



# NAIROBI IDEAS EXCHANGE

## REPORT ON INVESTING IN KENYA'S CREATIVE ECONOMY

HOSTED BY:  
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MNM Consulting  
Scaling Africa's Creative Economy

Kenya's arts and culture ecosystem is now at an inflection point. It has developed over the last two decades from initiatives focused on nurturing networks, technical skills and promotion platforms. These initiatives have been funded mainly by foreign nonprofit institutions. As a result of these initiatives, local businesses carrying out production and promotion of creative and cultural goods have emerged and continue to grow. Examples are festivals, media companies, markets, art galleries and fashion studios that showcase the emboldened drive from creatives to define and express their emerging sense of identity as Kenyans and Africans.

However, there is a need for investment in the commercial potential of these businesses if we are to realise the economic potential of Kenya's cultural and creative energy. In the context of a challenging economic environment, creative industries are recognised as a strong long-term investment. However, being in its early stages, the sector still presents highly risky investment opportunities that most potential investors shy away from. How then, can we as entrepreneurs, connectors, funders, hubs, policy makers and investors create mechanisms to channel the resources, knowledge and networks needed for businesses in the creative space to cross the bridge from being a nascent ecosystem, to maturity?

## ATTENDEES

To help answer these questions, the Nairobi Ideas Exchange brought creatives and change-makers from diverse disciplines to connect and examine opportunities for resolving the challenge of scaling Kenya's creative economy.

Balmoi Abe, Matter Open Lab  
Victor Gitobu, EIM Solutions  
Mbugua Kuria, The GoDown Arts Centre  
Adam Masava, Mukuru Art Club  
Lima Mbai, The GoDown Arts Centre  
Melissa Mbugua, MNM Consulting  
Sahar McTough, Book Bunk  
Katunglu Mwendwa, Katush by Katunglu Mwendwa  
Esther Mwikali, Metta  
Joram Mwinamo, WYLDE International Ltd.  
Kari Mugo, Mawazo Institute  
Christine Mungai, Baraza Media Lab  
Dr. Rose M. Mutiso, Mawazo Institute  
Kyle Polite, Mawazo Institute  
Lorraine Syumiti, WYLDE International Ltd.  
Tess Wandia, iHub  
Lloyd Weche, Mukuru Art Club



# QUESTIONS THAT FRAMED THE DISCUSSION:

- What are some key lessons we can draw from current and past attempts at building sustainable creative ventures?
- How might we open up new avenues for attracting unrestricted funding?
- What are some concrete steps that we can take to increase investment in the creative economy?

## HIGHLIGHTS FROM THE DISCUSSION:

### PUBLIC POLICY SHAPES DEMAND FOR CREATIVE GOODS

After Kenyan independence and until the early 90s, theatre thrived because there was huge demand for plays as a form of entertainment in urban and rural areas. Art was also taught in primary and secondary school; therefore, people grew up with an appreciation for cultural identity and sought cultural experiences in their daily life. Theatre thrived on regular patronage and subscription-based business models. It was a business that was supported by the market. However, with repeated changes to school curricula, came the de-prioritisation of arts subjects, desensitising the value of arts and cultural expression within the formal education system. Collectively, demand for creative goods like theatre has decreased dramatically, leading to the collapse of many theatres and the economy that thrived around them.

Now that art subjects have been reintroduced into the school curriculum, this is bound to influence the collective demand for creative and cultural goods. How will this shape the creative economy in the long-term? Which other areas of public policy (e.g. technology, commerce, finance) need to change in order to unlock opportunities in the creative space?

### WHO WAS IN THE ROOM?

- Arts and Culture Hubs
- Management Consultants
- Tech Innovation and Entrepreneurship Hubs
- Media Innovation Hubs
- Investment Practitioners
- Fashion Entrepreneurs
- Designers
- Architects
- Public Space Managers
- Publishers
- Artists

# INVESTMENT MODELS AT PLAY IN KENYA'S CREATIVE ECONOMY

## MARKET-DRIVEN MODEL

This is the model that sustained theatre from independence through the early 90s. A well-known example is Phoenix Players Theatre that ran on subscriptions and ticket sales until it closed doors in 2017. For this model to work, there must be a strong relationship between the people curious about and interested in cultural arts and the businesses that provide creative goods, driving demand and encouraging supply consequentially. The higher the demand, the more the creative economy grows, allowing creative businesses to grow organically in this model. Entrepreneurs need to tap into the existing pool of people who genuinely care about the arts and have the combined willingness and ability to invest resources, either as paying customers or sponsors. Often, these communities form niche markets. For example, among urban millennials there is untapped potential to groom non-traditional investors who are seeking alternative investment opportunities aside from real estate, stock markets and agriculture, or seeking to cement legacies.

