



# NEW ECONOMICS FOR SUSTAINABLE DEVELOPMENT CREATIVE ECONOMY

## INTRODUCTION

The creative economy (also known as the orange economy) is an evolving concept based on the contribution and potential of creative assets to contribute to economic growth and development. It embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives: it is a set of knowledge-based, and thus more localized, economic activities with a development dimension and cross-cutting linkages at macro and micro levels to the overall economy. There is not a single definition of creative economy, and the different definitions usually overlap. A common characteristic is that the creative economy has a multitude of dimensions, making contributions to economic, social, cultural development and has a potential for contributing to achieving the sustainable development goals.

The creative economy is a feasible development option, which can be realized through innovative multidisciplinary policy responses and inter-ministerial action. At the heart of the creative economy are the creative industries which can be defined as the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs. UNCTAD and UNDP classify them by their roles as heritage, art, media and functional creations<sup>1</sup>.

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.

Creative industries deal with the interplay of various subsectors ranging from traditional crafts, books, and visual and performing arts, to more technology-intensive and services-oriented fields such as the music and film industries, television and radio broadcasting, new media and design.

People conceptualize and arrange this work, then produce and/or publish it and, ideally, get paid for it. This is no different from other production processes, except that the major input stems from original or copyrightable intellectual property (IP).

### EXISTING GLOBAL AND/OR REGIONAL GOVERNANCE FRAMEWORKS, AGREEMENTS AND MANDATES PROVIDED THROUGH INTERGOVERNMENTAL PROCESSES

The first mandate on creative economies came from the **UNCTAD XI's outcome document - the Sao Paulo consensus – in 2004**. It asked the international community to “support national efforts of developing countries to increase their participation in and benefit from dynamic sectors and to foster, protect and promote their creative industries” (para.91).

- ◆ **Bridgetown Covenant**, Outcome of the fifteenth session of the United Nations Conference on Trade and Development, 5 November 2021. “The creative economy has become an important contributor to economic growth and serves as a new prospect for developing countries to diversify their economies and leapfrog into new, high-growth sectors of the world economy towards achieving the Sustainable Development Goals. It is thus important to create an enabling environment for the promotion of the creative economy, among others, by encouraging creativity, innovation and entrepreneurship, supporting the development of cultural institutions and cultural industries, providing technical and vocational training for culture professionals, and increasing employment opportunities in the cultural and creative sector” (paragraph 54).  
In paragraph 127 (ee) the Bridgetown Covenant mandates that UNCTAD should: “continue the work on analyzing the creative industries, providing insight into the global creative economy through the UNCTAD Creative Economy Programme and the Creative Economy Network, supporting countries to take advantage of the potential offered in this field”.
- ◆ **The Bridgetown Accord (TD/540)**, outcome of the Creative Industries and Trade Digitalization Forum, at the fifteenth session of the United Nations Conference on Trade and Development, 5 November

2021. Among the many recommendations, the Accord calls on UNCTAD to place greater emphasis on the social and developmental benefits of the creative and technological sectors, as well as commit and contribute to the centering of culture as a driver of trade, development and national and regional systems of innovation.

- ◆ **United Nations General Assembly resolution declaring 2021 the “International Year of Creative Economy for Sustainable Development, 2021”.** In December 2019, the United Nations General Assembly in New York adopted resolution **74/198** by consensus. This was a landmark achievement for the creative industries, recognizing them as crucial sectors for the attainment of the 2030 agenda emphasizing the role of international trade in creative goods and services, and its contribution to the global economy, and requesting UNCTAD to monitor and write the report on the resolution’s implementation on behalf of the UN Secretary-General with support from UNESCO and other agencies.
- ◆ **Bali Agenda on Creative Economy**, agreed at the First World Conference on Creative Economy, held in Bali, Indonesia, from 6 to 8 November 2018. **The Second WCCE was convened in Dubai, UAE** in December 2021, while the **Third WCCE was held in Bali**, in October 2022.
- ◆ **UNCTAD, Nairobi Maafikiano (TD/519), fourteenth session of the United Nations Conference on Trade and Development, 5 September 2016**
- ◆ UNCTAD’s Nairobi Maafikiano (TD/519) mandated UNCTAD to “support developing countries and countries with economies in transition in diversifying production and exports, including in new sustainable growth areas such as sustainable agriculture, including organic agriculture and creative industries” (paragraph 77 (m)) and “continue to develop statistics on investment, the creative economy and the global economy and the operations of multinational enterprises” (paragraph 77 (z)).

