighted that acquiring, developing, compensating, and retaining employees is a challenge for small firms. Mukherjee (2018) observed that lack of skilled manpower is a challenge for Indian MSMEs. Further, Indian MSMEs are unaware of the latest technology skills demanded by global markets. Skill development has been identified as important for the growth of MSMEs (Mehrotra, 2020, personal communication).

17.3.7 Cluster-level challenges for MSMEs

Roy (2009) discussed insights from two clusters, stating that they work on organic relationships between firms. Firms operating out of clusters enjoy production process flexibility and decentralized management, thereby reducing their costs. However, the new firms are mostly offshoots of the existing ones, as there exists a family lineage in the pattern of their growth. The firms operating in clusters also face challenges in terms of a lack of skilled labor, functional upgrading, access to advanced technology, procedural bottlenecks, and lack of logistics systems (Mukherjee, Mehra, and Ray 2016).

17.4 Policy Evolution of MSMEs in India

India has adopted two broad policy setups regarding MSMEs, namely promotional and protectionist policy measures. However, these have always been an issue of debate. Subrahmanya (1995) described the reservation system as a crucial feature of India's SSI policy, the origin of which can be traced to the Village and Small Industries Committee headed by Shri D G Karve. As per the policy, certain products have been exclusively reserved for manufacturing in the small industry sector. However, large-scale units with a minimum export obligation of 75% of their output are allowed to enter into the production of reserved items.

With an aim to strengthen MSMEs, India initiated the cluster approach for their overall development to harness collective advantages. However, as per the Evaluation Study of Micro & Small Enterprises Cluster Development Programme, January 2009, a sponsored study by Ministry of Micro, Small and Medium Enterprises, access to finance remains a major constraint for operating units in the cluster. Out of 22 sampled clusters, 14 reported challenges of limited finance and only four reported having sufficient funds.

Government support for MSMEs has always been supply-driven and not demand-driven, which has adversely affected the performance of the sector (Tendulkar and Bhavani 1997). The supply-driven assistance to SSIs in the form of soft loans, tax exemptions, industrial estates, and product reservation has not been able to boost the targeted goal of employment generation (Ramaswamy 1994). Protectionism theory for small firms has been a failure in India while liberalization has also not yielded the expected results (Holmstrom 1999).

In their review of policy frameworks, Ramaswamy (1994), Subrahmanya (1995), Tendulkar and Bhavani (1997), and Holmstrom (1999) found that the reservation policy has been a failure. The policy resulted in destroying the scale (as it relates to the size of the firm) and external economies (that arise mainly from a spatial juxtaposition of firms), which could expedite growth. By contrast, Nair (1995) argued that the reservation policy coupled with concessions enables easy entry of small-scale entrepreneurs to any industry. Nair further argued in favor of reservation, stating that it has not led to the curbing of competition, at least in sectors where there are few economies of scale.

Although India has signed several international conventions regarding SMEs, the sector has not learned much from best practices followed by other nations. In view of the serious threat to the SME sector posed by globalization, there is a need to develop a strong policy closely linked to international commitments. Hence, government should be held accountable to develop this sector along scientific lines (Mathew 2004).

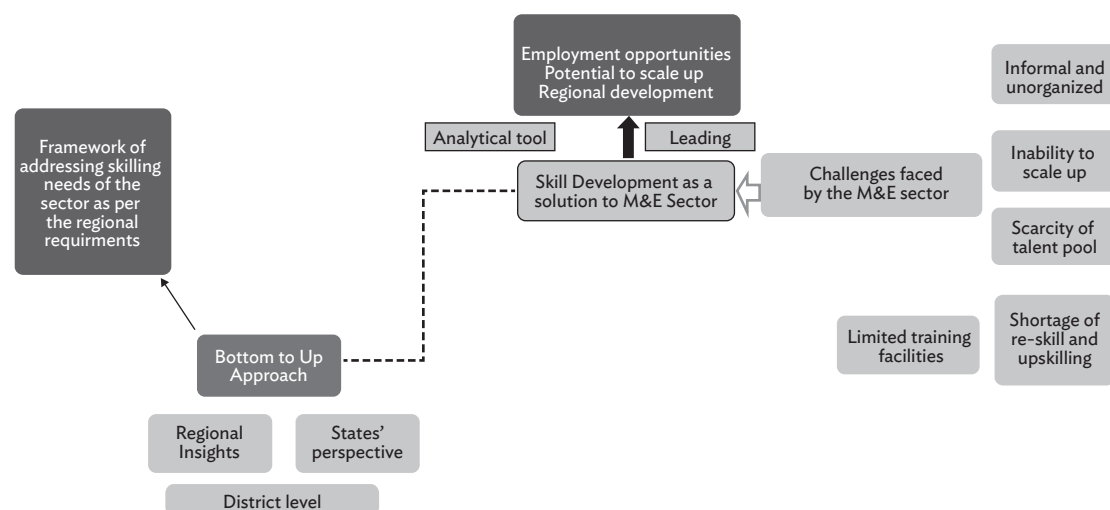
In recent years, some of new initiatives, i.e., Make in India, Skill India, and Digital India have been launched to overcome the challenges of MSMEs (Mukherjee 2018). Prakash, Jain, and Chauhan (2015) conducted a survey of students engaged in professional studies to find relationships among gender, locus of control, and long-term government policies to boost entrepreneurship in students. It was found that the policies are meant to stimulate entrepreneurship; however, they are ineffective.

17.5 Research Methodology

17.5.1 Methodological Framework of the Research

The methodological framework of the research and step-wise approaches used in each stage of the study is shown in Figure 17.1. At a regional level, the experiences and real insights from the representatives of MSMEs uncover the ground challenges. The overall methodological framework is uniquely designed based on qualitative and quantitative evidence. Four major textile clusters, namely Ludhiana in North India, Surat in West India, Tirupur in South India and Guwahati in East India, were chosen.

Figure 17.1: Methodological Framework of the Research



Note: Total of the 12 countries presented in Table 1.1.

Source: National authorities.

The study further explores the perspective of the MSMEs across the selected textile clusters. Stakeholder engagement is carried out to understand MSMEs' key growth determinant challenges and the impact of those challenges on the growth determinants of MSMEs. The interview findings are qualitatively analyzed by the NVIVO software and integrated into the final set of recommendations. The methodological framework has used a "bottom-up" approach to identify the issues and challenges of MSMEs in the select clusters.

A summary of various studies in support of the "top-down" and "bottom-up" approaches is shown in Table 17.3.

Table 17.3: Major Studies in Support of the Theoretical Framework

Sabatier, P.A.	1986	The paper examines the strength and weaknesses of the "top-down" and "bottom-up" approaches. The paper further argues in favor of 10–20 years to examine a policy change for the best feature of "top-down" and "bottom-up" approaches.	Sabatier, P. (1986). Top Down and Bottom-Up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis. <i>Journal of Public Policy</i> , 6(1), 21–48.
OECD	2013	Analyses the strengths of the two approaches. The two approaches help to understand the transition from policy change to policy implementation, especially with respect to multi-level governance.	Cerna, L. (2013). The nature of policy change and implementation: A review of different theoretical approaches. <i>Organisation for Economic Cooperation and Development (OECD) report</i> , 492–502.

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Table 17.3 *continued*

Suntharasaj, P	2013	Both approaches are of importance, as one alone does not suffice. A strategic model was suggested taking into consideration experts' judgments to determine the relative importance of a country's international science and technology and research and development sectors and quantifying them. The model assisted the national policy makers.	Suntharasaj, P. (2013). Bridging the Missing Link between "Top-down" and "Bottom-up": A Strategic Policy Model for International Collaboration in Science and Technology.
Girard	2018	Integrates the two approaches to develop a cost-effective optimization model at the river basin scale. The model is used to measure the performance of various climate change programs.	N. Li, D. W. Oyler, M. Zhang, Y. Yildiz, I. Kolmanovsky and A. R. Girard. 2018. Game Theoretic Modeling of Driver and Vehicle Interactions for Verification and Validation of Autonomous Vehicle Control Systems. <i>IEEE Transactions on Control Systems Technology</i> 26(5): 1782–97.
DeLeon and DeLeon	2001	Bottom-up approach is reflective of community interests while top-down approach reflects narrowly upon the targeted group.	DeLeon, P. and L. DeLeon. 2002. What Ever Happened to Policy Implementation? An Alternative Approach. <i>Journal of Public Administration Research and Theory</i> , 12(4): 467–92.
Matland	1995	The two approaches go hand-in-hand. While the top-down approach minimizes multiple stakeholders, restricts change, and identifies agencies to implement policy, the bottom-up approach describes the level of success with regards to the goal of the policy.	Matland, R.E. 1995. Synthesizing the Implementation Literature: The Ambiguity-Conflict Model of Policy Implementation. <i>Journal of Public Administration Research and Theory</i> , 145–174.

The questionnaires contained close-ended and open-ended questions and were circulated to the representatives of MSMEs of the four select clusters during March–December 2020. Owing to the COVID-19 lockdown and travel restrictions, information on the questionnaire was collected online and over the telephone. On average, the telephone interviews lasted 1.5–2 hours. The information was analyzed using qualitative and quantitative techniques.

The findings from the four textile clusters were integrated into the final set of recommendations, which builds the guiding framework for objective 3 of the research study.

17.5.2 Study area

For the bottom-up approach, assessing the impact of government schemes in regulating the key determinants becomes increasingly relevant for those clusters where the regional economy is predominantly driven by textile MSMEs. Against this backdrop, four major pan-India textile clusters were selected, each representing one of the regions nationwide.

17.5.3 Data Analysis Tools

Quantitative results have been derived from SPSS software based on inputs received from primary data collection. NVIVO software was used to analyze qualitative data sets. NVIVO is primarily used in research designs of both exploratory and confirmatory nature, i.e., a combination of qualitative and quantitative methods of analysis. It is widely used to bring out research insights through Text Data Mining techniques that use the weight and repetition of text in a given sample to determine keywords and express sentiments about the subject under study (see Table 17.4).

Table 17.4: Analysis of the Responses Received from MSMEs of Four Select Textile Clusters

Major Findings	Surat	Ludhiana	Tirupur	Guwahati
Top five determinants	1. Spin offs 2. Customer Feedback Systems 3. Quality of product 4. Entrepreneurial behavior 5. Product differentiation strategy	1. Quality of product 2. Industry- friendly policies 3. Profitability, Revenue generation 4. Access to finance 5. Legal structure	1. Quality of product 2. Product differentiation strategy 3. Goodwill of customers 4. New/improved products 5. Pricing	1. Ability to adopt the changed environment 2. Customer Feedback Systems 3. Quality of product 4. Product differentiation strategy 5. Entrepreneurial behavior
Bottom five determinants	1. Generation 2. Pricing 3. Industry Association 4. Profitability 5. Business Guidance	1. Spin offs 2. Firm share 3. Pricing 4. Firm size (total employability) 5. Market position	1. Generation 2. Firm size (total employability) 3. Firm share 4. Owner formal education 5. Spin offs	1. Profitability 2. Industry Association 3. Generation 4. Pricing 5. Business Guidance
Key challenges	Unawareness about the complete government policy and schemes, mismatch in terms of rates and supply of raw materials, lack of skilled workers, procedural bottlenecks in getting government finance	unawareness about government schemes and policies, obsolete machinery bureaucratic approach adopted by governmental departments, lengthy documentation, tedious procedures which is difficult for a small firm to abide by, requirement of large “No objection certificate (NOC)” Multiple monitoring agencies	High taxes, Goods and Services Tax (GST)	Migration of workers, lack of skilled workers, geographical and demographical hurdles

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Table 17.4 *continued*

Major Findings	Surat	Ludhiana	Tirupur	Guwahati
Schemes utilized	Pradhan Mantri Kaushal Vikas Yojana of Ministry of Skill Development and Entrepreneurship, Samarth (Scheme for Capacity Building in Textile Sector) of Ministry of Textiles	Powerloom Silkmark is an initiative taken by Ministry of Textiles	MSME loan scheme by Ministry of Micro, Small and Medium Enterprises, Government scheme of giving subsidies for starting business in rural areas	Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Silk Sector Schemes, Technology Upgradation Fund Scheme (TUFS), Apparel Manufacturing Units under Scheme for Integrated Textile Park (SITP)
Ask from government	Create export facilities, skill education, and awareness about government schemes at the ground level, vocational training for workers in unorganized markets, and streamlining governmental process of loan for MSMEs	Research and development centers Creation of Knitwear Mechanical Club for manufacturing of world class machines	Enhance export facilities, financial support, restructuring the existing facilities	Financial support, creating an online platform for showcasing the local handloom products to national and international markets, training on design and introduction of latest technology in textile units

Source: Author's compilation.

17.5.4 Analysis of Qualitative Responses Toward Government Policies and Schemes

The NVIVO software analyzed the terms used by respondents for discourse analysis by knowing their context, coding them and eventually grouping them. NVIVO's sentiment analysis function was used to segregate positive and negative sentiments.

17.5.5 Unit of Analysis

The unit of Analysis were statements, comments and inputs provided by respondents during interviews and questionnaires.

17.5.6 Findings

The NVIVO software segregated the qualitative information into three nodes: positive, negative, and neutral. These nodes were defined as data containers that grouped information according to their characteristics. An important determinant for the analysis is the weighted percentage which shows the number of times the data in a node is repeated in the sample. To calculate the weighted percentage, the following formula was used:

$$W = \sum w_i / n_i = \{1, 2, 3, \dots, n\} [1, \dots, n]$$

Using this formula, a query allows the program to search the text which is used to find W. The behavior of each of the words can be observed, and the value of W was found for the growth of MSMEs.

The analysis shown in Table 17.5 identifies the factors about MSMEs from the sentiments as expressed by the respondents. The factors were identified as positive (P1) for the growth of MSMEs. Text Data Mining was performed on each of these to find the most important factors from the weight of each in the selected themes. The words were grouped into different nodes according to number of times they were repeated in the dataset.

Table 17.5: Result for Performance of MSMEs Determinants (W)

Determinants for Growth of MSMEs	Word	Length	Count	Weighted Percentage (%)
W	scheme	6	31	2.69
	Government policy	15	28	2.43
	sector	6	17	1.48
	growth	6	13	1.13
	Textile	7	13	1.13
	awareness	9	11	0.95
	development	11	11	0.95
	Govt.	4	11	0.95
	Knitwear	8	11	0.95
	business	8	10	0.87
	integrated	10	10	0.87
	creating	8	9	0.78
	help	4	8	0.69
	knitting	8	8	0.69
	machines	8	8	0.69
	Comprehensive plan	17	7	0.61
	helpful	7	7	0.61
	machinery	7	7	0.61
	powerloom	9	7	0.61
	production	10	7	0.61
	area	4	6	0.52
	handloom	8	6	0.52
	Indian	6	6	0.52
	Ludhiana	8	6	0.52
	Samarth	7	6	0.52
	Small	5	6	0.52
	technology	10	6	0.52
	entrepreneurs	13	5	0.43
	manufacturers	13	5	0.43
	manufacturing	13	5	0.43
	Quality	8	5	0.43
	programs	8	5	0.43
	skill	4	5	0.43
	training	8	5	0.43

Source: Author's analysis.

Figure 17.2: NVIVO Result



17.6 Conclusion and Policy Recommendations

The present study has accounted for the experiences and views of MSME stakeholders of four major textile clusters in India to bring out the real side of policy initiatives. It has been observed that policy formulation should be based on demand-side factors rather than supply-side factors. This was a new contribution to the existing knowledge and research work, which could provide a guiding framework to other developing countries with similar challenges and features.

Cluster-wise ground assessment as a deeper study, for the first time, offered more information on the issues of MSMEs at cluster level, success or failure of policy interventions at grass-root level and future growth areas for state governments. Learning from MSMEs stakeholders of four select textile clusters was helpful in arriving at robust recommendations for sustainable growth of MSMEs in India.

The results of the study using the bottom-up approach generated the following recommendations:

- The result from the Guwahati cluster revalidates the argument that quality supersedes price. MSMEs in Guwahati are willing to adopt the same approach to create value for their products in the market. Since the finance was not rated among the top five determinants, it can be inferred that there is adequate fund flow for MSMEs. It can be said that there are various ministries, international organizations, and national banking financial companies, which are providing seed capital, funding support, or financial incentives to MSMEs. Finance has been one area of concern for MSMEs and there is an array of financial support measures. However, the results indicate that the time has come when MSMEs need to address other factors, namely quality and customer demands, in order to grow.
- Government should consider that, in order to make MSMEs self-sustaining, they need to focus on areas other than finance. Every cluster may be targeted to identify their “Unique Selling Proposition” and carve out their niche around that. This way, every cluster can function on their strength and traditional MSMEs can also derive benefit from such models. Supporting financially will not help MSMEs to become self-reliant; rather, helping them to grow from small to large will make a difference. This can be done by upskilling the workforce, enhancing competitiveness, using the latest technology, offering strong regulatory support, helping them to innovate, and inculcating research and development.
- The results from the Surat cluster show that cultural bias also affects the industrial growth of any region. Spin-off culture is rated as the top sub-determinant, reflecting the importance to start-up culture in Surat, which is an industrial region. Surat is a part of Gujarat state, which is known for its business community. The same is also reflective in the results, as a lot of weight is given to owning an enterprise in Gujarat culture.
- The results from the Tirupur cluster show that it has emphasized customer centricity and quality of products, which has led it to become one of the most successful clusters in the country. One unique aspect which emerged from the results is that the ranking of new/improved products (research and development) among top five sub-determinants indicates the first mover advantage of the cluster as compared to others. The MSMEs recognize the importance of innovation and research and development at the time when others struggle to compete on quality.
- The Tamil Nadu New Industrial Policy 2021 and MSME Policy 2021 has been formulated, keeping MSMEs as central focus and targeting global standards for ease of doing business. The state has adopted a “Think MSME First” approach and made various legal amendments to benefit local Clusters. Subsidy schemes are introduced with regards to technology, upgrading, and re-skilling of workers. Further, the MSMEs department works in collaboration with Directorate General of Foreign Trade department to promote exports from local MSMEs. Hence, there is convergence among various departments which is needed by all the states to harness local clusters.

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Supporting Youth-Led Creative Solutions for Sustainable Development: A Case Study of the Bagmati River Basin Improvement Project in Nepal

Dina Azhgaliyeva, Ranjeeta Mishra, and Swithun F. Rumble

18.1 Introduction

Through active participation in the lifecycle of policy, programs, and projects, youth can be empowered to play a vital role in their own development and that of their communities. The United Nations has long recognised youth as a major human resource group for development and a key agent for social change, economic growth, and technological innovation. Youth, defined here as those between the ages of 15 and 29, have a latent ability to bring fresh ideas or steer unforeseen but highly creative solutions to environmental, social and economic problems (Asian Development Bank and Plan International 2018). This has the potential to drive more creative economies (Sirivunnabood and Alegre 2021). Assuming multi-stakeholder support and an appropriate enabling environment, youth are well suited for the role of social entrepreneurship, which is defined in the current context as an entrepreneurial activity undertaken with the explicit objective of addressing larger social and environmental problems.

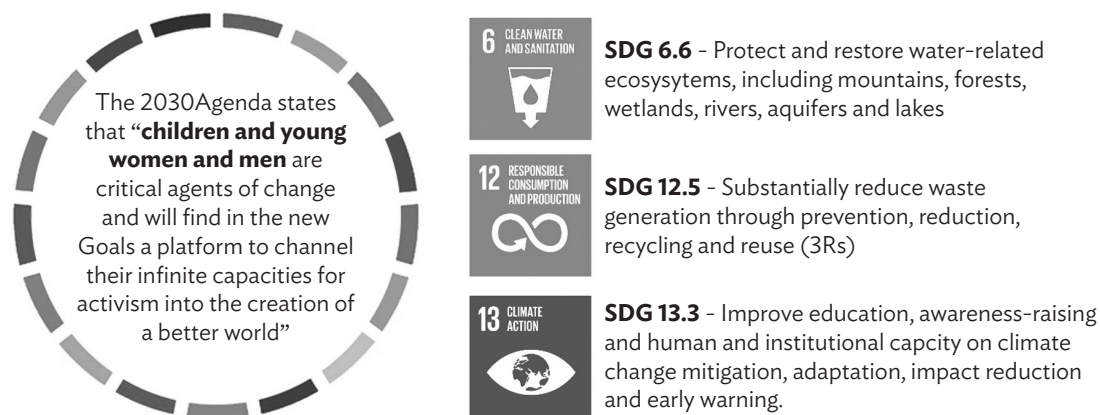
As social entrepreneurship leverages youth assets and characteristics, it can support both individual development and efforts to bring changes at the societal level. In recent years, a drive for more substantive youth inclusion has been seen across the globe, including within multilateral organisations and civil society. This has resulted in emerging examples of creative and impactful youth-led solutions to addressing development challenges. Linking youth-led social entrepreneurship with new technologies creates many opportunities to disseminate and scale up technological solutions that can improve global and local welfare while simultaneously developing the largely untapped potential of youth.

This paper is based on the project led by the Asian Development Bank (ADB) Youth for Asia from July 2020 to July 2021, Supporting Youth-led Creative Solutions for Sustainable Development through Youth Engagement in the Bagmati River Basin (BRB) in Nepal, focusing primarily on three SDGs, 6, 12 and 13 (Figure 18.1).

As the creative economy has both commercial and cultural value, it is an essential driver of growth, especially for young people. The creative economy is also identified as a critical sector to foster inclusive development (UN 2019). In recognition of this, the 74th United Nations General Assembly declared 2021 as the International Year of Creative Economy for Sustainable Development to revive the creative economy for all.

This paper contributes to the literature on the role of creative economy and youth engagement for natural resource and environment-related sustainable development in Asia and the Pacific. This paper aims to provide a case study supporting youth-led innovative solutions for ADB's Bagmati River Basin Improvement Project in Nepal. Based on the case study, this paper provides lessons for organizations interested in engaging youth and stimulating creative solutions for sustainable development in the region.

Figure 18.1: The Bagmati River Basin and Related SDGs



Source: United Nations.

This paper provides examples of ‘creative’ solutions for improving the Bagmati River Basin, though we use a broader definition of ‘creative economy’ than that commonly used, which includes arts and cultural mediums, as well as youth-led social enterprise.

