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**Creative Industries and Development**

**Executive summary**

In today's information economy, knowledge and creativity are fast becoming powerful engines driving economic growth. This will have profound implications for trade and development. For advanced industrial economies, the information economy is already a leading edge from which national wealth flows and a key to improving competitiveness. Globally, creative industries are estimated to account for more than 7 per cent of the world's gross domestic product and are forecast to grow, on average, by 10 per cent a year. While the economic and employment-generating potential of these industries is vast and many developing and transition countries have great potential in this area, most are still marginal players, despite their rich cultural heritage and an inexhaustible pool of talent. That position reflects a combination of domestic policy weaknesses and global systemic biases. Ongoing research by the UNCTAD secretariat has emphasized the potential of these industries in developing countries. Creativity, more than labour and capital, or even traditional technologies, is deeply embedded in every country's cultural context. Excellence in artistic expression, abundance of talent, and openness to new influences and experimentation are not the privilege of rich countries. With effective nurturing, these sources of creativity can open up new opportunities for developing countries to increase their shares of world trade and to "leap-frog" into new areas of wealth creation.

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## Introduction

1. In today's information economy, knowledge and creativity are fast becoming powerful engines driving economic growth. This will have profound implications for trade and development. For advanced industrial economies, the information economy is already a leading edge from which national wealth flows and a key to improving competitiveness. In broad terms, the quantity and quality of a country's "human capital" set the parameters for success. But creativity is increasingly being recognized as a key strategic asset driving economic growth as well as determining successful integration into a rapidly changing global economy.

2. While creativity is becoming an increasingly important input into the production process of all goods and services, there is a group of activities in which it is used intensively and with a particularly high degree of professional specificity. These activities are the so-called creative industries. Globally, creative industries are estimated to account for more than 7 per cent of the world's gross domestic product (GDP) (World Bank 2003) and are forecast to grow on average by 10 per cent yearly (PriceWaterhouseCoopers 2003). Already these industries represent a leading sector in the OECD<sup>1</sup> economies, showing annual growth rates of 5 to 20 per cent (EESC 2003). In the United Kingdom, for example, creative industries already generate revenues of over £110 billion and employ 1.3 million people (UK Dept. for Culture, Media and Sports 2003). Several other developed countries, such as Australia, Canada, Ireland, New Zealand and Sweden, have also been successful in exploiting their foothold in these industries and are increasingly seeing them as a gateway to the new information economy.

3. Creative industries already contribute to employment generation and export expansion in some leading developing countries, but at present their wider potential is unrealized. Indeed, they are too often associated with a precarious form of job security, with low value added and limited export earnings. As a result, there is an urgent need to modernize this sector and strengthen local capacities in order to boost their contribution to income generation and hence contribute to poverty reduction.

4. Ongoing research by the UNCTAD secretariat has emphasized the potential of these industries in developing countries. Creativity, more than labour and capital, or even traditional technologies, is deeply embedded in every country's cultural context. Excellence in artistic expression and abundance of talent, along with openness to new influences and experimentation, are not the privilege of rich countries. With effective nurturing, these sources of creativity can open up new opportunities for developing countries to increase their shares of world trade and to "leap-frog" into new areas of wealth creation.

5. Doing so will need to recognize the special nature of the creative economy: its intangible assets, licensing processes, entrepreneurial and management principles, forms of regulation and significant (in some cases total) reliance on intellectual property. This will require a more strategic kind of thinking from policy makers, both nationally and internationally, than is often associated with more traditional industrial policies. This in turn will require different kinds of data collection from those currently used.

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<sup>1</sup> Organisation for Economic Co-operation and Development.

## What are the creative industries?

6. The term “creative industries” is of relatively recent origin. While there are obvious connections to and continuities with cultural industries, such as the performing arts and handicrafts, the designation marks a historical shift in approach to potential commercial activities that until recently were regarded purely or predominantly in non-economic terms.

