

# Encore! How to Revive the Post-Pandemic Creative and Cultural Industries

Future of Society

**WORLD  
GOVERNMENT  
SUMMIT** 2022

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The World Government Summit is a global platform dedicated to shaping the future of governments worldwide. Each year, the Summit sets the agenda for the next generation of governments with a focus on how they can harness innovation and technology to solve universal challenges facing humanity.

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# Foreword

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This publication contributes to emerging thinking on cultural sector needs, policy, funding and governance in the wake of COVID-19 and is structured as follows:



1

Overview of the Past Impactful Year



2

Survey of Differing National Contexts,  
with Expert Testimonies



3

Framework for Future Government Policy  
and Decision Making

As the world faces its post-pandemic future, sectors of the global economy disproportionately affected by the lockdowns, such as cultural industries, will continue to need government support.

### How Should Governments Do This?

Our research suggests the cultural sector's return to growth is about listening to, reflecting upon, and tackling shared issues across the industry.

### Taking Steps to do Things Differently

In many countries with ongoing cultural venue closures, returning to growth in audience capacity, career opportunities and stakeholder well-being will require innovation based on stakeholder needs. This may challenge assumptions, attitudes and ideas on spending, but if government investment is mediated by open communication with the sector's constituents it will be of greater long-term impact.

## Executive Summary

“Culture has helped us out of the crisis. Now we have to help culture and support the diversity to which culture owes its strength.”

Audrey Azoulay, Director-General, UNESCO<sup>1</sup>





## The Impact of COVID-19

The cultural industries have been hard hit by the pandemic, particularly in regard to the financial security of the sector's constituents and continuity of its institutions. At the start of the pandemic, global governments adopted measures which were predominantly short term and fiscally related to support the cultural sector.<sup>2, 3, 4, 5</sup>

## How to Measure Return on Investment?

It is clear from our research that the ways in which governments think about and value the sector is problematic, with economic growth usually championed at the expense of qualitative understanding.<sup>6</sup>

If quantitative data is perceived by cultural practitioners as too narrow, and qualitative data alone is deemed too subjective by governments as a basis for action, what are the alternatives?

## An Aspirational Framework for the Future

Rather than seeing culture as purely part of national income, governments should imagine its practices as giving form and meaning to our world. We propose a framework for understanding and engagement that will be beneficial to both the long-term security of the global economy, as well as the wellbeing of society and the sector's professional practitioners.

We advocate for better qualitative understanding of the sector's post-pandemic needs and policies that move toward achievable action, starting with a unit of one: a stakeholder (the artist, musician, dancer, actor, crafts-person, architect, designer, film-maker etc.).

## Culture as a Human Right

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“Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.”

### Article 27, Universal Declaration of Human Rights

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As opposed to a functional notion of culture as a quantitative asset, governments must protect cultural practices and their related industries as a universal human right. The cultural sector plays an important part in the future economy due to its capacity for growth and market creation. The sector also has a central role in society due to its many qualitative benefits.

# Recommendations

The following recommendations are intended to help government decision making, policy agendas and engagement with the cultural sector post-pandemic and into the long-term future.

## The Cultural Sector's Strategic Future

The future of the sector lies in governments embracing their differences and unique cultures and in empowering their individual stakeholders. Meta-government forums like the UAE-directed World Government Summit provide a critical space for enhancing such thinking.

### Policy



Treat “cultural policy” as holistic “people policy”, where success is judged by engagement and opportunities over conventional outcomes such as economic indicators.

### Needs



Address the full spectrum of human needs (basic, psychological, self-fulfillment) with careful attention to the financial security of the sector's constituents.

### Involvement



Involve creative sector stakeholders in strategy, decision making, and the development of clear and sustainable employment opportunities.

### Data



Leverage qualitative data and insights at local government level when setting priorities for funding and other decision-making.

### Honesty



Be transparent about constraints in resources or capabilities as they impact the setting of policy agendas for the sector.

### Disrupt



Leverage strengths to create new, disruptive and unique value propositions for the sector.

### Digital



Build the capacity to tap into talent and larger economic flows.

### Measure



Measure the qualitative impact of the sector: this represents both its attractiveness and its strength (e.g. mental and emotional wellbeing, social cohesion).

### Burden Sharing



Adopt a burden-sharing approach to funding the sector through new partnerships and cross-sector innovation (e.g. combining economic- and social-with cultural budgets).





# The Current State of the Cultural Industries

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“We will overcome this horrible crisis. After all, the Middle Ages were followed by the Renaissance.”

Carlotta de Bevilacqua, CEO, Artemide<sup>8</sup>





# Overview of the Past Year During the COVID-19 Pandemic

## January 2020

WHO Director General declares COVID-19 to be a public health emergency of international concern.



## March 2020

Italian Government cancels Salone del Mobile, a major industry event for designers, distributors and producers, the first of many cancellations throughout the year.



## May 2020

UN issues a call to action on mental health, noting that community-based initiatives that offer social support, such as cultural programs, have been critically impacted.<sup>10</sup>



## December 2020

UNESCO Director General notes that the global music industry faces an estimated **USD 10 billion** in lost sponsorships and the publishing sector is set to contract by at least **7.5%**. UNESCO calls on governments to target policies to help cultural industries.<sup>11</sup>

The European Cultural Foundation calls on governments to consider social protection for its **7.3 million** creative workers.



## January 2021

Published articles on the cultural industries are dominated by language reflecting economic anxiety, with headlines featuring words such as devastation, trauma and vulnerability.<sup>12</sup>



## April 2021

Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Dubai Crown Prince and Chairman of The Executive Council of Dubai, launches Al Quoz Creative Zone, a dynamic hub for artists and designers to live, work and create. The new creative zone creates a one-stop shop for all creative-related services.



## December 2021

UAE National Strategy for the Cultural and Creative Industries launches to promote the sector, placing it among the country's top 10 economic sectors, with the aim of contributing 5% of national GDP.

Sources: <https://gulfnews.com/uae/details-of-national-strategy-for-cultural-and-creative-industries-unveiled-1.84188173>

## Survey of Interventions Pursued by Governments During COVID-19

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“It is right to use fiscal policy as a shock absorber, to avoid premature tightening and to direct spending towards capital investment and public services. The main focus has to be on a pro-growth agenda, that reduces unemployment and allows the economy to recover.”

Dr. Gerard Lyons, Senior Fellow, Policy Exchange<sup>43</sup>



## Stimulus Packages and Policy Responses During COVID-19

To stall the pandemic's impact on the cultural sector the most government measures adopted by governments were short-term and fiscally-related:



Compensation



Reduction of VAT and Income Tax



Deferred Tax



Replacement of Revenue



Grants



Subsidized Business Rents



Loan Relief



Wage Subsidies

## Examples of Government Responses Around the World<sup>14</sup>



### AUSTRIA

Tax relief – for culture and publishing

Income tax rate reduced from 25 to 20%

Lockdown revenue replacement: around 0.5% of GDP



### CZECH REPUBLIC

VAT lowered from 15 to 10%

50% of business rents paid

30% of business rents reduced [April, May, June]

CZK 500 lump sum grants – for the self-employed [March, April, May, June]





## IRELAND

Performance Support Schemes  
[overall budget of  
€10 million]

Restart Grants  
Overall budget of  
€550 million

Microfinance

Credit Guarantee Schemes

5 to 10% turnover  
compensation for the arts  
and entertainment capped  
at €5,000/week



## THE NETHERLANDS

From €31.6 billion fund  
[around 4% of GDP], the  
following was for culture:

Compensation for the self-  
employed, and entrepreneurs

Allowances for SMEs  
to partially cover fixed  
business costs

Deferred tax payments  
without penalties

New measures to support  
micro-companies with a  
drop in turnover above 25%



## SINGAPORE

S\$20 billion  
loan capital fund - helping  
businesses and individuals  
facing cash flow issues

Recovery grants for low- and  
middle-income workers

Funding for wage subsidies  
and rents to self-employed  
and cultural professionals



## TONGA

60 million Tongan pa'anga fund  
[around 5.3% of GDP] provided short-term assistance