## RELATIONSHIP BETWEEN NEW ECONOMICS FOR SUSTAINABLE DEVELOPMENT CONCEPTS

The creative economy complements other new economics for sustainable development (NESD) concepts, especially green, blue and circular economy, as well as frugal innovation.

**Green and circular economy:** Creative industries and approaches offer complementary potential, in addressing sustainable consumption and production patterns of a **circular economy**. Moving towards sustainability requires the detachment of resource exhaustion from economic growth, which can happen through creatively designing out

waste and pollution from standard business practices and keeping products and materials in use, ideally regenerating natural systems.

This creative approach goes beyond simply recycling and waste management, but rather puts the focus on designing products, processes and services to optimize their use and impact. This means that when something reaches the end of its useful life, it is re-used, repaired, or remanufactured for another use, or the materials it contains are recycled and re-injected into the economy elsewhere. This presents the opportunity to fundamentally address the way in which value is created in our economies and minimizes the exhaustion of resources.

Creative and circular production patterns require new sets of skills from the labor force, collaboration between stakeholders in supply chains as well as new and adapted regulations, market structures in international trade, distribution systems and transfer of innovation and technology<sup>2</sup>. Going beyond the concepts, unlocking the opportunities of a creative and circular economy calls for a complex change in both developed and developing countries. This system-wide approach to behavioral change, and in turn, a change in production patterns, will generate an increase in the demand for knowledge-driven and labour-intensive activities<sup>3</sup> to think and act creatively. A high potential for a positive change suggests these activities may be further channelled towards environment and climate friendly manufacturing of goods and services, focusing the creative potential on the 2030 Agenda. These changes present new opportunities for youth with research, entrepreneurship, employment and education, and skills development.

This notion encourages the connection between creativity, production, distribution and exhibition, and circling back to new creation. The broad focus on process and product has kept the United Nations informed with its work on creative economy since the creation of UNCTAD’s **Creative Economy programme in 2004**. Since that time, multiple actions have demonstrated the vital connection between creativity and circularity in creating sustainability.

**Yellow Economy:** Large social media platforms negatively impact the orange economy. Their bargaining power allowing them to not adequately rewarding the independent creators who originally generated the attention, data, content, and/or ideas.

**Digital economy:** The digital aspects of the creative economy provide great opportunities, as demonstrated during the COVID-19 pandemic, when many countries have strengthened their digitalization strategies, thus enabling the development of digital services and a global value chain model. Developing countries can benefit from the opportunity to offer digital creative services to a global audience. Technological advancements can bring significant

production gains in the creative economy, which usually has a low productivity in developing countries.

Culture is increasingly finding new routes to markets, leading to radical transformations in the way people create, consume and enjoy cultural products. Globalization and the convergence of multimedia and telecommunications technology has transformed consumers from passive recipients of cultural messages into active creative content co-creators. Digital distribution in industries such as videogame, design, and music has transformed global markets and allowed new industries and consumers to emerge in developing regions, including Africa and Asia (OECD, Digital broadband content: mobile content, new content for new platforms, Working party on the information economy, 2005).

Access to digital technology could also simplify and enhance access to intellectual property (IP) in many least developed countries (LDCs), especially in Sub-Saharan Africa where actors of creative economy struggle to defend their IP rights. For example, in 2013, the Nigeria Copyright Commission disclosed that the country was losing over USD 1 billion to piracy annually<sup>4</sup>.

**Blue economy:** One of the ways in which the creative economy links with the blue economy is through the development of tourism, especially coastal and eco-tourism, which can incorporate several domains of the creative economy, varying from cultural services (museums, theatres, and gastronomy) to the production of tourism goods (handicrafts), which has helped to globally create employment for young people, women and people from indigenous and coastal communities. Such sustainable tourism services may be particularly successful, especially if developed and run by the local population. Online platforms that offer popular services have an important role, especially with home and boutique accommodation to a broad range of national and international clients. However, in the tourism industry, there is also demand for more advanced (digital) creative services, such as architectural services, marketing, and publicity services, as well as related software production.

Additionally, other aspects of the blue economy should be highlighted, and link the creative economy more directly, from various audiovisuals that protect/exploit ocean resources, to gastronomy and cultural heritage, that can highlight some possible sustainable consumption patterns associated with the blue economy.

