

Technical Cooperation Abstract

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Promoting creativity and innovation in LAC
▪ TC Number:	RG-T2959
▪ Team Leader/Members:	Matteo Grazzi (IFD/CTI), team leader; Monica Salazar (CTI/CCO); Gabriel Casaburi (CTI/CAR); Leonardo Ortega (IFD/CTI); Adriana Oreamuno (IFD/CTI)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research & Dissemination
▪ Date of TC Abstract:	February 13 th 2016
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Innovation Agencies, Ministries of Culture, Academia and NGOs throughout the region
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	Inter-American Development Bank, through the Competitiveness and Innovation Division (IFD/CTI)
▪ IDB Funding Requested:	USD 400,000
▪ Local counterpart funding, if any:	n/a
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	April 1 st 2017
▪ Types of consultants (firm or individual consultants):	Individual consultants and firms
▪ Prepared by Unit:	IFD/CTI
▪ Unit of Disbursement Responsibility:	IFD/CTI
▪ Included in Country Strategy (y/n):	n/a
▪ TC included in CPD (y/n):	n/a
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare.

II. Objective and Justification

2.1 The creative economy¹ has been progressively recognized as an important component of the economic activity of a country. Creative activities are considered to participate in the economy through various channels. First, the direct contribution of the sectors included in the creative industry (like for example interior design, graphic arts, illustration, videogames, fashion, advertising and marketing, etc.), in terms of

¹ The creative economy or Orange Economy (IDB, 2013) are the group of activities through which ideas are transformed into cultural and creative goods and services, whose value is or could be protected by intellectual property rights. (IDB, 2016)

value added, exports, employment, investment and productivity growth. Not only the creative industry is already an important part of the economy, but it also shows high innovation and productivity rates (Backshi and McVittie, 2009; Muller, Rammer and Truby, 2009; Falck et al., 2011), constituting an important driver of economic development (Potts and Morrison, 2009). Recent estimates show that Creative Industries generate US\$2,250 billion of revenues and 29.5 million jobs worldwide, employing approximately 1% of the world's active population (EY, 2015).

2.2 A second channel is related to the role of creative activities as inputs in the production process of traditional industries, such as, for example, industrial design in the car industry. In fact, it has been shown that there are more creative professionals working outside of the creative industries than inside them (Cunningham and Higgs, 2008). Empirical evidence on the impact of such activities on firm performance is still limited, but there is a growing body of research analyzing returns to copyright, trademarks and design. Design activities, in particular, are found to be linked to better firm performance in terms of productivity growth, innovation performance and export sales (Gemser and Leenders, 2001; Haskel et al., 2005; Sentence and Clarke, 1997). These two channels, taken together, constitute what has been called the *creative economy*.

2.3 The emergence of the creative economy as a relevant economic sector is closely related to the diffusion of digital technology. In fact, many creative activities use state-of-the-art technology as input in their productive process. For example, the industry of videogames and animation rely on new, more and more complex, software to create new products. Moreover, the digital technology provided to industries based on creativity a space to develop and test their new products with high quality levels and lower costs. Musicians can have their own recording studio at home; industrial design and packaging industries benefit from the new 3D printers to develop prototypes and test their products in different stages of development at a lower cost. Digital technology can also offer a platform to promote and distribute broadly and quickly the creative products of entrepreneurs (e.g. online stores, digital marketing, etc.). The use of cutting edge ICTs by creative firms could also influence the overall market, promoting new technology diffusion in other sectors of the economy.

2.4 Considering this picture, there is generalized consensus among policy-makers and analysts of the potential of the creative economy as a development tool. However, the activities included in the creative economy share a set of properties that prevent markets to produce socially efficient outcomes. In fact, several different forms of market failures constitute a compelling economic rationale for public intervention in the sector (IDB, 2016). Moreover, various information and coordination failures can

also affect the creative ecosystem². For example, demand for skills in these industries is very changing, generating a constant mismatch between knowledge and training provided by formal education and those needed in the market (Arnold et al 2014). Also, creative industries often ignore the demand from other sectors of the economy, and at the same time traditional industries are not aware of the potential gains resulting by incorporating creative inputs in their production process.

