Ieguldījums Tavā nākotnē!

A research carried out within the State Chancellery administered project "Support for the Implementation of Structural Reforms in the Public Administration" (identification No 1DP/1.5.1.1.1./10/IPIA/CFLA/004/002)

activity No 3.2.

"Impact Assessment of Implementation of Structural Reforms"

(procurement ID No MK VK 2012/4 ESF)

Project is 100% financed by the European Social Fund

REPORT

THE PERFORMANCE OF THE CREATIVE INDUSTRIES SECTOR OF LATVIA AND PRECONDITIONS FOR ITS TARGETED DEVELOPMENT

According to the agreement No 113 signed on 27 December, 2012

"The Performance of The Creative Industries Sector of Latvia and Preconditions for Its Targeted Development"

The research performer:

Association of persons Baltijas Konsultacijas Ltd and Konsorts Ltd

Riga, 16 May, 2013

SUMMARY OF THE STUDY

THE PERFORMANCE OF THE CREATIVE INDUSTRIES SECTOR OF LATVIA AND PRECONDITIONS FOR ITS TARGETED DEVELOPMENT

METHODOLOGY OF THE STUDY

Aim of the study

A study on the performance of creative industries and their development perspectives were necessary in order to identify the potential of creative industries of Latvia, their used infrastructure, including its targeted use for development of other sectors, particularly for preparing 2014 – 2020 programming period of the European Union (hereinafter EU) funds.

Objectives of the study were:

- to analyze the contribution of creative industries to the economy of Latvia by updating data on the performance, results and investments of creative industries, as well as identifying the creative industry sectors with the highest dynamics of growth and export potential;
- to identify lack of support mechanisms which did not allow to fully use the potential of creative industries;
- by evaluating cross-sectoral policy (cultural, economic and educational policies) to find more effective solutions for development of support mechanism for creative industries.

In the result of the study the evaluation of current performance of creative industries, as well as the recommendations for further development of the creative industries sector in synergy with education and economic sectors were elaborated.

Definition of creative industries and their related industries

For research and analysis of creative industries the fundamental issue is the definition of creative industries. In policy planning documents and previous studies carried out in Latvia different definitions of creative industries were used. Since the definition of creative industries was widely discussed in the past studies carried out in Latvia[1], this study does not expand the definition subject.

The definition of creative industries given in the European Commission's Green Paper "Unlocking the potential of cultural and creative industries" is used within the study: "Creative industries" are those industries which use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as subsectors such as graphic design, fashion design or advertising. Also many other growth industries need content, and therefore, they are to some extent interdependent of the cultural and creative industries. They are, for example, the tourism industry and new technologies of the industry."[2] It should be emphasized that a task of the current study was to identify and to analyze only creative industries, not including cultural industries; consequently such target group as state and local authorities, cultural institutions and public corporations are not included in the study.

Since the aim of this study was to update data of earlier studies and to review inclusion of specific NACE Rev.2 classification codes of industries as creative industries, initially an overview identifying those NACE Rev.2 classification codes which were included as creative industries in earlier studies undertaken in Latvia and abroad was prepared. Together with the Client

[1] Please see studies on creative industries theme available on the website of the Ministry of Culture: http://www.km.gov.lv/lv/starpnozares/radosa/petijumi.html
[2] Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010) 183.

evaluation of prepared overview was carried out and the Client defined those classification codes that should be included in the study.

Consequently, 87 codes of NACE Rev.2 have been identified as respective to creative industries. For data analysis to provide a more detailed and accurate as possible assessment of creative industries, identified 87 codes were divided into two subgroups: creative industries and related industries. Considering that the important economic effect of creative industries is in their synergy, cooperation and partnership with other sectors of the economy, sectors which should be considered as related to creative industries were defined – sectors which are not considered as representatives of creative industries, but creative industries produce or may produce a significant added value for them.

The following 37 NACE Rev.2 classification codes have been identified as respective to creative industries.

NACE section	NACE class code	NACE class
Manufacturing (C)	1419	Manufacture of other wearing apparel and accessories
Manufacturing (C)	1520	Manufacture of footwear
Manufacturing (C)	2341	Manufacture of ceramic household and ornamental articles
Manufacturing (C)	2652	Manufacture of watches and clocks
Manufacturing (C)	3109	Manufacture of other furniture
Manufacturing (C)	3212	Manufacture of jewellery and related articles
Manufacturing (C)	3213	Manufacture of imitation jewellery and related articles
Manufacturing (C)	3220	Manufacture of musical instruments
Manufacturing (C)	3240	Manufacture of games and toys
Information and communication (J)	5811	Book publishing
Information and communication (J)	5813	Publishing of newspapers
Information and communication (J)	5814	Publishing of journals and periodicals
Information and communication (J)	5819	Other publishing activities
Information and communication (J)	5911	Motion picture, video and television programme production activities
Information and communication (J)	5912	Motion picture, video and television programme post-production activities
Information and communication (J)	5920	Sound recording and music publishing activities
Information and communication (J)	6010	Radio broadcasting
Information and communication (J)	6020	Television programming and broadcasting activities
Information and communication (J)	6201	Computer programming activities
Information and communication (J)	6312	Web portals
Information and communication (J)	6391	News agency activities
Professional, scientific and technical activities (M)	7021	Public relations and communication activities
Professional, scientific and technical activities (M)	7111	Architectural activities
Professional, scientific and technical activities (M)	7311	Advertising agencies
Professional, scientific and technical activities (M)	7312	Media representation
Professional, scientific and technical activities (M)	7410	Specialised design activities
Professional, scientific and technical activities (M)	7420	Photographic activities
Education (P)	8552	Cultural education
Arts, entertainment and recreation (R)	9001	Performing arts
Arts, entertainment and recreation (R)	9002	Support activities to performing arts
Arts, entertainment and recreation (R)	9003	Artistic creation
Arts, entertainment and recreation (R)	9004	Operation of arts facilities
Arts, entertainment and recreation (R)	9102	Museums activities
Arts, entertainment and recreation (R)	9103	Operation of historical sites and buildings and similar visitor attractions
Arts, entertainment and recreation (R)	9321	Activities of amusement parks and theme parks
Arts, entertainment and recreation (R)	9329	Other amusement and recreation activities

The following 50 NACE Rev.2 classification codes have been identified as related sectors to creative industries.

