



MINISTRY FOR DEVELOPMENT OF
ECONOMY, TRADE AND AGRICULTURE
OF UKRAINE



STUDY

EXPORT STRATEGY FOR CREATIVE INDUSTRIES SECTOR



2019-2023



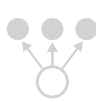
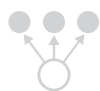
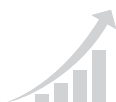


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ACRONYMS

CI	Creative industries
CIIC	Creative Industries Council
CIS	Commonwealth of Independent States
Export Strategy of Ukraine	Export Strategy of Ukraine (Strategic Trade Development Roadmap) for 2017-2021 approved by the Resolution of the Cabinet of Ministers of Ukraine dated from December 27 No. 1017-p
EU	European Union
FDI	Foreign direct investment
FoCIA	Federation of Creative Industries Associations
GDP	Gross domestic product
ICT	Information and communications technology
IPR	Intellectual Property Rights
MEDT	Ministry for Development of Economy, Trade and Agriculture of Ukraine
MinCult	Ministry of Culture, Youth and Sports of Ukraine
Chamber of Commerce	Ukrainian Chamber of Commerce and Industry
MSME	Micro, small and medium-sized enterprises
PoA	Plan of action
SDG	Sustainable Development Goals
STDR	Strategic Trade Development Roadmap
UA	Ukraine (an ISO country code)
UAH	Ukrainian Hryvnia
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Non-Governmental Union "Foundation for support of reforms in Ukraine", Ministry for Development of Economy, Trade and Agricultural of Ukraine, and individual experts/organizations involved in this Strategy development will not be liable for the effectiveness of (i) laws and regulatory acts references; or (ii) terms and conditions based on relevant decisions and acts of public authorities, as it can be terminated or amended before this Strategy published on the official website of the Ministry for Development of Economy, Trade and Agriculture of Ukraine. It is worth to mention, that all objectives of the Strategy, as well as implementation measures foreseen in the Plan of Actions, were developed on the basis of current sectoral issues as of 2018.

The document benefited particularly from the inputs provided by the members of the Creative Industries Sector Core Team, in alphabetic order:

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EXECUTIVE SUMMARY

Export Strategy for Creative Industries Sector is a five-year action plan, developed through a series of consultations among public and private sector stakeholders. The Strategy aims at sector organizing and increasing its competitiveness in domestic and international markets. Sector consolidating, creating an enabling business environment, promoting internationalization and export orientation are crucial elements for successful industry growth. To achieve the Strategy's targets, stakeholders will need to implement and coordinate specified actions, monitor progress and mobilize necessary resources.

Ukraine has considerable opportunities in developing and consolidating its creative industries into a sector that contributes more significantly to employment and foreign exchange earnings. Creativity abounds in Ukraine, and has done so throughout its history. Nevertheless, the creative sector is at the formation stage. Overall, there is a lack of appreciation of the difference between culture as a purely intellectual effort based on a tradition and social behaviour, and the creative economy based on the creative talent for commercial purposes.

This Strategy is the first attempt of the state to define, organize and transform the potential of the creative sector into visible economic results. For a long time, the sector was viewed in terms of its ability to create non-commercial, symbolic, non-material and educational value. The recognition and prioritization of the sector in Export Strategy of Ukraine: Strategic Trade Development Roadmap for 2017-2021 and Action Plan, adopted by the resolution of the Cabinet of Ministers of Ukraine as of 27 December 2017 No. 1017-p (the Export Strategy of Ukraine) breathed new life into the creative industries. To ensure continuous and systematic work on the sector development, the government has taken a step forward to engage in the elaboration of a deliberate and consolidated sector action.

Creative industries sector faces constraints that need to be addressed in the short-to-medium term in order to facilitate sector growth and diversification. First, there is no agreed formal definition and recognition of the sector in relevant laws, policies and regulations. Sector initiatives remain scattered and discontinuous. Second, the public-private dialogue between the government and the business is not well established. The roles and responsibilities of relevant government bodies and institutions lack clarity to effectively steer continuous and market-driven development. Third, the creative industries feature limited cooperation within and among subsectors, resulting in low competitiveness of produced goods and services. Further, there is a limited incentive regime to attract domestic and foreign investors and to support enterprises wishing to tap into the export market. Promotion activities lack a common vision and strategy for the development of the Ukrainian offer of creative goods and services abroad.

Audiovisual industry represents a promising domain to drive the development of a diverse range of creative sub-sectors in Ukraine. As it has the potential to bring together other creative industries within its value chain (soundtrack, costume design, scriptwriting, set design, storyboarding, animation, SFX, etc), the film industry is seen as being a core subsector across the industry. The government has undertaken certain initiatives to establish favourable conditions for the industry's growth and competitiveness. However, there are certain constraints that currently prevent the industry from realizing its potential.

This Strategy aims to firmly establish foundations upon which the creative industries can grow and transition into a market-led, export-oriented sector. Such a transition requires a deliberate and coordinated set of responses structured around a clear vision, reinforced through achievable strategic objectives, and attained through a series of concrete actions set in the Plan of Action (PoA).

The following is a delineation of the proposed vision and strategic approach in this direction, agreed with all national trade stakeholders.

"The power of emotion through a new era of 'Uniquely Ukrainian' innovation, productivity and growth"

Under the overall vision, the sector Strategy elaborates three strategic objectives:

1. Organize, consolidate and connect the creative industries sector.

Given the diversity of the sector and its current stage of development, the very first step is to understand the constitution of the creative industries sector, improve its organization and encourage connectivity. At the policy level, Ukraine needs to define the sector's scope and coverage, recognize its relevance to the economy, adopt and update the sector-oriented Strategy, and prioritize its implementation in overarching policy documents.

In terms of institutional organization, the government has to prompt the establishment of a formal public-private dialogue that would steer the sector's development in the prioritised direction. This structure will closely cooperate with another prospective institution, namely a sector representative body that will articulate consolidated sector vision and interests to the government.

2. Adapt and upgrade the Ukrainian offer of goods and services in priority subsectors through sector linkages, enhanced skills, and increased investment.

Ukrainian creative industries must adapt a competitiveness-driven value proposition, aligned to consumer needs and preferences. Since creative thinking is a key intangible input in the production process, skilled and specialized professionals form the basis of the sector performance and productivity. Therefore, strengthening the Ukrainian creative offer requires the development of market-relevant education, mobility programmes, and international knowledge and experience sharing.

In parallel, the development of technical and financial support provided by the government and sector-relevant institutions needs to prioritize incentives for stimulating the product enhancement and diversification to national and international market requirements.

3. Promote internationalization and export orientation to expand market opportunities for sustained sector growth.

A number of actions are required to facilitate the entry to export markets. IPR protection and enforcement in accordance with European legislation, simplified currency control rules for business enablement, and promotion of e-commerce are currently key areas to address at the initial stage of the sector development.

Apart from the technical side of internationalization, Ukraine has to establish and implement an effective branding programme to position the country as a competitive player in the market of creative products. A strong branding message needs to be accompanied by promotional campaigns organized through media communications, membership in international programmes/associations and participation in sector-relevant events.

Coordinating activities, monitoring progress and mobilizing resources for implementation will be critical to successful achievement of these strategic objectives. The effects of the activities specified in the PoA are conditional on a number of factors. The principal ones refer to a high level of commitment from relevant stakeholders, including active engagement of the private sector, systematic coordination and communication between implementing bodies, and the readiness to allocate and mobilize resources by the public and private sectors.

INTRODUCTION

Post-industrial era puts forward new conditions for national economies growth. Today, this is a comprehensive technology and innovation diffusion, digitization, creative economy dynamic development, increasing role of creative and intellectual components of goods and services. Investment in knowledge is overtaking investment in physical capital while knowledge, skills and innovative potential are becoming key for driving growth. Simultaneously, digitalization is bringing about changes in business models, consumption patterns and content creation processes¹. These changes are producing opportunities that will help attain the United Nations Sustainable Development Goals of quality education, decent work and economic growth, sustainable cities and communities, and responsible consumption and production.

With the creative economy gaining momentum, Ukraine is resolute on capitalizing on this development by building on its competitive advantages. The country is endowed with creative people who have received international recognition for their original thinking, in areas as diverse as aircraft design and software development, performing arts and engineering solutions.

Development of this sector has historically been sporadic, rather than following any systematic approach. Numerous top-down and bottom-up initiatives have remained dispersed or discontinued due to a lack of clear strategic vision, objectives, and stakeholders' commitment. This Strategy is the first ever attempt of the Government of Ukraine to define, organize and translate the potential of the creative industries sector into visible economic results. The recognition and prioritization of the sector in the Export Strategy of Ukraine (Strategic Trade Development Roadmap) for 2017-2021 breathed new life into the creative industries. So far, the sector was viewed in terms of its ability to create non-commercial, symbolic, non-material and educational value only.

As a result, to build the initial foundation for the sector's development, this Strategy proposes deliberate action in organizing the sector, framing it in policy and institutional systems, and stimulating export orientation.

DEFINING THE CREATIVE INDUSTRIES

The topic of creative industries is a relatively recent item in the international economic and development agenda. However, there is a growing awareness that it can have a positive impact on the economy, directly or indirectly, through creating jobs, stimulating innovation and promoting social and sustainable development.

For the first time term "creative industries" was used by the Australian Government in the Creative Nation Report (1994). And the first definition was proposed by the UK Department of Culture, Media and Sport (1998) as industries based on individual creativity, craftsmanship and talent, with the potential to create added value and jobs through generation, production and operation of intellectual property products.

First introduced in the agenda of the UNCTAD XI Ministerial Conference in 2004, it has increasingly been attracting attention from international, regional and national institutions². Today, with gaining recognition of the sector's contribution to an inclusive economy, national governments adopt policies and programmes to turn creative industries into engines of economic growth.

Essentially, the creative industries are at the core of the creative economy, defined at the intersection of art, business, and technology³.

¹ Creative Economy Outlook and Country Profiles – Trends in International Trade in Creatives Industries, ЮНКТАД, 2018 рік.

² Creative Economy Report, The Challenges of Assessing the Creative Economy: Towards Informed Policy-making, ЮНКТАД, 2008 рік: http://www.unctad.org/en/docs/ditc20082cer_en.pdf

³ Creative Economy Programme, ЮНКТАД: <https://unctad.org/en/Pages/DITC/CreativeEconomy/Creative-Economy.aspx>

Today, the most common definition of "creative industries" provided by UNCTAD. It's based on the following fundamental principles:

- intellectual capital dominates in goods and services creation and production (i.e. high creative and intellectual component of goods and services);
- there is a set of science-based activities aimed to the production of both tangible goods and intangible intellectual or artistic services with huge creative component, economic value and commercial purposes⁴.

According to the UNCTAD classification creative goods are divided into 7 groups and 25 subgroups, while for services there are just 8 items specified (Table 1).

Table 1. UNCTAD classification of creative goods and services

UNCTAD classification of creative goods and services		
Creative Goods (7 groups, 25 subgroups)		
Art crafts	Design	Audiovisuals
Carpets	Architecture	Film
Celebration	Fashion	CDs, DVDs, tapes
Other art crafts	Glassware	Visual arts
Paperware	Interior	Antiques
Wickerware	Jewellery	Painting
Yarn	Toys	Photography
		Sculpture
New media	Performing arts	Publishing
Recorded media	Musical instruments	Books
Video games	Printed music	Newspaper
		Other printed matter
Creative Services (8 items)		
Advertising, market research and public opinion polling	Computer services	
Research and Development	Information services	
Architectural, engineering and other technical services	Franchises and similar rights	
Audiovisual and related services	Other royalties and license fees	

April 24, 2019 Cabinet of Ministers of Ukraine has adopted the Resolution No. 265-p «On approval of types of economic activities that belong to creative industries». The document contains a list of activities related to creative industries⁵:

- visual art: painting, graphics, culture, photography;
- performing arts: live music, theatre, dance, opera, circus, puppet theatre,
- literature, publishing, and print media;
- audio art;
- audiovisual art: cinema, television, video, animation, animation related;
- design;
- fashion;
- new media, information and communication technologies: programming, video games, digital technologies in the arts (3D printing; virtual, augmented, modified reality);
- architecture and urban planning;
- advertising, marketing, public relations and other creative services;
- libraries, archives and museums.

⁴ Creative Economy Report, The Challenges of Assessing the Creative Economy: Towards Informed Policy-making, UNCTAD, 2008, p.4. [retrieved from http://www.unctad.org/en/docs/ditc20082cer_en.pdf]

⁵ The Resolution of the Cabinet of Ministers of Ukraine dated on April 24, 2019 No. 265-p «On approval of types of economic activities that belong to creative industries» [retrieved from <https://www.kmu.gov.ua/ua/npas/pro-zatverdzhnoyi-diyalnosti-yaki-nalezhat-do-kreativnih-industriji>]

For the purpose of this Strategy, the following subsectors are considered relevant for Ukraine: audiovisual (including but not limited to animation), design, music, fashion/costume design, and creative writing (publishing and literature).

During the first consultation on the sector Strategy, stakeholders considered that the further development of the sector (particularly the audiovisual art) could drive broader development due to:

- the diversity of its existing economic activities,
- the potential to contribute to job creation,
- its ability to generate foreign exchange earnings, and
- the ability to connect to other key subsectors identified as priorities within its value chain.

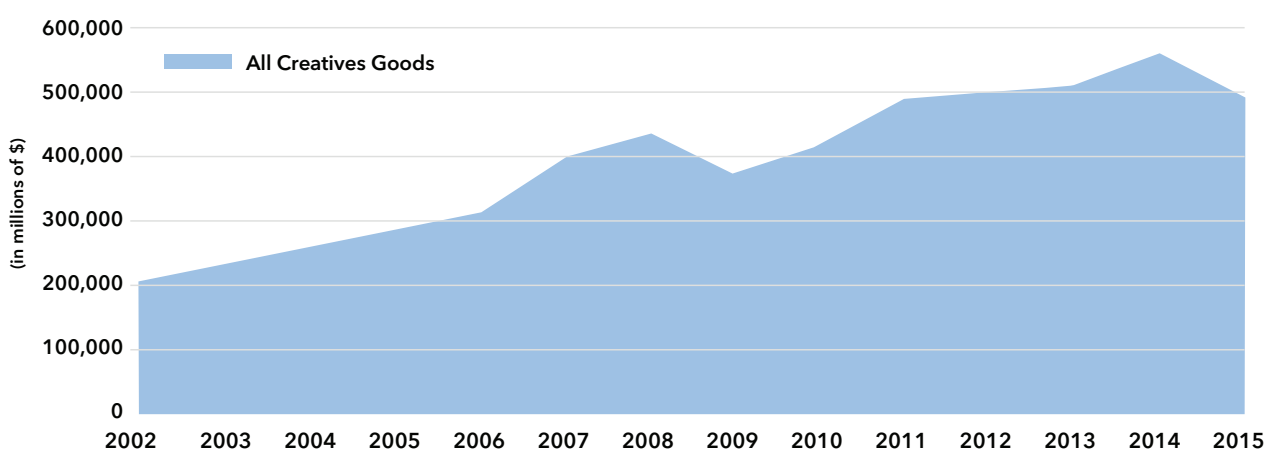
GLOBAL CREATIVE ECONOMY (2002-2015)

A steadily growing global market for creative goods and services provides new opportunities for developing countries to better integration into the global economy and benefit from emerging trends.