3-month moratorium on Government Development Loans

Tax relief



## ZIMBABWE

From a ZWL\$18.2 billion  
Stimulus Package, liquidity  
support was provided to the arts

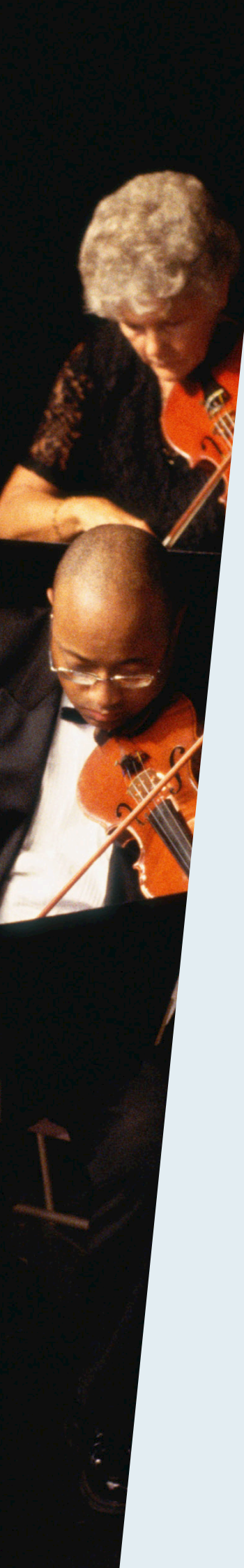




## Countries in Focus

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## Country Profile: United Kingdom

### UK Cultural Industries



**USD343  
billion**

Turnover created by  
the sector.



**2.1  
million**

Number of people  
working in the sector.



**US\$161.3  
billion**

Gross Value Added.  
Percent of GDP generated  
by the sector.

Sources: <https://www.creativeindustriesfederation.com/sites/default/files/inline-images/The%20Projected%20Economic%20Impact%20of%20Covid-19%20on%20the%20Creative%20Industries%20Report%20-%20Creative%20Industries%20Federation%202020.pdf>

### UK Human Development Indicators



**36**

World Happiness  
Ranking



**13**

Human Development  
Index Rank



**81.3 years**

Life expectancy



**17.5 years**

Expected years of  
schooling



**84.4%**

Skilled labor  
(% of labor force)



**64.3%**

Exports and imports  
(% of GDP)

Sources: 2020 / UN Development Program / UK-Human Development Indicators, <http://hdr.undp.org/en/countries/profiles/GBR>



## Big Picture

The Office for National Statistics shows that the second highest proportion of workforce being furloughed was in the art, entertainment and recreation industry (68%).<sup>15</sup>

## Mechanics

In November 2020 the UK Government announced that while the UK economy had contracted by 11.3%, the department for Digital, Culture, Media, and Sport (DCMS) would receive a boost in funding of 2.3%.<sup>16</sup>

## Motives

Despite the unfolding crisis, this indicated at a public policy level that supporting the nation's cultural industries was relevant to society and to economic recovery.

## Decisions to be Made

Public funding for the arts in the UK has typically been biased towards London. The resulting inequalities have seen local labor markets suffering and regional access to training programs and first-class cultural facilities being limited. To avoid COVID-19 ravaging a sector already short on funding, the government created an additional £4 billion fund to invest in England's regional infrastructure including arts and culture.<sup>17, 18</sup>



## An Understanding of the Discussion with: Nus Ghani, British Member of Parliament (MP) for Wealden in East Sussex.

### Current

- In Wealden events and festivals are vital not only to the cultural sector but also a wider supply chain.

### Decision Makers Need to Consider

The recent situation increases the likelihood of undoing years of success in diversifying the cultural sector's stakeholders.



#### Lessons Learned from this Discussion: on Local and National Government

- Realities of further government spending need to be discussed in regard to benefit.
- Certain sectors remain resilient: attention must be paid to their experiences.
- Funding priorities must be transparently communicated with the sector.

## An Understanding of the Discussion with: Paul Cutts, Former chief executive of the Exhibition Road cultural group in London.

It is worth noting that while the Exhibition Road cultural cluster benefits from the capital's cultural tourism, it is situated in the city's least populated boroughs. Begun 150 years ago, it includes the Natural History and Science Museums, the Royal Albert Hall and Serpentine Gallery.<sup>19</sup>

### Opportunities

- Collective focus on a cluster's activities helps evaluate success.
- Clusters can play a positive role in the dynamics of communities.

### Decision Makers Need to Consider:

- More arts scholarships and mentoring for the disadvantaged.
- Clustering removes barriers between high art and popular culture.



#### Lessons Learned: on the Methodology of Cultural Clusters

- Creating a cultural cluster can strengthen the economic sustainability of constituents.
- Investment in clustering should seek to solve a specific need.
- Clusters can attract government and private support (either as district-based network associations, government and institutional partnerships, or purpose-built real estate trusts).





## Country Profile: Germany

### German Cultural Industries



**US\$210.1  
billion**

Turnover created by  
the cultural sector.



**1.8  
million**

Number of people  
working in the sector.



**3.1 %**

of GDP generated by  
the sector.

Sources: [https://www.bmwi.de/Redaktion/EN/Publikationen/Wirtschaft/2020-cultural-and-creative-industries-monitoring-report.pdf?\\_\\_blob=publicationFile&v=5](https://www.bmwi.de/Redaktion/EN/Publikationen/Wirtschaft/2020-cultural-and-creative-industries-monitoring-report.pdf?__blob=publicationFile&v=5)

### Germany Human Development Indicators



**17**

World Happiness  
Ranking 2019



**6**

Human Development  
Index Rank 2020



**81.3 years**

Life expectancy



**17 years**

Expected years of  
schooling



**87.3%**

Skilled labor force  
(% of labor force)



**88.1%**

Exports and imports  
(% of GDP)

Sources: <http://hdr.undp.org/en/countries/profiles/DEU>





## Big Picture

While the UK dedicated £1.57 billion to support its cultural sector at the height of the pandemic, Germany dedicated a budget of €50 billion, which remains Europe's largest package of cultural support.<sup>20</sup>

## Mechanics

With 83 million citizens, Germany is the EU's most populous country. Responsibility for cultural sector legislation and funding rests with the federal states. This has meant that strategies for supporting the cultural industries during the pandemic has varied across the country. In Berlin the Senate was quick to disburse grants, bridging loans, unemployment insurance and tax subsidies.<sup>21, 22</sup>

## Motives

Germany's cultural industries generated €1.68 billion in 2018, around 3% of GDP after consumption, investment, government spending and net exports. At this time, among 1.2 million individuals in the sector there were approximately 250,000 freelancers and small business owners independently delivering products and cultural services, mostly in Berlin. Germany's centrality to Europe's politics makes examination of its cultural support during the pandemic, and the ways in which it impacted practitioners, useful for formulating best practice in other contexts.<sup>25</sup>





## A Discussion With:

Freddie Rutz, Director of Germany's 30th Anniversary Reunification Celebrations, and President of Berlin's Magic Circle.

### Current

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"We are in the second lockdown with no capacity to work, yet the German tax system (which demands prepayable sums concerning the equivalent of average earnings in the previous year) requires me to pay a tax advance on income I am not allowed to earn because of the lockdown. Communicating on this point with my tax advisor is time consuming and stressful. The maths of paying tax, covering ongoing living expenses and not earning money is simple, for many in the arts this will lead to bankruptcy, debt, liquidating pension savings, or selling their professional equipment."<sup>26</sup>

### Pros and Cons

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"I've invested in my diverse skills over decades so look forward to 'live' performances again, but have also been swift to adapt and have hosted online content for smaller new audiences."