18.2 Literature Review

18.2.1 Creative Economy and the SDGs

2021 is the International Year of Creative Economy for Sustainable Development, as announced by the United Nations (UN 2019) “to promote sustained and inclusive economic growth, foster innovation and provide opportunities, benefits and empowerment for all and respect for all human rights and to support developing countries and countries with economies in transition in diversifying production and exports, including in new sustainable growth areas, including creative industries, that the creative economy, known as the ‘orange economy’ in a number of countries, involves, *inter alia*, knowledge-based economic activities and the interplay between human creativity and ideas, knowledge and technology, as well as cultural values or artistic, cultural heritage and other individual or collective creative expressions” (UN 2019).

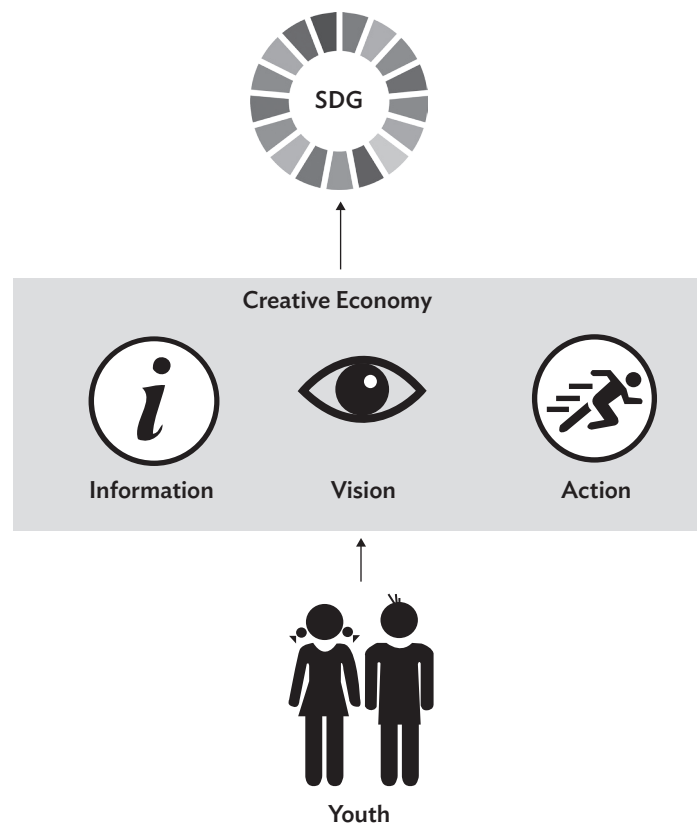
The creative economy has no single definition, but rather is an evolving concept which builds on the interplay between human creativity and ideas and intellectual property, knowledge and technology. Essentially it is the knowledge-based economic activities upon which the ‘creative industries’ are based. The creative economy positions itself at the intersection of economics (contributing to GDP), innovation (fostering growth and competition in traditional activities), social value (stimulating knowledge and talent), and sustainability (relying on the unlimited input of creativity and intellectual capital) (UNCTAD 2021). Creative economy can contribute to sustainable development in all the three dimensions of economic, social and environmental (UN 2019).

18.2.2 Youth and the SDGs

Youth, defined by ADB as those between the ages of 15 and 29, are important members of civil society. Youth are innovative, resourceful and digitally literate, generating unique value-add to the development processes. Socially motivated and eco-conscious individuals, youth are generally eager to contribute to the improvement of their local communities and to promote environmental sustainability. Young people be a dynamic force of political change, bring about social transformation, and can contribute to creative and effective development when they are included in decision-making processes

The youth and their concerns receive strong recognition in the 2030 Agenda adopted by world leaders at the UN Sustainable Development Summit in September 2015. Indeed, youth were heavily involved in shaping the agenda, successfully calling for specific goals and targets. The young people of today will mature in the next 15 years, right alongside the SDGs. They are the people who will experience the success or failure of the 2030 Agenda. Young people have been at the forefront of activities and initiatives to further the 2030 Agenda and meet the Sustainable Development Goals (SDGs) (Figure 18.2). Youth are already engaging in various ways in support of the SDGs, with significant results, that is why it is crucial to empower more young people, including those from disadvantaged or marginalized communities, in our endeavour for a more sustainable future.

Figure 18.2: Youth-Led Creative Solutions for Achieving Sustainable Development Goals



Source: Authors' conceptualization.

The value of engaging with youth is also increasingly being recognised by multilateral development banks; for instance, the ADB Youth for Asia Initiative works with young people to develop meaningfully youth engaging in ADB financed projects, events and knowledge generation.¹ Youth for Asia seeks to demonstrate that, with the right support, every youth can contribute to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific.

18.3 Case study

18.3.1 Overview

Rapid, unplanned urbanisation in Nepal's Kathmandu Valley has severely degraded the BRB, negatively impacting on the quality of life and livelihoods of its 1.6 million inhabitants. Recognizing the importance and effectiveness of meaningfully engaging youth for community management of the BRB's water resources, ADB's Youth for Asia initiative implemented a series of peer-to-peer awareness-raising and capacity-building activities from July 2020–July 2021. The objective was to empower local youth to actively contribute toward river basin management and the related Sustainable Development Goals, namely SDGs 6, 7, 8, 12 and 13. Started in July 2020, the youth-led initiative reached 1,703 youth and children aged 13 to 24 through interactive schools-based trainings. A more intensive 6-week SDGs program was provided for 196. The 6-week SDG training concluded with the participants presenting creative proposals for collaborating with their local communities to contribute towards the sustainable development of the BRB. Nineteen youth-led project proposals, managed by 56 local youth implementers, proceeded to implementation in December 2021, directly contributing to the five SDGs. This case study aims to highlight the strengths and weaknesses of implementing meaningful engagement of passionate local youth for the localized achievement of the 2030 Sustainable Development Agenda.

18.3.2 Bagmati River Basin and the SDGs

Literature studying BRB, the mountainous river basin of Nepal (Figure 18.3), covers different topics, including the impact of climate change on local communities and farming, and the quality of water. These topics are related to three SDGs 6, 12 and 13.

Water pollution is a challenging issue for BRB, despite several pollution control devices, awareness-raising and policy measures (Pal et al. 2019; Mishra et al. 2017). Inadequate wastewater management may turn an urban river into an open sewer, which poses a public health risk despite the fact that the basic sanitation provision is nowadays near universal in Nepal (Pantha et al. 2021). The literature shows that water quality varies along the river and that water pollution is mainly caused by human activity. Many papers assess the role of discharging untreated sewage for water pollution (Pantha et al. 2021; Mishra et al. 2017). Adhikari et al. (2021) assess water quality using real-time fine-scale data collected along the Bagmati River in Kathmandu valley, using mobile and fixed sensor systems during the winter season. Their results show that the level of water pollution downstream from Tinkune to Balkhu sites is unfit for living organisms.

Simulated water quality for 2030 indicates that the water quality of the Bagmati River within Kathmandu Valley will not significantly improve as a result of the planned wastewater treatment plants (Mishra et al. 2017). This result calls for additional measures. Northern parts need attention to reduce pollution loading and conserve vegetation cover, and the southern parts need improvements in physical capacity, i.e., water infrastructures (Babel et al. 2011). The Water Poverty Index (WPI) for

¹ For more information please visit the ADB Youth for Asia website: <https://www.adb.org/who-we-are/ngos/youth-for-asia>.

the upper BRB, calculated by Thakur et al. (2017), shows a poor-accessible water zone in the Daman region. The BRB faces several severe environmental and ecological challenges due to urbanization, industrialization, increasing population Paudel (2001).

Figure 18.3: The Bagmati River Basin



Source: Google Earth.

18.3.3 Context and Challenges

The Bagmati River, draining from the Shivapuri hills, embodies considerable socio-economic and cultural-religious significance for the Nepalese people. However, the urbanization of the Kathmandu Valley in recent years has placed tremendous pressure on the water resources of the BRB. Over-exploitation, a result of non-point source pollutants, solid-waste dumping, and heavy industrialization, coupled with a lack of public awareness and weak government policies, has left the river contaminated with industrial waste, faecal matter, and physicochemical pollutants, and severely eroded its climate resilience. Climate change may affect water availability in BRB, which could lead to floods and droughts (Mukand et al. 2014; Shrestha et al. 2013; Shrestha, B.B., 2019; Mishra and Herath 2015; Mishra and Herath 2011; Kumar et al. 2020). Consequences of the above include public health concerns and the increased severity of flooding during the monsoon season, alongside the tainting of the river's cultural significance and the inability of urban residents to enjoy its recreational and religious potential.

Nepalese youth—52.9% of the population in Kathmandu district (15–24 years)—enjoy few opportunities to participate in the sustainable development of their communities. Young people in Nepal have also been particularly vulnerable to the negative impacts of the novel coronavirus (COVID-19) pandemic, resulting in considerable disruption to their educational and economic opportunities, and health and wellbeing, in the crucial stage of self-development.

18.3.4 Solutions

Meaningful Youth Engagement (MYE) is defined as emerging when “under enabling conditions, youth representatives actively participate throughout the program life cycle and enter into youth-adult partnerships” (Youth Employment Funders Group 2021). MYE is a demonstrated method of empowering and capacitating youth to become full and equal citizens, rightful changemakers, and productive labour market participants, while also leveraging the unique characteristics and assets of a diverse cross-section of young stakeholders for the effective attainment of the SDGs. MYE recognises that young people can and should form a crucial element in an inclusive recovery from COVID-19, and the achievement of the SDGs by 2030.

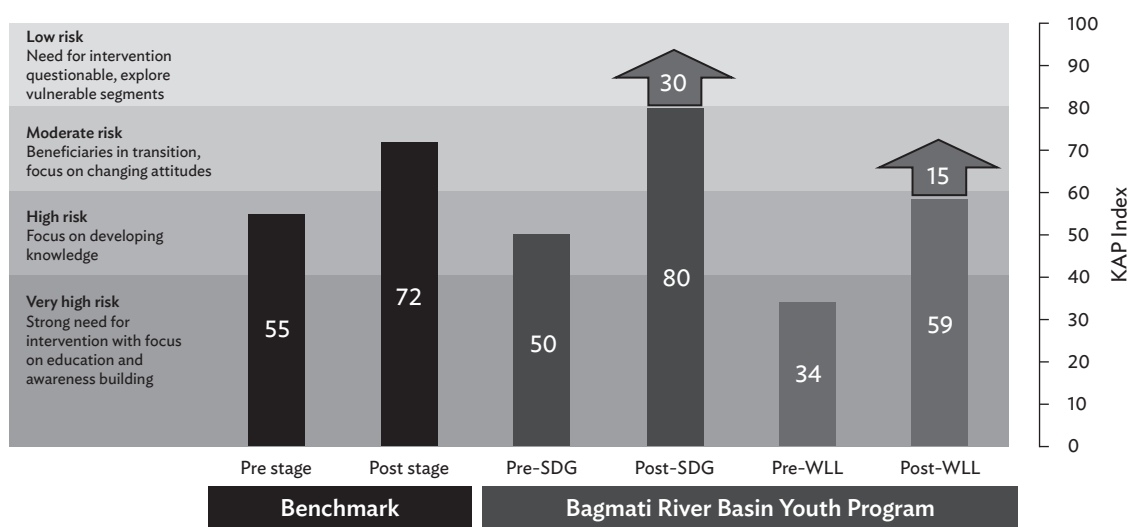
Since 2013, ADB has been supporting government and civil society initiatives of Nepal to improve BRB water resources management through the Bagmati River Basin Improvement Project (BRBIP). As part of BRBIP, Youth for Asia, designed and implemented pilot youth-led activities to contribute towards the improved management of the Bagmati River Basin and the associated SDGs.

18.3.5 Building the Awareness and Capacity of Youth for SDG Behaviour Change

Youth for Asia implemented two peer-to-peer capacity-building and awareness-raising activities, designed to increase the knowledge of local youth about the BRB’s water resources, change attitudes toward sustainable 3-R (Reduce-Reuse-Recycle)/5-R (Refuse-Reduce-Reuse-Repurpose-Recycle) lifestyles and climate-resilient behaviours, and stimulate further community action for the SDGs. These activities utilised the 5-D Appreciative Inquiry model (Definition-Discovery-Dream-Design-Deliver), a strengths-based approach that provides a generative yet practical strategy for achieving change at all levels within a given system by recalling moments of success to create new energy, commitment and confidence (Whitney & Cooperrider 2007). In total, 1,703 young people were reached through a 90-minute school-based education campaign conducted virtually by local youth in community schools, and 196 youth through a six-week intensive SDG training course.

The outputs were measured using a “Knowledge-Attitude-Practice” (KAP) score. A KAP score is based on the principles of stage theory, which describes how an individual approaches behaviour change through a series of discrete stages. The KAP Index is an indicator in which knowledge, attitudinal, and compliance measures have been aggregated at the individual level and indexed, expressed in a range from 0 to 100. These initial activities resulted in a 30-point upward shift for the SDG training, and 15-point shift for the school campaign, emphasising the effectiveness of using peer-to-peer methods for awareness raising and capacity development of local youth around localised development challenges (Figure 18.4).

Figure 18.4: Knowledge-Attitude-Practice (KAP) Index



Source: Rapid Asia.

18.3.6 Youth Action for the SDGs

Following the initial SDG trainings, nineteen youth-led project proposals proceeded to implementation under Youth for Asia's supervision from March to July 2021. These, covered numerous cross-cutting themes including 3R/5R zero-waste, waste segregation and vermicomposting, and renewable energy. With 56 youth implementers and 2,717 hours of planning and implementation, the youth-led projects collectively engaged 1,822 community members of all ages in BRB with 22% of participants coming from vulnerable groups. The youth implementers raised NRs 464,455 and technical inputs from individuals, ward offices, local NGOs/ civil society organizations (CSOs) and private organisations from BRB to deliver the projects successfully. Eighteen projects continue expansion post-ADB's monitoring period, of which nine projects are institutionalized into school curriculums, official ward budgets and/or CBOs and Community programs.

Youth, display a greater propensity to share knowledge—through face-to-face engagements, but also increasingly through social media and digital channels like podcasts and apps. They share knowledge not just with their peers, but with other actors in their communities such as children and their family members. Through their use of social media tools and their interactions with the community, the youth can be effectively mobilised to create awareness, and stimulate behaviour change on the SDGs. Some of the projects designed and implemented by local youth that emerged from the initial SDG training are presented below.

Sustainability Podcast. SDGs 6, 12, and 13

No. youth implementers: 1 (age = 20, Female)

No. youth volunteers: 4

This online project, supported by the Himalayan Climate Initiative, produced a series of podcast episodes to enhance public awareness of climate change, sustainability, eco-friendly products, social entrepreneurship, and the Bagmati River. As of 25 June 2021, five podcast episodes have been produced, including an introduction to the issues facing the BRB, and discussions of potential solutions.

Engagement for Enhancement of Environment (3E). SDGs 6 and 12.

No. youth implementers: 8 (age = 16-24, 6 Female & 2 Male)

No. youth volunteers: 20

This project in Kageshwori Manohara Municipality and Gokaneshwar Municipality of the BRB, raised awareness in local schools on solid waste management, the 3R principles, and the Bagmati River. After receiving \$255 of funding and support from local schools, 400 school students received training and a network of more than 150 were actively mobilised to continue raising awareness in the community. Four proposals from these students were funded to implementation, ensuring a ripple effect expanding outward from the initial SDG training.

Hariyo Ghar, Digo Sahar. SDGs 6 and 12.

No. of youth implementers: 3 (age = 21-27, 3 Female)

No. of youth volunteers: 8

In Gairigaou (Kathmandu, Ward 9), \$325.15 of funding were raised from local government and CSOs, such as the Global Peace Foundation, to educate 25 middle and lower-income households on reusing organic kitchen waste to make compost. Vegetable seeds were also distributed to encourage production of vegetables in household for localising consumption. On average, 1.3kg of compost had been generated per house by 24 April 2021.

Establishment of a Biogas Plant Utilising Wastage from Dairy Farms and Vegetable Markets. SDGs 6, 7, and 12.

No. of youth implementers: 1 (29, Female)

No. of youth volunteers: 3

This project in Sringkhala Galli (Ward 32), Kathmandu, \$450.52 of local funding was raised to create economic value from waste by establishing a biogas digester plant that repurposes cow excreta to energy. As of 20 April 2021, this had led to additional income and saved expenses for three people, including a local dairy farmer whose monthly income increased by NRs3,000. A one-day paper bag-making training was also given to three local women as part of this project.

Bagmati Beautification and Plantation. SDG 6

No. youth project implementers: 3 (age = 20-26, 2 Female & 1 Male)

No. youth volunteers: 7

This project raised \$478.20 from local government and CSOs to build a 185 square meter park behind Nobel College in Sinamangal (Kathmandu, Ward 31). The objective was to increase the beauty of the Bagmati River Basin, and so disincentivise waste dumping. Along with the construction of fencing, numerous plants such as *Pachystachys Lutea*, *Arborvitae*, and *Pomegranate* were planted to make the area into a pleasant place for the local community.

18.4 Conclusion

Young people as influencers, and active changemakers can be meaningfully engaged to solve entrenched problems and promote community-based sustainable development. Their impact goes beyond individual behavior change as youth can be used as a catalyst for broader grassroots mobilisation for the SDGs. This social entrepreneurship has strong links to the creative economy, and more research needs to be done to identify the synergies between mobilizing youth for sustainable development and the enhancement of the creative economy.

Sustained government support for youth helps to build intergenerational partnerships and builds much needed trust and cohesion between citizens and the state. Young people have potential to design and implement innovative solutions, but are often disconnected from the government's development process. The youth should be supported/by sustained investment in their knowledge and capacity around the SDGs. They should be meaningfully included at different levels of their community and country's policy discussion and decision making process. Institutions such as multilateral development banks, governments, UN agencies and civil society organizations can unlock this potential by funding and implementing specialized youth-led projects. Emerging examples, such as that in the Bagmatic River Basin, suggest that particularly effective approaches include enabling interactive peer-to-peer trainings , supporting youth-led awareness-raising and behaviour-change campaigns and, where possible, integrating sustainable livelihood or income-generating components into activities. Impact evaluation should be considered to monitor and demonstrate the long-term effects of youth-led development. However, it is important to note that any successful engagement of young people requires engaging young people throughout the project development cycle—from inception to implementation. This helps ensure that the project is cognizant of local youth realities and perspectives, and will have sufficient buy-in from youth participants.

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The “*Lanna*” Project: Redefining Hope for a Sustainable and Creative Economy in the Northern Economic Corridor of Thailand

Nattapan Kongbuamai, Kiki Khoifin, and Nathapornpan Piyaareekul Uttama

19.1 Introduction

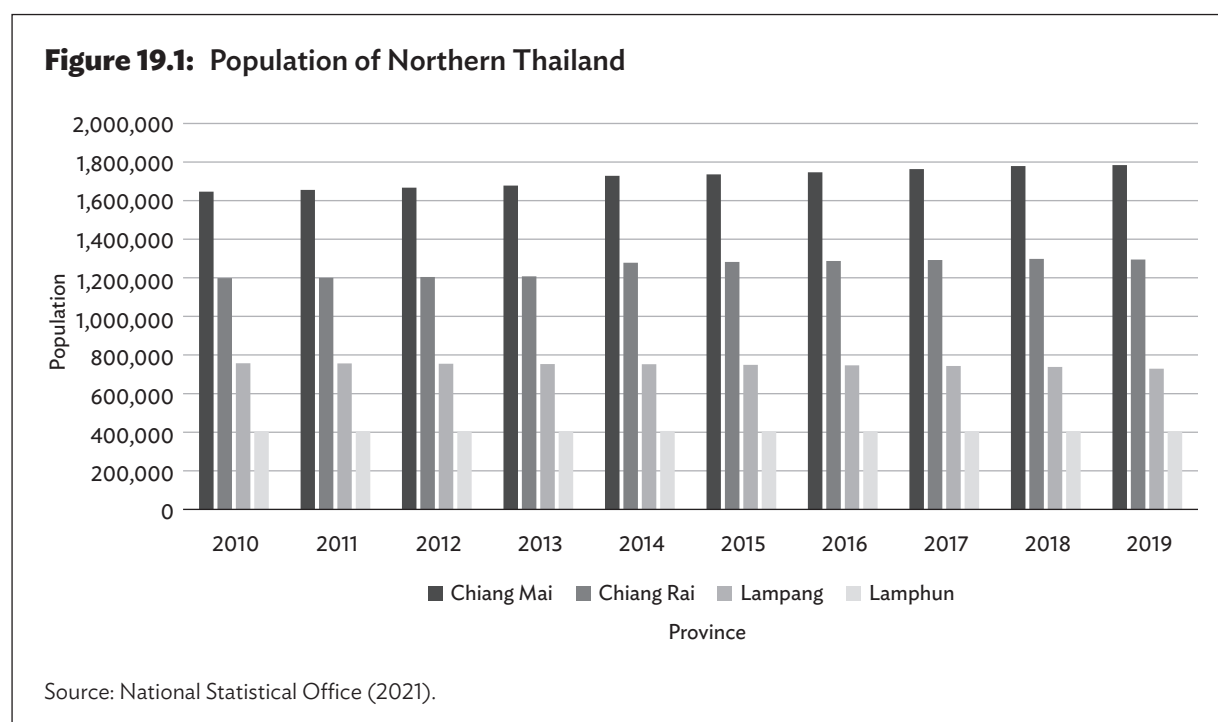
The United Nations has declared 2021 as the “International Year of Creative Economy for Sustainable Development” (United Nations 2019). This emphasizes a positive global development, incorporating intangible human creativity and ideas, cultural values, knowledge, and technology into a new economic ecosystem to accelerate a sustainable and inclusive economy. Regarding economic viability, the creative economy is viewed as a rapidly growing and highly transformative sector in the world economy – in 2013, it generated \$2,250 billion in revenues, helped create nearly 30 million jobs, and employed roughly 1% of the world’s active population (EY 2015).