International trade in creative goods has demonstrated sustained growth in 2002-2015. During this period world exports of creative goods more than doubling in size from \$208 billion to \$500 billion (Figure 1). And even in economic crisis 2008-2009 creative industries have shown the ability to respond adequately to rapidly changing economic environment and producing new creative products. Despite an observed decline in value in 2015 (13% less than in 2014), the demand for creative products remains strong due to the adaptive nature of the sector.

In 2013, the cultural and creative industries (CCI) generated 3% of the world GDP (\$2,250 billion of revenue) and provided around 30 million jobs worldwide⁶. For comparison, in the EU in 2014, the creative sector represented 6.8% of European GDP (approximately €860 billion) and 6.5% of European employment (approximately 14 million)⁷.

Figure 1. Overall global trends and world trade of creative goods exports (2002 - 2015)



Source: UNCTAD Global Database on Creative Economy

Over the observed period from 2002 till 2015, developing countries took the lead in the export of creative goods. Increased by three times in value terms since 2002, their export share reached 53% of the global export of creative goods, leaving developed countries behind with 46% of the export market. It should be noted that transition economies represent less than one per cent of this market (Figure 2). However, developed countries remain the largest import destinations of the creative products (UNCTAD report 2015, import data for 2012)⁸.

⁶ Cultural Times: the First Global Map of Cultural and Creative Industries, UNESCO, 2015.

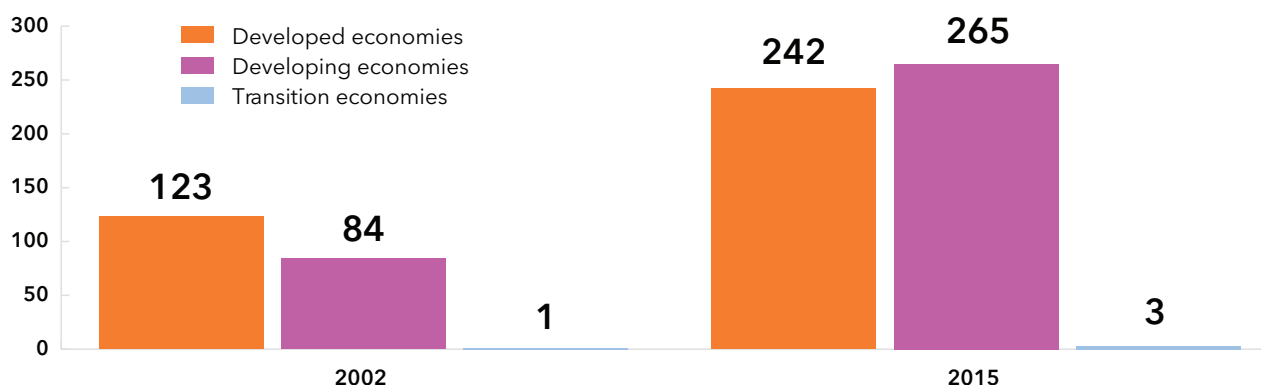
[retrieved from <http://unesdoc.unesco.org/images/0023/002357/235710E.pdf>]

⁷ L.L. Benzoni, P. Hardouin, The Economic Contribution of the Creative Industries to the EU in terms of GDP and Jobs, 2014.

[retrieved from <https://ec.europa.eu/futurium/en/content/economic-contribution-creative-industries-eu-terms-gdp-and-jobs>]

⁸ Creative Economy Outlook and Country Profiles: Trends in international trade in creative industries, UNCTAD, 2016.

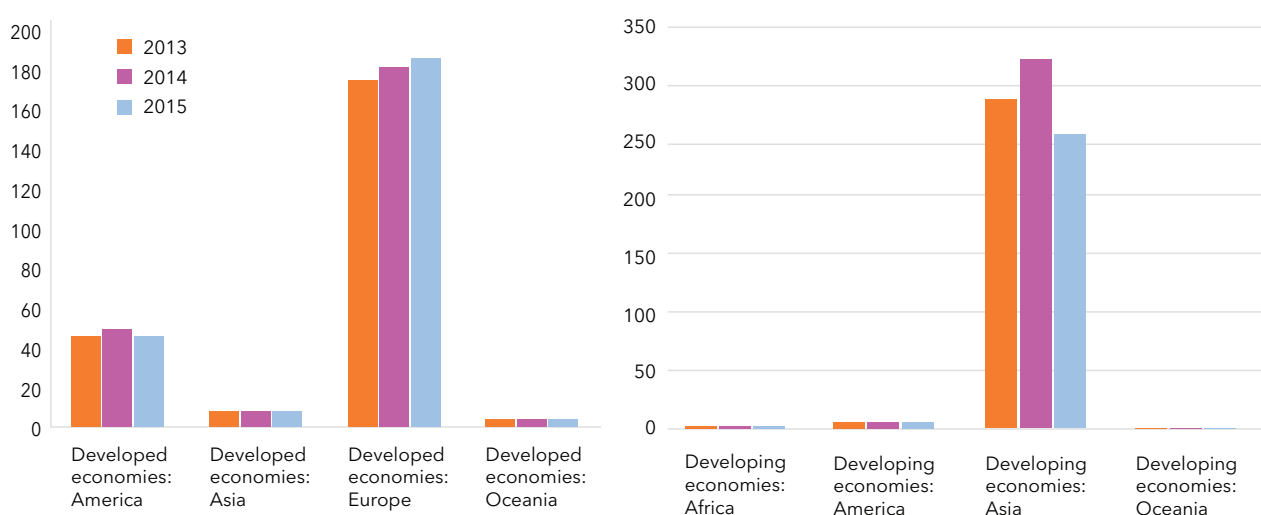
Figure 2. Exports of creative goods by economic groups, 2002 – 2015 (in billion USD)



Source: UNCTAD Global Database on Creative Economy

An upward export trend in the developing world is mainly driven by the Asian region, with China at the forefront of this movement. Ranked first on the list of major exporters worldwide, China is followed by Hong Kong, India, Singapore, Thailand, and Malaysia. Among developed countries, Europe is leading the export market for creative goods with the share of approximately 30%⁹. Out of the top 10 exporters (2015), five are European countries¹⁰.

Figure 3. Creative goods: Exports from all developed and developing economies (in billion USD)



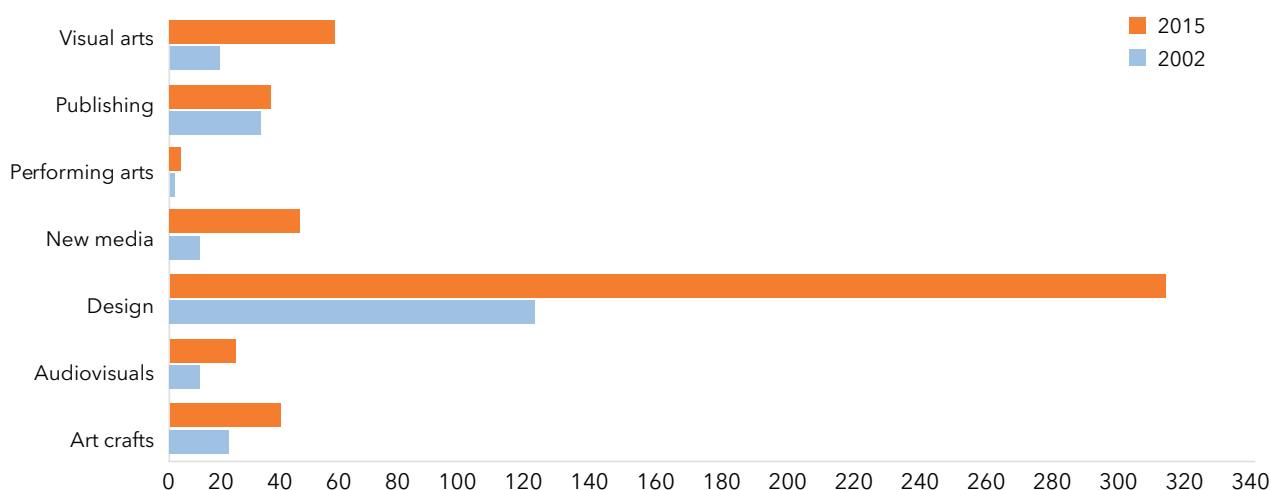
Source: UNCTAD Global Database on Creative Economy

In terms of export composition, in 2015 designed goods made up for the biggest share of exported creative products worldwide (Figure 4). Developing countries further exported art crafts and new media, while developed countries realized most of their export potential in visual arts and publishing, in addition to new media.

⁹ Creative Economy Outlook and Country Profiles: Trends in International Trade in Creative Industries, UNCTAD, p.3.

¹⁰ UNCTAD Global Database on Creative Economy, 2015.

Figure 4. World exports of creative goods by product groups, 2002 - 2015 (in billion USD)



Source: UNCTAD Global Database on Creative Economy

Regarding economic functionality of the creative industries, television and visual arts are the indisputable leaders in revenue generation (with \$477 billion for TV and \$399 billion for visual arts in 2015), with publishing and advertising trying to keep up. Visual arts also create the largest share of jobs reaching almost 7 million (data for 2013), followed by the music sector with nearly 4 million jobs provided¹¹.

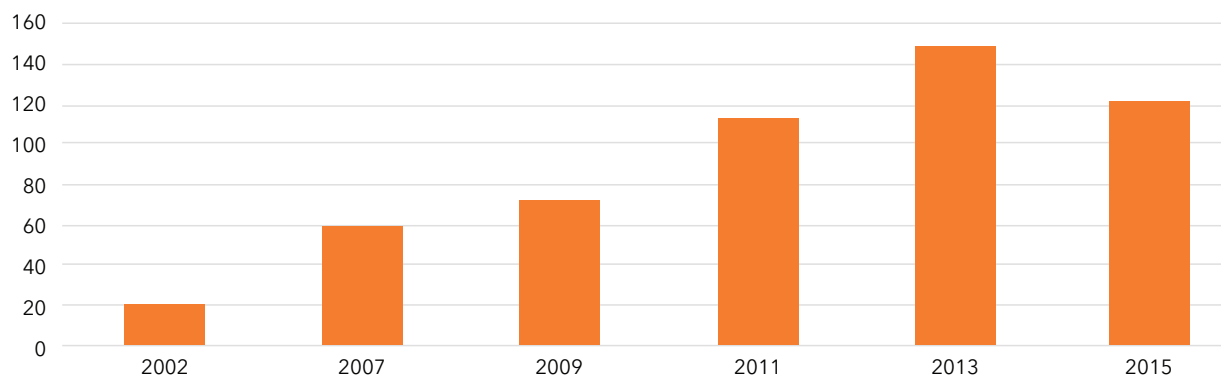
Creative industries follow a global trade pattern where trade in services is keeping up with goods. Over the observed period, subsectors representing creative services have shown stronger rates of growth pace. However, it is important to note that (1) the relevant international data for creative services is available for the year of 2012 and may have changed since that time, (2) the number of countries that provided information varies from year to year under the observed period.

GLOBAL TRENDS IN THE CREATIVE INDUSTRIES

Growing South-South trade in creative goods

South-South trade¹² in creative goods is gaining momentum and opens up new horizons for future trade and investment growth. The available data shows that trade between developing countries increased from \$20 billion in 2002 to more than \$120 billion in 2015, featuring a five-fold increase over a decade (Figure 5).

Figure 5. South-south trade of creative goods also Trade of creative goods among developing economies (in billion USD)



Source: UNCTAD Global Database on Creative Economy

¹¹ Cultural Times: the First Global Map of Cultural and Creative Industries, EY, 2015.

¹² The term "South-South trade" refers to trade between developing economies.

Increasing sector's recognition at the national and international level

The sector is gaining recognition at national and global levels due to its relative resilience to economic shocks and a dual economic and cultural orientation. Governments of both developed and developing countries are increasingly introducing the sector into their policy agenda to reap the benefits from this emerging global trend. This has resulted in developing sector-specific strategies, establishing dedicated governmental units, intensifying the development of creative hubs and platforms, promoting internalization and cooperation, and improving creative entrepreneurial education and skills.

Growing number of financial mechanisms

Access to finance, considered as the key inhibitor to entrepreneurship and export development, is equally relevant for companies operating in the creative industries sector. Enterprises in the creative industries are sometimes associated with higher risks than other businesses as they are generally small, possess mainly intangible assets, and rely on royalties.

In this context, governments have set up financial schemes and mechanisms to enable the monetization of creative activities. For example, European companies can benefit from the Creative Europe Programme set for the period of 2014 to 2020. As a part of its functions, the programme includes a €121 million financial guarantee instrument.

Apart from regional financial solutions, in Europe there are also local national initiatives. For example, START is an investment fund for cultural and creative enterprises in Belgium. This mechanism provides loans and equity investments to enterprises at various stages of business development. In addition, the functions of the institution include coaching and consulting in the sector.

Governments are also looking to boost foreign direct investment by encouraging leading global studios and production houses to create content in their markets. Some have implemented investment incentives such as cash rebates to attract foreign companies to produce locally (Table 2). For example, in the audiovisual subsector, countries apply a cash rebate system, which stimulates growth and competitiveness.

Table 2. The size of the cash rebates in Europe

Country	Maximum rebate size %
Switzerland	40
Netherlands	35
Romania	35
Cyprus	35
Greece	35
Ireland	32
Croatia	30
Estonia	30
Poland	30
Malta	27
Latvia	25
Serbia	25
Georgia	25
Iceland	25
Norway	25
Finland	25
Slovenia	25
Czech Republic	20
Lithuania	20
North Macedonia	20
Slovakia	20
Ukraine	16,6*

**as of 2018*

Source: compiled from various sources.

According to the European Audiovisual Observatory, Croatia's¹³ cash rebate, introduced in 2012, is one of the newest systems in Europe and has been remarkably successful, having helped attract sizeable audiovisual productions¹⁴. Each euro allocated in the audiovisual sector in Croatia brought back €1.07 to the state budget during the first year the system was introduced. The following year, this indicator increased up to €1.33.

Small enterprises as dominating players of the sector

As for the size of firms representing the creative industries, the predominant part of market players tend to be micro and small-sized. Initiated at the level of individuals, creative businesses mostly employ less than 10 people. This does not exclude the presence of larger firms and multinational corporations, especially in certain sectors (e.g. film industry). However, they are also to a great extent reliant on creative inputs from small companies or self-employed workers. As the majority of firms in creative industry tend to be small, the business environment to SMEs plays a crucial role.

Shift from physical to digital forms of creative production

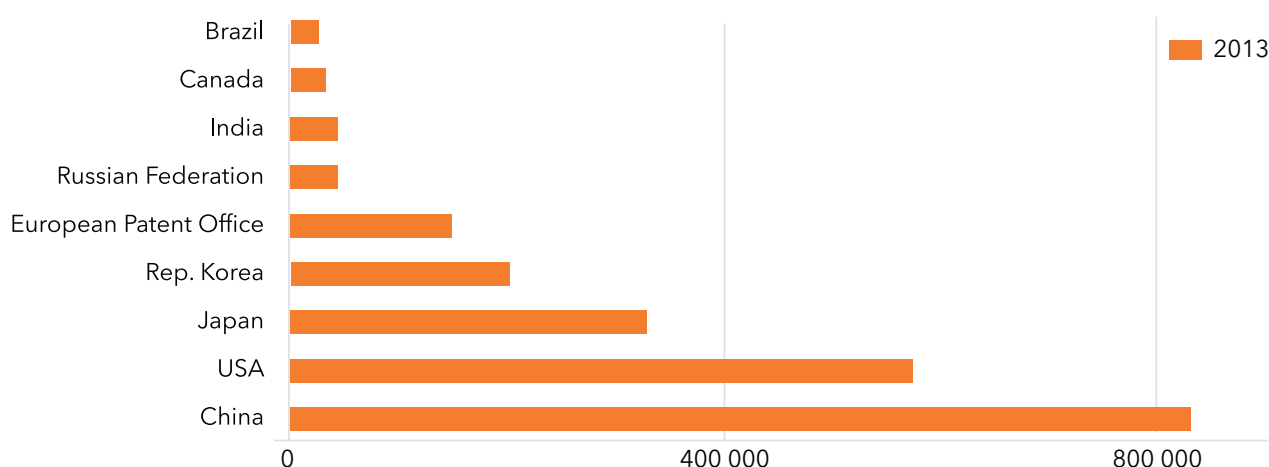
The so called "third industrial revolution" featured by a prominent development of technologies has shifted the focus of creative industries from physical forms of production to their digital equivalents. The change has been led by gaming, movies, music, and publishing sectors. In particular, this trend has significantly influenced recorded music, where digital products account for 45% of purchases worldwide. In film industry, the distribution through "video-on-demand" services contribute more than a quarter of the sales, while e-books mark the presence with 7% of the global market¹⁵.