NACE section	NACE class code	NACE class
Manufacturing (C)	1310	Preparation and spinning of textile fibres
Manufacturing (C)	1320	Weaving of textiles
Manufacturing (C)	1330	Finishing of textiles
Manufacturing (C)	1391	Manufacture of knitted and crocheted fabrics
Manufacturing (C)	1392	Manufacture of made-up textile articles, except apparel
Manufacturing (C)	1399	Manufacture of other textiles n.e.c.
Manufacturing (C)	1411	Manufacture of leather clothes
Manufacturing (C)	1412	Manufacture of workwear
Manufacturing (C)	1413	Manufacture of other outerwear
Manufacturing (C)	1414	Manufacture of underwear
Manufacturing (C)	1420	Manufacture of articles of fur
Manufacturing (C)	1431	Manufacture of knitted and crocheted hosiery
Manufacturing (C)	1439	Manufacture of other knitted and crocheted apparel
Manufacturing (C)	1511	Tanning and dressing of leather; dressing and dyeing of fur
Manufacturing (C)	1512	Manufacture of luggage, handbags and the like, saddlery and harness
Manufacturing (C)	1724	Manufacture of wallpaper
Manufacturing (C)	1811	Printing of newspapers
Manufacturing (C)	1812	Other printing
Manufacturing (C)	1813	Pre-press and pre-media services
Manufacturing (C)	1814	Binding and related services
Manufacturing (C)	1820	Reproduction of recorded media
Manufacturing (C)	2331	Manufacture of ceramic tiles and flags
Manufacturing (C)	3101	Manufacture of office and shop furniture
Manufacturing (C)	3102	Manufacture of kitchen furniture
Manufacturing (C)	3103	Manufacture of mattresses
Manufacturing (C)	3211	Striking of coins
Manufacturing (C)	3299	Other manufacturing n.e.c.
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4616	Agents involved in the sale of textiles, clothing, fur, footwear and leather goods
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4641	Wholesale of textiles
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4642	Wholesale of clothing and footwear
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4647	Wholesale of furniture, carpets and lighting equipment
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4648	Wholesale of watches and jewellery
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4665	Wholesale of office furniture
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4743	Retail sale of audio and video equipment in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4751	Retail sale of textiles in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4759	Retail sale of furniture, lighting equipment and other household articles in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4761	Retail sale of books in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4762	Retail sale of newspapers and stationery in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4763	Retail sale of music and video recordings in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4765	Retail sale of games and toys in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4771	Retail sale of clothing in specialised stores

NACE section	NACE class code	NACE class
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4772	Retail sale of footwear and leather goods in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4777	Retail sale of watches and jewellery in specialised stores
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	4778	Other retail sale of new goods in specialised stores
Information and communication (J)	5821	Publishing of computer games
Information and communication (J)	5829	Other software publishing
Information and communication (J)	5913	Motion picture, video and television programme distribution activities
Information and communication (J)	5914	Motion picture projection activities
Arts, entertainment and recreation (R)	9101	Library and archives activities

Methods of the study

<u>Desk research</u>

Desk research was used to identify earlier researches about creative industries carried out in Latvia and abroad, to collect their key findings, to identify major restrictions and burdens of this sector research. As well, within the desk research information on laws and regulations relating to creative industries in Latvia and at European Union level were compiled. In the result of the desk research information was retrieved that served as the basis for elaboration of the methodology of the study, for identification of analyses aspects to be included in the study, as well as for adaptation of a variety of research approaches in the situation of Latvia.

<u>Collection of statistical data and its secondary analyses</u>

In order to prepare an analysis of development trends of creative industries and their related sectors, statistical data were summarized and their secondary analysis was carried out. Within the secondary analysis of data recalculations of statistical data, estimations of several relative indicators and other statistical operations were carried out. The main source of statistical data was the Central Statistical Bureau, but additional data were also obtained from the Register of Enterprises, Lursoft, the Bank of Latvia, the Ministry of Finance, the Ministry of Economics, the Ministry of Culture, the Ministry of Education and Science, etc.

<u>Quantitative survey of enterprises</u>

Within the study a survey of creative industries enterprises was carried out interviewing in total 309 enterprises operating in the sector (self-employed persons, individual entrepreneurs, commercial enterprises). The survey was carried out using a combined approach to the methods of the survey – telephone interviewing and e-questionnaire. Field work of the survey was organized in March and April of 2013. When analyzing and interpreting results of the business survey, it should be noted that in the results of the study there is always some statistical error probability. The maximum range of accuracy of results in whole survey sample (n = 309) is +/-5.7% (95% probability).

<u>Discussions of experts and entrepreneurs</u>

Within the study four focus group discussions were organised; in total 38 creative industries entrepreneurs and experts participated therein. Three discussions took place in Riga, one in Valmiera.

CREATIVE INDUSTRIES STATISTICAL CHARACTERISTICS

Number of enterprises	
Number of creative industries enterprises and its increase	7 484 (+1 944)
Number of related industries enterprises and its increase	5 520 (+369)
Share of number of creative industries enterprises in total number of enterprises in Latvia and its increase	6% (+1%)
Share of number of related industries enterprises in total number of enterprises in Latvia and its increase	4% (0%)
Net turnover	
Net turnover of creative industries and its increase (millions LVL)	758,3 (-147,8)
Net turnover of related industries and its increase (millions LVL)	909,1 (-199,1)
Share of net turnover of creative industries in total net turnover of enterprises in Latvia and its increase	3% (0%)
Share of net turnover of related industries in total net turnover of enterprises in Latvia and its increase	2% (-1%)
Average turnover of creative industries per enterprise and its increase (LVL)	101 323 (-62 233)
Average turnover of related industries per enterprise and its increase (LVL)	164 692 (-50 451)
Average turnover of creative industries per employee and its increase (LVL)	20 478 (+2 105)
Average turnover of related industries per employee and its increase (LVL)	24 627 (+3 441)
Export	
Export volume of creative industries and its increase (millions LVL)	78,6 (+10,2)
Export volume of related industries and its increase (millions LVL)	285,1 (+24,3)
Share of export volume of creative industries in total export volume of enterprises in Latvia and its increase	1% (-1%)
Share of export volume of related industries in total export volume of enterprises in Latvia and its increase	5% (-1%)
Average export volume of creative industries per enterprise and its increase (LVL)	10 502 (-1 844)
Average export volume of related industries per enterprise and its increase (LVL)	51 649 (+1 018)
Number of employed	
Number of employed in creative industries enterprises and its increase	37 030 (-12 287)
Number of employed in related industries enterprises and its increase	36 915 (-15 394)
Share of number of employed in creative industries enterprises in total number of employed in enterprises in Latvia and its increase	4% (0%)
Share of number of employed in related industries enterprises in total number of employed in enterprises in Latvia and its increase	4% (-1%)
Average number of employed in creative industries per enterprise and its increase	5 (-4)
Average number of employed in related industries per enterprise and its increase	7 (-3)
Created added value	
Created added value of creative industries and its increase (millions LVL)	549,7 (-79,5)
Created added value of related industries and its increase (millions LVL)	548,0 (-119,4)
Share of created added value of creative industries and its increase in total number of created added value in Latvia	4% (0%)
Share of created added value of related industries and its increase in total number of created added value in Latvia	4% (-1%)
Created added value of creative industries per employee and its increase (LVL)	14 845 (+2 086)
Created added value of related industries per employee and its increase (LVL)	14 845 (+2 086)

Data source: the Central Statistical Bureau, calculations of the authors

Notes: (1) number mentioned about year 2011, (2) increase mentioned about time period 2008-2011.

