Invest in Africa’s Creative Industries:

There is a renaissance going on

Executive summary

InsightsOut Africa

BRITISH COUNCIL

Contents

Introduction

Insights Out Africa is a research and evidence programme to inform Policy and investment in the African Creative Economy. The Programme is powered by the British Council which has convened a consortium of leading creative economy experts to develop new knowledge and insight to shape innovation in policy, partnership and investment.

The Consortium: Andani.Africa, Creative Economy Practice at CcHUB, HEVA Fund, and Tom Fleming Creative Consultancy (TFCC). All are committed to driving positive change in Africa's creative economy.

Established with a vision to transform the African creative landscape, focused initially on Sub-Saharan Africa, Insights Out Africa is dedicated to promoting research by Africans, for Africans. We believe that the key to unlocking the full potential of the Cultural and Creative Idustries (CCIs) of Africa lies in evidence -based decision-making and strategic investments. For each year we will focus on a key topic for Africa's creative economy and develop research and insight from a different sample of African nations.

For Year 1, we have gone straight to the heart of the debate on what is holding back growth and sustainable development in Africa's Creative Economy: access to finance and investment. Drawing on a programme of research in Kenya, Nigeria, Senegal and South Africa, Year 1 of Insights Out Africa has explored the overarching question:

"What is the funding / financing / investment opportunity in the African Creative Industries?"

With deep-dive research in each of the four countries, the Insights Out Africa Consortium has sought to understand and describe the current funding, financing and investment (herein shortened to investment) landscape for the CCIs, including key funders, investors and enablers, what they invest in, incentives for such investments, and primary goals, KPIs and outcomes of these investments. Through an extensive programme of interviews, focus group discussions and a sector poll, the Consortium has worked to map variations in investment by CCI sector, geography and type of firm.

The Consortium has also developed insight on the broader policy and partnership landscape for CCI investment, including the relationship between funding and / or subsidy for arts and cultural activities and investment for commerciallydriven CCI enterprises.

A central research priority was to identify the main barriers to CCI investment – in terms of investment readiness (preparedness of the investee to attract investment), investor readiness (preparedness of the investor to invest in the CCIs), and the appropriateness of the type of investment available from State, Non-Governmental Organisations (NGOs) and private sector sources (such as banks and sources of equity).

The Consortium has tried to build insight on the specific barriers to CCI investment experienced in Africa, in addition to those widespread barriers faced by CCI enterprises internationally – including the challenge of protecting intellectual property (IP) rights and leveraging such rights (e.g. as collateral) to build viable and investable enterprises; the limited data on CCI investment potential, including potential Returns on Investment (ROIs); real and perceived skills and capacity gaps in small and micro CCIs; and the supply-side problem where available investment is either not appropriate for or targeted toward the CCIs.

With many CCI enterprises micro in scale, often operating in the informal economy (i.e. not registered with the State), access to finance is particularly challenging. UNCTAD's Creative Industry 4.0 report highlights the significance of digital technologies in driving economic participation across Africa, with mobile devices democratising access to a range of services and supporting the growth of crypto-currencies and other mechanisms for trade and exchange, but:

"(T)he availability of technologies is not in itself sufficient. The need to have a credit or debit card in order to complete transactions represents a barrier for some creatives. Even opening a bank account may prove a constraint."

However, despite the multiple barriers to investment for the CCIs across Africa, the Insights Out Consortium is also solutions-orientated, with a research focus on where CCI investment is available and has been impactful. Research in each country has involved horizon-scanning and assessing the range of activities and programmes underway to overcome barriers to investment, building the capacity and expertise of CCI enterprises and investors to secure equitable investment solutions. Consultations with stakeholders across Government, investment institutions and organisations, and with CCI entrepreneurs, have enabled us to shape initial recommendations for a more open, inclusive and sustainable approach to CCI investment in Africa.

These are not recommendations to Government, but recommendations on how, through committed partnership and new dedicated activities and programmes, investment in the African CCIs can reach a wider spectrum of talent, boost the capacity of enterprises to create sustainable employment, and facilitate growth and innovation that delivers step change for the African Creative Economy.

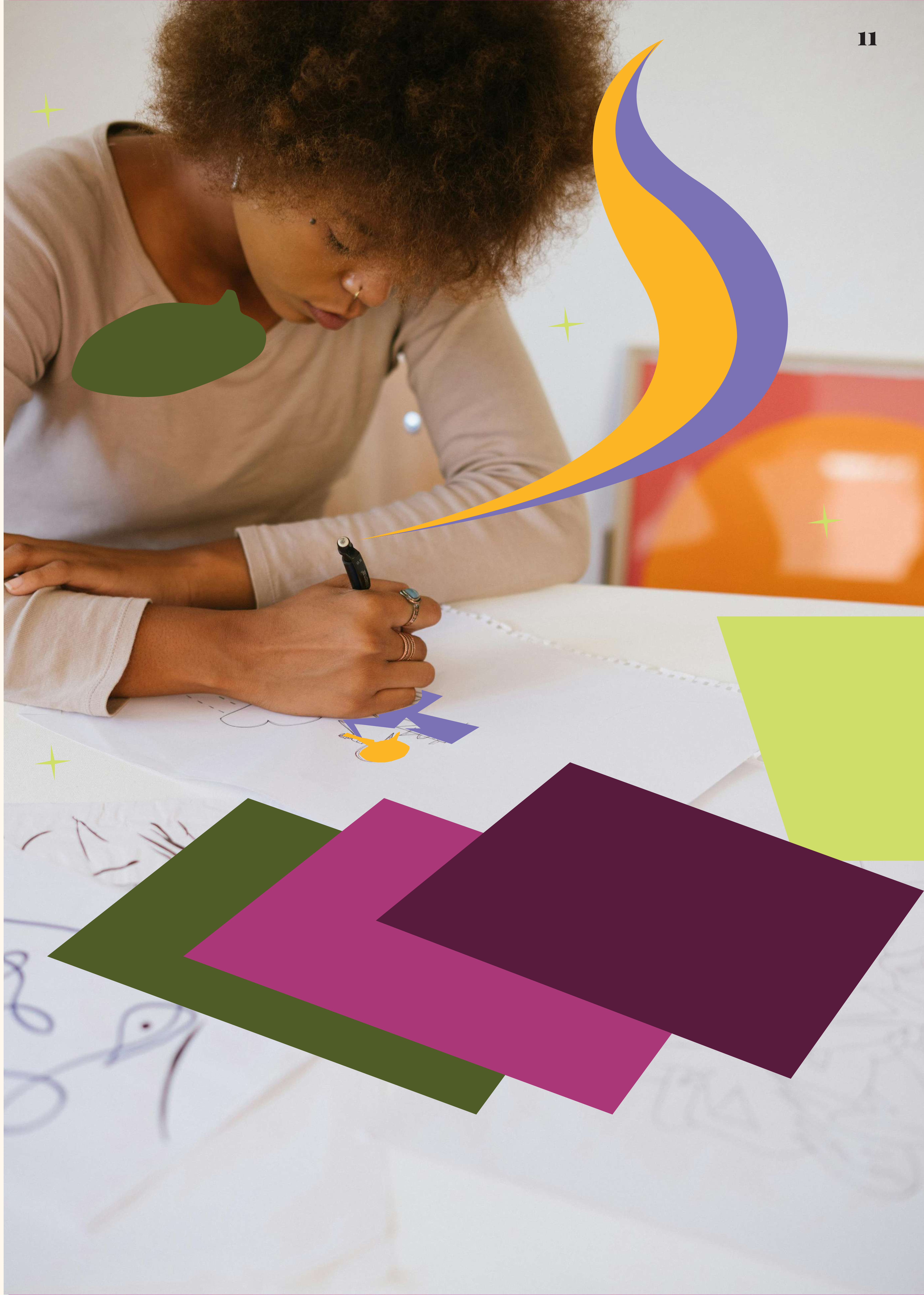
This document represents the executive summary report for 4 in-depth chapters which focus on the CCI investment landscape in Kenya, Nigeria, Senegal and South Africa. These can be accessed via the Insights Out platform:
https://insightsout.africa/

An African Cultural Renaissance?

The African creative economy is gaining profile and momentum as one of the major global success stories of our time. Powered by a young, urbanising, digitally literate population; inspired by the aesthetics, stories and wider heritage assets of an incredibly diverse continent; and supported by active diaspora communities in every global region; African music, fashion, gaming, architecture and design and publishing and screen sectors are inspiring us all.

The Mastercard Foundation talks of the 'African Creative Renaissance'. The New York Times invites us to "meet the artists driving Africa's Creative Renaissance" . And UNESCO heralds an

"African renaissance through Culture and History as a vector of peace and creativity on the continent and beyond Africa, in the world".



Yet this Renaissance, though underpinned by the rapid development of African CCIs and the rise and rise of incredible African talent, is not an outcome of sustained policy development or of significant financing and investment . As we will show through this first report for Insights Out Africa, recent successes in the African creative economy are the outcomes of the sheer innovation and resourcefulness of African talent, working in often very challenging circumstances to bring their creativity to life and then to market.

