CREATIVE ECONOMY: OPPORTUNITIES FOR REBUILDING UKRAINE

The purpose of the article is to study the theoretical aspects of the creative economy, the advantages of its formation, and the assessment of the creative sector in Ukraine. The work proves that the creative sector is dynamically developing in modern conditions, it is recognized as the most promising way to overcome the negative consequences of the COVID-19 pandemic, and in Ukraine, creative industries can become a source of development for the recovery of the economy after the end of the war due to individual creativity and the creation and use of the intellectual property. The creative economy is considered as a concept of the post-industrial economy, a set of economic activities based on knowledge, creativity, intelligence, technology and innovation, which have a high potential for profitability and job creation. It has been proven that the creation of a creative economy is a natural result of social and economic development, which is associated with the recognition of the results of science as a direct productive force and a source of technological changes, increasing the role of culture, the digital revolution and a significant level of development of social networks. An important component of the creative economy — creative industries — is studied, and their classifications are given. The prospects of the creation of a creative class in Ukraine are considered. The situation was analyzed and a list of the main problems of the creative sector of Ukraine in the conditions of military operations was determined. It has been proven that the creative sector of the economy can become a powerful source of reconstruction in the country after the war, and the key directions of its development have been determined.

Keywords: economic development, creativity, creative industries, creative class, post-war reconstruction.

Problem statement. Today, the creative economy is one of the most researched and controversial phenomena in economics. Many researchers, relying on global experience in the development of the creative sector, argue for its effectiveness for the economy. This is manifested both in the value created in this sector and in the increase in jobs and employment. A significant advantage of the creative economy, which corresponds to the
principles of inclusive economic development, is the possibility of involving economically vulnerable segments of the population. According to the UNCTAD report "Prospects for the Creative Economy 2022", the creative economy offers a real development option for all countries, especially for developing countries [1]. Creativity, innovation, and creativity are key factors in economic development in the 21st century. According to the member of the UK government’s creative industries council, John Newbigin, "the main fuel of the 20th-century economy was oil, and the fuel of the 21st century is creativity." Just as energy policy and access to energy were a defining factor in geopolitics throughout the 20th century, policies promoting and developing creativity can become a defining component of success in the 21st century [2]. Although the concept of the creative economy is currently dynamically developing, in practice, Ukraine is only beginning to develop this sector of the economy, so the relevance of the research topic is due to the need to assess and forecast the formation and development of the creative economy in Ukraine under modern conditions.

**Analysis of recent research and publications.**

The analysis of publications dedicated to the study of various aspects of the development of the creative economy shows that this issue is becoming increasingly relevant. Many works highlight the issues of studying the theoretical foundations of the formation and functioning of the creative economy, providing definitions of the essence of the concept of "creative economy" and related terms. In particular, Samiylenko H. investigated the meaning and essence of the components of the term "creative economy" and various views on the interpretation of this definition by both foreign and domestic scientists, based on which approaches to the essence of this concept were generalized and its own understanding was proposed [3]. Ushkarenko Y.V., Chmut A.V., Syniakova K.M. generalized the main approaches to defining the concept of "creative economy" and formulated their own, as well as studied the relationship between the concepts of "new economy", "creative economy", "digital economy", "experience economy", "innovative economy", and "knowledge economy" [4].

Recognizing the significant experience of European countries in the development of the creative economy, domestic authors seek to analyse and generalize their achievements in this direction. Thus, Prykhodko V., Yehorova O., Dzhugan O. in their research focused on the general and systemic policy of the EU regarding the development of the creative economy, aimed at promoting creative products, supporting creative enterprises and individuals, protecting cultural heritage, etc. [5]. The principles of the formation of the creative economy in Ukraine, taking into account the experience of European countries, are also considered by S. Khanin. The author notes that "the experience of European countries proves the necessity of introducing programs for the development of the creative sector using existing potential opportunities and creating a network of creative platforms" [6].

Some authors suggest recommendations for measuring the level of development of the creative economy. Mauri C., Vliegels J. and Ysebaert W. propose using four key dimensions for this purpose: the number of firms, the turnover of these firms, their value-added, and employment [7].

