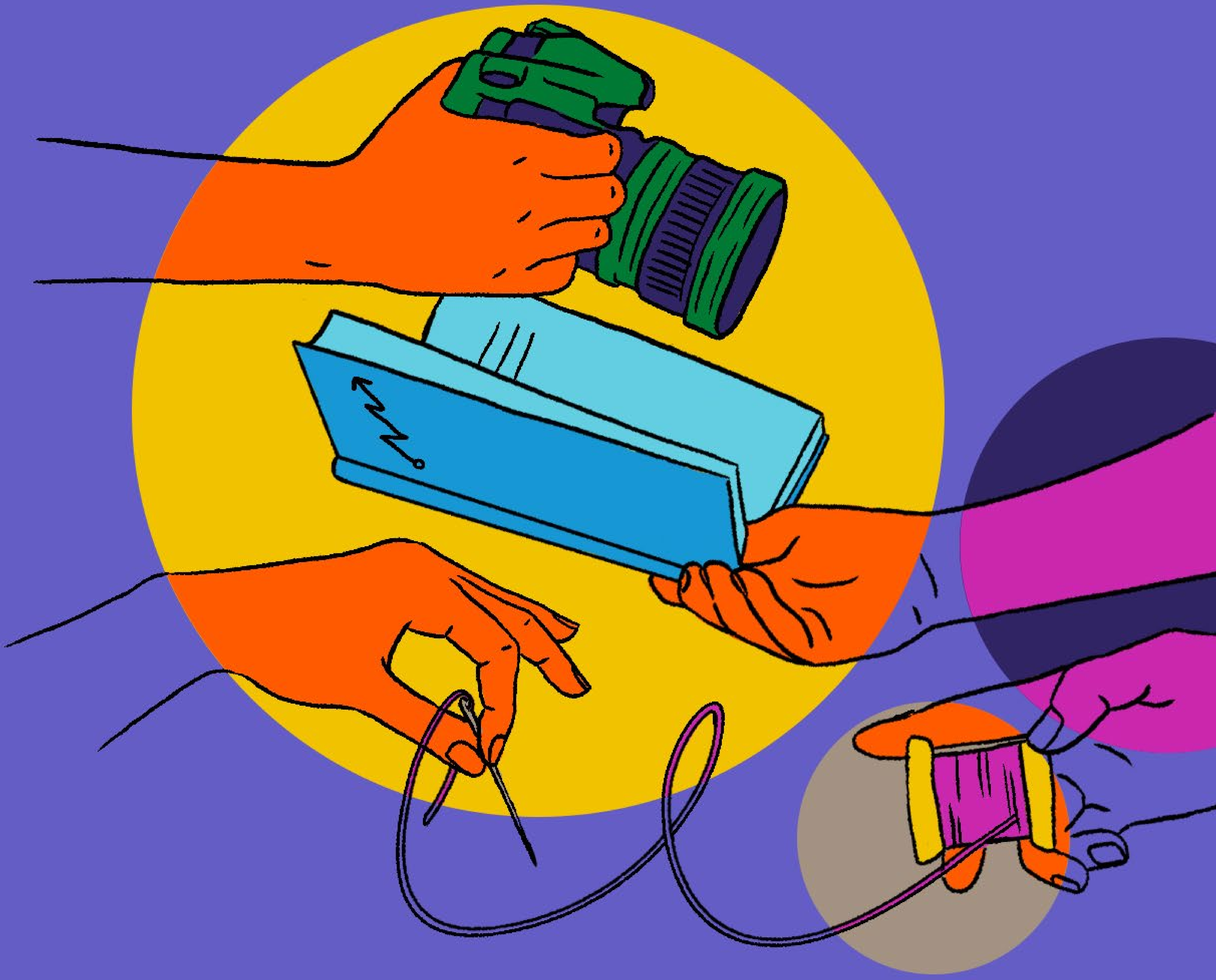
creativity
culture
& capital

Impact investing in the global creative economy



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Foreword

Sir Ronald Cohen
Chair, Global Steering Group
for Impact Investment

The importance of culture, whose values are transmitted through creative endeavour, is of great significance at a time when our world is threatened by polarising discourse and fake news.

Impact investment is driving new ways of thinking for investors and businesses, shifting decision-making away from just making money to also delivering improvement in lives and the planet. Transparency on the impact created by companies will soon resemble the transparency available to us, as consumers, employees and investors, on the profit companies make. This will shift our economies from creating environmental and social problems to delivering solutions to the great challenges we face.

To date, investments flowing into creative industry have been largely unnoticed, in part because they are categorised as community development, small business lending or microfinance, and in part because they have been relatively small. Innovative pay-for-success instruments like social impact bonds have not yet been implemented in the creative arts.

This report is valuable in focusing attention on new ways of funding our creative economy. Just as charitable service providers have been adjusting to the growing availability of impact investment to supplement the grants they raise, and businesses have begun to seek impact alongside profit, so too must our cultural institutions and creative industries now engage in the global effort to achieve just and sustainable impact economies.

I very much hope that this collection of essays will stimulate new thinking about how we fund creativity and, in particular, the role that impact investment can play in helping our cultural institutions and our broader creative economy expand their influence and reach. Only then will they be able to play their essential role in creating the kind of world we want to live in.

Sir Ronald Cohen
Chair, Global Steering Group for Impact Investment

Sir Ronald Cohen is a pioneering philanthropist, venture capitalist, private equity investor and social innovator, who is driving forward the global Impact Revolution. He serves as Chairman of the Global Steering Group for Impact Investment and The Portland Trust. He is a co-founder of Social Finance UK, USA, and Israel; and co-founder Chair of Bridges Fund Management and former co-founding Chair of Big Society Capital. He graduated from Oxford University and holds an MBA from Harvard Business School. He is the author of several books, including *The Second Bounce of the Ball*, and most recently, *IMPACT: Reshaping capitalism to drive real change*.

Introduction

Laura Callanan
Founding Partner, Upstart Co-Lab

2021 is the United Nations International Year of Creative Economy for Sustainable Development. Acknowledging the importance of the creative sector, the framers of the United Nations' Sustainable Development Goals included creativity and culture alongside economics and technology when charting the path forward for global development.[1] Creativity and culture are recognised as contributing to dialogue and understanding between peoples, as empowering people to take ownership of their own development, and as the basis for innovation that can drive inclusive and sustainable growth.[2] The Covid-19 pandemic puts joint efforts by governments, civil society, private sector and international organisations in a new dimension, highlighting the importance of the creative economy as part of a global recovery.[3]

The UN resolution on Creative Economy for Sustainable Development highlights the sector as an important tool for the attainment of the Sustainable Development Goals in an inclusive and equitable manner. The resolution, which was agreed by consensus by the United Nations General Assembly (UNGA) on 19 December 2019, was co-sponsored by 81 countries (roughly half of the world).[4]

In the near future, in a world that is attempting to recover from a pandemic and its unprecedented effects, the path of economic growth is uncertain. Fostering cultural and creative industries strategically for a sustainable and inclusive recovery will have long-term benefits, including, but not limited to, an increase in quality of life, the stimulation of innovation and thus a more resilient economy with improved ability to adapt in the face of challenges.[5]

The creative industries account for 3 per cent of global GDP.[6] But that's changing quickly as the global creative economy grows at 9 per cent annually, and 12 per cent in the developing world.[7] The value of the global market for creative goods doubled from US$208 billion in 2002 to US$509 billion in 2015, an increase in export growth rates of more than 7 per cent over 13 years.[8] According to recent forecasts, the creative economy will represent around 10 per cent of global GDP in the years to come.[9]

The creative economy is not only one of the most rapidly growing sectors of the world economy, it is also highly transformative in terms of income generation, job creation and export earnings.[10] But opportunities are often unevenly distributed and, unless efforts are made, the environmental toll of this growth can be severe. There is the chance now – before the sector grows even larger – to shape the creative economy to be more inclusive and sustainable.

US$31 trillion[11] in assets under management (AUM) globally is dedicated to sustainable and impact investment. Impact investment rewards and scales businesses that follow standards of worker safety and dignity, offer fair compensation and benefits, embrace principles of diversity and equity, engage and demonstrate respect for local community, and steward the environment. The growth of impact investment has been marked by the development of more responsive investing vehicles addressing the specific capital needs of industries, impact themes, geographies and populations.

Fundación Compromiso, Nesta and Upstart Co-Lab have partnered on this report to bring attention to the potential for impact investing in the global creative economy. While impact investing targeted to the creative economy is nascent, there are growing examples of interested investors and socially and environmentally oriented creative economy entrepreneurs. Fund managers in both developed countries (including the US, the UK, France, Germany and Switzerland) and developing countries (for example, throughout East Africa) are starting to launch investment vehicles that link sustainable and impact investment to the creative economy.

In this report, 44 experts from 17 countries have contributed essays along two themes: *Creativity at work*, which illustrates how the creative economy is addressing key issues of inclusion and sustainability, and *Connecting impact capital*, which describes a range of efforts to finance creative activity in alignment with values. Wealth advisers, impact investors, creative entrepreneurs, government officials, and art and community leaders have all shared their vision of the creative economy as a source of high quality opportunities that will allow investors who understand the power of art, design, culture, heritage and creativity to achieve social and environmental impact as well as financial reward.

The examples and perspectives captured here are intended to inspire global policymakers, fund managers and wealth advisers, institutional and individual investors, and philanthropic funders of the global ecosystem for impact investing to prioritise the creative economy. May this report also serve as a call to action to art patrons and collectors, commercial and charitable creative organisations, and leading artists and designers regarding a new opportunity to attract financial resources to meaningful endeavours in art, design, culture, heritage and creativity.

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2. sdgfund.org/creative-industries-and-sustainable-development
3. UNCTAD, "How the creative economy can help power development", (Retrieved June 25, 2020)
4. United Nations. International Year of Creative Economy for Sustainable Development.
5. unctad.org/creative-economy-programme/mandate
6. EY, Cultural times: The first global map of cultural and creative industries, December 2015, p16
7. United Nations Development Programme and the United Nations Educational, Scientific and Cultural Organization, Creative Economy Report Special Edition, 2013, p153
8. unctad.org/webflyer/creative-economy-outlook-trends-international-trade-creative-industries
9. en.unesco.org/creativity/sites/creativity/files/global_report_fact_sheet_en.pdf
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11. gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf

What is the creative economy?

The definition of 'creative' is something that is both new and effective.[12] The term 'creative economy' was introduced in an article by Peter Coy in 2000 about the impending transformation of the world's economy from an industrial economy to an economy where the most important force is 'the growing power of ideas'.[13] John Howkins elaborated in his 2001 book, *The Creative Economy: How People Make Money from Ideas*, describing the creative economy as a new way of thinking and doing that revitalises the manufacturing, services, retail and entertainment industries with a focus on individual talent or skill, and art, culture, design and innovation.[14]

'Creative economy' was elevated to the world economic and development agenda at the Eleventh Session of the United Nations Ministerial Conference on Trade and Development (UNCTAD XI) in Sao Paulo, Brazil in 2004.[15] A United Nations multi-agency group then defined the creative economy essentially as 'the knowledge-based economic activities upon which the "creative industries" are based'. The definition extends to all parts of the creative industries that are also considered an important source of commercial and cultural value, including trade, labour and production.[16]

Today, creative economy definitions are typically tied to efforts to measure economic activity in a specific geography. A relevant set of art, culture, design and innovation industries is determined, and the economic contribution of those industries is assessed within a region. A unique set of industries defines each local creative economy, reflecting the culture, traditions and heritage of that place.

Based on research by the Creative Economy Coalition (CEC), a working group of the National Creativity Network; the National Endowment for the Arts and the Bureau of Economic Analysis; Americans for the Arts; the UK Department for Culture, Media and Sports; Nesta, a UK-based innovation foundation; and the United Nations Educational, Scientific and Cultural Organisation (UNESCO), Upstart Co-Lab defined the creative economy by identifying a set of 145 industries engaged in the inputs, production and distribution of creative products using the North American Industry Classification System (NAICS). Upstart Co-Lab distills these industries into five pillars of the creative economy: Ethical Fashion, Sustainable Food, Social Impact Media, Other Creative Industries and Creative Places.

Global creative industries generated US$2.25 trillion in revenue and formally employed 29.5 million people worldwide in 2013, the latest year for which UNESCO has commissioned research.[17] In emerging markets, the artisan economy is a major driver of informal jobs for an estimated 300 million people[18] and projected to reach a global valuation of US$985 billion by 2023.[19]

The creative economy defined

Ethical Fashion – Companies producing clothes, shoes, jewellery and accessories that proactively address industry challenges related to labour, environmental impact, governance and/or preservation of cultural heritage.

Sustainable Food – Producers and providers of food and beverage products and experiences that proactively address and raise consumer awareness of resource conservation, preservation of cultural heritage and/or access to healthy food.

Social Impact Media – Companies that leverage the power of communication, storytelling and technology to drive positive social outcomes at scale, give a platform to under-represented voices and/or build a diverse workforce.

Other Creative Businesses – Other facility, input, production and distribution businesses in art, design, culture and heritage industries that are run sustainably, provide quality jobs and have a social impact.

Creative Places – Real estate projects that are affordable, target creatives or businesses in the creative economy, and benefit their neighbours, such as affordable workspace for artists and creative economy businesses.

What is impact investing?

Impact investing is investing with the intention to generate positive, measurable social and environmental impact alongside a financial return.[20] It is an investment approach, applicable to all asset classes, that counters the traditional separation of environmental, social and governance risk factors from investment decisions that are focused on financial returns alone. Impact investors consider how their investments align with their social and/or environmental goals and values, as well as their financial return objectives.

While terminology varies among practitioners, for the purposes of this report impact investing is the umbrella term that includes concepts such as sustainable investing, ESG (investing in companies operating with best environmental, social and governance practices) and SRI (socially responsible investing, or sustainable, responsible and impact investing).

The creative economy is not only one of the most rapidly growing sectors of the world economy, it is also highly transformative in terms of income generation, job creation and export earnings

Impact investing defined

For the purposes of this report, impact investing will be used as the umbrella term to encompass a range of overlapping concepts:

Environmental, social and governance (ESG) factors are non-financial data that investors may consider as part of their investment analysis as a way to evaluate whether their investments promote sustainable, fair and effective practices and mitigate potential risks.

Impact investments are investments made into companies, organisations and funds with the intention to generate measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on the circumstances. Impact investors actively seek to place capital in businesses and funds that can harness the positive power of enterprise.

Socially responsible investing (SRI), socially conscious, 'green' or ethical investing, is any investment strategy that seeks to consider both financial return and social good. In general, socially responsible investors encourage corporate practices that promote environmental stewardship, consumer protection, human rights and diversity.

Sustainable investing is investing with long-term gains expected in social, environmental and governance areas. A vision of a sustainable future is set as a reference point for developing strategic actions.

Source: missioninvestors.org

12. tandfonline.com
13. Peter Coy, "The Creative Economy," BusinessWeek, August 28, 2000; Creative Economy Coalition, America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA, August 2013, p10
14. John Howkins, The Creative Economy: How People Make Money, 2001.
15. Eleventh Session of the United Nations Ministerial Conference on Trade and Development (UNCTAD XI), Sao Paulo, Brazil, 2004, Sao Paulo Consensus, paragraphs 65 and 91.
16. Creative industries include a wide range of goods and services ranging from goods such as books, paintings, musical industries, DVDs, toys to services such as advertising, market research and public opinion services, architectural, engineering and other technical services, research and development services and personal, cultural and recreational services (including audio visual services and other cultural and recreational services).
17. EY, Cultural times: The first global map of cultural and creative industries, December 2015, p16
18. Gupta, Neelam (2001) Invisible labor: social security for home-based workers of the garment, agarbatti and papad industries, Delhi, SEWA Bharat, p v and vi
19. Research and Markets, ltd. "Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023." Research and Markets—Market ResearchReports—Welcome, June 2018
20. thegiin.org/impact-investing/need-to-know/#what-is-impact-investing

While the term impact investing was only coined in 2008 and the mainstreaming of this approach is 10 years old, the underlying philosophy has many examples throughout history. Investors have long used their investments to reflect their values and drive social change: from Quakers who refused to allow their financial resources to support the slave trade, to religious orders that would not invest in 'sin stocks', to the anti-apartheid divestment movement of the 1980s.

In addition to such negative screening,[21] more proactive strategies have emerged. These approaches do not simply limit the investable universe through exclusion of activities determined to be harmful to society and the environment, but actively seek constructive opportunities. Community development financial institutions[22] target investments to generate economic opportunity in underserved communities. Early-stage impact funds strategically invest in companies that promote renewable energy, or intentionally back women entrepreneurs. Pooled funds of public equities, built around themes such as social justice or the United Nations Sustainable Development Goals, invest in companies with aligned best-in-class corporate practices.

Globally, impact investment assets under management were US$31 trillion at the beginning of 2018, an increase of 34 per cent over 2016.[23] The amount of capital committed to impact investing has grown significantly in recent years as leading global financial institutions add expert impact investing advisory teams and launch new impact funds in response to client demand and an evolving understanding of the role of business in society. At the time of this report in 2020, Apollo Global Management, Bain Capital, Bank of America, BlackRock, Blackstone, Goldman Sachs, J.P. Morgan, Morgan Stanley and UBS all have dedicated impact investing groups; and Generation Investment Management, KKR, LeapFrog Investments, Prudential Financial, Turner Impact Capital and UBS are all managing impact investment funds of US$1 billion or more.[24]

The emergence of dedicated impact investment funds aligns with shifting expectations of the role business plays in society. Since 2018, Larry Fink, CEO of BlackRock, the world's largest asset manager, has stressed the link of profit to sustainability, long-termism and purpose in his annual letters to CEOs and investors. In his 2020 letters, he affirmed that 'sustainability should be our new standard for investing'.[25] In 2019, David Rubenstein, founder and co-executive chairman of The Carlyle Group (a multinational private equity, alternative asset management and financial services corporation) stated that, in the future, companies are likely to be 'judged on their ESG contributions and performance almost as much as on their financial performance. And the companies that perform well financially, but don't do well on ESG concerns, may not be as highly valued on the market as they would be today'. Rubenstein followed up on this assertion in 2020 with a firm-wide commitment to 'investing for impact', stating 'it is precisely the societal goals of the impact investor – diversity and inclusion, environmental sustainability, responsible governance – that increasingly generate the above-market returns sought by the market as a whole'.[26] In its 2019 Statement on the Purpose of a Corporation, the Business Roundtable, an association of CEOs of the largest US companies, made a commitment to all stakeholders – including customers, employees, suppliers, communities and the environment – as well as shareholders, and 'urge(d) leading investors to support companies that build long-term value by investing in their employees and communities'.[27] The statement is a profound shift from the shareholder primacy doctrine of the past 50 years.

> Creative economy definitions are typically tied to efforts to measure economic activity in a specific geography and a unique set of industries defines each local creative economy, reflecting the culture, traditions and heritage of that place

Impact investing in the creative economy today

The creative economy has not been well understood by the impact investing sector. As an example, for 10 years the Global Impact Investing Network (GIIN) has captured data on 'arts & culture' in the Annual Impact Investor Survey of its 289 global members, representing US$221 billion worth of impact assets under management. In 2020, arts & culture was reported as representing only 0.1 per cent of assets under management, with allocations from only 9 per cent of respondents. However, the 2020 report suggested that impact investing leaders are beginning to recognise the error of defining the creative economy too narrowly, with the GIIN including the following acknowledgment for the first time: 'Allocations to some sectors may be greater in reality than as reflected in these analyses. For example, some investors are active in arts & culture through their investments in other sectors like housing or education. These investments may be classified here as housing or education investments, though they also have an impact on arts & culture'.[28]

> A narrow framing of the arts and cultural sectors misses the significant and growing opportunities available for impact investors

A narrow framing of the arts and cultural sectors misses the significant and growing opportunities available for impact investors. Upstart Co-Lab's 2018 report Hiding in Plain Sight: Impact Investing in the Creative Economy[29] identified more than 100 private equity, private debt and real estate funds, representing an estimated US$60 billion AUM, that had been active in the creative economy. Nineteen per cent of the funds reviewed had explicit creative economy strategies or invested exclusively in one or more of five creative economy categories. One-third of the funds were investing in multiple creative economy categories. Most of the funds in the study focused on impact themes related to the environment, quality jobs, women and girls, or entrepreneurs of colour. While creativity and culture was not the stated priority for the majority of funds analysed, many of their portfolio companies were in the creative industries, demonstrating a strong correlation between the creative economy and social and environmental impact. Concern among consumers about how their food, clothes and entertainment are produced has grown significantly in recent years. Human wellbeing and planetary health may have been niche issues in the past, but have evolved into mainstream trends. Consumers are demanding sustainable and ethical business practices from the companies they patronise and are voting with their wallets. But it's not only about sustainability and ethics. Consumers are also demanding more engaging, more authentic and more varied products and experiences. Changes in purchasing power around the world require companies to diversify their offerings to appeal to many more distinct audiences.

Impact investors are attracted to the creative economy by its scale: global problems, big market opportunities, large consumer demand. Early impact investors in Ethical Fashion are trying to reinvent the global supply chain around environmental sustainability and improved livelihoods. Sustainable Food investors are betting that new, delicious and exciting products and experiences will translate to healthy people and a healthy planet. First movers in Social Impact Media see the power of stories from previously under-represented voices to shape opinions and drive action, while simultaneously creating quality jobs and economic opportunity. US-based real estate developers in places like Denver, Chicago, Los Angeles and New York are incorporating creativity and culture into large-scale mixed-use, mixed-income projects, adding value to their assets and to the surrounding communities. This basic intersection of profit and purpose plays out in every industry in the creative economy.

21. Negative screening refers to the exclusion of companies that do not comply with specific, pre-set social or environmental criteria.
22. Community financial development institutions are private financial institutions committed to expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses; this model is primarily in the US.
23. greenmoney.com/global-sustainable-investment-review-2018
24. impactassets.org/publications_insights
25. blackrock.com/corporate/investor-relations/blackrock-client-letter
26. carlyle.com/global-insights/research/impact-investing-investing-impact
27. opportunity.businessroundtable.org/ourcommitment
28. thegiin.org/research/publication/impinv-survey-2020
29. upstartco-lab.org/hiding-in-plain-sight

Examples of impact investing in the creative economy

The creative economy has the capacity to intrigue, engage, educate and activate more mindful consumers so that the benefits of ethical and sustainable supply chains and the full power of media to drive positive change can be realised. Seasoned impact investors are already putting impact capital to work in Ethical Fashion, Sustainable Food and Social Impact Media to achieve social and environmental goals such as environmental conservation, gender and racial equity, and access to economic opportunity. Those who care about shaping a creative economy that is inclusive, equitable and sustainable will find numerous opportunities to deploy their values-aligned capital. Contributors to this report provide compelling testimony to the power of bringing together committed investors with creative entrepreneurs.

Below are several other examples of funds that allow impact investors to deploy capital to the creative economy:

Community Investment Management (CIM) is an institutional impact investment manager providing strategic debt funding to scale and demonstrate responsible innovation in lending to small businesses and other underserved borrowers in the United States. CIM invests in the credit products of innovative non-bank lenders, including, but not limited to, online marketplace lending platforms that are addressing the financing gap between banks and high cost alternative lenders. CIM funds two-to-three times more women-, BIPOC- and veteran-owned businesses than conventional banks and financial institutions. In aggregate, businesses funded by CIM have generated US$8 billion in total revenue, created 10,000 jobs and maintained 69,000 more jobs. In addition, 24 per cent of CIM's small business lending portfolio is in the creative economy as defined by Upstart Co-Lab.

LISC NYC Inclusive Creative Economy Fund finances the affordable workspaces that make it possible for creatives to start and grow businesses, hire workers into quality 21st-century creative economy jobs and maintain the spirit of New York City as a place where creativity is produced, not just consumed. This is the first impact investment fund focused on arts, design, culture and creativity in the context of community development, and is managed by the Local Initiatives Support Corporation (LISC). The fund, which closed in 2019 at US$6.2 million, offered investors an eight-year note paying 2.75 per cent annual interest. LISC is AA-rated by S&P. The fund was developed and launched in partnership with Upstart Co-Lab.

Purpose Evergreen Capital GmbH & Co. KGaA (PEC) is a holding company supplying patient capital to finance companies committed to steward ownership, with an economic and legal approach to corporate governance that ensures organisational self-determination and protects a company's mission and independence for the long term. Steward-owned businesses are governed by those who are directly involved in the operations of the business, not external shareholders. PEC is focused on four impact objectives: support equitable corporate governance, boost employee economic security, nurture workplace inclusion and foster community development in the form of job creation. PEC invests in mature, profitable companies aligned with the UN Sustainable Development Goals in sectors including fashion and textiles, organic food and agriculture, and digital platforms. PEC reports that approximately 60 per cent of its current portfolio investments and forward pipeline are in the creative economy as defined by Upstart Co-Lab.

The creative economy as a source of impact investment capital

Pension funds, sovereign wealth funds, charitable foundations and universities have been active institutional impact investors for the past 10 years. While this report focuses primarily on impact investment opportunities available in the creative economy, it would be incomplete to overlook institutions in the cultural sector as a potential source of impact investment capital as well. This is a new role for these organisations, but there are already some early examples.

In 2020, Netflix, a publicly-traded media-services provider and production company headquartered in the US, made a commitment to allocate 2 per cent of its cash holdings – initially up to US$100 million – into financial institutions and organisations that directly support Black communities in the US. Netflix described this as part of its commitment to racial equity and an effort to address one factor that contributes to 19 per cent of Black families having either negative wealth or no assets at all – more than double the rate of White households – according to the US Federal Reserve.

In 2019, the Andy Warhol Foundation moved 25 per cent of its US$300 million endowment to a socially responsible strategy. The same year, the Souls Grown Deep Foundation & Community Partnership, which is dedicated to promoting the work of African American artists from the south and supporting their communities by fostering economic empowerment, racial and social justice, and educational advancement, adopted a 100 per cent impact investing policy. Building for the Arts, a producer of community arts initiatives, and Creative Capital, a funder of innovative artists, each invested from their endowments in the Local Initiative Support Corporation's NYC Inclusive Creative Economy Fund, the first community development fund for impact investing in the creative economy in the US (developed in partnership with Upstart Co-Lab) in 2018 and 2019 respectively.

Since 2018, the Louvre Museum has allocated 5 per cent of its €250 million endowment fund to socially responsible investment, with a focus on artisan and traditional craft businesses, cultural tourism, cultural heritage and education, all themes connected to the mission of the Louvre Museum.[30] For example, the fund has invested in Mirabaud Patrimoine Vivant (Living Heritage), a private equity fund focused on European artisan and traditional craft businesses from socially responsible Mirabaud Asset Management. Investments also include Alpha Diamant II, a private equity fund investing in capital development and donating 80 per cent of returns above 5 per cent to support education; and Alter Equity, a venture fund investing in companies generating environmental and social solutions and donating returns above 5 per cent to French heritage projects; both of which are generating 'excellent performance'.[31]

In 2016, the Field Museum in Chicago and the American Museum of Natural History in New York pledged to divest from fossil fuels in alignment with its programme and policy stance on climate change[32]. In 2015, California Institute of the Arts (CalArts) made a commitment to divest from fossil fuels, and reports that the shift generated approximately US$700,000 of investment gains for CalArts from 2016 to 2020[33].

As this report goes to print, there is much uncertainty about the future. May now be the start of a focused global effort to bring about positive social and environmental change through the creative economy as the world rebuilds after the Covid-19 pandemic.

30. Louvre-Endowment-Fund-Annual-Report-2018.pdf
31. Correspondence with Philippe Gaboriau, CEO, Louvre Endowment Fund, 9 October 2020.
32. mashable.com/2016/12/12/museum-natural-history-fossil-fuel-divestment
33. educationdive.com/news/will-colleges-shift-to-sustainable-investing-continue-amid-the-pandemic

Laura Callanan is the founding partner of Upstart Co-Lab, which is connecting impact investing to the creative economy. Before launching Upstart Co-Lab, Laura was senior deputy chair of the National Endowment for the Arts; consultant with McKinsey & Company's Social Sector Office; and associate director of the Rockefeller Foundation, where she managed the endowment and co-led impact investing, closing two investments in the creative economy. Laura has been visiting fellow at the Federal Reserve Bank of San Francisco, scholar in residence at UC-Berkeley/Haas School of Business and a Rockefeller Foundation Bellagio fellow. She chairs the GlobalGiving Foundation, advises Shift Capital, and is a member of the British Council Creative Industries International Council.

Creativity at work

Carolina Biquard, Executive Director &
Bárbara Russi, Director Creativity, Culture and Capital,
Fundación Compromiso

This section of the report aims to highlight and celebrate the process by which innovative artists, cultural entrepreneurs and impact investors can find themselves working together collectively for the greater good of society, demonstrating the powerful and positive potential of the broader creative economy. We share stories of collaborative communities that create cultural purpose; where the development of trusting and flexible partnerships releases a variety of resources that drives creativity to mobilise capital to accomplish results.

This segment will highlight experiences that catalyse artists' endeavours to inspire innovation; you will read about how the creative industries can contribute to the future of cities, wellbeing, migration and social cohesion; you will encounter best creative practices in facing the Covid-19 pandemic to foster long-lasting impact.

Let us introduce the model of Potrero Digital (PD), a network of collective learning centres for digital trades that aim to generate work and employment opportunities for underserved youth in the digital economy. There is no literal translation for the word Potrero in the English vocabulary, but an attempt at a definition would be that a Potrero is an abandoned land or lot in a neighborhood where children gather to play soccer. The name Potrero Digital embodies the spirit of the project because it encourages those same grown-up kids, raised playing in these lots, to combine their digital education to build a future where effort increases opportunity. The Potrero Digital community now includes some 3,100 students from vulnerable areas in the most marginal districts of Argentina, and startup operations in Brazil, Mexico, Chile and Uruguay. We understand the programme to be economically sustainable when practiced at scale. Potrero Digital's goal, in summary, is to train young people in digital trades and to deliver opportunities in qualified employment for a segment of the population habituated to manual trades.

Potrero Digital was incubated in the Argentine National Fund for the Arts (NFA), as part of the growing in-house leadership of the Art and Social Transformation movement intended to foster digital creative skills and expand artistic opportunities. What was originally conceptualised as a film academy – together with Oscar winning film director Juan Campanella and Gaston Gorali after the success of the animated movie Metegol in 2013 – ended up becoming a digital marketing and animation training centre as a response to the increasing employment needs in the country. The NFA was an ideal launching platform, because it provided financial support for the full scope of the programme: scholarships for training and creation; grants for the nonprofit organisations that contain and bring alive Potrero Digital within their local communities; and soft loans to equip facilities and to start up artistic and digital endeavours. Following the incubation phase, Potrero Digital graduated into the supervision of Fundación Compromiso, and started scaling hubs as part of its expansion strategy. The disruption of Covid-19 accelerated progress towards a 100 per cent digital format; this situation also widened boundaries and empowered growth into more flexible structures to advantage emerging business opportunities.

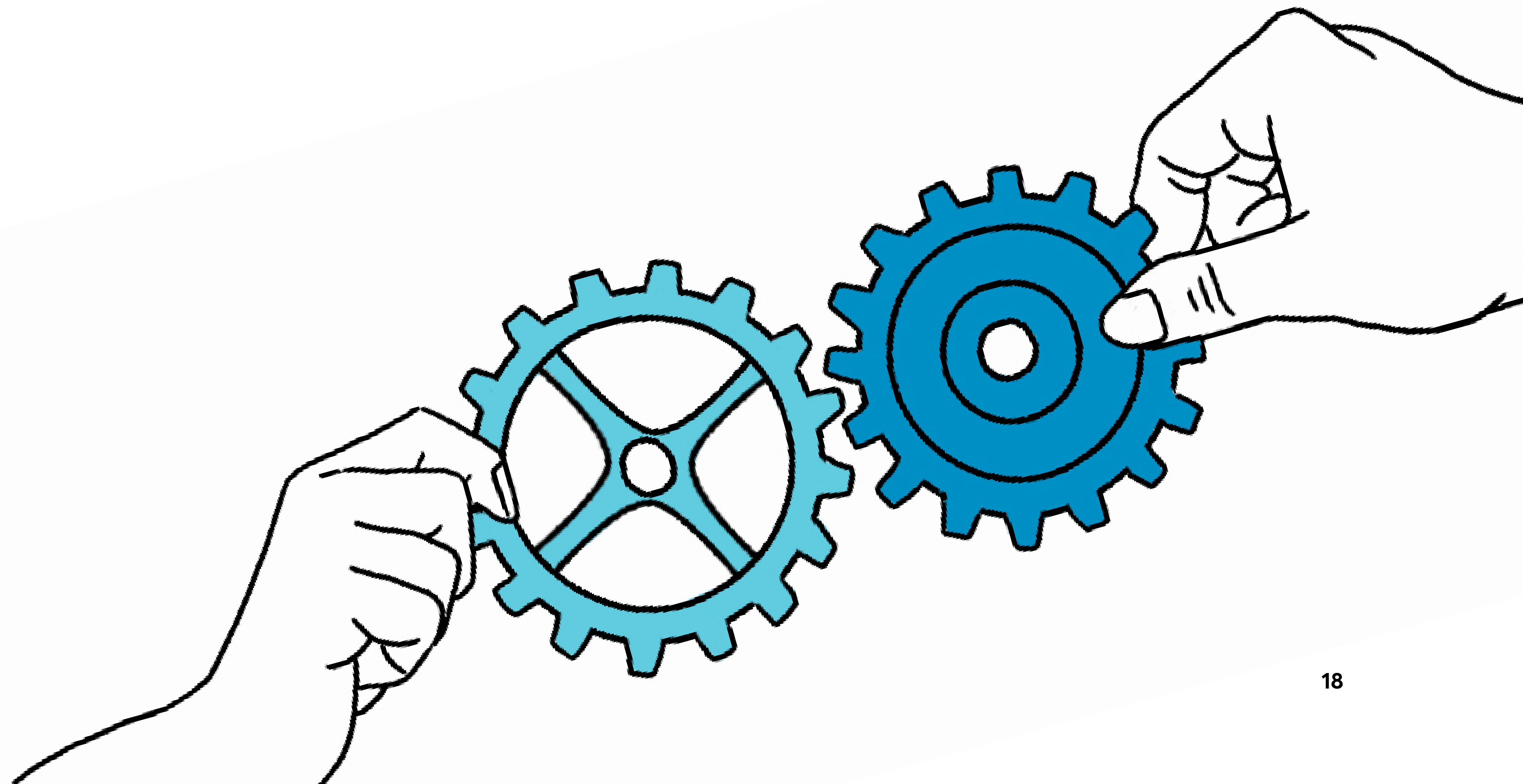
Fundación Compromiso is today the non-profit organisation responsible for programme design, institutional building and financial and legal structuring. The change of state – from a public to an NGO founding partner – did not interrupt the ongoing negotiations to finance scalability. On the contrary, the whole programme was designed that way from the very beginning: the public sector as an investor, not a producer, and autonomous entities such as charities or universities as owners and producers of the new Potrero Digital.

