

Restoration of the Municipal Theater of Rio de Janeiro.

Untapped wealth

Experts discuss how to boost the creative economy.

Claudio Accioli, Solange Monteiro and Thais Thimoteo, Rio de Janeiro

The creative economy now represents almost 3% of Brazil's GDP and certain sectors generate even more intense demand. Recognized in other countries for its importance in boosting economies during hard times, the creative economy is now beginning to draw attention in Brazil. However, because it is a relatively new way to classify economic activities that have some cultural or intellectual property element, and it covers such varied activities as game development and regional handicrafts, the potential of the creative economy in Brazil has not yet been prioritized by either the market or the government, so public policies for its development are lacking. That was one of the issues discussed at the First International Conference on the Creative Economy, organized by the *Conjuntura Econômica/The Brazilian Economy* magazines of the Brazilian Institute of Economics of the Getulio Vargas Foundation (IBRE-FGV) and the Cultural Initiative Institute on September 20–21.

"Today many people still see the creative economy as limited to cultural matters, fashion or design, or even social inclusion. Actually, we're talking about a major activity of segments capable of generating competitiveness and adding value even to traditional sectors, which today would not survive without breadth of knowledge and technology. In the real world, things are not separate," said economist Lidia Goldenstein, moderator of one of the panels.

To Heliana Marino, manager of the Creative Economy for the Agency for Supporting Micro and Small Businesses (Sebrae), this industry represents a simple and brilliant idea with the advantage of an inclusive character focused on local, social, and sustainable development. "It's a concept in motion. It requires identifying

Photos of seminar's participants: Américo Vermelho

typical activities of a region that can generate a network of services," she said, pointing out the dynamism inherent in activities that require such ingredients as creativity and innovation.

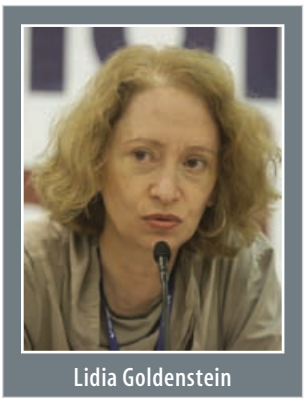
Among the difficulties the sector faces in gaining autonomy, Goldenstein highlighted the lack of comparable data and methodologies that allow better measurement of performance. "We have the English standard, which I find very limited, and also UNCTAD and Federation of Industries of Rio de Janeiro State (Firjan) definitions, to name a few. It is necessary to unify and enhance these concepts," she affirmed. The Secretary of Finance of Rio de Janeiro State, Renato Vilella, agreed: "Although this has been a constant concern since the beginning of Sérgio Cabral's government, defining public policies requires knowledge of the area." Goldenstein, however, mentioned early policy initiatives of Rio de Janeiro and São Paulo cities to map the main poles of the creative economy in their own territories.

RIO-SÃO PAULO: THE CREATIVE AXIS

Luciane Leite, São Paulo Tourism director of tourism and entertainment, said the volume of funds handled by tourism and entertainment in the state capital, counting support activities, is about R$40 billion a year, equivalent to 10% of city GDP. According to a study by the Foundation for Administrative Development of the State of São Paulo (Fundap), between 2006 and 2009 formal employment in the creative economy grew 6.3%, well above the 3.5% in other sectors, with an average wage of R$3,100, compared to a national average of R$2,000. No less than 21% of all formal employment in the creative economy in Brazil is in São Paulo, especially in information technology (36%), editing / printing (19%), advertising / marketing (17%), and audiovisual (12%). Leite mentioned three features essential for creative cities: innovation, not only in sophisticated technologies but in solving everyday problems; connections, which means creating systemic interaction between various areas; and culture, recognizing architecture, art, design, fashion, and gastronomy. "São Paulo has all three, which puts us in a very privileged position," she said.

To attract business tourism the city offers a wide range of entertainment. According to the Tourism Observatory of São Paulo, the capital has 288 theaters, 110 museums, some 12,000 restaurants, and 42,000 rooms in 410 hotels,

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Lidia Goldenstein


Heliana Marinho


Renato Vilella



Luciane Leite



Programa Porto Maravilha

which have an average occupancy rate of 70%. According to the study, São Paulo attracts 75% of the trade fairs in Brazil and is the only town that annually has two international auto events (Formula 1 and Indy) as well as other regular attractions, such as São Paulo Fashion Week, which brings the city R$1.5 billion each time. Experts at the debate suggested, however, that this privileged position means the state capital has paid too little attention to policies to boost the creative economy. Goldenstein claimed that "São Paulo suffers from an excess of confidence and success; it was less affected by the crisis and has more fat to spend."