7. The concept emerged in Australia in the early 1990s but was given much wider exposure by policy makers in the United Kingdom in the late 1990s, when the Department for Culture, Media and Sport (DCMS) set up its Creative Industries Unit and Task Force. In the process, the DCMS moved the understanding of the concept of creativity a long way from its common association with activities having a strong artistic component, to any activity producing symbolic products with a heavy reliance on intellectual property and for as wide a market as possible. Emphasizing the key role of intellectual property, Howkins (2001) has classified creative industries into four broad subsectors where the copyright, patents, trademarks and design structure the final product. However, a set of core industries or areas of activity constituting the “creative industries” can be identified as the recording industry; music and theatre production; the motion picture industry; music publishing; book, journal and newspaper publishing; the computer software industry; photography; commercial art; and the radio, television and cable broadcasting industries.

8. What seems clear is that the creative industries sector lies at the crossroads between the arts, business and technology. A strong, mutually reinforcing relationship exists between and among the different artistic and economically distinct activities that make up the cluster of creative industries, ranging from upstream activities, such as the traditional arts, performing arts, literature and visual arts, to “downstream” activities such as advertising, design, publishing and media-related activities. The latter “applied arts” are much closer to the market than the commercial application of traditional cultural activities. Downstream activities derive their commercial value from low reproduction costs and easy transfer to other economic domains. From this perspective, cultural industries make up a subset of the creative industries, while the even broader cluster copyright industries consist of both creative industries and distribution-based industries.

9. Because the marriage of technological application and intellectual capital provides the main source of wealth in this sector, continuous learning and a high degree of experimentation are key to achieving sustained and cumulative growth. This mixture can produce very fast growth. The highest growth is in technology-centred industries such as software programming and video games; the lowest is in music and film. However, because these industries are all also associated with idiosyncratic products subject to unpredictable and changing tastes, their markets are associated with a high degree of uncertainty, and a good deal of effort goes into researching and shaping those tastes. Growth rates can vary widely between countries and over time: thus, while the US film industry is thriving, Britain’s film industry is currently lagging behind previous performance (IDATE 2004).

10. Because many creative industries are hits-based or style-based industries subject to shifts in taste and fashion and new technologies (applied to both production and distribution) pose a constant threat to existing activities, these tend to be high-risk industries. At the same time, this inherent dynamism is constantly opening new entry opportunities. As a result, creative industries tend to have some distinct institutional features (Andersen, Kozul-Wright and Kozul-Wright 2000):

- Combinations of very large firms co-exist with clusters of smaller firms to help ameliorate risk and achieve flexibilities.

- Corporate strategies focus on protecting rents, notably through the copyright, but also through other ways of organizing the value chain.
- Economies of agglomeration resulting from close familiarity with products, experimentation and learning effects give rise to local clustering.
- Highly differentiated products are produced using transferable skills.

### **Why are creative industries expanding?**

11. Currently a number of broad trends – all connected in one way or another to globalization – are shaping the rapid expansion of this cluster.

12. *Deregulation of national cultural and media policy frameworks* (such as the liberalization of broadcasting and its regulatory framework beginning in the 1990s) has resulted in part from financial pressures on governments to maximize the industries' capability to earn their own market revenues, as public resources have declined.

13. *Increasing affluence* has led to shifting demand and employment patterns, which have benefited income-elastic products with high cultural content. Noticeably affected are younger consumers with a high marginal propensity to spend on such items, who also see these industries as an attractive place to work, with a pleasant life style and high potential earnings.

14. *Technological change*, along with widespread diffusion of information technologies, has led to innovation through the emergence of many new formats for product delivery (e.g. the capacity to store musical sounds as computer files, copy and reproduce them on personal computers, and transmit them over the Internet). This has had profound effects on the entire value chain of many creative industries.

15. *The rise of the service economy* means that intangible investment in human capital brings the greatest returns. In particular, certain sectors such as business services (market know-how, logistics, legal services, accounting, auditing, legal, and logistical and export services), information and communication technologies (ICT), computer software and audiovisual industries have emerged as leading economic activities in the advanced market economies. The service industries are also a growing source of demand for creative industries' output, especially in design, advertising and marketing.