Where CCI investment does exist, it is rarely through holistically structured programmes that connect business support to dedicated financial instruments. Direct foreign investment (DFI) is the most likely source of growth finance for the CCIs, with local investment sources still emergent. Most retail banks are not yet familiar with the CCIs and therefore lack readiness to provide finance. Plus policy-driven instruments including dedicated finance and incentives for finance are not widespread and the strategic muscle to support the CCIs into the long-term.

For the African CCIs to prosper and fulfil their promise, genuinely propelling the continent toward a new renaissance, they need smarter, better investment and a more favourable policy and regulatory climate. They also need a support infrastructure which opens-up opportunities for the full talent base in all its diversity.

Evidence drawn from the four case study nations point to major opportunity to build an ambitious investment programme for the African creative economy. Underpinned by strong data and evidence, driven by partnership between Government, business and civil society, and catalysed by the abundance of creative talent, Africa can achieve step change across its creative economy.

Positive Strategic Developments

In spite of the extensive structural barriers facing the CCIs across Africa, awareness is growing of the need for dedicated investment and for extensive programmatic support for CCI enterprises. Recent years have seen a rise in investment activities and strategic commitment to the CCIs as a vital sector for sustainable development and trade.

- Dedicated cultural funds and sector-specific financing for sectors such as film and games are becoming more widespread, often triggered through co-production agreements with other countries and as an outcome of cultural policy innovation.

- The CCIs are being positioned as foundational to sustainable development and a vector for delivering social impact and inclusive growth. The 2022 Mondiacult Declaration affirms the importance of culture and by extension the CCIs as a pillar of sustainable development and the 2005 UN Convention on the protection and promotion of a diversity of expressions provides a framework for policy and investment which supports the CCIs. Governments across Africa, working with international NGOs, are looking with fresh seriousness at how the CCIs can deliver impact for wider sustainable development goals.

CANEX
Creative Africa Nexus

Afreximbank has a commitment to invest $1 billion in the CCI, including the Film Fund**. Afrixembank also announced** another $1 billion commitment that would focus on boosting CCI infrastructure

$2 Billion

Sony Innovation Fund
SONY

Sony Music has launched the "Sony Innovation Fund: Africa" to support the growth of the entertainment businesses, with USD 10 Million allocated. Sony will collaborate with the International Finance Corporation (IFC), the largest global development institution focused on the private sector actively investing in emerging countries, including start-up companies in Africa.

$10 Million

PROPARCO
GROUPE AFD

Proparco has launched CREA Fund, an EU-backed guarantee and technical assistance facility that aims to encourage private investment in the CCIs in Africa and the Caribbean. It will support private VC and PE funds that invest in CCI companies.

Wider Positive Trends

•Digital opportunities:

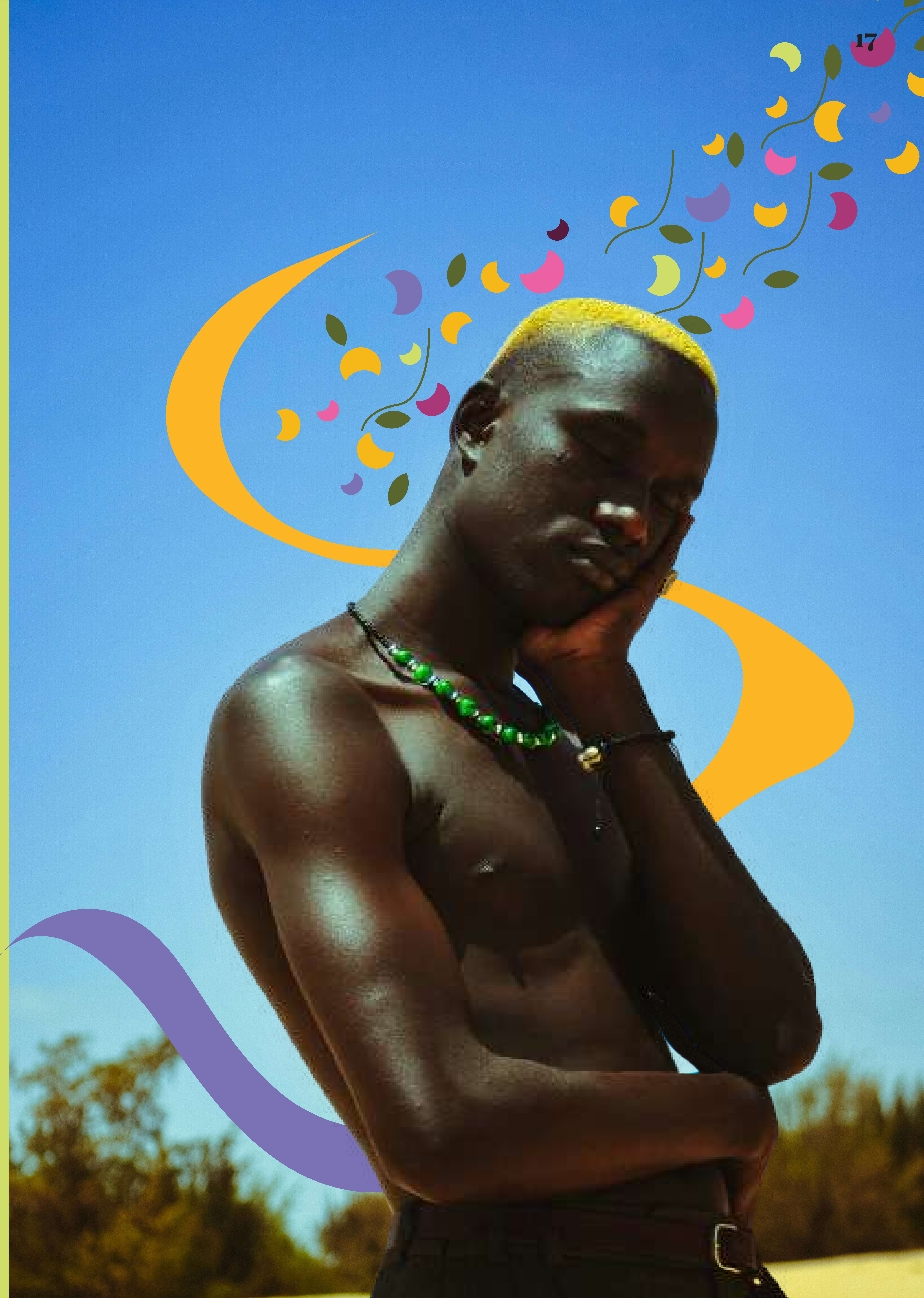
The CCIs are becoming increasingly convergent with digital / ICT firms, which is providing opportunities for CCI firms with a strong digital content element to access finance and benefit from growth in investor interest in the African tech sector. Investments might be made in digital content creation, online marketplaces, interactive and immersive technologies and e-commerce platforms . Factors underpinning this growth are rising smartphone ownership, lower internet data costs, more internet bandwidth, urbanizing populations, and a bulging youth demographic.

•Place-based clusters:

The recent report by the World Cities Forum, The African Alternatives: The Future of Creative Cities, shares analysis of the emerging themes and trends for culture in Sub-Saharan Africa with insights from 11 African capitals. By 2050, the African population is expected to double with 80% of this growth in cities. Research shows that creativity is booming in African cities, and there is huge is potential to foster sustainable economic growth through culture. Many African cities are investing in CCI infrastructure and support programmes, often in partnership with international companies and NGOs. This includes the rise of creative hubs as spaces and platforms to provide business support, training, networking and a range of investment readiness activities.

•Creatives are finding fresh solutions:

Across Africa, creatives are working to find technology solutions to reach and engage audiences and drive new business models which are transforming the business and investment landscape for the CCIs. One such platform is Empawa Africa which was founded by Afrobeats musician; Oluwole Ajibade aka Mr. Eazi in November 2018. It operates as a talent incubation initiative to nurture and support up-and-coming artists on the Continent through mentorship, networking, skills development and $3000 grants. Since its inception it has partnered with Youtube, Kobalt Music group and the African Music Fund.