A proper system to structure grant capital can be absolutely critical to ensuring the development of the market and the achievement of outcomes

Fundación Compromiso managed to raise the capital to provide continuity and strengthen the programme: philanthropic funding came from a group of banks, tech companies, multilateral organisations and some public funding awarded through tax incentive regulations. Smart subsidy is essential to bridge overlooked markets, because it is structured to effectively and efficiently achieve intended outcomes. Some of the local and regional controllers of philanthropic capital have come to see Potrero Digital as a meeting point for global agendas regarding youth, labour markets, education and equality. Fundación Compromiso developed the approach of using smart subsidy as a means to scale a high-potential product and as a tool to enable the participation of more commercially oriented funding. A proper system to structure grant capital can be absolutely critical to ensuring the development of the market and the achievement of outcomes.

Potrero Digital selected the path of result-oriented payments structured as professional or career investment bonds that aim to redistribute both risk and benefits. Student-centred income-share agreements are a blended path where traditional philanthropy moves towards catalytic investment; a more patient and risk-tolerant capital approach. As social initiatives emerge, they require fully non-refundable grant capital to embrace the appropriate amount of risk and develop an understanding of what works. As the initiatives develop, so do partnerships, alliances and trust-based relationships, which enable an evolution in the distribution of risk between parties, as the risk becomes more fully understood. This was established strongly by the first big philanthropist we worked with, the JPMorgan Foundation, which needed to be able to measure the cost of getting an underprivileged young person into the digital economy. One major advantage of the result-oriented strategy is the measuring of real impact, because metrics provide a common language for the evaluation of ventures in impact investors portfolios. Only projects that are able to demonstrate success, at least at some level, will be able to scale. Big creations, big intentions and big investments start with focused attention, and measurement builds the data that enhances models to scale creative impact investment.

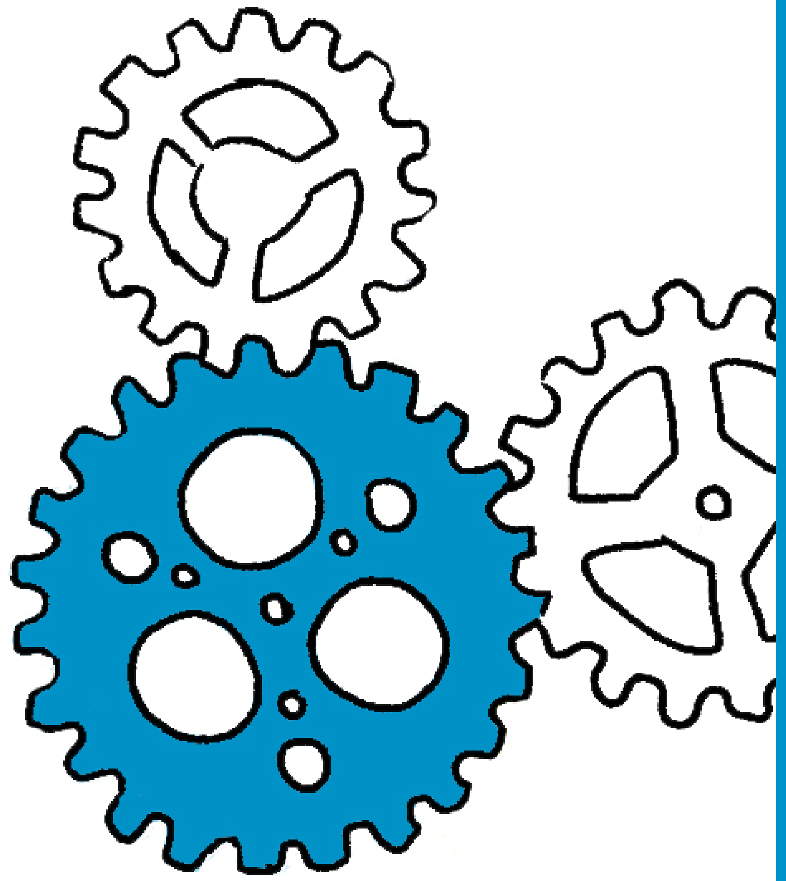
Compromiso Digital is the social endeavour intended to direct Potrero Digital's for-profit financial return. The model is predicated on scaling sustainability through forward contracts: future sales of digital services will provide students with the required upfront capital, which they then repay according to a pre-established schedule, contingent on sufficient earnings. Thus, capital is invested productively into the creative economy, allowing creativity to flourish and compounding economic activity. The measure of success for Potrero Digital students is employability. The animation and video games learning modules turned out to be seedbeds to discover and empower young creators and to grow the trend of freelance work – particularly beneficial in this year's Covid-driven lockdowns, since the infrastructure of home working is already established. Students develop their skills through structured education at Potrero Digital and organically through a mentoring process during working experience at corporations or as freelancers. Compromiso Digital provides this pathway-oriented framework, tied to the solution of social essentials, with its corporate volunteers reinvented as coaches of the working students of Potrero Digital.



This is just one example of the broader point we aim to highlight in this section of the report: how creativity can be put to work for the benefit of individuals, communities and society, including through boosting local, national and international economies. Though the scope is inevitably limited, we have sought to represent as broad a selection of geographies and sectors as we are able, using primarily the immediate networks of Upstart Co-Lab, Nesta and Fundación Compromiso, and relying on the generous donation of time and expertise from our esteemed contributors.

In the process of developing this report, we contacted the Israeli artist Eyal Gever. Eyal integrates a collective of artists that created the project Plastivore. The artwork, which uses artificial intelligence to generate a humanitarian solution to global plastic pollution, has been selected for the 2022 Venice Biennale. Plastivore is an automated work of art using 3D printers, which consumes plastic and transmutes it into building blocks for the construction of social spaces. At the time of connecting with Eyal Gever, Fundación Compromiso was already working with the international architecture studio CAUKIN to build Potrero Digital's first Center of Collective Learning in Barrio 31, one of the largest and most visible informal settlements in the City of Buenos Aires. Public efforts are being made in Barrio 31 to reduce poverty, improve the quality of life for residents and simultaneously lead the way for housing and urban change. Thanks to the connection made while developing this report, today we are on course to build the Potrero Digital Center with plastic blocks made by students with re-utilised waste from Barrio 31. The plastic Potrero Digital Center will be included as a case study in the artwork project Plastivore presents at the Biennale; innovation is exponential when it comes to opportunities. The Potrero Digital Center in Barrio 31 will use design programming, modelling, 3D printing and recycling for the social entrepreneurs of the community. Impact finds its way. We hope in this report you will find similar fruitful connections: ideas that will shape your own projects; creative thinkers whose work can inform your own.

Creativity at work displays strategies that combine funding and finance to support creation with purpose: people- and planet-positive impact. Creativity calls to the innovation of artists and cultural entrepreneurs; and creativity also addresses the framing of financial models that ensure social impact outcomes. Because when art meets purpose, it propels the world.



Carolina Biquard is a lawyer who has dedicated her professional life to strengthening civil society in Argentina. She holds a Master's Degree in Nonprofit Management from the New School for Social Research. She founded Fundación Compromiso in 1994 and was the CEO until 2005. Fundación Compromiso develops and spreads a new model of supporting and investing effectively in social, environmental and cultural issues throughout LATAM civil society organisations, private enterprises and public institutions. From 2007-2009, Carolina was National Director of Cultural Industries. She was the President of the Fondo Nacional de las Artes, a public institution dedicated to financing artistic creation and Argentine culture from 2015 to 2018. Carolina is now back at Fundación Compromiso, converting the foundation into an Impact Fund.

Bárbara Russi is an anthropologist with a specialisation in cultural management working as adviser for the National Commission of Monuments and Historical Heritage and as a consultant on institutional building and financing strategy for public and private organisations in the cultural field. She served as Chief of Cabinet in the National Fund for the Arts; coordinated the Institutional Development Office of the National Ministry of Culture; worked on the creation of the Costume Center of the San Martín Theater; and coordinated the creation of the Training Trade Center for the Theatrical Complex of Buenos Aires and for the Lyrical Teatro Argentino of La Plata. She worked in the production of Urban Art Festivals in Buenos Aires, and in the nonprofit world was Director of Institutional Development for Juventus Lyrica and Fundación ArteViva. Barbara is a Board Member of Fundación Compromiso.

Yarns and skills: A museum promoting textile production

Hector Manuel Meneses Lozano
Director, Museo Textil de Oaxaca

A museum in Oaxaca is acting as an intermediary between yarn producers and indigenous artists – a fruitful intervention that is increasing public appreciation for the value of handmade textiles.

Indigenous textiles from Mexico are famous for their beauty and diversity. Among these, textiles from Oaxaca are particularly treasured because they represent distinctive communities, each with their own historical backgrounds and their unique languages. An increase in demand for indigenous textiles during the second half of the 20th century also triggered a decrease in prices. What is the theory of value behind this system? A rise in demand leads to a rise in prices, surely? Not quite. This reaction happens with 'high-end' pieces for museums, galleries and collectors. However, almost simultaneously, a vast market for tourism unfolds, as more people want a blouse or a shawl. To meet this demand, and given their need for income, families and workshops produce 'in series', resulting in economic and quality depreciation. Regrettably, when low-quality materials are used, the ratio between quality of materials and hours of labour is not profitable. A fine weaver might spend months weaving a shawl whether the materials are high or low quality. While the ultimate price may be low because of the use of low-quality materials, what really needs to be considered is the amount of labour that goes into the weaving process.

The Museo Textil de Oaxaca (MTO – Textile Museum of Oaxaca) was created by the Fundación Alfredo Harp Helú Oaxaca in 2008. It is conceived as a forum of exchange, open to traditional and contemporary textile practices, with a soul that speaks directly to weavers, dyers, embroiderers… in a word, artists. The museum's exhibition design aims to present local textiles as works of art – not just as ethnographic or anthropological objects, but a means of expressing a body of knowledge, tradition, innovation and taste. The purpose of this artistic approach is to change the perspective that most people have when they look at indigenous textiles. We want to shift people's mindsets so that these textile creations are appreciated as much as, or even more than, any other 'fine art'.

The museum's exhibition design aims to present local textiles as works of art – not just as ethnographic or anthropological objects, but a means of expressing a body of knowledge, tradition, innovation and taste

At the museum's shop, we are aware of the need for fair compensation for weavers and have promoted the production and appreciation of good-quality textiles. In the creation of such textiles, the quality of the materials is just as important as the skills of the artists; therefore, good-quality yarns are essential. However, accessing such yarns is not easy. Only a few companies in Mexico produce good yarns with fast colours. Since these companies usually sell to the industry, and selling in small quantities is not in their best interest, the MTO decided to step in as a mediator between the yarn producers and indigenous artists.

The idea was first explored by Remigio Mestas, a cultural promoter who started a renaissance-like movement around Oaxacan textiles in the 1990s. The success of his enterprise derives not only from his personal charisma, but also from his ability to incorporate luxury yarns into the local textile traditions. Over time, his gallery has offered textiles made out of silk from Tibet or fine hand-spun Oaxacan yarns, among many other materials. The name of the MTO's project was coined in one of our conversations: *hiloteca*, a place where you look for yarns (a pun in Spanish with *biblioteca*, a place where you look for books).

The MTO began this project in 2015. The initial step was supplying industrially spun cotton of different gauges and colours for weaving and embroidery. Our patrons provided the seed money to get the project started. The museum was not expected to profit from this project, but it was fundamental that it could create a dynamic process where the investment could be constantly transformed into a reinvestment. Shipping and administration costs are added to the final price of the yarns. Unlike a wholesaler, the museum does not set a minimum weight per order, which has proven to be crucial for this project.

In 2016, an agreement was established with our patrons: we would add additional funding each fiscal year to incorporate new yarns into the programme, while the acquisition of yarns already in the inventory would be solely maintained by the income obtained through the sale of such yarns. This agreement has provided two main benefits:

1. We have been able to incorporate unusual yarns from industrial manufacturers, as well as unique, local yarns. For example: hand-spun native silk from the northern mountains of Oaxaca, or hand-spun locally grown cotton from the Mixtec coast. This provides income to local spinners, dyers, and silk/cotton producers. We have also been able to follow Remigio Mestas's example by importing speciality yarns (such as reeled silk or bamboo) and having them dyed in Oaxaca with local natural dyes. Such a mix of goods is far from being a contemporary practice: it has existed for centuries and the introduction of wool (and its quick adoption by different peoples) in the American continent is a remarkable example.

2. After these first five years, the amount that has been reinvested in the project is three times more than the seed money. This situation gives us great flexibility in maintaining a constant turnaround of products. The resulting textiles usually find an outlet in the museum's shop and pop-up sales.

While most of the people who purchase yarns through this project come from communities in Oaxaca, we also supply yarns to weavers and embroiderers from other regions in Mexico, even from abroad. The active role of the museum in bringing people together for conferences, lectures, workshops and other training opportunities has created a wide network of awareness and interest around this project. Weavers who receive special funding from government projects immediately invest that money in the yarns that we supply. Recently, we started incorporating fabrics that are difficult to find in Oaxaca (both hand-woven and industrially made), so that embroiderers have a wider array of options for their work, moving away from the over-saturated market of polyester fabrics. Slowly but steadily, artists use more and more of the yarns and fabrics found at the MTO, because the general public has also become more sensitive to the use of good-quality materials, with an increased appreciation of the value that these handmade textiles represent. This is a milestone, where the general audience begins to have a broader understanding of value, over and above a price tag.

Hector Manuel Meneses Lozano has been Director of the Museo Textil de Oaxaca since 2012. Trained as a textile conservator, he started as Head of Conservation and Collection Management at the same institution. Besides overseeing conservation and social programmes at the Museum, he usually works on the design of temporary exhibitions on display at the Museum.

The forms of things unknown: Technology and the future of theatre

Sarah Ellis
Director of Digital Development.
Royal Shakespeare Company

Collaborations with digital pioneers can help theatre reimagine its connection with its audiences. In the pandemic, this is proving vital.

From candlelight to Pepper's ghost, the printing press to the internet, theatre has always used the newest technologies to tell and share its stories. The tools that have developed over the past 400 years have been critical to enabling Shakespeare's plays to be performed, reimagined and reinterpreted for diverse audiences, keeping the form of presentation as perennially relevant as the content of his work. It's in this spirit that we at the Royal Shakespeare Company (RSC) have worked digitally over the past decade, expanding a theatre-making toolkit for our artists, our audiences and our organisation, and achieving genuine creative innovation, global impact and value.

To commemorate the 400th anniversary of Shakespeare's death in 2016, we collaborated with Intel and the Imaginarium Studios to create a groundbreaking production of The Tempest, Shakespeare's last play and arguably his most magical story world. Bringing live performance capture technology to the theatre for the first time, we created animated versions of the spirit character Ariel live on stage, through motion capture sensors in the suit worn by the actor Mark Quartley. Digital technology was also used to bring to life other aspects of the play: the harpy, the hounds and the spectacle of the masque. Building on the RSC's long history of engaging diverse contemporary audiences, we created a Snapchat filter of Ariel, which reached 7.5 million people on a single day.

The embrace of new technologies and forms allowed us to be more open, to experiment on different platforms and so to broaden our thinking around our audience. We made a conscious decision to keep the text central, so that decisions around the technology could be traced back to Shakespeare and his words. This provided vital constraint, structure and meaning, ensuring that the motion capture technology made creative sense within the theatre-making process, and was both narratively and visually coherent.

Alongside the production, we commissioned research to understand how technology partners inspired the RSC creative team, how the RSC creative team inspired technology partners, and how learnings from this project could be of use to the arts sector in developing future collaborations. We found that innovation and new ways of working happened when ideas were applied and developed out of their usual context. Working together

Image from The Tempest

on The Tempest was a catalyst for each of the partners to innovate by looking at their art, technology and tools differently, while the research and development (R&D) process provided a framework to deliver on this shared potential.

That collaborative process, and the resultant connection with our audiences in Stratford-upon-Avon and beyond, drove us towards exploring the future of live performance. When the UK government's Industrial Strategy, designed to surface and develop the huge commercial potential of the culture sector and the emerging immersive sector, appealed for bids to demonstrate R&D using immersive technologies, the Audience of the Future Live Performance collaboration was born. Building a consortium of marquee arts organisations, research organisations and digital pioneers,[1] we were awarded a grant to produce a live performance demonstrator immersive project, with the aim of reaching 100,000 people. In early 2021, this will come to life in a striking new interpretation of A Midsummer Night's Dream, which builds on the cultural capital of the RSC, Manchester International Festival, Marshmallow Laser Feast and Philharmonia, inviting different forms of audience engagement with the play, incorporating real-time motion capture live performance, created in the Unreal game engine, and introducing a brand new spatial audio orchestral recording.

> The embrace of new technologies and forms allowed us to be more open, to experiment on different platforms and so to broaden our thinking around our audience

When Covid-19 hit in March, we had to radically rethink the project. What was intended to be an immersive location-based theatrical performance, with actors and audiences together in Stratford, became a completely digital experience. We had to reimagine not only how we connected with the audience, but how we would conceive, workshop and create the production. We commissioned a consortium consultation and audience research to ensure we heard all the different voices of the project, and more importantly, to understand what technology people had in their hands – recognising that the home had become a destination for live performance and the rituals of theatre needed to be imagined in a completely new way. How to use technology to deepen the connection between ourselves and our audiences became a more urgent question than ever.

Alongside this, how could we have a connection with our buildings at a time when neither we nor our audiences could be in them? Once again, we turned to the newest technology. We contracted visualisation and theatre production consultancy studio Preevue to produce a digital replica of the RSC campus in Stratford. This involved a one-week onsite LIDAR laser scan to capture the entire site to a 2mm accuracy. Following the laser scan and point cloud generation, Preevue CAD artists modelled the space to the same precision captured in the scan, using thousands of photographs taken onsite to ensure a photorealistic look. The image on the next page shows a screenshot of one of these models running live in real time in an engine. It's not a photo, nor a render, but a model in which to explore and create work. What started as a means of responding to a crisis opened a world of possibilities for virtual production, becoming not just a solution but a playground.

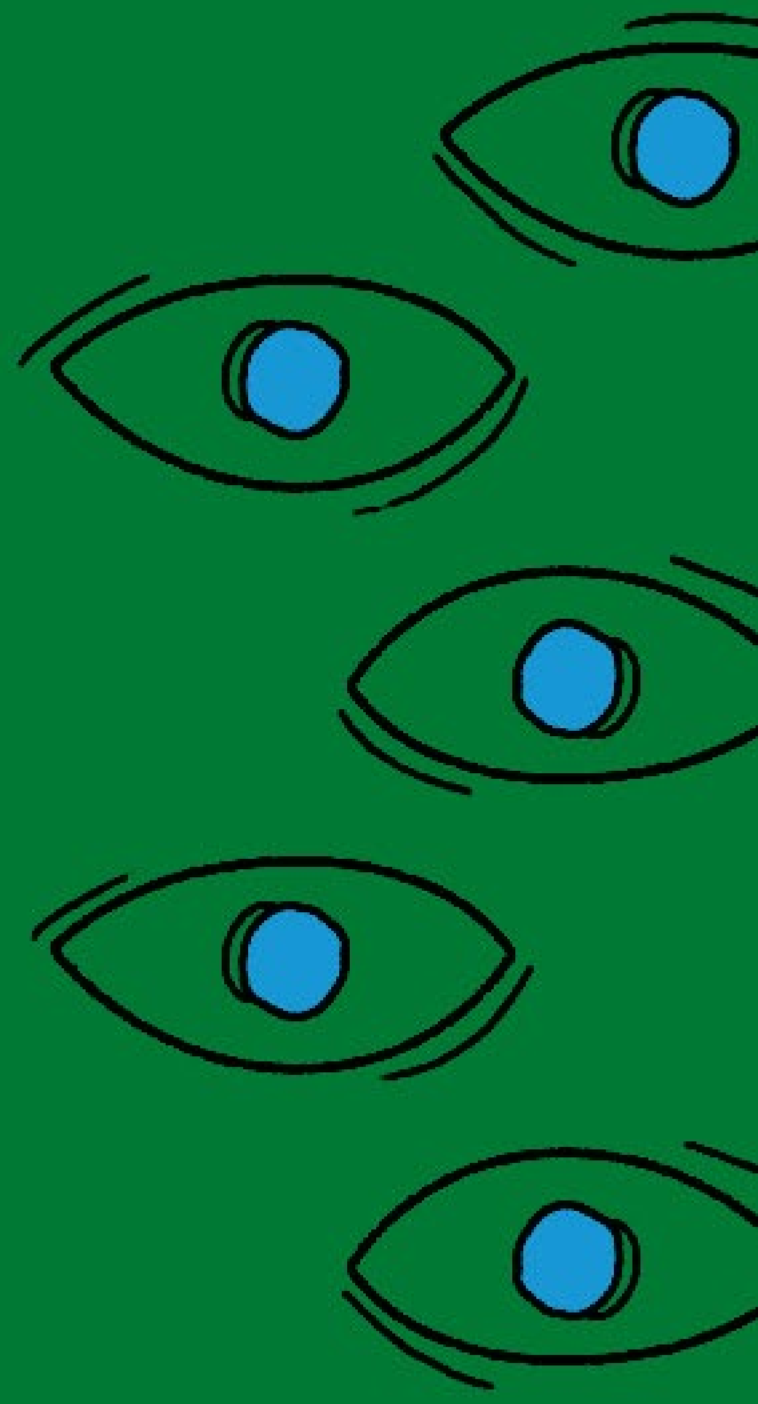
In the Covid-19 crisis, our relationship to our audiences is adapting and emerging into a hybrid set of experiences, as audience expectations, needs and demands evolve in response to our changing circumstances and the ongoing disruption in content markets. This project takes very seriously the imperative of demonstration: the consortium is aiming both to create brilliant content and to create and develop new tools that can be exploited and enhanced for the benefit of creatives and audiences everywhere, working with existing systems and building sustainable business models to support the future of live performance.

1. The Royal Shakespeare Company, Punchdrunk, Jingo Juice Limited (t/a Marshmallow Laser Feast), Philharmonia Limited, Manchester International Festival, Intel Corporation (UK) Limited, Magic Leap Inc, Epic Games (UK) Limited, Nesta, i2 Media Research Limited, University of Portsmouth, De Montfort University, The Space C.I.C., Phi Centre.

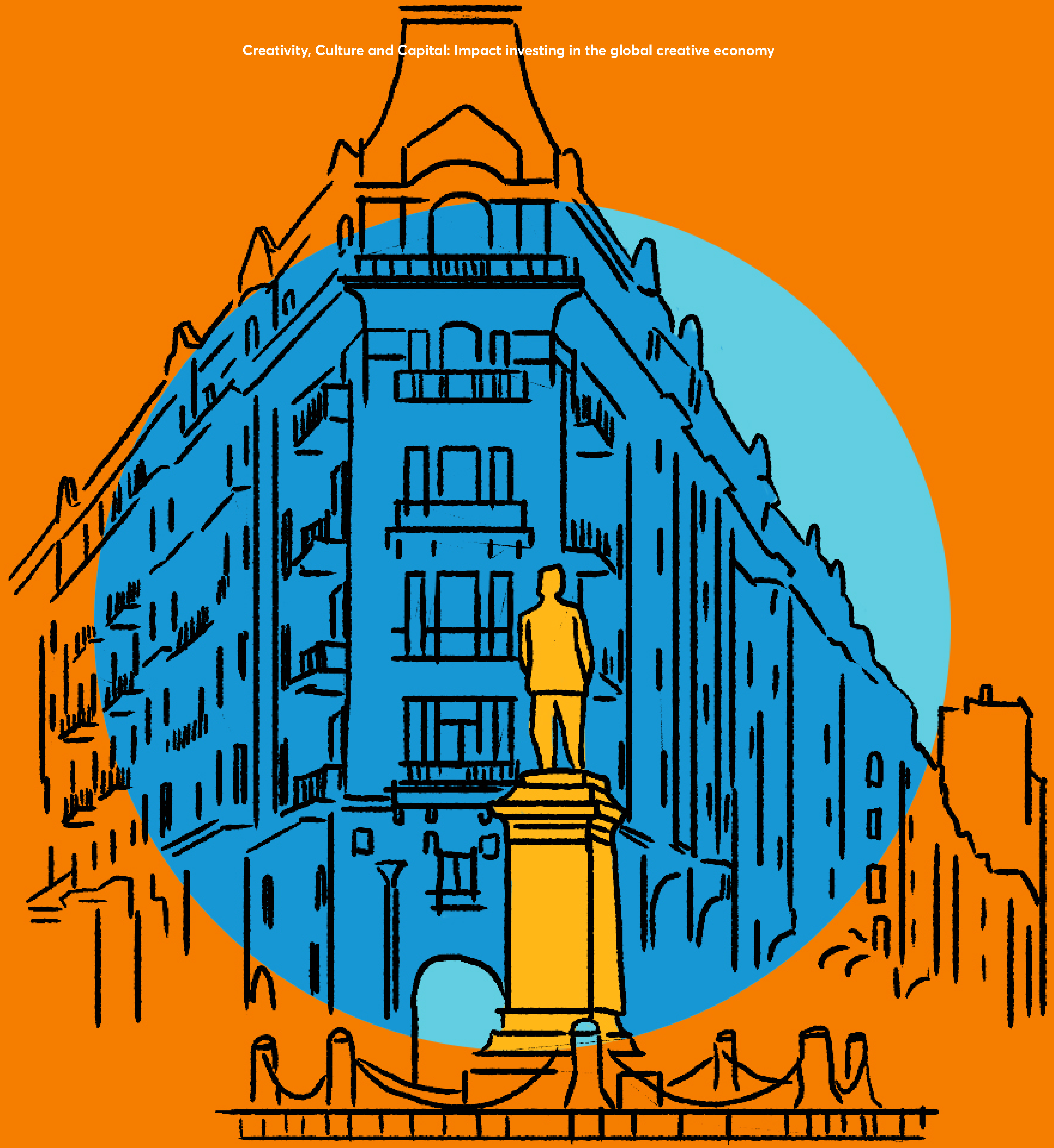
To truly innovate and contribute to the advancement of the form, the ability to experiment is critical. The imaginative structuring of the Audience Of the Future programme let us explore, play and take risks – but it is remarkable for its uniqueness. Public funders everywhere need to be bold enough to follow suit, stimulating genuine R&D, not playing it safe. Creativity is about taking steps into the unknown; R&D provides the freedom to experiment and test ideas that may sometimes fail, but with the right conditions will find unimagined possibilities.

We have seen starkly through the pandemic the unique power of culture and creativity to engage, console and unite us, and the growing medium of impact entertainment also depends on the power of story and narrative to deliver important messages. Put technology in the hands of artists and the most amazing and unexpected outcomes are possible.

Image from the digital laser scan capture of the RSC studio



Sarah Ellis is an award-winning producer and Director of Digital Development for the Royal Shakespeare Company. In 2017, she became a fellow of the University of Worcester for her work in the arts and technology. In 2016 she was awarded The Hospital Club & Creatives Industries award for cross-industry collaboration. Sarah is an adviser to programmes such as the Sundance Institute's New Frontier Labs, Creative XR programme supported by Arts Council England and Digital Catapult, and CPH:LABS. She is an Industry Champion for the Creative Industries Policy and Evidence Centre. She is chair of digital agency The Space, established by Arts Council England and the BBC to promote digital engagement across the arts.



Engaging public space in Cairo

Omar Nagati
Co-Founder, CLUSTER

What is the role of creative organisations in cities dominated by the informal economy? An urban research and design platform in downtown Cairo provides a model.

'Creative cities' and 'creative economy' are discursive terms that emerged in the 1990s to characterise the transformation of cities in Europe and North America from an industrial to post-industrial economy as part of a global neoliberal turn. In Cairo, as in many other cities in the Global South at various stages of industrialisation, the response to deregulation and the dismantling of welfare programmes has been largely manifest in the informal economy. Left on their own, communities developed creative solutions to their daily needs and challenges, from housing and transportation to health and education, developing a parallel sector in the absence of state provision. From that perspective, it could be argued that informality is creativity.

It has become too fashionable to romanticise urban informality as an alternative to regulated economy, enabling communities to pursue their own interests while absolving the state of its own responsibility towards its citizens and as the guardian of public good. This is a slippery slope towards communal strife and societal division, as the events of the Arab Spring have demonstrated. While revolutionary ideas and practices thrived during the Arab Spring, the streets were ruled by thugs and conflict in public space was resolved often violently and most of the time excluding vulnerable and minority groups.

This raises important questions concerning the role of creative actors in cities dominated by informal economy and urban practices – up to 60 to 80 per cent in many African cities. The question is how to stay relevant through meaningful engagements with a prevailing condition of informality, embracing neither an outright dismissal nor uncritical romanticisation. Over the past decade, CLUSTER, an independent urban research and design platform in downtown Cairo, has developed projects to creatively and critically maintain this delicate balance.

> The question is how to stay relevant through meaningful engagements with a prevailing condition of informality, embracing neither an outright dismissal nor uncritical romanticisation

Here are two project examples:

1. Cairo Downtown Passages (CDP)

While downtown Cairo was planned in the late 19th century based on Haussmannian boulevards and radial streets, it includes a network of commercial passages and service alleyways constituting a parallel, yet less visible framework. Rather than considering this network as merely physical gaps, in 2012 CLUSTER began mapping this urban typology as a space of mediation and negotiation between the public and private, formal and informal, but also as spaces of transition and liminality. Passageways not only house 'incompatible' activities, such as bars, cafes and mosques, thus offering a public space of inclusion and coexistence, but could also potentially host a myriad of art and cultural programmes, such as festivals, book fairs, food markets, bikeways and greenways. In 2014, CLUSTER proposed two pilot projects, Kodak and Phillips passages, to validate the above hypothesis and explore the potential of art and creative initiatives as urban catalysts. In the absence of elected municipal councils, the project aimed to develop an alternative framework for participatory urban governance, inviting representatives of stakeholders around each passage, such as residents, shop owners, street vendors, developers, local authorities and civil society organisations, to share their interests and aspirations as well as their concerns. The design team was assigned to address these conflicting interests in street-scape elements – benches, lamps, tiles and greenery – as sites for negotiation, so that each position would get a majority of its wish list, an approach we dubbed as urban diplomacy as opposed to exclusionary planning. A passageway board was also established for the maintenance and upkeep. In 2020, five years since its inauguration, the project remains a vibrant and inclusive model of public space in downtown Cairo that could be scaled up.

A typical informal housing block in the neighbourhood of Ard al-Liwa, Giza

A map showing a network of passages in downtown Cairo, and the Kodak Passage after its redesign by CLUSTER

CLUSTER's ALFABRIKA creative lab in the neighborhood of Ard al-Liwa as a space of encounter between design students and local craftspeople

2. ALFABRIKA Creative Lab and Makers' Space

ALFABRIKA is one of the most recent projects by CLUSTER to address the gap between formal training and practical/grounded knowledge. It is located in Ard al-Liwa, a vibrant, informal neighborhood to the west of Cairo, with an extensive network of small industries and craft workshops, from carpentry and upholstery to metal and glass work, in addition to hosting the second-largest garbage recycling community in Cairo. ALFABRIKA is envisioned as a space of encounter, bringing art students and young designers together with craftspeople and small manufacturers. Through a series of thematic workshops around upcycling, palm reed craft and social furniture making, the teams engage in intensive knowledge exchange using manual and high-tech tools through a process of research, design, manufacturing and branding. While students, on the one hand, learn how to manufacture products outside their university labs and abstract modes of knowledge, craftspeople, on the other hand, can gain insights into the latest design directions and the use of state of the art machines (laser cutter, 3D printer, CNC, etc.) through a complementary design-make exercise. ALFABRIKA thus not only challenges the boundaries between formal and informal modes of knowledge production, but also contributes to redefining the role of creative actors in a city awash in a sea of informality.

These projects offer insights into a new mode of practice among creative initiatives, whose role has been hailed as catalysing, while running the risk of inadvertently leading to a process of gentrification. In order to safeguard against this risk, CLUSTER adopts a three-tiered approach: inclusive, incremental and interstitial. First, working with stakeholders and community representatives enables the co-production of knowledge towards a more democratic design process. Second, testing broader visions through small pilots that are manageable and low budget allows each generation to partake in negotiating incremental solutions and the making of their city. Third, the concept of interface offers a tactical approach to engaging the city, both geographically and politically.

CLUSTER's practice occupies a position at the intersection of creatives and activists, between design and advocacy. What we have dubbed Grounded Urban Practices are in fact a global phenomenon taking place in many cities, triggered by specific conditions to each local context: political upheavals, financial crises or deregulatory frameworks. Grounded Urban Practices are rooted in their communities, critical of the status quo while experimenting with alternative legal, financial and organisational structures, using spatial agency as a catalyst for change.

Omar Nagati is a practicing architect and urban planner, and the co-founder of CLUSTER, an urban design and research platform downtown Cairo. A graduate of Cairo University, he studied at UBC, Vancouver and UC Berkeley, and taught at local and international universities, most recently as a visiting professor at the University of Sheffield, UK. His work at CLUSTER has been the recipient of a number of awards including Cairo Design Award and Curry Stone Design Prize, representing Egypt in a number of architecture and urban biennales in Venice, Lisbon, and Seoul. Nagati is co-author with Beth Stryker of *Archiving the City in Flux* (2013) and *Street Vendors and the Contestation of Public Space* (2017), and co-editor of *Learning from Cairo* (2013), and *Creative Cities: Reframing Downtown Cairo* (2016), in addition to numerous research papers on Cairo and African cities.

From leverage to leadership: Funding cross-sector research and programmes to validate the creative economy

Sunil Iyengar
Research & Analysis Director,
National Endowment for the Arts

In the US, grants from the National Endowment for the Arts fund projects that measure the societal value of creativity and create transdisciplinary connections with the potential to transform lives.

In keeping with its strategic plan, the National Endowment for the Arts continually seeks 'to strengthen the creative capacity of…communities by providing all Americans with diverse opportunities for arts participation.' To show how this organisational mission relates to social impact investing more broadly, it may help to spotlight some of the agency's research partnerships and national initiatives—programmes that complement the Arts Endowment's core grantmaking function.

Standardising data on the creative economy

Arguably, the first step toward recognising and reaffirming the societal value of creativity and the arts is to ensure that adequate statistical systems are in place. In 2012, the Arts Endowment entered into a long-term partnership with the Bureau of Economic Analysis in the US Department of Commerce.

Together, the agencies developed an Arts and Cultural Production Satellite Account (ACPSA) – the nation's first ever attempt to measure the economic impact of artistic, cultural and creative industries. The top-line findings – that arts industries contribute 4.5 per cent to US GDP; that they employ over 5 million workers; and that they contribute to a trade surplus – have become staples of public messaging about the arts as a vibrant sector of the economy.

The account represents one of very few data sources within the US government for monitoring the nation's creative output in econometric terms. According to the ACPSA, arts and cultural production makes up half of the US creative economy, as measured by what the World Intellectual Property Organisation calls 'copyright-intensive industries'. Especially vital to the growth of these industries are arts-related web publishing and streaming; sound recording; and publishing, including arts-related software.