2.5 Furthermore, when it comes to implement public policies in the area, an additional challenge in terms of policy framework and institutional coordination appears to be important. In fact, it is usually the case that multiple public institutions - sometimes with very different priorities, approaches and constituencies - are simultaneously in charge of relevant aspects of the sector, making difficult the design and implementation of effective policy instruments in the absence of a formal articulation mechanism. These challenges are very relevant for most LAC countries, where relevant institutions in the area are without an adequate knowledge base in terms of program design and evaluation.

2.6 In spite of the described challenges, the creative economy is already very relevant in the region. Some estimates show that creative industries represent already near 4.4% of the GDP of the region and around 3.2% and 5.8% of total employment in Argentina and Colombia (WIPO, 2015). However, statistics and research available in LAC are insufficient to estimate the real contribution of the sector and to understand its actual impact on firm innovation and productivity. On the one side, when looking at existing indicators, a substantial amount of information remains missing for a large number of countries in the region. On the other side, this situation prevented researchers from producing conclusive empirical evidence on many aspects related to the functioning of the creative economy.

2.7 The general objective of this TC is to enhance the capacity of LAC policy-makers to design, implement, monitor and evaluate policies aimed to promoting the development of the creative economy in the region. This will be obtained through three specific objectives: 1) the definition and generation of statistical information and related analytical knowledge products based on LAC; 2) the strengthening of the regional creative ecosystem, through activities of knowledge generation, capacity building and regional dialogue; 3) the promotion of human capital formation in creative activities through the design, implementation and evaluation of a pilot program aimed at improving entrepreneurship skills in the creative economy.

2.8 Many countries in the region have recently approached the Bank, requesting technical assistance in the area. As a first response to such requests, CTI is working

² A Creative Ecosystem is defined as a set of economic agents and institutions (such as government, universities, research units, and the private sector) whose interaction determines the performance of a society in terms of creative outputs. Such interaction is key for the production, diffusion and consumption of creative goods and services.

closely with the MIF. In 2016, the project UR-T1150 “Innovation Vouchers in the Creative Industries in Uruguay” has been approved, and other projects in Chile, Paraguay and Argentina are under preparation. Moreover, in order to strengthen CTI internal capacities to respond to region’s necessities, it has been organized in collaboration with NESTA³ the Cutting Edge Training Program “Digital Economy 2.0: When Technology meets Creativity” focused on the design, implementation and evaluation of public instruments for creative industries. This TC complements these efforts in supporting the development of the creative economy in Latin America and the Caribbean.

2.9 The TC’s main objective and expected results are aligned with the GCI-9 Sector Priority Institutions for Growth and Social Welfare. Alignment with the quoted GCI Sector Priority flows directly as one of the mainstream tools for growth is innovation and productivity enhancement. The project is also aligned with the Update to the IDB Institutional Strategy (2016-2019), where the low level of innovation and productivity is identified as one of the main challenges in the region. Finally, the project is aligned with the area of intervention “Knowledge Creation and Dissemination” of the Ordinary Capital Strategic Development Program for Institutions (OC-SDP for Institutions). In fact, the TC will strengthen frontier knowledge in a substantially unexplored area, allowing a more effective design, execution and implementation of related public policies.

III. Description of activities and outputs

3.1 Component 1. Statistical information and analytical research. This component will promote the production of statistical information and analytical research to allow policy makers in this sector to formulate evidence-based public policies. The component will finance the following activities: (i) development of a conceptual framework on how to measure the creative industries, taking into account the international best practices, including but not limited to the case of the Culture Satellite Account; (ii) definition and testing of a common methodological approach to collect indicators on creative industries, through a regional dialogue with LAC statistical offices; (iii) design and implementation of a Creative Innovation Survey pilot aimed to complement and improve the available statistical information in the region; (iv) production of 3 working papers about how creative activities generate innovations and productivity gains, with particular attention to the role of new technologies and the digital economy.