16. *Expanding international trade* includes services (UNCTAD 2004). Global exports of services more than quadrupled between 1980 and 2002, from approximately \$400 billion to about \$1.6 trillion. Although trade in international services is still dominated by developed countries, since the 1980s this geographic concentration has lessened as developing countries' exports of services have grown on average 9 per cent annually, in comparison with 8 per cent growth in the developed countries.

17. The combined effect of these influences has profoundly affected the costs and market structure of the creative industries through two simultaneous and related phenomena. On the one hand, the drive to spread rising costs over a larger market has been made possible by deregulation and new technologies. On the other hand, there has been increased pressure to seek out new markets as these same trends have made for shorter product life cycles and allowed new entrants, created a riskier investment climate.

18. One supply response, noticeable particularly in the media sector, has been an increased level of concentration resulting in global oligopolistic structures of media markets: size is king. This trend has often been most pronounced at the financing, distribution and marketing end of the value chain of creative industries. At the same time, technological changes and the concentration of large firms in key areas of activity have opened up new spaces and hence new opportunities for the smaller players, including at the regional level, and in areas linked to the more creative sides of the industry (Kozul-Wright and Rayment 2004).

19. Less regulated markets and a more open trading system imply not only increased competition but also a new kind of competition. The nature of competition has changed fundamentally over the last 20 years. The leading factors of competitiveness in the new economy are knowledge and information-intensive goods and services, product quality, speed of delivery and customization. In the new liberalized open environment, all these factors are becoming increasingly more important than the traditional cost-based factors. In terms of production, the new economy also implies new forms of international inter-firm collaboration, especially in trade- and technology-intensive industries. Creative industries are very much in the vanguard of these new forms of competitive pressure.

### **Some special characteristics of creative goods and services**

20. While the tendencies described in the previous section point to some ubiquitous pressures shaping creative industries, some special features need to be recognized from the outset that lend a degree of specificity and diversity to this sector.

21. In the first place, cultural products and services have both a tangible element such as the platform or product format (CD, computer disk, printed paper or film reel) and an intangible element, which determines their content, through meaning or symbolic representation. The latter has characteristics of a public good such as non-rivalry and non-excludability in consumption, which means that if one person consumes the good, it is difficult to prevent another from doing so as well (Anderson et al. 2000).<sup>2</sup>

22. Cultural goods are also experience goods whose value can change over time (e.g. through consumers' word of mouth or the assessment of experts). This makes their value dependent on information that is detached from their price.

23. Cultural goods refer to those consumer goods that convey ideas, symbols and a way of life. This gives them a social and merit value that is not easily captured by market price. They also inform, entertain and contribute to building collective identity, national cohesion and social identity, while influencing cultural practices. Their consumption thus generates a number of important externalities (Dayton-Johnson 2000, Towse 2002).

24. These characteristics of cultural products imply that competitive market forces will not by themselves lead to an efficient supply of these goods, and that various forms of institutional coordination, including through government intervention, will be required in order to produce a sufficient amount of cultural goods and services.

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<sup>2</sup> The consumption of domestic cultural products generates important externalities such as network externalities, cross-product externalities, commercial externalities and regional externalities (Dayton -Johnson 2000).

## Where do developing countries fit into the picture?

25. While the economic and employment-generating potential of these industries is vast and many developing and transition countries have great potential in this area, most are still marginal players, despite their rich cultural heritage and an inexhaustible pool of talent. That position reflects a combination of domestic policy weaknesses and global systemic biases.

26. Over the past two decades, most developing countries have suffered a worrisome decline in their share of world trade. A corollary of this trend, and likely a major cause as well, has been the lack of dynamic goods in their export profile and a persistent dependence in some countries on exports of commodities (UNCTAD 2002). This in part reflects the entrepreneurial and technological constraints facing many developing countries; it also reflects the lack of complementary services that are needed to develop these dynamic activities. Perhaps more than anything, it reflects weak and unstable investment climates, in large part thanks to misguided policy advice (UNCTAD 2003). These are all characteristics that work against the emergence of stronger creative industries.