Demand for stronger IP protection

Creative industries are to a greater or lesser extent linked to IP. Royalties for the right to use IP contribute to revenue of the sector. Thus, it is of crucial importance to establish a well-functioning legal system in terms of IPR protection to ensure financial benefits of IP owners.

According to statistics, there is a growing demand for such rights worldwide. Intellectual property offices in Asia, with China driving the trend, received the highest number of applications for patents, utility models, trademarks and industrial designs (Figure 6). However, the revenue generated from intellectual property in developing countries, including China, is currently lagging behind compared to figures for the US, the EU, Japan, and Switzerland¹⁶.

Figure 6. Patent application for the top 10 offices



Source: WIPO statistics database, 2014

¹³ PFilming in Croatia.

[retrieved from http://filmingincroatia.hr/en/production_incentive/rebate_for_film_and_tv_production].

¹⁴ Public Financing for Film and Television Content, European Audiovisual Observatory (Council of Europe), Strasbourg, 2016. [retrieved from https://www.uni-weimar.de/fileadmin/user/fak/medien/professuren/Medienoekonomie/SS_2017/Public_financing_for_film_and_television_content_-_International-Film-Partners_-_Richard_Bolan.pdf].

¹⁵ Cultural Times: the First Global Map of Cultural and Creative Industries, YE, 2015, p.24.

¹⁶ Progressive economy, trade facts [retrieved from <http://www.progressive-economy.org/>].

Key takeaways

- A steadily growing world market for creative goods and services provides new opportunities for developing countries to better integrate into the global economy.
- During the period of 2002 to 2015, world exports of creative goods increased more than twofold, from \$208 billion to \$500 billion.
- The sector is gaining recognition at national and global levels due to its relative resilience to economic shocks and a dual economic and cultural orientation.
- Predominant share of market players tends to be micro and small-sized.
- Technological development has shifted the focus of creative industries from physical forms of production to their digital equivalents.
- South-South trade in creative goods is gaining momentum and opens up new horizons for future trade and investment growth.

CREATIVE INDUSTRY IN UKRAINE

The creative industries in Ukraine have recently been acknowledged and included in national-level strategic documents. First introduced as a priority in the Strategic Trade Development Roadmap (STDR), the sector is considered to be at the emerging stage of development. Most of the sector initiatives at policy, institutional, business or individual levels remain occasional and fragmented. To ensure a continuous and systematic work on the sector development, the government has taken a step forward to engage in the elaboration of deliberate and consolidated sector action.

The creative environment in the country is currently taking form with the development of professional platforms, emerging creative hubs and other forms of creative cooperation, in response to the actual needs of entrepreneurs. Big cities have been particularly vibrant with a rise of co-working spaces, hubs, anti-cafes, and other initiatives. These centres offer diverse services and facilities to nurture the creative ecosystem. Among those initiatives there are Platforma Art Zavod, Jam Factory, Impact Hub, to name a few, that provide a working environment with a focus on the creative process.

According to the Global Creativity Index 2015¹⁷, Ukraine was ranked 45th out of 139 countries. The factors that allowed the country to secure a decent position in the international ranking include talent coupled with a high level of education and technology. This indicates that the economy has the fundamental prerequisites for the development of creative activities, which can be turned into higher value added.

In addition, as revealed by the 2017 report by the EU-Eastern Partnership Culture and Creativity Programme, the creative industries in Ukraine are benefiting from the increasingly popular "Made in UA" movement, a greater government focus on supporting "national cultural products" and the promotion of Ukrainian as the official language.

Policy towards integrating the creative industries

Government of Ukraine has realized a potential contribution of the sector to the economy and established concrete steps for its further development. Following the global tendency, Ukraine integrated the cultural and creative dimension into its policy agenda, including "Long-term Strategy for the development of Ukrainian culture – strategy reforms". Further, the sector has been defined as a priority in a broader policy document, the recent Export Strategy of Ukraine¹⁸. This latter document identified and prioritized advertising, crafts, design, film industry, fashion, performing and visual arts subsectors as drivers of innovation and high value-addition with the potential to invigorate SME development and entrepreneurship. The country's Doctrine of Sustainable Development "Ukraine-2030," aiming at 10% of economic growth per annum, specifies that the development of the creative economy is one of the key mechanisms for a sustainable development model¹⁹.

¹⁷ Global Creativity Index [retrieved from <http://martinprosperity.org/content/the-global-creativity-index-2015/>]

¹⁸ Export Strategy of Ukraine: Strategic Trade Development Roadmap 2017 - 2021 approved by the Resolution of the Cabinet of Ministers of Ukraine on 27 December 2017, No. 1071-p.

¹⁹ Melnichuk O., Antonyuk L., Gumenna O., Zhilinska O., Ukraine 2030: The Doctrine of Balanced Development, Lviv: Kalvaria, 2017 (in Ukrainian).

Another latest step at the national level is the approval of amendments into the Law on Culture, defining the concept of the creative industries. According to the Law, the sector represents those economic activities, with purpose to create added value and jobs through cultural (artistic) and/or creative expression, and products and services of individual creativity. Further specification of those economic activities and creative industry subsectors is not provided. But, the Resolution No. 265-p provides a comprehensive list of recognised economic activities that belong to the creative industries²⁰. Apart from some changes in the policy and legal framework, Ukraine established the Creative Industries Development Sector as part of the Office of Strategic Planning and Development as a special unit of the MinCult.

Based on common understanding of creative sector established on institutional level, the concept of creativity in Ukraine is closely linked to the notion of culture. While the cultural aspect is unarguably one of the main sources of inspiration and creativity, the broader approach to creative industries can be less dependent on national traditions and heritage. To be competitive on the international market, enterprises engaged in creative industries must consider global trends and preferences, which may diverge from the motives and patterns of the national culture.

Socio-economic contribution comparable to the world's average

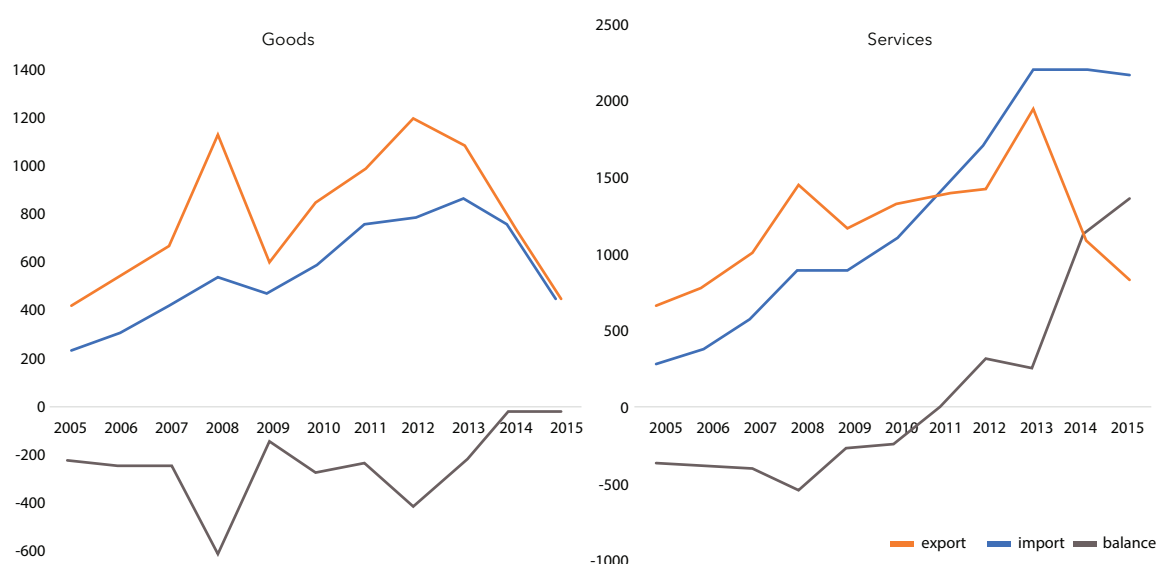
The creative industries in Ukraine bring around 3.5% of value added to the GDP and account for 2% of the total employment²¹. Although considerably lower than the EU average of 6.5%²² in terms of employment, this indicates that Ukraine has a decent starting point to further develop the sector and translate it into tangible economic results.

A moderate sector's contribution to the economy is comparable to the world's average (3% of world GDP). However, this figure is substantially lower than the average indicator in Europe (6.8%) or in the leading countries of the market (11.2% in the US; 10.3% in Australia; 6% in the Netherlands)²³.

Design industry leading the export basket of creative goods

Ukraine is a net importer of creative goods, while there is a reverse trend in services. The export of creative goods increased three-fold from \$238 million in 2005 to \$768 million in 2014 (Figure 7).

Figure 7. Trade balance of creative products in Ukraine



Source: IMF, 2018

²⁰ The Resolution of the Cabinet of Ministers of Ukraine dated on April 24, 2019 No. 265-p «On approval of types of economic activities that belong to creative industries» [retrieved from <https://www.kmu.gov.ua/ua/npas/pro-zatverdzhnoyi-diyalnosti-yaki-nalezhat-do-kreativnih-industrii>].

²¹ To compare, the value added of the mining industry is around 5.7%, finance and insurance make up for slightly more than 5%, while the construction sector is 2.6%.

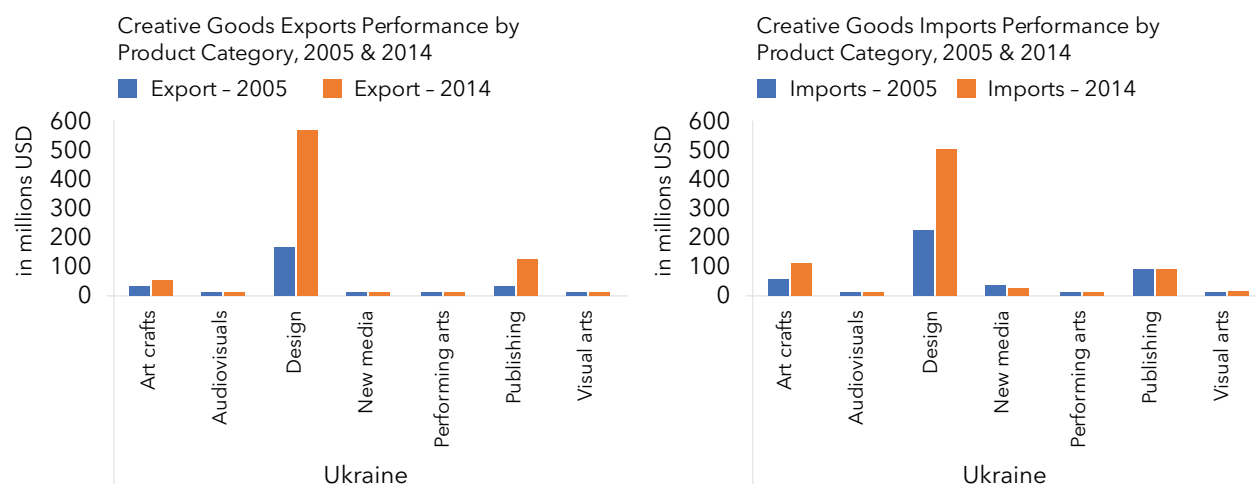
²² The Economic Contribution of the Creative Industries to the EU in terms of GDP and Jobs, TERA Consultants, 2014. [retrieved from <http://www.teraconsultants.fr/en/issues/The-Economic-Contribution-of-the-Creative-Industries-to-EU-in-GDP-and-Employment>]

²³ Skavronska I., Creative Industries in Ukraine, Analysis and Prospects of the Development, 2017. [retrieved from https://www.economics-sociology.eu/files/11_413_Skavronska.pdf]

In line with the global pattern, design goods represent the lion's share of creative goods production, accounting for 70%. Ukrainian fashion industry has been maturing and expanding for many years, although it previously did so off the international radar and with a largely domestic clientele in mind.

As in other developing countries, art crafts and publishing follow the design production on the list of creative goods exported, albeit with substantially lower percentages. Other subsectors are not currently demonstrating a significant contribution to the export of creative goods²⁴.

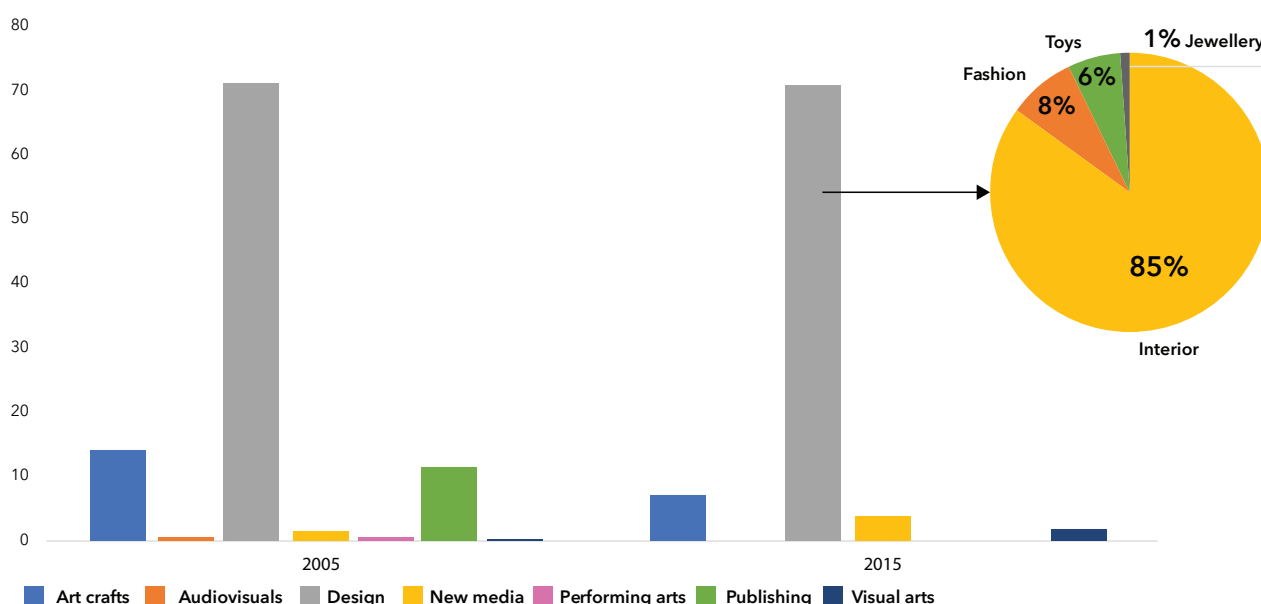
Figure 8. Creative goods export/import performance by product category for 2005 and 2014



Source: UNCTAD Creative Economy Database

At the same time, from the dynamics perspective, the weight of new media and visual arts in the creative export basket grew faster than any other creative industry. Over the observed decade, their sales to foreign markets have doubled indicating further growth potential.