³ NESTA is an innovation foundation in United Kingdom with a mission to help people and organizations bring great ideas to life. They main area of work are: Citizen engagement in public services, digital arts and media, innovation policy, health and ageing, impact investment, new models for inclusive economic growth, and opportunities for young people.

3.2 Component 2. Talent Formation Pilot Program. This component aims to promote the human capital formation in creative activities, with a particular emphasis in creative digital entrepreneurship. It will finance: (i) A revision of the LAC current technical and academic program aimed at promoting formation of entrepreneurship skills in the sector, in order to identify strengths and weakness; (ii) Design, implementation and evaluation of a pilot program aimed to foster the capacities of creative entrepreneurs. The program will be carried out in collaboration with a partner with a credible and documented track record in the area of entrepreneurship training and with experience in working with the IDB.

3.3 Component 3. Promotion of the Creative Ecosystem in LAC. This component aims to strengthening the linkages among the key actors of the LAC creative ecosystem, in order to generate a more conducive environment for the creative activities. To achieve this, the Component will finance: (i) mapping of the Creative Ecosystem in the region and in 4 countries, selected on basis of interest in the area and of operational perspectives ; (ii) design and implementation of a training program for LAC public agencies aimed at improving their institutional capacity to operate in the area of the creative economy; (iii) drafting of 3 operational inputs that will revise and discuss best practices of selected policy instruments to promote the creative economy, such as: fiscal incentives, creative vouchers, creative clusters promoting creative industries to improve the institutional capacity; (iv) organization of a policy platform where policy makers in the creative sector in LAC can discuss common policy issues related to the performance of their Creative Ecosystem and explore regional cooperation initiatives.

IV. Indicative Budget

Indicative Budget (in US\$)

Component	Description	Product	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I	Statistical information and analytical research	Conceptual framework & statistics compendium	\$30,000	-	\$170,000
		Creative Innovation Survey Pilot	\$80,000	-	
		3 working papers on "Creative Economy, new technologies and the digital economy":	\$60,000	-	
Component II	Talent Formation Pilot program	Mapping of entrepreneurship formation programs in the region	\$20,000	-	\$80,000
		Talent Formation Pilot Program for Creative Entrepreneurs	\$60,000	-	
Component III	Promotion of the Creative	Mapping of Creative Ecosystem in the region	\$10,000	-	\$150,000

Component	Description	Product	IDB/Fund Funding	Counterpart Funding	Total Funding
	Ecosystem in LAC	Training program in institutional strengthening and public coordination for public agencies in LAC	\$30,000	-	
		3 Operational inputs on policy instruments for the creative economy	\$50,000	-	
		Policy platform on creative economy and public policy in the region	\$60,000	-	
Total			\$400,000	-	\$400,000

V. Executing agency and execution structure

5.1 The IDB through IFD/CTI will be responsible for the direction, supervision and coordination of this TC. Given the experience of IFD/CTI in the topics included in this TC, this unit will be responsible for the procurement and supervision of the products.

VI. Project Risks and issues

6.1 There are no major risks associated with the implementation of this TC. However, the success of the pilots included in Component I and II will depend on the capacity of identified partners to execute the pilot survey (Component I) and pilot talent formation program (Component II). In order to mitigate this risk, the project team has worked (and will work) closely with the TC partners in all the phases of the project, involving recognized international institutions active in the field, such as UNESCO and NESTA (Component I) and NESTA and British Council (Component II).

VII. Environmental and Social Classification

7.1 The project will not generate any significant social or environmental negative impacts. According with the toolkit program, this project was classified with "C", meaning that no environmental assessment studies or consultations are required for this category.