For Rio, the urgency to respond to economic decline since the 1980s has been much higher. "Hitting rock bottom generated pragmatism, which is behind this political union that allows changes," said Washington Fajardo, Rio de Janeiro city undersecretary for cultural heritage, urban intervention, architecture and design. "For São Paulo, what is missing is to do what Rio has been doing very well: promote attractions, despite problems faced daily." Leite responded "We are not hiding weaknesses but showing that, even with the difficulties common to most large cities in the world, São Paulo has huge creative



Washington Fajardo



Julia Zardo



Mario Borghini



Marcos André Carvalho

potential and positive aspects that are not well known."

In fact, when it comes to the creative economy, Rio now leads the nation. Julia Zardo, manager of the Catholic University Genesis Institute (PUC-RIO) said that, according to the Firjan study, in Rio 4% of GDP is generated by the creative economy, compared with 3.4% in São Paulo and an average of 2.6% for Brazil. Another survey, presented by Mario Borghini, director of economic development of the Instituto Pereira Passos (IPP), showed that in 2009 Rio had approximately 68,000 employees in creative-economy core activities and their wages were 14% above the state average. Creative-economy sectors account for 11% of total employment and 10% of payroll in the state.

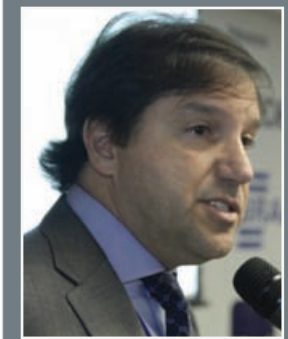
Marcos André Carvalho, coordinator of the creative economy for the Secretary of Culture of Rio de Janeiro state, talked about the plan for analysis and diagnosis of the state's cultural landscape and its regional potential. He explained that "The Program of Support for Cultural Development of Municipalities (Padec) has four lines of support: training in public management of culture, heritage recovery and conservation, strengthening of local cultural identity, and improving infrastructure for cultural activities."

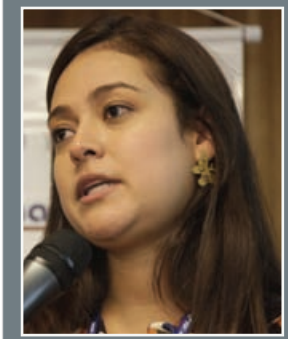
Marcelo Haddad, executive director of the trade promotion Agência Rio Negócios, pointed out some of the advantages of Rio de Janeiro city: "Rio is at the top in attracting investments, including six of the ten largest projects underway in Brazil," he said, indicating that this is a benefit of a thriving creative industry. He added that this virtuous circle can earn an additional push from events the city will host in the next five years: Rio+20, the UN conference on sustainable development in June 2012, the World Cup in 2014, the 450-year anniversary of the city in 2015, and the Olympics in 2016.

NOT JUST A FACADE

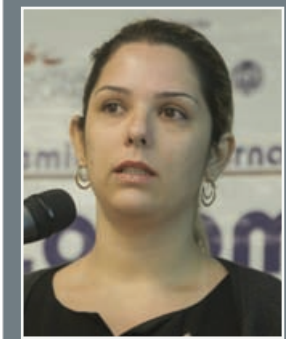
According to economist Leydi Higidio, representing the Proyecto Industrias Culturales de Cali, Colombia, the bonuses generated by demand for infrastructure for international events is undeniable. "One of the remarkable urban transformations Cali experienced was in 1971 when the city hosted the Pan American Games," she said. Today, Cali works to prioritize its cultural events, creating cultural spaces such as a theater festival and the ballroom for salsa, the popular rhythm in Colombia.

"Rio is at the top in attracting investments, with six of the ten largest projects underway in Brazil, and this movement benefits from a thriving creative industry." Marcelo Haddad


Marcelo Haddad


Leydi Higidio


Karen Cesar


Lilian Natal



Viaduto do Chá e Teatro Municipal de São Paulo. Jefferson Pancieri/SPTuris.