MAIN CONCLUSIONS OF THE STUDY

Conclusions of the study	Argumentation of conclusions (based on information and data obtained in the study)
Economics of creative industries in general	
(1) Although the share of creative industries and related industries in the economy of Latvia has not changed significantly over the last 5 years, major changes occurred within creative industries sector itself – a significant increase in the number of enterprises, while very significantly dropped the number of employees, as well as the total amount of the turnover (it could be explained by the economic crisis and the following economic restructuring), besides, although the total export volume increased, the relative indicator of the average export volume per enterprise has fallen. This allows to conclude that creative industries are now developing not consolidating and orienting to development of business (growth of turnover, productivity) and export, but rather focusing on the internal consumption and micro-business (a small number of employees, turnover, retention of existing market positions, rather than growth).	• In the last five years share of creative industries and related industries in the economy of Latvia has been approximately 10% of the total number enterprises and employees and about 5% of the total turnover and export. • The number of creative industries enterprises increased by 35%, related industries – about 7%. Particularly significant increase is observed in 2011 (+17%), which could be largely linked to the introduction of micro tax. • Although the number of creative industries enterprises has increased very significantly, in related industries it increased insignificantly and at the same time the total turnover decreased – hence it is not possible to argue that the increase of number of creative industries enterprises has a direct impact on the growth of related industries. • The number of employees in creative industries enterprises dropped by 25%, in related industries by 29%. • The total amount of turnover in creative industries dropped by 18%, in related industries by 16%. • Export of creative industries increased by 18%, but relative indicator of the average export volume per enterprise in the sector dropped by 15%. • The average number of employees per creative industries enterprise decreased from 9 to 5. • The average amount of turnover per employee increased by 11%, that should be linked to the overall fall in the number of employees, not to growth of productivity.
(2) So far creative industries were more developing in the capital city Riga; consequently entrepreneurship of creative industries can be described as explicitly mono-centric. Although in the last four years the faster increase of number of creative industries enterprises was observed in Latvia's regions Pieriga and Latgale, though it did not have significant positive impact on the number of employees and turnover of the sector in total. Consequently, in the rest of the territory of Latvia the development centres of creative industries are not strong enough to promote the sector to the polycentric growth.	• Only about 1/4 of creative industries and 1/3 of related industries are situated in the regions. • More than 80% of the total turnover of creative industries is provided by enterprises in Riga, in related industries enterprises of Riga make about 70% turnover. • Approximately 60% of creative industries added value is provided by enterprises of Riga. The rest of each Latvian region creates around 10% of the total added value of creative industries and related industries. • During the last four years share of enterprises working in creative industries in Riga slightly decreased, at the same time it increased in Pieriga, not in regions. • Number of creative industries enterprises increased by 68% in Pieriga, in Riga – 27%, Latgale – 65%. • The number of employees in Latgale decreased by 35%, in Pieriga – 22%. • Total turnover in Latgale decreased by 48%, in Pieriga it increased by 13%.
(3) The quality, professionalism and competence, low prices – these are three competitive advantages the most frequently identified among creative industries entrepreneurs. None of them though is mentioned more than 1/3 of cases, consequently, it is not possible to talk about some particular competitive advantages which the most of creative industries entrepreneurs would highlight in their work. It is significant that low prices also are identified as an	• Quality (33%), professionalism and competence (22%), low prices (21%) are those three competitive advantages which creative industries entrepreneurs mention most often in the survey. • Experience, performance speed, unique and competitive products and quality of customer service can be identified as secondary valuable competitive advantages – they are mentioned by little more than 1/10 of entrepreneurs.

Conclusions of the study	Argumentation of conclusions (based on information and data obtained in the study)
important competitive advantage for entrepreneurs, although the creative industries sector is primarily oriented to the unique, high added value products and services. While such aspects as innovations, entrepreneurship, creativity, innovative technologies as major competitive advantages are mentioned by much less than 1/10 entrepreneurs, consequently – sector entrepreneurs only rarely identify themselves with the essential characteristics of creative industries.	
Employment and labour force availability in creative industries	
(4) Although the number of creative industries enterprises has increased dramatically, the number of employees over the last four years has greatly diminished, consequently creative industries enterprises has not been growing, but they narrowed their work (employing less people, working with less turnover). It may be partly due to the introduction of the micro tax, which sets the maximum annual turnover of not more than 70 000 LVL and the maximum number of employees – 5 per enterprise. In the next five years it is not expected to have significant increase in the number of employed, although a small growth could be observed.	• During the last four years the number of employees in creative industries dropped by 25% (-12287 employees), related industries – 29% (-12394 employees). • The fall of total number of employed in creative industries was considerably larger than in Latvia as the whole (respectively - 25% and 14%). • The average number of employees per creative industries enterprise decreased from 9 to 5. • In the survey 45% of the entrepreneurs assess that in the upcoming five years the number of employees in their firm will not change, 38% claim it could slightly increase. Applying these data to approximate calculation of the entire creative industries group, with 95% probability it could be predicted that the total number of employees within the next five years would rise by about 10%-15%.
(5) IT programmers, IT experts, project managers, designers, marketing experts, architects and wood crafters are those professions, for which demand in the next five years could grow in the job market.	• During the next five years, in the labour market demand for IT programmers (10% of surveyed entrepreneurs mentioned that the demand for them will grow), project managers (7%), IT experts (5%), designers (5%), marketing experts (4%), architects (4%) and wood crafters (4%) will increase. • Currently, in the labour market offer is not sufficient for such professions as the IT programmers (13% of entrepreneurs in the survey mentioned that such experts are not sufficient), IT experts (10%), carpenters (9%), tailors (4%), project managers (4%), technical workers and technical experts (4%).
(6) Availability of skilled and professional workforce is one of the important obstacles for development of creative industries, which could become more acute in the upcoming five years. This applies particularly to the IT sector experts.	• 57% of entrepreneurs assess that currently in the labour market there is not sufficient availability of needed employees. It is particularly acute for the enterprises established in the last five years, among which 65% evaluate the availability of employees as not sufficient. • Survey data show that in the next five years demand will increase for those professions for which the availability of employees already is not sufficient in the labour market. • When searching and attracting the needed employees in the enterprise, in total 41% of creative industries enterprises faced with such problems as lack of qualification and professionalism. • 10% of entrepreneurs indicated that faced with such problems as laziness, unreliability, and lack of skill to communicate and other personal characteristics of potential employees.
Fastest growing sectors of creative industries	
(7) Software, internet portals, other entertainment and recreational activities and work of artists are those creative industries spheres which show substantial growth in turnover. Consequently, growth	• The most significant increase in turnover in the four years period: software (+11.1 million LVL or 7%), internet portals (+9.2 million LVL or 67%), other entertainment and recreational activities (+7,6 million LVL or 56%), work of artists (+4.6 million