The analysis conducted allows us to assert that studying various aspects of the creative economy and creative industries is a popular topic in modern research. It can also be noted that the development of the creative sector of the economy can become a promising source for the reconstruction of Ukraine in post-war times, which requires further research in this direction.

The purpose of the research is to study the theoretical aspects of the creative economy, the advantages of its formation, the assessment of the level of development, and the directions for activating the growth of the creative sector in Ukraine.

**The purpose of the article.**

The theoretical basis of the study is the fundamental principles of modern economic theory, the work of economists, and experts in the field of creative economics, creative industries, and creative management. The work is based on the research of Howkins J. The Creative Economy: How People Make Money from Ideas [8]; Florida R. The Rise of the Creative Class: And How It’s Transforming Work [9]; Caves R.E. Creative industries: contracts between art and commerce [10]; Landry C. The Creative City: A Toolkit for Urban Innovators [11].

The informational basis of the study is official statistical materials and the results of research conducted by international organizations that deal with the problems of the creative economy and creative industries. The work uses document analysis methods, as well as methods of
generalization, comparison, analysis, and synthesis to determine the essence of categories and concepts of the creative economy, preconditions for its formation, characteristics, and manifestations; when studying the level of development of creative economy and creative industries in Ukraine, determining the key problems in this area. The graphical method is used to visualize the conclusions.

**Presentation of the research material and its main results.** The analysis of works devoted to research indicates that the definitions of creative economy vary in the literature, and there is currently no single interpretation of this term. Although there is significant agreement between studies, some types of activities are difficult to classify and the choice of authors and even entire countries differs. The traditional British approach is focused on the concept of creativity, while the French approach focuses on the cultural sector and cultural industries [7].

The Deloitte report "The Future of the Creative Economy" states that the creative economy is an ecosystem that encompasses a wide range of activities that generate wealth and jobs through individual creativity and the creation and use of intellectual property. It combines both creative industries and those who work outside of these creative sectors but in creative professions [12]. UNCTAD defines creative industries as cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as key resources. They encompass knowledge-based activities that create material goods and intangible intellectual or artistic services with creative content, economic value and market goals [1]. In a study conducted by the civil society organization "GOLOCAL" in partnership with the civil society association "Centre for the Development of the Creative Economy" and the civil society organization "Centre for the Development of Market Economy" (CMD-Ukraine), the creative economy is defined as "a set of economic activities based on knowledge, creativity, intellect, technology, and innovation that have a high potential for profitability and job creation. It lies at the intersection of the economy (promoting GDP growth), innovation (stimulating growth and competition in traditional economic activities), social value (encouraging the formation of knowledge and talents), and sustainability (relying on the contribution of creativity and intellectual capital)" [13].

Domestic researchers also pay attention to this concept. According to Samiylenko H., the creative economy can be defined as "a component of the new (post-industrial) economy, based on the concept that relies on a set of specific relationships between economic entities regarding production, distribution, consumption, and allocation; its functioning requires creative resources, knowledge, information for the creation of new ideas and values, innovations, creative and economic products, which will lead to positive economic and social shifts" [3]. Ushkarenko Yu.V., Chmut A.V. and Syniakova K.M. define the creative economy as a concept of the post-industrial economy, the mechanism of functioning of which is a system of specific socio-economic relations regarding the production, distribution, and consumption of goods based on the use of intellectual capital, creative potential, and talent as production factors to generate new original ideas, resulting in the creation of an innovative product (a good or service endowed with economic value), or qualitatively new decisions are made to meet the needs of society [4].

Pakulina A.A., Byelohlazyova K.V. and Pakulina H.S. propose to consider the creative economy in a systemic, broad sense. They note that "in this case, it functions as 1) an information economy, as information, knowledge, and science play a leading role in it as factors of production and creative work; 2) a post-industrial economy, as the share of the service sector increases and begins to dominate over the production sector; 3) an innovation economy, where knowledge generates a continuous flow of innovations that meet the demands of dynamically changing needs and often shapes them; 4) a global networked economy, as in the creative economy, the interaction between the carriers of "ideas" is mediated by wide network connections on a global scale. This became possible with the emergence of the Internet as a new infrastructure of the economy; 5) a knowledge economy, as the importance of human capital and investments in education and training of personnel increases" [14].