### What Decision Makers Need to Consider

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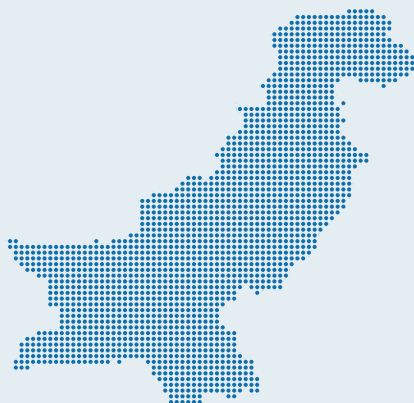
"In April 2020, within the first few days of the federal government's announcements I received the aid for established practitioners, and felt respected by the state for the first time. However, help reaching artists varied due to the decentralized German Federal system and some of my colleagues waited more than four months for aid. The ways in which subsidies could be used was inconsistent, and interpreted by tax consultants in differing ways. Many artists will emerge wounded from this crisis. No artist seeks subsidies, they want to generate their income with their passionate and highly-skilled work.'



### Lessons Learned: the Efficacy of COVID-19 Arts Subsidies

- Sector stability requires income security.
- National benchmarks per cultural discipline need creating with practitioners.
- Sectoral associations and guidance on joint ventures with business are required.
- The crisis experience of stakeholders is at odds with pure economic theory.
- Governments must ask how support mechanisms created during COVID-19 worked.

## Country Profile: Pakistan



### Pakistan Human Development Indicators



**117**

World Happiness  
Ranking (latest figures  
available)



**154**

Human Development  
Index Rank



**67.3 years**

Life expectancy



**8.3 years**

Expected years of  
schooling



**27.8%**

Skilled labor force  
(% of labor force)



**30.4%**

Exports and imports  
(% of GDP)

Sources: <http://hdr.undp.org/en/countries/profiles/PAK>



## Big Picture

By 2050 more than half of the world's population growth will be in just nine countries, Pakistan being one of them. Of 216.6 million citizens, 64% are under 30, and 29% are between the ages of 15 and 29.<sup>27, 28</sup>

By comparison, less than one third of Europe's population was under 30 as of January 2019 and young people aged 15-29 accounted for only 17%. Based on UN calculations, Pakistan's population will have climbed to 403 million (UNDP 2018).<sup>30</sup> This growth must be accompanied by economic security; incorporating culture into development policies is one approach.

## Mechanics

Each province of Pakistan has its own unique traditions, indigenous knowledge, and heritage sites including six. UNESCO World Heritage sites and 26 in waiting. Pakistan ratified the 2005 UNESCO Convention for the safeguarding of intangible cultural heritage, indicating government-level cultural commitment.<sup>31</sup>

Yet private money pays for more of Pakistan's education than the government and this includes art studies where access to tertiary education is limited: 58 universities and colleges offer Bachelor of Fine Arts degrees, 52 undergraduate fashion design and 38 Bachelor of Architecture. With a fraction of Pakistan's population the UK has 50 registered schools for architectural study alone.<sup>32</sup>

## Motives

As trade in cultural goods and services increases in Pakistan, the cultural sector could become a substantial employer of the youth population – a demographic with the power to advance not only the country's economy but global interests.<sup>33</sup>

In 2018 the European Cultural Centre, Khaadi Fashion, Lifestyle brand and other sponsors supported Pakistan's first participation in the Venice Biennale for Architecture, placing contemporary cultural practices on the international stage.<sup>34</sup> Boosting share of export markets and identifying areas for development are the next steps.

## An Understanding of the Discussion with:

Sara Anwar, Curator of the Pakistan Pavilion at the Venice Architectural Biennale.

## Current

Cultural initiatives are driven by individuals in tightly-knit communities. Mapping Pakistan's cultural scene requires evidence gathering at local levels.

## Pros and Cons

Finance is available but cultural enterprise needs trained sector professionals.

## Opportunities

Cultural tourism could unlock awareness of Pakistan's culture.

## What Decision Makers Need to Consider

Deliberate policy efforts are required to drive business and professional skill development to grow this sector.



## Lessons Learned: on an Emerging Cultural Economy

- Lack of data undermines discernment of the sector's competitive power.
- To foster creative capacities, practitioner income security is needed.
- Interconnected markets like tourism need shaping alongside cultural capacity.
- A thriving cultural industry will extend Pakistan's global competitiveness and soft power.
- Digital platforms such as online curated collections could further support the sector.
- Determining the number of people working in a sector, along with GDP, indicates a position on policy thinking. This data is currently unavailable for Pakistan.



## Country Profile:

# South Sudan



## South Sudan Human Development Indicators



**182**

World Happiness Ranking  
(latest figures available)



**185**

Human Development  
Index Rank



**57.9 years**

Life expectancy



**5.3 years**

Expected years of  
schooling



**NA**

Skilled labor force  
(% of labor force)



**65.6%**

Exports and imports  
(% of GDP)

Sources: <http://hdr.undp.org/en/countries/profiles/SSD>

## Big Picture

South Sudan was established as an independent country (from Sudan) in 2011. It has a population of around 11 million, with 42% under the age of 15. Agriculture and oil will contribute to economic growth over time. However, two decades of pre-independence conflict has left four out of five South Sudanese living below the international poverty line (earning less than \$1.90 per day), and compromising education. Throughout 2020 the country faced a range of economic shocks to the economy: crop infestations, flooding, lowering of global oil prices and COVID-19.<sup>35</sup>

Prior to its recent struggles, the country was investing 7.5% of GDP annually into infrastructural needs, including transport, power, communication technology and culture.<sup>36</sup>



## Mechanics

In 2018 the Ministry of Culture, Youth and Sports worked with UNESCO to establish a cultural agenda to strengthen institutions and further the development of cultural products (including carving, pottery and weaving), domestically and globally. In a country where the provision of basic amenities is an urgent requirement, this appreciation of cultural and heritage practices as integral to economic growth indicates foresight and an understanding that cultural professionals can be agents of change.<sup>37</sup>

## Motives

The wisdom of this focus was felt during lockdowns when South Sudanese artists created videos and public murals to ensure COVID-19 information reached vulnerable local populations, many of whom are illiterate.<sup>38</sup>

With one third of GDP oil-dependent, cultural productivity represents an opportunity to support economic diversification.

Activating the multiplier effects of sustained investment, and strengthening creative relationships with specialist teaching institutions for tailored educational courses would be required. Whether cultural disciplines can coalesce into new industries and survive in a country that still has not met the basic safety and physiological requirements of its population remains to be seen.

## An Understanding of the Discussion with:

Lumumba Di-Aping, former Ambassador of South Sudan to the UN.

## Current

- Each country develops its industries from within a unique set of circumstances.
- South Sudan is disintegrating and in a situation like this the role of culture is radical and oppositional.

## Pros and Cons

- As the country is impoverished, artists already know the basics of entrepreneurship.
- Schooling via apprenticeships passes learning from older craftspeople and keeps traditions alive.
- The state has a role in nurturing culture but distribution networks and infrastructure such as art colleges and museums are seldom developed in situations of political instability.

## Opportunities

- A local level example is the music schools in Mali which have produced global artists like Youssou N'Dour.
- Once the country is ready, lessons can be drawn from other cultural investment models. China's is state driven, Europe subsidizes, the United States facilitates patronage and philanthropy.

## What Decision Makers Need to Consider

- Culture needs an incubating environment.
- Government instability impedes investment in society.
- In developmental terms certain public goods cannot, and should not, be measured in numerical values.



## Lessons from an Underdeveloped Cultural Sector

- In an emerging economic situation, serving the widest public need is key.
- Political will is needed to debate and investigate the benefits of cultural investment.
- The cultural sector can provide economic potential for much-needed job creation.
- In moments of stability the government has capitalized on cultural sector opportunities. Yet, fostering long-term strategies for culture are complicated by political instability.
- Identification of untapped creative resources is a way to begin sector formation.



## A Framework for the Future

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“If you are taking a five-year view, what are the sectors you need to get behind? Where can you get the growth in high-value jobs? Creative industries is obviously the answer.”

Sir Peter Bazalgette, Executive Chairman, ITV, UK<sup>40</sup>





# Introduction

Typically public-facing and participatory, the cultural-creative industries have been hit hard by pandemic health measures. This section expands on the discussion regarding the sector's needs and opportunities ahead.