Conclusions of the study	Argumentation of conclusions (based on information and data obtained in the study)
takes place mostly in the area of services (especially in IT and internet spheres).	LVL or 30%). • The most significant increase of enterprises in the four years period: software (+381 entities or 67%), artistic creativity (+244 or 339%), other entertainment and recreation activities (+207 or 73%). • The most significant increase in the number of employees in the four years period: software (+559 or 10%), internet portals (+234 or 48%).
(8) Architectural services, work of advertising agencies, publishing magazines and periodicals, placing advertisements in mass media and publishing newspapers are those creative industries spheres that showed the biggest decrease in turnover.	• Significant reduction of the turnover in the four years period: architectural services (-63.0 million. LVL or -63%), work of advertising agencies (-37.4 million LVL or -17%), publishing magazines and periodicals (-16.7 million LVL or -36%), or placing advertisements in mass media (-16.5 million LVL or -37%), publishing newspapers (-15.9 million LVL or -49%). • The main reduction in the number of employed in the four years period: architectural services (-1873 or -48%), cultural education (-1833 or -40%), work of cultural institutions (-1779 or -35%), other furniture production (-1595 or -27%), work of advertising agency (-1292 or -27%), publishing magazines and periodicals (-1097 or-40%).
Export capacity of creative industries	
(9) So far representatives of creative industries have not been active in export markets, most enterprises were focused exclusively on the internal market. Consequently the export capacity of creative industries currently should be characterized as rather weak. Although in absolute numbers creative industries export over the last four years has grown, its share in total export of Latvia has even decreased, due to the reason of the fact that export growth in Latvia as a whole is much faster than in creative industries.	• Export volume of creative industries has increased by 18%, while the share of export in total export of Latvia decreased from 8% to 6%. • Growth of export volume in Latvia as a whole has been 56%, but in creative industries only 18%. • Annual total average turnover of creative industries is more than 700 million LVL, while total export volume is only around 70 million LVL (10%).
(10) Export capacity of the majority of creative industries enterprises currently is weak – the most of export of creative industries is provided by manufacturing enterprises, whose share and turnover in creative industries in general is not more than 15%. Significantly as well, that the biggest export markets for creative industries currently is Estonia and Lithuania – economic changes in the Baltic region as a whole would affect exporting enterprises as much as those working in internal market. At the same time, it should be emphasised that the lack of export capacity does not mean lack of export potential.	• On average, 88% of the export volume of creative industries for the past five years is provided by manufacturing enterprises – their number, turnover and the number of employees in creative industries as a whole is only 13%-15%. • 76% of all creative industries export is provided by enterprises working in other furniture production (61,9 million LVL from total export volume 80.9 million LVL in 2012). Export volume of the rest of the spheres does not exceed 5 million LVL a year. • Also the greatest increase in the volume of export in the last five years had been in the furniture manufacturing sector (+14.7 million LVL or +31%), in the rest of the sectors growth in the volume of exports over the last five years did not exceed 1.5 million LVL. • The survey of entrepreneurs shows that most of the export goes to neighbouring countries – Estonia (43%) and Lithuania (42%). Relatively often export destinations are Germany (32%), Russia (29%) and Sweden (24%).
(11) Despite the current weak export capacity of creative industries, explicitly large interest of entrepreneurs for expanding their business in unknown markets is observed. The largest interest of entrepreneurs is shown about Russian and Belarusian markets. At the same time, it is important that business expansion to new export markets is planned only by those enterprises who are already	• 2/3 of creative industries enterprises in the upcoming five years plan to expand their business and 36% of them – to learn so far unexploited markets. Applying these data to approximate calculation of the entire creative industries group, with 95% probability, it could be predicted that the number of enterprises that in the nearest five years might try to start exporting to new markets could be around 2000.

Conclusions of the study	Argumentation of conclusions (based on information and data obtained in the study)
exporting – share of those who are interested in export in the number of those who do not export are explicitly low. Consequently, in the next five years, growth of export is likely to be expected in increase of export volume, rather then in increase of the number of exporting enterprises.	• Main interest about exporting markets is shown about Russia – 28% of those entrepreneurs who plan to expand export plan to start it particularly in Russia. Another 18% indicate that they would like to start to export to Belarus. Approximately 1/10 of entrepreneurs see also Estonia, Sweden, Ukraine, Finland and the USA as potential export markets. • Only 3% of those creative industries enterprises that are currently not engaged in export activities claim that within the next five years they will certainly begin to export. Another 32% assess that they may start exporting. Applying these data to approximate calculation of the entire creative industries group, with 95% probability, it could be predicted that the number of currently not exporting enterprises that in the next five years might try to start to export will be only approximately 120.
Obstacles of creative industries business	
(12) Entrepreneurs rather often identified the small demand as a key obstacle for business development. On the one hand, such data could be interpreted as a fact that creative industries are not competitive enough and therefore there is a small demand for their production. On the other hand, data of the study also suggest that a large proportion of enterprises are facing problems of current assets and tax burden. Consequently, it is not possible to clearly define the reasons and consequences.	• In the survey small demand is relatively commonly assessed as entrepreneurial obstacle by creative industries entrepreneurs (27%).
(13) The availability of financial resources can be identified as an unequivocally interpreted obstacle of business – equally large part of entrepreneurs are influenced by the lack of current assets, as well as too high tax burden. Consequently, at least partly growth opportunities of creative industries are limited due to the access of entrepreneurs to financial resources. (14) The lack of employees is the third most frequently mentioned obstacle for development of business.	• In the survey large taxes (15%), lack of current assets (14%), economic crisis (12%) and lack of employees (9%) are mentioned as the significant entrepreneurial obstacles by entrepreneurs.
(14) Commercialization of ideas are most often indicated by industry experts and entrepreneurs as problematic aspect for the development of business, namely, the creative industries sector has plenty of ideas, creative work, but there are no skills to commercialize them. Partly the problem should be associated with the education system, where creativity is separated from the market economy, where it is not considered a "thing" for sale.	• Opinions of experts and entrepreneurs in discussions: "These people have fantastic ideas, they are doing something, and very often they miss a link with people who know how to build a business, how to help to turn it into a business. There is a lack of support which helps; what usually frightens – the legal aspects, the administrative aspects, very often there is also the cooperation at national and local level, when some support is needed. And then it is all very quiet, and at very small scale. Individually, approximately how it is working. And this is what I see, what is needed to facilitate are these support centres, support points, support people, and in principle as it is in Tartu centre of creative industries. Industries at the start period need this greenhouse effect when they are cared, noticed, they have everything they need. They have an idea, but they don't know how to do it and for solving this question how to do it there are people needed who are able to consult and encourage." "I think that there is a great creative potential in Latvia, very many people eager to work, what is lacking, as you mentioned, is all these basic things to do business – OK, we have a great idea, but we often do not know what is VAT and