That is, the emergence of the creative economy is a natural result of social and economic development (Figure 1).

An important component of the creative economy is creative industries. In particular, the study "Creative Economy: A New Economic Era of the 21st Century" notes that "creative industries and other forms
**Prerequisities for formation**

- the transformation of the results of science into direct productive force, the source of technological change
- changes in the material and technical base of all economic sectors
- increasing the role of culture, and understanding the essence of urban development in cultural and economic diversity.
- integration of production (primarily related to the digital revolution) and society (social networks), which has created a new channel for mass distribution of creative products

**Formation of the creative economy**

**Main characteristics**

<table>
<thead>
<tr>
<th>Continuous innovative development</th>
<th>Investment in human capital, new goods, technologies, and services</th>
<th>Increasing the share of science-intensive and innovative products in the country's GDP</th>
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<tr>
<td>Increasing the competitiveness of entities and the country as a whole through innovation</td>
<td>Deepening specialization and cooperation in scientific, technical, and innovative activities</td>
<td>Increasing protection and establishing clear mechanisms for protecting intellectual property and copyrights</td>
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**Results**

<table>
<thead>
<tr>
<th>Economic</th>
<th>Social</th>
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<td>Supporting economic diversification, trade, innovation, and development of territorial communities</td>
<td>Promoting employment, social inclusion, reducing social tension, and increasing civic engagement</td>
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<tr>
<td>Cultural</td>
<td>Sustainable development</td>
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<tr>
<td>Promoting cultural identity at the national, regional, city, and community levels</td>
<td>Promoting preservation of the environment and development of ecological consciousness</td>
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**Figure 1. Preconditions for the formation and results of the functioning of the creative economy**

*Source: generalized according to [6: 13]*
of creative economic activity (scientific research, education, fashion, tourism, services, production of creative products, etc.) are components of the creative economy.” Creative industries are defined as a new analytical definition of sectoral components of the economy, where creativity is the input and content or intellectual property is the output. It has been proven in the scientific literature that the creative industries of the economy are based on the generation and dissemination of knowledge and information, as well as economically successful products that have some cultural value [14]. In the Law of Ukraine "On Culture", creative industries are considered as types of economic activity whose purpose is to create added value and jobs through cultural (artistic) and/or creative expression, and their products and services are the result of individual creativity [15].

Analysing the classifications of creative industries proposed in various sources (Figure 2), it can be noted that the scope for the development of the creative sector in Ukraine is quite wide.

In Ukraine, a list of "creative industries" has been approved, which includes folk art crafts; visual arts (painting, graphics, sculpture, photography, etc.); performing arts (live music, theatre, dance, opera, circus, puppet theatre, etc.); literature, publishing, and printed media; audio art; audio-visual arts (film, television, video, animation, etc.); design, fashion; new media and information and communication technologies (software, video games); digital technologies in art (3D printing; virtual, augmented, mixed reality, etc.); architecture and urban planning; advertising, marketing, public relations, and other creative services; libraries, archives, and museums” [16].

According to Florida’s R. definition, the core of the creative industries is undoubtedly the workers in creative professions who form the so-called creative class. Florida, in particular, includes narrow specialists in creative industries (“super-creative core”) and creative professionals among its representatives [9]. More and more people are choosing to work in creative industries. In 2020, this percentage increased to 4, which is 360.3 thousand Ukrainians. In 2019, this percentage was 3.8% [19]. One of the factors contributing to the growth of the creative class is a focus on developing creativity and entrepreneurial skills in higher education. Positive steps in this direction include the emergence of educational programs in many Ukrainian higher education institutions that are aimed at developing these skills. In 2022, 302 higher education institutions admitted students to the speciality "Entrepreneurship, Trade and Exchange Activities", including educational programs such as "Business and Private Entrepreneurship", "Business in the Service Sector", "Electronic Business", and "Entrepreneurship and Business Technologies".