The COVID-19 pandemic has posed the severest economic challenge for workers and employers. On the one hand, the pandemic has benefited creative workers who rely on technology and media (content creation – new streaming services), as they have deepened their engagement with a wide range of customers. On the other hand, the impact of the lockdown and physical distancing measures have adversely affected cultural and creative industries that depend on live audiences (e.g., cinemas, concert halls, theaters, art galleries, museums). UNESCO has analyzed data from 20 countries (middle to large economies in Africa and Asia-Pacific), which shows an estimated \$750 billion decline globally in the Gross Value Added (GVA) generated by the cultural and creative industries, akin to more than 10 million people losing their jobs (UNESCO 2021). An economy in recession and the pandemic situation have sharply slowed the growth of the creative economy across the world, particularly in developing countries.

Fostering a “post-COVID-19 recovery” requires progressive, proactive, and inclusive policy making. This chapter provides a comprehensive way to design a creative economy policy in Thailand. Thailand, Southeast Asia’s second-largest economy, is in the grip of slow economic growth, raising the specter of a “middle income” trap and an aging society. One of Thailand’s flagship goal to foster economic growth, even before the COVID-19 shock, is the development of a Special Economic Zone (SEZ), categorizing the region based on its needs and capacity, to boost the development of infrastructure, investment, and administration. For this purpose, the government created four economic corridors within the country: Northern Economic Corridor, Northeastern Economic Corridor, Central-Western Economic Corridor, and Southern Economic Corridor (NESDC 2021).

Central to this chapter is the Northern Economic Corridor (NEC). The NEC is in the north of the country and is characterized by mountainous topographical features, and shares borders with Myanmar and the Lao PDR (culturally influenced by Myanmar and Yunnan, People’s Republic of China). The NEC’s landscape is fed by the Mekong river, and includes the 1992 Greater Mekong Subregion (GMS). We focus on 4 provinces in NEC: Chiang Mai, Chiang Rai, Lampang, and Lamphun. In addition to the land size, the total land use in Chiang Mai is 20,107.06 km², while in Chiang Rai it is 11,678.37 km². Lamphun’s land use is 4,505.88 km², while that of Lampang is 12,533.96 km² (Land Development Department 2018).

Figure 19.1 shows the population trend in NEC, and depicts a slight increase from 2010 to 2019. Chiang Mai, the second-largest city in Thailand, had a population of 1,784,370 in 2019 – the highest among the provinces in NEC. Chiang Rai came in second at 1,295,026. Lampang had a population of 728,964, while Lamphun had the lowest population in NEC, of only 402,011.



Despite an advantageous regional scale in terms of population and land size, NEC has recorded low Gross Provincial Product (GPP) per capita due to ineffective policy making. Table 19.1 shows that NEC only generated B69,672.13 per capita in 2019 – the second-lowest GPP among other corridors.

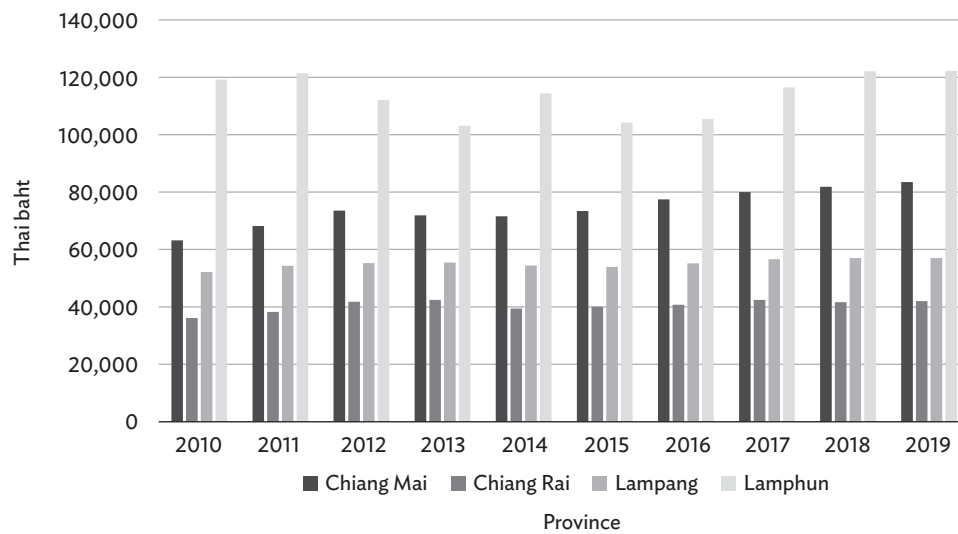
Table 19.1: GPP Per Capita in Four Economic Corridors of Thailand in 2019

Economic Corridor	GPP per capita (B)
Northern Economic Corridor (NEC)	69,672.13
Northeastern Economic Corridor (NeEC)	64,312.59
Central-Western Economic Corridor (CWEC)	188,058.36
Southern Economic Corridor (SEC)	92,184.70

Source: NESDC (2019).

Figure 19.2 shows that Lamphun has the highest GPP among other provinces, while Chiang Rai has the lowest.

Figure 19.2: GPP Per Capita, 2010–2019



Source: NESDC (2019).

Economic constraints in NEC seem to persist and have been exacerbated by the COVID-19 pandemic. However, NEC still has core value in the region, sustaining cultural and creative economy development. NEC is a home of ethnic diversity, potential talent, and creative workers who are adept at creating new ideas that generate positive economic outcomes. Consequently, NEC has a comparative advantage in the creative economy compared to other economic corridors in Thailand. This comparative advantage is the result of a unique interpretation of “*Lanna*,” which refers to the Northern culture, which is well known as a rich culture, bringing dignity and a social and cultural identity for the local people (*Kon Mueang*). This remarkable identity is the motivation behind our policy recommendation named the “*Lanna*” project, which recognizes the long-standing “local” policy approach (Smith and Warfield 2008). The local-level policy advocacy in the creative economy is the main objective of this paper.

19.2 The Creative Economy and the NEC’s Policy

19.2.1 Creative Economy at a Glance

There is a lot of academic literature on the creative economy, and there are several definitions regarding this sector (Comunian and England 2020). The term “Creative Economy” often refers to a knowledge-based economy and interaction between human creativity and ideas, knowledge-based technology, cultural or artistic values, cultural heritage, and other individual or collective creative expressions (UN 2019). This complex, dynamic combination results in many ideas regarding how creativity, culture, and the economy are interconnected (Fahmi et al. 2017).

The concept of the creative economy transpires from the economic value created by human ideas or knowledge – encompassing creative products that are produced by creative industries and their transactions (Howkins 2001). In this delineation, creativity can be defined as not only limited to the

cultural dimension, but also incorporating technology and creativity (Florida 2005; 2012). We define the creative economy as a set of cultural and creative industries that transform themselves to be of economic value. Therefore, the determination of cultural and creative industries is considered crucial. There has been a development of models to provide a systematic understanding of the cultural and creative industries’ characteristics (UNESCO 2013). Table 19.2 below depicts the main cultural and creative domains and related subsectors according to UNESCO’s 2009 Framework for Cultural Statistics (UNESCO 2019) and its Thai version (CEA 2021).

Table 19.2: Classification of Cultural and Creative Domains and Related Subsectors: Comparison Between UNESCO and Thailand

UNESCO	Subsector	Thailand	Subsector
Cultural and natural heritage	Museums, archeological sites, cultural landscapes, natural heritage, and historical places	Creative originals	Crafts, music, performing arts, visual arts
Performance and celebration	Performing arts, live music, dance, festivals, and feasts and fairs	Creative content/media	Film and visualization, broadcasting and podcasts, printing, software
Visual arts and crafts	Fine arts, photography, and crafts	Creative Service	Advertising, design, architecture
Books and press	Books, magazines, newspapers, libraries, book fairs	Creative goods/products	Fashion industry
Audio-visual and interactive media	Film, TV and radio, podcasts, streaming, and video games	Related industries	Food, Thai medicine, historical tourism
Design and creative services	Architecture, fashion design, interior design, graphic design, and advertising		

Sources: UNESCO, 2021; CEA, 2021.

The subsectors of the creative economy in Thailand are in accordance with the UNESCO framework, but vary in the domains. An appropriate interpretation of the creative industry categorization is an important starting point for policy making. The growing importance of creative industries has been recognized by the United Nations for its Sustainable Development Goals (SDGs) fund (Fazlagić and Skikiewicz 2019). The creative economy can contribute broadly (economic, social, and cultural rights) toward sustainable development and the achievement of the 2030 Agenda: economic growth and innovation, poverty eradication, inclusive employment for all, viability improvement, women and young people empowerment, and global inequality reduction (UN 2019).

19.2.2 Thailand’s Creative Economy: From National Strategic Planning to Regional-Integrated Trajectory

Policy transfer has been a useful tool for driving relevant action on creative economy development in developing countries (Evans 2009). Policy transfer is a systematic method through which a program (covering a strategic agenda) is brought from one setting and implemented in others (McCann

2008). Establishing a policy transfer framework is important as it leads to further structuring and implementation (Fahmi, McCann, and Koster 2017).

In Thailand, the national-level policy is prepared under the National Economic and Social Development Plan (NESDP) – a 5-year-plan encompassing key national strategic planning with a “Thai-focused” approach. The policy on the creative economy is contained in the 9th NESDP (2002–2006), with the theme “Sufficiency Economy Philosophy,” and has 2 goals: (1) to promote Thailand as a creative industries’ hub in South-east Asia and (2) to boost creative industries’ share of GDP from 12% to 20%. In 2004, the Thailand Creative and Design Center (TCDC), a source of “intellectual entertainment” was established (Howkins 2010). TCDC was designed to incorporate the ingenuity of Thai society and culture with contemporary knowledge and technology, and to inspire Thai society with creativity (TCDC 2021). Realizing the importance of TCDC, the Thai government, with the same commitment and goals, upgraded TCDC to be the Creative Economy Agency (CEA), a public agency (OPDC 2021). The 10th NESDP (2007–2011) also mentions creativity and innovation.

In addition to the national plan, the conceptual framework for the 11th NESDP (2012–2016) – “A Happy Society with Equality, Fairness, and Resilience” – has explicitly mentioned the creative economy and its specific development (NESDB 2011). The government emphasizes the creative cities’ development by creating ecological principles for physical infrastructure, regulations, human resources, and management.

In making “Thailand 4.0,” a theme of the 12th NESDP (2017–2021), the Thai government stated the concept of “New Economies,” highlighting digital economy, bio-based economy, and cultural and creative economy (NESDB 2016). In addition, a “local” approach is also highlighted for driving regional development. The northern region seems to be a priority zone in the creative economy, especially in the tourism sector. To develop potential tourism clusters, the Thai government highlights the “Lanna” culture in initiating a creative tourism sector: Lanna Cultural Tourism Cluster. This area-based initiative indicates that the Thai government envisages creative economic development by harnessing local capacity and capability. Therefore, the government notes that a province’s development agenda should be in accordance with the 12th Plan, given that each province has distinct potential and socio-geographical conditions.

Various cultural and creative programs across localities in NEC are an effective interpretation of the national plan at the regional level. For example, in Chiang Mai, an initiative called Chiang Mai Creative City has been established to promote creativity and innovation. Also, Chiang Mai Design Week 2021 is organized by numerous collaborating stakeholders – including formal and informal organizations (both national and international). This initiative can accommodate events such as talks, workshops, tours, music, and marketing. Chiang Mai also is designed to be a hub for creative products, especially digital creations, which are high-potential services and industries of the northern region. In addition, the “Creative City” in Chiang Rai resulted from collaboration between the Chiang Rai Provincial Cultural Office and Mae Fah Luang University and was designed for UNESCO Creative Cities Network (UCCN) application 2021 in the creativity field. Lampang promotes ceramic and craft virtually to engage with many customers (both local and international) through a program called “Lampang Virtual Trade Show: Ceramic and Craft Fair 2021.” Lamphun conducts the “Creative Lamphun Festival” to showcase the province’s creative tourism. Handicrafts are one of the strongest creative products in most showcases because NEC is recognized as having the strongest tradition of handicrafts production (using local knowledge associated with nature) and has been developed for the contemporary market (Chudasri et al. 2013).

19.3 Methodology

A key goal of this chapter is to design a strategic policy pertaining to the creative economy in NEC. There are 2 steps regarding policy formulation to drive sustainable and creative economic development. First, assessing the competitiveness of the creative economy by utilizing the Revealed Comparative Advantage (RCA) index to find the comparative advantage and Gross Value Added (GVA) as a tool for determining the economy's progression. Second, applying SWOT-TOWS analysis to justify the potential creative economic sectors.

19.3.1 Assessing the Competitiveness of the Creative Economy in the NEC

This chapter first analyzes the creative economy in terms of how it impacts production capacity and progression, which eventually contributes to competitiveness. The RCA index measures the economy's production capacity and its market share. Based on Balassa (1965), the formula of the RCA index is expressed as: $(GPP_{ij}/GPP_i)/(GPP_{wj}/GPP_w)$ where GPP_{ij} is the gross value added or value of production of economic sector j by province i , GPP_j is the value of total production (gross provincial products) by province i , GPP_{wj} is the value of production of economic sector j by Thailand, and GPP_w is the value of Gross Provincial Products (GPP) of Thailand. $RCA_j > 1$, means that the province has a comparative advantage regarding production in that economic sector; and $RCA_j < 1$, means that the province has a comparative disadvantage regarding production in that economic sector. The province has a comparative advantage in production when the share of its products exceeds those of other provinces. Alternatively, RCA with different economic sectors in the NEC of Thailand is measured to assess the regional comparative advantage of production. This chapter also uses the average growth rate of the economy's production (gross value added) over time during 2010–2019 in order to determine the economy's progression.

This chapter builds a matrix to examine the level of creative economy competitiveness conditions (Table 19.3). Hypothesis I is that creative economy competitiveness in the NEC positively affects RCA and the growth rate relative to its country status on average. That is, creative economy RCA and growth rate become sufficient and necessary conditions for the creative NEC development. It implies a ripe opportunity for creative industry business, but a considerable challenge regarding market penetration (strong competitors) for the creative industry. Hypotheses II and III limit the creative economy competitiveness as unnecessary conditions or insufficient conditions for the creative NEC development. The former implies a good opportunity to do creative industry business and market penetration for the creative industry. The latter exhibits a weak opportunity of doing creative industry business and a brutal challenge of market penetration for the creative industry. Hypothesis IV deals with the lack of creative economy competitiveness in which creative economy RCA and growth rate become insufficient and unnecessary conditions for the creative NEC development. It entails a weak opportunity of doing creative industry business, but a robust challenge of market penetration for the creative industry.

Table 19.3: Creative Economy Competitiveness Matrix

		RCA	
		Low	High
Growth rate	High	I	II
	Low	III	IV

Source: Authors' calculations.

Data used in this study, i.e., GPP in different economic sectors from 2010–2019 was obtained from the National Economic and Social Development Council, Thailand (2021). It consists of 3 main economic sectors with 18 economic subsectors of production: (1) Agricultural sector including agriculture, forestry, fishing; (2) Industrial sector comprising activities related to mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply, and water supply; and (3) Services sector comprising activities related to construction; wholesale and retail trade; transportation and storage; accommodation and food service activities; information and communication; financial and insurance activities; real estate activities; professional, scientific and technical activities; administrative and support service activities; public administration and defense; education; human health and social work activities; and art, entertainment and recreation (NESDB, 2021). The gross value added of the creative economy includes the value of production in 4 economic sectors: (1) art, entertainment, and recreation; (2) information and communication; (3) accommodation and food service; and (4) human health and social work. The value-added from these economic sectors is in line with the defined creative economy according to CEA.

19.3.2 SWOT-TOWS Analysis for “Redefining Hope for Sustainable and Creative Economy in NEC”

The Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis was modified from “SOFT” (Satisfactory, Opportunity, Fault, and Threat), which was presented in Zurich, Switzerland in 1964 (Zavadskas et al. 2011). SWOT is often used during strategic planning for identifying the prospects and priorities of a project (Buta 2007). Using academic literature and online and offline interviews (with 20 government officials, 15 business representatives, 10 academics, and others), we developed the SWOT matrix to design the creative economy policy, based on internal factors (strengths: S and weaknesses: W) and external ones (opportunities: O and threats: T).

After the SWOT matrix was created, we developed the TOWS matrix to provide possible strategies on the basis of relationships between threats, opportunities, weaknesses, and strengths. There are 4 types of strategies, including those of strengths-opportunities (SO), weaknesses-opportunities (WO), strengths-threats (ST), and weaknesses-threats (WT) (Zavadskas et al. 2011; David and David 2017). SO and WO strategies aim to seize external opportunities by utilizing internal strengths and improving internal weaknesses, respectively. ST strategies use strengths, while WT strategies utilize resistance to avoid external threats (David and David 2017). Generally, policy makers can apply SO strategies by utilizing WO, ST, or WT strategies according to their circumstances.

A SWOT-TOWS Matrix can be constructed in 5 steps: (1) Make a list of the key opportunities and threats (external), and strengths and weaknesses (internal); (2) Outline SO strategies by matching internal strengths with external opportunities; (3) Construct WO strategies by matching internal weaknesses with external opportunities; (4) Create ST strategies by matching internal strengths with external threats; and (5) Formulate WT strategies by matching internal weaknesses with external threats.

19.4 Results and Analysis

19.4.1 Creative Economy Competitiveness in the NEC

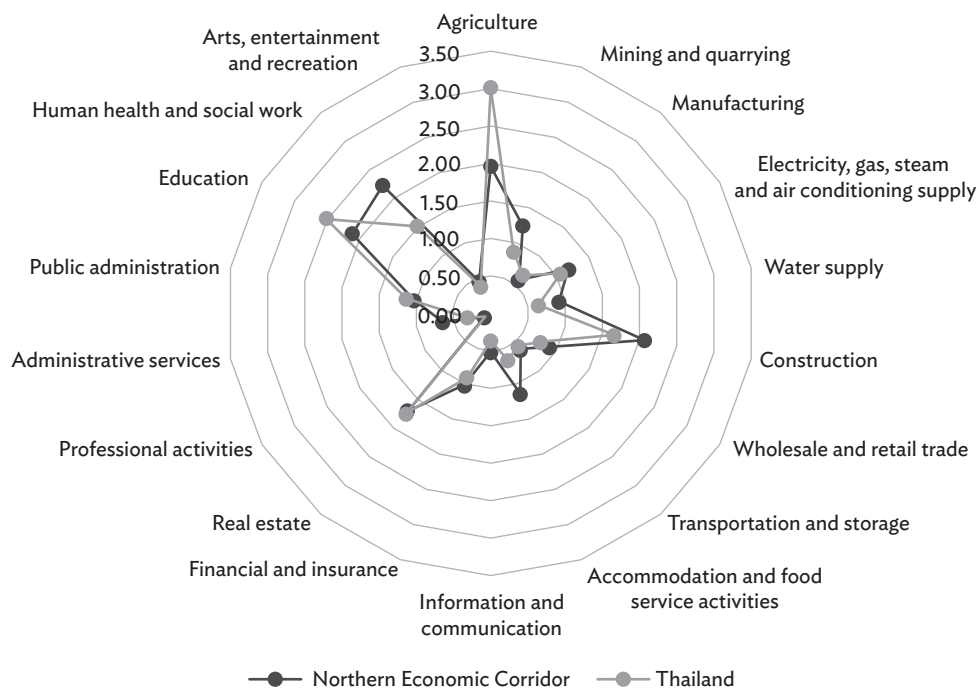
The creative economy is an important sector of northern Thailand’s economy and a driver of its regional competitiveness. This study uses the RCA index and the annual growth rate of Gross Domestic Product (GDP) to measure competitiveness. The RCA index is used to measure comparative advantage in different products and services or market share of various economic sectors in focus areas, and

GDP growth is used to assess the business opportunity of economic sectors in such areas. Then, the competitiveness of economic sectors is ascertained by using the framework matrix that shows the nexus of RCA and GDP growth.

First, the average of RCA indexes for the NEC and all provinces of Thailand from 2010–2019 (Figure 19.3) indicates that the NEC generally has comparative advantage in agricultural, industrial, and service production ($RCA > 1$). NEC also has a higher comparative advantage in production in various economic sectors versus the overall Thai economy, which demonstrates the importance of NEC’s output to Thailand’s economy. According to the creative economy, the NEC has a comparative advantage in accommodation and food services, and human health and social work services. Meanwhile, NEC is at a comparative disadvantage in art, entertainment, recreation, and information and communication services. That is, the NEC overall has a moderate market share in the creative industry.

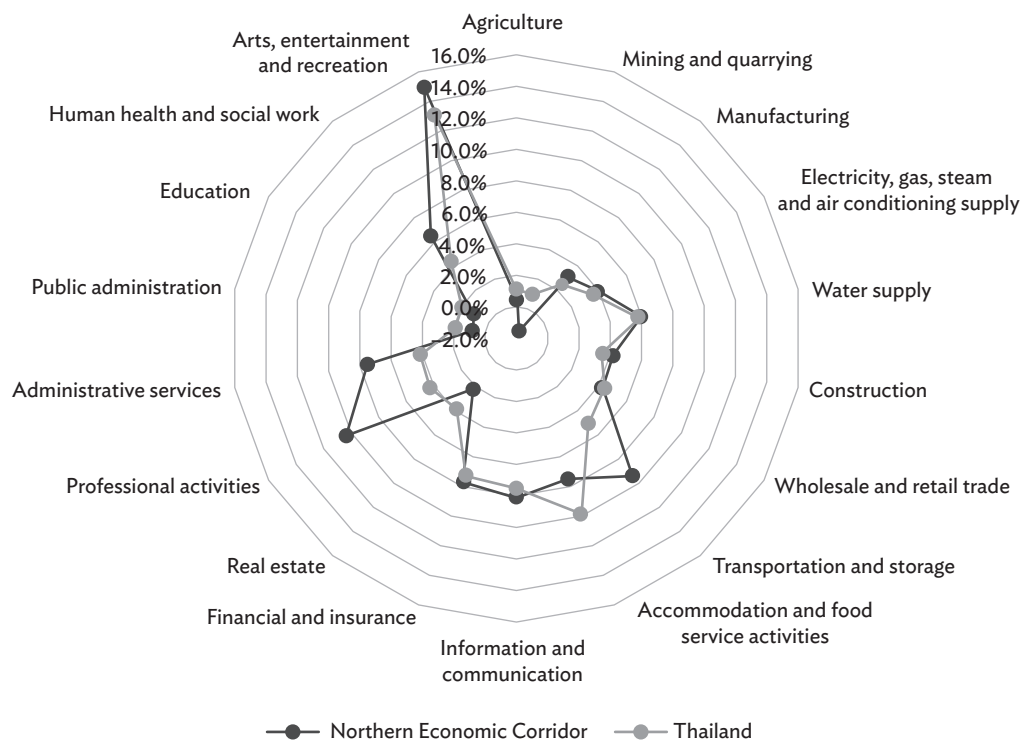
Second, the average annual GDP growth rate for NEC and all provinces of Thailand from 2010–2019 (Figure 19.4) illustrates the trend in different economic sectors. We found favorable growth rates for creative industries in both NEC and Thailand. The GDP growth rates of creative industry production in NEC and Thailand were quite similar. This highlights that the creative industry in NEC is likely to grow significantly, and that the NEC has a good opportunity of doing business in the creative economy. Even though the NEC has a moderate comparative advantage in creative industry production, it has a substantial business opportunity in the creative industry. Therefore, the nexus of growth and market share in the creative sector is necessary to ascertain the competitiveness of the creative sector in the NEC.