Conclusions of the study	Argumentation of conclusions (based on information and data obtained in the study)
	similar things, and reports. We also have had such cases, I will not call particular enterprises, but there have been such.” “Perhaps it is worth considering how to address this artist, this creative person to encourage him to do business. As not everyone wants to do that, one just works only in his creative field and nothing more. Then he needs this cooperation partner and this is an issue that must be addressed so that these creative people would be together with those who are able to take the story further.” “If we are talking about creative industries in the Academy of Culture or elsewhere, these schools teach more or less all artistic things, but in the basic level there should be a focus on the basic business as well, because that is what is missing. We perfectly drive technologies; we are able to do everything very well, but just as you have to meet with a client, then that’s it. We do not know how to present ourselves, to make presentation, these basic business things must be learnt if you study in a university of culture or a film college.”
Impact of state support on the development of creative industries	
(15) The availability of financial support has a significant impact on the development of creative industries – enterprises that have received financial support, more frequently express willingness to increase the number of employees, as well as to expand business, and more often introduce new products.	• 69% of those that in the last five years have received national, municipal or other form of financial support, in the next five years plan to increase the total number of employees (among those that have not received or used support are only 31% such). • Among the beneficiaries that definitely plan to expand their business are 42%, while among those that have not received support are only 21%. • Among the beneficiaries explicitly more are those that regularly invest in research and development (respectively 40% and 21%). • 70% of those that have received support in the past five years have introduced a new product, while among those that have not received support only 38% introduced a new product.
(16) The reduction of corporate income tax, adjustment of vocational training programmes to the needs of employers and enhanced cooperation with the educational institutions are state support “kit”, which entrepreneurs evaluate as the most effective. While the tax changes are national level activities, cooperation with educational institutions and educational content improvements depend largely also on sector activities and taking initiative – considering these steps only as the state responsibility, insufficient self-organization of creative industries and self-initiative to develop social dialogue both within the industry and at cross-sectoral level is observed.	• The most frequently mentioned national entrepreneurship support measure in the survey is a reduction of taxes – indicated by 39% of respondents, while any other necessary support mentioned by not more than 1/10 of respondents. • Majority – 72% – of the respondents assessed that incentives of the corporate income tax would certainly promote their business. More than 1/2 of the respondents are also certain that adjustment of vocational training courses to employers’ requirements (56%), closer collaboration between educational institutions and entrepreneurs (57%), support for young people practices in enterprises (57%) and support for participation in international markets and fairs (54%) would promote their business. • Only 18% of creative industries enterprises have collaborated with the educational institutions particularly about educational content issues. • Opinions of experts and entrepreneurs in discussions: “There is an inadequate education system for the needs of the sector. As what is offered by our universities, it absolutely does not correspond to what is needed. The sector does not need 20 film directors each year. It needs medium technical staff or more narrow experts. But the education system does not offer that.” “You cannot always wait that someone from the side will come

Conclusions of the study	Argumentation of conclusions (based on information and data obtained in the study)
	and I tell – it would be better for you if you do this and that. And it is state that will always tell. Well, that's not it. This self-organization is also very important."
Synergy and partnership of creative industries	
(17) Although more than a half of creative industries enterprises affirm that in development and implementation of a product and a service they have collaborated with other enterprises, most likely it has been just buying or selling services and raw materials, rather than a partnership. It is confirmed by the data on what kind of enterprises creative industries have collaborated, as well as the fact that only about 1/10 enterprises have collaborated with science and research institutions (but in only half of these cases as a partner).	• Overall 64% of surveyed entrepreneurs affirm that their enterprises collaborate with other enterprises in development of their products and services – 59% partnered with enterprises in Latvia, but 27% – with enterprises abroad. • Relatively most often creative industries enterprises cooperate with providers of IT services (13%), trading enterprises (11%), providers of advertising services (10%) and manufacturing enterprises (8%). • Absolute majority – 88% – creative industries enterprises in the last five years have not collaborated with scientific and research institutions, and only 4% have collaborated as partners with such institutions. Another 4% have purchased their services. • Opinions of experts and entrepreneurs in discussions: "Just today I was talking with students of the Latvian Academy of Culture. For their bachelor or master degrees they learn not only film, but also particularly art production. One of the conclusions which we came to was that no one wants us to involve in collaboration. There is, for instance, the Film directors Department and they are producers, but it would be a normal thing if a producer, a creative one and also a performer would meet and collaborate together. There are very many individual artists, but there is no such collaboration system in the education." "We have creativity in Latvia but we do not have cooperation." "I talked about cooperation; I invite economists, managers to work together with creative people."

ACTION PLAN FOR THE TARGETED USE OF POTENTIAL OF CREATIVE INDUSTRIES

The main challenges in the area of creative industries in Latvia

For the development of creative industries and directing them towards objectives defined in policy documents within the current study a number of significant challenges were identified. Part of the challenges relates to the business environment in general and most of various sector enterprises in Latvia are facing them, but part is specific to particularly creative industries enterprises.

1. Structure of creative industries sector.

1.1. In Latvia many micro and small enterprises with a small number of employees and low economic performance indicators are characteristic for a structure of creative industries.[3] At the same time, it is not a specific feature of Latvia, also in other European countries creative industries are mostly dominated by micro and small enterprises.[4] This in turn means that the creative industries enterprises must face a variety of obstacles and barriers inherent particularly for small business growth and development – limited access to resources and knowledge, low research and innovation capacity[5], difficulty to access new

[3] According to research data, in 2011 about 90% of creative industries enterprises were in micro-enterprise category, another around 5% are small enterprises.
[4] European Competitiveness Report. Brussels, COM(2010).
[5] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013; The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

markets, value and supply chains, limited production capacity, lack of information and skills, increasing mutual competition, etc.[6]

1.2. Creative industries are characterised by internal heterogeneity – in aspects of representation of spheres, types of businesses, economic indicators, business management and needs of resources.[7] Such diversity creates challenges to create the support instruments that are suitable for different needs of creative industries enterprises.

2. Economics of creative industries.

2.1. The considerable growth of number of creative industries enterprises[8] indicates several significant trends of the sector – on the one hand, it indicates the increase of activity of business start-ups of creative industries in general, on the other hand, it indicates that there are favourable conditions for particularly a small business form (which at least partly can be explained by the introduction of the micro tax). At the same time, the economic indicators of enterprises (turnover, added value, export) suggest that creative industries are now developing not consolidating and focusing on business expansion and export, but as internal (local) consumption and micro businesses (enterprises as a way of life, not a business). This, in turn, is a serious challenge in relation to the objectives set in the policy documents for the development of creative industries, where a major role is played particularly by exportability, added value and growth of productivity and innovations.