Figure 9. Structure of creative goods for 2005 to 2015



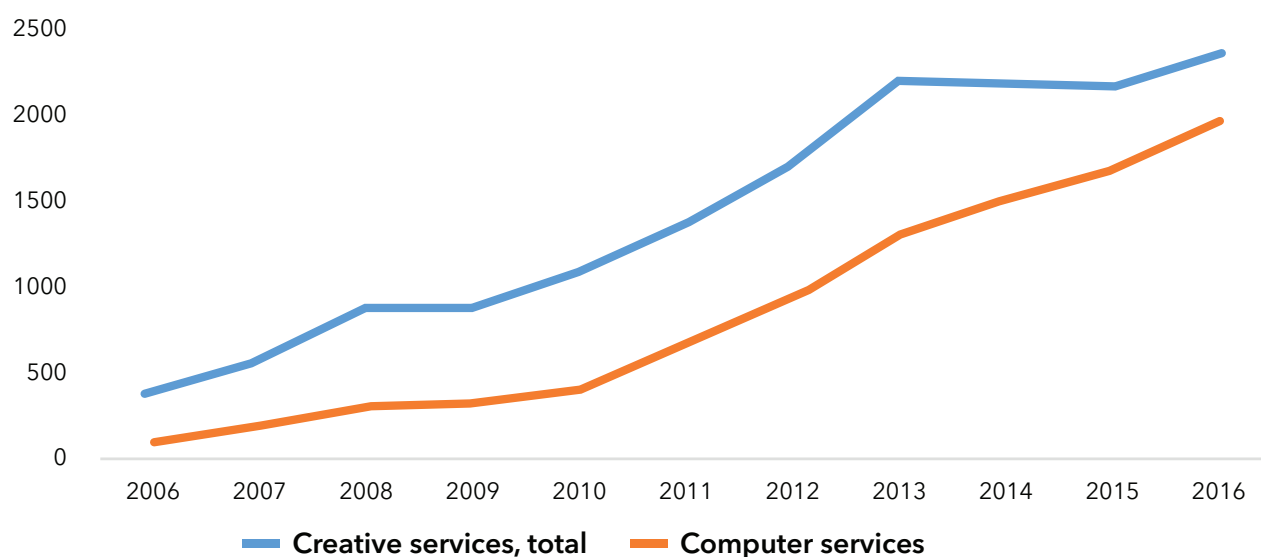
Source: UNCTAD Database on Creative Economy, 2018

²⁴ UNCTAD Creative Economy Database.

Export of creative services has been consistently increasing with an annual average of 20% between 2006 and 2016. Computer services have been an underlying driver of this upward process marking a threefold increase over the given period. The weight of R&D in the export of creative services dropped from 59% to 11% while computer services grew in importance from 24% of creative service exports to 84%.

In general, the demand for tech-qualified professionals has transformed Ukraine into an outsourcing force in the IT domain. With an already visible presence of the IT industry, Ukraine can capitalize on highly skilled specialists and activate those creative industries that are predominantly reliant on technologies, including audiovisual subsector, the potential of which is yet to be realized.

Figure 10. Exports of creative services (total) and computer services from 2006 to 2016



Source: UNCTAD calculations based on IMF Balance of Payment Statistics (2018)

However, it should be noted while the performance of computer services has seen encouraging indications of development, there is concern that other creative services exports, notably audiovisual and related services, are showing signs of stagnation or decline.

Table 3. Export and import of creative services, 2010 to 2016

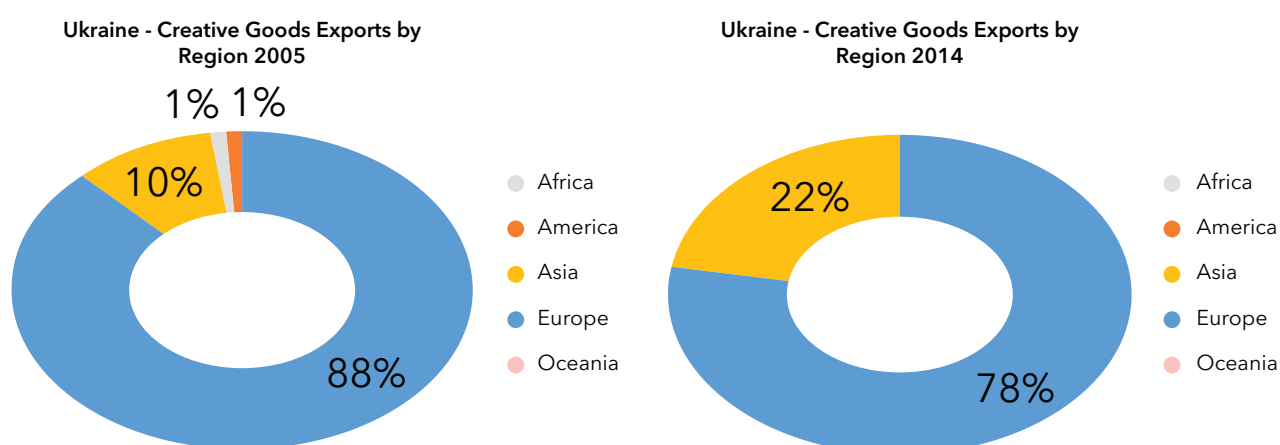
UKRAINE							
Values in Million US \$	2010	2011	2012	2013	2014	2015	2016
EXPORTS	951	1,261	1,595	2,017	2,069	2,073	2,270
Charges for the use of intellectual property n.i.e							
Other business Services	490	526	567	581	440	349	256
Research and development (R&D)	490	526	567	581	440	349	256
Personal, cultural and recreational services	32	37	36	42	31	17	14
Audiovisual and related services	32	37	36	42	31	17	14
Telecommunications, computer, and information services	429	698	992	1,394	1,598	1,707	2,000
Computer services	404	658	937	1,292	1,500	1,668	1,975
Information services	25	40	55	102	98	39	25
IMPORTS	566	640	687	856	547	464	457
Charges for the use of intellectual property n.i.e							
Other business Services	167	172	166	149	89	32	57
Research and development (R&D)	167	172	166	149	89	32	57
Personal, cultural and recreational services	152	172	150	262	88	82	55
Audiovisual and related services	152	172	150	262	88	82	55
Telecommunications, computer, and information services	247	296	371	445	370	350	345
Computer services	210	255	334	398	337	327	323
Information services	37	41	37	47	33	23	22

Source: UNCTAD, Creative Economy Database

Europe as a prominent market for Ukrainian creative products

Examination of Ukraine's creative goods export markets from 2005 to 2014 by region (Figure 11) shows a high level of dependency on the European market (up to 78%). However, Asia's share of creative goods exported from Ukraine more than doubled from 10% in 2005 to 22% in 2014.

Figure 11. Creative goods exports by region for 2005 and 2014



Source: UNCTAD, Creative Economy Database

Exports of Ukraine's creative goods to the Russian Federation more than tripled from \$140 million in 2005 to \$448 million in 2014. However, rather than this being a sign of growing dependence on the Russian market as an export destination, in fact the opposite is true. Exports to this market as a share of total creative goods exports decreased from 59% in 2005 to 50% in 2014. Other main export destinations for Ukraine's creative goods include Belarus, Moldova, Kazakhstan, Azerbaijan and Uzbekistan.

Table 4. Top 10 export partners for creative goods, 2004 and 2014

TOP 10 EXPORT PARTNERS FOR CREATIVE GOODS, 2005 AND 2014								
2005					2014			
Economy	Values in Million US \$				Values in Million US \$			
Ranking	Partner	Exports	Imports	Balance	Partner	Exports	Imports	Balance
1	Russian Federation	140,61	100,84	39,77	Russian Federation	448,39	63,69	384,70
2	Italy	12,66	31,01	-18,35	Kazakhstan	81,26	0,11	81,16
3	Kazakhstan	12,18	0,32	11,86	Belarus	38,73	11,23	27,50
4	Republic of Moldova	11,89	4,73	7,16	Denmark	20,12	6,43	13,69
5	Germany	10,91	27,34	-16,43	Azerbaijan	20,05	0,03	20,02
6	Belarus	5,34	11,40	-6,06	Germany	18,80	42,30	-23,50
7	France	4,96	6,17	-1,21	Republic of Moldova	17,16	1,75	15,41
8	Denmark	4,10	4,77	-0,67	Italy	17,16	42,53	-25,37
9	China	3,80	82,13	-78,33	Uzbekistan	13,12	0,05	13,07
10	Poland	3,06	28,48	-25,42	Georgia	12,66	0,00	12,66

Source: UNCTAD, *Creative Economy Database*

Diversifying financing mechanisms to support creative activities

Awareness of issues relating to access to finance, has spurred the government of Ukraine to start developing solutions to support companies at different stages of their business maturity. A recent arrangement, the Ukrainian Cultural Foundation, aims to provide grants for cultural operators within a competitive system. UCF managing board includes representatives from cultural associations as well as relevant creative sector institutions.

At a regional level, Ukraine is in a position to benefit from European programmes for the creative industries. In 2015, the country joined the Creative Europe Programme, which opens up opportunities for Ukrainian operators in culture and media. Participation gives access to additional funding, partnerships, international visibility and know-how²⁵. The Programme encourages and provides opportunities for co-creation and co-production of creative products together with other European players from the creative market. The programme also funds trainings and other learning activities for sector professionals to acquire necessary sector knowledge in addition to expanding their contacts.

Another financing mechanism receiving more attention from representatives of the creative industries is fundraising, including crowdfunding platforms. These platforms enable small businesses operating in the sector of the creative industries (1) to access alternative sources of funding, and (2) to link IP owners and producers to users.

Positioning audiovisual industry as a core subsector

As it has the potential to bring together other creative industries within its value chain (soundtrack, costume design, scriptwriting, set design, storyboarding, animation, SFX, etc), the film industry is seen as being a core subsector across the industry. The government has undertaken certain initiatives to establish favourable conditions for this industry's growth and competitiveness. For example, the country has established the Ukrainian State Film Agency to monitor, facilitate, and further develop film production.

Given the importance of the film industry to the national economy, the government has taken a number of steps to its development. A number of events to promote Ukrainian film industry and national films both in Ukraine and abroad were supported and organized. Including but not limited, financial support of national stands participation in key film markets, training programs for local professionals, lectures by foreign speakers and experts, for the implementation of the representative functions of industry associations. In addition, to stimulate the cinematic sphere, the country supported the production of national films of different genres and types²⁶.

²⁵ Farinha Ch., *Developing Cultural and Creative Industries in Ukraine*, EU-Eastern Partnership Culture and Creativity Programme, p. 38.

²⁶ Farinha Ch., *Developing Cultural and Creative Industries in Ukraine*, EU-Eastern Partnership Culture and Creativity Programme, p. 28.

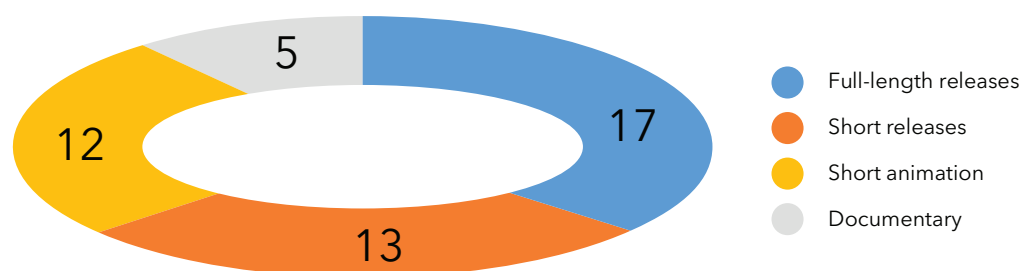
Another initiative in the audiovisual subsector is related to the adoption of the Law of Ukraine “On Public Television and Radio Broadcasting of Ukraine” that has allowed the conditions for creation of public broadcasting and building-up of necessary structures, ensuring transparency of media ownership and the protection of professional activities.

State support for the Ukrainian film industry

The domestic audiovisual industry is on the rise, despite continuous economic and political transition reforms in Ukraine. Television and cinema content producers expand horizons, improve the quality of their product, and get access to growing state support.

Moving to the statistics, there has been an increase in film production funded by the government. In 2017, 47 films were produced with the state budget. A year before, the state allocated funds for 35 film projects. In 2018, the budget for the development of Ukrainian cinematography amounted approximately to UAH 1 billion, and in 2019 approximately to UAH 800 million²⁷.

Figure 12. Production of films funded by the state, 2017



Source: compiled by national consultants

To increase investment in the film industry, the Government introduced the Law on State Support of Cinematography in Ukraine²⁸, which aims to create favourable conditions for film production in the territory of Ukraine. The proposed legislation provides a legal ground to establish financial support and fiscal preferences to cinematography. Its implementation will allow film producers to receive state funding up to 50% to 100%, depending on the film category. It will also enable local and foreign production companies to benefit from cash rebates of 16.6% to cover “qualified” production costs arisen on the territory of Ukraine²⁹. Additionally, film producers will be entitled to 10% (in Kyiv and Sevastopol) and 4.5% (in other territories) refund of remuneration paid to actors and film crew, provided these costs meet certain conditions³⁰.

To manage state support funds effectively, the Law prescribes the establishment of the Council for State Support of Cinematography. The Council, consisting of nine members appointed for two-year terms, selects and approves projects to benefit from state support.

To date, the Law has entered into force, but has not been fully implemented. Certain provisions of the legislation, including the cash rebates system, are still disabled due to the need to amend relevant legal acts.

Box office

The share of Ukrainian films in domestic cinemas is growing, but remains low. In 2016-2017, around 95% of what was shown in Ukrainian was of foreign origin, while only a small percentage of local productions made it to the screens in the home market³¹. In 2018, this share has slightly improved, as reported by some cinemas, indicating a positive shift in development³².

²⁷ Ukrainian State Film Agency <http://dergkino.gov.ua/ua/text/reports-state-cinema.html>, <https://ucf.in.ua/>

²⁸ Adoption of the bill №3180-d stipulates amendments to the following legislative acts: Code on Administrative Offences of Ukraine, Economic Procedure Code of Ukraine, Criminal Code of Ukraine, Civil Procedure Code of Ukraine, Law of Ukraine “On Cinematography”, Law of Ukraine “On Copyright and Related Rights”, Law of Ukraine “On Advertising”, Law of Ukraine “On Electronic Commerce”.

²⁹ Article 11, Law of Ukraine “On State Support of Cinematography of Ukraine”.

³⁰ Ibid.

³¹ Farinha Ch., Developing Cultural and Creative Industries in Ukraine, EU-Eastern Partnership Culture and Creativity Programme, p. 29.

³² To balance the demonstration of foreign and domestic films in Ukrainian cinemas, the Government established a quota of 15% as a share of national products shown. After 2022, the quota for domestic films is expected to increase up to 30%.

In total, 28.7 million tickets were sold, adding up to 4.5 million tickets more than in the previous year³³.

Production of full-length films in Ukraine is also on the rise due to increasing state financial support. In 2011, only one domestic production film was screened in Ukrainian cinemas, while in 2015 there were already 29. According to Ukrainian State Film Agency, in 2018 this figure was expected to increase to 49.