Figure 19.3: Average RCA Index by Economic Sector, 2010–2019



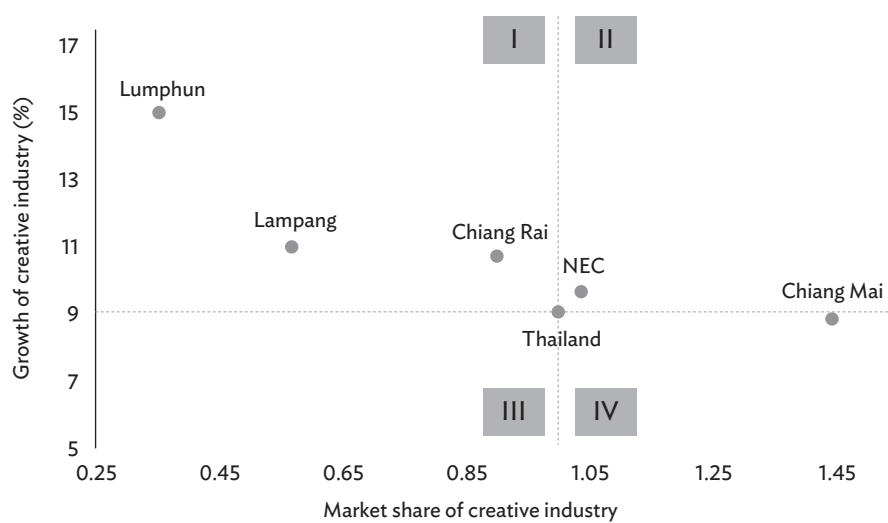
Source: Authors’ calculations.

Figure 19.4: Average Annual Growth Rate of GDP by Sector, 2010–2019



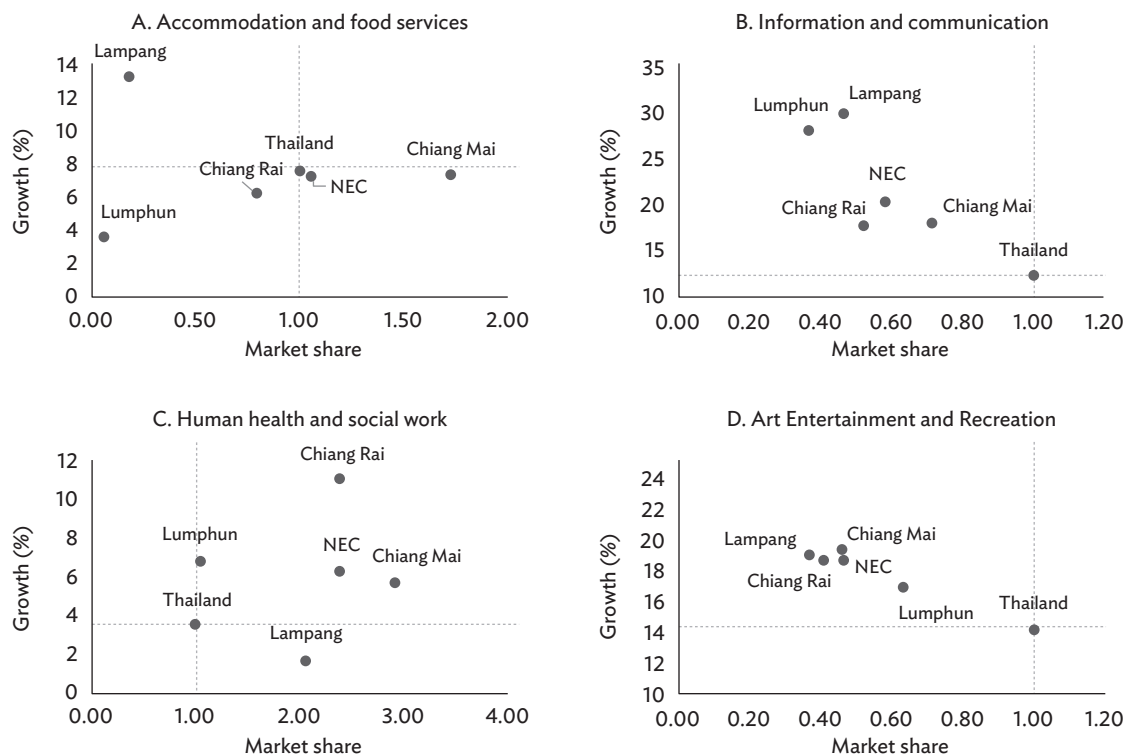
Source: Authors' calculations.

Figure 19.5: Matrix of the Creative Industry in the NEC, 2019



Source: Authors.

Figure 19.6: Matrix of Different Creative Industries in the NEC, 2019



Source: Authors.

Finally, the competitiveness of the creative industry in the NEC relative to Thailand demonstrates the current economic performance in creative industries, creative innovation and development capacity, and attractiveness of the creative business (Figures 19.5 and 19.6). The NEC displayed strong competitiveness in the creative industry in 2019 when using Thailand as a benchmark (Figure 19.6). It can be seen that the growth rate and market share of the creative industry are high, which represents a good opportunity for doing creative business and a superior performance in creative market dominance. Chiang Mai is in the fourth quadrant, and needs to increase its growth rate to become more competitive. The prosperous tangible and intangible cultural assets in the NEC could support the higher values of creative industries by utilizing innovation and creativity, for example, crafts and arts, digital content, design, fashion, gastronomy, health and wellness, and historical tourism. Chiang Mai has a high market share in accommodation and food services, and human health sectors. Chiang Rai, Lampang, and Lamphun are in the first quadrant, and need to improve their market shares to become more competitive. Regarding different creative industries, most provinces in the NEC except for Lampang are in the second quadrant for human health and social work service (Figure 19.6).

The economic development strategies in the northern provinces have focused on collaboration between economic industries. Health and wellness is one of the collaborative economic industries that could attract more tourists and generate higher income. For information and communication services and art, entertainment, and recreation services, all NEC provinces are in the first quadrant. They should improve their market shares to reach the high competitiveness of the creative industry. “Lanna” craft and art are the unique creative originals in the NEC. Moreover, digitalization – the utilization of digital technologies in business and digital infrastructure – in Chiang Mai helps support the creative economy in the NEC. Most importantly, Chiang Rai and Lamphun are in the third quadrant for accommodation

and food services. They should increase the growth rate and market share in this subsector to lift the NEC's creative industry. The accommodation and food services are the activities in the tourism supply chain, which is an essential industry of the NEC. Chiang Mai, Chiang Rai, Lamphun, and Lampang are well known in cultural, historical, and eco-tourism; and health and wellness. Certainly, creative tourism that is authentic can harmonize tangible and intangible cultural assets and tourism activities. However, many businesses in the NEC have struggled with the COVID-19 pandemic and technology disruption. Supportive policies are necessary to boost the growth of creative industries, re-energize the NEC's economy, and lead the NEC to the "next normal," as discussed in the following section.

19.4.2 Policy Analysis of the NEC's Creative Economy

After primary and secondary data collection, we performed SWOT-TOWS analysis to construct policy proposals. The results are outlined in the following sections. First, we examine the internal factors (strengths and weaknesses) of NEC (Table 19.4); second, we scan the external factors (opportunities and threats) of NEC (Table 19.4); and third, we design a strategic policy pertaining to internal and external factors for the creative economy in NEC (Table 19.5).

Table 19.4: SWOT Matrix: A Pivotal Base for the NEC's Creative Economy Policy

Internal Factors	
Strengths (S)	Weaknesses (W)
S1 - Abundant natural resources.	W1 - Limited number of skillful human resources in the creative industry.
S2 - Rich cultural, artistic, and local wisdom.	W2 - Low digital literacy and few tech-savvy people e.g., elderly people, people in remote areas.
S3 - Various actions by the government, private sector, academia, and civil society.	W3 - Poor facilities and technology in remote areas e.g., no electricity, internet, delivery services.
S4 - Various activities by the government, private sector, academia, and civil society, e.g., Science Park, CEA.	W4 - The stages of CE development in the local area vary significantly. (indicator=GPPPC)
S5 - Various funds from the government and private sector.	W5 - Incentives and subsidies for CE development in each province are still insufficient (they do not cover all dimensions e.g., talent development, technology, innovation).
S6 - Industry-government-academia integration (adaptive and fast learner).	W6 - Poor/limited laws and regulations for development, labor, and investment-friendly policies, e.g., urban development plan and law, labor law and regulations, immigration procedures (work permit) especially for expats (informal sector).
S7 - Various infrastructure development projects e.g., railways, highways, airport, 5G, etc.	W7 - Education gap (unskilled labor, limited opportunity)
S8 - Creative economy recognition e.g., Chiang Mai was designated by UNESCO as a creative hub of crafts and folk art in 2017, whereas Chiang Rai was nominated to UNCCN as a city of design in 2021.	W8 - Lack of creative economy database (craftsmen, artists, and content creators).
S9 - Good business environment for digital nomads.	
External Factors	
Opportunities (O)	Threats (T)
O1 - Economic cooperation and regionalization e.g., ASEAN, GMS, ACMECS, etc.	T1 - Domestic political instability.
O2 - National strategic plan promoted the CE, Thailand 4.0	T2 - Economic recession and COVID-19 pandemic.
O3 - Expanding industrialization, urbanization, population.	
O4 - Digitalization era in technology, innovation, and information.	
O5 - Mega trend of online shopping, marketing, channels, and networks.	
O6 - Change in consumer behavior.	
O7 - International standardization by many organizations.	

Source: Authors.

Table 19.5: TOWS Matrix: A Design of Strategic Policy for the NEC’s Creative Economy

Strategies	
S/O	W/O
P1 - Promote business matching and facilitate investment climate (S3, S7, S9, O1, O2, O3, O4). P1 - Improve creative landscape e.g., creative space, accessibility, creative learning center, underground electricity, and ICT, etc. P2 - Build joint program between corridor, special economic zone, and overseas (S3, S6, O1, O2, O3). P2 - Drive comprehensive actions from all stakeholders (S4, S6, O3). P2 - Promote knowledge transfer among different entrepreneurs (S3, S6, O3). P3 - Invent new products/ innovation for commercialization (S1, S2, O2, O3, O4). P4 - Create new jobs for the creative economy (S4, O2, O3). P5 - Build the market channel (B2B, B2C, C2C) (S7, O3, O5, O6). P5 - Promote the parallel use of online and onsite market and public relations (S7, O4, O5). P6 - Create standards by upgrading the products (O6, O7, S1, S2).	P1 - Upgrade infrastructure connectivity that links transport, communication, energy, and other resources networks (W3, O3, O4). P1 - Reduce investment law and regulations-technology transfer, infrastructure, human mobility (W1, W2, W5, W6, O1, O2, O3). P1 - Build the database for creative economy (W8, O2). P2 - Improve access to financial opportunities for the SMEs and entrepreneurs e.g., P2P and B2B Lending (W5, O3). P3 - Upgrade local wisdom technology (Local to Global) (W5, O2, O3, O4). P3 - Integrate activities in NEC (W5, O2, O3). P4 - Create a supportive policy for creative economy workers (W6, O3). P4 - Create training courses and training centers e.g., incubation, technology development center, skill development center, etc. (W1, W7, O3). P5 - Provide training (online platform and branding) to foster change of market and consumer behavior (W1, W2, O4, O5). P6 - Promote standard accreditation (W6, O7).
S/T	W/T
P2 - Make business confidence (S4, T1) P3 - Penetrate the creative economy value chain (S1, S2, T2) P5 - Be readiness/resilience/adaptability for the online market (S7, T2)	P4 - Being adaptable human resource (W2, W3, T2)

Source: Authors.

The following section delineates 6 creative-economy policies constructed from our SWOT-TOWS analysis:

1. Emphasizing the people-based nature and creating a creative ecosystem. This policy suggests using the rich resources and local wisdom to create value-added products (both goods and services), given that NEC has the “Lanna” shared culture (e.g., the way of living, architecture, and language). In addition, infrastructure development should be improved to enhance connectivity along the supply chain; for example, the connection of road-rail-airport-port modes and digitalization system. Connectivity between economic corridors within Thailand and neighboring countries (according to core and periphery) should be promoted to facilitate the flow of goods, services, and people. Infrastructure development should also be promoted to improve capacity and quality for the next growth phase of products, especially airports, Mekong port, 5G technology, creative space, and city landscape for the post-COVID-19 pandemic and an aging society. In addition, creating a creative database is necessary to collect information for development and making further projections. Increasing the public space either offline or online platforms for gathering creative people to share and exchange knowledge and ideas is crucial. Lastly, reducing some obstructions in the context of law (land use conflict) and regulation (inconsistency of distributive tax policy) is recommended especially for the Town Planning Act and the tariff and non-tariff prerogative for creative businesses. This will help stimulate investment, trade, human mobility, resource flow, and technology transfer for a creative ecosystem.

2. Tightening integration and cooperation, the NEC should incorporate comprehensive actions with stakeholders who can provide monetary and non-monetary (knowledge transfer) inputs in helping the creative activities in the area. Integration and cooperation can help improve access to financial opportunities e.g. People to People (P2P) and Business to Business (B2B) lending. Due to the varying status of each province's creative economy development, cooperation among provinces within the corridor (Chiang Mai, Chiang Rai, Lampang, and Lamphun) should be integrated for inclusive growth. Therefore, the NEC can share resources to reduce the average cost and realize economics of scale. Integration can also foster trust among business stakeholders, which can lead to a confident business climate.
3. Expanding the next creative industry, the NEC should augment the current list of competitive products by integrating local wisdom and sophisticated technology for adding value. Furthermore, to increase the provincial income (GPP), other products and services should be promoted. These can include creative wellness goods and services (plant-based protein foods and telemedicine), creative process and management (robotics usage: 3D printing in ceramic and human-less hospitality), creative industrial goods (nanotechnology textile), creative platforms (Non-Fungible Token [NFT] arts, applying Augmented Reality [AR] and Virtual Reality [VR] in museums) and tourism. In addition, the quality of goods and services should also be addressed along the supply chain, for example the development of material procurement, warehouse, distribution channel, cold chains, etc.
4. There should be a focus on human resource and talent development, which will help increase the soft power of the creative economy. This will lead to greater job creation, including the development of competency, skill, and adaptability that can generate future income. In addition to skill development, the government can incorporate creative and digital skills in the curriculum in schools, higher education, incubation, technology development center, and skill development center. Furthermore, promoting the activities to promote sharing of ideas between generations should be promoted to close the education and generation gaps. The activities can be community events, an internship in the organization of retirement homes (elderly) or school/university, etc. In addition, workers' mobility should be emphasized in order to pool labor and transfer knowledge; for example, by supporting workers from remote areas and other countries. A supportive policy for creative economy workers also needs to be pursued, especially for foreign workers in the NEC.
5. There should be a focus on upgrading and integrating market channels and networks (online and offline) to promote the NEC's products in the globalization and digitalization era, and improve visibility. The government should initiate collaboration between government, private sector, and academia to support this effort. In addition, providing training programs regarding online platforms and branding is necessary to help adapt to an ever-changing marketplace and consumer behavior.
6. Internationalization and standardization of standards should be pursued. The NEC should upgrade its products to meet the relevant domestic and international standard accreditations. Furthermore, promoting the international standard will also help upgrade the quality of products and gain customer trust.

19.5 Conclusion

This chapter contributes to the creative “*Lanna*” policies for Thailand’s Northern Economic Corridor (NEC). It first examines the degree of creative economy competitiveness in the NEC, and then recommends creative economy policies to achieve economic sustainability. Using the competitiveness matrix on the RCA-growth rate nexus and a unique dataset during 2010–2019, we find that the NEC has strong competitiveness in the creative industry. There is a good opportunity for doing creative business and delivering a superior performance. Moreover, utilizing the SWOT-TOWS matrix and interview-

based approach, we recommend 6 creative economy policies for prosperity in the NEC. These pertain to policies for a creative ecosystem based on its people-based nature, intra- and extra-NEC integration and cooperation, the next creative industry, human resource development, market channels and networks, and international product standards.

A key implication of this study is that policies for the NEC offer hope regarding Thailand’s economic recovery. A creative economy is a breakthrough approach to filling economic and business opportunities amid the COVID-19 pandemic and technology disruption. The creative economy policies we recommend are broad-based, focusing on creative people, creative places, creative products, and creative partnership, which are crucial for transforming traditional creative “*Lanna*” to the next creative “*Lanna*.” Most importantly, the creative “*Lanna*” policies are the best practices for generating economic growth, welfare, and poverty alleviation.

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International Trade of Women-Led Creative Industries from South Asia: Trends, Potential, and Challenges

Saurabh Kumar, Chetna K. Rathore, and Srijata Deb

20.1 Introduction

In a world characterized by global value chains (GVCs), integrated supply system, and dependence on cross-border trade and finance flows, any crisis of a global nature cannot be seen in isolation. Therefore, although the COVID-19 pandemic is a health crisis, it also has ramifications for global trade.

The COVID-19 pandemic came as a shock to the world economy. The pandemic has reduced global trade by over 5% in 2020. This is true for South Asia as well, where trade-related activities have declined substantially due to the pandemic. There is a fall in trade of creative goods also, where a large number of women are engaged as workers or entrepreneurs.

Global trade merchandise in volume terms has fallen by roughly 5.3% in 2020, while in nominal US dollar terms it fell by 8%, according to World Trade Organization (WTO) estimates. However, exports from Asia grew by 0.3%, while imports declined by 1.3%. This is in contrast to the North American region, where exports declined sharply by 8.5% (WTO 2021). This decline can be attributed to a number of reasons: a sudden change in preferences and behaviors due to the pandemic, restrictive actions of national governments, logistical and transport-related hurdles, and negative demand and supply-side shocks.

The creative industry¹ has been recognized as fast-growing as well as highly transformative in terms of job creation and export earnings. It can not only add a diverse and innovative segment to the export basket, but also has the potential to improve livelihoods at the local level, particularly for women. But the growth of the creative industry in South Asia will depend on how governments invest in education, and nurture the creative industry through targeted programs. This also requires scrutiny of current trade trends and an assessment of challenges faced by this sector within the South Asian context.

Given this background, this chapter examines the current trends in the women-intensive creative goods trade from South Asia. The chapter identifies select products in the region with high female participation and high export potential in the global market, and identifies challenges in the trade of such products. Finally, the chapter provides several recommendations to increase the trade of creative goods from South Asia.

20.2 The Creative Industry in South Asia

The creative economy in South Asia is evolving, drawing upon the region's rich cultural heritage. India was the 8th largest exporter of creative goods globally and the 3rd largest among developing countries in 2015, and showed a rapid increase in exports from \$7.4 billion in 2005 to \$20.2 billion in 2014 (UNCTAD 2018).

¹ There is no universally accepted definition of the creative economy and industries; however, for the purpose of international trade of creative goods and services, groupings of Harmonised System (HS) codes in line with the International Trade Centre (ITC) trade map database and UNCTAD's statistics and databases are generally used. South Asia here refers to all the members of South Asian Association for Regional Cooperation.

Despite impressive growth in the creative economy, this area lacks due attention from South Asian governments in terms of technical skill development and financial support. Creative industries are both knowledge and labor intensive, and generate employment opportunities for both skilled and unskilled participants. Women play a significant role in industries such as arts and crafts, audio-visuals, design, and performing arts particularly through micro, small, and medium-sized enterprises (MSMEs). But a number of challenges prevent women from harnessing higher-level opportunities such as entrepreneurship, and a majority of them participate at a lower level of the value chain, as artisans.

Within Asia, Indian exports of creative goods are much smaller than those of the People's Republic of China and Hong Kong, China, and neighboring economies such as Bangladesh, Bhutan, and Nepal have limited presence globally in this area. However, each of these countries has unique arts and crafts, which can be very attractive in external markets. Furthermore, there is potential for cross-border trade of creative products within South Asia as these economies share long-term socio-cultural norms, ties, and relations that were built long before British colonization of the Indian subcontinent.

For instance, Bhojpuri cinema made in the Indian states of Bihar and Jharkhand is in high demand in the eastern part of Nepal. Bhojpuri and Bengali artists, mainly female singers and actors, are breaking stereotypical and geographical boundaries to make their mark across national borders. Similarly, paintings, photographs, and sculptures from Bhutan and Nepal have a sizeable market in India and Bangladesh. Affinity and affection toward Bangladesh's products (Dhakai silk or Jamdani Sarees) mainly in the design sector (or handmade clothing by female artisans) in the Indian state of West Bengal is well known.

These examples are just indicative of the potential for intra-regional trade of creative goods within South Asia. The exact contribution of women in this area remains unknown amid lack of reliable data, but it is significant. While there is no scarcity of talented women and female labor force in the region, their talents have not been suitably harnessed.

The changes in lifestyle preferences, consumer behavior, fashion trends, and increasing urbanization have created demand for a number of creative goods. Gender-inclusive policies and women entrepreneur-centric capacity building programs would create better opportunities for women in South Asia. However, despite the availability of macro data on the creative economy in South Asia, gender-disaggregated data is not available. The emergence of creative industries can create a new platform for women to overcome traditional barriers. Emergence of e-commerce, access to the internet etc. also reinforce this process. For example, a women-led Indian organization named Root Studio attempts to digitize traditional lost art forms from rural Indian communities. Similarly, in Nepal, an organization named 3 Sisters Adventures Trekking works to promote adventure tourism with the partnership of women.