Fajardo of Rio city hall said that the two great legacies the Olympics will leave to Rio residents relate to urban transportation and revival of the city's downtown. "The Wonder Harbor program, for example, also includes cultural facilities like museums," he said. Experts at the seminar pointed out that the advantages of urban revitalization are not limited to its purely logistical or cultural value but can also mean the economic and demographic recovery of some regions. "We need investments and policies that have an urban facade," Fajardo said. He believes one of the goals of major projects for his city should be to promote sustainable and quality development downtown. "The city center has the lowest population density, and the people who live there are in historical areas. That is why heritage is important — to reduce the process of desertification," he said.

Another challenge, Fajardo said, is to revitalize the urban architectural heritage by housing new businesses in old buildings. As an example he cited the revitalization of Tiradentes Square, which included removal of railings around the monument, facilitating the movement of people, and association of the space with the Carioca Design Center. "Within a year and a half, the Carioca Design Center has brought in Studio-X, a project of Columbia University, around it new restaurants were opened, design offices moved in, and a French group acquired a hotel [the Hotel Paris] that had been of doubtful character," he said.

Lilia Natal, communications manager of São Paulo City Tourism, gave examples of programs carried out in that city's creative core, in Roosevelt Square and Augusta Street, where artistic and theatrical groups are clustering, and

there are free events in public spaces. "The most significant is the 'Virada Cultural,' a program to promote culture that last time attracted 4.5 million people," she said. Natal also stressed the importance of such laws as the 2007 Clean City Law, which regulates outdoor advertising to fight visual pollution.

According to Karen Cesar, director of Red Bandana Multiexperiências de Marca, urban diversity is a key to the creative industry. Cesar, who studied at the Berlin School of Creative Leadership, discussed the example of the German capital, Berlin: "The country has always harbored a boom of ideas and expressions, with Berlin at its center. Today, this is reflected in 24,000 companies in [the creative] industry, generating 170,000 jobs," she said, noting that UNESCO has identified Berlin as a City of Design.

Zardo of the Genesis Institute indicated that in restructuring, many cities, such as Barcelona and Dubai, have favored spaces designed to serve as centers of excellence in areas like digital media. "Currently, in Brazil, we have 400 incubators with 2,800 hatched businesses," she said.

WHO PAYS?

A challenge for the creative sector is access to credit, especially because some parts of the sector are highly informal. The study "Territories of Fashion — The Fashion Industry in Rio de Janeiro City" conducted for the city by the Center for Technology and Society at FGV Law School in partnership with the IPP and Sebrae-RJ, looked into the universe of fashion and clothing. It found that in this segment, which handles about R$900 million a year in Rio, more than 48% of people are working informally; due to taxes on labor most companies outsource part of their production.

Therefore, financial institutions are designing new forms of support for businesses that are not based on traditional collateral. Itaú bank, for example, provides microcredit, a small loan scheme. "Our calculation is that in Brazil there are about 12 million informal small urban entrepreneurs," said Carlos Eduardo Ferreira, superintendent of Microinvest Itaú. "Microfinance is not welfare or social responsibility. It is sustainability: it combines the concepts of robust management of projects with respecting the idiosyncrasies of small customers, so it has high social impact."

To reach these small entrepreneurs, Itaú eliminated the requirement of a physical base and created banking agents who, using smartphones, go to the customer to determine credit needs and ability to pay. "A different relationship is created, especially because this agent also takes financial education to the entrepreneur," Ferreira said. He stressed that this initiative increases the chance that small businesses will succeed and helps build the self-esteem of clients, who see the offer of help as a recognition of the importance of their work.

The advantages of urban revitalization are not limited to its purely logistical or cultural value but can also mean the economic and demographic recovery of some regions.

The informal sector is not alone in coping with limited access to financing. The Firjan study points out that in Brazil 87% of creative businesses have fewer than 20 employees; along with those that carry out related or supporting activities, this percentage exceeds 90%. That constitutes another large group that due to size or inability to provide the guarantees traditionally required by banks has limited access to credit.

According to Luciane Gorgulho Fernandes, head of the Culture Department of the National

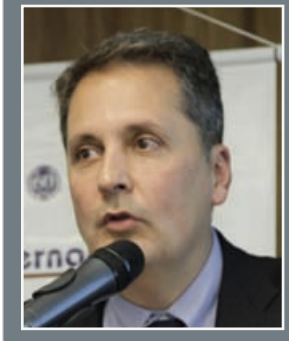


Lapa Legal/ Divulgação Prefeitura do Rio

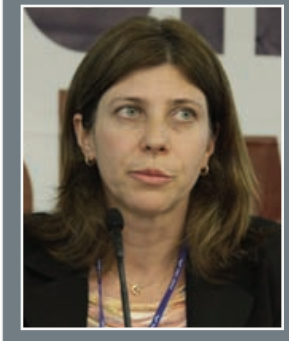
Bank for Economic and Social Development (BNDES), the most effective tool BNDES offers is the BNDES Card, which like a credit card finances purchases by micro and small enterprises. "We have issued 350,000 cards and granted R$15.6 billion in loans with an average credit limit of R$43,000," she said.