According to available data, in 2017 Ukrainian films were viewed by 1.389 million people, collecting about \$3.58 million, which corresponds to 4.4% of the total tickets sold³⁴.

Access to international markets

While Ukrainian feature films and full-length animation have just started penetrating the international market, the first results are encouraging. In particular, 3D-animation "Mykyta Kozhumiaka" was sold to more than twelve countries, including Japan, China, South Korea, Great Britain, Poland, Turkey, India, the Czech Republic, Bulgaria, the countries of the Middle East, and the Baltics.

Other examples of success export stories include animated films such as recent "Mavka. The Forest Song" and "The Stolen Princess". The latter collected about \$1.37 million in Ukrainian cinemas. It has been also sold to more than 50 countries and regions: China, South Korea, France, Poland, Israel, Germany, Austria, Switzerland, Lithuania, Latvia, Estonia, as well as the countries of the Middle East and South Africa. Further, at a recent time, international exposure was received by Ukrainian fantasy "The Stronghold", comedy "DZIDZIO Contrabass", drama "Battle for Sevastopol" and others.

International interest

Due to a diverse range of locations, low production costs as well as skilled and experienced production teams, Ukraine is an attractive destination for foreign producers. Over the past 20 years, more than 50 international projects have been moved to the country. Among well-known projects there are Sharpe's Honour and Sharpe's Battle (1994-1995, Great Britain), Black Sea Raid (2000, USA), The Legend of 1900 (1998, Italy), The House of Flying Daggers (2004, Hong Kong), Bitter Harvest (2017, Canada), and many others.

International cooperation

To scale up its presence in the international audiovisual market, Ukraine needs to develop cooperation with the European organizations, such as Eurimages, CEPI, MEDIA, Cinema Net Europe, Europa Cinemas, etc.

Eurimages is a European foundation, established on 26 October 1988, on the basis of Resolution of the Committee of Ministers of the Council of Europe to support coproduction and releases by providing financial support to feature, animation and documentary films.

Fund members are 38 countries: Austria, Albania, Belgium, Bulgaria, Bosnia and Herzegovina, Armenia, Greece, Georgia, Denmark, Estonia, Ireland, Iceland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, North Macedonia, Netherlands, Germany, Norway, Poland, Portugal, Russia, Romania, Serbia, Slovakia, Slovenia, Turkey, Hungary, Finland, France, Croatia, Czech Republic, Switzerland, Sweden, Canada (Associate Member).

Since 1988 Eurimages supported more than 700 full-length and documentary films production. Its annual budget is nearly 20 million euros. There are two schemes for financial support for film production 1) for films with potential for European cinema releases and 2) films that represent the cultural diversity in European cinematography.

³³ Ukrainian films collected more than \$3.5 mln (in Ukrainian), Ukrainian Motion Picture Association, Detector Media, 23.04.2018 [retrieved from <https://detector.media/rinok/article/136874/2018-04-23-u-2017-rotsi-ukrainski-filmi-zibrali-v-prokati-bilshe-35-mln-ukrainska-kinoasotsiatsiya/>].

³⁴ Ukrainian movies accounted for 4.4% of the box office, Interfax, 20.04.2018 [retrieved from <https://ua.interfax.com.ua/news/general/500395.htmlhttps://detector.media/rinok/article/136874/2018-04-23-u-2017-rotsi-ukrainski-filmi-zibrali-v-prokati-bilshe-35-mln-ukrainska-kinoasotsiatsiya/>].

First steps in this direction were taken in November 2018 when the Government supported the bill on Ukraine's accession to Eurimages. The membership in this European support fund for the co-production and distribution of cinematographic and audiovisual works will allow Ukrainian cinematographers to benefit from additional sources of financing, to raise its visibility, and expand their market.

Originally, the procedure for Ukraine's accession to Eurimages was launched in 2002, approved by the Law of Ukraine "On the National Program for the Development of the National Cinema Industry for 2003-2007." The intended accession to this organization was never realized. Further delay of this process puts at risk the preferential rate of the entrance fee that has been provided to Ukraine.

Key takeaways

- Creative industries in Ukraine have just recently begun to receive visibility and acknowledgement of their economic potential at the policy level.
- Current socio-economic contribution of the creative industries is comparable to the world's average, but considerably lower than in the EU.
- Design subsector dominates in the export of creative goods, while computer services are indisputable leaders in creative services.
- Export of Ukrainian creative goods is traditionally oriented towards Europe, in particular the CIS market.
- Audiovisual subsector represents a promising domain to drive the development of a diverse range of subsectors.

COMPETITIVE CONSTRAINTS

Being only recently recognized as a potential contributor to economic growth, this sector is characterized by a number of challenges at the policy, institutional and enterprise levels. The number of formal enterprises engaged in the sector is relatively low. The sector is disorganized and fragmented, to the extent that no one is really familiar with its composition. Collaboration within the sector is low, and this has a bearing on the level of innovation which takes place within the sector. Likewise, institutional activities and support to enterprises engaged in the creative industries remain relatively unsophisticated. Although much has been done recently at the regulatory level, there is still some way to go before policies equate to those in other countries promoting the creative industries, notably those in the European Union.

The following is an assessment of key competitiveness constraints characterised within the sector. The identified constraints are structured around a number of factors that impact the capacity of its firms to compete in the marketplace, connect with its customers and adapt to the changing environment.

For an export strategy to be effective, it must address a wide set of constraints across all three dimensions of competitiveness. Figure 13 illustrates the integrated approach of SME Competitiveness Grid framework.

Figure 13. The 3C Framework: the SME Competitiveness Grid

Pillars of competitiveness	Compete	Quantity and Cost requirements
		Time requirements
		Quality requirements
	Connect	Connecting to buyers
		Connecting to suppliers
		Connecting to institutions
	Change	Financial requirements
		Skills requirements
		Innovation and IP requirements

◇ Competition in national and foreign markets

Competitiveness represents the business entities ability to be successful in market competition, which leads to product quality increase. Strong market competition forces companies to operate more efficiently, search for new competencies and unique competitive advantages and implies closer cooperation with related sectors.

Box 1. Competitiveness constraints: Compete

Compete in national and foreign markets
<p>Quantity and cost requirements</p> <ul style="list-style-type: none"> • The complexity of the tax system hampers the sector's growth and the competitiveness of produced creative goods/services. • Burdensome requirements and undeveloped online payment infrastructure impede the development of electronic commerce. <p>Quality requirements</p> <ul style="list-style-type: none"> • Dispersed information about sector trends and foreign market requirements result in limited product adjustments to clients' needs and preferences. • Relatively low domestic market demand suppresses competitiveness and product improvement.

◇ Quantity and cost requirements

The complexity of the tax system hampers the sector's growth and the competitiveness of produced creative goods/services. Start-ups and enterprises in ramp-up years are particularly sensitive to tax obligations. Stringent regulations and relatively high levels of taxes affect the decision to register/expand the business. Moreover, an inefficient tax system hits investors' confidence, resulting in reduced business opportunities for the sector enterprises. Tax factors that primarily influence investment include transparency, simplicity and stability of the application of the tax law, as well as tax rates and incentives.

Plan of Action reference: Activity 2.3.2

Burdensome requirements and undeveloped online payment infrastructure impede the development of electronic commerce. Identified constraints include restrictions on accepting electronic payments, inability to process certain payments through online applications, and the lack of adherence to internationally recognised standards and platforms, including limited access to PayPal services. In these circumstances, enterprises are forced to find roundabout ways to use online payment systems, including through intermediaries and foreign bank accounts. Those "indirect" schemes result in additional operational costs and increased product prices, and discourages small enterprises from engaging in export in the first place.

Plan of Action reference: Activity 3.1.6

◇ Quality requirements

The quality of products is identified as a weakness of the creative industries sector. According to the SMECS, local Ukrainian companies do not compete well on quality requirements on international market, which influences low internationalization. The factors that contribute to this situation include lack of knowledge about sector's trends and developments, insufficient awareness about consumers' needs and market requirements as well as relatively low domestic demand.

Dispersed information about sector trends and foreign market requirements result in limited product adjustments to clients' needs and preferences. There is an insufficiently developed trade information network with limited sector/market-relevant data, research and analytics. Lack of trade and market intelligence service prevents businesses from making informed and targeted business decisions. The lack of information on the latest developments in this sector, as well as potential markets and buyers leads to low product quality, thus failing to meet market requirements and changing buyer trends and preferences.

Moreover, the absence of a sector-dedicated web portal complicates access even to available information, especially for microenterprises. The portal could serve as a central information repository, raise the profile of the industry at national/international levels, and facilitate business development and trade.

Plan of Action reference: Activities 1.1.4 and 1.2.1

Relatively low domestic market demand inhibits competitiveness and product improvement. For a long time the concept of creativity in Ukraine has been mainly associated with culture, rather than with commercial value. Apart from constraining the emergence of new businesses, this narrowed perception also undermines the consumption of creative products. Robust domestic demand creates conditions under which sector enterprises can gain special expertise and enhance their competitive advantage.

Plan of Action reference: Activity 3.2.5

◇ Connecting with suppliers, markets and clients

Competition involves interaction, interconnection and struggle among companies in order to provide the best opportunities for sales and satisfying customer's needs. In such circumstances, the competitiveness of enterprises is determined by their ability to understand the needs and desires of consumers, as well as to build close and productive relationships with suppliers and institutions.

Business environment constraints

Connecting to buyers

- Insufficient marketing and global positioning of Ukrainian creative products affect sector visibility and recognition abroad.
- Limited skills of enterprises in marketing and promotion impede access to new clients and markets.
- Lack of membership in international sector-relevant bodies affects product competitiveness in foreign markets.
- Fragmented state support to promote the creative industries sector abroad limits opportunities.
- Insufficient implementation of the new legislation to conduct international transactions may limit sector opportunities in foreign markets.

Connecting to suppliers

- Limited cooperation within and among subsectors impedes value retention in the country.
- Enterprises in the creative industries feature weak linkages with related sectors (tourism, ICT, etc.).

Connecting to institutions

- There is insufficient understanding of the sector's composition at the policy, legal and economic levels.
- Authorities lack reliable statistics and intelligence on the sector.
- Trade support network does not adequately meet the needs of enterprises.
- Public-private dialogue between authorities, and sector businesses and institutions is not structured.
- Given the fragmented nature of the sector, few advocacy activities are undertaken by professional networks and associations.

◇ Connecting to buyers

Insufficient marketing and global positioning of Ukrainian creative products affect sector visibility and recognition abroad. There is currently no common vision or strategy for the development and promotion of a Ukrainian brand abroad. A number of reasons affect this situation, including the absence of a systematic approach for the creation of such a brand, the lack of public financial and human resources dedicated to export promotion, and the traditional orientation to a less demanding CIS market.

Promotion activities are not based on a proactive trade policy; regular communication between businesses and trade missions, and coordination between the institutions involved in trade development need to be improved. Moreover, the absence of established monitoring mechanisms further compromises transparency and accountability of implemented activities.

Plan of Action reference: Activities 3.2.1, 3.2.4, 3.3.1 and 3.3.2

Limited skills of enterprises in marketing and promotion impede access to new clients and markets. Local companies lack sufficient competence in marketing strategies and brand communication. In general, companies have little knowledge of their buyers' needs and preferences. Relevant information is highly fragmented and not easily accessible, especially for micro- and small enterprises. The connection to sector institutions that could provide market information is also weak due to limited awareness on the part of businesses, the lack of credibility, and an inadequate service offer by institutions.

Plan of Action reference: Activities 1.2.1, 3.2.1, 3.2.4 and 3.2.5

Fragmented state support to promote the creative industries abroad limits sector opportunities. The creative industries sector has struggled with acquiring formal recognition by the state. A deficient regulatory framework has resulted in limited sector support stimulating internationalization and export orientation. Occasional assistance and facilitation of SME participation in international trade fora and missions remain highly limited at best. The lack of planned and continuous promotion support constrains the sector's visibility and an awareness about its distinct value proposition. For certain subsectors, such as audiovisuals, technical and financial assistance for the membership in relevant international associations is particularly vital to build credibility, while also staying informed about modern trends and developments.

Plan of Action reference: Activities 3.2.1, 3.2.4, 3.3.1 and 3.3.2

Insufficient implementation of the new legislation to conduct international transactions may limit sector opportunities in foreign markets. Ukraine has made significant steps towards liberalization of the currency control system by introducing the Law "On currency and currency transactions". The legislation is aimed to simplify foreign currency transfers/possession and facilitate related administrative procedures³⁵. This includes the cancellation of restrictions on sending funds out of Ukraine to non-resident legal entities and the elimination of the mandatory sale of a part of foreign currency proceeds by companies and individual entrepreneurs. To date, however, implementation has been limited, and most enterprises are still not benefiting from the new currency and documentary simplifications that the law allows for.

Plan of Action reference: Activity 3.1.5

◆ Connecting to suppliers

Limited cooperation within and among subsectors impedes value retention in the country. Significant sourcing of inputs (including labour) takes place from abroad, representing value leakages. As many sectors at the initial stage of development, the creative industries in Ukraine suffer from a high level of fragmentation among a diverse range of sub-sectors. Insufficient interactions among sector businesses and alliances hinder firm production capacities, resulting in low quality creative goods/services and affecting overall sector competitiveness.

Plan of Action reference: Activity 1.2.1

Enterprises in the creative industries feature weak linkages with related sectors (tourism, ICT, etc.). The sector is not sufficiently engaged in activities with other industries that could open up new opportunities for product sophistication and increased competitiveness. Limited awareness about potential benefits and lack of facilitation and promotion programmes are among the missing links that could stimulate companies to build synergies with related sectors. Better inter-sector communication would encourage joint research and collaboration, knowledge spillovers and technology transfer resulting in more innovative production.

Plan of Action reference: Activities 2.3.3 and 3.2.2

◆ Connecting to institutions

There is insufficient understanding of the sector composition at the policy, legal and economic levels. There is no agreed formal definition and recognition of the sector in relevant laws, policies and regulations. Initiatives remain scattered and discontinuous due to the lack of an adequate legal and economic sector formalization. A general lack of understanding of the sector, its scope and its composition impedes the provision of targeted support to eligible sector enterprises.

Plan of Action reference: Activity 1.1.1 and 1.1.2

Authorities lack reliable statistics and intelligence on the sector. The absence of a consistent and structured approach to data collection and processing hinders the capacity of policymakers to take adequate policy measures to support the sector's development.

³⁵ National Bank of Ukraine

[retrieved from https://bank.gov.ua/control/uk/publish/article?art_id=97873718&cat_id=55838&fbclid=IwAR2HgBRaKiwgydIY9BAfsm_oznRBMj6iUdsyBj8uug30kQ5eFKNnddyOY].

Further, the absence of a one-stop information platform makes it difficult for enterprises to obtain relevant statistics and sector/market analytics to take informed business decisions.

Plan of Action reference: Activity 1.1.2, 1.1.4 and 1.2.1

Trade support network does not adequately meet the needs of enterprises. According to the SMECS³⁶, only around 15% of sector enterprises engage with business support organizations and sector associations. Several factors contribute to a generally low level of MSMEs interactions with trade support institutions. As in other sectors, firms often mistrust the institutional system and are sceptical about the usefulness of provided services. At the same time, the availability and quality of services offered remains a concern, especially for micro-enterprises that represent a significant share of the sector. The service offer is particularly insufficient in the areas of export development support, compliance with international standards and requirements, and participation in international trade fairs. Simultaneously, many enterprises are unaware of available support from trade and investment support institutions due to the lack of outreach by the relevant institutions. Improving outreach could motivate MSMEs to seek advisory services and other assistance from relevant organisations.