While the creative sector has tremendous importance to society with one of the best paths to economic growth, COVID-19 has underscored the need to understand and support individual constituents, increasingly important today as society becomes more distributed and decentralized through the digital economy. Therefore, **finding ways to engage the sector on a personal level is a pathway to long-term economic and societal security.**

## Where Do We Stand Now?

### A call for understanding and support

Supporting the cultural sector requires the initial understanding that it is mostly made up of individuals. Help must be tailored to the needs of freelancers, the self-employed, and 'portfolio careerists' who have been particularly disadvantaged by the pandemic.

Basic individual needs such as financial security must be recognized because of the limited safety net that accompanies self-employment. Furthermore, a prime motivation for many in the sector is mental wellbeing derived from engagement in the arts. Support for the sector must fulfill the spectrum of basic and psychological needs for it to flourish sustainably.

### The potential of the creative economy

Support for the sector is important because it has shown its potential for growth and positive impact on the global economy and society overall. As John Newbiggin points out:

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“A 2008 UN survey of the global creative economy pointed out that far from being a particular phenomenon of advanced and post-industrial nations in Europe and North America, the rapid rate of growth of ‘creative and cultural industries’ was being felt in every continent. The report concluded “The interface between creativity, culture, economics and technology, as expressed in the ability to create and circulate intellectual capital, has the potential to generate income, jobs and exports while at the same time promoting social inclusion, cultural diversity and human development.”

Newbiggin 2014<sup>41</sup>

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Newbigin also highlights the evolution of the terms 'cultural industry', 'creative industry' and 'creative economy', which have arisen because of new markets enabled by digital technologies.<sup>42</sup>

### The digital evolution

The evolution of the creative economy from digital technologies is worth noting for several reasons. The first is economic growth and new market creation as the sector continues to evolve with the tech industry, such as the video gaming industry which today is valued at \$180 billion<sup>44</sup>: bigger than the global movie and North American sports industries combined.

Digital automation – artificial intelligence, machine learning – will significantly impact on the future economy and workforce. While cultural and creative industries are generally perceived to be immune to automation, it is already being used in advertising, architecture, copywriting, digital art, and even curatorial roles.<sup>43</sup>

### Digital dispersion

COVID-19 has accelerated increases in workforce migration and dispersion (e.g. remote work) with dramatic implications for local tax bases and regional economies.

In the US, the pandemic accelerated the exodus from large cities to mid-tier cities, where people can enjoy lower living costs (including, in some states, zero income tax) and better quality of life.<sup>45</sup>

Moreover, COVID-19 brought on workforce dispersion, and research indicates that remote work is here to stay. In the US, as of December 2020, just over 40% of Americans were working remotely. This number is expected to dip in 2021, then climb by 2025 (Upwork 2020).

Many companies are rethinking their work models and office requirements, as exemplified by some of the largest companies relocating major parts of their operations in the last year. Salesforce.com, for example, went as far as proclaiming "the 9-to-5 workday is dead."<sup>46, 47</sup>

### The creative sector is the key to long-term security

If governments can find ways to engage with the creative sector on an individual basis, they will also be able to connect better with larger flows of people and economic activity. At the very least, governments should be aware that workforce dispersion has as many, if not more, benefits in driving economic growth through new opportunities, job creation, and innovation.<sup>48</sup> As such, strategies for fostering and sustaining the creative sector can be seen as strategies for long-term security for nations and governments.

During the pandemic, the creative sector has been recognized as impacting health, education, and physical and mental wellbeing. As governments look to reinvigorate their creative economies, they must look inside their own borders as much as to the outside world. Governments need to hear from their communities and understand the views of professionals in other sectors.

## Where Do We Go from Here?

### A new concept of competitiveness

Prior to COVID-19, the creative economy was already seeing a shift to more digitally based goods and services. Post pandemic, the mass adoption of digital collaboration tools and the expanded distributed workforce has solidified the notion of a truly global economy. In this context, the concept of 'competition' between nations, and cities in particular must be questioned.

In his book **City Limits**, Paul Peterson defines cities as "entities whose mission is to enhance the economic status of its community relative to others."<sup>49</sup> Other definitions see cities as entities that serve as administrative, commercial, religious, and cultural hubs for their larger surrounding area. It is worth questioning whether these definitions are still completely accurate today, and what it means to be 'competitive'.

### The idea-driven economy

In a global digital economy where borders are no longer barriers, competition between cities is less about physical flows of people or goods. When creative professionals can plug into the global economy from anywhere, it becomes challenging for cities to attract the talent they seek without other compelling reasons. The 'build it and they will come' strategy may find success, but has risks.

Instead, suggests Saher Sidhom, competition may actually be between ideas and not cities: competition will be for where people feel most fulfillment, which is built on tenets of social capital, wellbeing and cohesion. For the creative economy, this means governments should focus less on importing talent and more on reaching out.<sup>50</sup>

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**"It's not about tax breaks. It's about how can you be a musician in Cairo but a hit in Dubai?"**

**Saher Sidhom, Founder, Hackmasters**

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Where the aim of being ‘competitive’ is to forge meaningful connections with people, via creative work, or the ideals people value the most, models of incentivizing people to participate in a given community must be questioned. Passive models of tax incentives and lowering regulatory barriers may be less effective than actively building infrastructure to tap into ideas that can forge meaningful connections.

### The implication for creative clusters

The idea-driven economy has implications for creative hubs and clusters. A recurring finding is that creative hubs should be conceived more broadly than the confines of a city or physical space. In the words of James McAtamney, Creative Hubs Lead at KPMG, “It’s about how do you engrain the thinking into the culture.” Or in the words of Paul Cutts, “It’s about giving opportunity and access.”<sup>51</sup>

Within the context of creative clustering, governments should be clear in purpose and objectives. With individuals having unique needs and trajectories, they are at risk of feeling isolated without a clear mission from the entities designed to provide support and catalysts for the industry overall.

### Governance and policy-making

This research has focused on the role of government in the creative sector, and what governments can do post COVID-19. A recurring theme is that the creative sector is best served by a bottom-up approach. In other words, government action must allow individual stakeholders to have a say in their own destinies.

Not involving stakeholders (and private industry) risks further government misunderstanding and frustration, as evidenced by the failure of various financial pandemic relief mechanisms to reach the truly underserved. A bottom-up approach makes sense because it enables governments, private industry, and creative sector stakeholders to work to their respective strengths.

### A decentralized approach

In mature markets, the creative industry is already decentralized owing to the number of self-employed and freelance workers in the economy. While a top-down approach can have a positive impact, governments are best served by finding ways to empower the individual pursuits of those in the creative industries. This is especially true today when freelancers can help a country’s economy without ever setting foot there.<sup>52</sup>

Governments may be well advised to think of the creative sector not only as constituents within a defined jurisdiction, but as ‘customers’ accessible from all parts of the world

### Involving stakeholders

Governments need to find more ways to involve individual freelancers in the market economy or government contracts. This could involve reserving grant money for freelancers as part of cultural development projects, or encouraging their participation in publicly-funded projects.

Finding ways to involve individuals within government can also support the creative industries, according to Kirsten O’Neill. Governments benefit from involving private industry when formulating strategies for the creative sector.<sup>53</sup>

This could include seating individuals on non-executive boards, creating opportunities for mentorship to members within the creative industries, or otherwise forming a bridge between government and sector individuals.

Finally, a decentralized approach belies the importance of having a single unified strategy that works across all levels of government. Otherwise, well-meaning government entities are at risk of working at cross purposes to one another. Moreover, setting clear objectives enables governments to better measure their success.