In recent years, many universities have started offering educational programs aimed at preparing specialists in the field of culture and creative industries, including "Innovative Management of Creative Industries", "Management of Creative Industries and Social Innovations", "Management of Creative Industries" and so on [17].

The creative sector of the economy is one of the fastest growing, as shown by analytical reports in 2020, the global market for creative goods increased to $509 billion, doubling in the last 10 years. The creative economy sector is growing at a rate of 30% annually [18]. In Ukraine, the development of the creative economy has gained particularly noticeable momentum since 2016, when creative industries began to rapidly gain weight in the Ukrainian economy according to most key macroeconomic indicators. The value added created by Ukraine’s creative industries increased from 30.8 billion UAH to 117.4 billion UAH (3.8 times) during 2013–2019, while the creative economy sector increased from 74.2 billion to 258.9 billion UAH (3.5 times) [13]. It should be noted that the development of the creative economy industries in Ukraine is happening asymmetrically. The IT industry is the main value-added generator of the creative economy sector in Ukraine. However, the rest of the segments of Ukraine’s creative economy are developing rather sluggishly or even stagnating, which is due to low and geographically uneven demand for goods and services of creative industries, insufficient funding and staffing, and gaps in intellectual property and copyright protection.

However, since the beginning of the full-scale war, the creative sector of the economy has suffered greatly, as evidenced by statistical data for the first quarter of 2022, prepared by the Ministry of Culture and Information Policy of Ukraine [19]. Thus, in January-March 2022, the total number of taxpayers decreased by 60%, and the volume of declared income in the field of creative industries decreased by 41%. Individual entrepreneurs under the simplified taxation system suffered
Classification by UNCTAD

**Creative goods:**
Art crafts; design; publishing; audiovisuals; digital fabrication; new media; performing arts; visual arts

**Creative services:**
Research and development licenses and services; software licenses and services; audio-visual licenses and services; information services; advertising, market research, and architecture; cultural, recreational, and heritage services

Classification of the World Intellectual Property Organization

**Industries based on copyright:**
Advertising, collective management organizations of property rights, film and video industry, music, performing arts, publishing, software, television and radio, visual and graphic arts.

**Interrelated industries of copyright:**
Information storage devices, household electronics, musical instruments, paper manufacturing, copier and photographic equipment manufacturing.

**Industries with limited copyright protection:**
Architecture, clothing and footwear manufacturing, design, fashion, consumer goods manufacturing, toy manufacturing.

Classification of UNESCO Institute of Statistics

**Industries of the main cultural sectors:**
museums, galleries, libraries; performing arts; festivals, visual arts, crafts; design; publishing; television and radio; film and video industry; photography; interactive media.

**Industries of the extended cultural sectors:**
musical instruments; sound equipment; architecture; advertising; printing equipment; software; audio-visual equipment.

The concentric circles model (D. Throsby)

**The first circle, the core.**
The main creative arts:
literature; music; performing arts; visual arts

**Second circle.**
Other major cultural sectors:
museums, galleries; libraries; cinema; photography

**The third circle.**
A broader range of cultural industries:
cultural heritage and tourism-related services; publishing and print media; sound recording; television and radio; video and computer games

**Fourth circle, Related industries:**
advertising; architecture; design; fashion

Symbolic Texts Model (D. Hesmondhalgh)

**Key cultural industries:**
radio and television, film industry, internet content, music industry, electronic printing and publishing, video and computer games, advertising and marketing

**Peripheral cultural industries:**
theatre, production, exhibition and sale of artworks – painting, installations, sculptures

**Borderline cultural industries:**
sports, household electronics/cultural industry equipment, software, fashion

Source: [16]

Figure 2. Approaches to classifying creative industries
the most: their income decreased by 64%. In addition, 64% of individual entrepreneurs ceased their activities. During the studied period, the volume of income tax revenues in all sectors, except IT, decreased by 52%, indicating that the crisis also affected legal entities. The largest decrease in tax revenues was observed in the publishing industry, performing arts sector, architecture, cinema, and other sectors. Therefore, despite the overall increase in tax revenues in the creative industries, this increase is not uniform and is due to the significant share of IT in the structure of creative industries [19].