20.3 Methodology

This chapter focuses on five categories (or sectors) of creative goods as indicated in Table 20.1. This selection is based on informal discussion conducted by the authors with a number of women artisans, artists, and entrepreneurs of South Asia and also after review of existing literature.

Table 20.1: Creative Economy Products with High Participation of Women

No.	Product category	Product sub-categories	Harmonised System (HS) Codes of Selected Products (4-digit level)
I.	Arts and Crafts	Carpets and rugs	5701, 5702, 5703
II.		Paperware – paper lamps, handmade special envelopes, etc.	4802
III.		Wickerware – mats made from wood or bamboo, basketwork, etc.	4601, 4602
IV.		Yarn – handmade laces, hand-woven tapestries, narrow woven fabrics, embroidered, knitted, crocheted, or quilted products, bed and table linen, etc.	5804, 5805, 5806, 5808, 5809, 5810, 5811, 6002, 6003, 6004, 6302, 6304, 6308
V.	Audio-Visuals	Audio Visual Films – regional cinema, mainly Bhojpuri and Bengali.	3706
VI.	Design	Fashion – leather products, pashmina shawls, scarves, hats, etc.	4202, 4203, 4302, 4303, 6117, 6214, 6215, 6217, 6503, 6504, 6505, 6506
VII.		Interior – furniture accessories.	4205, 4304, 4419, 4814, 5703, 8403
VIII.		Jewelry – articles made of natural pearls.	7116, 7117
IX.	Performing Arts	Performing arts, music (CD, tapes) – regional music and songs, mainly Bhojpuri and Bengali.	8524
X.	Visual Arts	Visual arts – paintings (water color from Bangladesh, Oil paintings from India and Nepal), and engravings.	9701, 9702
		Photography – pictures, prints and photographs of the natural landscape of Nepal and Bhutan.	3705, 4919
		Sculptures – statuettes from North East India, made from wood and other metals.	3926, 4420, 6913, 8306, 9703

Source: Compiled and selected from UNCTAD Stats and ITC Trade Map Database.

To examine the trend and potential of creative products from South Asia, this study uses trade data of the past 5 years (2016–2020) at HS Code 4-digit level. The main sources of the data are UN COMTRADE for trade data and UNCTAD TRAINS for tariff data (downloaded using the WITS interface). To prepare the list of potential creative economy products, we examine data regarding the following variables:

1. Value of global South Asian exports;
2. Value of global South Asian exports in the creative industries;
3. Value of global exports;
4. Value of global exports in the creative industries.

Using this data, we calculate the trends and export potential of South Asia in the creative industries by following 2 steps:

Step 1: Identification of HS Codes of products from creative industries that have high female participation. We then developed a list of 50 such products after analyzing existing literature as shown in Table 20.1.

Step 2: Computation of Revealed Comparative Advantage (RCA).

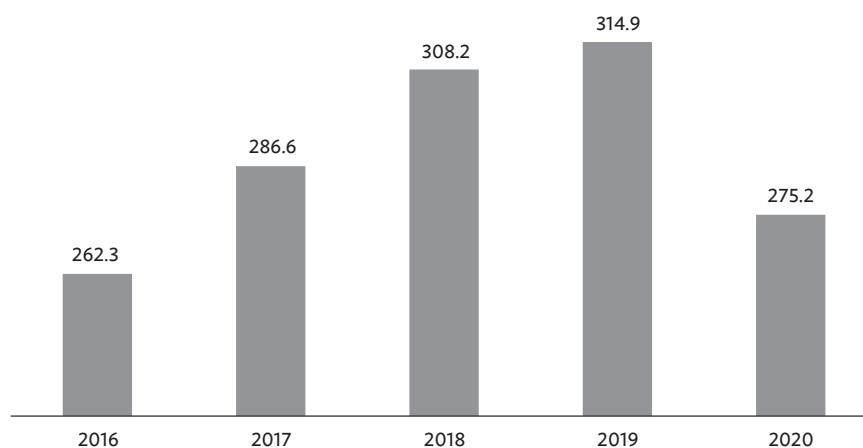
RCA analysis shows whether a country or a region can further extend market access of a particular product or product category in which it has a comparative cost advantage.

We calculate a standard RCA for the past 5 years (2016–2020) using the formula: $RCA_{ik} = (x_{iwk}/X_{iw}) / (x_{wk}/X_w)$, where x_{iwk} and x_{wk} are the values of country/region “i’s” (in this case, South Asia) exports of product “k” (identified creative economy products) to the world and the world’s exports of product “k,” respectively. X_{iw} and X_w are total exports of country/region “i” to the world and total global exports to all countries, respectively.

20.4 Quantitative Findings

Our analysis shows that global demand for creative products in the identified category has been increasing. However, due to the COVID-19 pandemic, there was a substantial decline in the overall demand for these products. This has been highlighted in the global imports of these products. After experiencing a steady increase there is a marked decline in the global imports of selected products after 2019 (see Figure 20.1).

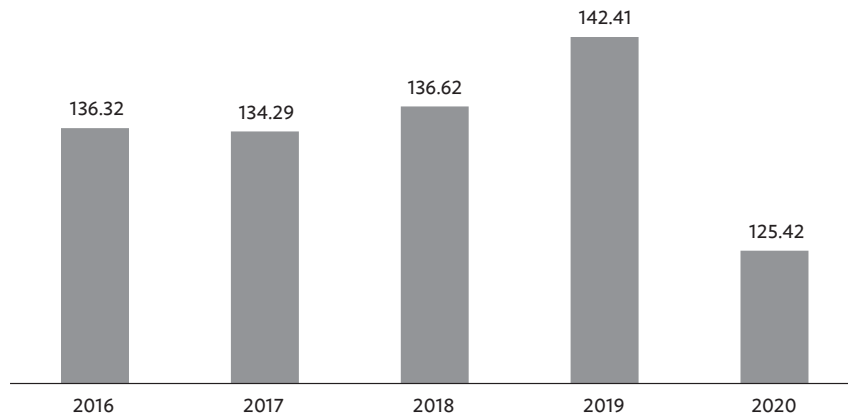
Figure 20.1: Creative Product Imports of the World
(in \$ million)



Source: UN COMTRADE.

Similarly, in the context of South Asia, the exports of these products have witnessed a significant increase over the years (2016–2019); however, they declined substantially in 2020 primarily due to the negative effects of the COVID-19 pandemic (see Figure 20.2).

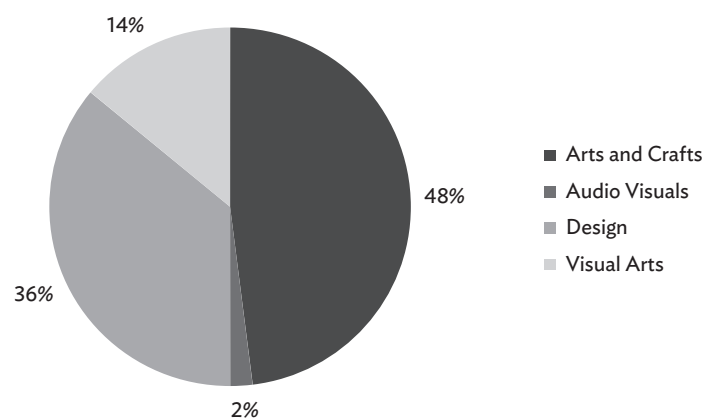
Figure 20.2: Creative Products Exports from South Asia to the Rest of the World
(in \$ million)



Source: Authors' calculations using data sourced from UN COMTRADE.

To identify the creative economy products with significant export potential to the world, we conducted RCA analysis over 5 years. We found that a total of 42 South Asian creative products (out of the 50 identified products in creative economy category) have a comparative advantage ($RCA > 1$) in the world market in all the years. Out of these 42 products, arts and crafts products (including carpets, rugs, paperware, wicker-ware, and yarn products), in addition to design products (such as fashion products, interior decorations, jewelry) and products showcasing the performing arts have the greatest advantage (see Figure 20.3).

Figure 20.3: South Asian Creative Products with Export Potential in the Global Market



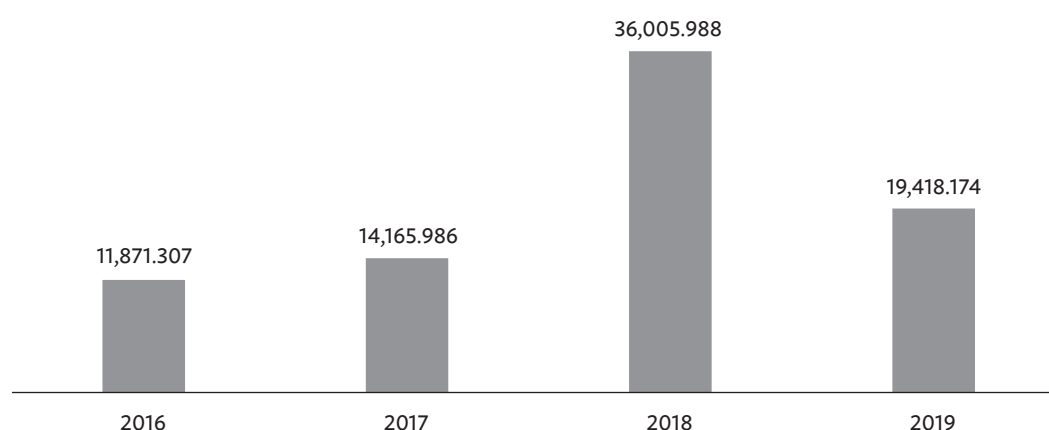
Source: Authors' calculations.

The products identified above have high female participation within the region, both as workers and entrepreneurs. Our analysis highlight that “arts and craft” and “design” products have significant export potential. These sectors are also women-centric as they are known to facilitate high female participation. However, despite this potential, trade from South Asia in these products remains suboptimal.

20.5 Qualitative Findings and Case Studies

20.5.1 Case Study - 1: (HS Code 6912 – Miniature Toys, Decorative Items, and Showpieces)

Figure 20.4: South Asian Exports of Miniature Toys, Decorative Items, and Showpieces (in \$)



Source: Authors' calculations using data sourced from UN COMTRADE.

As highlighted in Figure 20.4, exports of miniature toys, decorative items, and showpieces to the rest of the world are very low. However, a number of young women entrepreneurs are interested in the export of such products in India. The following case study highlights the journey of one such young Indian woman entrepreneur.

Whether it is managing corporate matters, household work, or making arts and crafts and converting them into a small export business, Kashmira Panchal's² story is not only inspiring, but also shows her passion toward converting her hobby into a full-time export business. Kashmira, who is from India, was born with artistic talent despite being an engineer by training. She comes from an artistic family and selected a new form of creative art – miniatures made with polymer clay and air-dry clay. Such creative products became popular in South Asia in 2018 when their exports more than doubled.

She makes miniatures under the brand name “Miniature World” and specializes in food items, figurines, toys, and cartoon characters. She still considers herself a rookie and wants to discover

² Interview conducted by the authors with Miss Kashmira Panchal, Founder of Miniature World in 2019–20 in Mumbai.

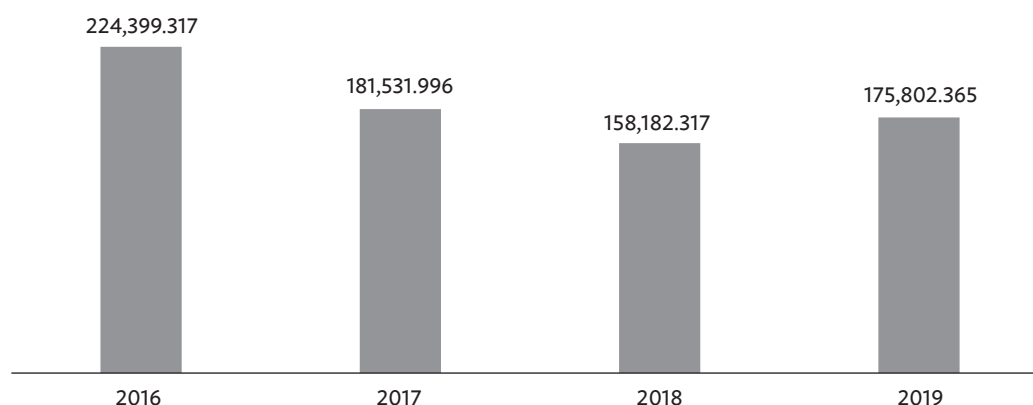
different techniques through the internet or by meeting established artists and entrepreneurs. She sells her products with the help of Etsy and other social media platforms such as Instagram and Facebook. The overall cost of a product depends on its size, innovation, time required, complexity of the item, and destination. She usually sells her products in the \$5 to \$100 per piece range.

She faces challenges regarding raw material as liquid clay is not available in India easily. Therefore, she has to rely on expensive clay imported from the PRC through online platforms. She said that her products are fragile and require extra care while delivering and are sometimes damaged during delivery. In that case she has to bear the cost of the damage as she does not know about the insurance process for such products. So far, she has not used any government-sponsored scheme for creative products as she has very little knowledge about them. She also feels that there is a lack of harmonization in standards of creative products (such as technical or design-related), testing procedures, and certifications in other countries and sometime it is very difficult to comply with these different standards. Often these standards act as non-tariff barriers (NTBs).

She mentioned that if there are awareness-generation programs related to international export formalities, rules, and procedures, more women like her will join the export business of creative products. She also recommends that there must be women-specific schemes and programs to attract women entrepreneurs and artists to the export business of creative products.

20.5.2 Case Study - 2: (HS Code 4421 – Masks made of wood, paper decorative items, and showpieces)

Figure 20.5: South Asian Exports of Wooden and Paper Masks, and Showpieces



Source: Authors' calculations using data sourced from UN COMTRADE.

YouthNet³ was founded in 2006 by a small group of Naga youth as a nonprofit organization. Since its inception they focused on female entrepreneurship particularly in creative industries where Naga women have immense but unexplored potential. Over the years they have been successful in

³ Source: Interview conducted by authors with representatives of YouthNet in 2019–20 in Kohima.

encouraging and promoting a large number of smaller organizations, women's groups, and young women entrepreneurs of Nagaland in the creation of arts and craft products.

These women create masks from bamboo and wood, paper art, paintings, and sculptures of local scenic beauty and animals. Other products include decorative products, kitchenware, officeware, mugs, etc. made from bamboo, necklaces and other ornaments made from local stones and metals, hand-made apparel, and leather products from locally sourced raw materials. Over the past few years the exports of such products have decreased in South Asia as shown in Figure 20.5.

India's north-east, and specifically Nagaland, has long been considered a neglected region from an economic and export point of view. YouthNet initiatives have helped stop the migration of youth and women from remote village areas of Nagaland. To boost Nagaland's exports of creative products, they started a "Made in Nagaland" e-commerce website in addition to selling their products through their own center and networks.

The 2 major problems identified by them are: (a) lack of understanding regarding the standards and technical barriers of other countries and (b) unpopular products. If proper training is given to these women and youth and if they are connected with potential buyers through subsidized tours of global fairs, the region can see a significant boost in exports of creative goods.

20.6 Key Challenges

It has been observed during field work in South Asian countries that women start entrepreneurship activity or trade for different reasons than male entrepreneurs. While male entrepreneurs start businesses for profit and revenue generation, women often start a business in order to achieve something significant in their life. Their economic success is considered an external confirmation of their abilities. This is evident from the data that shows that in South Asia only 18% of the enterprises are owned by women, the lowest share in comparison to other regions. Similarly only 64% of women have bank accounts in comparison to 75% of men, indicating a very high financial inclusion gap in the region (Halim 2020; World Bank 2021).

Women entrepreneurs still struggle to get capital and the entrepreneurial space they need. Unfortunately the story is the same for women entrepreneurs of creative products. Just like other sectors, gender-specific biases affect the ecosystem of the trade of creative goods. Here are some of the challenges that highlight the disparities faced by women entrepreneurs of creative goods in South Asia.

20.6.1 Financial Inclusion Gap

Almost all the women entrepreneurs of creative products in South Asia lack independent, easy, and cheap access to finance from institutional sources. Often they are forced to rely on their own personal savings or obtain it from their family members. Banks, insurance firms, and other financial institutions consider women entrepreneurs as credit-unworthy as they think that their businesses will not take off. For example, if a women entrepreneur wants to take a loan from a public sector bank for her business, than she is often asked for collateral or to come with a creditworthy male family member. Similarly, institutional investors or investors from the organized sector hesitate to invest or even provide seed capital in women-led ventures. This makes it very difficult for a female entrepreneur to start or expand a business especially if it is related to trade, which is a male-dominated field in South Asia.

20.6.2 Information Crisis

This is a very common problem in South Asia. Most women entrepreneurs of creative products do not have proper knowledge about various trade-related rules, certificates, and licenses that are required for export and import; and the necessary guidelines and protocols related to quality, standards, and permissions. Government websites related to trade or creative industries are often in English and the information available is not easily understood by women entrepreneurs particularly if they are from a rural area. They need simplified information in local languages along with practical capacity building and training. Training programs organized by various export promotion councils, business chambers, and industry centers are often targeted toward products that are considered more valuable in European markets and often information about procedures and standards regarding creative products is not provided.

20.6.3 Digital Literacy Gap

Entrepreneurs of creative goods can explore the benefits of social media platforms such as Facebook, Instagram, YouTube, or B2B networks for the promotion of their products and also to gain expertise about new trends, technology, design, and quality. However, a large number of women entrepreneurs of creative goods in South Asia do not have access to computers, smart phones, or social media. This is particularly prevalent among those who live with large families or within patriarchal family structures. Since customer demand and fashion preferences in European markets change rapidly, women entrepreneurs need to update their products accordingly, but due to lack of digital literacy they are often involved in the production of traditional designs, which in the long term prevents the growth of the business.

20.6.4 Network-Related Issues

A large number of women entrepreneurs of creative goods in South Asia are involved in making traditional products such as leather products, clothing, arts and craft products, etc. They lack marketing skills, do not have access to global trade fairs and exhibitions, have limited connections with buyers in external markets, and are cut off from discussions led by export promotion councils. Business networks could help them sustain their business, find new customers, partners, investors, suppliers of raw materials, and technical experts of quality and design so that their products do not get rejected due to a technical barriers to trade (TBT) or sanitary and phytosanitary (SPS) issues. This problem persists not only because of the nature of the business environment in South Asia, but also due to lack of confidence among women entrepreneurs to engage with external (male-dominated) networks.

20.6.5 Old Social Structures

Women entrepreneurs in South Asia continue to be marginalized within families, the education system, the policy and political sphere, and the business sector. They face stereotypical barriers: lack of moral support from family, relatives, neighbors, and friends; unfair wages and profits; and unequal access to technical education and prominent roles in the decision making. In addition, they are also engaged in taking care of their families and homes; thus, a proper division of time and resources between business and family is often hard. This is evident from the data showing the gender pay gap is around 14% in South Asia for women without children and rises to 35% for women with children (UN Women 2021), thus highlighting major flaws in labor and employment policies. Conventionally they are expected to give more time and importance to family and children rather than business. Most South Asian countries look down on female professionals and entrepreneurs in creative industries especially performing arts and audio-visual arts. Thus, women entrepreneurs are often held back from pursuing their interests.

20.7 Conclusion and Policy Recommendations

Substantial participation of women in entrepreneurial activities of creative goods could significantly boost economic growth and export revenue for South Asian countries. For example, net impact on Gross Domestic Product (GDP) of India could increase by 27% if female employment becomes equal to the share of male employment, while the gross impact on GDP would be around 45% (Booz & Company 2012), thus highlighting the potential contribution of women in economic activities of the country.

Now more than ever, a culture of creative inclusion must be created to foster diversity in business, trade, and entrepreneurial activities. Despite its negative effects, the COVID-19 pandemic has brought new opportunities to change the export basket of South Asian countries and include trade of creative goods, promote creative industry, spinning local crafts, regional films, and organize digital concerts in a more organized, gender-inclusive way. However, women entrepreneurs need greater representation in trade and trade-related activities to curb gender inequality. In this light the question for further evaluation should be: “How can South Asian countries prepare themselves for the next phase of export-led regional integration through increased intra-regional trade of creative goods?”

Historical examples demonstrate that political will, strong leadership, and commitment by member countries creates a region-ness (or sometime sub region-ness), which was witnessed in Western Europe in the form of “European-ness” or in South East Asia in the form of an East Asian identity. But this too is often overshadowed by the waves of nationalism, which wipe out the benefits of regional economic cooperation and integration.

The same can be said about this region also where at a macro level, people, economies, and societies are termed “South Asian,” but a micro analysis of intra-regional trade reveals the true nature and extent of region-ness. That is why, in the short to medium term, the only remedy can be in the form of increased intra-regional trade of products that are less likely to be contentious such as regional cinema or arts and crafts. To achieve this goal, deliberate steps for reducing NTBs will be required so that intra-regional trade of creative goods can flourish. Having said that, women-led creative industries mainly MSMEs in South Asia can play a vital role in the post-COVID-19 economic recovery in a sustainable and inclusive way through increased trade of creative goods.

Based on interaction with selected women entrepreneurs and insights from existing literature, this chapter suggests the following initiatives for a gender-responsive trade of creative goods:

1. Involve gender experts in the state and national level economic, trade, industrial, and financial policymaking process to ensure gender perspectives in policy development. Since women are not a homogenous group, policymakers and opinion makers should consider the participation of women from different socio-economic, cultural, ethnic, and regional backgrounds.
2. Creation of time-bound activities, objectives, and outcomes to achieve gender equality in all areas of policies and development plans, ranging from education, skill-development to marketing will greatly help women entrepreneurs.
3. Investment in education is also necessary, particularly for the creative industry, which strongly relies on innovative research and skills. Therefore, the industry and more specifically industry associations need to work with academic institutions to prepare the next generation of women entrepreneurs of creative goods. This will require scholarships/fellowships, research grants, training programmes, capacity building exercises, and exposure to international markets through sponsored foreign trips in international trade fairs and exhibition.
4. Lack of gender-disaggregated data is a very serious problem in South Asia. It hinders any plan to give a fair representation to women. Thus, collection of gender-disaggregated data should

be initiated not only at a macro level, but also at a micro level, for example, at the block or village level and also for the unaccounted informal sector. This can be done quite easily in a time-bound manner as there are a number of government schemes targeting women at the rural level.