## GRANT FUNDING AND PHILANTHROPY

Philanthropy, or charitable giving, is a major source of funding for the arts globally, channeling billions of dollars to support both major and minor arts initiatives. Similarly, foreign grants, have been used to support the launch and survival of many of the better-known creative ventures that exist in Kenya today. Initiatives like **GoDown**, **Kuona**, and **Kwani** channeled foreign funding to incubate local networks, honing talent and subsidising the cost of doing business. However, because of restrictions that come with foreign aid and flux in funding trends, grants are not a sustainable source of investment. Instead, they are most useful for seeding new ideas and mitigating against risk at the early stages of creative ventures, and less suited for supporting the development of sustainable business models. More recently, organisations like **Book Bunk** have shown the potential that collaboration with local government holds. In 2018, Book Bunk secured the partnership of the Nairobi County Government in refurbishing three storied public libraries. While the results of this partnership remain to be seen, it is a reminder that local and national government resources can also be leveraged for investment in Kenya, as they are in more mature creative economies.

## FINANCIAL INSTITUTIONS, VENTURE CAPITAL, AND PRIVATE EQUITY

New business ideas are funded by friends, family and networks of angel investors. Once they become viable, further funding is sought in the form of debt (loans) or equity (selling a stake in the business). Banks in Kenya have begun to target loans at creative businesses (e.g. Equity Bank's 'Maridadi Business' financial products). HEVA fund is the first private investment fund specialising in the creative ecosystem. The challenge with this model, however, is that it is dependent on favourable macroeconomic policies in order for investors to make lucrative returns on their investments. For instance, interest rates on loans remain too high for small businesses in Kenya, leaving them little room to grow. The tax burden on small businesses is also high, further hindering their growth. In order for this model to prove effective, improvements in public economic policy and management will be necessary.

# HOW TO ATTRACT MORE FUNDING

Based on the experiences of roundtable participants with fundraising and spearheading creative ventures both in Kenya and globally, we drew the following key lessons on how Kenya can attract interest and diverse sources of investment (local and international) to our homegrown creative sector:

## Clearly articulate the value proposition for investing in arts

- Some questions to consider in articulating this argument: What is the value of the arts *now* in our current context? Why is it urgent that we invest in arts? What are key social and economic benefits of the arts? What are some local success stories that we can share to demonstrate the value of investing in the arts?
- All of this would require gathering data to demonstrate the value proposition, or building on existing data, where available, to make the case for investing in Kenya's creative economy.

## Map out the investment network and identify key stakeholders

- Key stakeholders here, include individuals, communities and institutions that create or promote art, or who are art-adjacent by their proximity to artists and arts institutions.
- Who among these stakeholders are spokespeople for the cause? How can they be enlisted to actively tap into their networks to raise funds?

## Exploring philanthropy

- Globally, philanthropy is a major source of funding for the arts. Grants from local and national government as well as from citizens have sustained cultural institutions in spaces where business models have been in flux. It remains an untapped opportunity in Kenya.
- For instance, there are cohorts of young urban people with disposable income and savings who are seeking alternative spaces to invest other than the traditional land and property markets. They already value arts and culture, making them a new class of investors in the creative economy. Tapping into these communities could unlock new sources of funding for the arts.

## In Conclusion

Kenya's creative economy has tremendous potential. With a large and growing youth population that is seeking a new sense of identity, artistic expression is increasing in quality and quantity across the country. Demand for music, art, fashion, film and other forms of creative goods is also increasing. It is worth noting that the local investment ecosystem is still in its very early stages of development and will grow only through active efforts to learn from what has worked, and taking concrete steps forward to build out the various investment models highlighted above. Looking at more mature creative economies, there tends to be a mix of private and public philanthropy, market-driven models and private venture investment working together. It is likely that a similar mix will drive Kenya's creative economy as it develops and when it reaches maturity in the long term.

Following this vibrant and informative conversation, we will seek opportunities to convene the community for further discussions and working sessions, including deep-dives on specific thematic areas. We hope that this discussion will incubate future partnerships and collaborative work by stakeholders in Kenya's creative sector, a critical element to moving this agenda forward.





# ABOUT THE NAIROBI IDEAS EXCHANGE:

The Nairobi Ideas Exchange is brought to you by the Mawazo Institute, a non-profit institution based in Nairobi, Kenya whose mission is to support the next generation of female scholars and thought leaders in East Africa, and to get policymakers and the general public engaged with their work. At Mawazo, we believe that ideas are the essence of creativity, the spark to innovation, and the call to research. This is why we invest in getting good ideas out into the public domain. The Nairobi Ideas Exchange is part of Mawazo's Public Engagement Programme that gathers professionals and stakeholders to deep dive into issues in their unique fields of practice. Through this process, we allow for an exchange of ideas that can help address challenges, find opportunities, and build knowledge on sectoral issues. Other projects under the Nairobi Ideas brand include Nairobi Ideas Night, the Nairobi Ideas Podcast, Nairobi Ideas Digest and Nairobi Ideas Explainer series.

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