Headlines from the Four Sample Countries

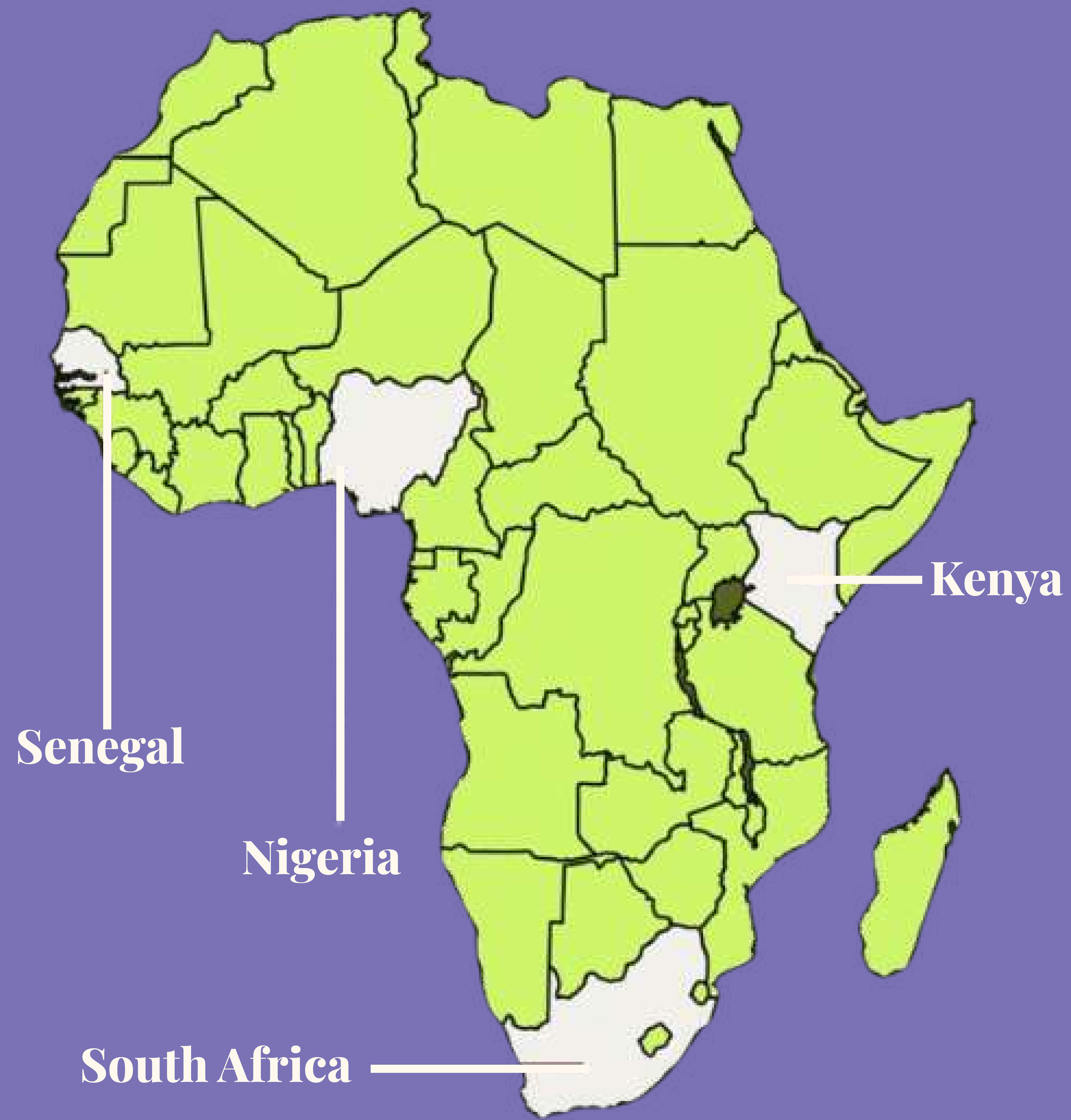
With each consortium member undertaking research in a specific African country, we are able to provide tailored country-specific insights on the current situation for CCI investment and to identify good practice and fresh opportunities to enhance the investment landscape. Headlines from each country are provided in brief below, with a longer-read available in the full report.

Our Approach

Research for Year 1 of Insights Out Africa is based on a principle of co-design across the Consortium of 4 organisations, with additional guidance from a Steering Group which includes colleagues from the British Council and African CCI experts.

The research questions and methodology were initially developed in a collaboration lab held in Nairobi in 2023. This provided the framework for a programme of country-specific research. This reached over 400 creative professionals, policy -makers, experts, investors and intermediaries who generously contributed to the research via interviews, focus group discussions and an on-line survey.

This research is the product of African researchers working with African CCIs to generate knowledge and insight.



Kenya:

BUILDING AN INVESTMENT ECOSYSTEM

Kenya is a pioneer for testing and developing dedicated access to finance and investment programmes for the CCIs. Led by Insights Out Consortium partner HEVA Fund, which has played a vital role in building an evidence base and making the case for CCI investment, and then in directly investing in CCI enterprises via a range of projects and programmes, often with the support of international NGOs.

A recent study by Baraza Media Lab , highlights the opportunity for innovation and growth across the Kenyan creative economy, with digital technology providing opportunities for micro-enterprises to enter the market. Research for the British Council to scope the Creative Economy potential of East Africa highlights a growing domestic market with an increasingly youthful population overall, an expanding middle class, and thus increased demand for creative goods and services. A culture of innovation and convergence is fostering collaboration across disciplines, industries, and technologies. As well as a heritage steeped in cultural richness, marked by a legacy of creativity, invention, and a history of trade in aesthetics.

Kenya is becoming a key hub for Screen, Creative Tech, Music, Fashion and Visual Arts for the wider East Africa Region. Kenya is growing as a hub for direct foreign investment in the CCIs, as well as an increasingly vibrant cluster for innovative home-grown creative firms. Positive developments include:

- Netflix has agreed an MOU with the Kenyan government, stating a commitment to investing in the Kenyan Screen Sector, focused on upskilling programmes and direct investment in original productions or licenced film and tv titles.

- Creative and tech hubs play a vital role in nurturing this ecosystem, which also benefits from some targeted investment initiatives such as the Ignite Culture Fund, a grants program Implemented by HEVA in partnership with the British Council Kenya . This has channelled funding to 6 organisations from East Africa with a creative-tech focus.

- Following the Kenyan Film Empowerment Programme in 2020, the Kenya Film Commission (KFC) has invested significantly via Development Funding (of feature films, documentaries, and TV concepts); Production Funding (of feature films and documentaries), and Marketing and Distribution Funding.

- Independent organisations like DocuBox, a Kenyan-based documentary Film Fund, plays an important role to bridge the financial gap by providing grant programmes to independent filmmakers. This includes the “Follow The Leader” programme, which is designed to empower filmmakers by offering financial support, enabling them to pursue their creative visions.

- The music sector in Kenya is diverse, fast-moving and pioneering. Recent years have witnessed some innovation in business and investment models for music. Notably, BoomPlay, Africa’s leading music streaming platform has declared its commitment to invest USD1m in supporting the production and distribution of Kenyan music. Plus Stanbic Bank Kenya has announced a partnership with Cellulant to avail loan facilities to music artists secured by their Skiza ringtone royalties.

Gaming generated +Ksh15 billion

- Gaming is an emerging sector with high growth potential. 22% of Kenya’s young, tech-savvy populations are the driving force behind the video games sector, with gamers across the continent preferring to play via mobile devices, which can be attributed to the increased smartphone penetration in the country. Kenya is ranked as the ninth most popular gaming hub in Africa. According to The 2022 PWC Africa Media and Entertainment report, the country’s video games market in generated an estimated Ksh15 billion in revenues and boasts a valuation surpassing Ksh16.8 billion ($137M) with a compound annual growth rate (CAGR) of 8.7 percent. Gaming sits to the heart of Kenya’s rapidly developing creative tech ecosystem, which has seen sharp growth in ecommerce platforms / sales, digital distribution channels and extended reality.

- The Kenyan fashion sector is one of the key successes of the nation’s creative economy. The sector has benefited from a dynamic mix of investment from private and NGO sources. This has significantly reshaped the landscape of the fashion business, fuelling innovation, technological advancements, and market expansion. For example, Shop Zetu has received significant seed funding from Chui Ventures, Launch Africa, Roselake Ventures, and Logos Ventures to scale customer acquisition, expand the vendor base, and explore partnerships with international fashion brands seeking local distribution.

- Certain fashion brands have successfully leveraged the capacity-building aspect of the financing, accessing resources that aid in the development of their organisational structures. A notable example is Vivo Fashion, which recently participated in the Ibuka programme - an incubation and acceleration initiative by the Nairobi Securities Exchange. This programme is designed to assist and prepare companies for engaging in equity or debt capital markets transactions in Kenya.

16% registered creative enterprises

Yet despite the influx of investment to CCI sectors such as fashion, the reality is that most enterprises continue to grapple with significant barriers to growth. In Kenya, the majority of CCI firms operate in the informal economy. It is estimated that of 275,375 creative enterprises in Kenya, just 16% are registered.

FSD Kenya point to an entrepreneurial skills gap across the CCIs, which reinforces the tendency towards informality and acts as a barrier to investment. Plus FSD indicate that a lack of access to finance is the biggest challenge faced by creative enterprises, followed by lack of access to markets. Many creative enterprises rely on digital loans from MPESA loan services as well as digital lending applications given the ease of accessing and qualifying for these loans despite their high interest rates.