27. Trade in some dynamic products, including those from creative industries, has been increasing thanks to production networks organized by large international firms. However, there is a danger that developing countries will tend to be stuck in the lowest-value-added and most competitive parts of these networks (UNCTAD 2002). This renders them vulnerable to shocks and disruptions and makes it difficult to establish domestic linkages that are needed to build a more solid sector and to move into higher-value-added activities and products.

28. Still, there are bright spots. Although reliable figures are hard to come by, new players from the developing world such as China, India, Mexico, the Philippines and a number of smaller Asian players have been able to consolidate domestic industries and penetrate global markets. The emerging importance of creative industries is most evident in East Asian developing countries such as Korea, Singapore, Taiwan, Hong Kong (China) and, increasingly, China. Entry has been noticeable in areas such as software, publishing, design, music, video movie making and electronic games, where the links to ICT-based hardware are strongest and changing consumption patterns are moving closer to those in the OECD countries.<sup>3</sup> Many of these same countries are already targeting their creative industries for future growth opportunities; for example, South Korea has been investing at the cutting edge in digital media and video game animation. Thailand has been successfully developing its film and advertising industries. Singapore's advertising industry is already an important driver in the growing creative industries cluster, with strong linkages among creative industries that link to heritage, design and media. Arguably the biggest and most significant change in the region concerns China, which is moving from an older, state-dominated focus on cultural industries (which includes a legacy of a wide range of skills) towards a more market-oriented pattern of creative industries, with the advantage of a huge and rapidly expanding domestic market and links to a large and culturally familiar diaspora.

29. India, with a huge domestic market, available skills and a long history in some key sectors (e.g. cinema), has also established a presence in the creative industries. According to a recent study, the Indian entertainment industry is expected to more than double in size in the next five years – from the current level of \$4.3 billion to \$9.4 billion in 2008. In 2003 alone, the Indian film industry produced 877 films, the highest number in the world. Indian television is expanding exponentially. Indian industry experts forecast fast growth of the telecommunications industry in India as well as areas such

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<sup>3</sup> According to the World Bank, more than 50 per cent of consumer spending is now on products from creative industries in G7 countries; this trend also holds true for some middle-income developing countries.

as animation, music, radio, live entertainment, publishing, press and newspapers. The impressive growth of the Indian software sector points to even greater growth potential. The gross size of the software industry in India is expected to increase threefold from the current level of around \$20 billion to \$67.5 billion by 2008. With such promising prospects, the creative industries in India could become a dynamic sector of the economy, including through the expansion of South-South trade – for example, with the Mercosur region (FICCI 2004).

30. Latin America has a long production history in creative industries, sizeable markets, and some specific advantages linked to linguistic and cultural affinities both at the regional level and in a growing market in the United States. However, the lack of overall dynamism across the continent over the past two decades has prevented it from realizing its potential in this sector. For example, it has been estimated that in 1998 copyright industries in Brazil generated \$53 billion and contributed around 6.7 per cent of gross national product (GNP), employing 5 per cent of the active workforce. Between 1998 and 2000, exports were around \$400 million to \$500 million, which still yielded a negative commercial balance. Music, television and radio products are strong sectors within Brazil, though they have adversely affected by the recent economic crisis. In 1996, Brazil was the world's sixth largest music market; at the end of 2001, it had dropped to twelfth place (UIS 2004).

### **The policy challenges in creative industries**

31. Creativity is not a given resource. However, unlike labour or capital, or even traditional technologies, it is a resource that is deeply embedded in a country's social and historical context. As such, it is a ubiquitous asset. This provides new opportunities for developing countries to develop new areas of wealth and employment creation consistent with wider trends in the global economy. However, the nurturing and effective harnessing of this asset may be just as challenging, if not more so, for policy makers.

32. In the new global setting, competitiveness is no longer defined only in cost terms but as the application of new technologies to knowledge-based activities that are capable of generating more added value. The key drivers are growing global demand for content services, falling technology prices and new patterns of consumption across the globe; together, these result in the growth of economic value and market power for such goods and services.

33. Alongside the vast new opportunities that have been opened up by ongoing economic and political processes, there are also a number of corresponding challenges that need to be addressed by policy makers in developing countries aspiring to enter this highly lucrative segment of the global market. These challenges relate to the actual structure of the global media markets and to the nature and characteristics of the creative industries sector itself.