**Frugal innovation:** Innovation is often directly related to design. For innovation to be (cost) effective, it needs to be associated with great design, either through the design of software, buildings, or fashion. In each case, areas in which frugal innovation can play an important role to make the world more efficient/effective, the creative economy provides key services. In the creative economy, many actors

tend to be MSMEs, who are usually more agile in adapting to market need, than many larger enterprises. This benefits frugal innovation, where functionality and being able to address customer needs, are some of the key principles. Especially among the more digitized parts of the creative economy, there is great flexibility about being able to respond to new directions. The largest challenge faced by creative entrepreneurs is often the issue of labor shortages. Now, with digital services, this does not have to be as big a problem, where building international value chains can be more easily done<sup>5</sup>. The COVID-19 pandemic has improved the capabilities of many countries and entrepreneurs to connect digitally, thanks to the previously mentioned drive for digitalization. This will further facilitate the integration of the creative economy in frugal innovation. In order to flourish in a sustainable, fair, and competitive way, creative industries need digital platforms governed by transparent IP and tax regulations, for a seamless trade in services they provide. Furthermore, national policies, as well as international import of services regulations, should ensure that cross-border services create quality jobs with minimal safety nets and health coverage.

#### IMPLICATIONS FOR SUSTAINABLE DEVELOPMENT AND LINKAGES TO SPECIFIC SUSTAINABLE DEVELOPMENT GOALS

The creative economy contributes to the achievement of the broader objectives of the 2030 Agenda, with emphasis on the quality of life and wellbeing as a key outcome of a targeted economic process. It aligns with a variety of Sustainable Development Goals (SDGs), especially SDGs 4, 5, 8, 9, 10, 11, 12, 16, 17.

A universal characteristic of creative industries is that it is disproportionately provided by women and young people; 23 per cent of people employed in creative industries are between 15 and 29 (more than in any other sectors), while women hold 45 per cent of creative occupations worldwide. These facts make a case for support to and investments in the creative economy as a means towards more inclusive economic development and the empowerment of women and youth. However, this would require innovative and targeted policies and measures, such as the ones proposed in UNESCO's report "Gender and Creativity: Progress on the Precipice". According to the report, the digital divide remains a pressing concern in the context of COVID-19, with women disproportionately facing obstacles to access digital tools for artistic creation and distribution, including digital music platforms, online tutorials, and sound-mixing software. For example, it is estimated that worldwide, 250 million fewer women than men use the Internet, and women still represent only 21 per cent of performers in electronic music festivals in Europe and North America.

Gender equality is fundamental to ensuring a genuine diversity of cultural expressions, and equal opportunities in artistic work and cultural employment. However, qualitative and quantitative data reveals that women and gender diverse artists and creators continue to face numerous barriers, including unequal access to decent work, fair remuneration, and leadership positions. In Uruguay, for example, it is estimated that women occupy 25 per cent of managerial positions in public and private cultural organizations, 24 per cent in Montenegro and only 3 per cent in Mali. In Indonesia, a recent study shows that while female professionals are advancing in the film industry, they are still largely underrepresented in creative decision-making roles, representing only 20 per cent of scriptwriters, 19 per cent of producers and 7 per cent of directors. In France only 9 per cent of directors of the 100 largest cultural enterprises are women, while women direct 34 per cent of visual and performing arts organizations, which are subsidized by the Ministry of Culture, and 43 per cent, of museums.

The overwhelmingly negative impact of the COVID-19 pandemic on gender equality is well-documented, from the disproportionate leave from the labor market, decrease in wealth, rise in gender-based violence, disproportionate absence of girls from online classes to female professionals' limited eligibility for social and economic assistance. Although women have played a key role in responding to the crisis, gender inequalities have widened across the board.

Contributions to the creative economy are multi-faceted. For instance, by linking local (traditional) producers of crafts to the global market (sustainable tourism, e-commerce), creative industries promote inclusive local economic development in remote areas and remove barriers to entry for a variety of producers with untapped value-added potential. Therefore, many projects aimed at developing local clusters focused on traditional crafts contribute to institutional capacity building and community management of natural resources, empower the most vulnerable part of the population, while encouraging them to participate in decision-making processes.