$420 million in loans

The Hustler Fund , administratively also known as The Financial Inclusion Fund, is a digital inclusion loan project led by the Kenyan government which provides instant loans to Kenyan citizens upon request. The programme was in late 2022 with the intention of providing at least $420 million in loans to support digitally enabled economic participation for those 'at the bottom of the pyramid'. This a major step forward in opening-up economic opportunity through financial support for those communities which fall well outside the formal economy and thus out of reach of mainstream financial instruments. It does not have a sector focus, but consultations point to an opportunity to sharpen its focus toward priority sectors such as the CCIs.

Main challenges in accessing finance for the Kenyan CCIs include:

1. High levels of informality and associated lack of management and entrepreneurial skills and business models.
2. Limited access to collateral and challenge of leveraging IP as collateral.
3. Inequality of opportunity for certain communities, including LGBTQ entrepreneurs
4. Digital piracy and widespread copyright infringement.
5. Limited supply of tailored investment products and services for the CCIs.
6. Risk averse financial institutions which also lack knowledge of the business models and investment opportunity of the CCIs.

Main Opportunities to boost investment in the Kenyan CCIs include:

1. Increasing digital penetration through digital roadmap networks across the coun try.
2. Technological Advancements: Rapid technological advancements present opportunities for CCIs to leverage digital platforms for content creation, distribution, and monetization.
3. Increased access to financial literacy capacity-building resources such as Kenya's Equity Bank's financial training for designers.
4. Access to digital lending platforms for quick working capital for example, Hustler fund.
5. Collaborative partnerships with international investors, and institutions that facilitate knowledge exchange, funding, and market access.
6. Impact investment – e.g. on sustainable and ethical fashion and textiles, which are a major strength in Kenya.

Nigeria:

A CREATIVE POWERHOUSE

With a population of over 220 million, Nigeria is the most populous country in Africa. It also has the world's youngest population, with a median age of 18.1 years and 70% of the population is under 30. With over 300 ethnic groups, Nigeria is also incredibly diverse, a creative powerhouse which is generating some of the most influential music, fashion and film on the planet.

50% growth

- The contribution of Nigerian CCIs to economic development is undoubted. Nigeria has the second biggest film industry in the world in terms of volume (2500 films/year). PwC reported that Nigeria's film industry contributed 2.3% ($660 million (239 billion naira)) to GDP in 2021 and is projected to increase its export revenue earnings to over $1 billion by 2025. The Nigerian Bank of Industry reported that the cinema industry of Nigeria is projected to experience an increase in box office revenue, reaching $18.3 million in 2023 from $12 million in 2018, equating to 50% growth over the period.

+1 million jobs

- The music industry produces 550 albums annually; live music revenues exceeded US$ 100 million US$ 7.2 billion +1 million jobs in 2016. Nigeria is leading the global rise of Afrobeat, which is becoming one of the best-selling musical genres in the world.

- Given its size and diversity, Nigeria is also a major hub for wider media and entertainment industries, creative technology (including gaming), fashion and publishing. It has the largest CCI sector in Africa, although one that is under-sized and under-leveraged due to factors such as high levels of informality, failing infrastructure (e.g. electricity and transport), copyright infringement, and capacity and skills gaps. But through its sheer scale, energy and entrepreneurialism, Nigeria has managed to bootstrap a creative economy of real scale and potential.

ROK Studios acquired for +€30m

- The scale of growth and growing profile of Nigerian creative economy has enabled some leading CCI enterprises to attract growth capital and / or establish licensing agreements with major international creative firms. For example, ROK Studios was acquired by Canal+ for over 30m Euros, and record label Mavin has received multi-million USD investment and is currently valued at up to US$200m. But large-scale investments remain rare in the Nigerian CCIs.

- The introduction of a new Ministry of Arts, Culture and Creative Economy brings fresh energy and purpose to the policy landscape after several years of fragmented and short-lived approaches to CCI development. At the same time, real break throughs in CCI business development, growth and export, are raising the profile of the sector as an investment opportunity – both domestically and internationally.

Banks in Nigeria have for some time shown an interest in investing in the CCIs, access to finance for small and micro CCI firms remains very challenging:

- The Nigerian Export-Import Bank has a Creative arts and Entertainment Industry facility which seeks to achieve six strategic objectives including broadening Nigerian export basket through formal and non-traditional exports of IP products and services.

N32.8 billion worth of loans

- Bank of Industry (BOI) has provided financial and business advisory support for the CCIs in the various domains since 2012. In 2021 it provided N32.8 billion worth of loans to 16 enterprises in film, music, production equipment and advertisement among other things.

$617 million investment in DICE

- In January 2024, the Nigerian government and the African Development Bank (AfDB) announced a partnership to launch a $617 million investment in Digital and Creative Enterprises (IDICE) fund aimed at addressing the critical challenges faced by startups in these sectors, primarily access to funding and support ecosystems.

- Local governments such as city councils have also been financing CCIs – such as the Lagos Film Fund.

In addition to a growth in debt and grant finance, Nigeria is becoming an increasingly sophisticated ecosystem for a blend of international and domestic investment from the private sector. In the absence of dedicated equity programmes for the CCIs, industry to industry investment is a key driver for sector development. Two examples demonstrate the increasingly ‘mixed economy’ of the Nigerian CCIs:

Multichoice:

https://multichoiceafrica.com/

“The MultiChoice brand has contributed immensely to the growth of Nigerian CCIs”.

Through M-Net and Africa Magic, Multichoice has commissioned series, reality shows, entertainment programmes and films in local languages. One of the most popular Africa Magic series, Tinsel, has clocked more than 3,600 episodes while employing 1,200 staff and crew.

MultiChoice Nigeria launched in 1993 as a joint venture between MultiChoice Africa and Adewunmi Ogunsanya (SAN). It works to provide quality entertainment in homes across Nigeria. From small beginnings of about 30 employees, it has grown to over 2,000 employees while indirectly supporting over 20,000 more jobs.

A 2019 Socio-Economic Impact Report from Accenture estimates that from 2016 – 2019 alone, MultiChoice Nigeria contributed N363 billion directly to Nigeria’s GDP, created economic value of N57.1 billion through new businesses. In addition, the business paid N39.6 billion in taxes and fees and spent N49.5 billion on content and local production facilities with 177,459 hours of content commissioned. Multichoice is an example of a CCI firm operating as aggregator and investor in smaller CCI firms.

N363 billion was contributed by MultiChoice towards Nigerian GDP

Academy Director, MultiChoice Talent Factory, West Africa, Atinuke Babatunde said,
“Content should connect with audiences and either drive advertisements and/or subscriptions.”

Multichoice recognises the skills and capacity gaps faced by CCI firms it commissions. In response, Multichoice provides support to CCI firms with accounting and technical guidance on working with service providers. They also deploy a strong onboarding process, explaining policies, procedures and closely monitoring the production process, recruitment of staff and financial management.

MBO Capital Management

https://www.mbocapital.com/

“CCIs are not a traditional sector…it requires an understanding of the value of IP…IP is very valuable, and funders need to get comfortable with IP as a form of collateral.”
Folajimi Alli-Balogun, Assistant Vice President, Investments for MBO Capital Management.

MBO Capital Management has a creative financial package targeting the film sector, with prospects of expanding to other CCI domains. With a mission of catalysing economic development by providing business and financial support to mid-sized companies and delivering superior risk adjusted returns to its stakeholders, it currently provides up to US$1m towards financing film projects. MBO first invested in film in 2017 as an equity model. However, the length of time to unlock returns on investment and the complexity of undertaking adequate due diligence meant that MBO Capital pivoted to debt finance in 2022.