### Measuring success

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**“What is the price of a poem? Or a painting? Certain public goods, of which art is part, cannot and should not be measured by numerical values.”**

**Lumumba Di-Aping, Former Ambassador of South Sudan to the UN<sup>54</sup>**

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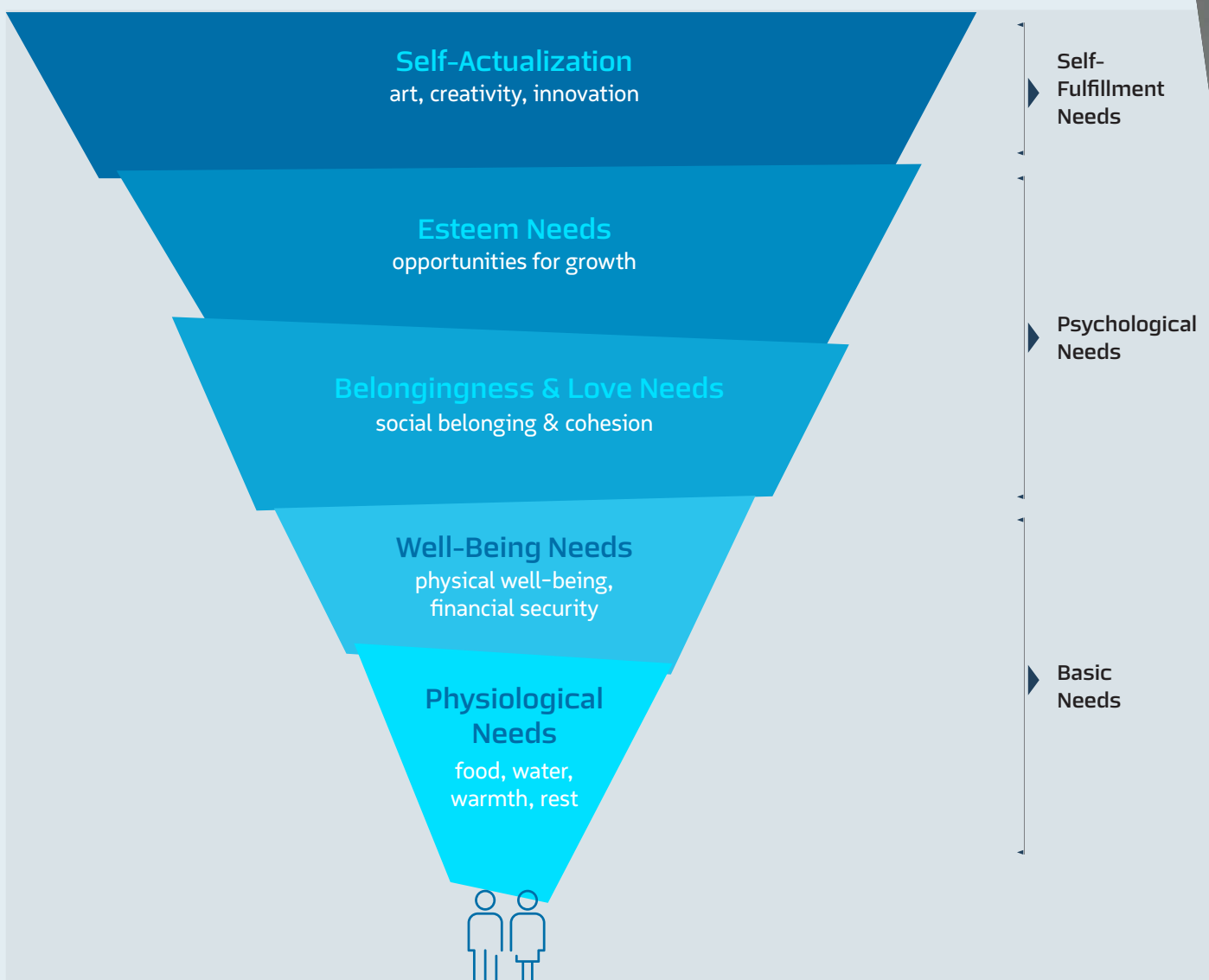
There is a need for more qualitative measures to capture the societal benefits arising from the creative sector and, by extension, justifying more government support. Given the benefits arising from the arts, measuring the impact of the creative economy in purely quantitative terms such as Gross Domestic Product (GDP) or Gross Value Added (GVA) is limited. While there are efforts around the world to measure qualitative aspects such as happiness, there is no aggregate indicator.

## Leveraging qualitative data

The lack of a universal qualitative indicator is not a roadblock if governments recognize the limitations of the data. GDP has never been a perfect measure, and this has been understood since its origins in the early twentieth century, explains Bibek Debroy. The problem with aggregate qualitative indicators is lack of data, and public policy should not be made on the basis of subjective criteria. Subjective criteria are most useful, as with Bhutan's **Gross National Happiness** index, when used to influence decision making at local levels. Creative industries are best served in decentralized decision-making models where subjective criteria can influence how public funds are spent.<sup>55</sup>

National governments have a role to play in supporting arts and culture, according to Lumumba di-Aping, but their involvement is influenced by the financial and political environments they find themselves in.<sup>56</sup>

## Maslow's Hierarchy of Needs Through the Lens of the Creative Sector







## Culture: a new concept

As a society, we are urged to develop collective understanding, definition, and appreciation of the arts. The world's most vibrant cultural hubs have grown organically over decades and centuries: work on the creative sector is a long-term game. However, the value of culture is not measurable as an outcome.

In his book **What you do is who you are: how to create your business culture**<sup>57</sup>, Ben Horowitz positions 'culture' squarely in the realm of behavior (i.e, the way you conduct yourself on an everyday basis), which serves a good corollary to understanding culture in society. In other words, culture is an input, not an output.

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“For there is always light,  
if only we're brave enough to see it.  
If only we're brave enough to be it.”

The Hill We Climb, a poem by Amanda  
Gorman, US National Youth Poet Laureate<sup>58</sup> \_\_\_\_\_

On January 20, 2021, the 22-year-old National Youth Poet Laureate Amanda Gorman delivered her poem **The Hill We Climb** at the inauguration of President Joe Biden and was widely praised in the media.

The outcomes of this event are evidence of the power of culture. Gorman's poem brought people to tears through an uplifting message of hope and triggered an avalanche of market activity. Gorman's performance led to the Prada headband she wore to sell out and to online searches for 'yellow coats' increasing by 1,328%. Gorman's work will be published, including a first printing of 150,000 copies of **The Hill We Climb**.<sup>59</sup>

Or perhaps more importantly, especially as a guide to governments, is that there was an Amanda Gorman to begin with.



“Strong economic development strategies are based on unique offerings. Each city should capitalize on what makes them unique and develop a cultural offering no one else has.”

Miguel Escobar, President and CEO, Future Cities Group<sup>60</sup>



## A Strategy for Collective Action

As every nation has unique circumstances regarding their economic, cultural, financial, and political affairs, it would be a disservice to blankly advocate for prescriptive solutions. Governments should have the tools to develop their own creative sector strategies.

### Being transparent

Any strategy should be understood as decision making: certain decisions are made at the expense of others. Governments will face situations where they cannot pursue certain outcomes because they lack the resources, capabilities, or aspirations to 'win'. We advocate for this to be handled with as much transparency as possible: declared aspirations should be followed through with appropriate action.

### Addressing the risks

Governments must be cognizant of the risks to effective policy making including:

- Not addressing the full spectrum of needs of the creative sector
- Short-sighted development policies in the context of the global digital economy
- Misalignment between government, creative sector stakeholders, and private industry
- Lack of clarity in government objectives for the creative economy, especially in the development of creative clusters

### Having a robust strategy

Finally, the strategy framework used should account for the inherently multifaceted, organic and constantly evolving nature of the creative sector. The framework below follows **Playing to win: how strategy really works** by A.G. Lafley and Roger L. Martin.<sup>61</sup>

### Winning aspirations

Martin describes a winning aspiration as the **“creation of value for targeted recipients that is both appreciated by funders and far in excess of costs in its magnitude.”**<sup>62</sup> Put another way, winning aspirations for the creative sector can be unique value propositions.