The creative economy is not only the most rapidly growing sector of the world economy, it is also a highly transformative one in terms of income generation, job creation and export earnings. Trade in creative goods and services generates increasing revenues for countries, but creative services exports vastly exceed those of creative goods. UNCTAD estimates that in 2020, creative goods and services represented 3 and 21 per cent of total merchandise and services exports, respectively<sup>6</sup>. The global exports of creative goods increased from US\$ 419 million in 2010 to US\$ 524 million in 2020, while world exports of creative services increased from US\$ 487 billion to almost US\$ 1.1 trillion during the same period.

Creative services represent an increasing share of global services exports and generate substantial export revenues. UNCTAD data shows that creative services were more resilient during the COVID-19 pandemic than other services sectors. Exports of creative services were down by only 1.8 per cent in 2020, while exports of all services fell by 20 per cent. However, developing countries are vastly underrepresented in the exports of creative services, especially in the export of those related to research and development.

South-South trade in creative goods has almost doubled in the past two decades. On the other hand, developed economies mainly tend to exchange cultural goods among themselves. In 2020, South-South trade in creative goods represented 40.5 per cent of creative exports by developing economies. It primarily involves exports of jewellery, interior design products, recorded media, fashion, and toys. South-South trade can be important for developing economies to create new trading opportunities and diversify exports.

These data show that creative industries can help to enhance developing countries' participation in and benefit from new and dynamic growth opportunities in world trade and emphasize the importance of trade in creative goods and services.

#### **PRIORITY WITHIN NESD CONCEPT**

UNCTAD and UNDP (2010)<sup>7</sup> highlight increase in demand for creative products, which has been a significant driver of the creative economy's growth. The inclusion of sports in several definition of creative activities, (for example in the United Kingdom and the United States of America), is probably linked to the demand for entertainment (competing therefore with other segments of the cultural industries such as movies, opera, and videogames). The link with tourism, especially coastal and eco-tourism, is of relevance, especially for many small island developing states where it is an important source of income and employment. Tourists are important consumers of recreational and cultural services, as well as creative products such as crafts and music (UNCTAD and UNDP (2010), p.21).

In particular circumstances during the COVID-19 pandemic, the demand-side plays an important role in explaining the short-term evolution of the creative economy, especially in its more traditional activities. The possible post-COVID scenarios may also change the role of the territory as "the" eco-system: from the demand-side, households stopped attending cultural or sport events and consumed more on-line. From the supply-side, telepresence during the COVID-19 lockdown in 2020, showed that physical presence was not necessary for a large number of jobs. During the pandemic, businesses learned two things. First, online collaboration made enormous strides, thus opening the possibility of increasing international value

chain development in the digital space, (by hiring partners in other countries). Second, a greater appreciation for the near-shoring processes opens important possibilities for countries that are physically and culturally proximate to main markets, such as those in Central America and the Caribbean to North America as well as Central and Eastern Europe to Western Europe.

Looking at the creative economy from the demand side is also a novel source of data. Household Income Expenditure Surveys are now collected in many countries and can provide interesting information on the consumption of cultural goods and services. Yet, limited from the entire demand-side perspective, it can only show a sub-set requirement from the creative economy. In particular, all creative functions embodied into a wider value-chain will not be taken into consideration.

### **CONSTRAINTS TO INTEGRATION INTO MAINSTREAM ECONOMY AT THE COUNTRY LEVEL**

There are significant challenges to giving the creative economy the attention it deserves from mainstream economic philosophy. Two main factors are responsible. First, the quantification limitation of mainstream economic philosophy tends to prefer capturing the direct returns to economic activity, which may not always be captured in creative industries (e.g. approaches to valuing the value-addition of a patent), and can vary significantly due to access to markets, organizational capacity, and commercialization prospects. The second factor relates to how mainstream economic philosophy captures externalities, which often play an important role in the creative economy, such as cultural exposure, proximity of varying artistic expressions to each other, and the role of demographic factors that influence creative economy prospects.

### **POLICY RECOMMENDATIONS TO STRENGTHEN/SUPPORT THE CREATIVE ECONOMY**

#### **♦ At the UN level**

(A) Commit and contribute to the centering of cultural and creative industries as a driver of trade, development and national and regional systems of innovation;

(B) Recognize, acknowledge and address the historical, embedded and deeply rooted nature of global inequality, particularly as it relates to the development of cultural, creative and technological systems and their linkages to the globalization of trade;

(C) Place greater emphasis on the social and developmental benefits of the creative and technological sectors;

(D) Galvanize the support to capitalize an innovation fund aimed at financing the development and commercialization of content and solutions emerging from creative industries in developing and least developed countries;

(E) Reinforce work in this area at the United Nations Secretariat to support countries in their efforts to nurture their creative industries to maximize their respective trade and development goals.