Plan of Action reference: Activity 1.1.3 – 1.2.1

Public-private dialogue between authorities, and sector businesses and institutions is not structured. Sector enterprises express a general lack of trust in the government and related institutions, which leads to limited cooperation. There is a low level of business advocacy as enterprises are sceptical about their impact on policy formulation and process. At the same time, the sector itself is still at the emerging stage with weak intra-industry connections and representation. This indicates a need for the establishment of a formal public-private dialogue platform for a continuous policy improvement, awareness creation, promotion and market development.

Plan of Action reference: Activity 1.1.3

Given the fragmented nature of the sector, few advocacy activities are undertaken by professional networks and associations. Currently there is no vocal sector representation that would engage in the dialogue with the government on behalf of all creative industries. As a highly diverse sector, the creative industries feature a number of small and scattered networks and associations, often at the subsector level, with limited communication activities. A central non-state body (alliance/federation) is required to bring together the priority subsectors, shape a joint sector position, and actively contribute to agenda setting, policy formulation and implementation.

Plan of Action reference: Activity 1.1.4

◆ Changes, innovate and tap into emerging trends

Competitiveness is not a phenomenon inherent in an object, it does not follow from its internal nature, but is manifested in comparison of this object with others, because enterprises operate in a dynamic environment. Thus, competitiveness is largely determined by the ability of enterprises to adapt and respond adequately to changes.

Box 3. Competitiveness constraints: Change

Change, innovate and tap into emerging trends

Financing requirements

- Limited financial support targeting the creative industries constrains the development of the sector.
- The lack of a strategic approach to attract investment from existing and potential investors limits diversification opportunities.
- Inadequate cash rebate scheme for the audiovisual subsector does not allow enterprises to finance sizeable initiatives.

³⁶ ITC, SME Competitiveness Survey in Ukraine, 2019.

Skills requirements

- A persistent mismatch of technical and vocational skills, required by the industry and provided by educational institutions, hinders labour productivity.
- Lack of business, management and marketing skills limit enterprises' potential.

Intellectual property and innovation requirements

- Institutional framework related to IPR protection lacks consistency and cohesion.
- IP system is not fully compatible with international and European standards, particularly in the area of monitoring and enforcement.
- Inadequate awareness about IPR protection among enterprises/IP owners impede sector development.
- The absence of incubation or acceleration/support system hinders the creation of start-ups and new enterprises.

◇ Financing requirements

Limited financial support targeting the creative industries constrains the development of the sector. Sector enterprises are sometimes associated with higher risks than other businesses due to their predominantly small size, intangible assets and reliance on royalties. These specificities require special conditions adjusted to the needs of the sector. Apart from mobilizing their own financial resources, businesses could benefit from investment by banks (loans, guarantee schemes, etc.), public funding (matching grant schemes) from central and regional governments, and patronage.

Plan of Action reference: Activities 2.3.1 and 2.3.2

The lack of a strategic approach to attract investment from existing and potential investors limits diversification opportunities. There is no targeted investment scheme to channel FDI and local investment to the creative industries sector. Existing initiatives are not necessarily specific to the sector and do not incentivise investors to take decisions in favour of the sector enterprises. This affects the sector's level of sophistication, its diversification and innovation potential.

Plan of Action reference: Activity 2.3.2

Inadequate functioning of cash rebate scheme for audiovisual sub-sector does not allow enterprises to finance sizeable initiatives. The Law on State Support of Cinematography entered into force in 2017 to create favourable conditions for the film industry. One of the provisions specifies the introduction of a cash rebate system at the level of 16.6% for certain "qualified" expenditures. However, eligible enterprises do not benefit from this system, as necessary amendments to relevant legal acts have not been implemented to enable the functioning of this system.

Plan of Action reference: Activity 2.3.2

◇ Skills requirements

A persistent mismatch of technical and vocational skills, required by the industry and provided by educational institutions, limits labour productivity. It is widely acknowledged that the workforce is highly educated in Ukraine. Nevertheless, enterprises are challenged with finding the skills that they require in the Ukrainian labour market. This suggests a mismatch between the supply and demand for labour resulting from a detachment of the education system from industry.

Plan of Action reference: Activities 2.1.1 and 2.1.2

Lack of business, management and marketing skills limit enterprises' potential. Enterprises in general do not possess adequate managerial skills notably in the areas of financial management, international marketing, and business planning strategy. These are essential for firms wishing to engage in international trade. The formal education system and vocational curricula do not cater for the development of strategic, managerial and

communication competencies. In this context, educational institutions need to adopt new approaches to include entrepreneurial and business-relevant skills.

Plan of Action reference: Activities 2.1.3 - 2.2.1

◆ Intellectual property and innovations requirements

Institutional framework related to IPR protection lacks consistency and cohesion. There is an established institutional set-up³⁷ in the country, including (1) the Department for Intellectual Property under the MEDT with the IP policy formulation function and (2) the National Intellectual Property Office³⁸ mandated with IP policy implementation. The current system, however, is not capable of responding sufficiently to the needs of enterprises. This results in a loss of income/royalties to enterprises and discourages further investment. At the operational level, IP-relevant functions are dispersed over various government bodies and institutions. Often the roles and responsibilities of these institutions are unclear and this results in confusion and unnecessarily long and onerous procedures for enterprises.

The absence of a clearly defined institutional system on IP protection also leads to weak monitoring and enforcement of existing laws and regulations. Overall, according to the Ukraine Alliance Against Counterfeiting and Piracy (WTO, 2016), the black market for counterfeit and pirated goods remains significant, with sales of fakes representing an estimated turnover of \$1.3 billion each year.

Plan of Action reference: Activities 3.1.1 - 3.1.3

The IP system is not fully compatible with international and European standards, particularly in the area of monitoring and enforcement. Ukraine has made important efforts to align its legal system with international IPR standards. However, Ukrainian legislation does not include adequate provisions ensuring effective enforcement of IPR rights; they are particularly unfit for enforcement in the digital environment³⁹.

Plan of Action reference: Activities 3.1.1 and 3.1.2

Inadequate awareness about IPR protection among enterprises/IP owners impede sector development. Royalties from the use of intellectual property are a fundamental source of income for enterprises in the creative industries sector. However, in Ukraine IPR laws are often disregarded due to insufficient awareness among enterprises⁴⁰. This does not incentivise new commercial ventures, or the expansion of existing ones.

Plan of Action reference: Activity 3.1.3

The absence of incubation or acceleration/support system hinders the creation of start-ups and new enterprises. Currently, there is limited availability of business incubation programmes for the creative industries sector that can provide physical infrastructure and targeted support services for start-ups. No dedicated agency is assigned to assist with the development of business incubation, promotion and facilitation of knowledge creation, innovation and entrepreneurship activities.

Plan of Action reference: Activities 1.1.4 and 2.3.4

Key takeaways

- The 3C Framework (Compete – Connect – Change) reflects the most pressing issues affecting the growth and expansion of the sector's enterprises.
- The specified constraints are tangible ones which, if addressed, would shape the sector, create conducive conditions for its development, and encourage internationalization.
- These must, however, be accompanied by attitudinal changes: a stronger sense of entrepreneurship, market orientation, product development and sophistication.

³⁷ Order of the Ministry of Economic Development and Trade of Ukraine dated on March 22, 2018 No. 387 "On Certain Issues Related to the Organisational Aspects of Intellectual Property"
[retrieved from <https://zakon.rada.gov.ua/rada/show/v0387731-18>].

³⁸ National Intellectual Property Office/WIPO [retrieved from <https://www.wipo.int/tisc/en/search/details.jsp?id=10610>]

³⁹ Report on the Protection and Enforcement of Intellectual Property Rights in Third Countries, Working document, European Commission, Brussels, pp. 22-23.

⁴⁰ Farinha Ch., Developing Cultural and Creative Industries in Ukraine, p. 27.

THE WAY FORWARD

The preceding analyses clearly reveal that Ukraine enjoys considerable opportunities in growing its creative industries sector with the aims of:

- Increasing employment and providing youth, women and remote communities with decent work and income opportunities through integration into creative industries value chains, and
- Increasing foreign exchange earnings.

In this regard, the development of the sector is fully consistent with the objectives of the United Nations Sustainable Development Goals, notably SDG 8 'Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'.

In doing so, sector stakeholders from both the public and the private sector must embrace three fundamental changes in outlook and mind-set:

First, a realization that culture and export-oriented creative endeavours are not always identical or transposable. The development of culture and export-oriented creative industries thus often requires distinct responses. Likewise, those involved in decision-making around the creative industries sector must adopt a business-minded approach orientation and possess business acumen.

Second, the private sector needs to operate like the private sector. To date, there is too much expectation (sometimes in contradiction of conventional business practice) and dependency on the state to put into place what should be private sector endeavours. While the state clearly has a role in making business possible, it is the private sector that must make business happen. A more proactive, entrepreneurial and mature private sector could propel the sector into competitiveness.

Third, while individual enterprises can continue to be successful, the sector as a whole must be more organized to withstand international competition, to meet market demands and preferences, and to realize Ukraine's latent potential in connectivity to markets.

Without these fundamentals in place, it is doubtful that the creative industries could flourish. This Strategy therefore aims to firmly establish foundations upon which the sector can grow and transition into a market-led, export-oriented sector. Existing markets, notably the EU and CIS, continue to be the most promising for Ukrainian creative goods and services in the short- to medium-term. The domestic market must be further developed as this could drive up dynamism and innovation, essential to the growth of the sector. In the medium- to long-term, strong potential exists in mature and emerging markets such as the North America, as well as developing countries (China, India, Latin America) especially for audiovisual subsector.

Such a transition requires a deliberate and coordinated set of responses structured around a clear vision, reinforced through achievable strategic objectives, and attained through a series of concrete actions.

◇ Vision and strategic objectives

To guide the implementation of the sector Strategy in the next three to five years, the vision statement set out below has been formulated and agreed upon by stakeholders who participated in the consultations for the design of this Strategy⁴¹. It represents the ambitions of the country as well as a consensus among stakeholders over the role of creative industries exports in the Ukrainian economy today and in the near future.

The following is a delineation of the proposed vision and strategic approach in this direction, agreed with all national trade stakeholders.

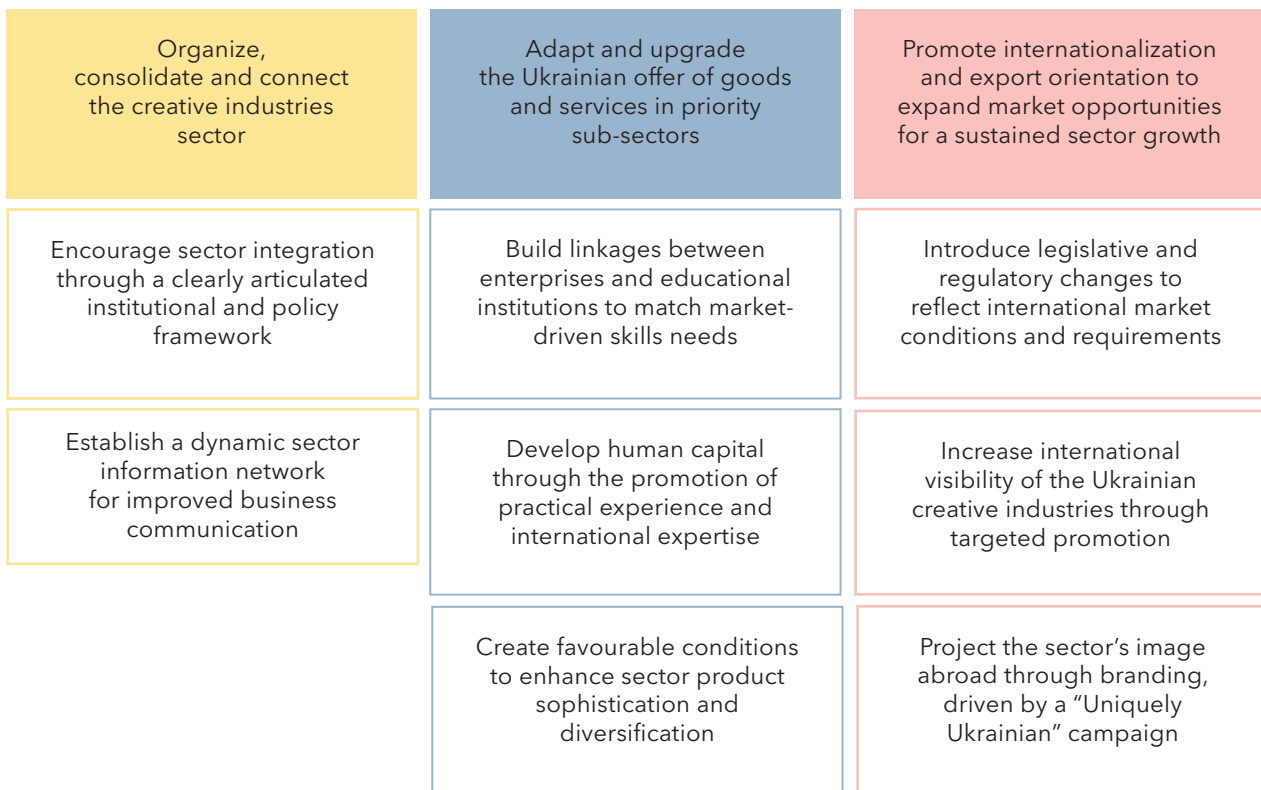
⁴¹ These consultations took place in Kyiv during the June, September and November of 2018. Key stakeholders of the creative industries sector discussed aspects related to trade performance, regulations, the innovation and investment framework, the institutional landscape, development plans, and the sector competitiveness constraints.

**“The power of emotion through a new era of ‘Uniquely Ukrainian’
innovation, productivity and growth”**

To achieve this vision in light of the identified constraints and opportunities, this Strategy sets the following strategic objectives:

1. Organize, consolidate and connect the creative industries sector;
2. Adapt and upgrade the Ukrainian offer of goods and services in priority subsectors through sector linkages, enhanced skills, and increased investment.
3. Promote internationalization and export orientation to expand market opportunities for a sustained sector growth.

Figure 14. Strategic objectives of the Strategy



1. Organize, consolidate and connect the creative industries sector

Despite a vibrant creative community and numerous top-down and bottom-up sector initiatives, the creative industries suffer from ‘dis-organization’ and ‘dis-orientation.’ To change this, Ukraine needs to define the sector’s scope and coverage, recognize its relevance to the economy, adopt and update the sector-oriented strategy, and prioritize its implementation in overarching policy documents. Relevant government bodies should be assigned clear roles and responsibilities to steer continuous and market-responsive development.

The community of creative industries needs to organize professional networks and platforms that will include companies, non-governmental organizations, government agencies and facilities providers. This process is crucial to overcome the sector’s dispersal and to create a common ground for a consolidated sector voice and action.

This strategic objective has two principal components:

- Encourage sector integration through a clearly articulated institutional and policy framework;
- Establish a dynamic sector information network for improved business communication.

2. Adapt and upgrade Ukrainian offer of goods and services in priority subsectors through sector linkages, enhanced skills, and increased investment.

Ukrainian creative industries must adapt a competitiveness-driven value proposition, aligned to consumer needs and preferences, both domestic and international. Since creative thinking is a key intangible input in the production process, skilled and specialized professionals form the basis of the sector performance and productivity. Therefore, strengthening the Ukrainian creative offer requires the development of market-relevant education, mobility programmes, and international knowledge and experience sharing.