‘Value proposition’ was part of the discussion of Singapore’s new **Tech.Pass**, designed to attract top tech talent, when it was announced during the Singapore Tech Forum 2020. Karen Tay, Smart Nation director in the Prime Minister’s Office, noted the factors that talents look for when deciding on a job, such as **“the breadth of opportunities and livability of a city, as well as the culture of a city and company”**.<sup>63</sup>

Such aspirations can make tangible the ideas and ideals that forge meaningful connections with people. In developing their winning aspirations, we encourage governments to be mindful of the following:

- Address the full spectrum of self-fulfillment, psychological, and basic needs, especially financial security
- Think of your target constituents as “customers”
- Involve constituents and stakeholders in strategy development and decision making
- Create more opportunities for freelancers
- Be clear in the mission and objectives for creative clusters
- Create offerings that no one else has



### Winning Aspiration Spotlight: A City Full of Amenities

During the most austere lockdowns in early 2020, air pollution levels dropped dramatically. This underscored the importance of environmental sustainability and initiatives to improve the health of our cities. As a result, several urban planning initiatives took center stage.

One of those is the ‘15-minute city’: putting everything a resident would need within a 15-minute commute. The Mayor of Paris, Anne Hidalgo, made it the centerpiece of her re-election campaign. Detroit, Melbourne, and Ottawa initiated their own versions.<sup>64, 65</sup>

Stockholm is experimenting with the concept of the ‘1-minute city’, which focuses attention on developing the most desirable amenities located just outside your front door, with community involvement at the center of decision making.<sup>66</sup>



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## “Most artists need an audience.”

Anupam Ganguli, Director of  
Finance, Royal Albert Hall<sup>67</sup>

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### Where to Play

In defining their aspirations for the creative sector, governments should also identify where they can be highly differentiated in their value propositions to their constituents and ‘customers’.

Governments are advised to look beyond the cultural sector to find highly differentiated offerings. For example, while most artists need an audience, involving an exhibition space, performance venue, or stall to sell their work, these places need good transportation links to be easily accessible.<sup>68</sup>



### Where to Play Spotlight: NEOM's Radically New Sustainable Development

The Saudi Arabian planned city of NEOM is forging ahead with The Line, an urban design with **“zero cars, streets and carbon emissions.”**<sup>69</sup> The city is designed along a 170km line where high-speed mass transit and city infrastructure is below ground, preserving natural surroundings and enabling purely human-centered spaces above ground. Moreover, the mass transit system allows inhabitants to travel from one end to the other in 20 minutes, and was envisioned as a new way of enabling in-person interactions which are critical to fostering innovation, explains **NEOM's Head of Technology & Digital, Joseph Bradley.**<sup>70</sup>

In this context, unique value propositions for the creative sector can emerge from other sectors of society, such as environmental quality, healthcare, planning and development, spending and taxation, employment, education, transportation and culture and tourism. It is wise to think of such value propositions not as ‘cultural policy’, but rather as ‘people policy’.

Moreover, in light of COVID-19's disruptive impact across major sectors of society, governments may find opportunities for outsized value propositions that never existed before, especially in the context of the digital economy.

### How to Win

How governments activate these propositions is perhaps the most variable component of a creative sector strategy. Traditional mechanisms include the following:

- Direct funding
- Building infrastructure
- Incentives (financial and others)
- Removing regulatory barriers
- Building relationships and networks with private industry

This is also, however, an area where governments – and the sector itself – can be truly innovative. We recommend employing various problem-solving techniques that can unlock creative solutions:

- Integrative thinking: combining more than one model
- Design thinking: using empathy to understand the ‘customer’, to develop better products
- Network thinking: looking to digital networks to overcome constraints in physical resources, such as staff or accessibility
- Disruptive thinking: aiming to reach underserved constituents by taking advantage of market segments where prices do not warrant their underlying value
- Category design: the process of creating and monetizing new markets through a marketing lens, with a focus on being different





## Integrative Thinking Spotlight: Toronto International Film Festival

The Toronto International Film Festival (TIFF) has an estimated annual economic impact of CAD \$189 million.<sup>71</sup> However, when director Piers Handling took over in the 1990s, TIFF was not even the largest film festival in Canada. At the time, successful festivals leveraged exclusivity to generate buzz, which attracted attendees and media coverage.

Understanding the economic potential, but wanting the festival to be community oriented and known for its inclusivity, Handling helped create the **People's Choice Award**, won on the basis of attendees' votes rather than a jury.<sup>72</sup>

This is an example of **integrative thinking** described by Roger Martin as a 'double down', where you intensify one key attribute to the point where it produces the benefit you want—in this case, the buzz of a highly acclaimed film festival.<sup>73</sup>

Other opportunities for the creative sector could include:

- Endowment and wealth fund investment strategies (including dividends) to find ways to create a sustainable endowment for the arts, culture, and creative sector
- On-demand business models to offer temporary lease arrangements on unused or underutilized buildings and space for artists and other professionals
- Studying emerging trends of hybrid (digital and physical) working environments to create new creative hubs
- Studying how people consume popular culture to inform cultural and tourism policies
- Creating hassle-free digital processes for visas, housing, utilities and transportation, potentially as a bundled service
- Online marketplaces for freelance work as part of government contracts
- Leveraging fintech companies to offer micro-financing opportunities to freelancers and smaller creative sector businesses
- Leveraging the near-zero marginal cost of online learning to offer free or low-cost educational opportunities for new job skills such as those in digital automation
- Creating cultural hubs in niches with specific objectives, such as 'visual art entrepreneurship' or 'book publishing marketing to online audiences'
- Reframing cultural and tourism initiatives around what problems they might solve to attract a specific audience, such as using the Indonesian batik industry to create learning opportunities in vertical supply chains in the global fashion industry (see below)

## Capabilities

When producing strategies and activating value propositions, it is important for governments, and the creative sector, to capitalize on their unique resources, processes, and know-how.





## Spotlight: Cultural Diplomacy in Indonesia

In Indonesia, batik is part of the country's cultural heritage, dating back to the 5th or 6th century ICE. It is a major component of the country's fashion industry, responsible for more than 50% of creative exports. Government pandemic response included regulation to provide additional credit to affected entrepreneurs, and orders for cloth masks.<sup>74, 75, 76</sup>

Indonesia's Ministry of Foreign Affairs (MoFA) leveraged its diplomatic powers to bring attention to batik. While commemorating the 11th National Batik Day, MoFA hosted a group discussion on the industry involving ambassadors, government officials, batik magnates, designers, business owners, academics, and representatives from the Indonesian Batik Foundation, the Australian Embassy, and UNESCO Jakarta. The Foreign Affairs Vice Minister advocated for curriculum to "serve as a resource for diplomats in promoting batik abroad through the Indonesian missions." The event raised Rp2.5 billion (\$185,958).<sup>77</sup>







## Governance and Management Systems

It is also critical to have the right systems, mechanisms and administrative capacity to carry out and sustain a strategy over time. We recommend placing emphasis on collaborative governance models that include the creative sector itself and private industry.

These collaborative models will differ by country. In South Sudan, for example, they might be based on craftsmen and women in dialogue with councils of elders. In Germany, they might rely on informal professional networks having direct access to a state-level.



### Governance Spotlight: Public-Private Partnerships

In the US, where private industry dominates real estate, affordable housing is in great need and a challenge for governments. Developers and investors typically want to move fast and look for high returns (of the order of 15%). This requires buying low and selling high, which prices lower-income residents out of the market. Governments are slower-moving and often find the mathematics of building affordable housing (especially in cities) does not work out.

In Charlotte, North Carolina, private industry and government have developed an integrative solution: **Naturally Occurring Affordable Housings (NOAHs)**, or existing affordable housing units within the city center. Private developers purchase the units and make modest improvements; government places 20-year deed restrictions on the properties to keep them affordable. Public money from housing bonds is used to leverage investment capital from private investors, to enable a positive rate of return in the order of 8%.<sup>78</sup>

The strategies that governments and their constituents co-create will be different between nations, cities and communities, but this is their strength. Whatever route is chosen, a unified strategy will help to consolidate both the creative sector and society overall.