MBO provides US$1 Million financing for film projects

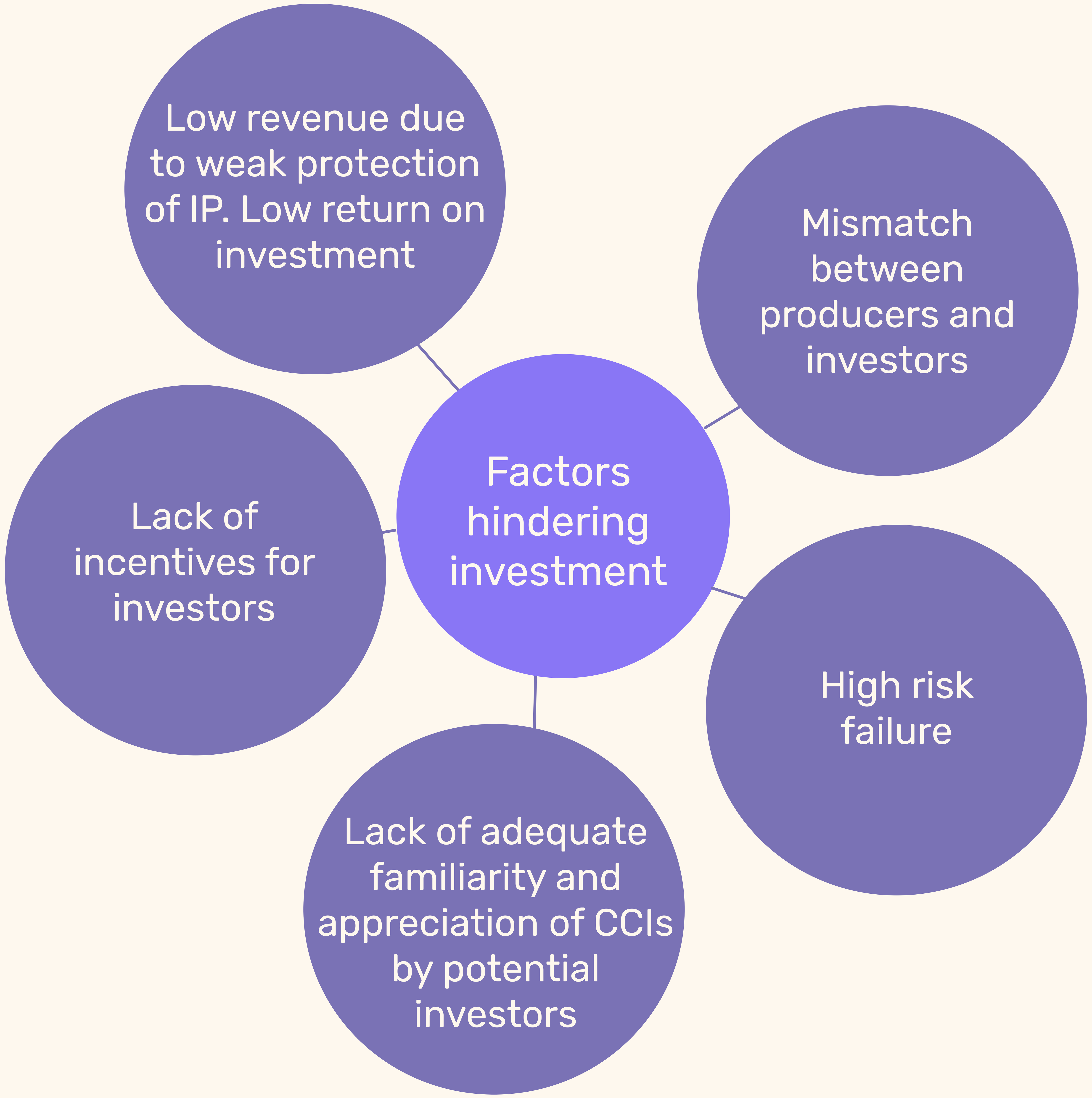
“We come in to provide funding for production of films as its usually very complicated to get a loan from the bank,” explained Folajimi Alli-Balogun.

The produced films should have a firm contract with a streaming platform which becomes collateral security as it’s a guaranteed source of income, just as is the case in the gas and oil industry.
Considerations for expanding the facility in 2024 are underway as they review the return on investment and implement lessons learnt from 2023

Despite the incredible growth and diversification of CCIs in Nigeria, investment programmes remain in short supply and there are few examples of CCI firms which have attracted significant growth finance and then moved on to exit such investment. As with other African nations, the lack of data on CCI business models and growth profiles in Nigeria limits investor interest and awareness. High levels of informality, skills and capacity gaps, and limited access to collateral also present barriers to investment.

Based on consultations for CCI SMEs, the following are the headline barriers to investment in the Nigerian CCIs:

Consultations with investors in the CCIs reveal a further set of challenges for CCIs seeking investment in Nigeria. There is a widespread perception that the CCIs lack essential investment readiness criteria, such as robust business models and skill-sets, eligible collateral, and the capacity to prioritise commercial concerns over creative ones. These perspectives are hampering investment to the Nigerian CCIs alongside other factors such as a limited co-investment an incentive landscape from
Government and a lack of tailored investment programmes which cater to the distinctive profiles of the CCIs:



Investment Readiness

1. Capacity building and enhancement of CCIs practitioners: An adequate CCIs education and training covering creative ideation, technical and business skills is critical to ensure that CCI businesses produce high quality products which can compete in global markets.

2. Improved protection of IP online and offline and closely linked to this is effective tools to monetise content both online and offline.

3. Put in place deliberate measures to promote international market access with a view to increase revenues generated by CCIs and attract the attention of investors.

4. Systematic collection of data on the contribution of CCIs to the economy to demonstrate the need for investment in the CCIs and promote evidence-based policies.

Investor Readiness

1. Initiate awareness raising and enhance the capacity of investors to identify com mercial opportunities in the CCIs

2. Build a shared understanding of these opportunities among CCI practitioners and investors.

3. Establish market linkage opportunities between public, social, and private sector actors – toward co-investment opportunities

4. Boost the recognition of IP as collateral by the banking sector – to further generate lending opportunities to the creative sector.

Enhance the role of Government as a champion and broker

1. A viable strategy and action plan should be put in place with clearly laid out in centives to strategically position CCIs as a commercial investment opportunity.

2. Work with NGOs to support investment in sustainable and ethical CCIs.

3. Offer a range of incentives and tax breaks to attract foreign investment. These can include tax holidays, reduced tariffs, and exemptions from certain taxes.

4. Build partnerships with international CCI firms / distribution platforms to boost investment in Nigerian content and leverage opportunities to boost access to such content beyond diaspora audiences toward mainstream global audiences.

"Investment in the CCIs by the private sector is driven by the need to make profits and there is enormous opportunity to generate profit at the intersection of creativity and technology. Investment should be embraced in its diverse ways...capacity building, technology supply, market linkages, provision of infrastruc-ture, and financial resources are necessary to support the growth of the Nigerian CCIs". (Nigerian CCI Consultee).

Senegal:

HUNGRY FOR INVESTMENT

Senegal is a dynamic creative nation known for its rich and distinctive culture and traditions, including its musical styles, storytelling, film-making, visual culture and aesthetics. With 75% of the population under the age of 35, Senegal is youthful and increasingly digitally driven, powered by the creativity, innovation, and energy of its people. Dakar is coming to prominence as one of Africa's primary creative cities – a hub for talent and innovation where, as designer Aboubakarim Ndaw puts it, "every-day is fashion week".

> "If there's significant investment Senegal would be able to build a viable ecosystem that creates jobs and develops local value chains for future generations".
> (Ibrahima Kane, Creative Entrepreneur, CEO Tal Africa).

However, like the CCIs across most African countries, there is a gap between the creativity of the talent base, and opportunities provided for this talent to attract investment and contribute to the nation's inclusive and sustainable development. A particular challenge in Senegal relates to the persistently high unemployment and under-employment rates of young people, and a set of barriers to enterprise development, creative skills and education provision for creative talent, and finance.

While the Senegalese CCI sector is increasingly recognised as a vital source of economic diversification, job creation, social cohesion, and well-being, there is a gap between this increasing awareness and the provision of relevant CCI policy and investment. There is also an evidence gap – while the CCIs are clearly contributing to the nation's economic development and driving innovation and positive change across the nation, the lack of a national baseline and data framework for the CCIs means the true value of the CCIs is unknown and thus its investment potential under-leveraged.

Although Senegal has a long history of cultural policy development, with culture recognised as a key defining attribute of the nation, dedicated policy interventions which seek to develop and grow the CCIs lack the investment infrastructure to take the sector to the next level. The Plan for an Emerging Senegal (Vision 2019 – 2025, Road Map to 2035) sets out a Priority Actions Plan for Senegal. It does feature culture, but dedicates just two paragraphs to culture out of 184 pages.

These 2 paragraphs prioritise the development of cultural infrastructure and platforms, improved access to credit and artistic training, increased private sector involvement, promotion of the status of artists, stronger intellectual property rights, and the fight against piracy.

Different government agencies have been created to support young entrepreneurs and tackle youth employment, facilitate economic diversification and boost a range of sectors including the CCIs. However, tailored and targeted investment readiness and investment for the CCIs is in short supply.

- FONGIP, the Guarantee Fund for Financial Investment, provides targeted debt finance, although it is yet to develop significant funding for the CCIs.

- ADPME is the main SME development programme for Senegal, offering a range of advisory and capacity-building programmes which the CCIs can access. It has a particular focus on building digital capacity and reducing digital inequality – which is a significant factor in CCI development. However, it does not specialise in CCI business models and lacks tailored services to meet specific CCI needs.

30 billion XOF for DER Fund

- The Rapid Entrepreneurship Delegation Fund, DER, a 30 billion XOF ($50 million USD) fund to catalyse entrepreneurship. It offers four main types of entrepreneur financing: small grants, incubation, equity and low interest loans.

1 billion XOF for FDCU Fund

- Fonds de Développement des Cultures Urbaines (FDCU) - a special fund to support urban CCIs. Initially, 300 million XOF was made available to invest in creative talent and enterprise development. In 2023 this fund increased to 1 billion XOF.

- The Fund for the Promotion of Cinematographic and Audiovisual Industry (FOPICA). This grant supported Alain Gomis' film "Félicité" which won awards at Berlinale and FESPACO (Ouagadougou Film Festival). Many film-makers rely on these funds to develop their work and to leverage co-investment, such as through international investment. However, given the array of distinctive narratives which underpin Senegalese society and the growing community of film-makers and digital story-tellers, the Fund is not sufficient to meet demand and to ensure the equitable distribution of resources across the entire value chain.