Regarding the core activities of the cultural economy (as BNDES refers to the creative economy), the bank has increased its disbursements considerably since 2006, when it created its first cultural economy product, the Procult, for activities that include restoration of cultural assets, financing the publishing sector, and entertainment, among others. BNDES disbursements have risen from R$42 million in 2005 to R$261 million in 2010. Fernandes explained that "We seek to prioritize integrated projects that encourage urban development, generating employment and income."

The apple of the BNDES eye at the moment is the audiovisual sector. "We focus on the supply chain, introducing market logic and seeking greater professionalism, better management, and profitability," she said, making a comparison with systems like the Rouanet Law, which does not require positive financial results. To this



Eduardo Carlos Ferreira



Luciane Fernandes Gorgulho



David Parrish



Fabio Fonseca

end, the bank analyzes film projects in terms of three categories:

- Those that have business strength, with guaranteed distribution and box office potential. "We analyze the production and the business plan," Fernandes said.
- Those producing films that have the capacity to win prizes by participating in festivals and marketing in foreign markets.
- Animation, a priority that includes TV programs aimed at children, such as Fishnaut and My Big Big Friend, which are both supported by BNDES. Fernandes explained that "This kind of project has the potential to boost other businesses, such as licensing of products featuring characters from the series."

From 1995 to 2010 BNDES supported 340 films, lending R$133 million. In the audiovisual sector as a whole, it has disbursed R$165 million. Support can be returned as notices, credit (Procult), and equity in companies. For this, the bank has eased its risk rules, replacing guarantees by receivables, such as box office revenue.

BRAZIL's CREATIVE ECONOMY

Ranking of states

Income per capita (Brazilian reais)		GDP share (in %)	
Rio de Janeiro	2,182	Rio de Janeiro	4.0
São Paulo	2,124	São Paulo	3.4
Brasil	1,666	Brasil	2.6
Amazonas	1,429	Minas Gerais	2.0
Pernambuco	1,427	Pernambuco	1.9
Bahia	1,320	Santa Catarina	1.9
Espírito Santo	1,307	Paraná	1.8
Rio Grande do Sul	1,228	Espírito Santo	1.8
Pará	1,203	Rio Grande do Sul	1.8
Paraná	1,154	Bahia	1.8

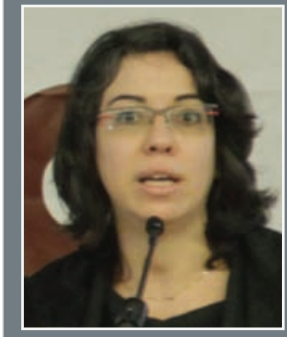
Source: Ministry of Labor.

UNITING THOUGHTS

Financial institutions focus on management and governance for a simple reason. In some segments of the industry, rather than intangible assets the risks of which are difficult to analyze, what hurts a business more is the belief that some creative professionals still profess that art and profit are incompatible. David Parrish, a British consultant to creative businesses, argued in the seminar that the first step to transform a business within the creative economy and stimulate growth and inclusion is to have an action plan and professional management in an activity that generates jobs and boosts the economy. "That does not mean selling your soul to the devil, forgetting your values," he said.

Author of the book *T-shirts and Suits - A Guide to Business Creativity*, Parrish said he spoke from his own experience, not only as a consultant advising in 25 countries, including Colombia and Spain, but as an entrepreneur, when at age 20 he opened his first business with friends: a bookstore. "For me, business was a dirty word, related to exploitation. But ironically, I had to learn a lot about business because I had to sign contracts, manage people, market my business," he said. "And I learned that there are tools you can use for your purposes, and it encouraged me to learn more. I went for an MBA, where I sometimes felt like a spy trying to steal the secrets of big business to adapt to our culture, our interests." He came to the conclusion that it is possible to use the clothes — and the correct strategy — appropriate

in Brazil 87% of creative businesses have fewer than 20 employees; along with those that carry out related or supporting activities, this percentage exceeds 90%.