### **Cultural entrepreneurship**

34. Entrepreneurship, especially cultural entrepreneurship, is not well developed in developing countries. To strengthen entrepreneurship, a framework must be established to improve the investment climate through appropriate market mechanisms, as well as public-private arrangements. This implies a wider development strategy where the central focus is on the creation of local enterprises with a high propensity to invest as a necessary prelude to closer integration into the global economy. Building cultural entrepreneurship has the advantage of captured local markets, but it must also be outward-looking, both regionally and globally. Because experimentation is a key to successful entrepreneurship in creative industries, rigidities coming from heavy-handed state action as well as conformity linked to market forces must be avoided.

### **The policy prescription in cases of significant externalities**

35. Whereas previously culture was divorced from economic policy, in the case of creative industries, both the market and the state play a much larger role. This involves addressing some traditional sources of market failure associated with externalities, imperfect competition, joint consumption, scale economies and imperfect information (Dayton-Johnson 2000). Policies based on conventional theories of perfect information are doomed to failure. This makes policy making challenging and particularly important in this sector.

36. As regards cultural goods and services, where the social value exceeds monetary and financial returns, there are strong arguments for subsidies and state support for cultural products, particularly performing arts and broadcasting. These are the traditional arguments for public support of cultural goods and services. Moreover, some cultural goods and services tend to be produced under conditions of increasing returns to scale, which implies imperfect competition, and the standard policy prescription in such cases is regulation of monopolies, prices, output and investment.

37. There is broad agreement that, in the case of industries with cultural value, various types of discretionary measures are needed, in both developed and developing countries, to support domestic capabilities to produce cultural output. This policy space is enshrined in international trading rules, especially in the relevant articles of GATS and GATT (GATS Articles VIII and XIII and GATT Articles IV and XIII). The inclusion of intellectual property in the Uruguay Round under the TRIPS Agreement, while broadly perceived as damaging to developing countries' interests, given the asymmetric holding of intellectual property rights (IPR), may, in the case of creative industries, provide an impetus to policy makers to use the existing policy space to strengthen creative industries and establish export capacity.

38. There continues to be a strong movement in some countries, often in the form of a coalition for cultural diversity, to protect the country's ability to set its own policies for cultural industries regardless of World Trade Organization (WTO) policies on liberalization (e.g. in Australia, Canada and France).

### **Building productive capacities**

39. These are winning industries; the problem of whether to choose them does not arise. Rather, attention needs to be paid to those areas which offer greatest opportunities for linking up with the international economy via the strengthening of domestic supply capabilities. This process should entail the development of a coherent, integrated use of strategic policies aimed at increasing the value added in the indigenous sectors of the economy through the provision of market-supported programmes specifically designed to increase the level of technological collaboration, innovation and support for cultural entrepreneurship. Experience in more developed market economies suggests that the main areas requiring policy intervention in this sector are the following:

- Specialized education and training, including support for artistic development both in its own right and with an added business dimension
- Facilitating access to finance (e.g. grants, soft loans)
- Fiscal policy (various types of tax breaks in support of investment and subsidies for less commercially viable segments of the sector; public procurement of creative products)
- Flexible trade policy, especially concerning use of quotas and other local content policies; preferential treatment in international multilateral trade and appropriate exchange rate policies

- Provision of business support services, particularly for small and medium-size enterprises (SMEs); strengthening of technological infrastructure and technological modernization at the enterprise level

40. In an open trading environment, subsidies are no longer perceived as the main tool of industrial policy, although their use is far from excluded. However they are given to private companies only under special circumstances and for limited periods. While some subsidies are given directly, others are provided indirectly through the provision of fiscal and financial incentives. These need to target the provision of risk capital funds especially oriented toward creative industries (e.g. the high-tech industries), facilitating access to new financial markets, increasing the level of R&D spending, coordinating R&D policy, support for commercial exploitation of R&D, and linking foreign direct investment (FDI) with local enterprises through promotion of backward linkages.