Beyond economics, for decades the Arts Endowment has tracked artistic and creative activities at the household level. Once again, a long-term research partnership with a federal government agency – in this case, the US Census Bureau – has provided the means for discovery. These periodic surveys enable researchers, arts organisations, journalists and educators to understand the shifting demand and contexts for arts engagement within the 50 states and across the US as a whole. The most recent data suggests that over half of US adults (54 per cent) create or perform art of their own, while 74 per cent access art through electronic and digital media.

> In a time of urgent questions about how the arts and creativity can flourish, researchers and practitioners must partner effectively to acquire the evidence needed for constructing a shared vision of recovery and resilience

Community development and creative placemaking

Some of the Arts Endowment's funding programmes incentivise nonprofit organisations and artists to connect with non-arts stakeholders to bring about systemic changes in their communities. Community development is a sector in which embedding arts strategies can go a long way toward achieving the goals of multiple funders and partner organisations. This year marks the 10th anniversary of the Arts Endowment's Our Town programme. Part of a nationwide movement called 'creative placemaking', Our Town projects integrate arts, culture and design activities into efforts that strengthen communities by advancing local economic, physical and/or social outcomes.

Our Town projects are inherently cross-sectoral. They also require partnerships between local government entities and nonprofit organisations, including arts or cultural groups. The Arts Endowment has developed a theory of change, a measurement model, and other resources to aid creative placemaking practitioners in assessing and communicating their impacts.

These creative placemaking grants have resulted in two broad categories of measurable impact. One category is local economic, physical and social changes to a community. Outcomes may include local business and job growth, beautification and new construction, and greater civic engagement or social cohesion.

More difficult to measure is a second, higher-order category of impact from creative placemaking. By integrating the arts (including design) with community development, Our Town grant projects can drive social innovation through systems change. Over time, Our Town grants can lead to durable cross-sector partnerships, to sustained replication and scaling of innovative projects, and to the strengthening of creative placemaking as a distinct field of practice.

Research-and-practice partnerships

If data promotion and cross-sector programming can validate the social impact of the arts and creativity, then research-practice partnerships unite the two approaches. This principle operates in NEA Research Labs, transdisciplinary teams examining the arts' relationship to the following domains: health and social-emotional wellbeing; and entrepreneurship and innovation. The agency is currently supporting 17 Research Labs. The Arts Endowment is attempting to create a network across these disparate communities of researchers and practitioners.

The majority focus on the arts and health. In 2020, the agency will engage a coordinating entity for the Sound Health Network, based on a partnership with the National Institutes of Health and the John F. Kennedy Center for the Performing Arts, to investigate music's relationship to health and wellness. The network will power a cross-section of researchers and practitioners alike: musicians, neuroscientists, music therapists and health providers.

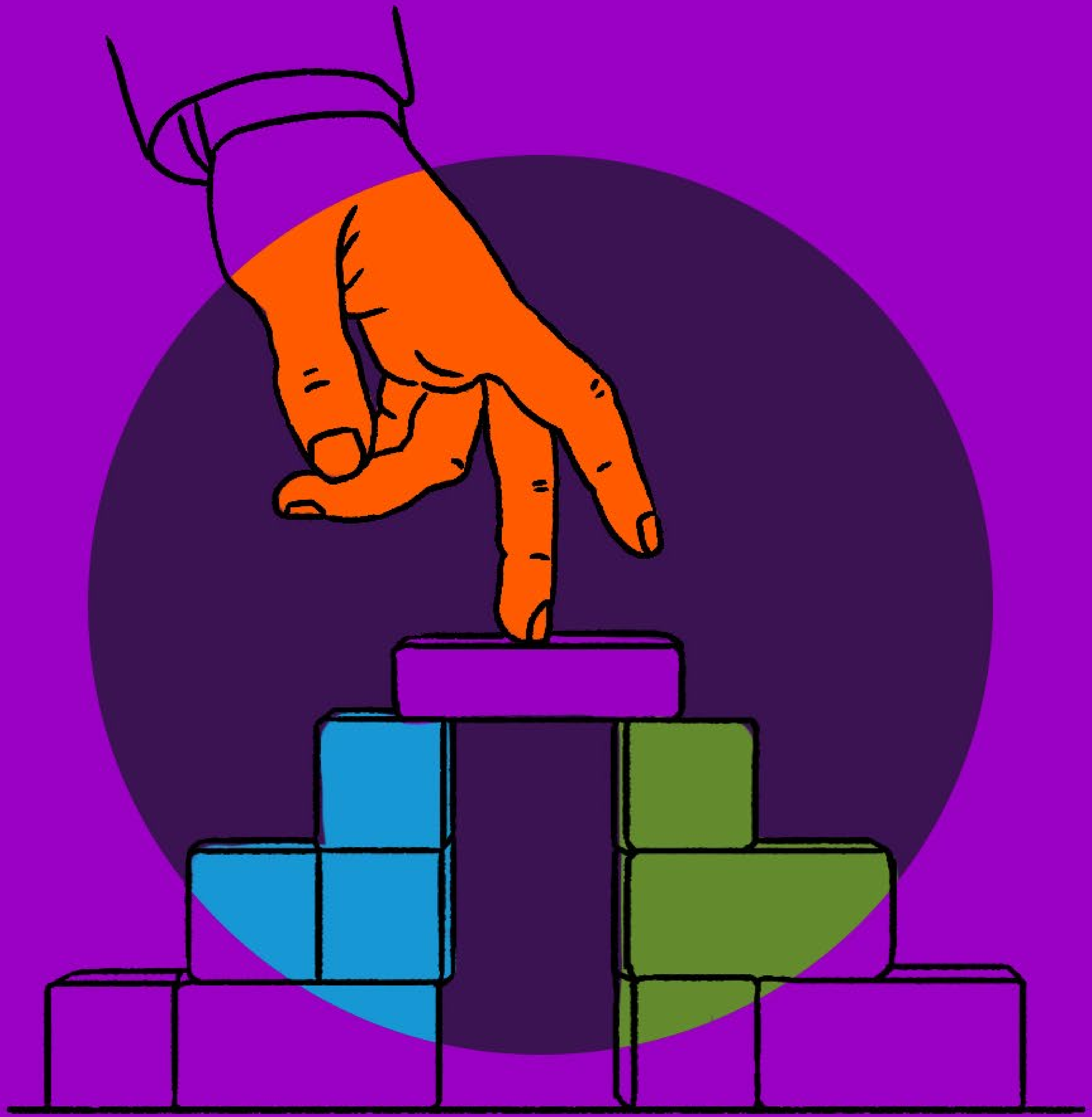
The Sound Health Network will profit from the experience of the Arts Endowment's Creative Forces programme, which embeds creative arts therapists in military and veteran healthcare facilities. This partnership with the US Departments of Defense and Veterans Affairs has led to arts therapists collaborating on site-specific studies with academic researchers. Especially in a time of urgent questions about how the arts and creativity can flourish amid constrained resources, researchers and practitioners need to partner effectively – and swiftly – to acquire the evidence needed for promulgating a shared vision of recovery and resilience.

Conclusion

Grants from the National Endowment for the Arts attract other investors, across multiple fields of social impact, to support the arts and creativity nationwide. But signal leadership efforts by the agency – in monitoring creative economy data, providing financial and technical support for creative placemaking projects, and establishing research-practice partnerships – permit the seamless integration of arts-based solutions with social entrepreneurship. Federal data shows the formidable size and growth potential of the creative economy. Community development finance institutions (CDFIs) have embraced arts and design strategies. Meanwhile, researchers, creative arts therapists and healthcare professionals are co-developing evidence-based practices for the treatment of post-traumatic stress and related psychological illnesses in populations for whom relief through standard care has proved elusive. In brief, the Arts Endowment nourishes a climate where arts-based approaches are innovated, tested and scaled for broader application in society and the economy at large.

Photo: National Endowment for the Arts.

Sunil Iyengar directs the Office of Research & Analysis at the National Endowment for the Arts. Under his leadership, the office has produced dozens of research reports about the arts' value and impact, hosted periodic research events and webinars, led strategic plan development for the agency, launched two research awards programmes, and established research and data partnerships with the US Census Bureau, the Bureau of Economic Analysis and the National Institutes of Health.



The upstarts need you!

Simon Cronshaw with **Peter Tullin**
Co-founders, REMIX Summits

Creative entrepreneurs are bridging divides and taking culture to new audiences. But revolutionary ideas need revolutionary financing.

As a working class kid growing up in Lancashire, the expectations and rituals required by cultural institutions felt completely alien. With no creative education at school, and little exposure through family and friends, the assumed knowledge needed to visit a museum, gallery or performance remained out of reach.

The recent book *Culture is Bad for You* delivers a compelling analysis of how exclusion from UK culture begins at an early age and persists thereafter in both audiences and workforce across gender, ethnicity and class.[1] Cultural participation appears a relatively niche pursuit operating in its own bubble of supply and demand.

But what if our traditional labels around funding, artforms and business models no longer properly capture the evolving relationship between the public and its sources of creative expression and participation? What if an increasing number now look beyond that which we label 'the arts' or even 'creative industries' to supply their demand for creative encounters, knowledge and community?

As strategic investments that can help reinvigorate the creative economy, drive new growth and provide rewarding jobs, support for these creative enterprises should be front and centre stage

Several consumer trends point towards an accelerating mainstream demand for exactly the sorts of interactions that would traditionally be found in the cultural sector. Witness the rising demand for unique, immersive or more meaningful experiences; a thirst for knowledge, including the growth of edutainment; the popularity of platforms for sharing creative expression; and the desire for debate and common spaces, to name a few.

When cultural institutions do not supply this demand, creative entrepreneurs are stepping in. Some work in partnership with established gatekeepers (including institutions and funders), but others bypass them entirely and are appealing direct to the public.

Examples include Atelier des Lumières, a 2,000 square metre immersive audio-visual experience of Gustav Klimt's paintings, featuring mural projections of the images set to music by Wagner, Strauss and Beethoven. It attracted more than 1.2 million visitors in just eight months in 2018 – comparable to leading French museums – and is expanding internationally. teamLab's immersive playground of digital art has proven even more successful. Their Tokyo site Borderless opened with 2.3 million visitors in 2018, overtaking the Van Gogh Museum as the most visited single-artist museum.

Unrestricted by government funding or geographic territory, expansion is being fuelled by private capital, particularly in the United States. Meow Wolf, originally a volunteer art collective in the small city of Santa Fe, raised US$158 million in 2019 to build new sites in Denver, Washington, Las Vegas and Phoenix. They opened The House of Eternal Return in a disused bowling alley converted into a 20,000 square foot immersive art experience. Despite the lack of a major airport in the city, 400,000 people visited in the first year – more than twice as many as the local Georgia O'Keefe museum. Meow Wolf is forecast to create 440 jobs and US$358 million in economic impact over the next decade.

The colossal trend around experiences is one of several striking examples of the present mismatch between creative supply and demand. Not one single cultural institution can be found on websites that aggregate experience gifts, save for 'dinner and theatre' or a day-pass to attractions. From private views to workshops to artist dinners, the list of opportunities to create unique moments is almost endless, yet the cultural sector seems largely invisible. It suggests a dangerous assumption that everyone naturally thinks of the cultural sector, or even a particular institution, when making plans.

This challenge runs much deeper than just optimising marketing and distribution channels. With only a handful of notable exceptions, cultural institutions today are shackled by an overload of convention. Too often, they do not innovate around the problems that historical assumptions produce because they never question those fundamental notions. The audience experience at a museum remains largely unchanged since Elias Ashmole

founded the first public museum in 1683. Yet how much have our needs and expectations as audiences changed in those hundreds of years?

One of the most challenging realisations to square is the continued relevance of the core ambitions that early cultural pioneers aimed to deliver for audiences. Compare bleeding-edge consumer insights against the fundamental objectives of cultural institutions and there is incredible congruence. Museums, galleries and public libraries as centres of excellence; a university on every street corner; free and universal access to knowledge; performances to transport and challenge audiences by showing the world through different eyes; artworks, objects and experiences that 'illuminate our inner lives and enrich our emotional world', in the words of Arts Council England.

As I progressed into early adulthood, I grew increasingly aware of this raw promise of art and culture but couldn't comprehend why it was always hidden away behind marble cathedrals. The lucky ones find it by accident and fight their way into its secret realm; it is never proactively offered to them. I accidentally ended up working in the arts industry, and through this had the privilege to talk with curators and directors whose enthusiasm for their collections and work was infectious and addictive. Yet, over and over, I witnessed this fundamental disconnect between the passion and knowledge of staff and the impenetrable, alien experience for the population at large.

The absence of accessible bridges or stepping stones between those who provide and those who are looking is a key reason for the culture sector operating in a bubble. It severely limits the breadth and diversity of audiences, and involves a huge degree of self-selection and even courage to engage on such unfamiliar terms.

It is perhaps therefore inevitable that creative entrepreneurs identify an opportunity to better supply this demand they observe. Creative entrepreneurs respond to consumer trends using cultural assets, deploying entrepreneurial strategies to make their ideas happen. The creative enterprise in turn delivers a sustainable, self-perpetuating revenue source, and new or deeper relationships with audiences.

How these 'upstarts' are supported and integrated will dictate how well nations compete in the global creative economy over the next decade. Many cultural funding bodies – complete with strict labels and favoured incumbents – are unsure whether and how to respond to these emerging challengers. But to maintain relevance they must adapt. This includes an appreciation that creative interactions, for a sizeable portion of the population, now take place primarily through creative and social enterprises.

Over 12 years ago we published Intelligent Naivety, a handbook for creative entrepreneurs that predicted a new age of creatives blending culture, profit and social impact. Many have flourished in that time. But almost without exception, it is in spite of – rather than with any support from – established gatekeepers. Creative enterprises continue to fall through the gap between economic development and arts priorities: able to deliver both, but not sufficiently traditional or familiar for either sector to embrace.

Blending purpose with financial sustainability, and unable to fit into neat boxes, very few creative enterprises are able to access state support or recognition beyond piecemeal and project-orientated leftovers. Yet, as strategic investments that can help reinvigorate the creative economy, drive new growth and provide rewarding jobs, support for these enterprises should be front and centre stage.

Combine exclusion from culture from a young age with the triumph of convention in institutions, funders and educators; contrast this against unfulfilled demand for creative expression, knowledge and experiences among the wider public.

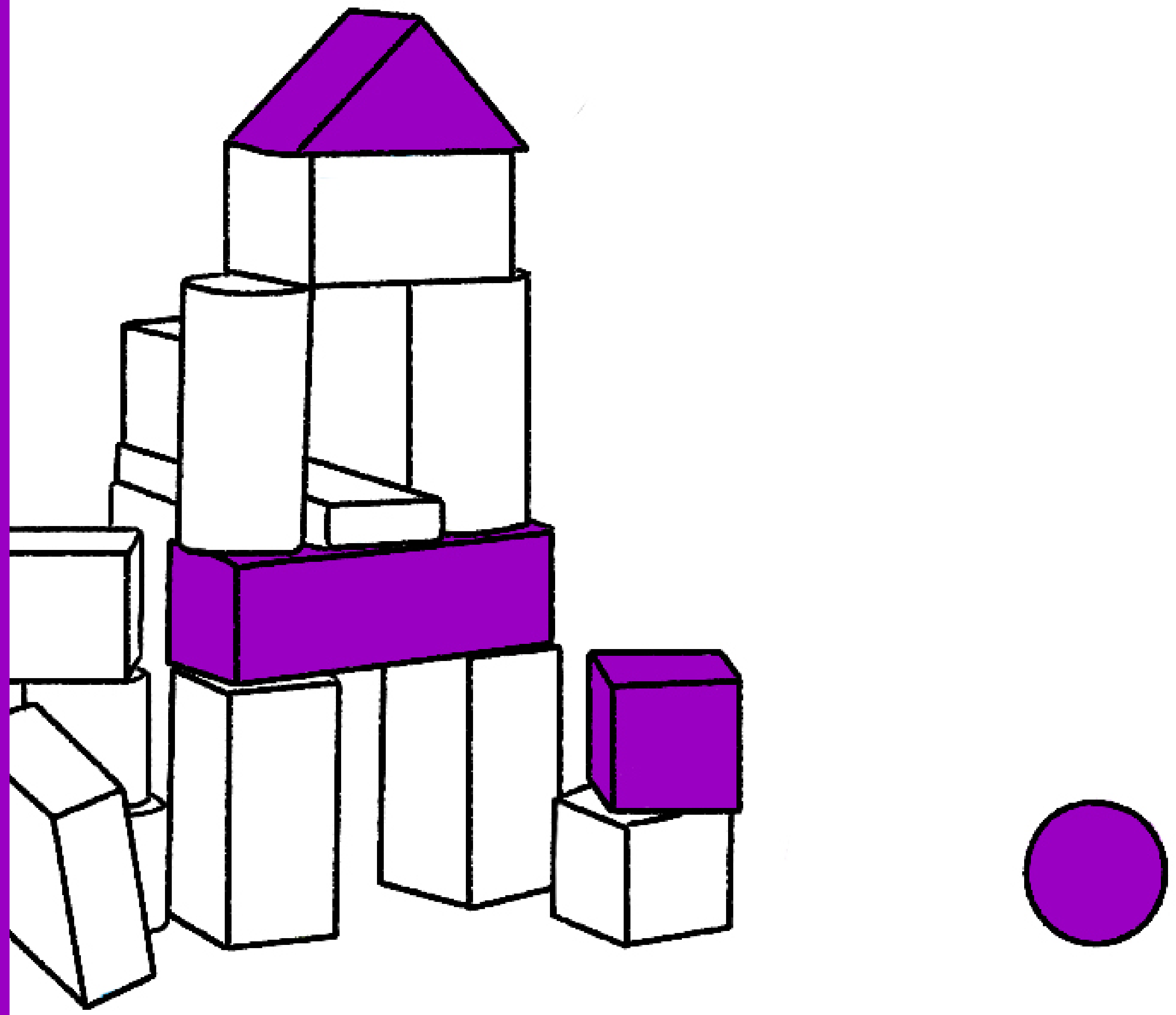
Through this lens, the role of the impact investor becomes clear, vital and urgent in supporting the creative enterprises to respond to demand in unapologetically inventive ways. In the absence of traditional sources of finance, only impact investors are presently supporting these courageous upstarts. Facilitating culture for everyone: courtesy of creative entrepreneurs and their revolutionary sources of finance and support.

An extended version of this essay can be found at https://remix.academy/upstarts

1. Orian Brook, Dave O'Brien & Mark Taylor, Culture is Bad for You: Inequality in the Cultural and Creative Industries (Manchester University Press, 2020).

Simon Cronshaw is the co-founder of REMIX Summits, including technology lead for the launch of REMIX Academy, a major digital platform developed in-house in just a few weeks in 2020 as an immediate pivot in response to Covid-19. He is the co-founder of CultureLabel.com (sold in 2014), leading on all aspects of technology and operations. He is a specialist in innovative business modelling for non-profit cultural organisations, creating programmes for clients including Arts Council England, the British Council in Moscow, pan-EU collaborations and the National Gallery London. He is the author of *Intelligent Naivety (2008); REMIX (2012); Golf, Art & Spa Days (2014); The Big Ticket Questions (2016)* and *An Army of Superfans (2017).*

Peter Tullin is the co-founder of REMIX Summits. He is a creative entrepreneur and co-founder of CultureLabel.com (sold in 2014), a venture capital-funded ecommerce site selling art and design products from leading culture brands and artists. He is the author of *Intelligent Naivety*, a handbook helping creative entrepreneurs turn their ideas into reality, and recently developed ACMI X, a new co-working space for moving image and creative tech entrepreneurs. Peter is currently collaborating with State Library Victoria on StartSpace, a hub supporting early stage entrepreneurs. He has spent time at Google helping to create the Google Cultural Institute, Paris. He is a board member of Museums Victoria and Geelong Arts Centre and a member of the Minister of Creative Industries Advisory Group in Victoria. He is named in Courvoisier Future 500 and is a Clore Fellow.



Culture as a driver for development in the City of Buenos Aires

Enrique Avogadro
Minister of Culture, Buenos Aires City

Culture plays a vital role in both the economy and the life of Buenos Aires. In the pandemic, a committed Ministry of Culture has worked hard to defend it.

In Buenos Aires, as all over the world, the Covid-19 pandemic has presented the cultural sector with unprecedented challenges. A strict quarantine was imposed in our country on 18 March. The decision to isolate ourselves in our homes was made in order to safeguard ourselves, our loved ones and the whole community. Daily routines were disrupted. Cinemas, libraries, theatres, and bookstores – among many other cultural spaces – had to close their doors and temporarily suspend their activities. But these new circumstances did not impede the emergence of creative and innovative ideas designed to help us face these challenges together.

Culture is of central importance in the City of Buenos Aires, both in terms of identity and from an economic point of view. In our country, we are the district that invests the most in culture, both per capita and as a proportion of the district's total budget. Of all public investment in culture in Argentina, including that invested by the national government and all the provinces, 25 per cent comes from the government of the City of Buenos Aires.

Almost half of the formal jobs in the cultural sector in the whole country are located in our city, with 84 per cent of these linked to two sectors: audiovisual and publishing. By turnover, the audiovisual sector is the largest, accounting for 73 per cent of the cultural sector's total turnover, followed by the publishing industry and then by music and theatre, among others.[1]

The city is also rich in independent culture, with 457 independent cultural spaces, ranging from theatres and cultural centres to music clubs and milongas (tango clubs). An analysis of the income of these spaces allowed us to identify several main components: ticket sales represent 53 per cent of the income, catering services account for 22 per cent and the remaining 25 per cent of the income is generated through courses or classes and rentals for events.

In this period of extraordinary isolation, we have been able to confirm culture's fundamental role in contributing to the wellbeing of all people - we are convinced that it is a driver for human and social development

This sector was one of the hardest hit by the suspension of all activities with public attendance – and the vast number of cultural producers and managers in our city urgently needed our support. In response, we developed various alternatives and public policies. We operate several programmes that seek to support artistic disciplines and cultural spaces across the cultural sector, from tango to bookstores and to independent theatre. One such programme is Impulso Cultural (Cultural Impulse), which includes BAMilonga, Proteatro, BAMusica, Prodanza, Fondo Metropolitano de las Artes (Metropolitan Arts Fund) and Mecenazgo (Patronage). Through Impulso Cultural, we seek to enhance and promote the development of projects from the independent sector by helping them with concrete resources.

In the context of the pandemic, we decided to increase the funding we provide to these programmes, raising many by 50 per cent and others by 35 per cent, taking the total from approximately US$132 billion to nearly US$180 billion. We also enabled cinemas, bookstores, record stores, art galleries, commercial theaters, dance clubs and bars, among other cultural spaces, to request exemption from the local lighting, sweeping and cleaning tax for the months of June and July. This measure helped to support 1,000 establishments dedicated to cultural activities.

We worked with the city's public bank, Banco Ciudad, to create grants, tenders for funding and loans as incentives to enable our city's artists to continue developing their professions. We maintained a constant dialogue with the different artistic collectives to develop this support package, reflecting our conviction that public administration works better when it works in collaboration with the private sector.

One of our main aims is to get more and more companies to bet on independent cultural spaces. To this end, in 2018 we passed the Cultural Participation and Patronage Law (Ley de Participación Cultural-Mecenazgo), with which we improved the funding programme that stimulates the development of artistic and cultural projects. Through this programme, taxpayers could allocate part of their gross income tax payments in the City of Buenos Aires to support cultural and artistic projects.

The Cultural Patronage Law sets a funding minimum of 0.5 per cent and a maximum of 1.5 per cent of gross income tax collected by the city in the previous year. By encouraging private investment, it frees up public resources to finance a greater number of projects; special attention is paid to rotation in the selection of projects to broaden the beneficiary base. This financial vehicle has been a fundamental source of support for our city's artists and creators.

Another central tenet of our administration is ensuring everyone's access to culture, which is why, at the beginning of the lockdown, we created the virtual platform BA Cultura en Casa (Culture at Home). In this digital space, we share plays, films, concerts, talks and workshops from the collections of iconic cultural spaces such as the San Martín Theatre, the Colón Theatre and the Usina del Arte. This content can be accessed for free; as a result, more than 10 million people could access a wide range of cultural activities from their homes. This digital window, which has now become permanent, allowed us to support artists to continue sharing and exhibiting their work, reaching new audiences in Argentina and in other countries, such as Colombia, Chile, Italy and Canada, with which we concluded cultural exchange agreements.

At the same time, we started working with health specialists to develop different protocols for the safe and gradual return of many activities. We have been holding 'car events' – shows that people can attend in their cars – as well as livestreaming concerts, and several museums, libraries and art galleries are operating without an audience but carrying out different activities and work.

The screen provides a new way to encounter the audience. That's why we will continue to support more and more spaces to incorporate new tools that allow them to operate and monetise their work to generate the income they need to continue with their day-to-day activities. In turn, we imagine the city as a platform in which there are opportunities for cultural participation everywhere. Public space will be essential for more artists and cultural creators to share and develop their work while ensuring everyone's health and safety.

The challenges are significant, but culture will have a fundamental role in the social and economic reconstruction that we will have to face. In this period of extraordinary isolation, we have been able to confirm culture's fundamental role in contributing to the wellbeing of all people. We are convinced that it is a driver for human and social development. Our commitment, regardless of the difficulties, is that this driver will continue to generate opportunities for growth in which everyone can enhance their creative capacity.

1. As pointed out in the reports of the Argentine National Institute of Statistics and Censuses (INDEC) and the Ministry of Labor's Observatory on Employment and Business Dynamics (OEDE). This calculation was made by Data Cultura based on information from the Ministry of Labor's Observatory on Employment and Business Dynamics (OEDE). These are formal private jobs.

Enrique Avogadro is Minister of Culture of the Government of the City of Buenos Aires. He was Secretary of Culture and Creativity in the Ministry of Culture of the Argentine Nation, Undersecretary of Creative Economy and Director of the Metropolitan Center for Design in the City Government. He is a specialist in cultural policies and in the promotion of cultural and creative industries. Avogadro has a BA in International Studies, a Master's in Administration and Public Policy (thesis in progress) and has attended a Master's in Content Management.

Hilandería Warmi, an ancestral identity in motion

Juan Collado
President and Co-founder.
Hilandería Warmi

In Jujuy, Argentina, an innovative social impact venture based on the ancestral art of knitting has built a business model on trust, fair trade and an inclusive system of governance in which local communities sit on the board.

A hundred years ago in Jujuy, Argentina, a visionary governor commissioned the purchase of innovative Belgian spinning machinery as part of a set of productive strategies to address poverty in Puna – a beautiful region 3,500 meters above sea level in the country's northwest. The lack of water and energy meant the equipment was left dormant in its original container for over 30 years. In 1950, a group of Hungarian immigrants, of the textile tradition, convinced the government to move the machinery to the Puna region to put it to use giving birth to the first spinning mill endeavour, which survived with no other achievement than subsistence.

In 2013, fate brought us together with Rosario Quispe, leader of the Coya community and founder of the NGO Warmi Sayajsunqo – which in Quechua means 'tenacious woman'. They nominated Rosario for the Nobel Peace Prize in 2005 for her work in empowering Coya women through a microfinance programme that fostered a productive cluster, promoting development and workforce. Rosario was searching for the proper investors to finance the recovery of the mythic mill, and I was strengthening the local ecosystem, looking to bring together capital with cause. This was the moment Hilandería Warmi came to life.

We created an integrated, diverse and plural board of members to weave together ancestral knowledge and contemporary frameworks

Purpose made its way; we created an integrated, diverse and plural board of members to weave together ancestral knowledge and contemporary frameworks. Our vision was to become the best artisan textile company in the world. In March 2014, less than six months after the foundational meeting, Hilandería Warmi was an ongoing organisation with the bigger purpose of contributing both socially and economically to the Andean communities.

Warmi products result from the respectful encounter between the identity of the local people and a global vision, targeting a sustainable luxury consumer. The value proposition includes a clothing line (ponchos and scarves) and a home decoration line (throws and blankets) made through the responsible use of 100 per cent natural fibres, such as llama fibre, cotton and wool. These products speak to a consumer who shares our values and cherishes our sustainable concept worldwide. We connect with them directly through digital channels, such as e-commerce, Instagram and Shopify. This commercial strategy has allowed us to build a global brand selling in Australia, Germany, Spain and Switzerland, with plans to expand to Chile and the US. Our digital-based commercial strategy also proved invaluable in allowing us to sustain ourselves and guarantee a steady income for local producers in the context of the Covid-19 pandemic.

The financial structuring was a combination of seed capital and private contributions from a group of entrepreneurs committed to triple-bottom-line (social, environmental and financial) impact investing. Hilandería Warmi has been a self-sustaining company since August 2016, when a demand order prompted us to produce 13,500 products in four months instead of 1,000 per year. Llama wool was required, and this specific endeavour increased the purchase price by 36 per cent, positioning La Hilandería as a relevant actor in the province of Jujuy for its ability to establish a fair price. This development, together with the increase in exporting capacity, enabled the relocation of the spinning mill to the community of Abra Pampa – the plateau where it was originally envisioned – making Hilandería Warmi the first company to settle there.

Despite the Argentine macroeconomic context, Hilandería Warmi is among the 10 per cent of SMEs that survive after the fifth year of life. Today, it creates genuine work for 25 employees and is a source of a fair income for 600 families that live by raising and shearing the llama raw wool. Profits go towards the consolidation of the organisation and to enhance social projects such as the Microcredit Fund of the Warmi Sayajsunqo, funding initiatives such as the startup of a cultural and rural ecotourism venture. We also allocated revenues to the launching of the first Entrepreneurial Centre, with 3D printers and computers promoting digital learning skills to members of the Coyan community.

Environmental care is essential to our philosophy, which is why we are committed to becoming zero waste.

Image of a worker's hands, courtesy of Hilandería Warmi

Image of the final products created, courtesy of Hilandería Warmi

Juan Collado, Founding Partner, and Rosario Quispe,
Partner & Board Member, Hilandería Warmi

We minimise the generation of waste and treat each waste product as an opportunity: we donate what is valuable to local co-operatives and artisans, minimise the use of water and reuse the filtered liquid effluents for intrapredial irrigation. These high standards of social, economic and environmental performance led us to get the B Corporation certification in 2019. The United States Chamber of Commerce in Argentina awarded Hilandería Warmi the Corporate Citizenship Award 2019, highlighting the New Entrepreneur Paradigm.

But every road has its stones: we had to strengthen something as basic as trust. The purchase of llama fibre at twice the market value awakened suspicion. Likewise, the financial precariousness of local producers meant greater efforts were required to include local production in our methods. And remoteness: Coyan communities are difficult to access and have scarce connectivity. Last but not least, policy incentives and trading/operating conditions are not always encouraging, and there is still work to be done on tax benefits and financing tools for micro-SMEs.

With the model in operation and generating real impact, today we can identify and share the key drivers of this impact venture:

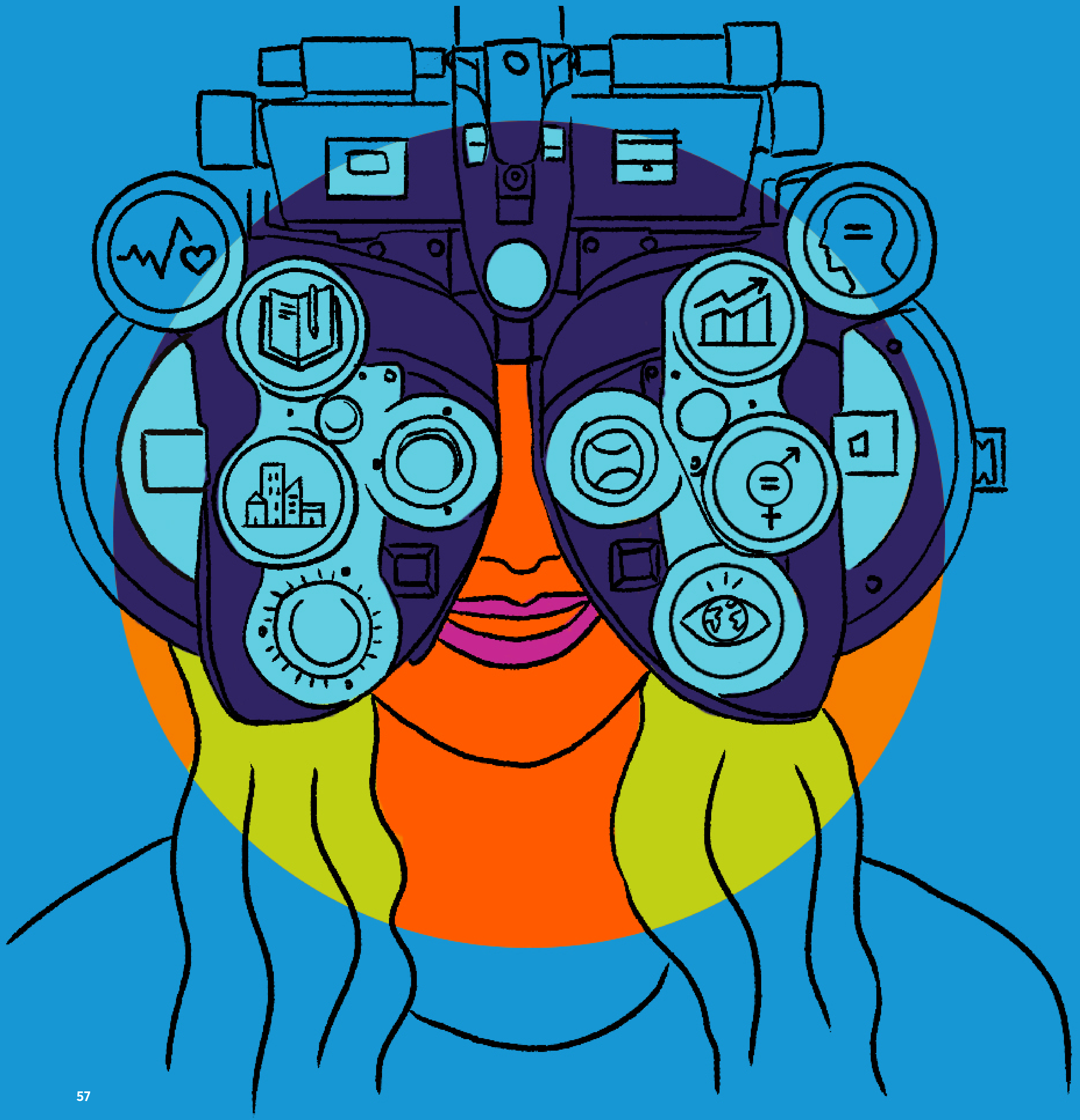
Integration: We established a representative model that promotes community involvement. The Warmi Sayajsunqo Association is one of the 10 partners of our shareholding composition, bringing a plural and diverse governance into the strategic and decision-making process.