Alessandra Meleiro

to each occasion, without contaminating the creative portion of the business.

In his book, Parrish indicates that is a mistake to think that having creative talent means automatic success: "Nor is there a single formula to develop a creative economy. Liverpool took its strength, the music, as a starting point. In other countries, the characteristics may be different, just as the business environment changes." He indicated that strategies must similarly be tailored so that a creative business does not lose its competitive differential; it must be guided by a management formula designed for it alone.

In a letter to seminar participants (read by Alessandra Meleiro, president of the Cultural Initiative Institute), the head of the UNCTAD Creative Economy program, Edna dos Santos, stressed the need to encourage creative entrepreneurs and raise society's awareness of the importance of cultural and creative industry in defining strategies for developing countries to diversify their economies. "It's the right time to put in place public policies and mechanisms that help to bind the interface economy-culture-technology and tourism," she said.

Fabio Fonseca of the Institute of Cultural Initiative pointed out that the seminar had a symbolic importance in the trajectory of the creative economy in Brazil in helping to extend the debate from the public to the private sector: "We need to mobilize the business community to tap its potential. Among the various sectors that were represented in this two-day debate, our level of mobilization became clear: Now we need to convert that energy into action."

CHAIN REACTION: LIVERPOOL, UK

Claudio Accioli



Kevin McManus

A port city in deep recession, with bankrupt companies, empty buildings, unskilled labor, and a high unemployment rate — known worldwide as the birthplace of the Beatles — Liverpool, situated in the northwest of England, was far from a cozy place in the 1990s, when it was considered an area of economic depression. Its comeback began in 2000, boosted by a plan launched by then-Prime Minister Tony Blair with the aim of encouraging an industry that at the time did not formally exist: the creative industry.

According to the view now prevailing in the United Kingdom, the concept of "creative industry" involves activities that generate wealth out of knowledge and intellectual property, such as art, architecture, design, fashion, film, music, and television. "The government now understands the importance of the creative economy for revitalization of the city, but had no policies to foster its growth," said the founder of the private Creative Industries Business Support Agency, Kevin McManus, who attended the International Seminar on Creative Economy, sponsored by Conjuntura



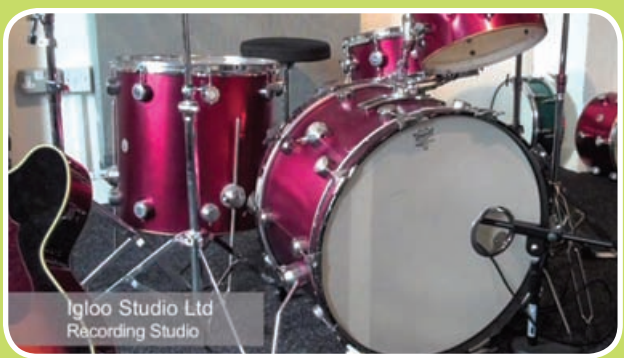
Econômica/The Brazilian Economy magazine of IBRE-FGV and the Cultural Initiative Institute. Pioneering work to support government actions to foster the sector, the agency was crucial in mobilizing resources and attracting investors to establish a creative hub in Liverpool.

"It seems that was not long ago, but when we started our activities in 1997, not everybody in the UK had cell phones. The Internet was just beginning and many companies did not even have websites. Imagine talking about the creative economy in this context," McManus said. But the discussion grew, and the city reacted very positively to the initiatives taken to encourage especially the cultural and information industries. In response to some £4 billion of investments over in the last decade, mostly from European Union restructuring funds, Liverpool's economic growth is second only to London's. Today, in its creative sector this city of half a million people has about 30,000 direct high-income jobs and 4,500 businesses; it is the third most visited destination in the UK after London and Edinburgh; it was one of two European cities that the EU named a Cultural Capital in 2008; and UNESCO will soon declare it a City of Music.

Contrary to those who see the public sector as the agent most able to foster development of creative markets, McManus did not hesitate to point out his agency's flexibility and nongovernmental approach as fundamental elements for a successful relationship with its target audience — mostly actors, designers, musicians, publishers, and software developers. "The local and national governments only had the tools to support traditional businesses. Also, I think the bleakness of the public sector does not match with these people whose lifestyle is more relaxed," he said, adding that most people are surprised when they discover that the agency actually works in partnership with the government.