#### **♦ At the country level**

(A) Recognize cultural and creative industries as a pillar of development and the nurturing of creativity as central to the building of national and regional systems of technological innovation.

(B) Reconceptualize the idea of the creative industries in ways that consider the unique national and regional realities of the developing countries, including the understanding that national and regional financing and enterprise development ecosystems must be designed to facilitate the emergence and commercialization of ideas, content, creations, solutions and indigenous technology platforms;

(C) Form and support a national body to promote and nurture the development of cultural and creative industries fueled by people's creative imaginations and emerging digital technologies;

(D) Promote and support governmental, academic and private sector partnerships for research and development at the intersections of the creative sector and digitalization.

#### **♦ At the academic level**

- ♦ There is need to launch more projects that will serve to better understand digital creative goods and services in developing countries and in their contribution towards development. The contribution of Mode 3 trade in services (physical presence) to the creative economy is a new field of research. Together with Mode 4 (export of services through the movement of natural persons), is poorly covered by trade statistics. Yet, they deserve a mention in any forward-looking strategy, due to their economic relevance. Mode 3 is probably more relevant to developed economies and Mode 4 to developing ones, but –once again–things are changing rapidly.

There is also a need to do more research on measuring digital creative products and services, and data collection and analysis.

- ◆ The use of creative products by domestic industries and households is probably more important from a development point of view than pure exports. Thus, in addition to the traditional indicators based on trade and production, it is desirable to have a measure of domestic use (production plus imports, minus exports). The domestic approach is also more in line with the SDGs philosophy, as it measures consumption of cultural and creative products and has direct implications on household welfare.
- ◆ Yet, it remains difficult to measure the domestic production of creative products for most developing countries. A possible approach would be to apply the “creative trident methodology” (Higgs, Cuning and Bakhshi, 2008), which focuses on employment, rather than production or trade data. The Trident Methodology distinguishes three categories of creative labour: (a) “specialist” mode: workers within a creative profession (determined by occupations) within a creative sector (determined by industries); (b) “support” mode: workers in a non-creative profession within a creative sector; and (c) “embedded” mode: workers in a creative occupation outside the creative industries. We may need to start the conversation at the United Nations level and encourage intergovernmental working group on measuring and understanding creative economy. UNCTAD’s intergovernmental pillar could be instrumental in this regard.
- ◆ The process of digitalizing the economy opens the possibility of integrating MSMEs into developing economies to global value chains in the creative economy. For example, when Pixar comes up with leading creative ideas, it incorporates enterprises in other countries (e.g., Costa Rica) for creative production process elements. This in turn has given rise to a business model of digital animation where enterprises in tertiary countries use the income from international business as base cashflow while, at the same time, developing their own IP as well<sup>8</sup>.
- ◆ New technologies open access to digital content, reducing production costs, increasing exposure and fostering innovative forms of financing, allowing for an explosion of creativity. Streaming makes up to 59 per cent of digital revenues, and digital revenues make up at least 50 per cent of the share of total recorded music industry. At the same time, creativity becomes a new territory of exploitation for media corporations with revenues returned to creators of online content representing only 7.2 per cent of global royalties

(UNESCO, 2018). Applications to generate new content through artificial intelligence are being used by artists, programmers, engineers, mathematicians, architects, designers, computer animators, etc. Yet, the public sector may lose its agency in the creative sector if it fails to address the rise and market concentration of large platforms that control data and have a monopoly on artificial intelligence.



## Endnotes:

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- 6 UNCTAD (2022), Creative Economy Outlook 2022. Available at: <https://unctad.org/webflyer/creative-economy-outlook-2022>.
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## Authors:

**Prepared by:** Marisa Henderson, Chantal Line Carpentier, Raymond Landveld, Raidan Al- Saqqaf, Olaf Jan de Groot, Michal Podolski, Andrea Antonelli, Nurjemal Jalilova, and Diandra Pratami.

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*All queries should be addressed to [DESA-UNEN@un.org](mailto:DESA-UNEN@un.org).*