Purpose is the catalyst: The greater good is the DNA of a social company, so you need an extremely committed and passionate team. Purpose nourishes the daily, and the work must be transformative and inspirational for the stakeholders, community and people involved.

Leadership: Money and technology are not enough if there is no leadership capable of assuming the purpose and building the confidence of the team to achieve the vision.

I am convinced that this is the century of Latin America. The most interesting creative projects of scale are arising here. It is about time for us to connect this creative capital with serious possibilities. And when this happens, the transformation will be unstoppable.

Juan Collado is an Argentinian entrepreneur, investor and mentor of impact projects. He is the president and co-founder of Hilandería Warmi. He is co-founder and Executive Director of Grupo Tapebicuá, as well as an investor and mentor of usound.co, semtive.com, nubimetrics.com and aivo.co. Juan is a member of the Business Council of Sistema B and a former member of Endeavor's board.



Driving impact through festivals of arts and culture

Justyna Jochym
CEO, Festivals Adelaide

An alliance of arts and culture festivals in South Australia is using the Sustainable Development Goals to systematise its contribution to the impact economy.

What is a festival? The evolving role of festivals across centuries, societies and geographies has made it difficult to pin down one definition, sparking morphological studies and academic ping-pong on the subject instead. From duration and frequency to its capacity to alter geographic space. From its contribution to talent export to the opportunity it presents for community convergence and assembly. The festival, as a core component of our creative industries and cultural life, is yet again being redefined.

Festivals and value

Festivals continuously reflect the changes occurring within the cultural and creative ecosystem and stretch the limits of the definitions imposed on them. Much more than presentation platforms for the arts and creative industries, they fulfil multitudinous functions, embracing sophisticated educational, community and wellbeing initiatives, while simultaneously using a variety of mechanisms to address sustainability issues of global significance.

The Adelaide Festival, established in 1960, has recently gone carbon neutral, achieving this status with Climate Active. Since its inception in 1974, the DreamBIG Festival (previously Come Out) has provided over 2.5 million children and young people with access to arts experiences, often overcoming barriers to cultural participation for lower-income schoolchildren and families. The Adelaide Fringe celebrates and supports Aboriginal and Torres Strait Islander artists by establishing the annual First Nations Collaboration Fund, which aims to boost participation, representation and access to the opportunities offered by the Fringe marketplace. The South Australian Living Artist (SALA) Festival provides incomparable income generation opportunities to local and regional visual artists, at a time when commercial galleries are experiencing challenges and closures, helping to bring in over A$1 million in art sales in just one month.

> We've adopted the SDGs as a type of metaphorical phoropter – the instrument that lets an optometrist switch up lenses and determine how a lens must be shaped to improve one's vision

All of Adelaide's arts and cultural festivals provide value well beyond the standard preconceptions of what a festival is and what it accomplishes for society and sustainability.

Festivals and economic impact

Cultural and creative activity in Australia contributes A$111.7 billion to its economy or over 6 per cent of the country's GDP (2016 – 2017). Employment in creative industries has been growing 40 per cent faster than the Australian economy as a whole, and the industry equates to over A$3.2 billion in total export annually. As of October 2020, the estimated economic contribution from Australia's festivals is A$2.7 billion.[1]

In the state of South Australia, which has a population of approximately 1.67 million, the impact of Festivals Adelaide (FA) members on gross state product in 2019-2020 was an estimated A$116.7 million. Festivals Adelaide is an industry alliance of 11 arts and culture festivals, which works to strategically position, develop and advance the festival sector, as well as enhance its public benefits for the City of Adelaide and state of South Australia. The association collectively created 1,089 jobs (full-time equivalent – of course many of these jobs are part time and short term in nature), while the current return on investment is A$1 of government investment to A$6.1 of new incomes into the state.

In light of the diverse functions and activities that festivals deliver consistently throughout the calendar year, Festivals Adelaide has reviewed how it can systematise, strengthen and grow the sector's contribution to the impact economy. The 17 UN Sustainable Development Goals (SDGs) offer both a framework and blueprint for harnessing the growth and development action necessary for a sustainable present and future. As the examples above show, the alignment with the SDGs among festivals is already significant. But a more coordinated and strategic focus would provide an important avenue for the maturation of the sector. As the recent UCLG publication titled Culture, Cities and the COVID-19 Pandemic outlines in its conclusion, culture and cultural policies do not yet account fully for the potential for environmental sustainability, social inclusion and economic development they can bring about. There is room to grow.

At Festivals Adelaide, we've adopted the SDGs as a type of metaphorical phoropter – the instrument that lets an optometrist switch up lenses and manually determine exactly how a lens must be shaped in order to improve one's vision, or in our case, our impact on society, culture, industry, economy and environment. Through this process, we've identified eight priority SDGs for festivals to strategically align with: Good Health & Wellbeing (3), Quality Education (4); Decent Work and Economic Growth (8); Industry, Innovation & Infrastructure (9); Reduced Inequalities (10); Sustainable Cities and Communities (11); Climate Action (13); and Partnerships for the Goals (17). Using this eight-lens phoropter, we investigate where the impact is being delivered and where it can be amplified – signalling both our strategic readiness and willingness for progress. For example, the lens of reduced inequalities has led us to collectively strategise about reducing the barriers to festival and arts participation for culturally and linguistically diverse communities and we are in the process of consulting on and developing an action plan. As the festival sector recognises its ability to become a stronger player in the impact economy, new opportunities will inevitably arise, including the approach and the mechanisms used to study the impacts and value of festivals across public good and policy areas.

At Festivals Adelaide, we believe that festivals are instruments that reflect the best and most optimistic version of a place. They mirror back to us the need for community, communion and the communal. As such, we aim festivals at the social, cultural, economic and environmental goals we hope to achieve, fully expecting them to meet the challenges of sustainability and be leaders of change as the reliable sources of invention and impact that they are.

1. The EY report, commissioned by Live Events Industry Forum, titled "Economic cost of COVID-19 on Australia's Live Entertainment Industry" also estimated that the industry will suffer $2.3 billion in losses due to the pandemic.

Photo credit: Radoslaw Kazmierczak.

Justyna Jochym is the CEO of Festivals Adelaide, a strategic umbrella organisation that exists to advance a sustainable, enterprising and collaborative international festival city through the coalition and collective action of Adelaide's leading cultural festivals. Prior to this role, she led the Department of International Cooperation and Development at the Krakow Festival Office in Poland. She serves on the board of The Mill and as an executive committee member of the Arts Industry Council of South Australia.

'Imaginarium' festival tent in Adelaide, South Australia. Photo credit: Abbi Skipp

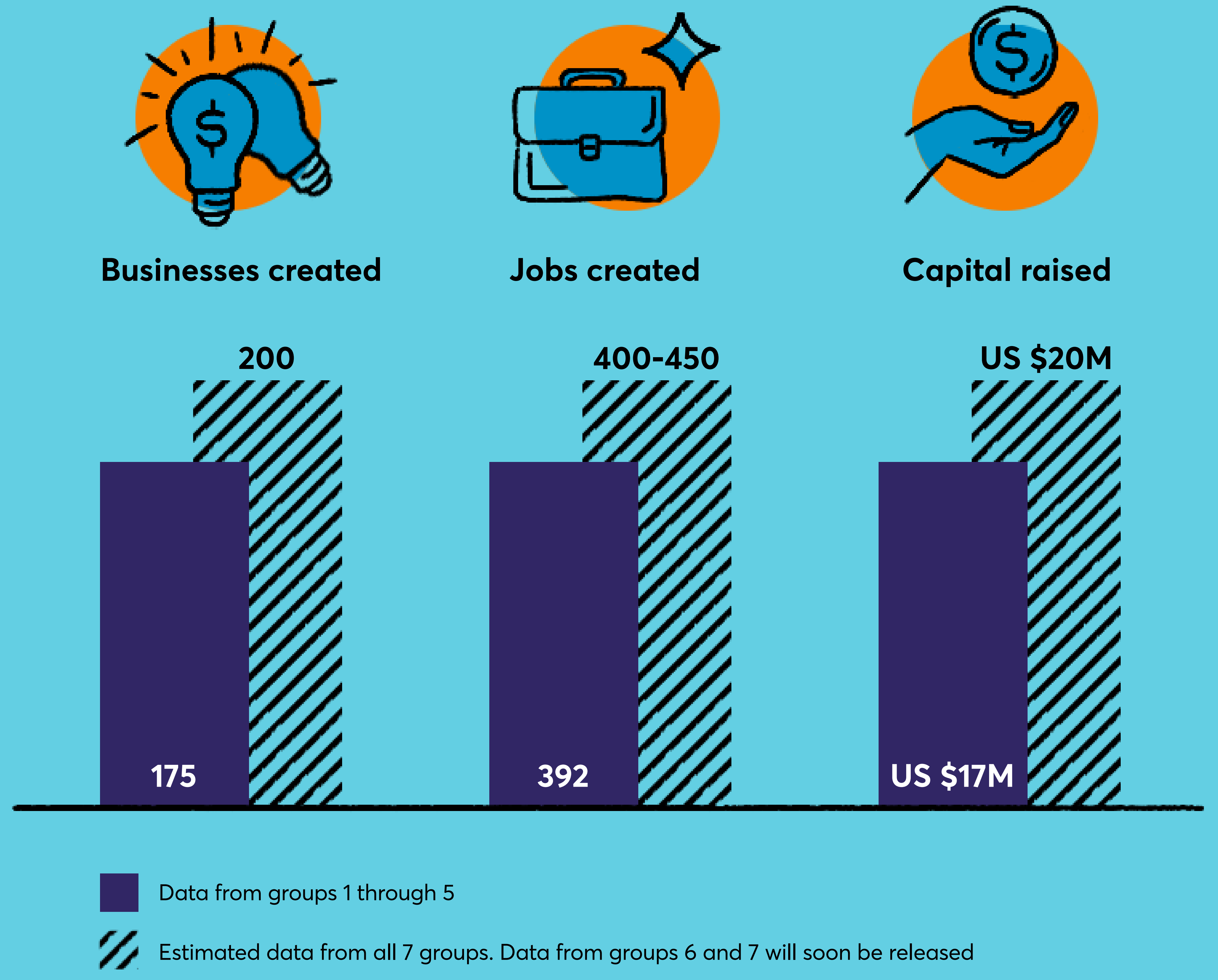
NEW INC: The first art/ design tech incubator is a proven success

Bruce Nussbaum
Mentor-In-Residence, NEW INC

An incubator for startups that unite art and technology is convinced of the potential for social and economic impact if these powerful creative initiatives can find the funding they deserve.

NEW INC results

NEW INC has hosted seven cohorts, each with approximately 100 artists and designers participating



NEW INC was established in 2013 by the New Museum, and since then I have been evaluating the success of applying the West Coast model of high tech accelerator/incubator to art and design. The New Museum is itself a new model, founded in 1977 by a female curator to showcase and incubate artwork by women. NEW INC offers artists and designers access to a community of entrepreneurs and creatives, a professional development curriculum to help develop sustainable business models, and access to a fully equipped workspace for prototyping.

NEW INC has shown an accelerating success rate since its founding. In any year, 50 per cent of attendees are women and 50 per cent are people of colour. A second constant has been the development and exploitation of the new technologies of virtual/augmented reality (VR/AR), artificial intelligence and immersive technologies to projects that have social impact. The third is the application of the design and art process to the reframing of established concepts and experiences.

There have been seven groups at NEW INC, with approximately 100 people in each group. Data for groups one through five show 175 businesses were created, 392 jobs created and US$17 million in capital raised. Data for groups six and seven (up until March 2020) will soon be released, but my sense is that the rate of success and expansion accelerated sharply in the last year and a half. My personal estimates are that some 200 hundred businesses have been created, 400-450 jobs created and US$20 million in capital raised.

Before Covid-19, the rates of increase in all these variables were rising dramatically as a new director, Stephanie Pereira from Kickstarter, focused on fostering faster growth by bringing in mentors with deep experience in business development, strategy, branding, marketing and capital raising. Significant changes in screening for new applicants have also been made. Whereas the earlier years at NEW INC saw many people searching for the formation of their nascent ideas, the last two years brought in teams with formalised business plans and real businesses.

> One of the hallmarks of NEW INC is the large number of artist-designer/entrepreneurs who break the traditional boundaries of creative business by combining new practice with the old

My work as a mentor has changed from helping people make nascent ideas more concrete to helping people scale, brand and market.

Below are the stories of four companies that were either born at NEW INC or developed at the incubator. I was a mentor to all of them.

New Reality Co

New Reality Co is an award-winning creative studio that writes and produces powerful, socially important, immersive VR films. Its latest film, Tree, has been shown at the UN, the World Economic Forum and around the world in film festivals. Tree's immersive power transforms you into a seed that grows into a huge tree in a rainforest, with brilliant toucans landing on your limbs. You then experience a deadly fire set to clear the forest for cattle ranching and soy farming. I've never experienced anything like it. Commercial work is a growing component of New Reality, which operates out of Los Angeles and New York and was founded by Winslow Porter and Milica Zec. Previously, Porter worked in advertising and Zec was a performance artist before being named to Adweek's Top 100 Creatives in the Digital Innovators Category. They are alumni of the Sundance New Frontier Lab.

Grouphug

One of the hallmarks of NEW INC is the large number of artist-designer/entrepreneurs who break the traditional boundaries of creative business by combining new practice with the old. As a result, they are expanding the size and scope of creative industry, making it both more dynamic and more profitable. You hear 'creative technologist' used by members to describe themselves. When I first started covering innovation at Business Week, that would have been an oxymoron. No longer.

Krystal Persaud's Grouphug designs funny and friendly photovoltaic panels for consumer and business markets. Her Window Solar Charger is a window-mounted solar panel for apartment dwellers to charge their devices off-grid. Persaud, a creative technologist, was a designer of educational toys before applying human-centred design to photovoltaics. Her solar panels, which come in the shapes of cats, turtles and other animals, are pure fun. Persaud can scale for business needs and currently has a 140-watt cat-shaped panel hanging at the New York Hall of Science. She won initial financing on the Shark Tank TV show, and was seeing her market explode before Covid-19 hit. Her biggest challenge is scaling.

Project Inkblot

Project Inkblot is a design consultancy that reframes 'diversity' from a legal issue that companies must comply with to a growth issue that company CEOs want to embrace. Jahan Mantin and Boyuan Gao, the founders, are moving diversity to C-level strategy. They have developed a sophisticated design process, Design for Diversity (D4D), that I believe is the most important new business process since Design Thinking. Pre-Covid, Project Inkblot saw a sharp increase in clients and revenues, particularly in the advertising industry. In this moment of protest, Project Inkblot is poised to scale into a new kind of design consultancy. Again, the greatest challenge is capital for scaling.

Studio Elsewhere

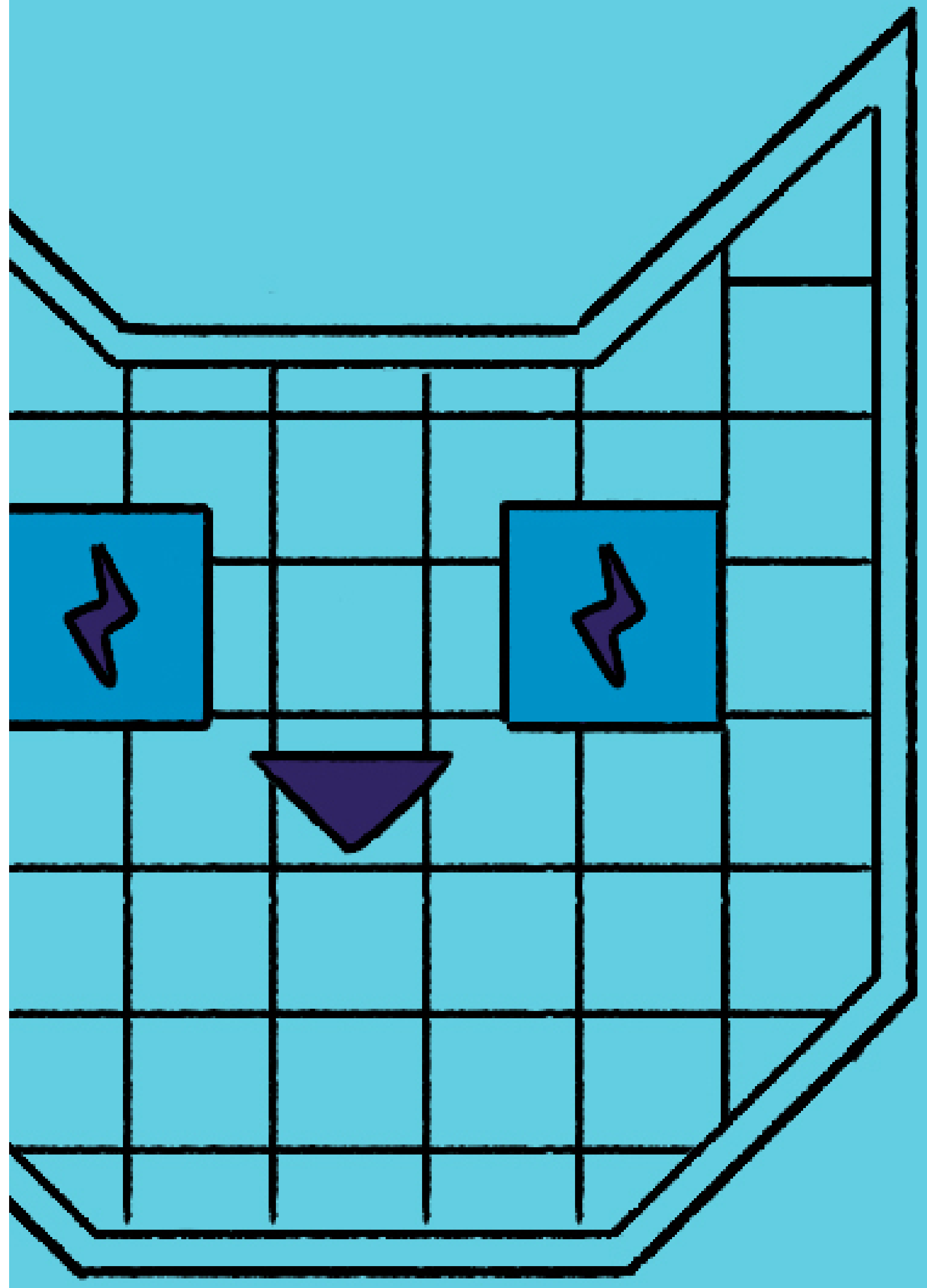
Mirelle Philipps uses biophilic design and our innate connection to nature to build regenerative rooms for overwhelmed doctors and nurses treating the Covid-19 virus in Mount Sinai Hospital in New York City. Philipps is a multidisciplinary artist and designer whose work unites culture, science, technology and nature. Her design firm Studio Elsewhere utilises plants, nature sounds, smells, lighting and images to create an environment that helps staff relax and recharge. The potential market for Studio Elsewhere's restorative designs post-Covid in high-stress spaces in health, workplace, public safety and housing is huge.

These businesses are among dozens I have mentored at NEW INC that evidenced fast growth, products and services with significant impact on society, and great promise – if they can find the resources to scale further. They are unique in the current tech scene in that the founders frame themselves as creative technologists, not simply engineering techies. They are from communities vastly underrepresented in the startup scene, bringing diverse backgrounds in design, art and science to their startups. They have important social as well as financial goals for their companies. At scale, they could have a huge impact on society.

Investing in these young founders and their companies is a wise social and financial decision, especially for those museums, schools and other cultural institutions that are already aligned with the creative economy. It is a significant tool to reinvent and revitalise our economic system.

Photo: Leslie M. Beebe.

Bruce Nussbaum has been a Mentor-In-Residence at NEW INC since its founding seven years ago. Before that he was Business Week's editorial page editor, creator of its innovation and design coverage, founder of Inside Innovation magazine, developer of S&P's Innovative Companies Stock Index and author of the book Creative Intelligence. He taught Design Strategy at Parsons School of Design for five years.



Escena Digital: Bringing together the Latin American artistic community

Alejandra Martí, Executive Director of Ópera Latinoamérica and Escena Digital

A virtual marketplace is bringing together theatres, productions and artists from Latin America and beyond, opening up international opportunities and allowing for a nimble response to the Covid-19 pandemic.

Escena Digital (ED) is the first Latin American digital ecosystem that brings together theatres, productions and artists from the classical performing arts of 10 Iberian-American countries.

ED is the digital innovation of the Latin-American theatre association, Ópera Latinoamérica (OLA),[1] which generates professional opportunities for artists, singers, musicians, directors and technicians in the performing arts. According to OLA's latest research in 2019, the 40 member organisations employ approximately 30,000 people directly and indirectly, reach an audience of more than 5 million people, and sell their tickets through more than 10 different ticket companies for an estimated value of US$74 million a year.

ED addresses this market and opens up a wide array of opportunities and new businesses for the sector by encouraging co-production, sales and rental of productions (sets, costumes, props); promoting venues and theatre rentals of available halls; improving learning and providing online training courses for artists and technicians; and creating a vibrant corridor for professional growth.

The purpose of Escena Digital is to shorten the gap within the performing arts value chain of creation, production, exhibition and promotion

The digital platform is a commercial endeavour launched by OLA in response to the increasing professional challenges faced by theatres in both their individual and collective management. ED builds up its market using unprecedented strategies that bring together the performing arts sector in the region. The platform was conceived as a collaboration between OLA's office, the members of its regional network and Latin American artists in the sector. It was funded by two grants from Start Up Chile in 2018 and 2019, and was selected as a leading Latin American innovation at the Inter-American Development Bank's 2018 Demand Solutions event.

ED´s services – for theatres, artists, producers, managers and for the Latin American classical performing arts sector – promote sustainability. Its stakeholders, gathered together in a digital environment, create a broad and highly specialised community. Access to the platform is possible through a layered membership fee which, due to its scalability, reduces operating costs. ED´s profits fund artistic scholarships and a diverse programme of social outreach.

The purpose of ED is to shorten the gap within the performing arts value chain of creation, production, exhibition and promotion. A platform that brings together the most important opera houses in the region turns ED into a player that can make a significant contribution to levelling the market of cultural goods and services between the northern and southern hemispheres. ED's scale gives it the strength of advocacy to generate favourable conditions for the development of the region's opera, ballet and classical music, expanding access to international markets and to future investments.

ED is organised in three sections. The Theatre section includes prestigious organisations in nine Latin American countries, Spain and the US. ED's strategic plan in this section includes an Airbnb-style model, with an integrated and updated calendar of performance venues and halls available for rental.[2] Customers can book spaces through a digital platform, providing new sources of income to theatres. The current rental income per theatre can reach US$2 million a year. Another major strength of collaborative working is the ability to integrate sales in one ticketing facility, allowing theatres to retain profits rather than losing out on commission. One example to follow is the private company Ticket Gretchen, which has developed a similar venture in Austria.

The Productions section connects productions for sale or rental to theatres, festivals and independent companies. This type of user creates a secondary market, enabling theatres to optimise profitability for premiered productions and allowing non-producer theatres to schedule events based on a diverse catalogue.

The Artists section was created with 14 developed profiles, such as orchestra director, dancer, choreographer, stage designer and composer, to build bridges and professional opportunities within the industry, enhance careers in the international market and broaden the opportunities for artists. Currently, only well-known artists have access to managers and agents, and most Latin American artists promote their careers through social media. Their access to European and American digital catalogues depends on whether they have performed on international stages before.

Because of the Covid-19 crisis and the accelerated digital transformation, Escena Digital decided to launch its Artist section for free, for a six-month period, to support the careers of the Latin American singers who have been especially affected by the pandemic. During this period, ED also began offering networking webinars with renowned artists such as Ramón Vargas, Ailyn Pérez and Isabel Leonard. These sessions also include career development resources such as personal finance, brand management and digital presence, among other topics.

The Latin American performing arts market is a fertile ground of possibilities. Escena Digital, with the support of OLA, is bringing together the Latin American artistic community through an unprecedented virtual ecosystem, uniting best practices and participants for a common purpose.

1. OLA is a collaboration network which for the past 13 years has brought together 40 opera theatres and art companies in 10 Iberian-American countries. OLA's strategy plan 2015-2025 is based on five main fields of action: associativity; communication; training of technicians, managers, and artists; new audiences; and technology.
2. According to the OLA registry, 400 theatres with over 600 seats were listed.

Alejandra Martí is the Executive Director of Ópera Latinoamérica - OLA, and Escena Digital. She is Spanish and Chilean. Alejandra holds a BA in Humanities and a MBA from the ESE Business School. She began her career in the management of performing arts in the Gran Teatro del Liceo de Barcelona in 2004. She later worked for 11 years as Director of Institutional Development in Teatro Municipal de Santiago de Chile. She has been Executive Director of OLA since 2017. She is currently a board member of the Ministry of Culture of the Chilean Government.

A media venture to address the challenge of a young audience

Chani Guyot
Founder, RED/ACCIÓN

In Argentina, a new media organisation is rethinking news journalism to capture a young, politically engaged audience and empower social change.

In April 2018 we founded RED/ACCIÓN to answer the following question: what should a 21st century media company look like? The question tried to address not only the technological aspects, but also the way a media organisation should reshape itself to reflect the transformation of society and of audiences. In 2017, having worked for 20 years for La Nación, a major newspaper in Buenos Aires, and having been its editor-in-chief for the last four years, I felt the call to develop a media venture with a purpose. The objective was to build a news organisation that could rethink the role of journalism for the present and future challenges of society and young audiences.

We started by looking closely at what researchers call 'news avoiders': a growing part of the audience, mostly young people who avoid the media because of its excess negativity and the way it affects their spirits, and because of a sense of limited agency and powerlessness. The Digital News Report, a study by the Reuters Institute at Oxford University, pointed to this phenomenon as the result of the toxic ecosystem that includes clickbait and disinformation. Both erode trust and credibility, the two bonds on which media traditionally based its relationship with its audience. Some studies point out that news avoiders are less inclined to vote, and news avoidance is intertwined with a lack of political engagement.

We also sought to challenge the idea that a media organisation is just a content factory, which creates and distributes to a passive audience that only consumes. This model, which still governs most of the media world mindset, is fundamentally inadequate to acknowledge the greatest social transformation of the 21st century: participation.

From this vision, we developed our formula of 'human journalism', which integrates solutions journalism techniques (the idea of looking at problems with x-rays to discover the stories of people and organisations working to solve them) with a particular belief: we need to listen and encourage reader participation in our editorial process.

> Our audience are the new activists – that is, young citizens committed to their Time: they are involved in their communities, participate in digital conversations on social media, and worry about global challenges

The new media flow is not an arrow (throwing stories to the audience) but a circle, with an ongoing conversation between the media and its audience.

When creating a media venture with purpose, the founding team considered a non-profit model. But we finally created a for-profit company – on one hand, because it would be easier to raise capital, and on the other, because it would challenge us to build tangible and monetisable value. With this first decision made, we then looked to raise impact capital, seeking people willing to invest their money to create a sustainable journalism venture that focuses fundamentally on its positive impact on society. Within five months, having gathered shareholders from diverse backgrounds (filmmaking, global finance, real estate, music business), in February 2018 we founded the company with US$1 million as the initial investment.

As a media organisation, we showcase our journalism in three product areas: the digital site; a newsletter operation (11 newsletters with more than 24,000 subscribers); and our presence on social media. The business model has two revenue streams: sponsors for our newsletters, and a membership programme through which part of our audience supports our work and maintains a closer relationship with us.

Our audience are the new activists – that is, young citizens committed to their Time. They are involved in their communities, participate in digital conversations on social media, and worry about global challenges such as climate change, gender equality or inclusiveness. They want to do their part to foster new means of engagement, and they find in RED/ACCIÓN a media that keeps them informed, shares their values and helps them make smarter decisions.

In August 2019, Media Development Investment Fund (MDIF), a not-for-profit investment fund for independent media, joined the project, investing in equity through its Emerging Media Opportunity Fund. MDIF also provides advice and assistance from in-house and external specialists, helping us make critical decisions around the direction of our business. The obstacles have not been few. In its first two years, Argentina's economic activity (EMAE) fell 27.6 per cent and inflation was 133 per cent, so even beyond trying to make an impact in a large community with our social journalism, the challenge of sustainability feels like swimming against the tide.

However, we have received the support of our shareholders, as well as many companies through sponsorship, and some industry assistance programmes, such as the Google News Initiative and the Facebook Journalism Project. RED/ACCIÓN was also selected to be part of Velocidad, a media accelerator programme for digital media in Latin America, created by Sembramedia (a non-profit organisation dedicated to helping digital media entrepreneurs become more successful and sustainable), the International Center for Journalism and Luminate.

The World Association of News Editors (WAN-IFRA) recognised RED/ACCIÓN as Latin America's Best Digital News Startup in 2019. The jury said: 'The most beautiful thing about this project is the mission of human journalism developing collaborations, where impact is one of the most important metrics'.

The work of our team of 16 focuses on our five-dimensional impact models: we cover underreported stories; we explain complex social issues and the solutions people and organisations are seeking; we amplify minorities' voices; our journalism is open to audience participation; we encourage our readers to make a positive impact in society.

The global pandemic and its subsequent quarantine had a tremendous negative impact on the creative industries, shutting down all live events and leaving its workers at great professional risk. This is the reason we were invited to be a media partner in a special edition of Quilmes Rock, one of the most traditional music festivals in Argentina. Along with PopArt (the producer of the event), Cervecería y Maltería Quilmes (the brand) and Conciencia (a social civic organisation), we put together a two-day online festival and a five-day campaign that reached more than 1 million people with Argentina's top music artists, at the same time raising money for a fund to aid live event workers. One of our journalists was the anchorwoman of the show, with every artist performing from home and the audience contributing online to help stage assistants, live sound technicians and other live crew members.

RED/ACCIÓN's future seems as challenging as it is exciting. We created an original impact journalism model, and we now need to grow fast in scope and scale to be faithful to one of our original ideas: journalism not only serves to explain the world, but also to change it.

Chani Guyot is an Argentine journalist, editor, and musician. In 1996 he joined La Nación, and after a long career as a journalist, graphics editor and design director, in 2013 he became editor in chief. In August 2017, he stepped down to found RED/ACCIÓN, a news venture presented as an antidote to news intoxication. Chani is a board member of the World Editors Forum within the World Association of News, and in 2017 he received a Konex Award.

The time has come

Karen Brooks Hopkins
Senior Advisor, Onassis Foundation

The pandemic has shown that endowments alone are not sufficient to sustain art organisations. But thriving cultural institutions with diverse sources of income provide hope for the future.

The Covid-19 crisis has convinced me that the time has come for the arts and culture field to identify powerful new income sources if it is to thrive long term and weather the catastrophes, be they medical, environmental or economic, that appear now to be part of our everyday lives.

For too long, the field has existed without sufficient resources or plans to handle full-on emergencies. In fact, we are stressed even during the best of times. A recent study published by Southern Methodist University's DataArts confirms that the majority of American arts organisations on average have no more than five weeks of available cash to sustain them. Small and medium-sized groups are, of course, the most vulnerable and, sadly, many of them may disappear as a casualty of the pandemic. Large organisations with small endowments are also at risk. If they invade the corpus of their endowments, they will quickly deplete the only truly stable financial entity they have, threatening hundreds of jobs, programmes and facilities for years to come.

Do we really want these organisations to spend down their most reliable source of annual income? At the Brooklyn Academy of Music (BAM), where I was president for 16 years, it took almost 40 years to build an endowment that could, if fully deployed, be gone in months. The number of very large institutions with university-size endowments, contrary to some media reports, can literally be counted on one hand. Simply stated, the arts and culture field in America is, for the most part, cash starved.

Can we imagine the upside if, for once, we actually deemed art, culture and creative industries central to American life? Arts organisations inspire love of learning, house our greatest treasures in our most iconic buildings, build and encourage diverse communities, enhance neighborhood retail concerns and real estate values, promote the reclamation of derelict buildings and generate tourism dollars. In my view, after all is said and done, art is the only thing that truly endures from generation to generation.

Impact investing in the creative sector opens new profitable opportunities for those who are willing to participate

In 1979, when I arrived at BAM, America's oldest performing arts center, Brooklyn was not the thriving centre of creativity it is today. Attendance in our two theatres was low and we had a small staff and facilities that needed significant upgrades in order to meet the needs of modern productions. The neighborhood was dark, and somewhat desolate. In fact, for any given show playing at BAM at the time, it was not uncommon for Manhattanites to declare that they would rather travel to London to see the show than cross the Brooklyn Bridge.

Where many saw hopelessness, however, we saw opportunity. We realised that because expectations for Brooklyn were so low, this afforded us a certain freedom to do whatever we wanted – if we could pay for it. This idea opened the door for innovation and maximum creativity. We followed our own path, developing a unique identity by presenting contemporary/experimental work that could only be seen at BAM. We doubled down on Brooklyn – and it worked. Our idiosyncratic programming and commitment to education and the revitalisation of our Fort Greene neighborhood was a winning strategy and set the stage for the creation of the Brooklyn Cultural District.

Today, pre-pandemic, BAM has four buildings, a full-time staff of over 200 employees, and attendance exceeding 750,000 visits annually. The district is now home to nine core cultural institutions, 7,600 new residents, and restaurants and shops – including Brooklyn's first Apple store. Anchor cultural institutions such as BAM, which are committed to building diverse successful communities, powered by creative energy, can deliver dramatic economic, social and artistic benefits for their cities and regions. Brooklyn and BAM are historically and spiritually connected. This is a relationship that will endure through good times and bad; that will benefit residents and visitors alike. It is a journey from desolation to destination and stands as an example of success for communities around the world.

Recently I visited Adelaide, Australia, a community that hosts 26 distinct annual cultural festivals. The street life and energy in this small city are thrilling. Along with performances and exhibitions, shops and restaurants are filled and teeming with life. Streets are packed with families, bicyclists and buskers all in sync with each other. There is a social rapport between people attending shows in theatres and those watching artists perform outdoors. Adelaide is a 'woke' cultural city, and business there, from all appearances, is booming.

One particular Adelaide organisation, The Jam Factory, embodied this concept completely. The Jam Factory is an artisan/craft/design space that has manufacturing facilities, live programme presentations and sales capacity. It is sustained through a combination of philanthropic and government support, as well as a very successful for-profit selling initiative. The organisation not only sells to individual buyers, but also produces multiples of various furniture, ceramic and jewellery products that generate profit.