The recipe for success, McManus said, includes such ingredients as proximity and support to entrepreneurs; establishing a bridge between professionals with common interests; creating networks to connect businesses; stimulating the exchange of information and resources; doing research to collect sector data; and continuous ongoing advocacy of creative industry with the government. "We have created, for example, a social network that enables the sharing of portfolios at very low cost, and we've partnered with companies that have purchased property at the docks to turn it into clusters of related creative enterprises, especially in the case of games." he said.

However, despite significant achievements, McManus complains that even today, the British government is ineffective in supporting entrepreneurs: "Politicians like our current prime minister always stress the importance of the sector, but public policy does not reflect this. It takes patience and above all perseverance to move forward."







Photos: Liverpool Creative Growth Initiative

TECHNOLOGY AND COPYRIGHT REGULATION

Solange Monteiro

The creative economy — books, songs, and video games, — is saturated with intellectual property, demanding rules that guide reproduction of such products and their economic use. However, the increasingly widespread use of new media, which facilitated the production and dissemination of the most diverse creations, has created a new environment: Now, while traditional industry complains about economic losses, there has been a windfall for consumers, who now have broad access to cultural products.

"The world music industry is the one that has complained the most, arguing that its economic activity in the last 10 years has fallen by half due to new ways of sharing [music]," said Pablo Ortellado, professor in the Research Group on Public Policies for Access to Information (Gpopai) of the São Paulo State University (USP). "Yes, there was a decline in sales, and this will also happen with books as a result of [their] migration to electronic platforms. But the conclusion from this is doubtful, since on the other hand new technologies have substantially increased consumption of cultural goods," he pointed out at the seminar.



Pablo Ortellado



Oona Castro



Volker Grassmuk

Ortellado considers the music industry's view to be dangerous at a time of worldwide heated debate about the revision of copyright laws. "This leads to the argument that we should turn the clock back and return to the world of the past, instead of taking the opportunity to adapt the legislation to embrace new uses," he said.

For the German sociologist Volker Grassmuk, this risk stems from the fact that, until recently, the logic behind copyrights was that musicians' inspiration should be related to their remuneration, and the obligation prescribed by law gave consumers incentive to pay for cultural products. "At the moment, we see that different forms of mo-

tivation lead to creativity, said Grassmuk, highlighting alternative businesses developed for the Internet. For example, there is collaborative funding on specialized sites, like the Catarse site in Brazil and others on which payment is made after access to the product and the price is established by the user, as in the case of Flattr. "Studies of free-payment sites suggests that the artists would collect more than the amount collected under copyright law," he said.

"Today, restricting access to increase product value is no longer enough," argued Oona Castro, executive director, Overmundo Institute. "What we need now is … strategies to promote Brazil and its cultural products." Castro believes it is necessary to emphasize that, without the exclusivity of sharing, there will be no shortage of cultural products. "It's frightening and discouraging to hear that you cannot download albums that have not been pressed for years. If it is not for sale, out of print, it remains in the editors' drawers. Either you require editors to publish them, or you have to share them," she said.

The question is how these models are legalized. In Brazil, there has recently been introduced the license to share (creative commons), a project that already exists in more than 40 countries and here is coordinated by the FGV Law School in Rio de Janeiro. Castro reminded the audience that through this project, Maranhão state movies like "Oh, What a Life" ("Ai que vida") could be downloaded, copied, and distributed for free, becoming a hit and eventually making it to the big screen. Yet the challenges are many.

Clifford Luiz Guimarães de Abreu, general coordinator of copyright dissemination and access to culture of the Ministry of Culture, pointed out that the Brazilian law does not cover the internet, but said there has already been an improvement by including a consumer in the picture while before only creation, production, and distribution of cultural products were considered. "We are reviewing statutory limitations and exceptions, opening, for example, the possibility for consumers to privately copy [cultural products]," he explained.


Clifford Luiz de Abreu Guimarães

Guimarães pointed out that Brazil is under international pressure to comply with copyright laws, since the World Intellectual Property Organization (WIPO) "favors the protection and expansion of the materials that must be protected," and that crackdowns on illegal copying have intensified since the TRIPS Agreement in 1996, which tied intellectual property to international trade and stipulated that all signatories comply with the agreement within 16 years. "Many groups who did not question intellectual property [law] before have … joined the debate," he said. The Agenda for Development, led by Brazil and Argentina, has argued that the development level of a country and its ability to make use of intellectual property should be considered when enforcing copyright laws.