5. National trade and industrial policies should focus on improving the competitiveness of creative goods in international markets by advocating for more flexible production models for women, which can allow them to have a good work-life balance.
6. An urgent task is to inculcate a sense of gender sensitivity among various government officials and semi-government agencies involved in the production and trade system such as customs, border security forces, inspecting agencies, and bank officials. An increase in the number of female representatives in these agencies and departments could reduce the bias against women entrepreneurs.
7. A targeted digital skill campaign needs to be implemented for women entrepreneurs as a number of them are based in rural areas and hinterlands and have extremely poor digital skills. Such problems severely impair women from entering the entrepreneurial space. That is why, dedicated digital skills training programs could be introduced for women based in rural areas for upskilling them to adapt to new ways of production, distribution, and sales. This will require collaborative efforts by governments, academia, media, civil society organizations (CSOs), and the private sector.
8. There is also a need to develop a robust financial ecosystem in South Asia for women entrepreneurs of creative goods where banks, insurance firms, financial technology firms, international financial institutions, and governments work collaboratively to deliver short- to medium-term credit and financial facilities. This is required as capital expenditure is needed to establish or expand a business or as working capital to run a business during a crisis like the COVID-19 pandemic. Government agencies are capable of providing short-term liquidity support at a minimum rate of interest and at low collateral. To achieve this, the banking and financial sector needs to be sensitized and made gender-responsive to the specific needs of women entrepreneurs.
9. It is also necessary to remember that credit can be a long-term solution, but during a crisis it creates additional costs for women entrepreneurs of creative goods. That is why, government-led equity injection programs or subsidy programs could be optimal.

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Toward Recognition of New Forms of Work: Protecting Creative Industry Workers in the Freelance Sector

Earla C. Langit and Madeiline J. Aloria

21.1 Introduction: The Need for a Legal Framework for Freelancers

Before the COVID-19 pandemic, the Philippines was on its way to becoming an upper-middle-income country. The country's fiscal position was strong (for example, revenue share to GDP was at 16.1% in 2019), owing to the passage of bold tax reform measures. Social indicators such as the unemployment rate (5.3% in January 2020) and poverty incidence (16.7% in 2018) were also low or at manageable levels. However, the health crisis triggered a 9.5% drop in GDP in 2020, which plunged the country into recession for the first time in roughly 3 decades. With a new surge in infections that require the re-imposition of stricter quarantine restrictions, the country faced downgraded growth projections for 2021 from the range of 6.5%–7.5% to 4.0%–5.0%.

The pandemic affected firms and workers disproportionately. The creative sector, estimated to account for up to 7% of the country's economic output (Mercado 2021), is among the most heavily affected. For instance, a World Bank survey estimated that 10% of the arts and entertainment firms permanently closed in November 2020, the highest compared to any sector. Venue-based activities such as museums, theaters, and cinemas were the first to shut down and are expected to be the last to reopen. The peculiarities of the sector have made it up to 4 times more reliant on workers in non-standard forms of employment, which makes it even more vulnerable to shocks (Mercado 2021). During the peak of the strict lockdowns in 2020, only 0.8%–2.0% of freelance workers in the creative industry received financial aid, according to Pangasinan, 4th District Representative De Venecia.

Nevertheless, despite the recent blow to the creative industry, it is expected to grow globally as a result of the pandemic. The industry generates high-value jobs, contributes to GDP growth, and drives innovation. The shift toward massive digitalization and production of more entertainment and cultural content online has accelerated. Arts and culture are increasingly recognized for their contributions to health and welfare (OECD 2020). As a driver of innovation, the creative industry is even poised to catalyze post-COVID recovery.

To position itself to be part of this expected growth, the creative industry should craft not only a comprehensive policy framework for the creative sector, but also an enabling legal framework for freelancers. This paper provides a special focus on freelancers considering that they constitute a sizeable portion of the industry. Among the most common freelance jobs in the sector are writers, producers, artists, consultants, and directors. We believe there must be a legal framework that properly defines freelancers, provides them protection, enhances their skills to be more competitive, educates them regarding their rights, and strengthens the mechanisms to enforce these rights. For the purpose of this paper, freelancing will be defined as “the offering or rendering of a task, work, or service through a freelancer's freely chosen means, methods, free from any form of economic dependence, control, or supervision by the clients, regardless of whether he or she is paid by results, piece, task, hour, day, job or by the nature of the service required.”

In support of the policy proposition, this paper presents a set of analyses largely emanating from the authors' research and sectoral engagements as legislative support to the Philippine Senate Committee on Labor and Human Resources Development. As presented in this paper, the nature of available government statistics renders it difficult, if not impossible, to periodically monitor let alone conduct a full-scale quantitative assessment of the situation of freelancers in the creative sector. Moreover, a review of key government operations (e.g., taxation, social protection) critical to the work environment of freelancers shows that there are plenty of opportunities for enhancement. Lastly, based on legal research and supplemented by the proceedings in the Philippine Senate, the range of legal protection currently available to freelancers is severely lacking.

In fact, Secretary of Labor and Employment Silvestre Bello admitted in a Senate hearing that there is no current labor protection accorded to freelancers and self-employed professionals. A legislative measure that would protect their rights and promote their welfare is needed to allow them to join the ongoing transformation brought about by the pandemic.

While much of the findings in this paper are preliminary due to data constraints, the existing conditions of freelancing work as qualitatively analyzed and reported support the call for the government to take a closer look at the issue, provide formal recognition of freelancing work especially in the creative sector, and design data-driven policies to target their needs.

21.2 Developments in the Philippine Labor Sector Relative to Freelance Work

21.2.1 Globalization and Flexible Work Arrangements

291

As in the case of many developing countries, globalization has been a persistent factor affecting employment conditions in the Philippines. It is a primary contributory factor that fueled the country's labor export policy during the Marcos era. With roughly 10 million Overseas Filipinos, of which 2.2 million are Overseas Filipino Workers (OFWs), the Philippines has among the biggest diasporas in the world (PSA 2020). Globalization also helped improve the incomes and skills of formal sector workers (Lu 2005, as cited by Sibal et. al. 2006).

However, due to global competition and the surfacing of new methods and technologies, the country's informal sector and short-term contractual employment have grown significantly in the past years. Pressure for labor flexibility due to volatile operational costs and intense competition has also led to the weakening of trade union memberships and an increase in non-regular workers who do not enjoy job security (Sibal et al. 2006).

The most commonly identified form of labor exploitation in the country is the so-called "endo," or when workers are given temporary employment and are terminated from work before their sixth month. With "endo," workers who are terminated but re-hired by the same company for years are deprived of entitlements to several benefits such as health insurance and social security prescribed by law for regular workers. The legality of this practice has been questioned and the issue has sparked policy debates as to how firms can exercise employment flexibility without denying job security.

At present, the world is transitioning toward a new era of the industrial revolution known as Industry 4.0 or the Fourth Industrial Revolution. Between 2010 and 2016 alone, the share of non-routine cognitive occupations, or those composed of tasks that are difficult to define, increased from 21% to 26% (ILO 2020). Rapid technological advancements are presenting new opportunities, increasing outsourcing of work, automating several processes, and replacing workers (WEF 2017). As globalization continues to

reshape global value chains and business models, flexible work arrangements have also become more diverse. Some forms of short-term contracts may blur the employee-employer relationship, but under agreed conditions can be mutually beneficial to both parties. Due to rapid advancements in technology and the savvy of Filipinos in social media, freelancing has been gaining ground in the Philippines. For firms, it is a way to save costs and drive innovation, while for workers, it is a way to maintain autonomy and flexibility.

In 2018, it was estimated that 3.5% of the labor force, or 1.5 million Filipinos were engaged in freelance work (PayPal 2018), making the country a hotspot for freelance work globally. Unfortunately, this part of the labor force remains largely unrecognized.

21.2.2 Global Trends in the Protection of Freelance Workers

Globally, there are approximately 1.2 billion freelancers, representing about one-third of the global labor force (Lee 2021). Because of this, more and more economies have started adopting laws regulating freelance work arrangements. For example, in Indonesia, freelance workers cannot be employed for more than 21 days in a month, and a freelance worker who has been engaged as such for 3 consecutive months will be considered a permanent employee (Alizia et al. 2020).

In 2017, New York City adopted the Freelance Isn't Free Act to protect freelance workers. Under this Act, a "freelance worker" is defined as "any natural person or any organization composed of no more than one natural person, whether or not incorporated or employing a trade name, that is hired or retained as an independent contractor by a hiring party to provide services in exchange for compensation." Among others, it requires the worker and the hiring party to enter into a written contract for services amounting to \$800 or more. Such contract must provide (i) the name and mailing address of both the hiring party and the freelance worker, (ii) an itemization of all services to be provided by the freelance worker, including the value of the services to be rendered and the rate and method of compensation; and (iii) the payment date, or the mechanism by which to determine the payment date. In addition, the New York statute accords the right to timely payment, freedom from retaliation, and the right to file a complaint with the Office of Labor Standards and/or the civil courts for damages.

Meanwhile, in 2019, the State of California in the United States approved Assembly Bill No. 5, which seeks to address the problem of the increasing number of gig workers who are tagged as independent contractors (such as ride-hailing app drivers) and are therefore unable to avail of certain benefits accorded to regular employees. Under this law, all workers are presumed to be employees, and the hiring entity must prove that the workers are independent contractors. A worker is an independent contractor for the purposes of the California Labor Code if (i) the person is free from the control and direction of the hiring party, both in paper and in actual fact; (ii) the work performed is outside the usual course of the hiring party's business; and (iii) the person is customarily engaged in an independently established trade, occupation, or business of the same nature as the work contracted.

As the world of work continues to evolve, providing protection to freelance workers across all types of industries, especially in the creative sector, remains a challenge. This is especially more so in the Philippines, where freelancers remain largely invisible in government statistics.

21.2.3 Promotion of Decent Work

As a labor surplus economy, the Philippines has always strived to create more and better jobs. In 2009, one 1 of 4 Filipinos in the labor force were either unemployed or underemployed (PSA 2010). Ten years later, or in 2019 (prior to the COVID-19 pandemic), only 18% of the labor force or roughly 8.2 million Filipinos were either unemployed (2.26 million) or underemployed (5.93 million) (PSA 2020).

Among the first countries to adopt “decent work and productive employment” as part of its national development plan, the Philippines continues to go beyond reducing the number of unemployed Filipinos. Under the Philippine Decent Work Country Programme (DWCP) 2020–2024 developed with the International Labor Organization (ILO), the government has renewed its commitment to promote the adoption of labor standards, secure greater opportunities for men and women, enhance social protection, and strengthen tripartism and social dialogue.

Consistent with this shift in international and local labor law experience, freelance workers, especially in the creative economy must be given protection.

21.3 Mapping Creative Industries’ Freelancers

The contribution of the creative economy sector has been increasing over the years. Accounting for only 3.5% of GDP in 1999 (Del Prado 2014), its share doubled to up to 7% based on the latest available estimates from the Creative Economy Council of the Philippines (CECP). It is worth noting, however, that the frequency and consistency of data estimation methodology vary, both regarding the number of freelance workers in the creative industry and their contribution to the economy.

Nevertheless, in recognition of the important role that the creative industry plays in the Philippine’s social and economic outlook, the Philippine Development Plan 2017–2022 has included a portion on advancing the creative economy. Part of the strategy is to draft a roadmap for the creative economy, as well as to increase the industry’s resilience in coping with disruptions, such as the COVID-19 pandemic. Pursuant to this, the CECP submitted to the Department of Trade and Industry (DTI) in 2019 a Creative Economy Roadmap. The roadmap envisions the Philippines to become “the number one Creative Economy in ASEAN in terms of size and value” by 2030 (Board of Investments 2019). Among the priority sectors included in the roadmap are advertising, film, animation, game development, and graphic and digital design.

293

21.3.1 Freelancers Missed in Official Statistics

Currently, official data from the Philippine Statistics Authority (PSA) does not provide any statistics on the number of freelance workers in the country, including freelance workers in the creative economy. As such, researchers, including the authors, often rely on informal sources for some estimates. One such informal source is CECP, which estimates that there were around 2.8 million workers in the Philippines’ creative economy as of 2020. Within this sector, around 70% to 80% of the workers in the audio-visual industry are freelance workers (Film Development Council of the Philippines (FDCP) 2020).

As in the case of any other sector, formalizing informal workers entails properly defining or classifying them. Freelancers are generally regarded as self-employed independent contractors with an entrepreneurial or business mindset. However, the activity of freelancers is also at the borderline between self-employment and wage employment. Moreover, not all self-employed individuals are freelancers. While there is a shared understanding that the nature of the work of freelancers is special, to date, they are not officially defined or monitored in any government-conducted statistics. To illustrate, respondents to the Philippine Statistics Authority (PSA) Labor Force Survey (LFS) are asked to choose among mutually exclusive answers on the nature of their employment, class of work, and basis of payment.

However, in actuality, a freelancer may hold multiple engagements of different types (e.g., a weekly engagement on top of a short-term contract with another client), classes of work (e.g., having both private and government clients), or basis of payment (e.g., paid on a commission basis in one project, and on a per-day basis in another project.) Hence, information on freelancers is not easy to cull from existing data despite their disaggregation considering the special nature of their engagement.

The PSA also conducts surveys to capture the following non-regular workers, who may not completely fit or define a freelancer's role (see definitions from the PSA below). For example, not all contractual workers are freelancers. Contractual workers would typically include those commonly hired through a contractor under fixed-term employment. While both terms are temporary and the workers self-employed, freelancers are those who are seen to have professional independence or freedom. Data published by the PSA on non-regular workers are then often useful in describing the status of decent work in the country and having room for improvement in describing the emerging gig economy.

- Casual workers - workers whose employment is not expected to last for more than a short period.
- Contractual/ project-based workers - workers whose employment has been fixed for a specific project or undertaking, the completion or termination of which has been determined at the time of engagement.
- Seasonal workers - workers whose employment, specifically its timing and duration, is significantly influenced by seasonal factors.
- Probationary workers - workers on a trial period during which the employer determines their fitness to qualify for regular employment, based on reasonable standards made known to them at the time of engagement.
- Apprentices/ Learners - workers who are covered by written apprenticeship/ learnership agreements.

As a result, the Philippine government is unable to provide a clear picture of the freelance sector or incorporate it in its LFS report. Without official definitions or official coverage in national surveys, information on freelancers is commingled with other types of self-employed workers, such as professionals like doctors and lawyers, as is often the case in most government agencies.

21.3.2 Freelancers Lumped with Self-Employed

Compounding the problem of incorrect categorization is the framework used by government agencies regarding the classification of freelance workers. As noted earlier, freelancers are often lumped with professionals as “self-employed” individuals. While freelancers are not necessarily excluded in taxation and social security laws, they may need guidance as confusion arises with regard to the applicability or appropriateness of such a category to the special nature of their work.

To date, the tax code does not explicitly mention “freelancers.” They fall under either self-employed or mixed-income earners (for those who also are under an employee–employer relationship, but also engage in freelance work). Bureau of Internal Revenue Regulations No. 8-2018 defines a self-employed individual as “a sole proprietor or an independent contractor who reports income from self-employment (who) controls who s/he works for, how the work is done, and when it is done.” The same document enumerates that this includes those hired under a contract of service, job order, as well as professionals whose income is derived purely from the practice of profession and not under an employer–employee relationship. Self-employed individuals are generally subject to graduated income tax rates, similar to employed individuals. They can also avail of the 8% flat income tax rate as long as their gross sales or

receipts do not exceed the Value Added Tax (VAT) threshold (₱3 million). This is an option that is also available to mixed-income earners.

Either way, filing taxes can be more complicated and burdensome compared to an ordinary compensation income earner whose taxes are likely handled by his/her employer's finance or administrative team. Compared to an ordinary compensation income earner, a freelancer has to be aware of his regular tax dues, which include payment of an annual registration fee, monthly percentage tax, quarterly income tax, and annual income tax, among others. Common problems include miscalculation of tax due or even missing deadlines.

Meanwhile, the Social Security System (SSS) defines a self-employed individual as “a person who has no employer other than himself and derives income from his physical and mental effort.” The SSS Law of 2018 also includes in the same (i) partners and single proprietors of businesses; (ii) actors and actresses, directors, scriptwriters, and news correspondents who are not employees; (iii) professional athletes, coaches, trainers, and jockeys; and (iv) individual farmers and fishermen (Section 8(s) in relation to Section 9-A).

As discussed earlier, the activities of freelancers are often at the borderline between self-employment and wage employment. Considering this, the above-stated definitions generally only result in categorizing full-time freelancers as “self-employed,” while part-time freelancers with full-time jobs are expectedly categorized as an “employee.” While there are no material implications on the benefits received given that the SSS coverage of self-employed individuals is compulsory similar to that of employed workers, the fact that they are lumped with other categories of workers, among others, contributes to the lack of, or inaccurate, data with regard to the number of freelancers, especially in the creative economy.

21.4 Inadequate Rights Protection and Welfare Promotion Mechanism for Freelancers

21.4.1 Lack of Legal Protection for Freelancers under Current Laws

The Department of Labor and Employment (DOLE) defines self-employed individuals as those who create their own earnings and opportunities in the form of business, contract, or freelance activities (DOLE Department Order No. 173, s. 2017, Section 5(x)). Because the thrust of DOLE is primarily monitoring arrangements where an employer-employee relationship exists, it does not have any data on the number of freelancers in the country, much less freelance workers in the creative economy. In addition, since the provisions of the Labor Code of the Philippines, the primary labor law in the country, apply primarily to workers with an established employer-employee relationship, most of the protections afforded by the Labor Code are not otherwise available to freelance workers.

While the Philippine Constitution guarantees full protection to labor, including the right to self-organization; collective bargaining, negotiations, and peaceful concerted activities; security of tenure; humane conditions of work; and a living wage (Article XIII, Section 3), these Constitutional guarantees are largely applied to employees with established employer-employee relationships, as reflected in the thrust of the Labor Code and DOLE. This mindset is also reflected in the decisions of the Supreme Court, which ruled that the right to security of tenure as guaranteed under the Constitution only arises when there is an employer-employee relationship (*Sonza vs. ABS-CBN* 2004). More importantly, the Supreme Court ruled that disputes between an independent

contractor or a freelance worker are a civil dispute governed by the Civil Code of the Philippines (Fuji vs. Espiritu 2014).

This is problematic in many instances.

Since most freelancers are generally not covered by the protections under the Labor Code, issues such as unequal remuneration, lack of social safety nets, and late or non-payment of compensation, are often encountered.

For example, freelance workers are not subject to the 8-hour limit on work per day, nor are they entitled to overtime pay, night-shift differential, holiday pay, and other premium pay entitlement of workers who have established employer-employee relationships. This means that while freelance workers and “employees” are performing substantially the same tasks, they are subject to different standards, and violations committed against the latter are monitored by the Department of Labor and Employment (DOLE), while there is no such scrutiny on similar acts committed against freelance workers. It is not uncommon, therefore, to see workers in the creative industry, especially those in the audio-visual industry, work longer than 8 hours without any additional compensation.

In addition, because the Labor Code provision on mandatory payment of wages for periods not exceeding 16 days (Article 103) does not apply to them, most freelancers do not receive regular and/or timely payment. According to Aktor-League of Filipino Actors, a large number of freelance performers are subject to late or non-payment, and they are often left to follow up their payments after service has already been rendered.

In worst-case scenarios, these freelancers must go to court to enforce their rights. This is because the relationship of freelance workers with the company that engaged them is governed by the Civil Code, and Philippine law requires them to go through the tedious court processes to enforce their rights, which entails the payment of filing fees. In contrast, “employees” can go directly to the National Labor Relations Commission (NLRC) or DOLE to enforce their claim, which does not require a filing fee and can be prosecuted without any counsel. These double standards in terms of recourse lead to the perpetuation of abuses committed against freelance workers. This situation gets even more complicated for online platform workers whose principals are mostly based abroad. In this case, the possibility of immediate and tangible redress is even more elusive due to the difficulty in acquiring jurisdiction over the foreign principals. Most often than not, aggrieved freelancers decide not to pursue any case because of the difficulty in enforcing their rights through the court system.

More recently, at the height of the COVID-19 pandemic, very few freelance workers were able to get assistance from the government, even though the government launched several assistance programs for workers affected by the COVID-19. First, since most workers in the creative industry are freelancers, they could not qualify under DOLE’s COVID-19 Adjustment Measures Program because they do not have an employer who would process their application for assistance. Second, because freelance workers in the creative economy are often not considered underemployed, self-employed, and displaced marginalized workers, they were also not qualified under DOLE’s Tulong Panghanapbuhay sa Ating Displaced/Disadvantaged Workers (TUPAD) Program (DOLE Department Order No. 210 2020). Most often, freelance workers were advised to apply for loans from SSS, provided that they are registered with SSS. Unfortunately, however, the loan program of the SSS was temporarily halted during the pandemic, pending the completion of the rollout of the government’s assistance program. Most freelance workers are also not registered with the SSS, and thus were unable to avail emergency loans from SSS.

21.4.2 Lack of Available Training for Workers in the Creative Industry

Aside from the lack of legal protection afforded to freelance workers, freelancers in the creative industry also have very limited options in terms of training from government agencies. For example, as of 2019, the Technical Education and Skills Development Authority (TESDA), the government agency tasked to manage and supervise technical education and skills development in the Philippines, only offers 38 training programs related to the creative industry sector, as follows:

Table 21.1 Training Programs Offered by the Technical Education and Skills Development Authority

Subsector	Number of Training Regulations
Garments	3
Visual Arts	2
Social, Community Development, and Other Services	4
IT- Business Process Management	26
Furniture and Fixtures	1
Footwear and Leather Goods	1
Pyrotechnics	1
TOTAL	38

Source: Technical Education and Skills Development Authority (TESDA).

Out of the 38 training programs, only 31 are being taught, due to a lack of trainers and training centers. According to TESDA, the industry's lack of structure, including lack of data on the specific skills needed by workers in the industry, hampers the development of intervention and/or training programs for workers in the creative industry. This, in turn, is a result of the lack of clear data on the number of creative workers in the industry, as discussed above.

21.4.3 Poor Occupational Safety and Health Compliance

Because the nature of the work of workers in the creative industry is often not performed in formal or traditional workplaces, little attention is given to their occupational safety and health (OSH). The peculiarities of the industry also add to this difficulty, where actors are required to be in several locations during the course of their engagement. According to DOLE, while the Department regularly inspects media companies, such inspection is often conducted at the main offices of the companies, and seldom in location shoots (Philippine Senate Hearing 2021).