2.2. The economic indicators of creative industries enterprises (turnover, added value, export figures) identified in the study, as well as competitive advantages identified by entrepreneurs (low prices as one of the most frequently mentioned) show that potential of creativity and innovations of creative industries human recourses is not fully used to create unique high added value products and services. A business process is now more focused on the creation, rather than growth.[9] This is a particularly important challenge in the context of changes of the global economy orienting from low prices to the high added value as a competitiveness provider.[10]

2.3. Taking into consideration findings of the study that creative industries enterprises basically are oriented to micro-business to ensure their self-sufficient existence, for the development of creative industries at a level that would ensure international competitiveness, the essential challenge is establishment and development of an appropriate framework that would enable creative processes and would concentrate creative industries. One of the factors that ensure concentration of creative industries in certain areas is closeness of other creative industries – it provides mutual contacts, exchange and flow of information, collective learning and accessibility to creative and cultural infrastructure (for example, concert halls, museums, educational institutions, etc.) that makes it possible to develop related products and services.[11]

3. Skills of creative industries.

3.1. For successful commercialization of ideas and to ensure development management of enterprises, representatives of creative industries often lack business skills (ability to plan and optimize the performance of enterprises, to prepare business plans, to elaborate financial projections, to present business ideas, to establish cooperation and partnership with other enterprises, etc.). On the one hand, it prevents establishment of new creative industries enterprises, on the other hand, it reduces the development and growth opportunities of enterprises.[12] Lack of entrepreneurial skills is a key obstacle for

[6] Analysis on synergy and partnership of creative industries carried out within the study; The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.
[7] According to results of the study and the European Competitiveness Report. Brussels, COM(2010).
[8] According to research data, the number of CI enterprises over the last four years increased by 35%.
[9] The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.
[10] Sustainable Development Strategy of Latvia until 2030 “Latvia 2030”. Riga, 2010; National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013.
[11] European Competitiveness Report. Brussels, COM(2010).
[12] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013.

attracting investments.[13] Besides, the challenge of creative industries is to attract the human resources who possess the appropriate creative and business skills to ensure synergy between creativity, business and technologies.[14]

3.2. It is expected that the availability of skilled labour force in the upcoming years will be one of the most important development obstacles of the creative industries sector, especially in information and communication technologies sphere, project management, design and marketing. Besides, given that the creative industries sector is one of the more changeable economic fields, in order to ensure that the sector labour force and business managers adapt to changes and innovations, there is a necessity for constant professional development and educational opportunities, which in turn is a challenge particularly for small enterprises with limited resources.[15]

4. Growth and development of creative industries.

4.1. The availability of financing is one of the most important obstacles of business growth of creative industries. Decisions of enterprises about the development are affected by both the lack of current assets, and by the tax burden. Following the economic crisis in Latvia resurgence of the economic crediting process is very slow, besides – the financial market is clearly dominated by the banking sector, while the alternative market segments are historically weak and underdeveloped.[16] The nature of creative industries also creates two additional factors in the availability of financing – firstly, creative industries consists of micro and small enterprises for which it is relatively more difficult to attract investments[17], secondly, creative industries enterprises generally do not have material support for bank loans and business ideas in turn are not usually accepted as credit coverage. [18]

4.2. Although in the survey 43% of enterprises claim that over the last five years they have introduced new technologies, only 1% of respondents consider them as their significant competitive advantage. Taking into consideration that technologies are one of the effective ways to increase added value of products and services generated by creative industries, the increase of the role of new technologies in the sector is considered to be one of the major challenges in the upcoming years.[19] Special attention should be given to digital technologies that open new opportunities for development and distribution of products allowing reducing costs by ensuring new sales channels and new opportunities for development of niche products. [20]

4.3. The small and medium-sized enterprises in Latvia rarely use the opportunity to strengthen their intellectual property, by the reason of lack of interests and knowledge, but also because of a complex procedure. Besides, the field of intellectual property has not been aligned yet at European and national level.[21] Consequently – already in the near future it could hinder the development of creative industries.

5. Synergy.

5.1. The promotion of cooperation and synergy is one of the most important priorities to ensure competitiveness of creative industries enterprises, particularly with respect to international markets, value and supply chains, and the creation and use of innovations, where individual enterprises do not have sufficient knowledge and capacity, especially in view of the fact that

---

[13] For example, according to the results of the study, although 75% of entrepreneurs make development plans, only 24% make them for the period exceeding 1 year. Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010); Cultural policy guidelines 2014-2020 “Creative Latvia”.

[14] Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010).

[15] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013. Sustainable Development Strategy of Latvia until 2030 “Latvia 2030”. Riga, 2010.

[16] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013.

[17] The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

[18] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013; Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Commitee of the Regions „Promoting cultural and creative sectors for growth and jobs in the EU”. Brussels, COM(2012); European Competitiveness Report. Brussels, COM(2010); The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

[19] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013.

[20] Cultural Policy Guidelines 2014-2020 “Creative Latvia”; Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010).

[21] Cultural Policy Guidelines 2014-2020 “Creative Latvia”; Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010); The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

most of the representatives of creative industries are micro or small enterprises.[22] Although in the survey more than half of entrepreneurs of creative industries claim to have collaborated with other enterprises in development of products and services, the most of the times it has been purchase and sales of services and raw materials, rather than partnership in the development of product. At the same time, effective cooperation mechanisms would not only affect the development of creative industries, but would also provide opportunities for synergies with other economic sectors.

5.2. Co-operation and synergy also provide a favourable environment for innovations, growth and development of new products and services.[23] Creative industries are often the accelerator for different development and innovation processes by improving business efficiency and by helping to create products and services with a unique added value. Development of internal and external cooperation mechanisms of creative industries involving both economic and educational and research institutions, as well as related industries play a key role for operational exchange of information and stimulation of innovations, as well as implementation of joint projects.

6. Innovations.

6.1. Creative industries are seen as a future driving force of innovations and competitiveness not only of the creative industries sector, but also in the economy as a whole, creating cross-sectoral transfer effects (spill-over effects) and contributing to the development of enterprises in other sectors.[24] More and more involving of creative professionals in non-technological innovations and service innovations processes is valued.[25] So far, the role of creative industries in development of other sector innovations took place just within individual projects and has not turned into customary practice. Consequently, in the current situation there are challenges, firstly, awareness and maintenance of the importance of role of innovations in the agenda, and, secondly, to ensure collaboration and synergy mechanisms for targeted interaction between creative industries, scientific and research institutions and other sectors of the economy.

6.2. Creative industries are not only an accelerator for innovations, but also the “user” by introducing innovative products and services in enterprises.[26] Though, low activity is characteristic for the development and implementation of innovations for enterprises in Latvia – low research capacity and quality, poor collaboration between business and research sector.[27] As the main obstacles for development of innovations mentioned in the survey are high costs and the lack of own resources, as well as limited opportunities to attract funding from outside the enterprise.[28] Availability of innovations is hindered by the lack of information on opportunities to collaborate with scientific and research institutions and the benefits of such cooperation, as well as lack of collaborative skills. Consequently, it is necessary to ensure a reciprocal circulation of information between creative industries and related industries and scientific and research institutions, as well as an effective and complex cooperation mechanism is needed for the development and transfer of innovations.[29]

6.3. Design takes a more and more growing role to ensure innovations and competitiveness.[30] Understanding of innovation has been greatly expanded including there investments in design and in creative industries, using design for improving the

[22] Cultural Policy Guidelines 2014-2020 “Creative Latvia”; The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

[23] Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Commitee of the Regions „Promoting cultural and creative sectors for growth and jobs in the EU”. Brussels, COM(2012); The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

[24] Cultural Policy Guidelines 2014-2020 “Creative Latvia”, Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Commitee of the Regions „Promoting cultural and creative sectors for growth and jobs in the EU”. Brussels, COM(2012); Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010); The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

[25] Culture Policy Guidelines 2014-2020 “Creative Latvia”.