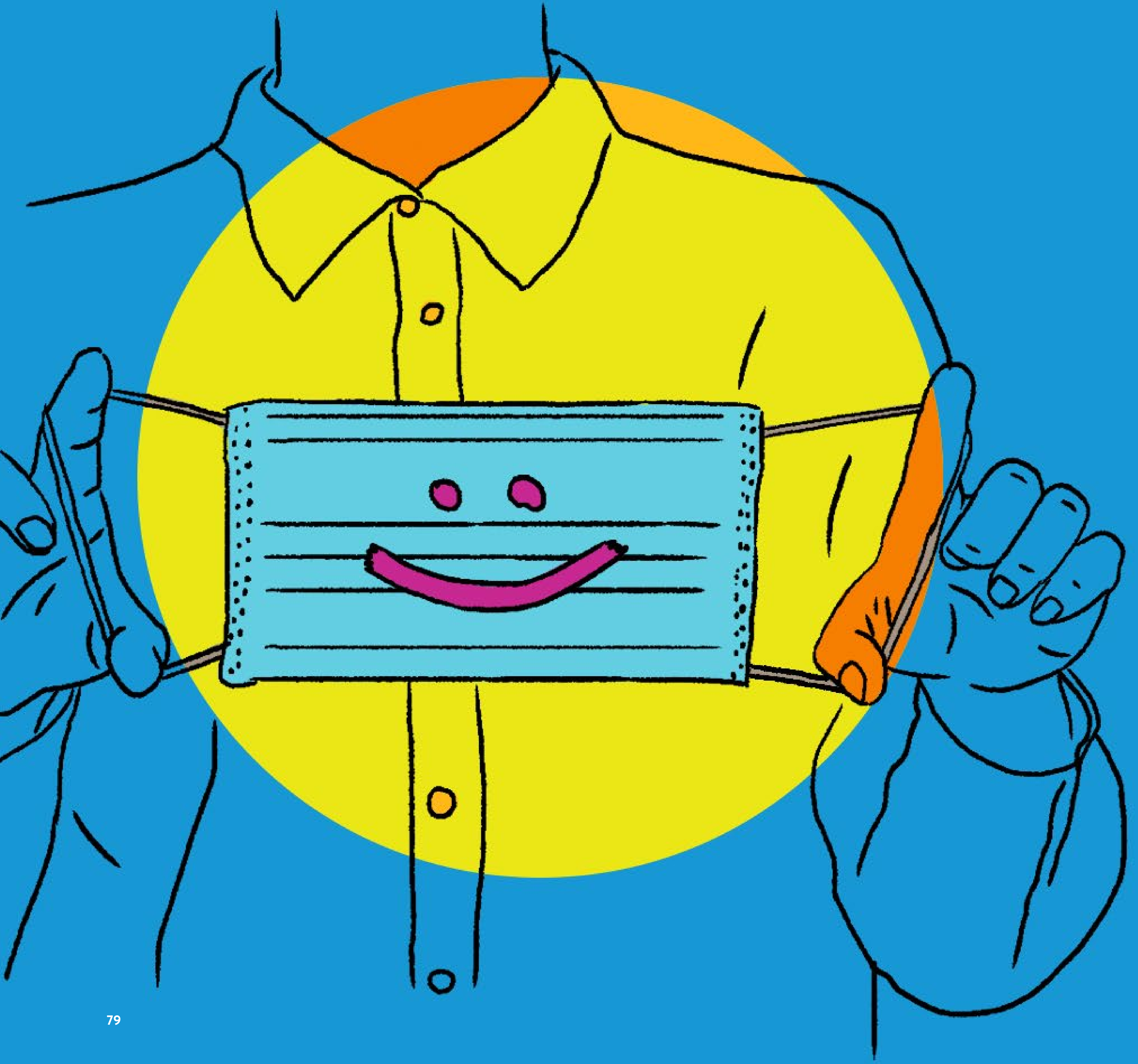
An organisation across the street from BAM that offers a mix of services, thereby delivering a diverse revenue stream, is the new Center for Fiction. The Center maintains a magnificent library, offers a range of classes and workshops for young people and adults, and presents series of readings and screenings (featuring state of the art technology that allows instantaneous translation from foreign language into English). In addition to these services, the Center sells books, magazines and periodicals, as well as operating a well-stocked café and bar. The logic of this business is perfect. Most attendees arrive, purchase coffee or a glass of wine, attend the reading, buy several books, have them signed by the author and then return to the café, to discuss the event with other members of the audience, often buying more snacks and beverages.

Perhaps, in this moment of crisis, examples such as the Jam Factory and the Center for Fiction offer real evidence of the possibilities offered by new financial paradigms. Maybe it is time for a reset.

Impact investing in the creative sector opens new profitable opportunities for those who are willing to participate. Entities like Upstart Co-Lab will lead the way, proving that investment in cultural districts, anchor institutions, fashion, food, makers spaces and other creative industries is a viable strategy and a win-win for investors, citizens, neighbourhoods and the arts. Let's consider some new options as we go forward facing an uncertain future.

Photo: Bob Klein

Karen Brooks Hopkins is a Board member and Senior Advisor to the Onassis Foundation for the Public Benefit. She is also the Nasher Haemisegger Fellow at SMU DataArts located at Southern Methodist University in Dallas, Texas and currently serves as a Director on the Board of the Trust of Governors Island. Karen was an employee of the Brooklyn Academy of Music for 36 years, serving as its President from 1999 until her retirement in 2015, when she was designated President Emerita. From 2009-2010, she was selected by the New York State Assembly to represent Brooklyn on the State Board of Regents. From 2015-2017, Karen served as the inaugural Senior Fellow in Residence at the Andrew W. Mellon Foundation. In 2013, Karen was named one of the 50 Most Powerful Women in New York by *Crain's New York Business*.



Creativity is the answer we've been looking for – now is the time to embrace and invest in it

Marisa Henderson, Chief of Creative Economy, UNCTAD
Amy Shelver, Creative economy expert and Communications Officer, UNCTAD[1]

The 2021 UN Year of Creative Economy puts the 'orange economy' front and centre at a time when we need creative solutions for the world's challenges.

1. The views expressed are of the authors and do not necessarily represent those of UNCTAD.

The final two months of 2019 marked a major milestone for the global creative community as the United Nations moved to ratify a resolution to make 2021 the International Year of Creative Economy for Sustainable Development.

This is a hard-won landmark for the creative industries. It recognises and elevates the creative economy as an important tool for building a sustainable, inclusive and equitable future.

When the resolution was being negotiated and approved, no one could anticipate what the intervening year would hold: a status quo-shattering pandemic. But perhaps what has felt like the end of the world is the beginning of a new world.

What could be more fitting when entering a new era than a dedicated focus on creativity and the role it can play in helping us achieve the Agenda for Sustainable Development 2030?

More than ever, we need creative thinking, innovation and problem solving to imagine ourselves out of the furrow we have been in. The creative industries, which are the lifeblood of the creative economy, are well placed to help.

The creative economy, a long evolving concept, builds on the interplay between human creativity and ideas, and intellectual property, knowledge and technology. Essentially, it is the knowledge-based economic activities on which the 'creative industries' are based.[2]

With the formal announcement of the 2021 United Nations Year of Creative Economy for Sustainable Development, the creative economy was finally recognised as a powerful force for good, livelihoods, social cohesion and economic development through the trade in creative goods and services.

The announcement also acknowledges the role of creative industries in supporting entrepreneurship, stimulating innovation and empowering people, including young people and women, while preserving and promoting cultural heritage and diversity.

The moment was a culmination of a decade of momentum behind the creative economy. Since 2008, multiple reports from United Nations agencies such as UNESCO, UNDP and UNCTAD have set the scene for an understanding of the creative economy and provided tools to help us 'count' culture and creativity.

This meant that in 2015, creativity and culture were on the agenda for the crafting of the Sustainable Development Goals (SDGs), leading to their inclusion primarily in SDG 8, but also SDGs 9, 11, 12, and 17.

This is part of an ongoing story in which greater emphasis has been put on the role of creativity and culture as turnkey economic sectors, with the bonus of other positive impacts.

The performance of the creative economy in the past two decades is indicative of both its impact and its potential. 2015 estimates by UNESCO and EY put the contribution of the creative industries to global GDP at 3 per cent.

Momentum should not be lost in the wake of the pandemic; rather, greater investment needs to flow to the creative industries that have the potential to make localised and high impact

UNCTAD, which has been tracking the trade in creative goods and services for close to 20 years, found that creative economy export trade growth averaged 7 per cent between 2002 and 2015, often outpacing the growth rate for other industries. In 2015, UNCTAD pegged the value of the global market for creative goods at a significant US$509 billion.

But the situation is not all roses, and not everyone benefits from the creative economy equally. Developing countries face many challenges exporting their creative economy outputs, and we need to do more to protect intellectual property and improve data analysis for the industry. 2021 gives us the chance to spotlight both the creative economy's value and its challenges.

Before Covid-19 hit, the global creative economy was growing fast in certain regions. This momentum should not be lost in the wake of the pandemic; rather, greater investment needs to flow to the creative industries that have the potential to make localised and high impact, and help us shift to more sustainable practice.

With a decade to go to reach the SDGs, now is the moment to clearly map out and demonstrate how culture and creativity fit into the Sustainable Development Agenda 2030. We also need to come together to innovate on how to fund the creative and cultural targets within the SDGs.

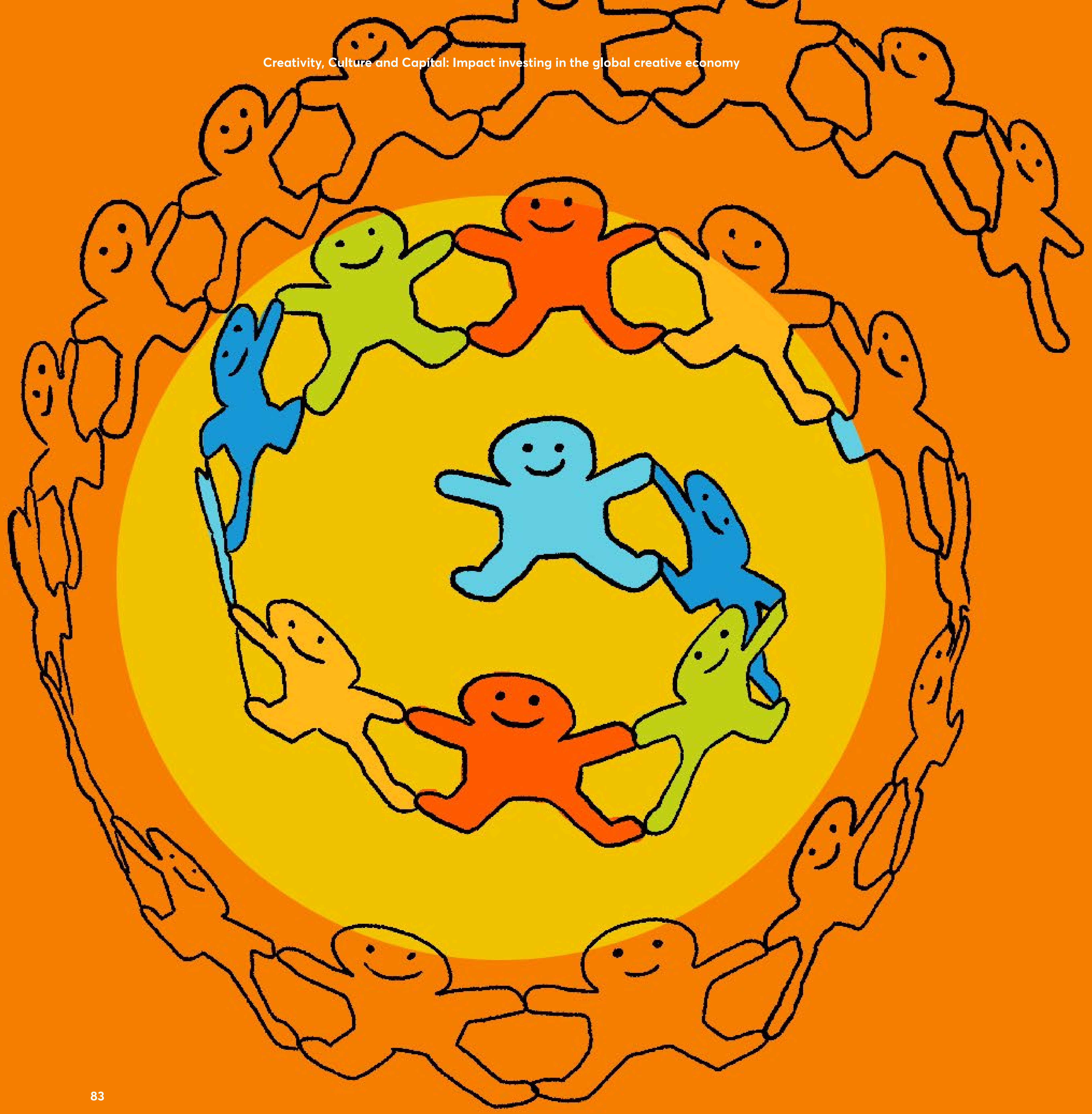
Impact investing can and will play a critical role in this journey. Investment is the key to unlocking the true potential of the creative industries, and the returns from the creative economy are both promising and multi-dimensional – addressing social, cultural, innovation and economic needs.

So, let us turn to creativity and draw on its full spectrum to shape the world while also harnessing its innovation potential and many positive returns. Let the year 2021 mark the dawn of a new era for impact and creativity investment.

Marisa Henderson is the Chief of UNCTAD's Creative Economy Programme, which aims to support developing countries to maximise the trade and development gains of the creative economy. Marisa has worked in UNCTAD for 20 years. Prior to her current position, she worked for UNCTAD Geneva in capacities including in the Office of the Secretary-General. She also spent three years as the Chief of the UNCTAD Office in New York and three years as the Chief of Staff of the Division of Trade and Commodities in UNCTAD. Marisa has taught at university level in both England and Argentina. She has a number of publications on international trade issues, including *Creative Economy Outlook* (UNCTAD, 2019)

Amy Shelver is a creativity-obsessed communicator and serial ideator with a passion for doing cool things, the written word, and digital do-gooding. Amy has worked on development issues, using research, creativity, communications, and innovation to tackle local and global challenges for more than 15 years. Her work includes strategic projects for the United Nations, South African Department of Arts, South African Cultural Observatory, Ford Motor Company (Africa), Experian (Africa), Black & Veatch, and several diplomatic missions, among others. She currently runs social and digital channels for the UN Conference on Trade and Development (UNCTAD) and was co-author of its 2018 Creative Economy Report.

2. The creative industries, an important source of both commercial and cultural value, include advertising, architecture, arts and crafts, design, fashion, film, video, photography, music, performing arts, publishing, research & development, software, computer games, electronic publishing, and TV/radio. https://unctad.org/topic/trade-analysis/creative-economy-programme



Connecting impact capital

Fran Sanderson
Director, Arts & Culture
Programmes and Investments, Nesta

Sir Nicholas Serota at the Arts & Culture Impact Fund launch event, March 2020

'Covid-19 has shone new light on the value of creativity and culture, in its ability to bring people together, provide comfort during isolation and help generate hope as we face an uncertain future. It has also raised questions about how we fund culture in the future. Alongside government support – such as the unprecedented Culture Recovery Fund for organisations in the United Kingdom – we need to consider the role that other forms of funding, like impact investing, can play as part of a mixed funding model. I believe the cultural sector will make a very important contribution to our national recovery and will continue to demonstrate creative innovation as we emerge from the current crisis. The creative industries continue to offer exciting opportunities for individuals and companies who are interested in investing in some of the economy's most innovative businesses and who want to build a better world for generations to come.'

Sir Nicholas Serota
Chair, Arts Council England

Working on the Arts Impact Fund project over the past five years has bestowed many privileges. One of the biggest and most humbling is having fascinating people from around the world interested in the story I have to tell. As an initiative made possible by the foresight and ambition of a public funder, Arts Council England, we have been committed since the start to sharing our learnings, as well as reaping the benefits of open, honest dialogue with other funders, practitioners and policymakers in the field. It is impossible to develop without listening, and difficult to evolve if you aren't open to your own mistakes. In this spirit of open humility, I've been able to build relationships with remarkable people looking to connect impact-seeking capital and impact-driving opportunities in the arts, culture and heritage sectors and the broader creative industries. We are all driving at the same goal: ensuring that impact capital can be structured to support the wider creative economy and build a tailored, constructive, sustainable and dynamic funding ecosystem. This will provide a solid base of support for artists, creatives, organisations and communities, enabling the creation of bold, dynamic and innovative work that advances its medium as well as reflecting, challenging and even changing the world around us.

A big reason for my humility is my acknowledgement of the great tailwinds we had in setting up the Arts Impact Fund. Arts Council England brought the sector experience and know-how to provide an informed foundation, but also the foresight, imagination and daring to consider doing something really different. Our partnership with Esmée Fairbairn Foundation was also invaluable. One of the true pioneers of social impact investment in the UK, the foundation was a dedicated arts grant funder already making impact investments in the arts. One such investment was its pioneering arts transfer facility, which allowed smaller theatre companies such as Headlong and the Almeida to take a stake in the transfer of their own shows to the West End, and therefore benefit from the potential for income growth without assuming potentially crippling financial risk. Finding fewer investment opportunities in the arts than anticipated, the foundation had been considering the establishment of a specialist sector lender. The thesis was that this might result in more arts organisations embracing the possibilities of investment, and generate a critical mass, increased awareness and growing acceptance of impact-seeking repayable finance as a tool for organisational development in arts and culture. Nesta, which already had a reputation for groundbreaking research in the arts and creative economy, wrote a report, *The New Art of Finance*, scoping out future funding models for the arts and exploring the idea of a sector-specific funding mechanism, as well as contributing to the fund from its own endowment. The UK government's Cabinet Office, which had done some theoretical work on structured funds, blending public, private and philanthropic capital with varying risk and return expectations, was keen to have a living, practical example, and introduced Bank of America, which has a strong history of funding the arts and an experienced ESG department, as well as expertise in community development finance, which became incredibly valuable as we launched the fund. We worked to balance the different expectations of each investor in terms of the deployment and risk profiles of their respective investments, alongside consideration of the opportunity cost of their capital, and the careful and cooperative design of the fund ensured that the whole was more than the sum of the parts.

A key lesson from the establishment phase is the importance of not striving for perfection. There is a direct impact opportunity cost to any time spent in the structuring or theoretical planning stage, on top of the impact delay caused by the due diligence and deployment process. Even with interest rates at all-time lows, the time value of impact has never been greater. We were lucky to have the strong support and commitment of all the partners, even as we entered the complicated legal negotiation stage. Our investors were willing to model, through their own actions, exactly the kind of creative risk-taking we are hoping to enable organisations to take with the capital the fund provides, albeit from the opposite side of the table.

Even more crucially, we had a sympathetic set of investors who were motivated, by consensus, to create flexible financing that suited the market we were hoping to build. This meant that, when building a financial model, we were able to work backwards from the principles our research told us would stimulate demand (low interest rates, flexible terms, no prepayment penalties) and to derive from there the terms that the fund would, in turn, establish with investors. We also had to strike a balance between minimising the operating costs of this subscale fund operation, which we achieved partly through direct subsidy from Arts Council England and the Calouste Gulbenkian Foundation, and partly through limiting the fund to larger loans of between £150,000 and £600,000. This was a considered, long-term decision and reflected our urge to create a funding market that was truly additive – that worked for the investors (who recognised their greater flexibility) and for the organisations we were aiming to support. After all, if we structured the loan products in a way that didn't work for the end market, not only were we minimising our additionality over bank finance, but we might have been dooming the project to fail by not optimising conditions for swift deployment of the capital, at appropriate levels of risk.

No one wanted the project to fail. As we stand, today, the original investors are expected to get the returns they signed up for, even in spite of the ongoing pandemic slashing and burning the revenue-earning capabilities of performing arts organisations across the globe – but it's not just about the money or about the impact of the investments we make through the fund. We've also received investments of considerable time, goodwill and expertise – from the founding partners, the extensive initial steering group, and all of the experts with whom we've consulted, formally and informally, over the five years since the fund launched. This is the responsibility we have and the endowment we recognise. While we can't claim unequivocal success until the loans are repaid to the fund and the fund has delivered the expected returns to its investors, we have kept ourselves accountable (and our investors engaged) by including all investors in the investment committee. This governance structure has given our investors, and our three vital independent members, a vivid sightline to the portfolio through the regular meetings and bespoke reports that give more detail on the specific risks to each investor's investment, differentiated by timing and seniority. All the partners have been fully committed to this high support/high challenge approach, which has been essential to our development as we established the procedures and practices of our bespoke credit operation.

We achieved full deployment of the £7 million Arts Impact Fund pilot in 2019, after an active investment period of just over 2.5 years. This represented 27 loans, and loans extended to the sector of a total of £8.8 million, reflecting some recycling of loans fully or partly repaid before we closed the investment period. The majority of borrowers were registered charities, and we had an overweighting towards organisations in London and the south east of England, likely owing to our office's location and the limited capacity of the fund team (two to three full-time equivalent through the investment period). The portfolio organisations span a diverse range of primary art forms/activity areas, business models and targeted positive social outcomes. We loaned £250,000 to the National Holocaust Centre and Museum in Nottinghamshire to help them invest in a joint venture that married holographic projection with natural language processing to help preserve the experience of conversing directly with a Holocaust survivor into perpetuity. The profits from the commercial venture, the Forever Project, will be reinvested into the centre to help them continue their education work. We also enabled Fuse Arts Space, a Bradford-based arts organisation working with refugees, to purchase a property in the south of France where it runs short residency programmes featuring high-profile artists, who often then continue their work with the Yorkshire base.

The dearth of risk capital has previously not only prevented organisations from doing this kind of business development; it has discouraged them from even thinking in this way. Seeking and allocating funding project by project, operating hand to mouth on a cash break-even basis, runs counter to a strategic mindset, and this is one of the most exciting challenges we face. The opportunity to make genuine internal investment into the future of your organisation is invigorating, whether the idea comes from a sparky intern, a frustrated executive or a board member making random connections, and having the right capital available to do so opens up previously unimagined vistas of possibility. However, translating this into reality needs a lender who can bring patience, understanding and support for wholesale change along with its capital.

Alongside the investment of the Arts Impact Fund, we had been undertaking our own business development to establish where to take the project next. Again, this was in full view of the market and in collaboration with our original investors. All our founder partners committed to invest in a follow-on fund, alongside three significant additional investors, and this year we achieved a first close of the £23 million Arts & Culture Impact Fund. Significant tweaks to the structure, based on our learnings from the pilot fund, include a longer repayment term to increase affordability

for end borrowers; the introduction of arrangement fees (usually added to loan balances) to ensure our borrowers are committed and improve the economics of our operations; and the introduction of secured loans, where security is available (often in the form of a second or lower-priority charge), in order to extend the maximum loan to £1 million without uncomfortably distorting the portfolio's risk. We also plan to make investments in the devolved nations of Scotland, Wales and Northern Ireland; across a broader spectrum of creative industries; and in more heritage projects; as well as to use the additional capacity afforded by the fund's scale to intensify our relationship-building and pipeline development outside London and the south east.

In the meantime, noticing through both our own experience and enquiry database, and some market research we commissioned, that there was significant demand for smaller loans, we secured funding from the National Lottery Community Fund and Big Society Capital through Access - The Foundation for Social Investment to launch the Cultural Impact Development Fund. This fund has allowed us to offer loans of between £25,000 and £150,000, as well as to extend our offer more widely across the creative industries (e.g. fashion and architecture). It has also given us a tighter focus on reaching organisations that support people and communities in greatest need, and more human resource to develop our impact evaluation and management approach – to crystallise not only what we expect organisations to be able to demonstrate in terms of their positive social impact, but also how we can help them to articulate, develop, iterate and redouble this.

> We are all driving at the same goal: ensuring that impact capital can be structured to support the wider creative economy and build a tailored, constructive, sustainable and dynamic funding ecosystem

One of the first investments we made through the Cultural Impact Development Fund was InHouse Records, the world's first fully functional record label launched in prison. Our £77,000 supported the organisation to develop vital progression pathways for graduates of the organisation's in-prison work on release. Over the course of our relationship, InHouse has clearly demonstrated not only its deep commitment to the mission but also agility and adaptability as an organisation when the pandemic hit. At the start of the lockdown, prisoners were spending nearly 24 hours a day locked up in their cells to protect their health, without any connection to each other or the outside world. Barred from in-person contact with their learners, InHouse quickly repurposed resources into the production of an educational music magazine called Aux, which aims to support literacy, meaningful engagement and positive aspirations through inspirational content on creativity, beatmaking, production, culture and music industry careers. As of June 2020, it was reaching 2,500 people every week across seven UK prisons. The impact doesn't always follow the money directly: impact activities can often be absorbent rather than generative of cashflow. Cross-subsidy opportunities are welcomed – where the bulk of the expected positive impact will flow not directly from the investment itself but instead in due course from the revenues generated by the specific opportunity the fund invested in, such as a food and beverage outlet or the licensing of digital assets. In order to stimulate these opportunities, we look at impact on an organisational level rather than limiting our impact assessment to the direct and immediate use of funds.

Throughout this journey, we have been keenly aware of our role as stewards of impact capital. Our investors have signalled that they are looking to us not simply to protect their capital (inward-facing, private good) but also to protect positive social impact (outward-facing, collective good). If impact investing is to differentiate itself from traditional investment vehicles, we have a responsibility to ensure that our investment decisions are grounded in a reasonable level of confidence that they will deliver positive social impact, as well as to track, evidence and mitigate risks to this impact over the term of the investment. In our position as social investment managers, we have a unique opportunity to promote, normalise and cultivate good impact practice among our portfolio organisations, as well as across the wider arts and cultural sector. Over the years, we have iterated and developed our approach to supporting organisations to plan, deliver, evaluate and continually improve their approach to impact. We now have a well-developed framework that we use across our funds to critically appraise the impact potential of each organisation we consider for investment according to its impact risks and impact returns, and we work with each of our investees to create a development plan that sets out their impact ambitions and targets over the life of the investment. On the Cultural Impact Development Fund, we are also pioneering the use of financial incentives, in the form of a reduction to the headline interest, to drive the achievement of social impact targets – making it one of the first impact investment funds with a clear trade-off between financial and social returns.

In practical terms, a fixed-term fund with a closed investment period is not the ideal vehicle for lending. One consequence, for example, is that investors' money is drawn down and paid back over extended and somewhat unpredictable periods, and there is a limited period of full extension (where all the money is fully invested in the market it is hoping to support). We accept such compromises as necessary – simply put, without experience in the market as a lender, any lending operation would be hard-pressed to achieve capitalisation that would support balance sheet lending. Even with the Arts Impact Fund fully deployed, without significant credit data on the portfolio, and until we have been able to perform a thorough analysis to establish and differentiate the properties of the particular market (structural, developmental and seasonal) and the strengths and challenges of the lending operation, another fund as a post-pilot, scaled-up experiment was always going to be the best way forward.

We don't want to limit the learnings from our experiments to ourselves or hoard our knowledge in pursuit of private or limited benefit. International cooperation and replication in different markets, with a robust approach to finding where parallels can and cannot be drawn, will be hugely mutually beneficial to the establishment of best practice in lending to and investing in our sector across the globe. Moreover, such collaboration will contribute to non-linear gains in utility as the learnings interact and multiply. This is the movement that this collective initiative among Arts & Culture Finance, Upstart Co-Lab and Fundacio Compromiso aims to catalyse, and we thoroughly welcome stories, questions, enquiries and mutual support from anyone for whom these reflections strike a chord or spark a flame. Impact capital has a vital role to play in rebuilding a supportive, dynamic and respectful funding ecosystem that equips arts and culture organisations, artists and creative practitioners to enliven, enlighten and strengthen both our economies and our society at this critical point in human history.

Fran Sanderson has been at Nesta for five years and has overseen the development of Arts & Culture Finance, which manages over £30m of impact capital. She has led on various projects, including Amplified, a grant and structured support programme helping cultural and creative organisations to use digital ideas to generate social impact; Nesta's involvement in the RSC's Audience of the Future project; a Creative Immersive Mental Health fellowship programme with StoryFutures looking at the role of creatives in engaging users; and Alternarratives, a prize designed to reignite interest in reading for pleasure among young people. Fran started her career as a fund manager at JPMorgan, before spending some time travelling in a campervan and living off grid in southern Portugal with her young family. She started working in impact investment at the birth of Big Society Capital in 2012, and has a lifelong passion for the arts.

Field notes from an African investor

Judith Aidoo
CEO, Caswell Capital Partners

Successful impact investing in African art and culture requires an appreciation of the local context and the relative value of different types of cultural assets, as well as the ability to identify 'inno-native' local managers. Consider this effort akin to an investment safari.

Once upon a time, a financial analyst friend posed a very simple question: I have a dollar and can invest it anywhere; where can I obtain the greatest return, in the shortest time, and with the least amount of risk? This, my friends, is how our investment 'safari' starts.

Now, consider the impact investor who allocates capital to both make a profit and improve the world. The capital allocation question still applies, but with some challenges. Where, oh where, is that happy place where one can optimise profits, scale, time and risk, and achieve significant impact across as many of the 17 United Nations Sustainable Development Goals as possible? This is the investment equivalent of spotting the Big Five animals on a single African safari: definitely possible, but not easy.

Next, let's turn our impact investment focus to art and culture in particular. If culture is the story of a people (i.e. how they eat, pray, love; dress, play, build, etc.), what, then, are the best 'assets' for profitable and sustainable investment? Moreover, why attempt to convert culture into wealth at all?

We allocate capital, win or lose, to bend the trajectory of what is both humanly possible and, if we are lucky, beautiful

As a seasoned investor voyaging from Hollywood to Broadway to Ghallywood in Ghana, I can state unequivocally that it is hard to make money investing in art and culture anywhere. I have invested in radio, syndicated television, movies, antiquities, crafts, modern art and cultural festivals. We have been luckier than most, and have won awards and a distribution deal with Paramount Studios, albeit with modest profits to show for our efforts. But we persist, because, as one Broadway producer prophesied, every so often an investor can discover a hit so large that its impact, let alone its profits, is transformative for literally millions of people.

Such is the power of art and culture writ large, and this is what sparks the passion and perseverance of impact investors. If we change our collective story, we can transform our very existence. Arguably, there is no greater impact to be achieved. So, we allocate capital, win or lose, to bend the trajectory of what is both humanly possible and, if we are lucky, beautiful.

Consider the quintessential African story that is The Lion King. Based on African language, music and traditions, the original animated movie was made by Disney in 1994 for US$46 million. Not only did it go on to generate nearly US$1 billion in film revenues, but Disney remixed its intellectual property into the biggest Broadway play of all time. The Lion King play has since generated US$1.68 billion over 23 years from ticket sales and merchandise. Disney then spent an additional US$250 million to release the latest animated film version of The Lion King in 2019, creating the biggest animated film in history, generating more than US$1.5 billion. (Can anyone say 'hakuna matata'?) This proves that a compelling, African-inspired story can be successfully monetised, repeatedly and at scale.

Of course, the list of African-inspired hits, large and small, is as long as the Nile. This is because, at its core, a hit is a hit because it is existential. It is birthed from the mother-of-all stories, set to music or to cloth or to stone or to film in a manner that goes viral because it meets a precise moment in a way that enriches, as much as it surprises or delights.

From Beyoncé's exuberant Black is King to Marvel Studios' 2018 hit Black Panther (the fifth-highest grossing movie of all time), to Ghana's ubiquitous kente cloth and Anansi stories shared throughout the diaspora, to the late Manu Dibango's song 'Soul Makossa' that inspired Michael Jackson: many are we in pursuit of this irresistible beat, that turn of phrase, this creative perfection that energises, captivates and employs millions and, if lucky, generates significant profits.

Therefore, in the spirit of collaboration, here are some lessons from past investment safaris:

1. **Where:** Focus first on those African countries renowned for their rich cultural heritage. Carefully analyse the current economic, political, legislative, technological, educational and artisanal realities on the ground. Ideally, we are looking for 'flow': meaning the rich movement of ideas, products and people to generate artistic and cultural expressions that are inspired and scalable.

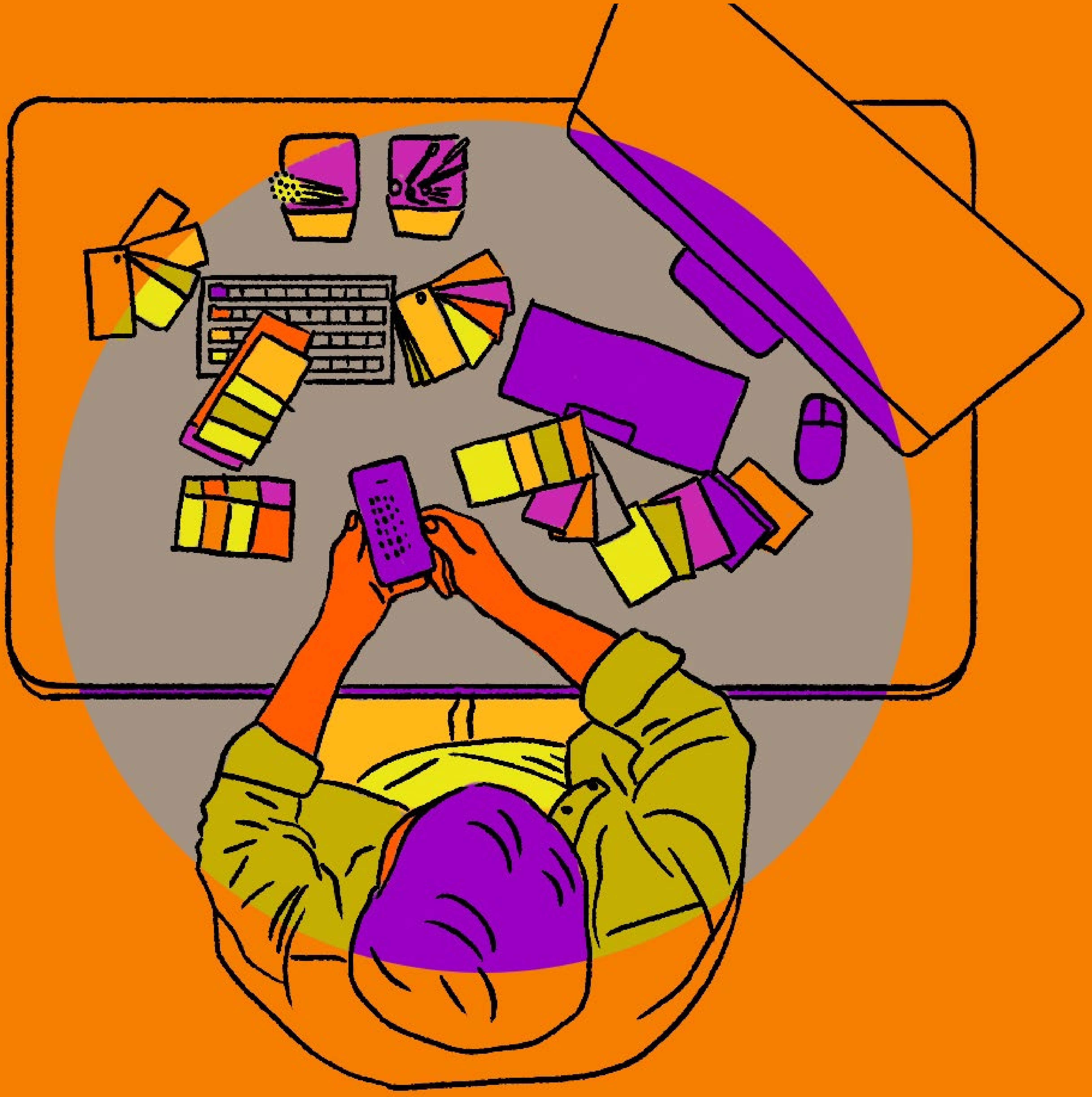
2. **Who:** Seek to identify and support both established and next generation local artists who share your business values and leverage tradition to be 'inno-native', a phrase coined by Ghanaian architect Joe Osae-Addo, founder of ArchiAfrika.com and the Jamestown Gallery Cafe in Accra.