In parallel, the development of technical and financial support provided by the government and sector-relevant institutions needs to prioritise incentives for stimulating the product enhancement and diversification to national and international market requirements. The tax system needs to be simplified to encourage entrepreneurship and facilitate the creation of start-ups. The review of the tax system and support mechanisms is necessary to provide more stable and predictable sector development.

This strategic objective is achieved through the following elements:

- Build linkages between enterprises and educational institutions to match market-driven skills needs;
- Develop human capital through the promotion of practical experience and international expertise;
- Create favourable conditions to enhance sector product sophistication and diversification.

3. Promote internationalization and export orientation to expand market opportunities for a sustained sector growth.

While growing the domestic market for creative goods and services remains a vital priority, internationalization and export development guarantee the continued increase in the product sophistication and competitiveness of the sector. A number of actions are required to facilitate the entry to export markets. IPR protection and enforcement in accordance with European legislation, simplified currency control rules for business enablement, and promotion of e-commerce are currently key areas to address at the initial stage of the sector development.

Apart from the technical side of internationalization, Ukraine has to establish and implement an effective branding programme to position the country as a competitive player on the market of creative products. A strong branding message needs to be accompanied by promotional campaigns organized through media communication, membership in international programmes/associations and participation in sector-relevant events.

Three operational objectives are to be achieved:

- Introduce legislative and regulatory changes to reflect international market conditions and requirements;
- Increase international visibility of the Ukrainian creative industries through targeted promotion;
- Project the sector's image abroad through branding, driven by the "Uniquely Ukrainian" campaign.

Orienting selected subsectors

The above vision and strategic objectives apply to the creative industries as a whole and will equally benefit all sector activities. However, priority objectives and targets for each of the selected subsectors are also defined:

Audiovisual

The audiovisual sector requires considerable changes to become more internationally competitive. This includes financial and fiscal incentives to match those in other European

countries, in order to boost domestic production; improvements in the level of technical skills related to the audiovisual sector (e.g. scriptwriting, editing, production design); organise supply of ancillary services (e.g., catering and accommodation, transport, hairdressing); increase in joint international productions; increase in the use of technology for production and for market reach alike. Over the next five years, the audiovisual subsector will have:

- Developed an organized portfolio of locations suitable for different film genres.
- Released 100 feature-length films, five (5) feature-length animation movies, one (1) animated series with international cooperation, and one (1) live-action television series with international cooperation.
- Organized an annual international film festival.
- Established further linkages with the Ukrainian IT sector.

Music

To achieve success, the next five years require significant efforts within the music sector. These include changes in legislation, including copyright reforms and legalizing online international payment service in Ukraine; ensuring effective functioning of collective copyright management organizations; and introducing financing mechanisms for musicians. Over the next five years, the music subsector will have:

- Improved facilities for musicians, including rehearsal locations, concert venues and sound recording studios.
- Established a music advisory centre to help young musicians find sources of funding for projects.
- Established further linkages with the Ukrainian audiovisual sector in the area of soundtrack composition and recording.

Design

Design traverses a number of creative industries and other sectors. Improvements in design skills can therefore spill over into several other productive activities. Further investment in design education is needed, along with easing of regulations, allowing designers to sell directly online. Over the next five years, the design sub-sector will have:

- Created, in collaboration with other subsectors, a professional institution to consolidate and grow competencies in the various spheres of the design industry (graphic, motion, fashion, industrial, product design).
- Organized an annual event “Ukrainian Design Week” that will establish as the point of reference for quality Ukrainian design.
- Established further linkages with the Ukrainian audiovisual sector in the area of set design and storyboarding.

Fashion

Building on a number of success stories, Ukrainian fashion requires more focused targeted market niches and further mainstreaming in established fashion capitals, while continuing to consolidate the domestic and existing markets. Achieving this implies upgrading components all along the value chain, notably in concept design, prototyping, promotion, commercializing and production. Over the next five years, the fashion design subsector will have:

- Penetrated new and consolidated existing markets notably France, Italy, Germany, United Arab Emirates and Saudi Arabia in the womenswear, plus-sized and celebrity fashion niches.
- Attracted 15% more buyers annually from the CEE countries to the Ukrainian Fashion Week.

- Intensified participation in major fashion shows in London, Paris, Milan, New York and Tokyo.
- Established further linkages with the Ukrainian audio-visual sector in the area of costume design.

Creative Writing

Ukraine has a number of internationally established writers working in different genres with theatres, films, print and digital platforms. Nevertheless, there is a lot of potential that remains untapped, and there is a deficit in original materials for certain genres, and lack of specific skills (e.g. audio-visual industry often must involve foreign writers to develop scripts). Opportunities in niche markets (e.g. children's literature, in which Ukrainian writers excel) must be further exploited, new industries expand, and new genres explored. In the next five years, the creative writing subsector will have:

- Connected Ukrainian publishers and writers through an online matching platform.
- Fostered linkages between writing schools and publishers to expose new talent to early opportunities.
- Further exploited digital publishing platforms to become more accessible to up-and-coming writers.
- Intensified the activities of the Ukrainian Book Institute to promote the sale of original Ukrainian authors abroad.
- Established further linkages with the Ukrainian audiovisual sector in the area of screenplay adaptation and scriptwriting, as well as original stories aimed at video game studios.

To achieve mentioned vision and strategic objectives, a robust, actionable and realistic PoA is required. It is provided in a separate section and is the core of this Strategy.

The PoA is to be implemented within five years and has been designed to establish a solid ground for creative industry to be organized, productive and vibrant contributor to the Ukrainian economy.

The PoA is structured along the three strategic objectives and their respective operational objectives. For each objective, the PoA outlines detailed activities and their implementation modalities, which include:

- **Priority level:** H - high, M - medium, L - low.
- **Start/end dates:** The desired time frame of the activity.
- **Targets:** Quantifiable targets that allow completion monitoring of the activity during the implementation stage.
- **Leading implementing partners:** One single accountable lead institution per activity. (The institution can restrict itself to an oversight and coordination role but also can have a technical role.)
- **Supporting implementing partners:** Any institution that should be involved at any stage of an activity's implementation.

IMPLEMENTATION FRAMEWORK

This Strategy is the first deliberate attempt of Ukraine to transform the creative industries sector into a significant contributor to economic growth. The success of this transformation will depend on the stakeholders' commitment, capabilities and allocated resources to implement the activities defined in the Strategy. To provide the structure required to develop this sector, the following interventions should be prioritized:

- To understand structure of the creative industries and update laws and policies and the definition of economic activities accordingly;
- To establish a Creative Industries Council (CIC) as a formal public-private dialogue platform to ensure continuous policy update process, raise awareness, and develop the market. It is jointly co-chaired by MEDT and MinCult.

The CIC:

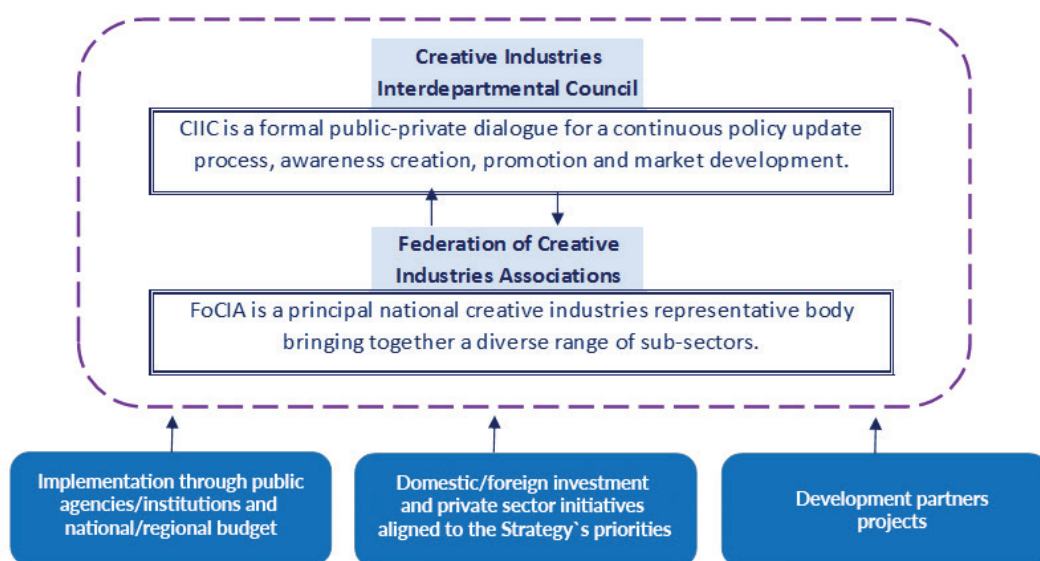
- sets policy for the sector;
- addresses barriers to growth (finance, skills, export markets, regulations, IP and infrastructure), and identifies opportunities;
- conducts and confirms strategic planning for sector development;
- submits proposals for legislative updates, if necessary;
- identifies resources for supporting the development and competitiveness of the sector.
- To create a non-state Ukrainian Federation of Creative Industries Associations (FoCIA) as the principal national creative industries representative body.

The FoCIA will:

- conduct trade and market research;
- manage regional outreach, including through regional representative offices;
- lobby for the interests of the sector in the CIC;
- provide support services to its members;
- recommend sector-relevant reforms to support the growth and competitiveness of the sector;
- carry out quarterly monitoring and analyses of the sector.

Formal establishment of these structures must be a priority and is essential to organize the sector, and provide a solid ground for the management implementation, monitoring and continuous updating of the Strategy.

Figure 15. Creative industries Institutional development framework



Key success factors

Influence of the activities specified in the PoA are conditional on several factors, including high level commitment from relevant stakeholders, including active engagement of private sector, systematic coordination and communication between implementing authorities, and readiness to allocate/mobilize resources by the public and private sector.

- **Private sector support and participation in the Strategy implementation**

Private sector, as final beneficiary of the Strategy's initiatives, should be involved in each stage of the policy design and implementation process constantly. Private sector contribution can range from providing relevant institutions with business intelligence to facilitating of brand and promo development, etc. Private sector's practical knowledge of business operations is essential to ensure that the Strategy remains targeted, relevant to the sector needs, and aligned with market trends and opportunities.

- **Proactive networking and communication**

Diverse activities must be synchronized across public and private sector institutions to create sustainable results. Clear and proactive communication is essential to gain participation and support from relevant institutions. The key implementing authorities detailed in the PoA need to be properly informed of the Strategy's content and their respective roles and responsibilities. It will be important for central implementing authorities such as the Creative Industries Council, MEDT, MinCult to reach out to relevant institutions to articulate the importance and benefits of the sector development.

- **Implementation resources**

Effective planning and resource mobilization are required to implement this Strategy properly. The Creative Industries Council, in collaboration with relevant ministries and the Federation of Creative Industries Associations, will need to leverage support for the Strategy's activities. Both public and private sources of funding should be engaged during the implementation process. These shared responsibilities will demonstrate clear commitments of sector stakeholders to increase sector competitiveness and diversification.

PLAN OF ACTION 2019 - 2023

Strategic Objective 1: Organize, consolidate and connect the creative industries sector.

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
1.1 To encourage sector integration through a clearly articulated institutional and policy framework	Understanding the composition of the sector						
	1.1.1 Formally recognize the creative industries sector in relevant legislation and policies; identify priority sub-sectors that have potential for trade.	H	III 2019	II 2020	Relevant laws and policies amended.	Ministry for Development of Economy, Trade and Agriculture of Ukraine (MEDT)	Ministry of Culture, Youth and Sports of Ukraine (MinCult), Ukrainian Cultural Foundation (UCF), Ukrainian Institute (UI), Ministry of Education and Science of Ukraine, Ministry of Social Policy of Ukraine
	1.1.2 Granting special legal status to the enterprises which produce/provide creative goods/services according to the types of creative activity specified in the Resolution of the Cabinet of Ministers of Ukraine dated on April 24, 2019 № 265-p "On approval of the types of economic activities that belong to creative industries"; the purpose is to recognize such enterprises as "subjects of the creative industries" and to provide targeted incentives for specific sub-sectors.	H	III 2019	IV 2021	The bill on the economic foundations of the creative industries, which introduces the concept of the subject of the creative industries was developed and submitted. The system of granting special legal status to the creative industries was developed. The first special legal statuses of the "Creative Industries Entity" have been officially granted.	MEDT	MinCult, Ministry of Justice of Ukraine, Ministry of Finance of Ukraine, State Fiscal Service of Ukraine, State Statistics Service of Ukraine, National Bank of Ukraine
	Strengthening the institutional capacity of the sector						
	1.1.3 To establish the Creative Industries Council (CIC) under the MEDT and the MinCult. The CIC is an advisory body set up for the purpose of the official public-private dialogue and policy work, awareness raising, promotion and development of the creative industries market.	H	IV 2019	II 2020	Established CIC.	MEDT	Ministry of Justice of Ukraine, MinCult, Ministry of Foreign Affairs of Ukraine, sector representatives

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
	<p>In particular, but not limited to, the CIC 's tasks are:</p> <ul style="list-style-type: none"> • to set the export policy of the sector; • to define barriers to creative sector export growth (finance, skills, export markets, regulations, IP and infrastructure), and identify opportunities to overcome them; • to conduct and confirm strategic planning for sector development; • to submit proposals for legislative updates, where necessary; • to identify resources for supporting the development and competitiveness of the sector. 						
	<p>1.1.4 To establish a non-state Ukrainian Federation of Creative Industries Associations (FoCIA), bringing together the priority subsectors, to be recognized as the principal national creative industries representative body. The Federation will:</p> <ul style="list-style-type: none"> • conduct trade and market research; • manage regional outreach, including through regional representations; • lobby for the interests of the sector; • provide support services to its members; • recommend sector-relevant reforms to support the growth and competitiveness of the sector; • carry out quarterly monitoring and analyses of the sector performance. 	H	II 2020	III 2020	Federation of Creative Industries Associations was established.	CIC as a facilitator	MinCult, MEDT
1.2 To establish a dynamic sector information network for improved business communication	Improving connectivity among sector stakeholders						
	<p>1.2.1 Create a one-stop information web site "Creative Industries of Ukraine", targeting both Ukrainian SMEs and potential foreign business partners and investors. Principal objectives of the web site are to raise the profile of the industry at the national/international levels, provide a central repository of information on the sector, and facilitate/promote business and trade. Key features include the following:</p> <ul style="list-style-type: none"> • providing information on projects, events and news of the CIC and the FoCIA; • developments and activities conducted by the MEDT, MinCult and other government authorities/institutions relevant to the sector; • a platform for contacts between individual artists and businesses ("subjects of the creative industry"); • review of target export markets; • national/international events relevant to the sector; • industry success stories; • an online catalogue showcasing Ukrainian creative goods and services. 	M	I 2020	Ongoing	Created Information web site "Creative Industries of Ukraine"; 50 of enterprises featured in online catalogue per annum ("creative industry entity").	Ukrainian Cultural Foundation	MinCult, MEDT

Strategic Objective 2: Adapt and upgrade the Ukrainian offer of goods and services creative sector (in priority subsectors)