According to the research "The State of Culture and Creative Industries during the War" [20], which was conducted by the Ukrainian Cultural Foundation in collaboration with the Ministry of Culture and Information Policy of Ukraine from June 1 to June 13, 2022, it was found that despite a large percentage of creative sector professionals who remained in Ukraine, working conditions currently do not contribute to the development of the industry and consequently, employment of the population. The respondents noted a significant decrease in the volume of sales of goods and services since the beginning of the full-scale war: 23% of respondents reported a loss of more than 90% of their annual turnover, more than 50% of those surveyed collectively indicated a decrease in sales ranging from 10% to 90% of their annual turnover, and only 11% of those surveyed believed that there had been no decrease in sales [20].

In the Project Plan for Ukraine’s Recovery, among the main problems of the creative sector in the conditions of war, the following are named: 37% of employees in the creative industries have lost their jobs or are not receiving salaries during the war; 39% of creative businesses reported a decrease/disappearance of orders and sales; 25% of creative entrepreneurs have observed a drop in turnover of over 90%. More than 20% of representatives of the creative industries have left the country due to the war. When asked about the existing measures to support businesses from the state, 37% of creative entrepreneurs clarified that their business does not meet the program requirements, 28% of respondents are confident that the mentioned programs do not solve the enterprise’s problems and do not meet its needs; as a result of sequestration, state expenditures for the Ukrainian Cultural Fund and the Ukrainian Book Institute were reduced [21].

In addition, the key challenges of the creative economy sector are identified as follows: disruption of supply and demand chains, reduction in domestic and foreign orders due to security situation and men’s conscription; job loss; psycho-emotional stress and unfavourable working conditions for those creative professionals who continue to work; loss of production capacity (destruction of offices, factories, workshops, etc.); lack of state guarantees and imperfect mechanisms for financial support; brain drain, migration processes, including the non-return of talents to Ukraine after the war; decline in the quality of educational services in the creative industries due to unpreparedness of the educational process; the risk of lack of investment due to the low priority of the creative industries in the post-war period, since priority in financing will belong to the restoration of critical infrastructure objects, construction, etc. [21].

Creative industries are on one hand the most promising, and on the other hand, the most vulnerable sector of the economy during a crisis, therefore the priority task is to create favourable conditions for the revival of creative business. Creative industries can restore Ukraine’s economy with the least resource costs after the war and overcome its consequences due to their volatility, flexibility, and rejection of materialism. The reorientation of creative business, and informational support for cultural figures, bloggers, and singers in spreading the truth about the war has an impact on providing grant support to Ukraine from international organizations. Active cooperation of the Ukrainian creative community with international institutions contributes to the development of residency programs abroad, obtaining scholarships for education, paid internships, assistance with employment, and housing search for Ukrainians abroad. Creative industries affect the country’s social policy by creating added value and jobs. Therefore, Ukraine needs a more focused and comprehensive state policy that takes into account the achievements of world experience in the development of the creative economy, considering the characteristics of the regions and the country’s potential

**Conclusions.** Thus, the conducted research confirms the significance of developing the creative sector of the economy for the social and economic development of Ukraine. The creative economy is rapidly developing in the world, which positively reflects on the
GDP of countries, stimulates the innovative vector of economic development, and increases competitiveness and economic sustainability through diversification and growth of employment. Important social outcomes of the development of this sector include the development of culture, the realization of creative potential of individuals, and the support of national identity. For Ukraine, the development of the creative sector of the economy can become a powerful impetus for post-war recovery, which requires the development of a State Strategy for the development of creative industries aimed at supporting the restoration of the functioning of economic entities in the field of creative industries; support from the state sector for the restoration of innovative cultural production; support for individual artists; and the development of international cooperation in the field of culture and creative industries. Further research by the authors will be aimed at conducting a thorough analysis of the specifics of creative industries and studying the experience of using alternative data sources to provide statistics for the creative economy.

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