Outside of Government-initiated funds and support programmes, the private and NGO sector is playing a leading role in building a dynamic CCI ecosystem.
For example:

- In 2023 the International Finance Corporation (IFC) announced during the FORAFRIC (Youssou Ndour Cultural and Creatives Foundation) event that the CCI sector will be their focus for the next 50 years and, in partnership with Sony, major investment will be allocated to boost the sector with Senegal a priority country.

- In Senegal, there is a thriving ecosystem of creative hubs and incubators which have been developed to address capacity and knowledge exchange challenges across the CCI sector. They also play a vital role in building B2B activities and validating the role of the CCIs in civil society and as a contributor to economic diversification and sustainable development. Hubs such as MCU Dakar, Maison de la Culture Douta.

€300,000 from the French Embassy

- Gaming is gaining profile as a dynamic and high growth CCI sector across Senegal, with the creation of Solo E-Sport, a gaming association gathering some of the talented gaming players, and recently with the creation of CONAPES (Senegalese Federation of Electronics Games and Immersive Sports). Masseka Game Studio, led by its founder Teddy Kossoko, recently entered into a partnership with the French Embassy in Senegal. This agreement is materialized by a grant of €300,000 from the French Ministry of Foreign Affairs, for the development hub dedicated to the creation of video games in Senegal.

- Senegal is a growing hub for live music and entertainment events, with international NGOs and private companies investing in the thriving events landscape. Senegal has developed a national and a regional film production policy - a Maison de la Culture in Dakar (House of Culture) to promote performances, exhibitions, films and concerts; and a National Festival of Arts and Culture (FESNAC), which tours bi-annually to the regional capitals to boost and support local artists. An increase in the funding for Dak'Art, Dakar's Biennale, a new museum (black civilizations museums) and the president's prize for the arts (Grand Prix du Président de la République pour les Arts et les Lettres), are all proving impactful.

- International fashion shows such as Dakar Fashion Week, are on the rise. Chanel presented its Métiers d'Art 2022-2023 fashion show in Dakar, which showcased the nation's burgeoning creative talent base across a range of art forms. This represents a significant investment by the brands to position Dakar as a major international culture hub.

- Dakar is beginning to attract international investor and sponsorship interest, while home-grown talent is increasingly adept at generating business models which are attractive to a range of sponsors and development partners. However, as with other parts of the CCI value chain, while funding is available, it is not enough to fully realise potential. As one consultee put it:

> "There's a new dynamic shift with many young vibrant and talented creatives producing quality content and getting major deals with majors. Sometimes they do it on their own or seek funding from close friends and family to support them. The lucky ones get the support of brands to some extent but it's still insufficient".

Senegal is a genuine success story of an African Creative economy undergoing a period of renaissance. Consultations demonstrated genuine pride for ways Senegalese creative talent is trailblazing new work at home and abroad. However, consultations also demonstrated genuine frustration that the investment landscape is not more conducive to inclusive growth and sustainable development.

For most CCI entrepreneurs, existing as a business is a daily struggle. Many do not survive and walk away. Others continue but co-finance activities through one or more other jobs. Grant funding, which is in itself difficult to access, can support a project to take shape, but rarely supports core business development. Other sources of finance are unlikely to reach the CCIs, which struggle in terms of the lack of data, low levels of collateral, and some fundamental capacity and skills challenges. Plus investors of different types are not yet ready to invest significantly in Senegalese SMEs beyond sponsorship and corporate social responsibility.

Consultation for this Study points to a set of values and priority fields which can shape a positive future for CCI investment in Senegal. These provide the key guiding elements for a strategic investment model for the Senegalese creative economy.

	Priority Area	Strategic consideration 1	Strategic consideration 2	Strategic consideration 3
CCI Data and Awareness				
1	Build awareness and validate the CCIs	Focus on career path models for young talent	Develop a communications campaign to showcase creative talent, including the need for investment	Provide specialist training to business advisers to increase knowledge of CCI business models.
2	Develop a data-led approach	Develop baseline evidence on the CCIs – to include industrial and occupational classification	Develop ecosystem mapping to profile the informal creative economy and pinpoint opportunities to formalise CCI enterprises	Build case studies of CCI success stories to improve knowledge in Government and private sector
Investment Readiness				
3	Boost investment readiness	Develop tailored business support and enterprise training to uplift the competencies and capacity of CCIs	Initiate incubation and accelerator initiatives through creative hubs which are directly linked to investment opportunities	Initiate targeted IP literacy training, plus harden regulation and enforcement to reduce IP infringement and increase opportunities for monetising IP
CCI Investment				
4	Establish an CCI co-investment programme which includes State, NGO and private-funding (build a partnership)	Have clear, transparent, independently verified funding guidelines	Have a dedicated agency to disburse investments	Establish a shared mission and vision – to target investments which on-shore CCI value in Senegal
5	Initiate grant-funding targeted at business start-up and early-stage development	Focus on core operations and business planning (not projects)	Encourage grants for R&D to test markets and boost innovation capacity	Link grant-funding to dedicated investment readiness – as a condition of grant-funding
6	Initiate debt-finance programme of micro- and soft-loans for CCIs – with a focus on building sustainable and resilient CCI enterprises	Target CCI sectors which are capital intensive and / or struggle to achieve initial cash flow to build their business	Position new CCI loans to consolidate CCI business development and for a small % as a step to next-stage funding (see below)	Build evaluation framework to monitor impact and case studies
7	Work with international partner to initiate a pilot equity fund for Senegalese CCI talent (or as part of regional model)	Target a small cohort of scalable CCIs, provide additional incubation and accelerator support.	Incentivise investors with tax credit, match-funding and access to infrastructure and talent	Require the businesses to register locally and onshore most of staff
Follow-up, Review and Support				
8	Celebrate success – showcase, events, and continued capacity-building	Provide follow-on business support and training	Connect infrastructure – such as hubs – to support pipeline of creative talent to build a community and grow sector bodies to represent the CCIs and shape future approaches to investment	Build a portfolio of events and networks which are investment ready for international sponsorship

"We like the sector but many companies in it are not investment ready, a question of qualitative data linked to the sector and the value chains in this sector is difficult to find. Even if there is not much data, the opportunity is here. We need to document successful stories and have case studies"
(Evelyne Dioh, Women Investment Capital).

South Africa:

THE CREATIVE ALL-ROUNDER

South Africa has a diverse, dynamic and innovative creative economy with close to 1 million people employed in the CCIs. Every region of this large nation has a distinctive CCI sector, with prominent clusters of activity in main cities and nearly half of all activity in Gauteng Province. The nation is a strong media and screen hub for the continent, with other CCI sectors such as music, fashion, performing arts and visual arts also playing a vital cultural and socio-economic role.

South Africa has a relatively extensive policy landscape for art, culture and the wider CCIs. This provides the terms of reference and strategic framework for Government investment and support. The Department of Sports Arts and Culture (DSAC) is the custodian of the overall cultural sector and leading ministry for the South African CCI policies at national level, which also supports CCI development through its National Arts Council (NAC), National Film and Video Foundation (NFVF), National Heritage Council (NHC), and South African Heritage Resources Agency (SAHRA), as well as through public-private partnership Business and Arts South Africa (BASA) which drives CCI growth by encouraging private sector investment in the CCIs. In addition, the South African Cultural Observatory (SACO) provides a vital service in generating data and evidence to inform policy and investment.

There are a number of policies that govern the CCIs in South Africa, primarily the White Paper on Arts, Culture and Heritage (WPACH) from 1994 which was revised and approved early 2020. This document emphasises the strategic value of the arts, culture and heritage for creativity, innovation, and social and economic change and development. A notable shift in the revised version is the proposed merging of the NAC and NFVF to become the National Arts and Audiovisual Council. This appears to have been driven by the sector increasingly working across disciplines.

While DSAC is the lead national ministry in the CCI policy environment, there are other ministries that incorporate the CCIs in their policy framework and strategic master plans. These include the Department of Small Business Development (DSBD), which has a Creative Industries Masterplan which aims to ensure that significant investment is made to small and medium businesses operating within the CCIs.

The Department of Trade, Industry and Competition (DTIC) oversees copyright regulation. DTIC also has a direct trade focus on film and television, with several incentives relevant to international cooperation. It has introduced policy and incentives to ensure the participation of previously disadvantaged groups, as well as to attract international film and television investment in SA. Another DTIC entity, the National Empowerment Fund (NEF), offers venture capital for arts and culture, as well as loan financing for black- and black women-owned businesses.

Allied to this extensive policy and support landscape for the CCIs, South Africa has a comparably dynamic investment ecosystem for CCIs and the wider tech and knowledge economy. This includes a range of funds for the arts via the National Arts Council and for audiovisual via the National Film and Video Foundation.