# Glossary of Terms

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## Cultural Sector

This paper takes its overarching definition for the cultural sector from the UN Educational, Scientific and Cultural Organization, UNESCO:

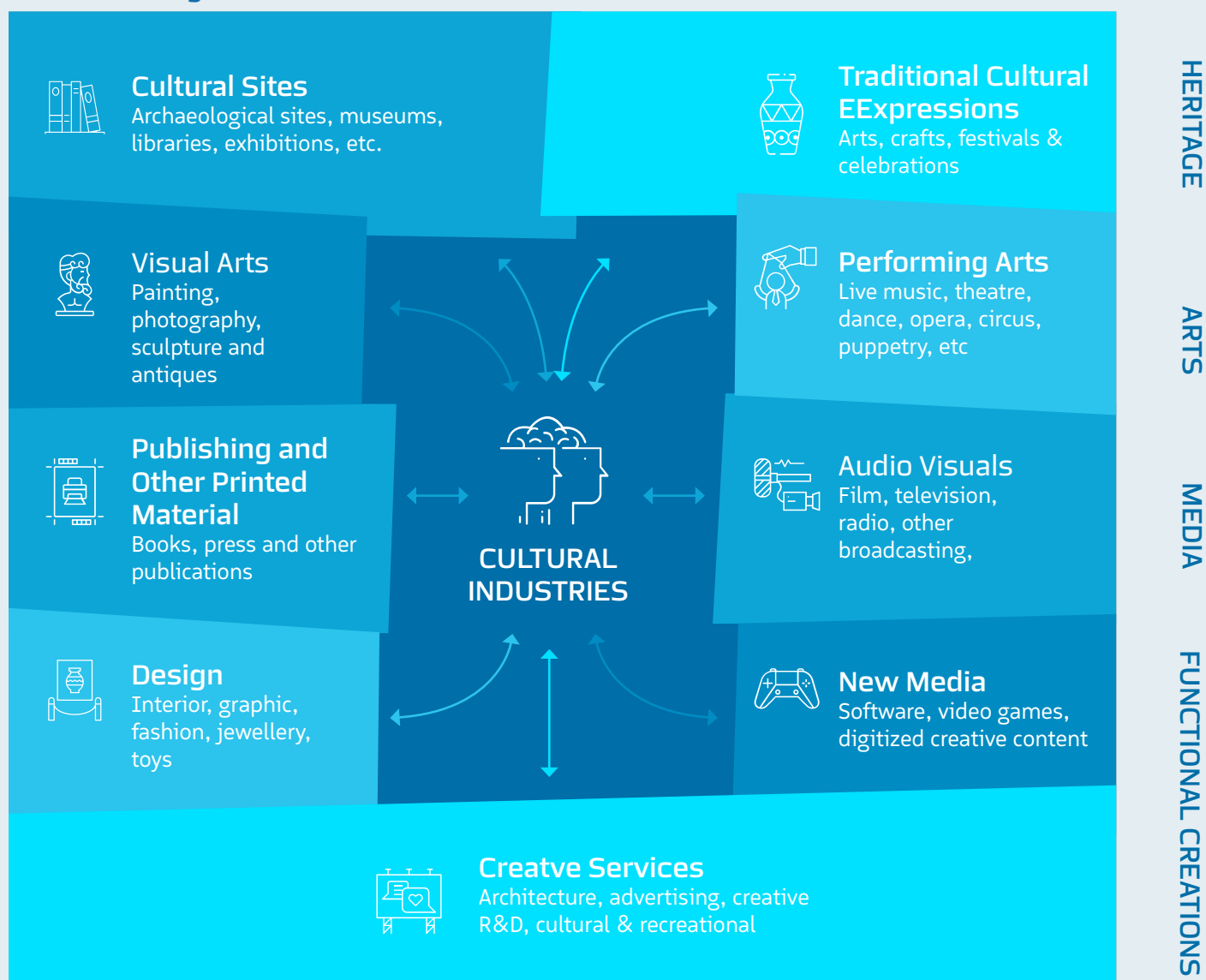
- Incorporating artistic, cultural and heritage practices, services, goods, and activities
- Producing, reproducing, promoting, distributing, and commercializing human creativity

## Cultural Disciplines

We use the UN Conference on Trade and Development's (UNCTAD 2008, 2010, 2013. Creative Economy Reports) understanding of artistic, cultural, and heritage practices as including:<sup>79</sup>

- Advertising
- Architecture
- Art
- Broadcasting
- Design
- Entertainment (festivals, films, music, performing arts)
- Institutions (museums, galleries)
- Video games (and related innovative technologies)

## Understanding Cultural Industries



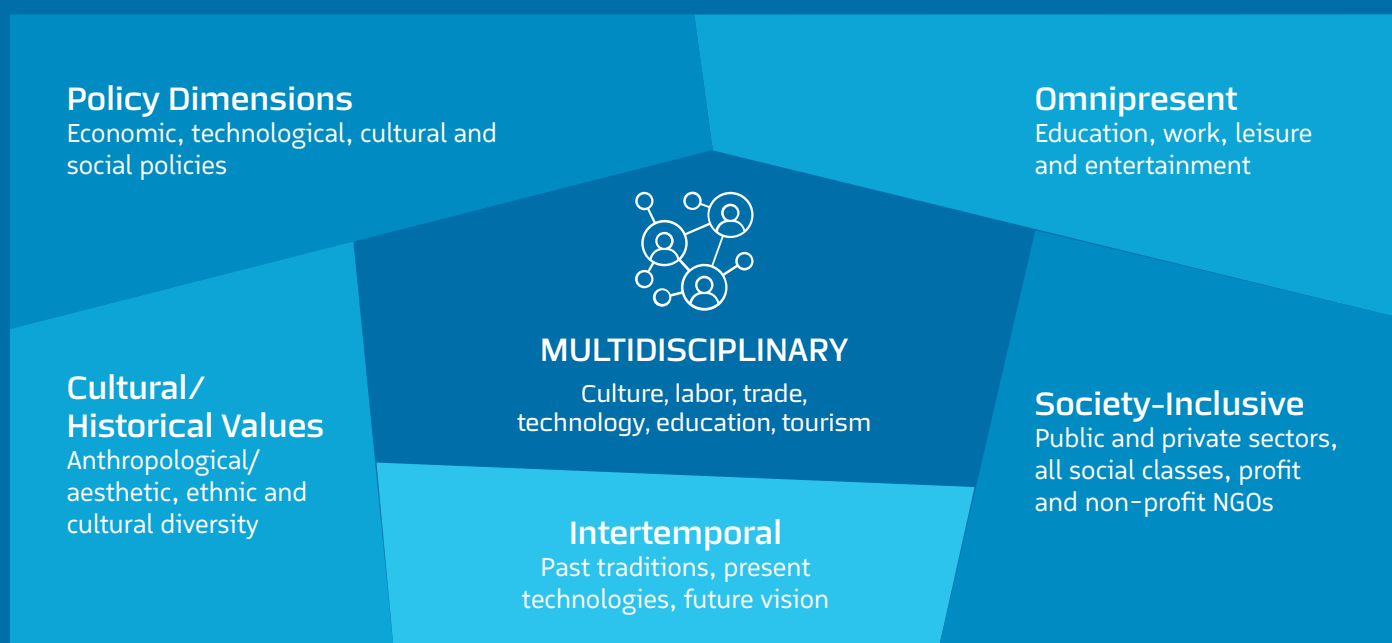
## Cultural Economy

We understand the global cultural economy as striving to be equitable, inclusive, and aiming to stimulate:<sup>80</sup>

- Competitive, efficient, well-functioning trade alliances.
- Sustainable infrastructure for enterprise and employment.