In the Philippines, the plight of workers in the creative industry, specifically in the audio-visual sector, has not been discussed thoroughly until the death of veteran actor Eddie Garcia in June 2019, who died after tripping on a cable wire while shooting a television series. After the investigation, DOLE imposed a fine of \$17,800 (\$1=₱50) for the media company's failure to provide proper safeguards to prevent workplace accidents (Rappler 2019). As a result of this and several Senate hearings on this matter, DOLE and the FDCP issued Joint Memorandum Circular No. 01, series of 2020, providing

guidelines governing the working conditions and occupational safety and health of workers in audio-visual production. Aside from providing a maximum number of hours of work per day, the circular also requires risk assessment on locations, stunts, special effects, among others, to assess the potential hazards and unsafe work practices while shooting. Note, however, that the circular only covers a portion of the creative industry; thus, outside of the workers in this subsector, very little is known with respect to the OSH-related protection received by freelancers.

In addition to the peculiarities of the sector, the lack of available information on the status of OSH compliance of companies related to the creative sector also poses a challenge. For example, from January 2021–February 2021, the number of establishments related to arts, entertainment, and recreation inspected by DOLE regarding compliance with COVID-19-related OSH regulations only accounts for 0.7% (or 29 out of 3,888 establishments) of the total establishments inspected during this period. Aside from the fact that “arts, entertainment, and recreation” is only a part of the bigger creative industry, DOLE data does not provide detailed information on what percentage of the reported violations are attributable to the arts, entertainment, and recreation industry, as well as the number and nature of employment of workers covered in the inspection. This lack of disaggregated data, in turn, results in the difficulty of policy makers to accurately devise policies for the protection of the workers in the industry.

21.4.4 Low Wages and Absence of Non-Wage Social Benefits

Workers in non-standard forms of employment, such as freelancers, often experience low wages (Serrano et al. 2014), partly due to the absence of bargaining power in terms of wages. In the case of platform workers, “labor arbitrage,” where the principal has the option to select from among a diverse pool of talent around the world and choose the cheapest price (Soriano 2021), adds to this situation. In addition, the lack of an acceptable benchmark for similar work done has further exacerbated the situation of these workers (Soriano 2021). In the Philippines, for example, where the minimum wage is around \$11 (\$1=₱50), there is a tendency to treat as acceptable any payment above such a benchmark, without regard to the payment given to comparable work and in other countries.

Moreover, because social protection laws in the Philippines only require employers to pay the corresponding contribution of their “employees,” as opposed to other workers such as freelancers, freelance workers do not often have social security benefits. Unlike employees with recognized employer-employee relationships, freelancers must voluntarily register themselves as “self-employed” with social protection agencies. As discussed above, this resulted in the limited availability of financial assistance for this type of worker at the height of the pandemic in 2020.

21.5 Conclusions and Policy Recommendations

The Constitution and the Labor Code, in guaranteeing protection of labor, intend to cover all workers and not only those who are employed. Improvements in communications and technology have opened up a lot of opportunities for workers today and have contributed to the changing nature of work. Location-independent workers, platform-based workers, work-on-demand workers, and crowd workers, for instance, are types of workers that did not exist before. A legislative measure to protect the rights and promote the welfare of freelancers is critical to the sustainable development of creative industries and the country as a whole. Specifically, this means that freelancers must be legally defined and be accorded rights under the applicable provisions of the Labor Code.

21.5.1 Defining Freelancers

There is a need to develop a statistical and legal definition for workers who no longer fit the traditional form of work. Under the Senate Bill No. 1810 currently pending at the Senate, a freelancer is proposed to be defined as “any natural person who offers or renders a task, work, or service through his or her freely chosen means, methods, free from any forms of economic dependence, control or supervision by the clients, regardless of whether he or she is paid by results, piece, task, hour, day, job or by the nature of the service required.”

The terms “freely chosen means, methods, free from any forms of economic dependence, control or supervision by the clients” allow for a clear delineation between a freelancer and a worker working without employee-employer relationship against his/her will who is likely to be a victim of unfair labor practices.

It is also worth noting that the move to define freelancers can be compared to emerging proposals in the ILO to define “dependent contractors” or those “who perform work or provide services to other persons within the legal framework of a civil or commercial contract, but who are dependent on or integrated into the firm for which they perform the work or provide the service in question” (ILO 2003). Due to the nature of their work, such types of workers cannot necessarily be categorized as “own-account workers” and their “self-employed” status can be considered misleading or questionable (Hunter and Leslie 2018).

Defining freelancers is one of the most basic but critical steps to attain the objective under the PDP to transition them to the formal economy. Freelancers should not be broadly clumped with informal sector workers and data can be better structured to allow for better monitoring of workers and policy formulation for the government.

21.5.2 Ensuring Standards for Freelance Work and Instituting Rights of Freelancers

Despite the lack of an employer-employee relationship, freelance work relies heavily on a contract. It is supposed to define the scope of the responsibility of both the contractor and the client, and the extent to which freelancers can exercise autonomy or control over their work and their outputs. A contract is a tool for setting prices, timelines, and other conditions. Without it, parties would have very few safeguards against non-delivery of service or non-payment of fees. Unfortunately, some freelancers accept local or international jobs without any contract (Diño-Seguerra 2021). This is perhaps one of the reasons why 92% of Filipino freelancers surveyed by PayPal worry about job security.

As such, reforms are needed to mandate a written contract between a principal and a freelance worker. Mandating a written contract to ensure the protection of a certain group of workers is not entirely new. For example, the Domestic Workers Act (Republic Act No. 10361) requires that an employment contract be executed between the domestic worker and the employer in a language or dialect understood by both the domestic worker and the employer. This requirement stems from a recognition of the special nature of the work of domestic workers and an acknowledgment of the need to protect them from abuse, harassment, and violence, among others. In the case of freelancers, a contract, although not laying down an employee-employer relationship, helps outline the relationship of the parties and the scope of the work.

As discussed earlier, freelancers are more vulnerable to shocks like a pandemic. For instance, the country's film and audiovisual industry, which hires 70%–80% of freelance workers, displaced more than 760,000 film and audiovisual workers during the peak of the lockdown (Diño-Seguerra 2021). The lack of an employee–employer relationship has created a significant risk to freelancers during the pandemic.

Given this reality, there is a need to do away with the traditional notion of the scope of protections under the Labor Code, i.e., limited only to “employees” as opposed to workers in non-standard forms of employment, including freelance workers. Among the rights that must be analogously applied to freelance workers include: (i) right to just compensation and equal remuneration for work of equal value without manipulation or distinction of any kind; (ii) right to safe and healthy working conditions; (iii) right to self-organization and to collectively negotiate with the government, client, and other entities for the promotion of their welfare and in the advancement of their rights and interests; (iv) right to be free from any form of discrimination, violence, sexual harassment, and abuse; (v) right to access their own data, information, and resources for the promotion and protection of their rights and welfare; (vi) right to representation and participation in policy and decision making processes and social dialogue; (vii) right to affordable and adequate financial services; (viii) right to education and skills training; (ix) right to social protection and social welfare benefits, and; (x) right to redress of grievance in the most expeditious and less expensive manner as possible.

The enumeration above does not necessarily entail that the provisions of the Labor Code are automatically supplanted to the contract of freelance workers with their clients; the details should still be left to the discretion of the parties. Nevertheless, the enumeration of such rights empowers freelancers to secure fair fees and working conditions, address abuses, and maximize opportunities.

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- Nature of employment is categorized as: (i) permanent, (ii) short-term or seasonal, or (iii) worked for different employers on a day to day or week to week basis.
 - Classes of workers include: (i) worked for private households, (ii) worked for private establishment, (iii) worked for government/ government corporation, (iv) self-employed without any employee, (v) employer in own family-operated farm or business, (vi) worked with pay on own family-operated farm or business, (vii) worked without pay on own family-operated farm or business.
 - Basis of payment include: (i) in kind, (ii) per piece, (ii) per hour, (iii) per day, (iv) monthly, (v) pakyaw, (vi) others, (vii) not salaries or wages (e.g., commission basis).
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Financing Creative Industries in Indonesia¹

Hilda Fachrizah, Manuel Andi Sihombing, Yoshua Caesar Justinus, Mohamad Dian Revindo, and Teuku Riefky

The tourism and creative economy industries are essential sectors in the Indonesian economy. The tourism sector generated an economic value added of Rp523 trillion in 2017, equivalent to 3.90% of Indonesia's GDP that year. The sector also absorbed 12.74 million workers in the same year, equivalent to 10.53% of the national workforce. Tourism contributed to Indonesia's balance of payments by generating foreign exchange from international tourists' spending equivalent to Rp291 trillion in 2019. Meanwhile, the creative economy sector employed 17.43 million workers in 2017 and generated an economic value added of Rp1.105 trillion in 2018 (Creative Economy Agency, Republic of Indonesia, 2019). In addition, the creative economy—especially the digital application development sector and digital games—is one of the main destinations of global investment.

The Government of Indonesia has made various serious efforts to create a sustainable growth climate for the creative economy. These include building the Palapa Ring, which will become the backbone of the digital economy ecosystem; building a 4G network throughout the archipelago; and publishing a roadmap for an electronic national trading system (i.e., an e-commerce roadmap). The government has carried out various programs to boost tourism, such as tourist market development, tourism image development, tourism marketing partnership development, and tourism promotion development. In addition, the government's commitment was demonstrated by the establishment of the Creative Economy Agency (Badan Ekonomi Kreatif/BEKRAF), a nongovernmental non-ministerial institution devoted to developing the creative economy in Indonesia. While currently BEKRAF is part of the Ministry of Tourism, the government's efforts to make the creative economy a source of Indonesia's economic growth will continue.

Based on data from Statistics Indonesia, there were at least 8.2 million businesses engaged in the creative economy sector in 2016 (Creative Economy Agency, Republic of Indonesia 2019). The top 5 provinces in terms of their contribution to national creative economy GDP are DI Yogyakarta, Bali, West Java, East Java, and North Sumatra, with shares of 16.12%, 12.57%, 11.81%, 9.37%, and 4.77%, respectively. In addition, these 5 provinces are also provinces where the tourism sector is relied upon to strengthen the local economy. The high concentration of Indonesia's creative economy among these 5 provinces indicates that efforts are needed so that each of the country's regions can play a more active role in improving its Tourism and Creative Economy sector.

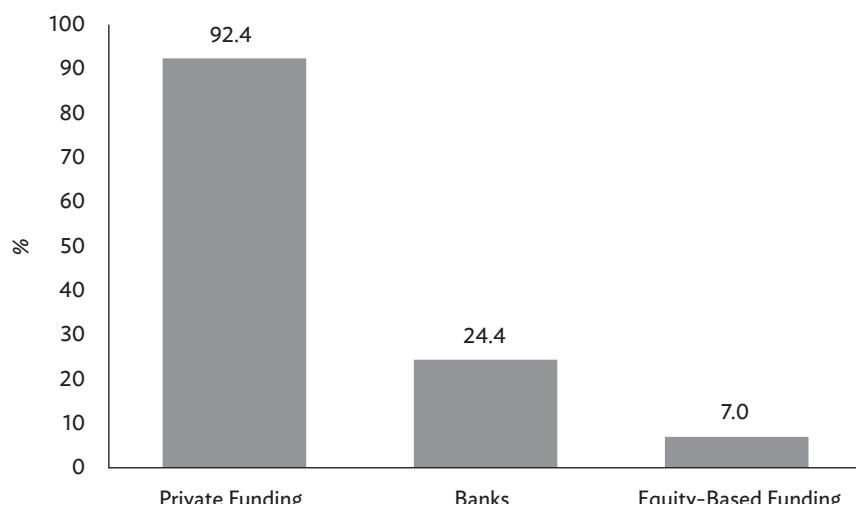
Despite great potential and support from the government, entrepreneurs in the creative economy sector in Indonesia tend to experience challenges regarding accessing capital, with most of them still relying on private financing. Based on the Statistics Indonesia 2016 Economic Census data, only 13% of Tourism and Creative Economy actors have applied for a loan from a bank; of these, 88% were granted loans, and the remaining 12% were rejected. The same situation also applies to nonbank funding sources (equity-based funding) such as angel investors or venture capital.

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Based on the IPSOS report (2018), private funding is still the primary source of capital for business actors in the creative industry in Indonesia, with more than 90% of respondents claiming to rely on personal funding as their main source of capital (Figure 22.1). The survey also concluded that very few entrepreneurs in the creative industry (less than 25% of the total respondents) rely on bank credit as their main source of capital. This proportion is even smaller for equity-based sources of capital, with only 0.7% of the total respondents relying on it as their main source of capital.

Based on the explanation above, it can be concluded that the industry and capital markets are asynchronous. The rapid growth of the tourism sector and the creative economy does not guarantee the flow of funding to these two sectors. Furthermore, this condition arises amid the increasing number of foreign and domestic investors and the increase in capital products, especially from digital financial products such as peer-to-peer (P2P) loans and equity crowdfunding. Therefore, this study aims to answer the critical question: “What causes the suboptimal interaction between demand and supply related to financing in the tourism sector and the creative economy in Indonesia?” Using a typology framework for the creative industry segment, this study examines the asynchrony between funding policies for the creative industry. The study also describes the supporting aspects that result in limited funding for the creative industry. In addition, the study conducted a regression analysis of the factors that affect the acceptance rate of credit applications for entrepreneurs in the creative sectors.

Figure 22.1: Sources of Capital for Creative Industries in Indonesia



Source: IPSOS (2018).

22.1 Types of Returns of Businesses in the Creative Industries

22.1.1 Sources of Capital

A sector's access to financial markets cannot be separated from other aspects of its business ecosystem. Various studies have proven the strong relationship between financial markets and product markets (Lazonick and Mazzucato 2013; Lee 2019). This relationship is, to a large extent, related to the different

business models for each sector, thus requiring different financial products to support business operations. For instance, the construction industry needs more debt (credit) than equity as it has more turnover (from development projects). Inversely, the online marketplace platform industry requires more equity-based investments because new business models can only work if there is rapid growth in the number of the platform's online participants.

In Indonesia, there are various forms of funding for the creative industry. Broadly speaking, there are two options based on the provider, namely, the government sector and the private sector. The government's funding component includes grant programs and soft credit programs. Meanwhile, the private sector offers credit via banks, non-banks (such as through P2P Lending, and Cooperatives), and equity-based funding options (such as Angel Investors, Equity Crowdfunding, and Venture Capital).

Each funding source has a different type and target of return. On the one hand, capital from the government prioritizes economic returns (such as the multiplier effect generated by funding, decreasing unemployment rates, economic growth) and non-economic returns (such as cultural preservation, cultural development, and increasing people's happiness levels). On the other hand, market solutions certainly prioritize the economic rate of return, but the type of returns still differs based on the type of funding. Market funding through the credit system prioritizes repayment in the form of principal and interest payments on loans, prioritizing businesses with lower risks. Meanwhile, equity-based market funding prioritizes high returns in the form of increasing company value, so it has a higher tolerance for business risk.

Table 22.1: Sources of Financing for Creative Industries

Market solution	Non-banking	Investment credit and working capital credit
		Peer-to-peer (P2P) lending
		Equity crowdfunding
		Venture capital
		Angel investors
		Microloans
		Leasing
		Commercial lending
	Banking	Investment credit and working capital credit
		Invoice financing
		Overdraft
		Unsecured credit
Government Solution	Grant	Grant from technical ministries
		Environmental Development Fund (Dana Bina Lingkungan) in collaboration with state-owned enterprises (Badan Usaha Milik Negara/BUMN)
		Competitions and/or contests by the technical ministries
	Soft Loans	Cooperation Program Funds (Dana Program Kerjasama) in collaboration with BUMN
		People's Business Credit (Kredit Usaha Rakyat, KUR)
		Ultra-Micro Credit (UMi)

Source: IPSOS (2018).

Table 22.2: Types of Financing for Creative Industries

Types	Expected Return	Characteristics
Credit-based funding	Principal + interest	Emphasis on sustainable business operation to ensure sustainability of payment
Equity-based funding	Dividend and/or capital gain	Higher risk tolerance
Government grant	Strategic national goals	Relatively insensitive on monetary return

Source: IPSOS (2018).

The relationship between the financial market and the product market is increasingly complex in the context of the creative industry due to the various creative industry subsectors and the variety of business models in each subsector. Different subsectors might necessitate different business models. For example, the Food subsector uses a franchise business model, which requires capital in the form of investment from the franchisee. Meanwhile, the Artisanry subsector (e.g., gold and silver crafts) certainly cannot use a franchise system; inversely, it is more likely to use working capital credit to purchase tools and raw materials.

Apart from differences between subsectors, there are also different funding needs within the same subsector due to differences in product characteristics and business models. For example, both Ulos Batak and “Negarawan” batik fall into the Fashion subcategory. Nevertheless, the former is a cultural product used in ceremonial activities that might be more appropriate for grant funding (such as from the Environmental Development Program). Meanwhile, the latter might require more working capital credit or large investments to acquire consumers (via promotion and branding). Another case might be “Pecel Lele Lela” and “Kopi Kenangan,” both generally consumable goods operating in the Food subsector. However, “Pecel Lele Lela” uses a franchise business model, while “Kopi Kenangan” uses a branch opening system due to the company’s focus on serving takeaway consumers. Thus, it might be apt to fund the former with loans (credit) and the latter with equity-based investment products.

In addition to paying attention to product forms and business models, funding for the creative industry is increasingly complex regarding the objectives of the development of the creative industry itself. In contrast to other industries, the creative industry is closely attached to the culture of a country, which if managed properly, can bring positive benefits to the economic sphere (through demand for creative products) and non-economic spheres (through cultural influence) (Lee 2019; Li and Zahra 2012). This case can be seen from Japan’s experience in the 1990s, which succeeded in dominating the world through anime and manga and creating an “otaku” culture worldwide. A more recent practice is observed in the Republic of Korea, which has succeeded in dominating through music (K-Pop) and drama (K-Drama), creating cultural hegemony and influencing the demand for various products and services from the country, such as cosmetics, digital products, food, and tourism.

Table 22.3: General Typology of Creative Industry

Segment	Definition	General examples	Return/interest form
Traditional - Elite	Creative industry segment that emphasizes aesthetics, spirituality and cultural identity	Sadō/chadō (Japanese tea ceremony), Traditional clothing	• Tourism • Preservation of culture and group/society/country identity
Traditional - Popular	Creative industry segment that emphasizes social and historical values in general	Traditional kimono, Traditional games	• Tourism • Cultural domination • Related industry development
Contemporary - Elite	General creative industry segment that emphasizes prestigious consumption	Opera, classical music concert	• Cultural domination
Contemporary - Popular	Creative industry segment with the highest commercialization potential due to being widely accepted by the general market	Film, Pop Music, Animation, Digital Games	• Economic Growth Rate • Employment-related Sector Development

Source: Davis, Kraus, Naughton, and Perry (1995).

The financial aspect, especially capital for the creative industry, must not only be considered specifically related to the segment of the creative industry, but must also pay attention to other related aspects. As the creative industry business model is different from a general one, conventional forms of capital (credit) tend to be inappropriate (Nurse 2016). Furthermore, there are other aspects integral in supporting the relationship between capital products and the creative industry. Based on our literature study, three key aspects determine creative businesses' access to capital: market access, intellectual property protection, and business models.

22.1.2 Typology of Creative Industry Segments in Indonesia

Creative industries in Indonesia are classified into 16 subsectors.² However, the previous discussion has shown the limitations of using the subsector as a determinant of the form of financial products needed by the creative industry. Therefore, an additional classification is required. The proposed classification is based on the work of Davis, Kraus, Naughton, and Perry (1995), summarized in the following table.

A detailed explanation of each segment is as follows. Traditional - Elite is a segment of the creative industry that emphasizes aesthetic, spiritual, and cultural values. The products/services produced are very traditional, and their use is limited to certain groups (such as the elite). An example is Ulos Batak, a traditional cloth only used at traditional or religious events of the Batak tribe. Although it can be mass-produced, it is not possible to use it for activities outside of traditional Batak ceremonies/activities. The traditional - elite business model is very limited in its development. The value being pursued is not the value of market returns but cultural sustainability. Thus, the required form of investment is more in the form of ultra-micro credit or grant funds. The resulting benefit of the traditional - elite segment is

² In accordance with Presidential Decree No. 72, 2015, creative economy encompasses the following subsectors: Apps and Game Development; Architecture; Interior Design; Visual Communication Design; Product Design; Fashion; Movies, Animation, and Video; Photography; Crafts; Culinary Arts; Music; Publishing; Advertising; Performing Arts; Fine Art; Television and Radio.

Table 22.4: Creative Industry and Capital Segments

Segment	Definition	Examples	Investment/ Model	Return/Market
Traditional – Elite	Creative industry segment that emphasizes aesthetics, spirituality and cultural identity	Ulos Batak, Kecak Dance, Reog Ponorogo, Kuda Lumping, Chairil Anwar's poetry, Keris	Minimal development Investment needed in learning	• Tourism • Symbol of cultural identity • Not very appealing to market (especially domestic)
Traditional – Popular	Creative industry segment that emphasizes social and historical values in general	Batik, Kebaya, Folklore, Sasando	Has commercialization potential Investment for commercialization	• Cultural Domination • Economic benefits • related to industry development (Textile, broadcasting, printing)
Contemporary – Elite	General Creative Industry segment that emphasizes prestigious consumption	Adhie M.S. Orchestra, Didi Ninitowo Theater Group, Affandi Paintings	Funding in the form of sponsorship Very limited level of commercialization	• Cultural domination • Very low return rate overall • Players in very limited segments
Contemporary – Popular	Creative Industries that have the highest commercialization potential because they are most acceptable to the general market	Bro.do shoes, Animation of The Little Giantz, Folkative Creative Media, Digital Games, Youtube and Instagram Content, Movie “The Raid”	High Commercialization rate Funding can support all aspects, from production, distribution, marketing, branding, to research and development	• Economic Return • Employment-related sector development

Source: Authors' compilation from various sources.

cultural sustainability. In addition, the economic benefits generated can come from tourism – through the purchase of cultural products or payment of entry fees to witness cultural performances.