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
2.1 Build linkages between enterprises and educational institutions to match market-driven skills needs	Enhancing technical and vocational skills						
	2.1.1 To revise educational programmes to the needs of the sector through regular dialogue between academia, private sector representatives, and the state, in particular: <ul style="list-style-type: none"> to conduct surveys and consultations, specific to each priority subsector to identify skills gaps and needs; to conduct a comparative evaluation of education programmes in priority sub-sectors to assess their relevance and comprehensiveness; to revise/develop curricula, where appropriate, to address gaps in existing programs based on identified business needs. 	H	IV 2020	Ongoing	Conducted by IV/2020 surveys and consultations for 3 priority subsectors; Implemented by I/2021 evaluation; Revised and developed by III/2021 curricula; Surveys and consultations for 3 additional sub-sectors by IV/2021.	Ministry of Education and Science of Ukraine	MinCult, MEDT, FoCIA, sectoral associations, sector players (if agreed), educational institutions
	2.1.2 To organize an annual forum between educational institutions and practitioners as a permanent platform for exchanging information on the relevance of the supply and demand balance of education and skills in the sector.	M	III 2020	Ongoing	First forum organized in 2020.	Ministry of Education and Science of Ukraine	MEDT, MinCult, Ukrainian Cultural Foundation, Chamber of Commerce, FoCIA, sectoral associations, sector players (if agreed), educational institutions
	Ensuring the development of a business-oriented skillset						
	2.1.3 To introduce modules on entrepreneurship and management for the creative industries in the sector-relevant educational programmes. For the implementation of these modules has to perform the following: <ul style="list-style-type: none"> to involve industry professionals and practitioners; to encourage joint group assignments between students of the creative industries programmes and management/business administration. 	M	IV 2021	Ongoing	Two modules on entrepreneurship and management was introduced in programmes related to audiovisuals, design, music; 25 enterprises trained per year.	Ministry of Education and Science of Ukraine	MinCult, MEDT, Chamber of Commerce, FoCIA sectoral associations, sector players (if agreed), educational institutions

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
	2.1.4 To develop online training courses for priority export-oriented sub-sectors.	L	I 2021	II 2023	Pilot course "Creative design and business"; 1 (one) online training course is developed annually.	Federation of Creative Industries Associations	Ministry of Education and Science of Ukraine, educational institutions
	2.1.5 To develop and provide training courses on business management and international marketing for the creative industries in universities, associations, and vocational establishments to equip SMEs in the sector with the skills required to pursue exports and international business development.	M	III 2020	I 2021	1 (one) developed course on business management and international marketing.	Federation of Creative Industries Associations	Ministry of Education and Science of Ukraine, educational institutions
	2.1.6 To organize cooperation with foreign educational and cultural institutions, in particular: <ul style="list-style-type: none"> to develop joint educational programs; to initiate the process of diploma recognition of Ukrainian graduates abroad. In particular, involve the International Association of Film and Television Schools (CILECT); to explore the opportunities of the establishment of institutional alliances with partner countries, in particular with Canada, France, Norway, Poland, etc. 	M	II 2021	III 2022	One developed joint programme; Plan of Action for diploma recognition developed; Proposal for possible institutional alliances prepared.	Ministry of Education and Science of Ukraine	MinCult, MEDT, Ukrainian State Film Agency, FoCIA, sectoral associations, sector players (if agreed)
2.2 To develop human capital through the promotion of practical experience and international expertise	2.2.1 To initiate academic mobility of students and teachers, in particular: <ul style="list-style-type: none"> to establish student/academic staff exchange programmes with international partner institutions; to develop partnerships with industry to facilitate student internships/placements in Ukrainian and foreign enterprises, providing undergraduates with on-the-job experience and industry insights; to sponsor participation in selected international training workshops; to organise educational tours to sector enterprises (shooting sites, factories, music studios, publishing houses, etc.). 	M	IV 2020	IV 2023	<ul style="list-style-type: none"> 2 exchange agreements with international institutions concluded per year; 12 renewable internship agreements with national and international enterprises concluded per year; 2 students interned per agreement per year; participation in 4 training workshops sponsored per year; 4 educational tours organized per year. 	Ministry of Education and Science of Ukraine	MEDT, MinCult, Ministry of Social Policy of Ukraine, Chamber of Commerce, FoCIA sectoral associations, sector players (if agreed)

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
2.3 To create favourable conditions to enhance sector product sophistication and diversification	Establishing a comprehensive support program						
	2.3.1 To introduce a support system for creative industry entities wishing to enter export markets in accordance with an agreed business plan, in particular: <ul style="list-style-type: none"> to make necessary changes to the legislation; to introduce a support system for creative industries to ensure profitability and reinvestment in operating costs (amendments to the Budget Code of Ukraine); to simplify the trading procedure by recognizing the contract of the public proposition (offer). 	M	III 2020	IV 2023	Developed support system. Introduced changes to the relevant legislation (including the Law of Ukraine "On Culture" and the Budget Code of Ukraine).	MEDT	Ministry of Finance, State Fiscal Service
	2.3.2 To develop an investment plan to attract domestic and foreign investors: <ul style="list-style-type: none"> to assess the need for tax incentives: tax breaks for a limited period of time, including options of exemption/reduced rate of VAT, tax deductions and tax credits; to implement a system of cash rebates and progressively increase to match those in other European countries (20-30%); to introduce duty drawbacks on equipment and/or other imported inputs intended for local value-addition and re-export. 	H	IV 2020	IV 2021	A proposal for tax incentives for sector participants has been drafted in the legislation. The system of cash discounts (rebates) for the audiovisual sector has been implemented. A proposal was made for a refund of the duty paid on certain imported goods.	MEDT	Ministry of Finance, Ministry of Justice, State Fiscal Service, Ukrainian State Film Agency, UkraineInvest
	2.3.3 To organize a forum on the use of ICT in creative industries to stimulate joint research and collaboration (e.g. design, audiovisuals, music, etc.) between the two sectors.	M	II 2021	I 2022	Forum on the use of ICT in creative industries was organized.	Federation of Creative Industries Associations	MinCult, ICT, IT clusters and associations (if agreed)
	2.3.4 To develop a business plan to assess feasibility of a possible incubation centre for start-ups in the creative industries sector.	M	IV 2019	IV 2022	Business plan with the list of regional/ municipal owned premises available for the sector initiatives was developed.	MEDT	MinCult, Ministry of Finance, office of MSME development

Strategic Objective 3: Promote internationalization and export orientation to expand market opportunities for sustained sector growth.

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
3.1 To introduce legislative and regulatory changes to reflect international market conditions and requirements	Strengthening intellectual property rights						
	3.1.1 To establish a National Intellectual Property Committee, bring together stakeholders, giving the voice to the private sector to act as a think tank on IP related issues, including improvements to current legislation. Priority is the adaptation of national legislation and its implementation in accordance with international and European standards, in particular, it is necessary to review/adopt the following laws: <ul style="list-style-type: none"> • Law of Ukraine "On copyright and related rights"; • Law of Ukraine "On audiovisual services of Ukraine"; • Law of Ukraine "On the effective management of property rights of copyright holders in the field of copyright and (or) related rights". 	H	I 2020	IV 2021	The Intellectual Property Committee was established by II / 2020; relevant laws are in line with international and European standards.	MEDT	Ministry of Justice, Ministry of Internal Affairs of Ukraine, Mincult, Ukrainian State Film Agency
	3.1.2 To optimize the functioning of the National Intellectual Property Office (NIPO) and Collective Management Organizations (CMOs) in order to increase the efficiency of the institution's activities through improved response to industry needs (including combating online piracy, counterfeiting, plagiarism, etc.) and monitoring counteracting activities.	H	I 2020	IV 2021	The NIPO restructured. CMO created in all subsectors.	MEDT	Ministry of Justice
	3.1.3 To complete the reorganization of the institutional structure related to IP by defining clear roles and responsibilities between the profile institutions.	H	II 2020	IV 2021	The roles and responsibilities of IP-related institutions are outlined and defined. Appropriate amended legal acts.	MEDT	Ministry of Justice, Ministry of Internal Affairs of Ukraine
	3.1.4 To organize information campaigns on intellectual property issues and address them to business associations, private and public sectors; to distribute them through different channels of information, in particular: <ul style="list-style-type: none"> • to prepare and conduct information campaigns in the media (broadcasting, print media, the Internet), to raise awareness and inform businesses about their intellectual property rights and the services available; • to conduct seminars, conferences, information campaigns on the existing intellectual property system, its relevance to the creative industries and new changes/reforms, including the activities of the High Court on Intellectual Property; • to provide legal advice and consultations to SMEs; • to develop a plan for implementing IP in higher education curricula. 	M	III 2021	IV 2023	<ul style="list-style-type: none"> • 2 thematic media campaigns are distributed annually through various media channels; • 2 events on information dissemination organized per year; • 25 people trained per event; • 50 consultations provided per year; 	MEDT, Ministry of Justice	Ministry of Justice, Ministry of Education and Science, MinCult, specialized legal associations (for example, Ukrainian Bar Association), relevant trade support institutions, mass-media

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
					<ul style="list-style-type: none"> The plan of introducing intellectual property aspects into the educational programs of higher education institutions has been completed. 		
	Facilitating international business activity						
	3.1.5 To continue practical implementation of the Law of Ukraine "On foreign exchange and currency operations considering interests of SMEs, as well as to ensure long-term planning and investment attraction.	H	III 2020	IV 2022	SMEs and entrepreneurs transact in foreign currency without restrictions.	MEDT	Ministry of Finance, State Fiscal Service, National Bank of Ukraine
	3.1.6 To facilitate e-commerce of creative goods and services in particular: <ul style="list-style-type: none"> to modify the taxation model and lower fees for trading small batches of goods/services; to introduce international online payments/ receipts, accepting payments from App Store and other similar online facilities. 	M	III 2021	IV 2023	Procedures for online trading of small batches of goods eased up; Electronic payment methods streamlined and integrated in the global system.	MEDT	Ministry of Justice, National Bank of Ukraine, Ministry of Finance, State Fiscal Service
3.2 To increase international visibility of the Ukrainian creative industries through targeted promotion	Improving international recognition						
	3.2.1 To promote the creative industry sector on the international market in particular: <ul style="list-style-type: none"> to support and facilitate SME participation, including coordination and financial support on international trade forums and missions; to review the Resolution of the Cabinet of Ministers of Ukraine "About effective use of public funds" concerning the removal of restrictions concerning the representation of Ukraine at international exhibitions and festival venues; to provide assistance and facilitate participation of filmmakers in international events and festivals in Europe (France, Italy, Germany), the USA and China. On priority territories of export until 2023. 	M	I 2020	Ongoing	<ul style="list-style-type: none"> 2 sector-relevant missions organized per year; A proposal for revision of the Order of the Cabinet of Ministers of Ukraine No. 710 was developed and submitted for approval.; Participation of film-makers in 4 international events and festivals organised per year. 	MEDT, MinCult	CIIC, Federation of Creative Industries Associations, Ministry of Foreign Affairs of Ukraine

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
	<p>3.2.2 To establish links between the tourism and creative industries sectors, to promote goods/services through tourists in particular:</p> <ul style="list-style-type: none"> to coordinate strategies for the development of the creative industries and tourism, to involve representatives of the tourism industry in implementing the export strategy of creative industries, including marketing; to develop a program to encourage the development of tourism-based clusters and creative industries to mutually reinforce sectors; to stimulate the development of a network of tourist destinations based on a clustered format, the key elements of which are products of creative industries. 	L	II 2021	IV 2023	<p>The program of creative and tourist clusters is offered.</p> <p>The term “creative and tourist clusters” has been introduced into the legislation (including the Law of Ukraine “On Culture” and the Law of Ukraine “On Tourism”); Pilot projects of clusters in some regions of Ukraine were introduced.</p>	MEDT, MinCult	Ministry for Communities and Territories Development of Ukraine, Tourist clusters, Creative hubs
	<p>3.2.3 To conduct feasibility study for the establishment of a pilot hub in a region of Ukraine, envisaging replication in other regions in particular:</p> <ul style="list-style-type: none"> to elaborate the terms of reference/charter for creative hubs; to audit possible physical spaces and digital platforms/networks; to define the service offer and the organisational structure of hubs (e.g. networking and events, space rental, workshops, incubation, acceleration or R&D support); to conduct cost/benefit analysis; to assess possible collaboration with the national/international structures. 	L	II 2021	IV 2023	<p>Feasibility study for the establishment of a pilot hub in one of the regions conducted.</p>	MEDT, MinCult	Ministry for Communities and Territories Development of Ukraine, Tourism clusters, Creative hubs
	<p>3.2.4 To ensure Ukraine’s membership in relevant international associations/networks and support programs/funds in particular:</p> <ul style="list-style-type: none"> to identify the list of international networks (e.g. Format Recognition and Protection Association, FRAPA) as well as support programmes (similar to “Creative Europe”, “Eurimages”) and their membership’s requirements for Ukrainian creative industries associations and enterprises; to draw up a proposal for possible technical and financial support required from the government and relevant trade support institutions to enable membership. 	M	III 2020	IV 2023	<p>List of international networks, funds, programs, associations according to priority sectors has been identified;</p> <p>A proposal for technical and financial support for the proposed tasks and activities has been developed, approved and submitted.</p> <p>Membership in prioritized international networks has been acquired.</p>	MEDT, MinCult, Ministry of Foreign Affairs, Federation of Creative Industries Associations	Ukrainian State Film Agency, Export Promotion Office

Operational objectives	Activity	Priority Strategic objectives	Start date (quarter/year)	End date (quarter/year)	Targets	Leading implementing partners	Supporting implementing partners
	<p>3.2.5 To organize events for the promotion of the sector in cooperation with participation of international representatives in particular:</p> <ul style="list-style-type: none"> to pronounce 2022 as the “Year of Creative Industries,” and organize trade-oriented spectacles, exhibitions, symposia, etc. throughout the year; to launch an annual International Creative Innovation Trade fair in Ukraine with international participation, covering various subsectors (cinema, fashion, music, design, etc.); Ensure participation of the creative industries in the Days of Ukraine abroad with the support of diplomatic representations. 	M	III 2019	II 2023	Organized Annual International Creative Industries Trade; “Year of Creative Industries” in 2022 pronounced, trade-oriented events is organized; 10 SMEs participated in the Days of Ukraine abroad.	MEDT	MinCult, Ukrainian Cultural Foundation, Export Promotion Office, UkraineInvest, Ministry of Foreign Affairs of Ukraine, Ukrainian Institute
3.3 To project the sector’s image abroad through branding, driven by a “Uniquely Ukrainian” campaign	Positioning creative products under a unified branding story						
	<p>3.3.1 To develop the “Uniquely Ukrainian” public brand for the creative industries sector that consist with the existing national export brand, in particular:</p> <ul style="list-style-type: none"> to set up a branding task force made up of both public and private stakeholders; to agree on the key messaging and concepts of the “Uniquely Ukrainian” brand in order to position the Ukrainian creative offer with distinct value identification; to develop visualization (logo, colours, fonts) to be featured on the sector products and promotional materials; to define rules and requirements for the use of the brand and logo by enterprises; to develop certification scheme for enterprises and/or selected creative goods and services; to monitor the use of the brand and enforce adherence to the rules to prevent abuse and misuse. 	M	III 2020	I 2022	Branding task force established and operationalized by II/2020; A conceptual and visual presentation of the brand developed; Certification scheme developed and piloted.	MEDT	Ukrainian Cultural Foundation, Ukrainian Institute, Export Promotion Office, MinCult, Ministry of Foreign Affairs of Ukraine
	<p>3.3.2 To promote public brand “Unique Ukrainian” on the international market in particular:</p> <ul style="list-style-type: none"> to develop a marketing strategy to raise awareness and increase brand recognition. to identify relevant existing Ukrainian and international websites and portals on which the sector can promote the brand among national and foreign clients, investors and partners. to develop material for placement on specific web sites. 	M	IV 2020	IV 2023	Ukrainian and international sector-relevant websites identified and prioritized; Promotional material developed and featured on 4 websites/platforms each year.	MEDT, MinCult	CIIC, Federation of Creative Industries Associations, Export Promotion Office

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