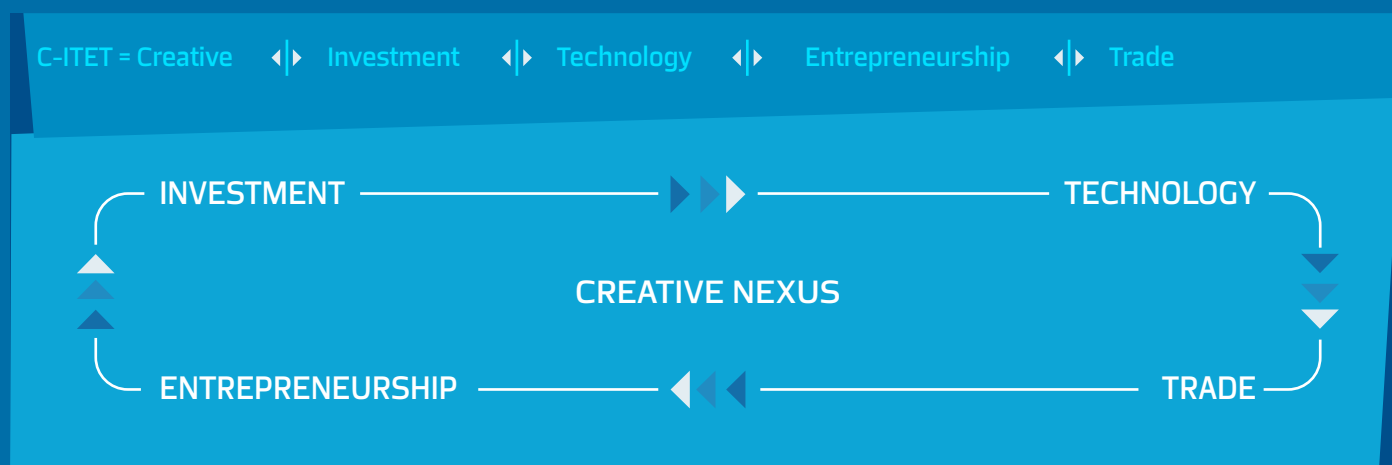
It is acknowledged that emerging cultural economies have relatively few market opportunities, successful cultural businesses and nationally-funded cultural assets. Using the term in this document means the sum of the global cultural sector.

## Development Dimensions of the Cultural Economy



Source: UNCTAD (Dos Santos, 2006).

## Understanding the Cultural Economy



Source: UNCTAD (Dos Santos, 2007).



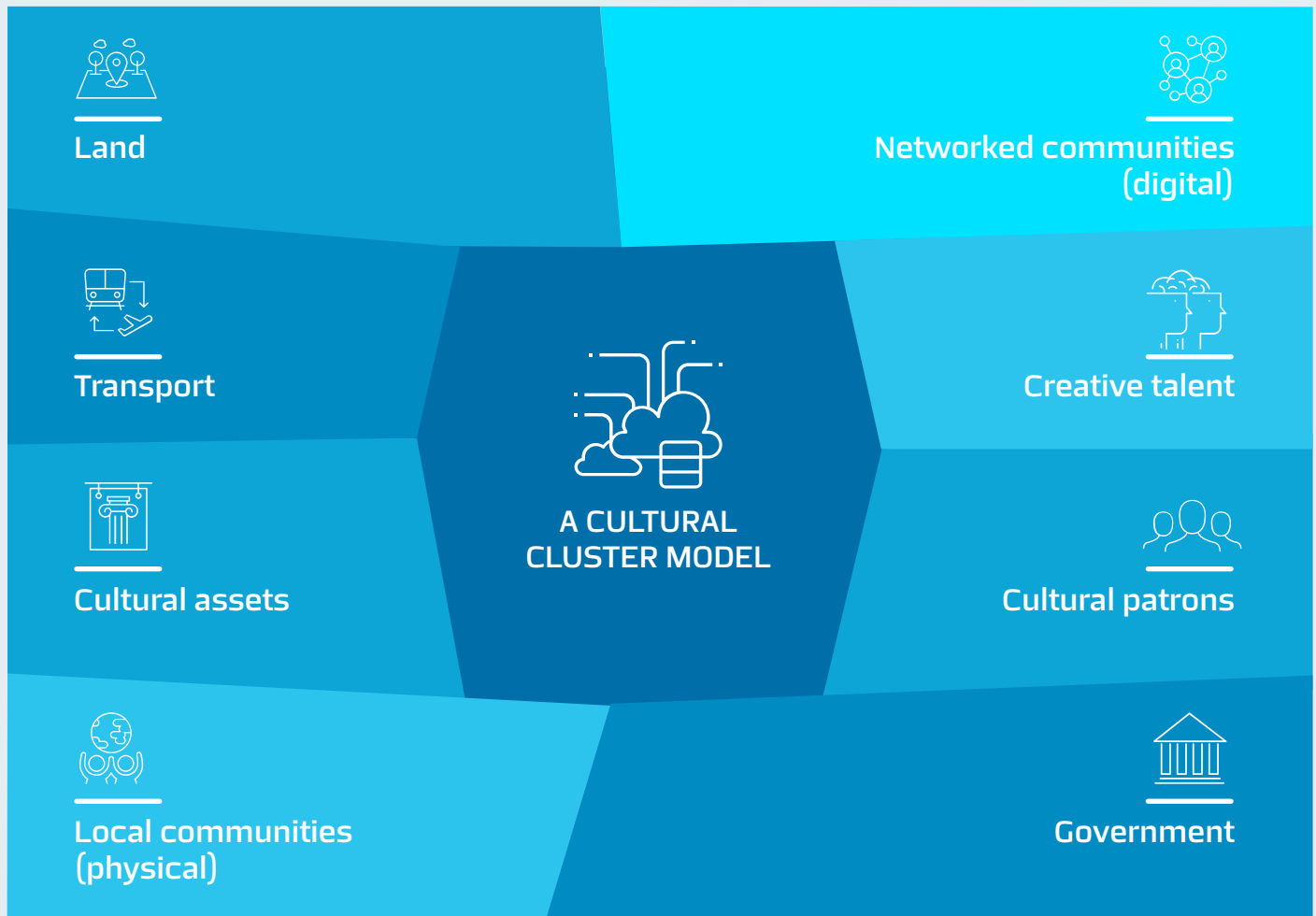






## Cultural Clusters

Used interchangeably cultural hubs and clusters aim to intensify creative capital. While hubs can be both physical and virtual, clusters describe locations where cultural practices coalesce in the built environment. Physical cultural clustering can be a means to connect knowledge bases and pool resources.<sup>81</sup>



## Cultural Value

While culture at a meta and national government level has been pursued in the past through a quantitative lens, related to measuring consumption, employment, investment, production and trade, focus is being gradually called to account.

As cultural practices have become increasingly important at a meta and national government level, researchers and theorists have striven to articulate the sector's multifaceted nature and the ways in which it can be understood qualitatively.



# About KPMG

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For almost 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman. We work alongside the Firm's clients by building trust, mitigating risks and identifying business opportunities.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 227,000 professionals in over 146 countries. KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise, providing the sector and specialist skills required by the Firm's clients.

KPMG is widely represented in the Middle East: along with offices in the UAE and Oman, the firm operates in Saudi Arabia, Bahrain, Kuwait, Qatar, Egypt, Jordan, the Lebanon, Palestine and Iraq. Established in 1973, KPMG in the UAE and Oman employs 1,485 people across four offices, including about 100 partners and directors.

Our latest initiative, KPMG IMPACT, aims to help clients future-proof their businesses amid times of increasing focus towards issues such as climate change and social inequality. The goal is to help them achieve success across 17 major Sustainable Development Goals (SDGs) and become more resilient and socially conscious. For FY21, the firm has earmarked a global budget of USD 1.43 million for the initiative.

Our Emiratization initiative highlights our commitment to work closely with the local community and support the nationalization program of the UAE government. KPMG Lower Gulf is closely collaborating with Abu Dhabi Global Market Academy (ADGMA), the Abu Dhabi Human Resources Authority and Abu Dhabi Accountability Authority to deliver the program, Pre-Audit Qualification Training (PAQT).

As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. Our values are:

- **Integrity:** We do what is right.
- **Excellence:** We never stop learning and improving.
- **Courage:** We think and act boldly.
- **Together:** We respect each other and draw strength from our differences.
- **For Better:** We do what matters.

To meet the changing needs of the Firm's clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change. Our three pillars – exceptional quality of service, an unwavering commitment to the public interest, and building empowered teams – are the foundation of our firm.

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