[26] Culture Policy Guidelines 2014-2020 “Creative Latvia”; Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010).

[27] Culture Policy Guidelines 2014-2020 “Creative Latvia”; National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013.

[28] Culture Policy Guidelines 2014-2020 “Creative Latvia”.

[29] Culture Policy Guidelines 2014-2020 “Creative Latvia”, National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013; The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

[30] The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011; Cultural Policy Guidelines 2014-2020 “Creative Latvia”.

result and the process.[31] Particularly design (both tangible and intangible) allows creating products and services with high added value and ultimately ensures excellence in global competition. Latvia so far has a little experience in this area, but still it has a great growth potential.

7. Export.

7.1. An export growth rate of Latvia as a whole had been much higher than of creative industries (56% and 18% respectively), but the most of export of creative industries is provided by manufacturing enterprises, whose share and turnover in creative industries in general is not more than 15%. This shows that creative industries are currently lacking export motivation and experience. When the total volume of export of creative industries increased, the average export volume indicator per enterprise has decreased due to an increase in the number of enterprises. This in turn suggests that enterprises entering in creative industries market are not oriented to export and expand their activities only in the domestic market. Besides, readiness to increase export and to enter new markets is most often expressed by the already exporting enterprises. Consequently, the creation of export motivation and increase of export capacity is an essential challenge for creative industries in the medium and long term.

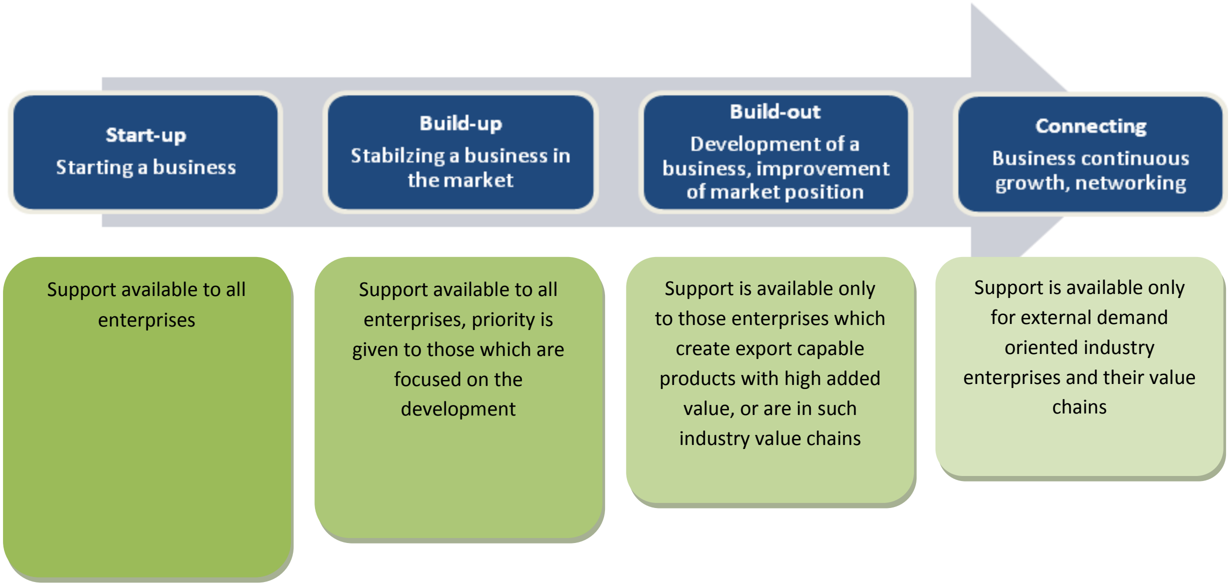
7.2. The survey of entrepreneurs shows that most often export activities are carried out by big creative industries enterprises. Export capacity of small enterprises is prevented by lack of information and resources (human, financial, time), and also various external economic factors, such as high competition with foreign manufacturers, short-term cost increases, the need for investment to increase production capacity or to adapt a product for requirements of the targeted market, etc. Also a significant challenge for small and medium-sized enterprises to start export activities is marketing, sales and logistics measures, especially in the new, geographically remote export markets.[32] In this case, it is essential to provide the tools to prevent these factors, as well as enable entrepreneurs to prepare themselves for specifics of new markets.[33]

Support instruments

Considering one of the major challenges for the targeted development of creative industries – to achieve settling of sector enterprises in the market and their further development (cooperation and synergy with other sectors, initiation and development of export, innovations, etc.), — suggested support instruments have been developed and are grouped in such a way that they directly and indirectly contribute to the strengthening and improvement of the market positions of the enterprises, rather than support the self-sufficient existence of enterprises. An enterprise life-cycle approach is used for development and grouping of support instruments for creative industries[34], dividing four development stages of enterprise and in each identifying key support instruments (see picture). Support instruments in enterprise life-cycle stages are specialized gradually narrowing the range of beneficiaries, in priority supporting those enterprises that are focused on growth directing towards the next stage of development of the enterprise. During the initial stages of business (start-up and build-up) support is available to all representatives of creative industries providing a favourable innovation and entrepreneurship environment for testing and development of diverse business ideas as much as possible, while in subsequent stages of development (build-out and connecting) support is provided to those enterprises that create products with high added value, have export potential or contribute to industries oriented to external demand and their value chains (hereinafter priority sectors).

[31] Culture Policy Guidelines 2014-2020 "Creative Latvia".
[32] National Industrial Policy Guidelines 2014-2020. Informative part. Riga, 2013.
[33] Green Paper. Unlocking the potential of cultural and creative industries. Brussels, COM(2010).
[34] The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

Business life cycle approach for support to creative industries enterprises



Source: Adapted based on life cycle approach available in the study "The entrepreneurial dimension of the cultural and creative industries". Brussels, 2011.

In each of the development stages situation of the enterprise in the market and development goals are different, thus their support needs are also different:

During the start-up stage, the main challenge is the acquisition of skills and competencies, as well as development and testing a business idea. A market for the product or service has not yet been formed, there is no predictable sales volume, there are no sufficient technologies, as well as the production, management and financial management system of the enterprise have not been formed.

The build-up stage is targeted for settling and effectiveness of enterprise. Using previously accumulated knowledge, a stable market, production volume, improved management system, and usage of technologies are achieved. A sustainable existence of the enterprise in the existing conditions is ensured.

During the build-out stage, the enterprise further strengthens the existing structure, at the same time trying to obtain new market positions, in order to gain additional profit opportunities. New markets are searched and range of products or services are expanded and differentiated. The market segmentation takes place, a production system is optimized, an effective use of technologies and human resources is ensured, improving the management and planning processes.