3. **What:** Focus on those sectors where you have innate passion and a significant competitive advantage in sourcing breakthrough thinking, superior quality, and scalability, says Jewel Arthur, founder of NuAfropolitan Gallery. Emphasise multiple sources of revenues, and remember patience is your friend, advises Dr Poem van Landewijk, founder of Wild Gecko Handicrafts.

4. **How:** The only way to create wealth over time is to own an asset, be it a building or a story, that generates revenue, preferably in hard currency. It is not what you own, but what you can protect and widely distribute that matters most. Of course, tourism and cultural real estate are locally transformative, but so is African intellectual property, provided it is legally protected and distributed. This issue has not received sufficient attention to date, but it must. The mastery of global licensing, distribution and revenue-sharing arrangements for African design, traditional medicines and stories will be essential if Africans are to profit fully from their own cultural heritage. Nicole Amarteifio, the writer and director of the popular web series An African City, did well to monetise her own global audience when Hollywood was slow to sufficiently value her stories. Clearly, technology will aid this effort, even for the traditional artisan. Artist Kofi Setordji has worked with master weavers to both document and revolutionise their traditional crafts to enhance their stature and sustainability. Derrick Ashong at Amp.it leverages technology for music distribution and global audience engagement. Similarly, investors should innovate their investment vehicles, beyond expensive equity and debt, in favour of blended finance (e.g. concessionary funds combined with private capital), and shared revenue and distribution models.

5. **Why:** As the African proverb states, it takes a village to raise a child. This global, hyper-connected world rewards speed, skill and capital across several domains simultaneously: ideation, financing, production, marketing and multi-platform licensing and distribution. Since few, if any, have mastered everything, effective global partnerships are essential, if Africans are to profit greatly from our own cultural heritage.

Judith Aidoo Esq is a Harvard trained lawyer and investment banker, specialising in impact investing. She also produces an immersive edutainment experience called The Soul Safari.



Artists as entrepreneurs

Creative Capital

An organisation that has successfully funded the work of artists for 20 years is also turning its attention to artist entrepreneurs.

Creative Capital was founded with the premise that artists are natural entrepreneurs in the way they approach their practices, employ creative problem solving and inspire innovation. Emerging in the late 1990s, the organisation set out to build resources and a network to develop the capital of artists – their work but also their talents and ability to make a living with sustainable practices. We drew inspiration from the rapid growth of the tech industry by developing a method for artist investment that adopted venture capital elements, offering infusions of funding over the lifespan of a project's development coupled with advisory support to help an idea succeed. This took form as the Creative Capital Award, which selects artists annually through an open application to receive up to US$50,000 in funding, allocated at key intervals. That financial investment is combined with deep mentorship, career and project consulting, and community-building opportunities, leveraging expertise from a network of experts in the field, for a total commitment valued at over US$100,000 per project.

Creative Capital is now 20 years old and has supported 741 artists working on 596 projects with over US$48 million in funding. Extrapolating findings from a 2015 assessment, awardees have leveraged our support to raise an additional US$110.2 million, further amplifying the impact of our investment. Awardees have stunned us with their innovative ideas, stretching genre boundaries and intersecting their work with urgent issues, such as creating biohacks, closing down for-profit prisons, launching major equity activism and finding ways large and small to change the world, one project at a time. Many have also surprised us by launching socially- and environmentally-based enterprises inspired by their Creative Capital projects.

For example, 2009 Creative Capital Awardee Jae Rhim Lee launched the company Coeio in 2014 to bring to market her Infinity Burial Suit, a hybrid mushroom burial suit that naturally decomposes dead bodies, remediates accumulated industrial toxins and delivers nutrients to plant roots. Fourth-generation farmer and 2008 Creative Capital Awardee Matthew Moore founded Greenbelt Hospitality, which is in the process of converting two acres in a public park in Phoenix, AZ, into an organic farm that will supply food for an onsite restaurant and farm stand, adjacent to an education space and gallery. Lee has said that she thinks of her business as a medium for her creative work. Though early on she was approached by investors, she chose not to accept outside funding, taking a slower approach to pacing her company's growth. Moore, on the other hand, has been actively raising impact investment for his US$7 million project and has structured unique private and public partnerships to secure initial funding.

Artists are masters of troubleshooting issues and adept early adopters of things like collective ownership, community-supported financial models and alternate currencies

True to our original assessment that artists are natural entrepreneurs, like Lee and Moore, many are now considering how they can frame their practices within a social enterprise sector. While Creative Capital has built a strong network of cultural partners and collaborators poised to help artists succeed in the creative field, there is a significant opportunity to mirror those efforts for artist entrepreneurs. Our primary consideration now is: what resources do artists need to be successful in these pursuits? As we have seen firsthand, many artists think like entrepreneurs when it comes to problem solving, idea generation and innovation, but most lack the financial and business training for an optimal transition into the enterprise sector.

To address this, we are investigating potential partners and collaborators to help us build a system of support for artist entrepreneurs. We have invested in LISC's NYC Inclusive Creative Economy Fund to gain firsthand experience in investing in the cultural sector, and we are engaged in an ongoing collaboration with Upstart Co-Lab. Returning to our early venture capital inspiration, we believe a combination of seed funding and advisory support will be the most effective way to help artists build successful creative economy businesses. Creative Capital currently operates a roughly US$400,000 loan fund for awardees, which we are considering leveraging to provide artist entrepreneurs with micro-investments. True to our model, these investments would be provided alongside deep mentorship and highly scaffolded resources on business development, debt and investment opportunities, and access to holistic support from a network of experts to help artists succeed.

Deeper investment in the cultural sector at large is key to our own pursuits as well as initiatives dedicated to amplifying creative economy businesses. In our experience, there is no lack of opportunity. Artists are masters of troubleshooting issues and adept early adopters of things like collective ownership, community-supported financial models and alternate currencies. Indeed, their own livelihoods depend on their flexibility and rapid adaptation to social and financial situations. Take, for instance, the incredible agility with which artists and the creative economy have responded to the Covid-19 crisis. Creative Capital board member Jane Brown founded and operates Open Works, a state-of-the-art maker space in Baltimore that immediately repurposed its 3D printing and upholstery machinery to mass produce medical equipment to help fight the pandemic. Within a week of artists losing the majority of their income due to cancelled tours, performances and exhibitions, Creative Capital Awardee Taylor Mac and other renowned performers united to launch Trickle Up!, a membership-based content platform that pools member fees and issues US$10,000 grants to artists in financial need. Moore also contributed to the efforts, collaborating with Good for Good to make readily available a low-cost intubation box, a temporary protection device for medical workers.

Twenty years ago, we imported a model from the enterprise sector that has since drastically increased the professional and financial stability of over 700 innovative artists and given them the tools and resources to effectively more than double our initial investment. We anticipate that a similar system of support for artist entrepreneurs could enable them to become key players in a sector poised to achieve long-term social and cultural impact alongside competitive financial returns. We look forward to sharing our approach and results with the field in due course.

Creative Capital supports innovative and adventurous artists across the US through funding, counsel, gatherings and career development services.

Reimagining arts funding for a more resilient sector: The role of government at the intersection of creativity, innovation and impact

Elizabeth MacKinnon
Previous Director, Policy, Planning, Content and Foresight,
Canada Council for the Arts

Public funders will have a vital role to play in shaping the future of the arts after the pandemic.

The global Covid-19 pandemic has, with many other reckonings, brought us face to face with the profound inequalities and fragilities embedded in the traditional arts funding model. While many of the flaws in the system, such as high barriers to access for new applicants, chronic undercapitalisation of funded organisations, and systemic barriers of colonialism and racism have been evident for some time, there is now an undeniable sense that we will need to be thinking and working differently if we are to have a more resilient and dynamic arts sector going forward. This is not only about the future of the arts, it is also about what the arts can contribute to wider social and environmental movements that are critical to our global future. Arts funders, especially those who work at arm's length from government, have a responsibility to encourage investments in arts and culture, to articulate the public value of the arts and to support the cultural rights of peoples around the world.

This is not only about the future of the arts, it is also about what the arts can contribute to wider social and environmental movements that are critical to our global future

The Canada Council for the Arts is Canada's public arts funder. It invests directly in the arts sector through a broad range of grants, services, prizes and payments to professional Canadian artists and arts organisations in every field of arts practice and in every province and territory. It also works with partners on initiatives to contribute to the growth and development of the arts in Canada, and to build international audiences and recognition for Canadian arts.

2020-21 is the final year of the Canada Council's 2016-2021 strategic plan, a period of extreme change. Over the past five years, the Council's budget doubled to a total of $360 million, and it reinvented its entire suite of grant programmes, all with the goal of scaling up – increasing investments in Indigenous arts and in the international presence of Canadian artists, boosting funding to first-time recipients, and supporting the adoption of digital technologies. With a new strategic plan for the period of 2021-26 currently under development, the Canada Council is exploring the role it can play in helping the arts sector not only to recover from the effects of the pandemic, but also to be more resilient, more equitable and more innovative in the future.

Public arts funders such as the Canada Council not only play the role of direct investor, but are also in a position to convene partners from government and the private sector, and to build bridges between the arts and the creative industries and other key sectors. This capacity is particularly important when experimenting with new modes of financing and new ways of working, particularly with digital technologies.

Beyond traditional arts grantmaking, social innovation and social finance are two areas where the significant positive impacts of the arts on our communities and societies can leverage access to new funding, resources and connections. Through collaboration, arts funders can help enable arts organisations to see themselves as potential participants in broad government and foundation-led initiatives to support increased knowledge and capacity-building.[1]

The Covid-19 global public health emergency and lockdowns in many countries saw a rapid shift of the arts onto digital platforms. Now in its fourth year, the Council's Digital Strategy Fund was created to stimulate the digital transformation of the arts sector in Canada. Evolving in response to needs in the sector, the fund has launched a number of partnerships: the Creation Accelerator with CBC/Radio-Canada to support the development, creation, and sharing of original digital content; the Digital Originals initiative, again with CBC/Radio-Canada and the RBC Foundation, to help artists pivot their work to online sharing during the pandemic; and the UK-Canada Immersive Talent Exchange with the Canada Media Fund, the Canadian Film Centre, StoryFutures Academy (UK), the National Centre for Immersive Storytelling (UK) and Arts Council England.

We have seen, in the shift to digital platforms, the importance of the arts in bringing people together, even virtually, to provide comfort and hope in times of crisis. As we look towards a post-pandemic arts sector recovery, understanding the personal and social value of the arts becomes more critical than ever, and an important means of connecting the arts to other sectors.[2] At the same time, the issue of artist remuneration in the digital environment is a central concern, even as in-person artistic experiences gradually become possible again. The global scale of the pandemic has highlighted how interconnected we all are and the importance of international cooperation and cultural diplomacy, including mutually beneficial exchanges and conversations that promote understanding, even when our ability to come together in person is limited.

Funders like the Canada Council have a role to play in helping to shape the future of the arts after the pandemic, encouraging new ways of working, enabling access to new sources of capital and helping the sector to articulate its impacts to encourage investment and innovation. A more resilient, sustainable and equitable arts sector of the future is not separate from the social, cultural and environmental movements of our times – rather, by re-committing to public values and looking beyond our usual partners, we will help the arts to emerge from the current crisis and to play an even more meaningful role in our lives in the future.

1. In November 2019, the Canada Council for the Arts, Metcalf Foundation, Ontario Trillium Foundation, Ontario Arts Council and Toronto Arts Council, working with Innoweave and the McConnell Foundation, presented a workshop for arts organisations to introduce them to a new social innovation investment readiness fund.
2. In 2019, the Council published the Qualitative Impact Framework to enable the council to better articulate the many ways in which Canadians' lives are enhanced by the arts.

Elizabeth MacKinnon works in public policy and the arts, in the role of performer, teacher, administrator and adviser. She has held a variety of positions and led a number of projects in policy and strategy development, both for small non-profits and in the federal government. From 2016 to 2020 she was the Director, Policy, Planning, Content and Foresight at the Canada Council for the Arts.

Impact investment and diversity in the arts: Outlining the challenge I want to solve

Kevin Osborne
Founder and Chief Executive,
MeWe360

Racial inequality in arts funding will not be resolved by grants alone. A BAME-led investment fund would be a pragmatic and transformative solution.

It is widely acknowledged, including by the UK's large arts funders, that our funding system is racially unequal. In September 2020, I wrote an open letter to Darren Henley (CEO) and Sir Nicholas Serota (Chair) at Arts Council England (ACE) highlighting funding inequalities and suggesting a solution.

There are two main issues that have held back progress on the issue of race in the arts. The first is the ineffectiveness of current diversity strategies. These have focused on either getting the major cultural institutions to meet staffing, leadership and audience quotas; or creating large BAME cultural organisations, often mimicking existing arts institutions in terms of scale and governance, but also in their funding model – grant dependency. Both strategies have failed. In cash terms, just £13 million (2.6 per cent) of regular funding from the major arts funders goes to BAME-led organisations; this would be £70 million (14 per cent) if funding were distributed in proportion to the BAME population.

The second issue is that the scale of this disparity means that, on any reasonable plan for increasing funding to BAME organisations, it would take several generations (140 years by my calculations) to arrive at a fair solution.

> We need to invest in future-facing enterprises that will create new sustainable jobs, and rebuild our economy while at the same time creating a fairer and more inclusive society

It is clear that grant funding on its own will not improve things in an acceptable timeframe. A more pragmatic approach is to bring together the benefits of grant funding with impact investing. The benefits accrue not only in terms of the different (but interlinking) purposes the two mechanisms seek, but also in terms of the different mindsets they each engender. This diversity of purpose and approach can be harnessed to tackle our deepest social, environmental and economic problems. I have successfully used it in setting up MeWe360, a business incubator for BAME creative entrepreneurs, and will use the same approach for my new initiative to reduce racial inequality in the arts.

My goal is to improve the diversity of leadership, creative talent, creative content and audiences in the arts. Grant funding cannot on its own deliver this. So, I want to set up a £25 million BAME-led investment fund. Initially it will be a blended impact fund with grant and impact investors. The fund will support BAME entrepreneurs and creatives, providing access to seed and venture capital. It will generate profits, which can then be reinvested in future BAME enterprises.

While the fund is not a silver bullet and it will still leave the sector short of racial equality, it will make a very substantial contribution towards the vision I would like to realise: a more equitable and diverse arts sector.

The fund is in the early stages of development. Key principles in its design are that it will be:

BAME-founded and led so that BAME art forms, which are often newer, won't be discounted as less valuable.

Operationally independent of its investors to allow for innovation. Across the world, where BAME entrepreneurs and artists have had more autonomy, new forms of creativity and culture have emerged and new models for financing have evolved, as in Nollywood in Nigeria and Bollywood in India, and Afrobeat in Ghana/Nigeria.

Aimed at BAME entrepreneurs and creatives with scalable ideas – providing development support and structured to support experimentation and risk-taking.

The talent exists and there is demand for investment. Last year, MeWe360 turned away 450 BAME creative entrepreneurs and demand continues to grow.

Since my open letter, I have received clear indications of genuine appetite within the sector to engage with the idea. Sir Lenny Henry has publicly endorsed it. I have also received public support from Lord Chris Smith (former culture secretary), Lady Sue Hollick (former chair of ACE and philanthropist) and Matthew Taylor (CEO at the RSA), who said that the argument for the fund is 'powerful and timely [and] deserves a clear and positive response from ACE and government'.

Nesta has agreed to advise on financial modelling for the fund and I am building an advisory group, which includes Sir Peter Bazalgette, Lady Sue Hollick (former chair of ACE and philanthropist) and Althea Efunshile (non executive director at Channel 4 and former deputy CEO at ACE). I have secured seed funding from Paul Hamlyn Foundation, Esmee Fairbairn Foundation, Centre for Innovation in Voluntary Action and Arts Council England for research & development and business planning.

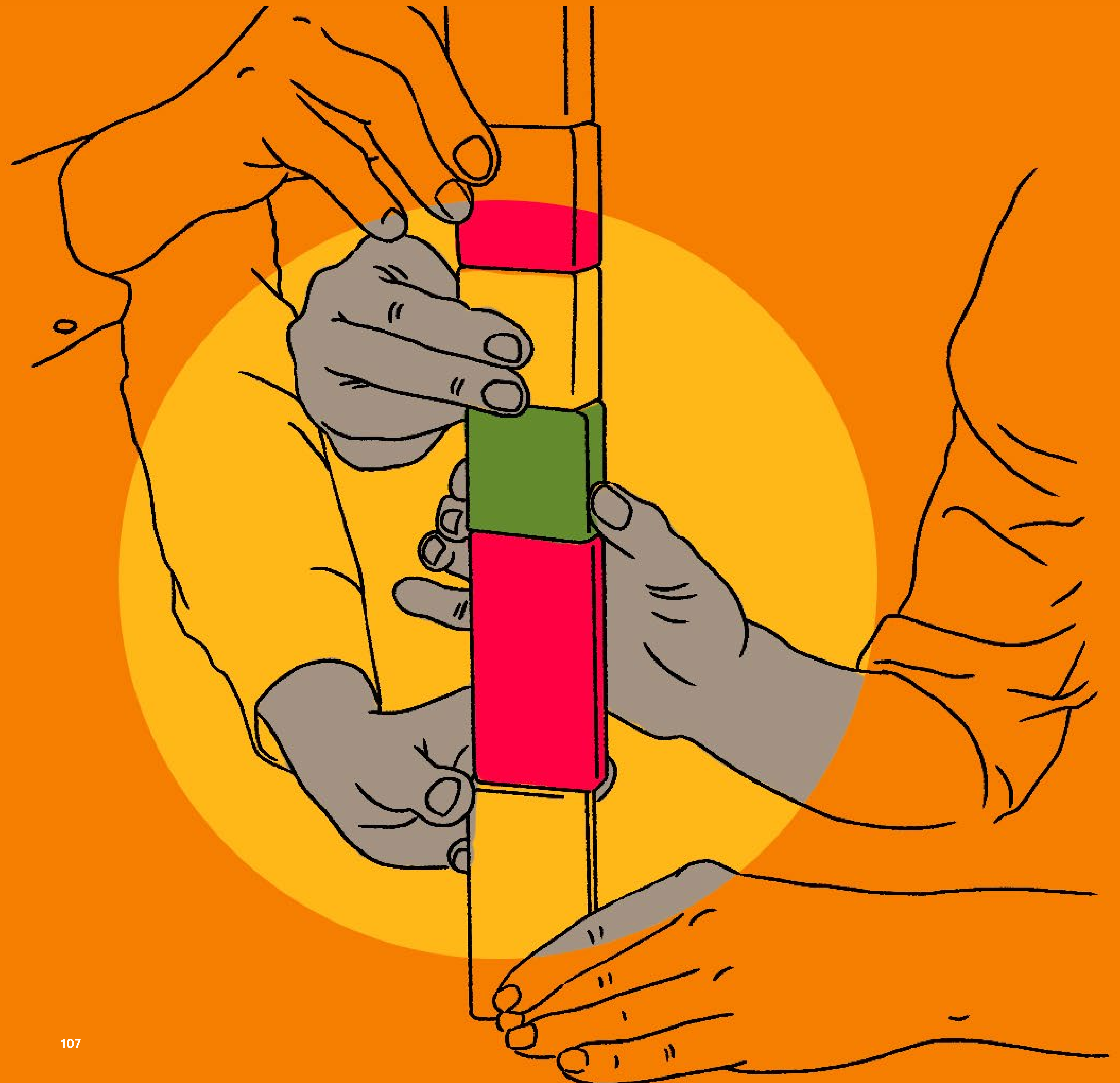
The four-month planning phase will include creating terms of reference for the fund and writing a governance framework. Inevitably, this will raise important and sensitive policy questions and I don't underestimate the difficulty of the conversations ahead. But these are issues that need to be resolved and can be resolved, and I am determined to convert the current momentum into genuine action and lasting change.

Beyond the planning work, I am looking for a coalition of different sponsors and my aim is to secure an anchor sponsor by April 2021.

My solution is about both enterprise and diversity. I believe that entrepreneurship is the solution to diversity. But it is also the solution to another existential crisis: the state of the creative economy itself, in light of the Covid pandemic. Ongoing bailouts of the cultural sector as a single strategy will not work. If we are facing a new normal then we need a creative sector that reflects this. We need to invest in future-facing enterprises that will create new sustainable jobs, and rebuild our economy while at the same time creating a fairer and more inclusive society. A BAME investment fund will do this – and blended impact investment is the means by which it can happen.

The model, when successful, can be replicated to support other underrepresented groups and so success will have an even wider impact on the sector and society. There is a growing movement here and across the world for impact investment in the arts to change the status quo. There seems to be an emergence of not just a network, or a community, but something deeper; the emergence of a culture: like-minded people in the UK and across the world who share the aspiration for a new way of being and in turn a new way of doing. A BAME fund would be another step in this direction. It's long overdue. Let's make it happen.

Kevin Osborne has spent the last 30 years as a leader, producer and developer in the arts and creative industries supporting BAME talent. He has worked as an executive producer in the music industry, a consultant in the arts, and undertaken extensive research on BAME leadership at Bath University and the Clore Leadership Programme. He founded MeWe360, a social enterprise established in 2012 to support BAME entrepreneurial talent in reaching its full potential and to promote a more equitable and representative sector. In 2019 he started Skin in the Game, a blog looking at current affairs, popular culture and issues in society through the lens of race, identity and power.



Management shared-services as an acceleration strategy for creative enterprises

Javier J. Hernández Acosta
Founder, Inversión Cultural & Director of Business Administration Department, Universidad del Sagrado Corazón

Organisational capacity is one of the main barriers to accessing investment for small cultural and creative businesses. In Puerto Rico, a targeted grant initiative is addressing the problem.

The last decade has brought an exponential increase in knowledge about the potential of the cultural and creative industries throughout the world. Often marginalised by governments, education and even civil society in the past, the culture sector has gained recognition for its vital role in our daily life thanks to the digital revolution. Probably no other industry or economic activity has as many impact dimensions as culture. Both commercial and non-governmental organisations play a key role in preserving tangible and intangible heritage, in the development of communities and their identities, in local economies, in aesthetic appreciation, in leisure, and in innovation in other industries, just to name a few.

The position creative industries have today results from many years of research, training, mentorship and support. The case of Puerto Rico is uniquely interesting because of its particular political, economic and cultural circumstances. As a territory of the United States, Puerto Rico shares a market-oriented legal and trade framework, and the entertainment industry is an important sector. At the same time, our Latin American colonial heritage brings Puerto Rico closer to the experiences of other countries in the region.

In 2008, Inversión Cultural was created as a non-profit organisation with the initial objective of raising financial capital for the development of the cultural and creative economy in Puerto Rico. However, the lack of industry-specific data, and the prevalence of companies highly dependent on philanthropy and subsidy, made it very difficult to attract investment capital to the fund. For these reasons, the organisation turned towards developing and promoting an investment environment for culture and creativity.

Applying ideas from Chile, Colombia, Mexico and other territories, over the next decade we experimented with the development of satellite accounts for arts and cultural production, industry profiles of both supply and demand, incubation and acceleration programmes, public policies and international collaboration to continue strengthening the ecosystem. This last concept, of ecosystem, is of vital importance: while capital is invested in individual ventures, an important criterion is usually the availability of a robust, diverse and complementary ecosystem in the sector in which entrepreneurs are operating.

However, the advances in these macro components have led us to a new challenge in the development of cultural and creative enterprises: organisational capacity. Many of these companies are nano-enterprises, where the entrepreneur is the subject-expert figure, be it an artist, designer, a cultural agent or a creative. On very few occasions are they able to build the management team that complements the company's profile and provides knowledge in areas such as finance, production, marketing, technology, law and operations. This can be a substantial hurdle, since without that team it is very difficult for the company to attract investors, while the hiring of employees at a very early stage affects cash flow and the ability to self-finance growth.

> Many of these companies are nano-enterprises, where the entrepreneur is the subject-expert figure, be it an artist, designer, a cultural agent or a creative

Recognising this need for creative entrepreneurs, which has already been highlighted in multiple research reports on the difficulty of leverage and efficiency in the cultural and creative industries, Inversión Cultural decided to rescue the concept of management shared-services. This approach seeks to complement the entrepreneurship ecosystem by providing management services grants, which, rather than being used at the entrepreneur's discretion, are earmarked for spending on management services such as those described above.

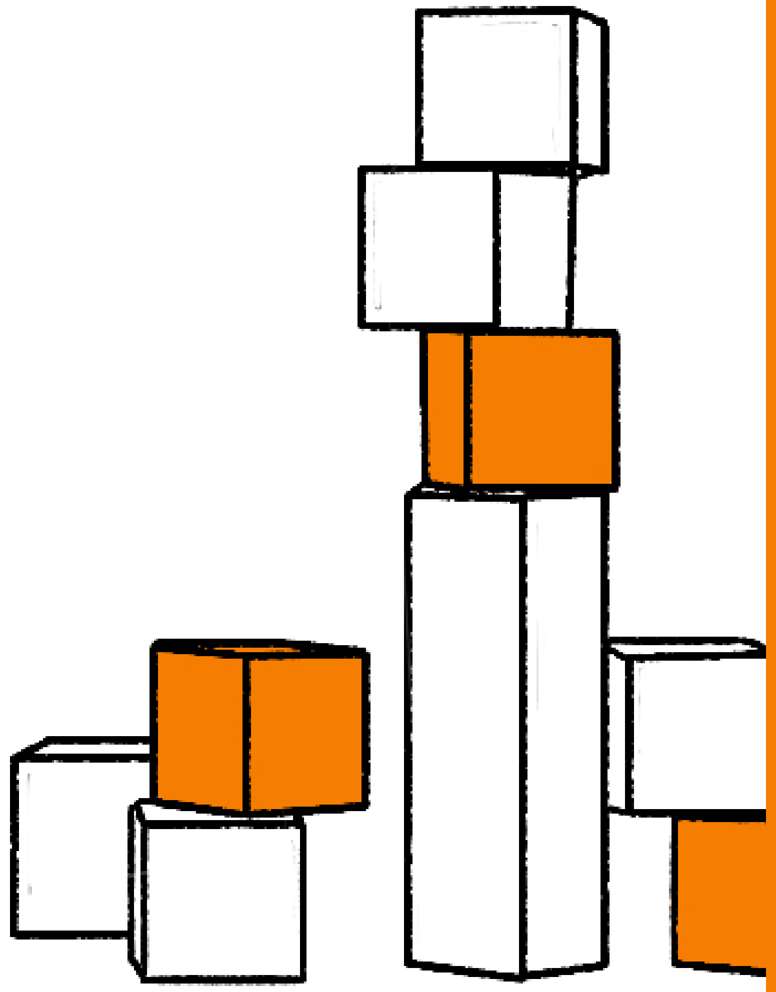
The commitment to the management shared-services model aims to strengthen the ecosystem in several ways. On the one hand, it begins to create a culture of responsibility in the identification, valuation and budgeting of these services that are so important for creating a viable investment. On the other, it enables the creation of economies of scale and a learning curve in a pool of resources that begin to specialise in the creative economy. As a result, services that are very expensive

Launch event of the management shared-services programme

Javier Hernández Acosta, founder of Inversión Cultural for entrepreneurs to contract individually become more accessible. Finally, at the macro level, the model becomes a source of research and data about the ecosystem's best practices, needs, and opportunities, which can serve investors, support entities and public policy agents.

The relationship starts with an organisational and business assessment, from which a work plan and budget for the grant are co-designed. The work plan promotes careful management of internal and external resources, guided by a coordinator assigned to each company or entity. Companies are encouraged to develop a detailed understanding of the cost and purpose of every resource accessed through the grant, with the goal of creating that culture of responsibility and planning for the future. In addition to the grant model, Inversión Cultural provides these services to other enterprises in the ecosystem at market rates. Alternatively, entities can use a fractional employment approach, where one resource serves several organisations, so that the cost is shared. In its first stage, this initiative is being supported by Andrew W. Mellon Foundation for the organisational support of Inversión Cultural, and by Filantropía PR and the Flamboyán Arts Fund to provide services grants for 36 artists, enterprises and organizations.

Impact investing is the next intersection on the creative and cultural ecosystem's path to sustainability. It is the vehicle to achieve sustainable growth strategies that allow ventures to increase their economic, social and cultural impact. The creative economy is one of the sectors that will advance the United Nations Sustainable Development Goals by 2030, thanks to its capacity for resilience, innovation, entrepreneurship and solidarity. The arts, heritage, media, design and the digital economy need their own growth path, considering that the rigidity of the traditional investment ecosystem often does not respond to the reality of these ventures. This is where the importance of impact investing lies. However, as an entry strategy, it is important to create these management shared-services structures as allies in the process, ensuring that the creative ecosystem in Latin America and the Caribbean is prepared for innovation and growth.



Javier J. Hernández Acosta, PhD, MBA is the Director of the Business Administration Department at Universidad del Sagrado Corazón in Puerto Rico. He is also founder of Inversión Cultural, a non-profit organisation that supports cultural and creative industries in Puerto Rico since 2008. He is a self-taught musician and author of the book *Creative Entrepreneurship*. He has published on topics of arts management, cultural policy and creative industries in multiple books and academic journals and has presented conferences in over 15 countries.

Malba, a museum with Latin American DNA

Eduardo F. Costantini
Founder and Honorary
Chairman, Malba

An exceptional collection, a unique Latin American identity and a commitment to sustainability have made Argentina's Malba a model institutional in the region, and a beacon of the transformative power of art as an agent of social change.

‘Our North is the South. For us, the North should only exist in opposition to our South. That’s why we are now inverting the map, and therefore we get just the right idea of our position, not as the rest of the world wants it to be. The tip of America, expanding from now on, insistently points at the South, our North.’
Joaquín Torres García, *Constructive Universalism*, 1941.

My passion for art collecting led me on a 40-year search for the works of art that shaped Latin American modernity and a subsequent deep dive into its most representative artists’ production. Leading figures such as Xul Solar, Emilio Pettoruti, Joaquín Torres-García, Diego Rivera, Frida Kahlo, Tarsila do Amaral, Rafael Barradas, Wifredo Lam, Roberto Matta, María Martins and Remedios Varo, among other pioneers, determined my path.

From the outset, I decided that my collection had to represent Latin America. Although at that time – the late 80s – Latin American art lacked visibility, I felt the duty to focus my energy in that direction and learn to control my urge, given the opportunity, to own a masterpiece from other continents. I was motivated by the challenge to build a unique collection through the artistic and cultural heritage of our region, from my place in the world: Buenos Aires.

Every museum’s challenge – and particularly in developing countries like Argentina – is being sustainable in the long term

With patience and perseverance, I began to gather art pieces from auctions, galleries and other collectors in different countries. In this way, I managed to build a collection of artworks that started to gain international recognition. From 1995, the collection was open to viewing to local and international experts, and available to loan to prestigious institutions for Latin American art exhibitions.

The idea of creating a museum arose naturally when I was thinking about what to do with the heritage I had accumulated and realised that this dimension of art collecting made me a reservoir and custodian of art history. I felt the obligation to keep the collection together and make it public. My options included donating it to a public museum, but Argentina lacks the resources to adequately take care of all its patrimony. So I made the decision to establish a museum based on Latin American identity.

And so, on 21 September 2001, in the midst of one of Argentina’s worst social, political and economic crises, and ten days after 9/11 – the attack that changed the world order – MALBA, the Museum of Latin American Art of Buenos Aires, was born as a not-for-profit organisation, with the mission to ‘create a diverse, inclusive and participatory space of encounter that fosters the public’s emotional relationship to Latin American art’. The museum’s main goal is to preserve and spread the artistic heritage of our region and foster the knowledge and critical thinking of its visitors.

Based on these premises, we built our management model on three pillars: 1) the quality of the collection; 2) a new building in a strategic location in Buenos Aires, as a result of an international call for tenders; and 3) a programme that combines the permanent collection and major temporary exhibitions, together with the development of independent film activities, literature programming, book publishing and important educational work for a wide variety of audiences.

Malba positioned itself rapidly and the community’s support was immediate. It was in permanent expansion and after the first few years was set to become what it is today: an international museum recognised both as a reference point for Latin American art and as a beacon of artistic and cultural life in Buenos Aires, with an average annual audience of 500,000 (35 per cent of which are foreign tourists).

Looking back, I can see the learning curve very clearly. The museum’s daily operations and future plans require funding; so does assembling professional teams to address all dimensions of management, and building solid networks with artists, curators, galleries, collectors, other public and private institutions, companies and government organisations.

Nonetheless, every museum’s challenge – and particularly in developing countries like Argentina – is being sustainable in the long term. Over the last 20 years, Malba has had an average deficit of around US$2.5-3 million dollars annually, funded by the Costantini Foundation, which represents half of its operating budget. The rest of the income is earned through sponsor contributions, ticket revenue and donations.

Malba also generates direct sources of employment (100 staff employees) and more than 1,000 collaborators a year, including artists, curators, writers, visual producers, technicians and operators. The museum plays a crucial role in the strengthening of the art system through the production of exhibitions (approximately 10 projects a year), the acquisition of new works for the permanent collection and the promotion of tourism: Malba tops the list of local museums chosen by visitors from other countries in different media and international surveys (TripAdvisor, New York Times). The museum has also contributed significantly to the transformation of the neighborhood, formerly residential and now much more vibrant.

The initial capital investment of the museum amounts to US$3 million on the land (today valued at US$30 million), US$25 million on the construction of the building and a founding art collection with an estimated valuation in 2001 of US$50 million (which today – thanks to value added by Malba – exceeds US$200 million). Together with the annual operating deficit over these 20 years (US$40 million), the total investment adds up to US$300 million. As regards the future, I intend to set up an endowment that will guarantee funding for the next 30 years.

Beyond the economic investment, it is vital to build a solid institution, with effective governance and management planning. From the early years of Malba, we have promoted the participation of the community in different levels of management. In addition to the board of trustees and the friends association, we set up an acquisitions committee that enables us, through its donations, to constantly increase the collection. I envisage that in 30 years the museum should end its transition from a private institution, managed to a large extent by a sole family, to an entirely public institution.

What began as a passion for collecting art has fully evolved into a public commitment with great responsibility. I am certain of the power of art as an agent for social transformation. The present times, marked by an unpredictable pandemic, strengthen my commitment further. I firmly believe that museums should not close, and instead should overcome crises and play a central role in the civic reconstruction of our communities.