Traditional - Popular also emphasizes aesthetic, spiritual, and cultural values. However, it is not limited to specific activities or groups. Thus, this segment can generate more economic benefits than the Traditional - Elite segment. Batik is an example of a product in the Traditional - Popular segment. Although batik has high aesthetic, spiritual, and cultural values, users can come from various groups. Furthermore, batik is not restricted to traditional ceremonies as it can be used as casual clothing and can even be combined to form new fashion patterns. Traditional - Popular has significant potential to be commercialized than Elite - Traditional. Therefore, financing can be in the form of credit or equity-based investments. The economic benefits of this sector come from the success of the business and the sector itself, along with employment and progress in other sectors (due to the input-output process). The non-economic benefits generated include cultural preservation and cultural hegemony.

Contemporary - Elite is a segment of the creative industry that can be enjoyed by the global community, and includes music, film, and fine arts. However, the resulting product refers more to fine art, which has a limited audience. Classical Orchestras like Addie MS Orchestra or the Didik Nini Thowok Theater Group are examples of such products. Contemporary - Elite businesses are rarely being scaled

up because they prioritize exclusivity. Contemporary - Elite consumers tend to be very niche in terms of social status and economic ability, in contrast to traditional elites who are limited due to cultural and spiritual aspects. Therefore, the form of investment for the development of Contemporary - Elites tends to be sponsorship or revenue-sharing. Direct benefits from the Contemporary - Elite segment are likely to be limited. However, non-economic benefits such as cultural hegemony are enormous in this segment.

Contemporary - Popular is the segment with the largest market share, due to the form of products that all levels of society can enjoy on the global stage. Creativity in this segment has been adapted to product needs in general. Consumers do not need a certain social or economic status to be able to enjoy creative products from this segment. Examples of Contemporary - Popular products are Brodo Shoes from Indonesia, animation studio The Little Giantz, which has penetrated the Hollywood market, Folkative creative media, digital games, the film “The Raid,” which has been very successful at the global Box Office, and so on. Contemporary - Popular business models tend to be similar to business models in general. However, this segment’s “new creation” aspect certainly carries a higher risk than similar businesses. For example, the unique shoe designs from Brodo are riskier than the general shoe designs made by Hush Puppies. Therefore, the appropriate form of investment such as equity-based funding can accommodate a slightly higher business risk. However, it does not rule out the possibility of conventional forms of funding (credit) to support the financing needs of this segment. The Contemporary - Popular segment generates the most significant economic benefits. Broad market access is correlated with the level of business output and can have an impact on employment as well as tax payments. In addition, economic benefits are also obtained through linkages with other sectors, such as the provision of raw materials.

Apart from being based on the segment of the creative industry, access to funding is also different for creative businesses based on their scale. For example, a micro-sized business in the Contemporary - Popular segment may require more working capital loans, while a medium-scale business in the same segment may require more long-term funding to conduct R&D and open new market access, which is better suited to funding from angel investors or venture capital.

22.2 Aspects Supporting Financing for Creative Industries

Segments of the creative industry must also pay attention to other related aspects. This is because business models in the creative industry are unique relative to general business models, and conventional forms of capital (credit) tend to be inappropriate to support creative business models (Nurse 2016). Based on the literature study, there are 3 key aspects that determine the success of accessing capital for creative businesses:

1. Market Access

Creative products are products whose prices are higher than conventional products due to the uniqueness (creativity) inherent in these items. Thus, consumers who can appreciate and are able to buy creative products are certainly a distinct group, and display higher education levels or higher levels of income. Creative businesses that have a clear target market, both nationally and internationally, will find it easier to gain the trust of capital owners/investors compared to creative businesses that do not yet have a clear target market.

2. Intellectual Property Protection

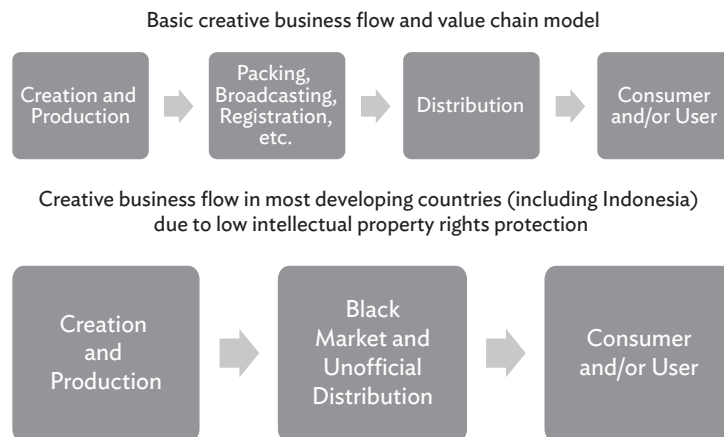
The creative process in making creative products can be categorized as Research and Development (R&D), which is generally high cost and high risk. The study of creative patterns certainly takes time, resources, and energy. However, these creations may not necessarily be well received by the

market. So, if the market can accept a creative product, copyright protection is needed for the creation. Without protection, the results of R&D will be easily imitated by other producers, causing free-rider problems that ultimately reduce incentives for actors to undertake R&D. Cunningham et al. (2004) described the difference between a normative creative business flow (with copyright protection) and a creative business flow with a lack of copyright protection in Figure 22.2.

3. Business Model

Apart from these two aspects, the flow of capital in the creative industry is more likely to be directed to the creative businesses with the ability to innovate and grow. One of the reasons why investors are still reluctant to channel/provide capital for creative businesses is the “one-hit wonder” phenomenon, where the businesses produce creative products that are only momentarily popular. However, this popularity will fade as the excitement for the initial products cannot be sustained for long term and the businesses usually will fail to replicate the previous success through other products. Therefore, owners/distributors of capital for creative industries tend to pay close attention to the ability of businesses and business founders to continue innovating and growing in the future.

Figure 22.2: Differences in Business Flow in Creative Industries with and without Copyright Protection



Source: Cunningham et al. (2004).

Based on the explanation above, it can be concluded that access to capital for creative industries is a complex topic. This is due to the fundamental differences between creative and conventional businesses, which also affect business risk profiles and lead to differences in capital risk profiles. Apart from being different from conventional businesses, creative businesses also have differences within the sector, even within the same subsector. Classification into Traditional or Contemporary (in the form of creative products) and Elite or Popular (in market potential) can help identify the appropriate form of capital for creative businesses. In addition, access to capital must also be distinguished based on the scale of the creative business itself. The last thing that should be noted is that access to capital cannot be seen apart from other aspects that support business operations, which in the context of the creative industry can be classified into 3 key aspects: market access, copyright protection, and business models.

22.2.1 Credit for the Creative Industries

The complexity of funding for creative industries is also observed in credit funding. Based on the 2016 Economic Census data (BPS-Statistics Indonesia 2018), it was found that only 11.69% of tourism and creative economy (*Pariwisata dan Ekonomi Kreatif*/Parekraf) actors had received credit from financial institutions. Based on the sample data obtained, most of the players never received credit from financial institutions because of high interest rates (18%), no collateral (14%), and not knowing the procedure (10%). Only a small percentage of the proposals were rejected (2%), indicating that the acceptance rate of loan proposals is relatively high.

Table 22.5: Credit from Financial Institutions for Creative Actors in Indonesia

Did the business/company ever receive credit from a financial institution during 2016?

Answer	Freq.	Percent	Cum.
1/ Yes	146,783	11.69	11.69%
2/ No	1,109,189	88.31	100%
Total	1,255,972		

If “Never”, then the main reasons are:

Answer	Freq.	Percent	Cum.
1. Don't know procedures	108,873	10%	10%
2. Difficult procedures	92,047	8%	18%
3. No collateral	156,161	14%	32%
4. High interest rate	197,438	18%	50%
5. Rejected proposal	20,903	2%	52%
6. Others	533,767	48%	100%
Total	1,109,189		

Source: BPS-Statistics Indonesia (2018).

Based on the sample data, we can also see how many Tourism and Creative Economy actors have proposed credit loans to banks and how many of these loans were rejected. The proportion of those who had proposed loans was 13.2% of the total sample and of that number, 146.783 proposals (87.5%) were approved by banks.

Departing from this statistical description, we would like to see further what factors can increase the probability of Parekraf actors applying for bank loans. The model used to explain this behavior is a logistic regression specified in the following equation:

$$Apply_i = \beta_0 + \beta_i X_i + \varepsilon_i$$

Where Apply is the tendency to make loan proposals and X are the variables that described the characteristics of each i business. The independent variables are: (1) the education level of the business actor, (2) the status of the business entity, (3) the scale of the business, (4) whether the business had

financial statements, (5) the year the business was established, (6) whether the business was a member of associations and cooperatives, (7) whether the business was located in industrial centers, (8) whether the business used computers and the internet, (9) whether the business had certification or intellectual property rights, (10) whether the business had capital problems, (11) whether the business partnered with other businesses, (12) previous year's performance as reflected by profit performance from the previous period, (13) business prospects and expansion plans, and (14) export percentage relative to total output. We also check for potential multicollinearity, the results of which (see Appendix) convince us to carry on with the current models.

Table 22.6: Estimation Result

Variable	(1)	(2)
	Full Sample	Prov. Bali
	Apply	Apply
Education (Junior high school and equivalent; base)		
Senior high school/Vocational school and equivalent	0.177*** (0.00611)	0.215*** (0.0371)
Academics	-0.121*** (0.0114)	0.0534 (0.0569)
Status of Business Entity (PT; basis)		
CV	0.238* (0.133)	0.876 (0.795)
Firm	0.145 (0.198)	
Cooperatives/Pension Funds	-0.334** (0.148)	0.736 (0.957)
Foundation	-1.611*** (0.137)	-0.432 (0.819)
Special permission from authorized agency/ Representative of foreign company	0.302** (0.131)	0.831 (0.766)
Not a Business Entity	-0.0505 (0.131)	0.797 (0.765)
Financial Report	-0.215*** (0.0162)	-0.161* (0.0918)
Year Established (< 2001; base)		
2001–2005	0.167*** (0.00958)	0.323*** (0.0606)
2006–2010	0.137*** (0.00810)	0.197*** (0.0517)
2011–2015	0.0630*** (0.00730)	0.220*** (0.0445)
> 2015	0.307*** (0.0223)	0.444*** (0.113)

continued on next page

Table 22.6 *continued*

Variable	(1)	(2)
	Full Sample	Prov. Bali
	Apply	Apply
Association	-0.0915*** (0.0201)	0.114 (0.125)
Industrial Centers	0.00471 (0.0152)	-0.151* (0.0785)
Use Computers	-0.0863*** (0.0142)	-0.153* (0.0810)
Use Internet	0.217*** (0.0107)	0.156** (0.0655)
Has Certification	-0.220*** (0.0272)	0.183 (0.162)
Has Intellectual Property Rights	0.0941*** (0.0293)	-0.269 (0.215)
Has Issues with Financing	0.945*** (0.00574)	1.666*** (0.0341)
Establishing Partnerships with Other Businesses	0.374*** (0.00946)	0.390*** (0.0690)
Operating Profit in 2016 compared to 2015 (Increase, basis)		
Constant	-0.282*** (0.00719)	-0.226*** (0.0459)
Decline	-0.0918*** (0.00786)	-0.0183 (0.0491)
Can't compare	-0.391*** (0.0146)	-0.204** (0.0844)
Business Prospects (Better; base)		
Same Good	-0.0583*** (0.00698)	-0.112*** (0.0417)
Same Bad	-0.0909*** (0.0157)	-0.123 (0.0870)
Worse	-0.0463*** (0.0133)	-0.0984 (0.0767)
Can't compare	-0.126*** (0.00809)	-0.0793 (0.0511)
Expansion plans	0.412*** (0.00571)	0.407*** (0.0396)
Export Percentage of Overall Business	0.00182** (0.000863)	-0.00228* (0.00126)
Cooperative Membership	1.451*** (0.0127)	1.115*** (0.0603)

continued on next page

Table 22.6 *continued*

Variable	(1)	(2)
	Full Sample	Prov. Bali
	Apply	Apply
MSME Classification (Micro Enterprises, basis)		
Small business	0.409***	0.372***
	(0.0103)	(0.0588)
Medium Enterprise	-0.647***	-0.321
	(0.0521)	(0.303)
Big business	-0.902***	
	(0.349)	
Constant	-2.565***	-3.330***
	(0.131)	(0.768)
Log pseudolikelihood	-425929.49	-10589.444
Wald chi2 (34)	58457.49	2951.44
Prob > chi2	0.0000	0.0000
Observations	1,255,972	27,313
Pseudo R-squared	0.0705	0.1383

Note: Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Authors' calculation based on data from Statistics Indonesia (2018).

Based on the regression table above, several variables are significantly correlated with the possibility that the Tourism and Creative Economy business actor requests a loan. In the model with the overall sample (1), the higher the education level of the business actor, the higher the probability that the business will apply for a loan from the bank. However, when the respondent has the highest level of education (college), the probability decreases. This may be because they prioritize other sources of funding, such as shares over loans from banks. The status of the business entity also affects the possibility of loan proposals. By using a PT (Perusahaan Terbuka, public company) status basis, it can be seen that the lower the business' status, the less likely it is to request a loan. Factors significant to the likelihood of making a loan are the length of business operation, use of the internet, ownership of intellectual property rights, and establishing partnerships with other businesses. Other interesting factors are business performance, future business prospects, expansion plans, and conditions that force them to apply for loans, namely problems with capital.

Several variables were found to have coefficient signs that were not in line with expectations, namely ownership of financial statements, use of computers for daily activities, and ownership of certain certifications. The research team believes that this result is a form of statistical error caused by the observation value being too polarized to a certain value. For example, there is only a few Tourism and Creative Economy actors who have financial reports, use computers on a daily basis, and have certain certifications. Hence, the results lead to negative signs. In addition, this result only explains correlation, so it cannot be used as a basis for making causal conclusions.

We can find results that are not much different from the regression results, which only use the province of Bali as the scope of statistical testing. The reason the province of Bali was chosen is because of the

high share of GDP and the Creative Economy and Tourism workforce, which makes the test more focused on these sectors.

22.3 Policy Recommendations

Indonesia has significant potential in the creative economy, but financing remains one of the main obstacles to developing the sector. Despite various funding options, determining the appropriate form of funding for each creative industry segment is still an issue needing research to minimize asynchrony in the creative economy funding ecosystem. The classification of creative businesses into appropriate segments is a starting point for optimal funding distribution.

In the case of credit-based funding, several factors support the distribution of funding from banks to entrepreneurs in the creative economy sector, including the length of the establishment of the business, use of the internet, ownership of intellectual property rights, and partnerships with other businesses. Access to funding for the creative economy sector must also consider other supporting aspects due to their strong linkage with the creative economy, including market access, business model, mindset and abilities of business actors, and copyright provision.

Considering these aspects, several potential incentives can be implemented to address the financing issues in the creative economy sector. These incentives can be largely classified into direct and indirect incentive schemes. Direct incentive schemes are those in which the business actor is granted financing from the government, whereas indirect incentive schemes are those in which the government gives a non-financial benefit that can increase the capacity and eligibility of business actors to access financing.

• Direct Schemes

1. Community Empowerment Program

Community empowerment program is a grant that aims to include conditionality in the disbursement process by supporting MSMEs to empower the local community in the expansion of their business model and to include their local culture in the creative economy.

2. Partnership Scheme

This program focuses on the business performance aspects of the creative economy actors. Micro and small-scale actors are eligible for cheaper financing as their financing needs are relatively low and tend to be in the early stage of business development. However, they need to achieve a certain level of growth above the normal conventional business growth rate.

3. Conditional Finance

Conditional financing scheme aims to put certain milestones or performance objectives to earn the financing disbursement. This kind of incentive will require the actors to reach certain goals within a well-defined timeline and quantitatively-measured performance indicators.

• Indirect Schemes

1. Development Program I: Sustainable Business Model

A sustainable and high-growth business model is still not common for business actors in Indonesia, especially for creative economy actors. This transpires into limited financing, especially in the equity-based model. Through the development programs provided by the government in terms of coaching and training, knowledge transfer and capacity building have the potential to increase the eligibility of creative economy businesses in accessing broader financing.

2. **Development Program II: Focus-Mindset Building, Market Strategy Knowledge, Finance, and Legal**

In addition to the previous point, business actors in Indonesia, especially MSMEs, have limited knowledge of the market and industry from a global perspective. This is worsened by their lack of knowledge related to the financial and legal aspects. Development programs to increase capacity on these fronts would certainly benefit the actors and boost their capacity to access financing schemes.

3. **Sponsorship Matching**

Related to the creative industry segment that aims to improve cultural aspects, a form of funding that does not expect a monetary return is needed. Therefore, the most appropriate funding product is sponsorship. The problem faced by sponsorship funding is that industry actors tend to be not familiar with appropriate sponsors, while prospective sponsors have to try to find suitable proposals from the many proposals received. The government can reduce uncertainty due to the lack of information through a sponsorship matching program, where qualified business actors are matched with potential interested sponsors.

4. **Investor Matching**

Investor Matching is a program that has been carried out by various institutions. However, these programs are often carried out without prior curation, both for the businesses promoted and for invited investors, which greatly reduces their effectiveness. The government can make adjustments by curating businesses that are of good quality and match the needs of the investors who will be invited. This program has the opportunity to be one of the most impactful in increasing access to capital for creative industries in Indonesia.

These programs have the opportunity to serve as parallel support for the 2030 Agenda. With wider access to financing and increased capacity of the actors, creative economy has the potential to contribute to poverty eradication (Goal 1: No Poverty), empowering people and community through job creation (Goal 8: Decent Work and Economic Growth), the development of creative industry both at domestic and international level (Goal 9: Industry, Innovation, and Infrastructure), and foster sustainable and climate-friendly business growth models (Goal 11: Sustainable Cities and Communities).

G20 could play a crucial and pivotal role in redirecting international financial flows toward more investment in the creative economy. Furthermore, G20 can push more discussions on developing a common framework for international financiers and development banks to increase their portfolio toward local community and MSME-empowerment investment, which includes the creative economy.

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Appendix 22.1

Multicollinearity Check for Firms that Applied (Full Sample)

Variable	VIF	1/VIF
Use Computers	1.93	0.518849
Use Internets	1.68	0.594473
MSME Classification	1.29	0.772846
Education	1.28	0.780871
Status of Business	1.23	0.815713
Financial Report	1.19	0.840851
Operating Profit	1.15	0.870006
Has Certification	1.14	0.876276
Business Prospects	1.14	0.879677
Association	1.09	0.913964
Expansion plans	1.07	0.936909
Partnership with Other Businesses	1.05	0.949708
Has Intellectual Property Rights	1.05	0.951653
Has Issues with Financing	1.03	0.969041
Year Established	1.02	0.978748
Industrial Centers	1.01	0.988813
Cooperative Membership	1.01	0.989581
Export Percentage of Overall Business	1	0.996757
Mean VIF	1.19	

Source: Authors' calculations.

Multicollinearity Check for Firms that Applied (Bali Sample)

Variable	VIF	1/VIF
Use Computers	2.04	0.489718
Use Internets	1.86	0.53624
MSME Classification	1.31	0.760847
Education	1.25	0.796852
Status of Business	1.25	0.797896
Financial Report	1.22	0.822732
Has Certification	1.15	0.870941
Operating Profit	1.13	0.886095
Business Prospects	1.1	0.91125
Association	1.09	0.916953
Has Intellectual Property Rights	1.08	0.926408
Export Percentage of Overall Business	1.06	0.939057
Expansion plans	1.06	0.942703
Partnership with Other Businesses	1.05	0.948711
Year Established	1.04	0.959953
Has Issues with Financing	1.03	0.974626
Industrial Centers	1.03	0.974803
Cooperative Membership	1.01	0.988325
Mean VIF	1.21	

Source: Authors' calculations.

CREATIVE ECONOMY 2030

Imagining and Delivering a Robust, Creative, Inclusive, and Sustainable Recovery

Before the COVID-19 crisis, the creative economy—broadly encompassing knowledge-based economic activities underpinning the creative and cultural sectors and bridging art, culture, technology, and business—was on pace to account for 10% of global gross domestic product by 2030. However, micro, small, and medium-sized enterprises (MSMEs) and the informal workers that drive the creative economy have been hard hit by the pandemic. The revival of the creative economy is critical for realizing an inclusive recovery that boosts MSMEs and employment for women, youth, and other vulnerable groups in Asia and the Pacific's rural and urban areas.

Creative Economy 2030 features peer-reviewed, independent insights that together provide the Group of 20 (G20) and global partners a timely roadmap for revitalizing the creative economy, facilitated by the digital marketplace. It incorporates cross-disciplinary institutional and community perspectives and original case studies, with a special focus on Indonesia as a global creative economy powerhouse, G20 president in 2022, and Association of Southeast Asian Nations (ASEAN) Secretariat chair in 2023.

Creative Economy 2030 is an invaluable resource for policy makers, researchers, and others seeking to learn more about the role of the creative economy in delivering a robust and inclusive post-pandemic recovery in developing Asia and the Pacific. It explores how the post-COVID-19 revival of the creative economy could advance the realization of the United Nations' 2030 Sustainable Development Goals, offering guidance for possible global action during Indonesia's G20 presidency and beyond.

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Tetsushi Sonobe is Dean and CEO of the Asian Development Bank Institute (ADBI).

Nicolas J.A. Buchoud is Co-Founder and President of the Grand Paris Alliance for Metropolitan Development (Cercle Grand Paris de l'Investissement Durable).

Tan Ghee Tiong is Head of the Culture and Information Division, Sustainable Development Directorate at the ASEAN Secretariat.

Seungju Baek is Deputy Dean (Capacity Building and Training and Special Activities) at ADBI.

Nella Sri Hendriyetty is Director for the Center for Regional and Bilateral Policy, Fiscal Policy Agency, Ministry of Finance of the Republic of Indonesia, and a former Senior Capacity Building and Training Economist at ADBI.

Erica Paula Sioson is a Senior Officer of the Culture and Information Division, Sustainable Development Directorate at the ASEAN Secretariat.



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ASIAN DEVELOPMENT BANK INSTITUTE
3-2-5 Kasumigaseki, Chiyoda-ku
Tokyo, 100-6008 Japan
Tel +81 3 3593 5500
www.adbi.org