Connecting stage is characterized by continuous business growth, engagement in cooperation and partnership networks and search for new forms of cooperation.[35]

When developing support instruments, a number of considerations with regard to their implementation and effectiveness were taken into account:

Firstly, the effectiveness of the instruments directly depends on their complex implementation, namely, effectiveness of the action plan determines implementation of not individual support instrument, but their complex and systemic implementation providing support to each development stage of the enterprise and priority support directing to development, rather than to ensuring the self-sufficient existence.

Secondly, a large part of the challenges faced by creative industries enterprises are not specific only to this sector, but typical for business environment in Latvia as a whole. Consequently, positive impact on development of creative industries

[35] The entrepreneurial dimension of the cultural and creative industries. Brussels, 2011.

enterprises is caused not only by specific support measures introduced for this sector, but any support system available for entrepreneurs in Latvia. Therefore, support instruments for the development of creative industries, if possible, should be integrated within existing support schemes, providing the ability to adjust the tools for specific needs of creative industries, if necessary. In this respect, the possible risk that representatives of creative industries do not identify themselves as potential beneficiaries, if the instrument is not directly oriented to creative industries, should be addressed by information and communication activities.

Thirdly, in order to adapt the instruments for the structure of creative industries, where micro and small enterprises dominate, these categories of enterprises need to receive priority support (providing higher support intensity, providing the instruments particularly for the micro and small business needs, etc.).

Fourthly, the cross-sectoral cooperation, partnership and synergy are crucial for creative industries for their sustainable development and growth. Therefore, support instruments should be directed for creation and implementation of a collaboration platform and practices within creative industries, as well as cross-sectoraly providing exchange of information, an environment for joint activities, as well as the base of resources and competences.

Fifthly, support instruments included in the action plan are focused on direct support to creative industries, but their effectiveness is also largely determined by different indirect factors. Therefore for success of support instruments development and maintenance of favourable business and creativity environment in Latvia is essential, that include:

- education system that facilitate development of entrepreneurial skills, creativity and innovations in society as a whole,
- cultural capital preservation, development and use, subsidizing creative arts and cultural processes, and ensuring an adequate supply of cultural services,
- comprehensive business and cultural infrastructure,
- stability of business environment and at least medium-term predictability.

Based on identified challenges of creative industries and on the objective of the action plan to ensure the transfer of creative potential and culture-based innovations into business and to promote creation of export capable products and services of creative industries, needs of enterprises in each of their development stage and corresponding support instruments have been identified.

To ensure successive support structure in enterprise life cycle and collaboration and synergy of creative industries, a support system consists of a coordinated set of basic instruments:

- at the beginning of the business – it is a business incubator;
- at stage of business development and growth – a competence centre;
- for further growth of priority sectors and their capacity to export – industry clusters.

<u>Summary of support instruments for targeted use of creative industries potential</u>[36]

No	Instruments	Challenge	CI specificity	Responsible institution*	Implementation institution*	Start-up	Build-up	Build-out	Conn-ecting

[36] Marks used in the action plan: Darker colour – a tool meant for particular business cycle. Only CI – tools, which are meant only for the needs of creative industries; Adjusted for CI needs – comprehensive business support tools, which may be adapted to the specificities of creative industries; Standard instrument – standard tools for business support.

** MoC – the Ministry of Culture, MoE – the Ministry of Economics, LIAA – the Investment and Development Agency of Latvia, MoES – the Ministry of Education and Science, MoF – the Ministry of Finance, BI – a business incubator, CC – a competence centre, CL – a cluster, NDFI – the National Development Financial Institution, EI – education institutions, SI – science institutions, LGA – the Latvian Guarantee Agency*

No	Instruments	Challenge	CI specificity	Responsible institution*	Implementation institution*	Start-up	Build-up	Build-out	Conn-ecting
1.	Awareness and communication platform	2., 3., 7.1.	Only CI	MoC	BI, CC, CL				
2.	Participation and motivation mechanism	2.1., 5.	Only CI	MoC	BI, CC, CL				
3.	Management training	3.1.	Adjusted for CI needs	MoE, LIAA	BI, CC				
4.	Loan programme	4.1.	Standard instrument	MoE	NDFI				
4.	Venture capital instruments	4.1.	Standard instrument	MoE	NDFI				
5.	Support for attraction investors	3.1., 4.1.	Adjusted for CI needs	MoE	BI, CC, LIAA				
6.	Creative investments fund	3.1., 4.1.	Only CI	MoE, MoC	NDFI				
7.	Grant program for starting a business	4.1.	Standard instrument	MoE	NDFI				
8.	CI business incubator	3.1., 3.2., 4.1., 4.2., 5.1.	Only CI	MoE, MoC	BI				
9.	Mentoring and coaching programme	3.1., 5.1.	Adjusted for CI needs	MoC, MoE	CC				
10.	Attraction of qualified specialist	3.1., 3.2.	Adjusted for CI needs	MoE	LIAA, CC				
11.	Employee training programme	3.2.	Standard instrument	MoE, LIAA	LIAA				
12.	The cooperation programme for CI new product and technology development	5.2., 6.1., 6.3.	Only CI	MoE	LIAA				
13.	Ensuring practice places	3.2.	Adjusted for CI needs	MoES, MoC, MoE	CC (coordination, in cooperation with EI)				
14.	State guarantees	4.1., 7.	Standard instrument	MoE	LGA				
15.	Support for new products and technologies	4.2.	Standard instrument	MoE	LIAA				
16.	Corporate income tax relief for the purchase of new equipment and research and development expenses	4.2., 6.2.	Standard instrument	MoE, MoF	-				
17.	Participation in technologies transfer system	4.2., 6.2.	Adjusted for CI needs	MoES, MoC, MoE	CC, CL				
18.	Support for new products and technologies development	6.2.	Standard instrument	MoE	LIAA				
19.	Innovations vouchers	6.2.	Adjusted for CI needs	MoE	CC, CL, SI				
20.	Export support programme	7.	Only CI	MoC, MoE	LIAA, CL				
21.	CI competence centre	1., 2., 3., 4., 5., 6., 7.	Only CI	MoC, MoE	CC, SI, EI				
22.	Support in the area of intellectual property rights	4.3.	Only CI	MoC, MoE	CC				
23.	CI industry clusters (design cluster)	1., 2., 3., 4., 5., 6., 7.	Only CI	MoE, MoC	CL				
24.	Participation in international networks, research projects	5., 6.	Only CI	MoC, MoE	CC, CL				
25.	Marketing measures in international markets	7.2.	Only CI	MoC, MoE, LIAA	CC, CL, LIAA				

Target indicators

The target indicators of the action plan reflect a direct contribution of the action plan in achieving objectives set for the development of creative industries in the National Development Plan 2014-2020:

Target indicators	Base value (2011.)	2017	2020
Share of creative industries export in the total export (%)	1,31	1,4	1,6
Share of enterprises working in culture sphere and creative industries in the total number of enterprises (%)	5,82*	7,0	7,5

Source: Indicators and projections for the National Development Plan of Latvia 2014-2020, Riga, 2012. Base value – the Central Statistical Bureau, authors' calculations.*In calculations only number of creative industries enterprises are used.