Eduardo F. Costantini (Buenos Aires, 1946) has more than 30 years of experience in the financial and real estate businesses in Latin America and the United States. As an art collector and philanthropist, in 2001 he donated over 220 internationally prestigious works of art from Latin America for the opening of MALBA, Museo de Arte Latinoamericano de Buenos Aires, a non-profit organisation that currently houses and exhibits a collection of over 700 works by the region’s leading artists. The museum combines this collection with temporary exhibitions and public programmes of cinema, literature, publishing and a strong educational programme.

The creative industries: Driving economic opportunity in Atlanta

Sheoyki A. Jones
Program Manager, Creative Industries,
Invest Atlanta

A city development authority committed to supporting the creative industries found that the key ingredients were a supportive state leadership, transparency and trust.

Invest Atlanta is the official economic development authority for the City of Atlanta. Its purpose is to strengthen Atlanta's economy and global competitiveness to create increased opportunity and prosperity for the people of Atlanta, with a major focus on promoting equity and inclusion within the city, which involves bringing an inclusion lens to every business we support.

Chaired by the mayor of Atlanta and governed by a nine-member board of directors, Invest Atlanta runs programmes and initiatives that focus on developing and fostering public/private partnerships to create jobs, grow the economy, revitalise neighborhoods, attract investment, spur innovation, encourage entrepreneurship and increase equity. To achieve these goals, Invest Atlanta leverages the benefits of bond financing, revolving loan funds, housing financing, tax increment financing and tax credits.

The city of Atlanta benefits from leadership at the state level that recognises the importance of creative industries to Georgia's economy. The creative industries in the state of Georgia employ 200,000 people and represent a combined US$37 billion in revenue, with US$12.1 billion in earnings and US$62.5 billion in total economic impact. The creative economy not only contributes to the state's bottom line, but also draws millions of tourists each year, adds significantly to the quality of life and vitality of every community, and represents the bulk of Georgia's rich cultural heritage and identity. Our thriving creative economy is part of the reason that Georgia is not only an ideal place to do business, but also an incredible place to live. With this in mind, the creative industries are a strategic priority of Invest Atlanta's economic development strategy, with aims including attracting creative businesses to the city, providing financing for small businesses in creative industries, and retaining and supporting the expansion of creative businesses.

Invest Atlanta has dedicated significant resources and personnel to this industry and community. The goal is to innovate, take risks and invest into the creative economy while promoting equity and inclusion as it relates to economic development. The vision of Invest Atlanta's creative industries work is to give creative entrepreneurs the resources they need to create, grow and expand their businesses, and educate themselves to make those businesses stronger. We also seek to use the global reach of creative industries to impact Atlanta's local communities.

Invest Atlanta offers a range of programmes to support the creative community. The first was the Creative Industries Loan Fund, which provides low-interest, flexible-repayment loans to assist creatives with content creation in film, music, digital entertainment and tech. Applicants can use the fund for production, post-production, marketing and distribution, touring and festivals, prototype development, product development, and sales and marketing. Each approved applicant has a six-month deferment before repayment, and we are able to work with creatives on setting flexible repayment terms. This fund is currently US$1.25 million.

> Atlanta has leaders that believe in creative industries and have been patient and supportive in the development of a more agile ecosystem of support for this sector

Since opening for applications in January 2019, the fund has closed investments totalling $400,000 in 11 companies, creating 25 jobs. The fund has focused on businesses in the film, TV, music and media sectors, including Deepr, a music app that spotlights the creators behind the music; Screen Lloyd, a women-led film and tv content producer; and Change A Man Media LLC, a media company focused on social issues.

We provide entrepreneurs in the creative economy with the opportunity to expand their business efforts into an international market through the Creative Industries Exchange. Invest Atlanta curates a one-week expenses-paid trip to an international market, and sets up business meetings to identify future clients, job opportunities and resources to expand into that market.

We are partnering with a local tech startup to establish the Creative Corporate Fellowship Program, a job market portal for creatives to obtain access to jobs with our local corporate headquarters. As part of our 'buy local' focus, Invest Atlanta provides an easy way for

Closing an investment in Deepr as part of the Creative Industries Loan Fund, photo credit: Maya Clark

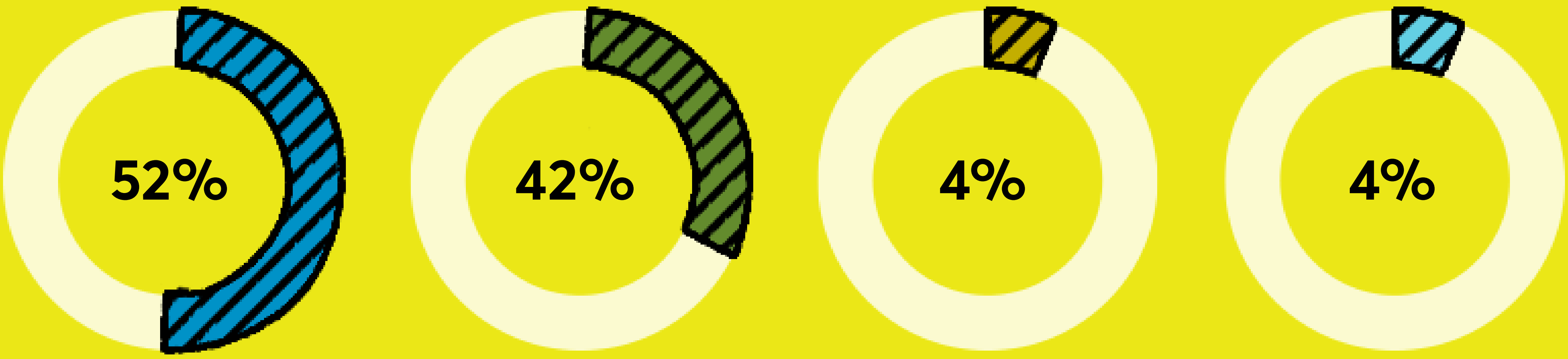
Sheoyki Jones meeting with a creative business interested in Atlanta opportunities

Sheoyki Jones speaking on a panel at Women's Entrepreneurial Opportunity Project conference

Population of Atlanta, Georgia

Data according to the US Census

African American | White | Latino | Asian

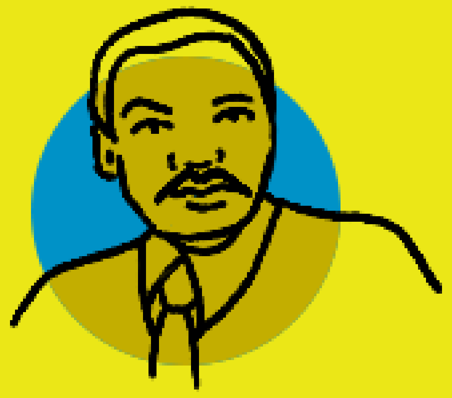


Total population: 464,000

Median household income: US $50,219

More about the city

Atlanta is known for the busiest passenger airport in the world, and a high concentration of Fortune 500 companies.



Civil rights leader Dr Martin Luther King Jr. was born in Atlanta, and the city is home to his Library and Archive preserving the events of his life and the history of the American Civil Rights Movement.

Today Atlanta is home of many Grammy-award winning and nominated music artists, and Tyler Perry Studios, a 330 acre motion picture studio where more than a dozen films in Perry's Madea series have been produced.

corporations to save money by hiring freelancers and gig workers to complete creative jobs, such as graphic design, photography, marketing, social media management and event planning This is a new programme scheduled to launch in spring 2021.

As we rolled out new programmes, we quickly recognised a need for mentorship and guidance for creatives to learn best business practices as they look to grow. In partnership with the Gathering Spot, a hub for collaboration focused on community building, Invest Atlanta will be launching the Creative Industries Technical Assistance Program, a business mentorship programme to build the capacity of creatives in areas such as accounting, marketing and legal.

The biggest hurdle to these efforts has been strategically exploring and building eligible uses of city dollars to support the creative industries. Fortunately, the City of Atlanta has leaders that believe in creative industries and have been patient and supportive in the development of a more agile ecosystem of support for this sector. Recognising creatives as small businesses and teaching them how to position and present themselves as such has been vital to this development.

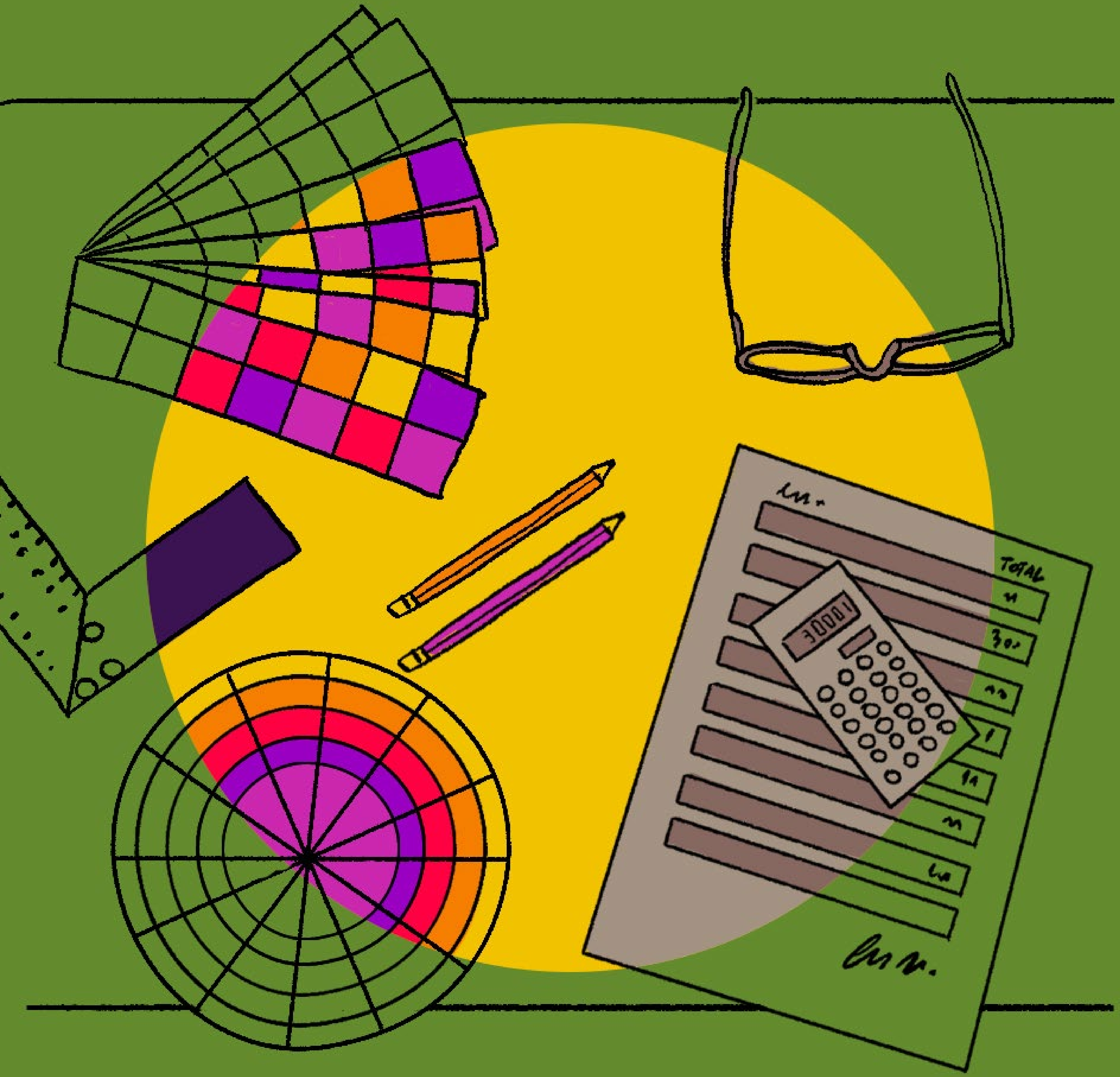
Our creative industries initiatives are rapidly growing in Atlanta. As we do this work, we are continually identifying new areas in which we can provide support. We have been recognised globally for the work that we are doing, and are always looking for what we can do next. Our future plans include creating an equity fund to make larger investments into the creative economy and identifying legislation to help better support the creative community.

Replicating this approach in other cities requires an economic development agency, city government and community that are intentional and dedicated to finding ways to support creatives industries – plus some investment capital. We started with a $1.25 million fund, and found other ways to be of assistance.

When we started, we had to rebuild the creative community's trust in city government. We went into the creative community, listened to what creators needed and found ways to address those needs. Be transparent with your creative community, do not over-promise, and follow through with your commitments. In order for these initiatives to be truly supportive, the creative community has to trust you.

Photo credit: Berto Horne

Sheoyki Jones holds a Bachelor's degree in Paralegal Studies from the University of Mississippi. She is currently the Program Manager of Creative Industries, Invest Atlanta. She manages creative industry projects city wide and supports the Mayor's Office of Film and Entertainment efforts. She has implemented and maintained all aspects of Invest Atlanta's creative industries strategies, policies and procedures. She strives to convey all aspects of diversity, equity and inclusion throughout her various Creative Industries projects. As Program Manager, she has reinvented the execution of creative industries tactics as they relate to the overall creative industries strategy, and ensures that all creative industries business links and supports Invest Atlanta's brand strategies and initiatives.



A Latin American ethical bank as the heart of the economy and the creative industries

Sebastián Cantuarias
Executive Director, Fundación Dinero y Conciencia

A financial institution with ethical investment principles and a Latin American vision of the continent's structural challenges is managing financing for companies in the creative industries, to promote cultural freedom and build a more inclusive society.

The most unequal continent of the world is full of challenges associated with poverty, access to water, social unrest, urban segregation and environmental unconsciousness, among others. This sample of Latin American issues shows the need for a wider perspective regarding hardships, beyond income levels and poverty lines. It calls for a multidimensional perspective to face the structural challenges of our continent.

Banca Ética Latinoamericana is a banking project led by Fundación Dinero y Conciencia, which seeks to understand the structural challenges in Latin America from a comprehensive perspective and tackle them through the financial system, beyond existing microfinance and financial inclusion solutions. It is a Latin American impact bank, combining a regulated bank and various financial vehicles (i.e. crowdsourcing and investment funds), to offer funding solutions to companies and institutions acting in sectors such as education, culture, social development and the environment, which have been defined as challenges in Latin America.

The origins of Banca Ética Latinoamericana trace back to Doble Impacto, an investment platform in Chile. Since it was established in 2017, the goal has been to link organisations requiring finance to generate social or environmental impact with investors keen to finance these solutions while reaping a financial return.

One of the strategic investment sectors of this banking project is the creative industries, where our objectives are to contribute, through the development and valorisation of ideas and innovation, to building a more inclusive and sustainable society, and promoting freedom in culture. In line with these objectives, we work in the following areas:

Quality: We encourage the production of quality cultural and creative content and a greater diversity of expression and implementation languages. We aim to ensure that people have a better audience/consumer experience and greater social integration, and thus to increase the demand for cultural goods.

Access: We promote initiatives that democratise cultural and creative goods. We want to create more audiences, reduce barriers to access cultural content and bring diversity in broadcast channels through new platforms of participation.

Valuation of the sector: We encourage the business development of the sector and the entrepreneurial capacity of cultural professionals, as well as granting the professions of artists and creative people the role they deserve in the economy and society.

> We operate in a context in which the contributions of art and culture to the economy have been overlooked, and where it has been difficult for the cultural sector to identify its own economic processes

Sustainable development: From the private sector, we position ourselves as a real financing alternative for creative industry organisations. In addition to state grants or private donations, the banking industry should be a development opportunity for this sector.

Ecosystem: We promote a dynamic and robust interaction between the different actors of the creative industries. From our role, we want to generate networking and collaborative work in the ecosystem.

Therefore, our sector strategy for the creative industries aims to finance organisations whose initiatives are part of the value chain of creation, production, distribution, exhibition and commercialisation of artistic, creative and innovative content.

Each organisation that requires funding undergoes a complete risk-impact evaluation. This evaluation aims to understand the purpose of the company and the problem it addresses, analyse the quality of its offering through its policies and value chain, and evaluate the solution it develops. The result of this process is the delivery of a quality credit, with a financial structuring tailored to the client, which considers the variables of the business and industry.

Our team includes sector experts, commercial executives and risk analysts, who, building closeness and trust with key players and offering expertise in needs, laws and regulations, are permanently connected with the ecosystem of the sectors that represent the structural challenges of our economy.

We have faced two main challenges in creative industries. The first relates to the different structures of the organisations we deal with. In Chile, there are at least five different types of organisation that we must understand in their context, to suggest the best financing paths. The second challenge is building trust and collaborative work ties between this sector and the banking industry. We operate in a context in which the contributions of art and culture to the economy have been overlooked, and where it has been difficult for the cultural sector to identify its own economic processes.

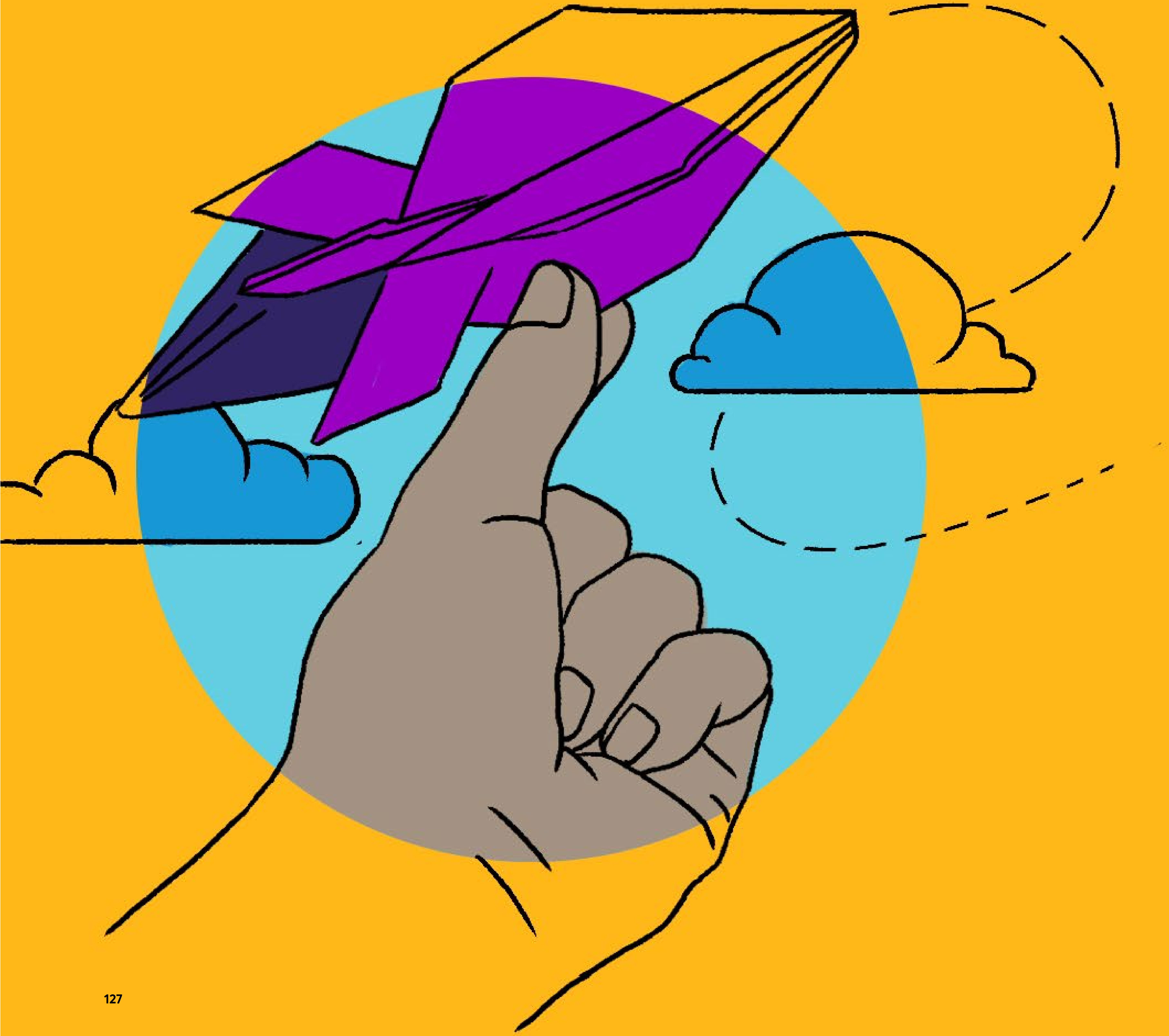
To date, Doble Impacto has managed funding of more than US$20 million, of which 10 per cent has been lent to different organisations in the creative industries, such as audiovisual production companies, publishers and theatre companies, but also festivals, media companies, bookstores, theatres and architecture offices. These quality credits have made an impact in terms of access to cultural experiences; works created and promoted; books produced, distributed and sold; and the restoration of heritage works.

The projects in Doble Impacto's portfolio include two production companies that developed animated educational series for children, broadcast in more than 50 countries in the world. These companies did not have access to the banking industry and had very few financing alternatives. We also supported five publishers in the book industry, in each case being the only source of financing to which the organisations had access to at the time. In the entertainment industry, we financed the creation of a play aligned with the programmes of the Ministry of Education, for students, teachers and families. The client's lenders had very high costs and we became a key business partner in understanding the project and evaluating the financial needs.

For the last three years, we have worked on understanding and connecting with those working to address the structural challenges of our society in Brazil, Colombia, Argentina and Uruguay. We are now in the position of designing a strategic plan to cover the Latin American market and to create a financial institution with a groundbreaking value proposition, to generate impact in the continent and an economically sustainable working plan.

In 2020 we roll out the financial institution at a regional level, with a Latin American scope, rather than a country-by-country approach. We are also scaling up the Doble Impacto loan portfolio platform in Chile to reach the volume necessary to create a regulated bank in the country, starting operations in 2023.

Sebastián Cantuarias is Executive Director of Fundación Dinero y Conciencia, which leads Doble Impacto and the implementation of ethical banking in Chile and Latin America. He has worked in social and business organisations, participating in projects in different foundations and in companies in industries such as construction, wine, mining and energy. He has worked and accompanied the development of various foundations in Chile.



A portfolio approach to creative economy investing

Phil Kirshman
Chief Investment Officer, Syntrinsic Investment Counsel

Matching impact-seeking investors with the right investments in the creative economy is an art as well as a science.

I had the great privilege to advise investors from a total portfolio perspective for nearly thirty years. I've learned to appreciate the uniqueness of the combinations of factors that each investor brings to the table: their return aspirations, their ability to withstand different kinds of risk and, increasingly, their interest in using their investment portfolio to address the society-level issue areas that they care about. This latter concept is commonly referred to as 'impact investing' these days, though it really amounts to some combination of 'caring about things' and simply 'more thoughtful investing'.

Impact investors have concerns about a range of systemically challenging issues. Significant dollars are already invested with an intention to address climate change, gender inequality, racial injustice, water shortages, discarded plastics in the environment and many more. Incorporating these bigger-picture thematic concepts into the investment approaches of any given organisation or family's financial aspirations makes each case a unique puzzle.

Although many best practices for investing are commonly accepted, and therefore standardised to some degree, the human element of investing remains a critical component of the portfolio construction and ongoing investment management processes. Investors appreciate the opportunity to share their own thinking and to receive guidance from their human advisers. They appreciate having custom-constructed portfolios that reflect their own hopes and fears and intentionality in the world. As long as these human elements remain a key part of the investment process, investing will continue to be at least as much art as it is science.

That is exactly the point, in my mind, of investors and their advisers doing the work to understand and nurture investing in the creative economy. The human element will forever require the kinds of problem-solving and perspective-adjusting skills that only artists and other creative thinkers can bring to the conversation.

Investing with a total portfolio context involves taking a multi-asset class approach, distributing risk and investment across the spectrum of available asset types. These include public and privately traded equities and fixed income, real estate, other real assets and more. Risk-reducing diversification is sought among large companies and small, among governmental and private issuers of securities, and among geographies.

Impact investors are also cognisant of the value of diversity by race and gender, and people from indigenous communities, and apply this thinking when it comes to sourcing investment opportunities and managers of investment strategies. McKinsey & Company has demonstrated that companies with diverse leadership outperform those without, so this value is more than social. Creative economy investors go yet another step and seek to add diversity of perspectives from artists and creative thinkers, recognising the benefits of such an approach in identifying great investment opportunities, and/or reducing investment risk and/or making more impactful investments.

Adding impact as a third dimension on top of return expectations and risk tolerance is what gives impact investors a more complete picture of what they invest in, and why

Impact investing takes what is already a complex spectrum of purely investment theory-based approaches and infuses it with a complex spectrum of its own: the challenge of integrating impact aspirations into the overall investment process. Impact investors identify the systemic risks most important to them and evaluate their portfolios, including each investment therein, with appropriate scrutiny of the impact their investments make in the world.

Some investors include impact thinking because it will help them to align their values with their investments. Others focus more on the risks or opportunities that such additional analysis may bring to be table. These two approaches are not in conflict with each other. Adding impact as a third dimension on top of return expectations and risk tolerance is what gives impact investors a more complete picture of what they invest in, and why.

The portfolio construction process starts with specifying appropriate investment policies and guidelines, preferably in a document called an investment policy statement (IPS). This step is followed by sourcing well-researched and appropriate investment opportunities to populate the multi-asset class portfolio that will be responsive to the investor's financial and impact aspirations.

Following implementation of the approved investments, the investor must monitor and evaluate the performance of their investments individually, as well as at the portfolio level, for financial returns relative to their benchmarks and for impact performance relative to appropriate impact metrics. Reaching agreement on how these metrics will be targeted and benchmarked is essential for fair performance evaluation. Creative economy impact performance metrics can be codified in the IPS and shared with potential investment managers or portfolio companies in advance of the investment being made.

While it's possible to argue over definitions, some industries are understood to be a part of the creative economy, including media and entertainment, music, digital media and video games, architecture, cuisine, fine arts and fashion. Investable opportunities in these creative industries can be in companies large and small. A broader portfolio approach to investing that also infuses a respect for creativity would add investments in companies that harness creativity and innovation in their methods, as well as companies squarely in creative industries.

In the public markets (the more liquid asset classes), a creativity-loving impact investor may include companies across industries that value cognitive diversity and creative thinking in their workforces, and that promote innovation by budgeting for research and development. These traits would be in addition to what impact investors typically look for in public companies: responsiveness to the community through shareholder and other stakeholder engagement, total workforce diversity, not only in the C-suite, ethical supply chain management and other good governance factors.

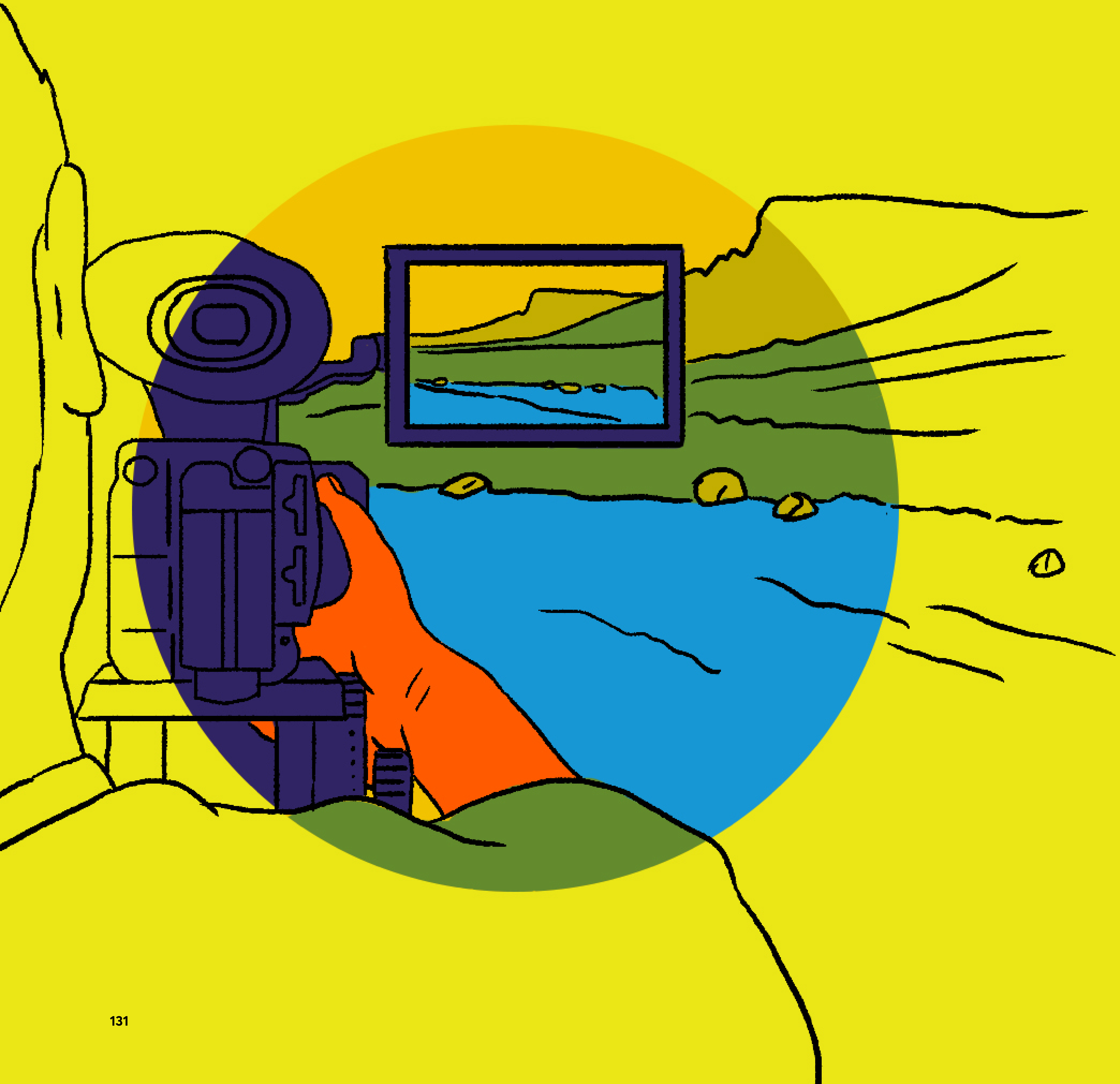
Private markets offer the opportunity for more narrowly targeted investments in the creative industries. Specialist venture capital, private equity and private lending vehicles support artists, designers and other creative entrepreneurs by providing growth capital to businesses delivering creative products and experiences, providing tools and platforms that enable creative work, and more. Focused private real estate vehicles provide live/work spaces to artists, light manufacturing space to creative industry businesses, and community space such as galleries and theatres.

The impact investment solutions are already there for those creativity-loving investors willing to put in a little extra work to seek them out. If you're not sure where to find them, there are investment advisers and consultants who can help you. The best ones don't just do the standardised parts of their jobs. They would love for their clients to say, 'Hey, my adviser is not just a person who pulled a portfolio off the shelf and put my investment dollars into it. She worked with me to find the best solutions for me. In a way, she's an artist in her own right.'

Photo Credit: Jonathan Trites.

Phil Kirshman is the Chief Investment Officer at Syntrinsic Investment Counsel and Founder of Impact Metropolis, an impact investment-related social network and virtual conferencing service. Prior to that, he was Chief Investment Officer at Cornerstone Capital Group. Currently, Phil serves on the board and on the Executive Committee of Calvert Impact Capital (formerly the Calvert Foundation). Phil is a Chartered Financial Analyst and a Certified Financial Planner®.

Venezuela, US



Corporate venture capital: A risk and an opportunity for the orange economy?

Alejandra Luzardo
Leader in Innovation and Creativity,
Inter-American Development Bank

Latin America's dynamic cultural and creative sectors – the 'orange economy' – are an underused global resource in need of investment. The corporate venture capital model could be a solution.

Corporate venture capital is the direct investment of corporate funds in new companies. This type of investment has typically focused on sectors such as the internet, new technologies, health and telecommunications. Some parts of the orange economy, such as the audiovisual sector, have also benefited from this model. ViacomCBS is a case in point. One of the world's largest producers of entertainment content, for more than 20 years it has been able to innovate by acquiring countless companies and developing co-productions with them.

The analysis of more than 300 creative startups presented in *Launching an Orange Future*, an Inter-American Development Bank publication, found that financing was one of the leading obstacles to achieving scale, given that investors are frequently unaware of the economic and social impact of the creative sectors. For their part, creative entrepreneurs have often not developed their business skills, leaving them unable to pitch the benefits of their projects, particularly those of intangible value, such as video games, film and animation. Another significant obstacle – particularly in the Covid-19 pandemic – is the liquidity that is vital for many startups to survive and to continue growing in the long term. Finding new clients, adapting to new technologies and forming partnerships with businesses that dominate distribution in global markets will be key for smaller businesses to survive and move ahead. Large corporations will also have to innovate, enter new markets and reconnect their products and services with more demanding and knowledgeable consumers. This is where the model of corporate venture capital can benefit enterprise both small and large.

> Today's exploding demand for content has created an opportunity to rethink how independent producers, small businesses and streaming platforms collaborate with each other

In the lockdowns of the pandemic, we consumed a greater amount of digital content. Bill Gates's 1996 prediction that 'content is king' has never looked more prescient.

Today's exploding demand for content has created an opportunity to rethink how independent producers or small businesses collaborate with each other. Meanwhile, the large content conglomerates are dedicated to finding new creators of unique stories – talents that abound in Latin America. A notable example is how Netflix transformed its model from pure distribution, becoming a co-producer of original local content in order to attract and retain subscribers and enter new markets. Netflix quickly learnt that combining its role as curator of existing productions with investing to co-produce content is a model that works.

Working with large companies has been key for emerging producers such as Matt and Ross Duffer, the North American brothers who are the executive producers of *Stranger Things*. Netflix decided to bet on them when they had no experience as showrunners. Another example is *La Casa de Papel* (Money Heist), a Spanish series that ran for two seasons on national television, but which, after being acquired by Netflix, attracted the largest global audience of any non-English-language series ever.

Dr. Martin Haemmig, an academic researcher who specialises in innovation and international markets, emphasises the importance of collaborative innovation among startups and corporations. He describes the impact this type of collaboration has had in markets such as Asia, where international inflows and outflows have been critical to the region's transformation into a global innovation leader. Attracting the corporate venture capital model to Latin America would bring great benefits to creative sectors, enabling co-production of new projects, putting vast networks of international contacts at the service of creative talents, allowing for the leveraging of funds, luring new investors, improving distribution and increasing the potential for new products or services.

Some pillars of the corporate venture capital model would need to be adapted to the specific needs of the creative sector. One such pillar is acquisition – in the case of filmmaking, for example, the asset acquired would be a percentage of the rights of a movie, rather than a percentage of a startup or a production house. Another issue is the allocation of royalties to creators, since today's deals with large companies do not always provide the best terms for small producers. One of the most well-known examples comes from the music industry, where the various streaming platforms have seen more people consume music, but this has not necessarily led to increased pay for artists. While more work must be done to balance the need for investment with fair deals for creators, there is no doubt that the ecosystem needs more investors focusing on the cultural and creative sectors.