41. An essential part of a productive development strategy is development of the domestic enterprise sector, in particular SMEs. This can be done in numerous ways, such as through identification and exchange of information on best practices, benchmarking and accessing information not previously available over the Internet. Many interesting lessons and insights can be gained by the developing countries from the experiences of small economies in Europe, such as Austria, Finland, Ireland and Sweden, that have been very successful in developing their cultural industries.

### **Intellectual property rights regimes and regulation**

42. Modernizing and enforcing IPR regimes is considered an important prerequisite for policy development in the new economy. The use and enforcement of copyrights, patents, trademarks and licensing are considered a prerequisite for attracting FDI. Moreover, domestic companies need to be able to access new patents quickly and cheaply. This is generally not the case in most developing countries. Facilitating access to new knowledge, though simplification of access to IPR, is an important element of a supporting policy framework that could lead to increased productivity through adoption of new methods of production. An important part of market creation relates to the simplification and improvement of the regulatory business environment and improvement of the general financial environment for enterprise development. Provision of a supportive regulatory framework, including the legal infrastructure, for contract enforcement is considered essential.

### **Data collection**

43. Accurate data collection is a major obstacle to coherent policy formulation in all countries. The absence of accurate data collection and classification is acute and glaring. An important function of the international community is the formulation of methodologies and statistical classifications to gather reliable data that can provide reasonable estimates for economic activities in these sectors. Without improved data gathering on a comparable basis, policy formulation will not be possible.

44. Most data on the creative industries do not, unless very carefully checked, provide a robust basis for policy making. There are many reasons for this – for example, the recent emergence of the term itself, long after most industry and employment categories have been agreed; the large number of individuals and small companies involved; the large number of part-time, freelance, portfolio and other kinds of workers; the large proportion of costs and revenues in the form of licensing agreements, many of which are complicated, long-term and confidential; the nature of a hits economy charging high economic rents; the presence in some sectors of the “gift economy”; and the high proportion of intangible services that are not differentiated or even caught at all by national company reporting methods or financial authorities. Analysts of the creative industries have been aware of this problem

for some years and have been urging the national and international communities to take steps to improve it.

45. It would be easy to respond to this by saying that the absence of data shows the creative industries are too small to worry about. But a glance around any city, or even the most cursory awareness of modern arts and culture, or media and communications, or design, would show that this approach is not realistic. The fact that the necessary information to enable one to choose the right policy is lacking is not a reason to do nothing.

46. The value chain in the creative industries describes the sequence of productive activities leading to and supporting end use (Sturgeon 2001), from conception and creation to the end use (market consumption.) What types of opportunities will the growing internationalization of creative industries open up for developing countries and new entrants?

47. The complex global value chain of creative industries can offer many opportunities for developing countries to link up with international production networks, but the organization and geography of the value chain in creative industries deserve special attention and should be subject to further research with a view to increasing the participation of developing countries (Gereffi 2002). A number of large international media firms occupy a dominant position in these chains, but they are increasingly diversifying their content providers and inputs in search of lower costs and greater diversity.

48. Linkages with foreign firms can play a key role in learning and in strengthening of private-sector enterprises, aimed at moving into higher-value-added products and processes. However, any strategy for FDI-supported development must be framed around invigorating local firms and putting into place a whole range of fiscal, trade, financial and competition policies designed to strengthen the dynamic interactions between local and international producers.

49. On one level, economic integration appears to have dominated cultural integration, with a consequent blurring or fusing of the commercial and cultural spheres. Here strong homogenization pressures seem to prevail. However, given the huge biases and asymmetries that have shaped the participation of poorer countries in global markets, such pressures are in reality the symbols and artifacts of the advanced economies and indeed, embody a much more destructive dynamic than is often associated with their impact on the economic realm. On the other hand, many of the technological and economic forces driving globalization have also unleashed new means of expression and symbolic representation or helped strengthen the weight of existing cultural activities. This has already helped create new sectors of wealth and employment creation in the advanced countries, as well as redefining the ingredients of wider economic success to include creative expression. In this process, diversity rather than homogenization appears to characterize both cultural vitality and economic success.