- The Mzansi Golden Economy (MGE) Programme forms part of DSAC's strategy to reposition the arts, culture and heritage sector as key players in government's programme of action for social cohesion, creation of sustainable jobs and ensuring social and economic development. The purpose of MGE is to make strategic investments to optimise the economic benefit of the arts. By improving investment in key areas of the creative economy, it is anticipated that job creation and productivity will be enhanced and the sector's global competitiveness will be increased.

- BASA is a public-private partnership that forms part of South Africa's strategy to secure greater involvement in and support for the arts from businesses in the country. For this reason, BASA Supporting Grants have a slightly different lens to conventional funding and development agencies in that the focus is on amplifying and extending existing partnerships between arts and businesses that aim to meaningfully impact society through shared value and social cohesion.

- Stemming from DSAC's realisation that to achieve radical economic transformation, access to funding must not be limited to few businesses, the National Empowerment Fund has set up Arts and Culture Venture Capital Funding. This is available to businesses in all provinces and aims to assist businesses with potential to be self-sustainable and not rely on government for grant funding.

83% youth and 66% women employed

- The Presidential Employment Stimulus Programme (PESP) was launched as part of government's response to the COVID-19 pandemic, but its success in enabling employment creation continues to benefit many. More than 1.5 million work and livelihood support opportunities for unemployed South Africans have been created through the initiative since October 2020. Of the participants, 83% are youth and 66% are women.

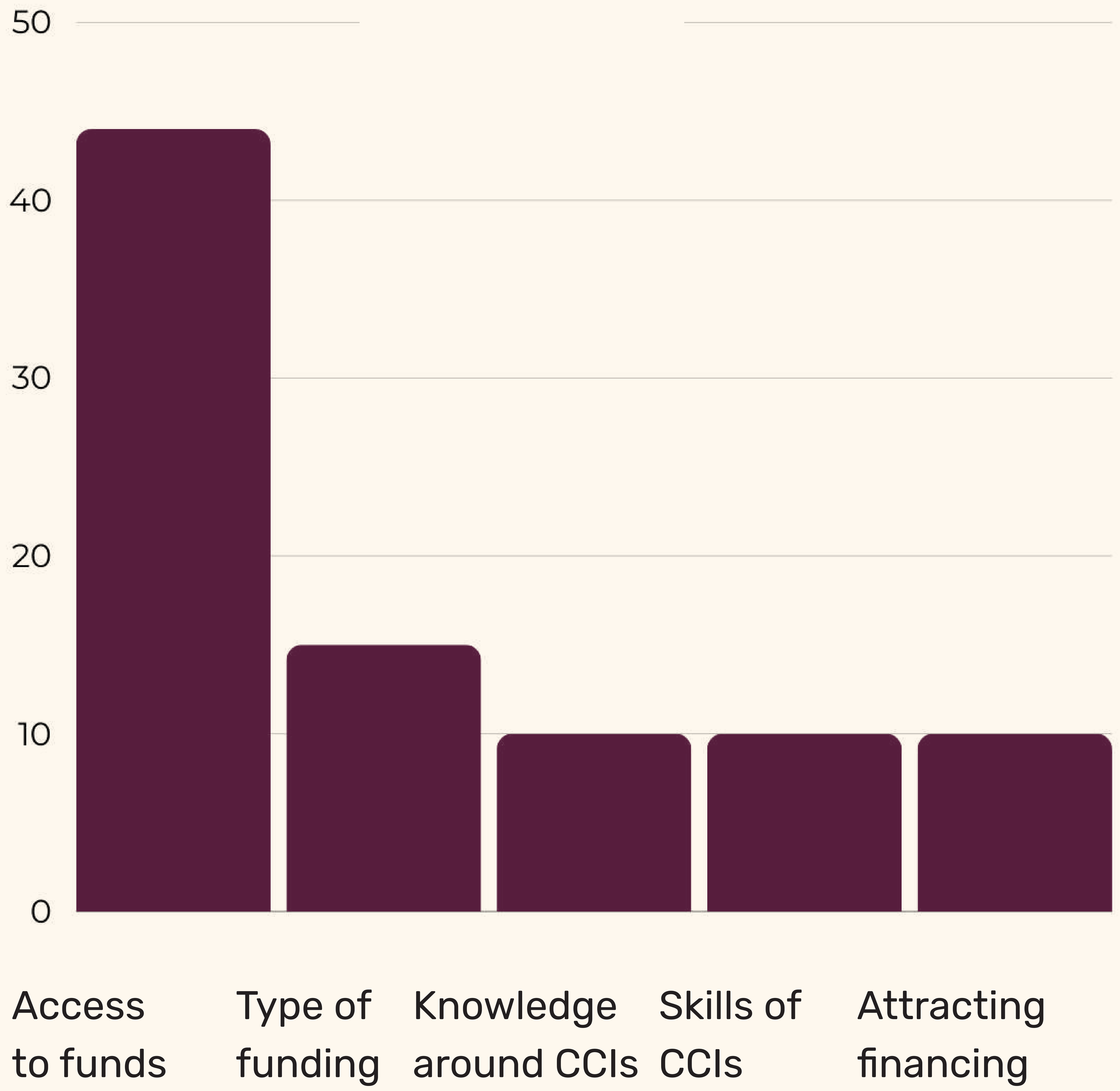
While commendable that South Africa has such an extensive and wide-reaching approach to public investment in the CCIs (inclusive of arts, culture and heritage), private sector investment remains under-leveraged. A 2020 study by SACO on private sector support for the CCIs in South Africa posed that to further unlock the potential for the CCIs to contribute to economic growth, employment and social cohesion, private sector funding needs to be leveraged to reduce dependency on government funding .

SACO has also conducted research on the role of venture capital in the CCIs in South Africa. It showed greater awareness amongst venture capital investors as the growth potential of the sector has gained prominence. However, the research also showed a reluctance to invest in the CCIs compared to other sectors, partly due to the small average firm size and perceptions of the management capacity / skills of the firms Discriminatory practices in relation to gender and ethnicity were also noted with venture capitalists and the beneficiaries thereof generally being white and male-dominated. Urban areas also benefit substantially more than rural areas.

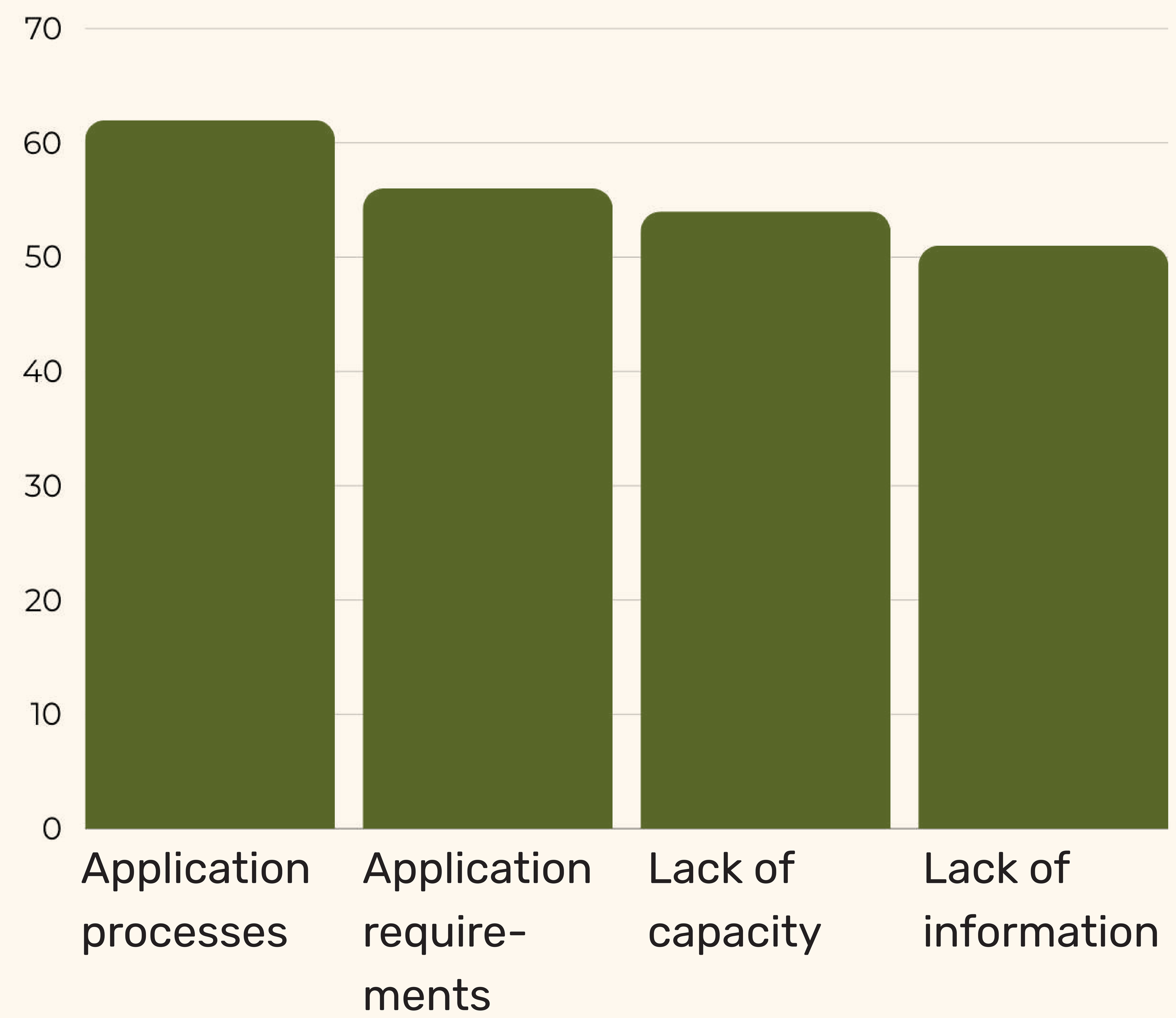
The high proportion of micro-enterprises, freelancers, informal activities across the CCIs are also viewed as barriers to investment from mainstream funders such as retail banks. Consultations with CCI enterprises, private investors and Government for this Insights Out Africa study also point to the following barriers or challenges regarding CCI investment in South Africa:

Perspectives of CCI Enterprises

1. CCI organisations surveyed in the Insights Out poll identified access to funds (44%) and access to the right type of funding (15%) as biggest barriers to CCI investment. Also noted were availability of data and knowledge around CCIs (10%), business and management skills of CCIs (10%), and capacity within the company to seek and attract financing (10%).



3.When seeking financing for their businesses and projects, the biggest challenges for creatives in South Africa's CCIs are the application processes to access available financing (62%), application requirements to access available funding (56%), lack of capacity to pursue financing (54%), and lack of information on where to get financing (51%).



3.Other challenges noted included limited access to start-up funding and funding to support operational costs (much of the available funding is short-term grant funding, as well as insufficient funding to adequately support the entire sector). The compliance requirements limit funding access for previously disadvantaged businesses, and there is no formalised entity to assist these stakeholders in accessing finances.

4.Another key challenge is the limited strategic thinking on how to grow the CCIs in a more sustainable way. The limited available funding cannot support the growth of the industry, particularly when the same organisations are funded repeatedly and become reliant on grant funding – they are not becoming self-sustaining organisations. Furthermore, the focus on "funding" is limiting – opportunities exist to approach corporates as clients rather than funders – a more business-minded and entrepreneurial approach is needed.

Perspectives of CCI Investors and Donors

1. The ‘entitlement mentality’ prevalent in South Africa’s CCIs is a barrier to financing and investment – multiple private sector stakeholders noted that creatives’ emphasis on the funding ask and implied entitlement to support can be off-putting and that it would be more beneficial to focus on what is being brought to the table and clearly articulating its value. Furthermore, creatives need to be better prepared to invest in their own initiatives.

2.On the note of articulating value, a lack of data and skills around demonstrating value, impact, and return on investment or objective in the CCIs is a barrier to investment. Creatives need to be able to make the case for investment and deliver on reporting requirements. Having said that, some private sector respondents acknowledged that many private investors have extremely onerous reporting processes, and suggested there is value in establishing a simpler reporting mechanism that is more effective, accurate and equitable.

3.Competition and silo mentality is another barrier given the limited resources available to the CCIs – private investors are more inclined to support collaborative endeavours. Plus there is a need for creatives to collaborate with administrators and managers who have the necessary skills many artists lack in those areas.

4.Private investors also noted accessibility barriers related to geography, technology and market access. Geographical barriers and inequalities result in unequal access to resources and opportunities, which put rural and grassroots creatives at a disadvantage.

5.While not directly related to investment per se, except in the case of creatives not retaining their IP and relinquishing it to funders, a lack of intellectual property (IP) literacy in the CCIs results in artists losing money and struggling to monetise their work, negatively impacting their financial sustainability and growth.

Perspectives of Government

1. Though the NAC Act decrees it should fund creatives at all levels, the resources available are insufficient to support all those stages of development over the years. Local government is supposed to contribute to development at municipal level and, pre-COVID, there was some municipal grant funding (small grants in aid) available for the CCIs however, post 2020 this was no longer feasible and was stopped in many municipalities.

2.The current one size fits all policy framework is challenging given the landscape in South Africs with regards to inequity and disparate levels of education.

3.These geographic barriers in underserved areas and other challenges, like load shedding, limit accessibility to financing and investment, as many funding programmes require online applications. To mitigate this, some organisations, like the NAC, still accept manual application forms as well, but not all funders make these types of allowances, thus excluding certain communities and demographics from their support.

4.Another challenge is placing more importance on some disciplines over others. For example, Film is an attractive sub-sector but capital-intensive, and the NFVF (focused on film, video and animation) currently receives a larger budget than the NAC (which is responsible for seven different sub-sectors. Furthermore, visual arts and crafts was found to be amongst the larger domains in SACO’s mapping studies in terms of GDP contribution and exports, as well as employment, yet it these are not prioritised. One of the challenges in the visual arts and craft sector is that it has a high level of informal employment, which makes it difficult to measure, and there seems to be a stronger emphasis on sectors that are more professionalised and formalised.

5.Although the private sector does support the CCIs (e.g. through CSI programmes, sponsorships, etc.), a lack of tax incentives specifically for this sector potentially limits private engagement and investment in the CCIs – this is an area needing advocacy and is important for government to start implementing.

6.Government stakeholders also realise that the current dependence of the CCIs on grant funding is not sustainable – there is a need to develop more entrepreneurial approach, which requires training to assist creatives in thinking of their work as an income generating business.

Additional Considerations for Unlocking CCI Investment Consultations in South Africa point to an extensive and complex investment landscape for the CCIs, with publicly funded grant and support programmes playing a vital role in nurturing the nation's cultural ecosystem. However, consultees also point to opportunities such as:

- Switching to a more proactive grant-making paradigm with strong focus on strategic investment in CCIs which are driving growth and innovation
- Integration of CCIs with education, health, infrastructure and community development, small business support, environmental programmes, and employment initiatives to leverage private funding.
- Public private partnerships to drive private sector support for the CCIs.
- Investor readiness awareness-raising and capacity-building – to boost the role of banks
- Campaign for increased commercial sponsorship in the CCIs
- Build business angel investment opportunities in the CCIs
- Build capacity and skills to diversify investment sources – e.g. in creative t echnology, ecommerce and streaming models which can help the CCIs to scale and retain IP.

Summary

QUESTIONS

The African creative economy is on the rise. There is a renaissance going on. Consultations for Year 1 of Insights Out Africa demonstrate the incredible energy, diversity and ambition of the CCIs, with many brilliant creative people leading some of the most innovative and inspiring creative enterprises in the world. But consultations have also brought into clear view the frustrations held by a sector which feels under-supported and under-invested. Put simply, there is a major gap between the huge fanfare of the African creative economy, and the levels of investment which are reaching the sector.

In addition, consultations have pointed to a sector which is unequal, with many creative enterprises operating to the margins of the economy and having to show enormous resilience just to survive. Plus, consultations have evidenced how far we still have to travel for the CCIs to be understood by different investors and policy-makers as a high value and low risk investment opportunity.

For the CCIs in Africa to reach their potential, access to finance needs to be easier, more inclusive and equitable. It also needs to be foregrounded by better enterprise support and skills provision, enhanced infrastructure, and quality data and evidence.

Investment readiness is a vital precursor to investment. In addition, there is a clear need for new types of investment and for targeted and tailored investment which matches the distinctive business models of different CCI sub-sectors. Or in other words, stronger demand for investment needs to be matched by enhanced supply. But to reach a point where the African creative economy is optimised as an investment proposition, partners in the sector, Government and investment communities, need to collectively find the answers to the following questions:

Question 1:
How to balance investment in the intrinsic cultural and value of art and culture, with investment that seeks to leverage this value for commercial return?

This requires a smart and coherent approach which supports a diversity of cultural expressions to flourish without compulsion to grow businesses, while at the same time encouraging those who wish to grow to reach both commercial and creative goals. The CCIs are not just about the economy and economic arguments are not by themselves sufficient to make the case for policy commitment and increased investment in the sector.

Question 2:
How to ensure investment in the CCIs retains value in Africa, rather than simply benefitting investors based in other global regions?

This will involve fostering an African investment sector which supports the on-shoring of capital and partners international investors as equals. It will also require the development of dedicated investment funds, programmes and associated legal and financial professionals, capable together of building a CCI investment ecosystem over the long term.

Question 3:
What happens when CCI investments fail?

Investing in CCIs does not come without significant risk. No amount of investment readiness support, incentives and due diligence can design-out risk. A buoyant African Creative Economy will need to absorb high profile failures as well as high profile successes. This will require a confident and collaborative approach which backs the CCIs for the long term and is not deflected by bumps in the road.

These and other questions will be explored in depth as part of the programme of events, conversations and social media dialogue which Insights Out Africa will facilitate over the coming months.