50. Cultural development is generally considered to be an essential part of social development, and cultural diversity provides sources for creative expression that are increasingly being harnessed by players in the creative industries. For example, the design capabilities in Singapore are being used to foster cultural expressions of traditional Singaporean culture while simultaneously differentiating products and services among the different nationalities of the region. The media industry embodies the essence and importance of culture and cultural inputs. The development of creative industries is already being undertaken in many countries, not only in Singapore, where the process is strongly supported by the Government, in partnership with the private sector.

51. UNESCO's recent Universal Declaration on Cultural Diversity (2001) provides another international agreement in support of domestic creative industries, as they are perceived to be the repositories of local knowledge, customs and beliefs and of traditional knowledge and cultural diversity. Currently a draft convention on the protection of the diversity of cultural Contents and Artistic Expression is being elaborated in consultation with UNCTAD. Cultural diversity is considered to be one of the key pillars of sustainable development and a basic human right. In order to promote cultural diversity as a policy, sufficient policy space is needed. If biological diversity is considered a necessity, so surely must be cultural diversity, celebrating as it does the richness and diverse complexity of the human experience we all share.

### **International Observatory on Creative Industries (IOCID)**

52. All creative industry policy makers and entrepreneurs need accurate, up-to-date information – statistics, analysis and policies. While such information is readily available in industrial, OECD countries, it is scarce or unobtainable in developing countries, which therefore operate at a disadvantage. Therefore there is a need to establish an International Observatory on Creative Industries for Development that would fulfil this specific need on behalf of developing countries. What is needed is accurate, up-to-date, comparable information on national, regional and global policies. This in turn requires an agreed international framework and up-to-date inputs. The totality of these needs can be met only by a single body supported by public authorities and working with industry whose mission is to generate and maintain an accurate resource on statistics, information and policies.

53. The proposed functions of the IOCID include, *inter alia*:

- Collecting and standardizing national and international statistics that would provide a basis for policy analysis
- Formulating, implementing and monitoring appropriate policy depends upon a professional partnership of the public authorities and industry
- Highlighting the role of creative industries in policy, cultural and economic terms
- Acting as a professional partnership between public authorities and industry
- Providing a sound basis for decision making
- Information exchange, sharing of best practices, networking and coordination

54. Several intergovernmental organizations have relevant information (e.g. UNCTAD, ILO, UNESCO, WIPO, ITC, the World Bank and UNDP). However, much of this information is structured for other purposes or uses different categories and definitions. As a result, it does not completely meet policy makers' needs. There are also several regional initiatives. One of the most relevant is the European Audiovisual Observatory (EAO), which was set up "to improve the transfer of information within industry and promote a clearer view of the market and greater transparency" (EAO 2004). Although it covers only the audiovisual industry, the EAO is a useful model because of its integration of public authorities and industry, its understanding of the role of information in policy making and its innovative work on the "reliability, compatibility and comparability of information". At the national level, several countries have collected data on their own creative industries.

55. A review of these organizations and their output shows that the most substantial information is found where public authorities have reason to collect data (e.g. for tax purposes) or where there is a tradition of policy intervention (e.g. Europe's audiovisual industry). A significant amount of information and policy discussion is also found in countries with competitive markets and substantial corporate activity, but the material may not be freely available. Developing countries by definition seldom fulfil these criteria.

56. For these and other reasons, the developing countries have no existing international body specializing in creative industries. The IOCID would have a remit to set internationally negotiated objective standards. It would engage both in data collection (the ability to collect from all available sources) and in verification (the ability to analyse, cross-check and verify). It would have an active publications programme and be available to make presentations to development agencies and in developing countries.

57. At all times, it would work closely with existing bodies, such as UNESCO's Institute for Statistics (UIS), and it would even reflect some of the objectives of UIS, notably its "calls for a wider range of timely, relevant and accurate indicators to help decision-makers to formulate policies and to assess their impact" as well as the "associated increasing demand for the introduction of good practices in information use and for assistance in building national capacities to promote the sustained production and dissemination of quality information" (UIS 2004). The Multi-Agency Task Force on Creative Industries is the first step paving the way for the establishment of the IOCID.

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