Daniel Chuba, the Hollywood investor, producer, director and author, believes a significant growth market is short-form content for the educational sector. Edutainment could be a significant beneficiary of the post Covid-19 reality, presenting a vast opportunity for the creative sectors to add value. Connecting the two sectors of entertainment and education will also represent another opportunity to bring corporate venture capital and impact investing to the creative sectors.

Latin America needs a strategic focus on public/private sector coalition. Such a coalition would allow the creation of alliances with big corporations, so that the creative sector could access other investment models such as corporate venture capital, enabling local producers to offer original, entertaining and educational content to the global market. Regulatory frameworks that can attract international investment to fund local creative talent will be indispensable in the coming years, allowing the survival and growth of creative sectors that, at this time, have no market demand. The fact that large content conglomerates are now opening their doors in Latin America is an opportunity that we cannot let go by if we are to maximise the economic and social impacts of creativity.

Alejandra Luzardo is a leader in innovation and creativity at the IDB Group where she leads a large initiative about the cultural and creative industries, entrepreneurship and new technologies. She also coordinates the research, design, execution and evaluation of projects in orange economy sectors. She is a co-founder of Demand Solutions, a platform for global innovators focused on inspiring and connecting innovation, creativity and entrepreneurship. Her recent publications have been 'best sellers' of different aspects of the Orange Economy. She is a founding member of Prodiseño, School of Visual Communication and Design in Caracas, Venezuela, and has a Master's Degree in Communication and Film Production from American University, Washington DC. In addition, she has been recognised for her participation in Singularity University and Harvard University.

Cultural impacts through creative economy: UNESCO International Fund for Cultural Diversity

Lázaro I. Rodríguez Oliva
Member of the Panel of Experts (2020-2023) of the International Fund for Cultural Diversity (IFCD)

In its first 10 years, the International Fund for Cultural Diversity has enriched the global creative ecosystem, with a demonstrated impact in communities of the Global South. Now it is planning for the next decade, the post-Covid-19 recovery and the work needed to achieve the 2030 goals.

The 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions, the UNESCO multilateral law instrument to support the creative economy, was a turning point for impact investments in heritage and creativity all over the world. The Convention has been fundamental to the recognition of the distinctive nature of cultural goods, services and activities as vehicles of identity, value and meaning, remarking that while cultural goods, services and activities have important economic value, they are not mere commodities or consumer goods that can only be regarded as objects of trade. Article 18 of the Convention establishes the creation and implementation of the International Fund for Cultural Diversity (IFCD) to support the Convention´s goals and commitments. The fund is a multi-donor scheme funded by voluntary contributions made by UNESCO´s Convention parties; funds appropriated for this purpose by the General Conference of UNESCO; contributions, gifts or bequests by other states; organisations and programmes of the United Nations system; other regional or international organisations; and public or private bodies or individuals. The fund is also enriched by any interest due on resources of the fund; funds raised through collections and receipts from events organised for the benefit of the fund, and many others, if authorised by UNESCO.

The decisive support of the IFCD to the creation, production, distribution of and access to cultural goods and services has contributed to the freedom of expression, participation of women and digitisation of some grassroots cultural endeavours

The IFCD has invested US$8,324,802 in funding for 114 projects in 59 developing countries since 2010. Performing arts, music, cinema/audiovisual arts, visual arts, publishing, design and media arts are the principal creative fields supported during the first decade, with international cultural impacts. Considering that the main beneficiaries of the IFCD are developing countries, non-mainstream-oriented creative economy narratives and models have been prioritised. These include co-operative initiatives intended to promote the diversity of cultural expressions and internationalisation actions for local creative entrepreneurs and ecosystems. Through capacity-building actions, public-private associations, alternative funding schemes for the creative economy value chain and women-led projects, the fund has a demonstrated impact in communities of the Global South.

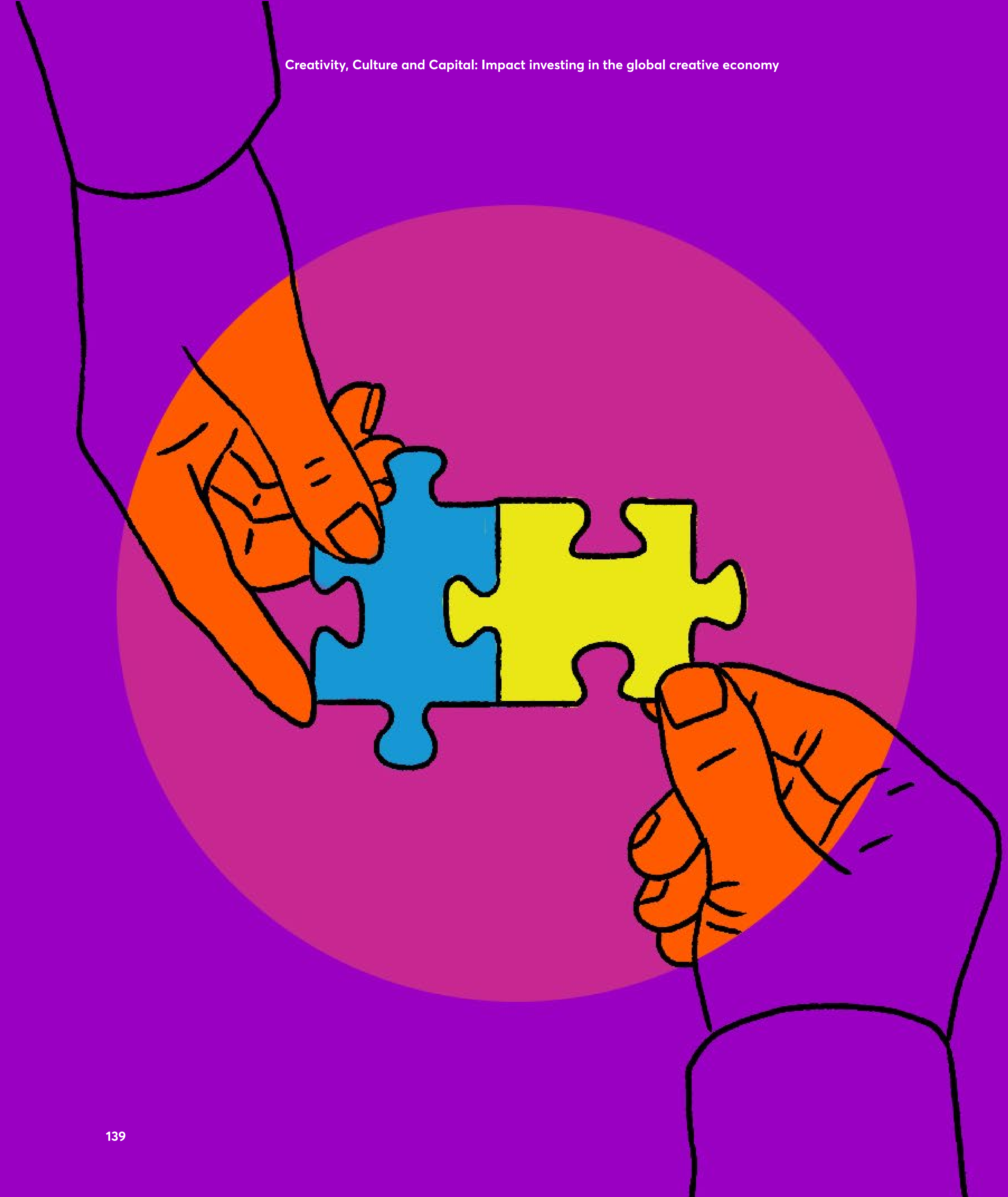
In Latin America, for example, the IFDC contributed with US$92,000 to support Retina Latina, an initiative for 'strengthening the Latin American film industry in the digital age', led by Colombia but involving other countries, including Bolivia, Ecuador, Mexico, Peru and Uruguay. Retina Latina delivered cultural impact by contributing to a more balanced flow of North-South and South-South cultural goods and services. This was achieved by improving access to regional and international markets for Latin American cinema through promotional mechanisms and the creation and reinforcement of South-South cooperation. In Africa, the IFCD's support for Namibian Tales, a group of musicians from Namibia's San community, contributed to engaging disadvantaged communities in the global music market. The group's album Kalahari Encounters won the Best Produced World Music Album Award at the Netherlands Awards 2017. In Brazil, in 2014-2015, the IFCD contributed around US$90,000 to the Indigenous E-books – Cultural Entrepreneurship, Indigenous Creators and Digital Culture project. As the 2005 Convention is mainly focused on promoting the role of culture in sustainable development, the IFCD has directed 50 per cent of its contributions to least development-based cultural entrepreneurs helping to fight poverty in Africa.

Besides these economic, environmental and social impacts, the IFCD's support for the creative economy in the Global South has helped to enrich the global ecosystem for cultural diversity through the creative revaluation of local cultural resources and processes. Support for the creation, production, distribution of and access to cultural goods and services, aimed at establishing sustainable creative economies, has also contributed to freedom of expression, participation of women and digitisation of some grassroots cultural endeavours.

Aligned to the 2030 Agenda for Sustainable Development Goals (SDGs), the 2020 edition of the IFCD call for applications is prioritising projects that lead to structural change through 'the introduction and/or elaboration of policies and strategies that have a direct effect on the creation, production, distribution of and access to a diversity of cultural expressions, including cultural goods, services and activities and the reinforcement of human and institutional capacities of public sector and civil society organisations, deemed necessary to support viable local and regional cultural industries and markets in developing countries'. As a deliberate and direct consequence, public authorities/institutions and NGOs from developing countries, as well as international NGOs, are eligible.

After 10 years of successful implementation, the IFCD faces new challenges in the approach to 2021, the United Nations Year of Creative Economy for Sustainable Development. Covid-19's impact on the cultural and creative economies has yet to be globally measured, but some of the emerging ideas and collective observations point to the need to propose collaborative and co-ordinated responses. On the UNESCO side, there is a strategic and unexplored opportunity to connect the fund with resources from institutional funds associated with other UNESCO Conventions. With respect to the United Nations System, there is significant potential to link the fund with other investments related to the SDGs, such as those targeting climate change, sustainable production and consumption patterns, and sustainable tourism. A refocusing of the fund towards development funding schemes linked to the 2030 Agenda and the post-Covid-19 era would help to create stronger partnerships and open the fund to a diverse wealth of financial sources as yet unexplored. The next decade, approaching 2030, will be decisive. There is an opportunity for the IFDC to find more flexible partnership mechanisms with regional institutions and development banks to foster emerging creative economy models, and fund relevant initiatives that directly impact the 2030 Agenda priorities through heritage and creativity, particularly through South-South and North-South co-operation.

Lázaro I. Rodríguez Oliva is an international consultant on cultural policies, creative economy and sustainable development. He is a member of the Panel of Experts of the UNESCO International Fund for Cultural Diversity (2020-2023) and part of the European Union/UNESCO Expert Facility on the Governance of Culture in Developing Countries. He is author of the Inter-American Development Bank Paper, *Creative Economy in Latin America and the Caribbean: measures and challenges* (2018). Rodríguez was coordinator of Panama UNESCO Creative City of Gastronomy Program (2017-2020), and president of Ibercocinas, an Ibero-American Secretariat cultural cooperation initiative (2019-2020). He is currently working on transformative creative economy and the 2030 Agenda.



Aligned capital for creative entrepreneurs

Alexander Kühl, Co-Founder &
Camille Canon, Partner
Purpose Ventures

Conventional investment approaches are a poor fit for creative entrepreneurs. A model that leads to steward-ownership is a better solution for enterprises with a purpose beyond shareholder value.

'What world are we creating if we're only creating companies that are profit-maximising?'
Perry Chen, April 2019, Skoll World Forum

In the startup phase, creative entrepreneurs often struggle to find values-aligned capital that will support their mission, long-term vision and independence. When they are raising funding, these entrepreneurs typically encounter a generic, one-size-fits-all approach to venture capital, designed to produce unicorn businesses and home runs for investors. These investments commonly force businesses on a track to fast growth or failure, and ultimately push founders towards an exit, either through a sale or an IPO. This approach to growth capital has been adopted by a lot of impact investors without extensive consideration of the long-term effect these funding structures and instruments have on a company's mission, values and impact.

These conventional investment forms are at odds with the ambitions of many creative entrepreneurs and their founding values and missions. Such founders are interested in more than growth for growth's sake. In the face of mounting social, political and environmental crises, they have deliberately chosen creative enterprise and entrepreneurship – rather than policy, non-profit or activism work – as their vehicle for social change. They want to create businesses that are social and sustainable. As a result, they often struggle with conventional, institutional venture capital terms, which can force them to dilute their founding missions to satisfy the needs of investors (exits, rapid growth, short term liquidity, etc.).

> Socially motivated creative enterprises need investment and ownership structures that do not force founders to sell their companies or compromise their missions

Socially motivated creative enterprises need investment and ownership structures that do not force founders to sell their companies or compromise their missions. At Purpose Ventures, we provide aligned growth capital to purpose-driven entrepreneurs and work with companies to transition to steward-ownership. Steward-ownership is both a set of legal tools and a philosophy that companies should exist for a purpose beyond just driving shareholder value, and that it should be the people in a company or closely related to its mission who drive decision making.

Steward-ownership forms have been adopted by a handful of pioneering companies in the United States, including OpenAi, Organically Grown Company and Mozilla, and by dozens of mid-sized businesses across Europe as a whole, as well as more than a thousand companies in Denmark specifically. These models have been tested for over a century and these businesses are proven to act as socially responsible corporate entities that reduce the adverse impact of our economy on the planet. Steward-owned businesses not only often outperform traditional for-profit companies in profit margins, but they are also more likely to emerge from financial crises intact and offer significantly less volatile returns. Compared to conventionally owned companies, steward-owned companies also pay employees higher wages with better benefits, have lower employee attrition rates and are less likely to reduce staff during financial downturns.

In 2018, we invested in Creative Action Network (CAN), a community of artists and advocates making art with purpose and driving political change. We connected with CAN after their year-long hunt for a growth investment that aligned with their mission of combining political activism, creative crowdsourcing and supporting artists. We worked with them to develop a self-liquidating demand dividend investment structure, which enables them to share the economic upside with their stakeholders (e.g. artists, political nonprofits) while providing us and other investors with a risk-adjusted return. Our investment has helped them scale their impact and create new creative, political campaigns. At the end of our term, CAN will be a 'self-owned' company, able to reinvest its profits back into its purpose and its community of artists to further scale its impact.

We are proud to have supported CAN in becoming a pioneering example of steward-ownership in the creative economy, and we are dedicated to supporting creative entrepreneurs in the future. We believe that to support these entrepreneurs to realise their mission and preserve creativity, we need to examine how we invest – not only what we invest in. We need to look at how an investment structure drives long-term impact or undermines it, and how these structures are supporting the Sustainable Development Goals and driving for a more inclusive, sustainable and equitable society.

The world needs creative leaders and solutions. It's our job to foster their creativity and preserve their impact through aligned investments.

Photo credit : The Purpose Foundation

Alexander Kühl is an economist and investor. Alexander studied Philosophy, Politics and Economics at the University of Oxford and University College London. Working for a leading economic consulting firm (NERA), he has advised international corporations, governmental organisations and financial institutions on matters relating to mergers and acquisitions, competition, finance, regulatory issues and due diligence. Alexander co-founded Purpose Ventures e.G., a coop that invests in start-ups that are steward-owned, and the Purpose Network gGmbH. In addition to his work at Purpose, he is an investment adviser for a family office with a 100 per cent impact portfolio.

Camille Canon is a partner at Purpose and leads the network's US activities. Camille speaks publicly and writes about steward-ownership, governance and financing, and the role of ownership in building a more equitable and sustainable economy. Camille also consults with businesses on their conversion to steward-ownership structures and facilitates investments for Purpose Ventures and Purpose Evergreen Capital. Prior to Purpose, Camille spearheaded a real estate development initiative in Northern California for Urban Green Builders, focused on affordable housing, social enterprise and community development. She holds a BA from Mount Holyoke College.

Power dynamics, collaboration and creativity

Becky Schutt, Head of Developing Inclusive & Creative Economies (DICE) &
Tristan Ace, Global Lead Partnerships & Development Social Enterprise/Developing Inclusive & Creative Economies, British Council

The UK's international cultural relations organisation is finding thoughtful ways to address the power imbalance in the funder-grantee relationship.

'It was nice to have a programme like DICE that is so open to feedback, that is so open to finding new ways to grow and evolve. I haven't really experienced that with another organisation.'
Tuliza Sindi, DICE Collaborator, BRNWSH, South Africa

'Before DICE I had been wrought with anxiety about the power dynamics of the relationship – of my riding in on a white horse brandishing a sword to save the vulnerable young [in Brazil]. But DICE has made my heart beat to a different rhythm. All that my friends needed was a boost of confidence to realise they were always meant to be on the global stage.'
Persis Jadé Maravala, DICE Collaborator & Artistic Director, ZU-UK speaking about her partnership with Lá da Favelinha (Brazil) on seeing their work in NY Times, Guardian, BBC in the first week of UK lockdown

'The most challenging debate in international development currently is the paternalism inherent in any external intervention. Paternalism is an infantilising narrative, and directed from the Global North to the South in international development efforts. DICE presents a way of building trust with participants, and overcoming problems of collective action...valuing creativity for assisting the poor and marginalised in finding a voice to connect with the global economy.'
JP Singh, Professor of International Commerce & Policy, Schar School of Government, George Mason University

Douglas Magno/Agence France-Presse Getty Images. / Lá da Favelinha as featured in NYTimes, BBC, Guardian

The relationship between funder and grantee embodies a power dynamic that has a profound impact on the success or failure of a project. It can further reinforce existing structural inequalities that in some cases the project itself may have been set up to address. Our assumption in developing the £2 million DICE Fund in 2018 was that the way in which the fund itself was established and related to potential grantees was as important as the projects that were ultimately funded.

As the UK's international cultural relations organisation, the process of developing relationships is as important to us as the outcome; in our 80-year history in over 100 countries, the British Council has brokered connections with communities in the UK and those around the world. We have done so through a range of approaches, and are persistently interested in how the underlying motivations and sources of capital (social and cultural, as well as financial) influence the ultimate impact of our work.

We emphasised the experimental approach throughout, encouraging grantees to make mistakes and rework their methodology halfway through as required, and staying by their sides as their collaboration unfolded

The DICE Fund

The DICE Fund was the centrepiece of the British Council's programme of the same name - Developing Inclusive & Creative Economies. DICE was established as an interdisciplinary £7 million two-year pilot seeking to address profound economic exclusion through the tools of creativity, entrepreneurship, creative social enterprise, policy and international collaboration. DICE builds on the British Council's longstanding networks, research and expertise in these areas – including nurturing creative economies in over 30 countries over the last decade and social enterprise in over 60 countries. We recognised the need to develop and design with and for those most excluded, including young people, women and/or people with disabilities.

Delivered in Brazil, Egypt, Indonesia, Pakistan, South Africa and the UK, the DICE Fund connected 28 UK intermediaries[1] with 28 counterparts in the other DICE countries. The 'Collaborators' were charged with co-designing and co-delivering capacity-building programmes for creative social entrepreneurs. We funded those Collaborations that set out to work with people less likely to have access to economic opportunities due to conscious and unconscious societal and structural barriers.

With the aim of ensuring sustainable livelihood and improving living conditions, these 28 separate collaborative projects included:

- Incubating 60 creative-social enterprises led by Afro-Brazilian women in Rio de Janeiro, boosting their pride, reaffirming their role as entrepreneurs and building their networks in the process, led by Asplande (Rio) and Social Starters (England).
- Mentoring 26 women in domestic service in Hillbrow, South Africa to launch their own creative and social enterprises with BRNWSH and London's Hackney Cooperative Developments; and exploring the synergies that can exist between Hackney and Hillbrow cleaner collectives and what relevant infrastructural interventions can be exported from South Africa to the UK.
- Creating employment and improved livelihoods for beggar communities in villages near a UNESCO World Heritage Site, focusing on the development and sale of eco-friendly crafts and products with Heritage Foundation Pakistan & the University of Glasgow.
- Transforming Nalitari, a donation-based inclusive arts space in Yogyakarta, Indonesia into a social enterprise and leading networked organisation, where disabled members of the community come to socialise and express their creativity through dance – delivered in partnership with England's Epic Arts.
- Encouraging the voices and opinions of young women in order to develop income-generating enterprises aiming to solve social problems in Egypt, with Waqfeyat Al-Maadi and Northern Ireland-based Youth Bank International.

1. accelerators, incubators, networks, arts organisations, creative hubs, and research organisations

Some activities addressed structural barriers to inclusion by developing and delivering sensitive content. And some activities sought to compensate for the hidden costs of participation for priority groups, addressing barriers to participation directly. Together, the 56 organisations worked with 9,100 creative social entrepreneurs in the year the fund was administered. We consciously sought out unusual suspects to work with – organisations and communities that would never normally connect with an international organisation such as the British Council. As a result, 71 per cent of the organisations were new to us. We recognised the complicated histories and legacies of the locations in which we operated. We weren't always successful but we learnt during the process.

While each project is a story unto itself, it is the portfolio of them together that is most exciting for us – each providing a unique personality and approach to addressing economic exclusion through their shared and local definitions of creativity, innovation and inclusion. How then can we nurture learning across these projects? How can we all learn and grow from the experiences of these projects, not least when economic inequality and exclusion manifest themselves in a variety of different ways in all communities?

The learnings so far

And so to the first question we posed: what are the conditions we can put in place to acknowledge or redress the power dynamic that a funder brings to the table? We have learned a few things so far.

The approach

- We emphasised the experimental approach throughout, encouraging grantees to make mistakes and rework their methodology halfway through as required, and staying by their sides as their collaboration unfolded – including by actively highlighting that British Council was also learning as we went, exploring new avenues and approaches.

The process

- We structured the grants to provide time and resource for collaborative relationships to develop – acknowledging that the collaborative process takes time and it costs more to reach the unusual suspects.
- Throughout the application process, we hosted drop-in clinics and debriefing sessions for those that were not successful – acknowledging that the language of international grant applications needs to be as accessible as possible for those who find applying to be a daunting prospect.

Perspectives

- We promoted the impact that the communities themselves see as impact – in our case, through training 14 DICE Young Storymakers to find and tell the most important stories in their communities – acknowledging that our perspective is not the only or most important one.

Measuring success

- We questioned whether our monitoring & evaluation (M&E) infrastructure could mirror the processes of the projects themselves – for example, the use of storytelling, inclusive and creative processes. We also questioned what we could measure in the short term to understand how we were working towards long-term economic change – while acknowledging that surveying and M&E fatigue was a challenge for many of our partners.

Language

- We adjusted the language we used – who is doing the 'empowering'? Who is doing the 'marginalising'? – acknowledging that the language we use can be a barrier or a motivator, and in and of itself can reveal a power dynamic.

Team

- We built a team that embodies the values that the fund itself argues for – inclusion, creativity, mutuality, co-design, purpose – acknowledging we need to practise what we preach.

Two years later

Like any experiment, the DICE Fund has led to as many questions as answers. Thus today – as we launch a new DICE Digital R&D Fund – we are even more explicit in our quest to better understand the conditions we can put in place to ensure a safe and joyous space for partners from different cultures, contexts and sectors to co-design together. We are asking:

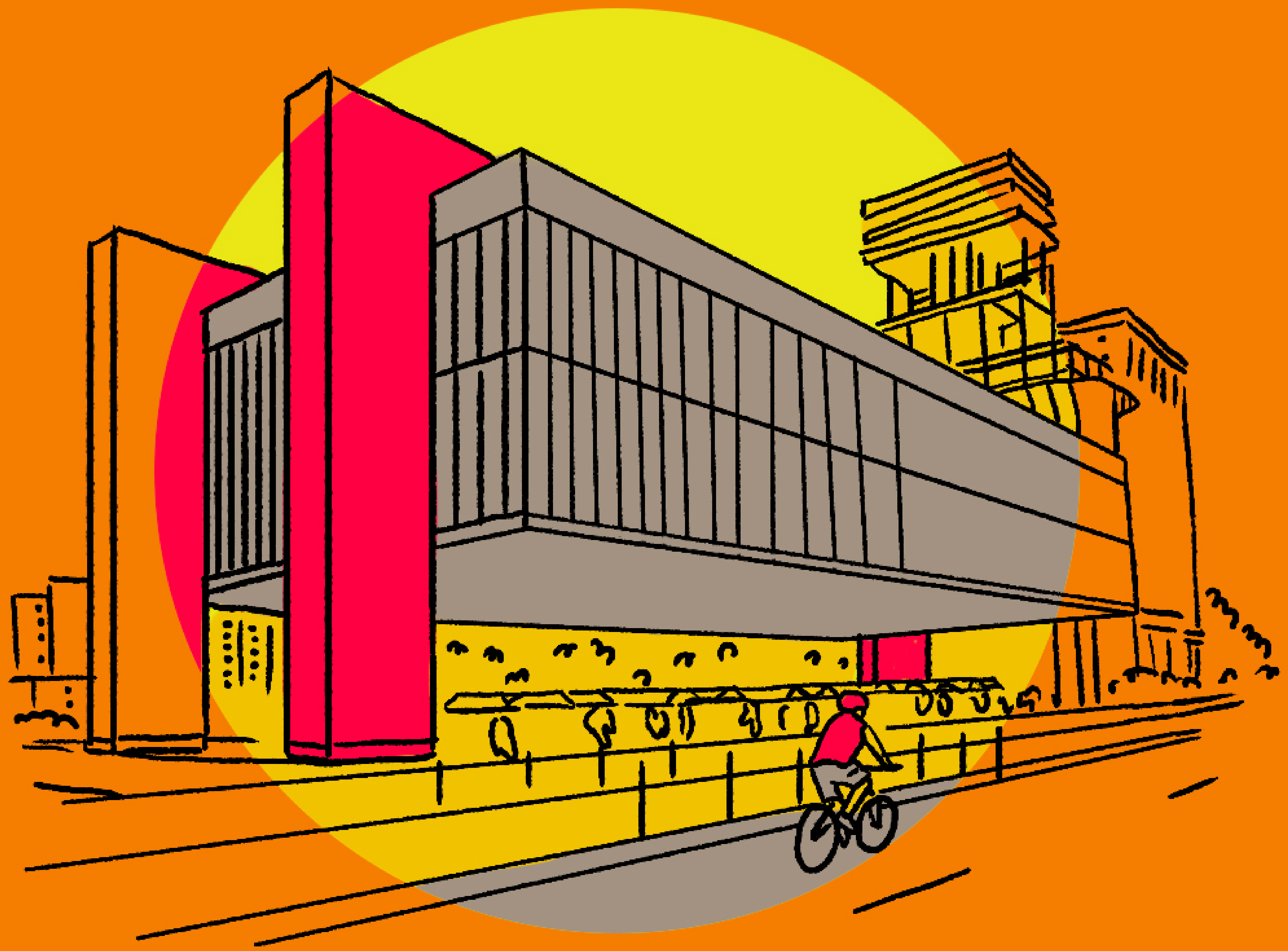
- What is the art and science of true co-design? How does one (can one?) let go of ego?
- What is the perception of a UK partner, not least in postcolonial nations? How conscious or unconscious are our biases? How open can or should we be with one another about these biases? What tools do we need to have these difficult conversations? What is our motivation for wanting to work with you and what is yours for wanting to work with us?
- How do confidence, self-doubt, joy and generosity manifest themselves in our workplace, in our partnerships and in creative entrepreneurship? How do these emotions help and hinder us as we work towards impactful solutions to our greatest challenges?
- Can we create a shared sense of purpose in our work? Is there such a thing as a 'collective vision' – and, if so, how do we get there?
- When should we stop collaborating and admit that the process is not working?
- How can we measure the value of this work? Investing in relationships takes time and valuable resource – what are the opportunity costs of this investment?

2020+

Like creativity and collaboration, cultural relations has no end – it is a process. Our role is to provide the enabling infrastructure and underlying conditions to allow people from different paths to learn, share and create together. We are excited to apply these processes to imagining and building a more inclusive global economy together.

Tristan Ace leads the British Council's work in social enterprise and social impact investment in the Asia Pacific region and is responsible for the flagship policy and government engagement programme, which provides support to develop social entrepreneurship in the region. He has worked in more than 20 countries, developing partnerships with government and regional organisations, including UNESCAP, World Bank and AVPN. Tristan is passionate about the role that social enterprises play in building fair, inclusive and just societies and the role that governments play in driving policy innovation that supports social entrepreneurship more broadly. He is co-chair of the East Asia steering committee of Aspen Network of Development Entrepreneurs (ANDE) and is honorary lecturer at the University of Hong Kong.

Becky Schutt is Head of Developing Inclusive & Creative Economies (DICE) at the British Council. She is former Fellow at the University of Cambridge Judge Business School, where she established the MBA Concentration in Arts and Culture, and former Chair of Hoipolloi Theatre and the UK's catalytic Relaxed Performance Project (2012-2013), exploring theatre access for people with severe autism. Becky has advised over 65 international organisations, including Arts Council England, Banff Centre, Beamish, National Museum of Afghanistan, National Museum Wales, Northern Ireland Tourist Board, Prince's Foundation, State Tretyakov Gallery, Tate and UKTI. She began her career travelling aboard Artrain USA, and at the Newark Museum. She received her BA (Hons) in Arts & Ideas from the University of Michigan, and her MBA from the University of Cambridge.



Creative intensity, culture and new pathways to Brazilian development

Eduardo Saron, Director of Itaú Cultural & **Leandro Valiati**, Professor of Creative Industries and Cultural Economics, Federal University of Rio Grande do Sul

A classification approach proposed by Nesta provides a framework to evaluate the contribution of Brazil's creative industries to its economy. The UK is a useful model of the policy approach needed to unlock the sector's full potential.

The theme of the creative industries gained attention in the late 1990s, after its widespread adoption in UK public policy as part of a search for a new dynamic of economic development to respond to the emerging globalisation process. The logic is that there is a special potential for generating economic growth in sectors that generate value through creativity, especially with the increasing importance of knowledge-based activities. Because of its pioneering role in this discussion, the British government was also the first to create a debate on what would be the main economic activities within the creative industries, through its Department of Culture, Media and Sport (DCMS). Over the years, this classification has been made more sophisticated, reflecting a growing stream of creative innovation that extends throughout the economy, in addition to activities traditionally recognised as creative industries. The work of Bakhshi, Freeman and Higgs brought a more systematic way of evaluating which sectors could be grouped as being intense in creative labour.[1] This approach assumes that the foundation of the creative sectors is creative workers. The creative sectors are therefore those in which there is a high concentration of creative professionals, in contrast with other sectors of the economy (which, although they may also employ these workers, do not employ them as a central point of value formation).

The model of creative intensity constructed around the concept of creative worker brings up the importance of analysing the economic context in which this type of worker is inserted. It is argued that creative work calibrates the process of changing the logic of mass production to the logic of a knowledge-based economy. This new economic organisation requires more cognitive and less repetitive skills from workers.[2] In the 19th century, the main occupations, in terms of jobs generated, were related to manual activities performed on machines, whereas in the 21st century, more independent analytical activities dominate.[3]

According to the creative intensity model, the more creative sectors are those with a higher percentage of creative workers over the total number of workers employed. Creative workers are defined as those employed in occupations that involve creation, innovation and differentiation and which are carried out based on the specific intellectual capacities of the individual worker. To identify creative workers in a concrete way, the creative intensity model translates this broad concept into five evaluation criteria.

The first criterion is the ability to engender new processes: that is, to solve problems or achieve goals in an innovative way, with the clear and frequent use of creativity. The second is to be resistant to mechanisation, in the sense that the activity cannot be performed by a machine. The third is non-repetition and non-uniformity of function. More directly, this means that each time the activity is carried out, the production process is different, depending on the specific needs and contexts of the task. The fourth criterion is the creative contribution to the value chain: that is, the worker's performance in any sector will be innovative and/or creative. Finally, the work produces interpretation, not mere transformation. The worker really creates and innovates, not just copying, adapting or changing the shape of existing things.

In the case of Brazil, the economic structure has evolved in a different way from that of developed countries. The loss of industry participation in Brazil was not accompanied by the increase in knowledge-based sectors, but by a return to the strategy of specialisation in activities based on natural resources,[4] which led to a predominantly low-qualification occupational structure.[5] In such conditions, it is common to expect that the dynamics of the creative sectors depend on strong public policies.

Applying the criteria of the creative intensity model to the Brazilian case, we could, in a non-exhaustive way, list some economic activities that stand out according to the Itaú Cultural Observatory Dashboard created based on the concept of creative intensity: architecture; scenic and visual arts; craft activities; cinema, television, music and broadcasting; editorial; design; fashion; museums and heritage; advertising and information technology. For instance, broadcast television (61.7 per cent), radio diffusion activities (61.6 per cent), content programmer to audiovisual (60.6 per cent), software (60.6 per cent) and advertising (50 per cent). In other spheres the activities manifesting creative intensity are found in craft (47 per cent), publishing (37 per cent), theatre (27 per cent), newspapers (23 per cent) and photography (22 per cent).

According to the Dashboard, creative workers amounted to 4.4 million people in the first quarter of 2020, with 2.6 million of these working in the creative sectors and the remaining 1.8 million distributed in other sectors of the economy, applying their creativity to the provision of products and services. In the creative sectors, there are 2.4 million support workers, who are not themselves responsible for creativity but assist in the execution of activities. Combining the employees in the creative sectors with the creative workers who work outside them, the creative economy provides a total of 6.9 million jobs in Brazil today (8 per cent of the total).

In the context of severe economic crisis in Brazil, looking at creative labour intensity is fundamental, not only because of the amount of jobs currently generated, but also because of the potential to spread innovation and catalyse new markets and internal and external businesses. The cultural and creative sectors can play an important role in reviving the country's economic growth and development based on new, 21st century paradigms. However, as in England – the model of liberalism – in the early 1990s, a modern programme of education, investment in culture (as the core of the creative industries), cutting red tape for innovation and massive investment in science and technology is essential. All of this requires mediation and planning of modern, clear and strategic public policies, which, by clarifying, can lead the country to be a protagonist of the 21st-century global economy and society.

Itaú Unibanco and culture in Brazil

Itaú Unibanco has a long tradition of supporting art and culture in Brazil. Whether through the Itaú Cultural Institute, the Itaú Cinema, the keeping and maintaining of the largest corporate art collection in Latin America, or through sponsorship projects across the country, the institution has historically supported artistic production because it believes in the power of culture for the transformation of society and the strengthening of citizenship.

In 2019 alone, the group invested BRL 248 million (US$63 million) in cultural projects. Of this, approximately BRL 127 million (US$32 million) was invested with the group's own resources. The rest, around BRL 121 million (US$31 million), was executed through the Culture Incentive Law, making Itaú Unibanco the group that invested the most in Brazil in projects through this incentive in the year. Adding resources for educational, sports, health, urban mobility and other projects, the group's private social investment reaches about BRL 800 million (US$203 million).

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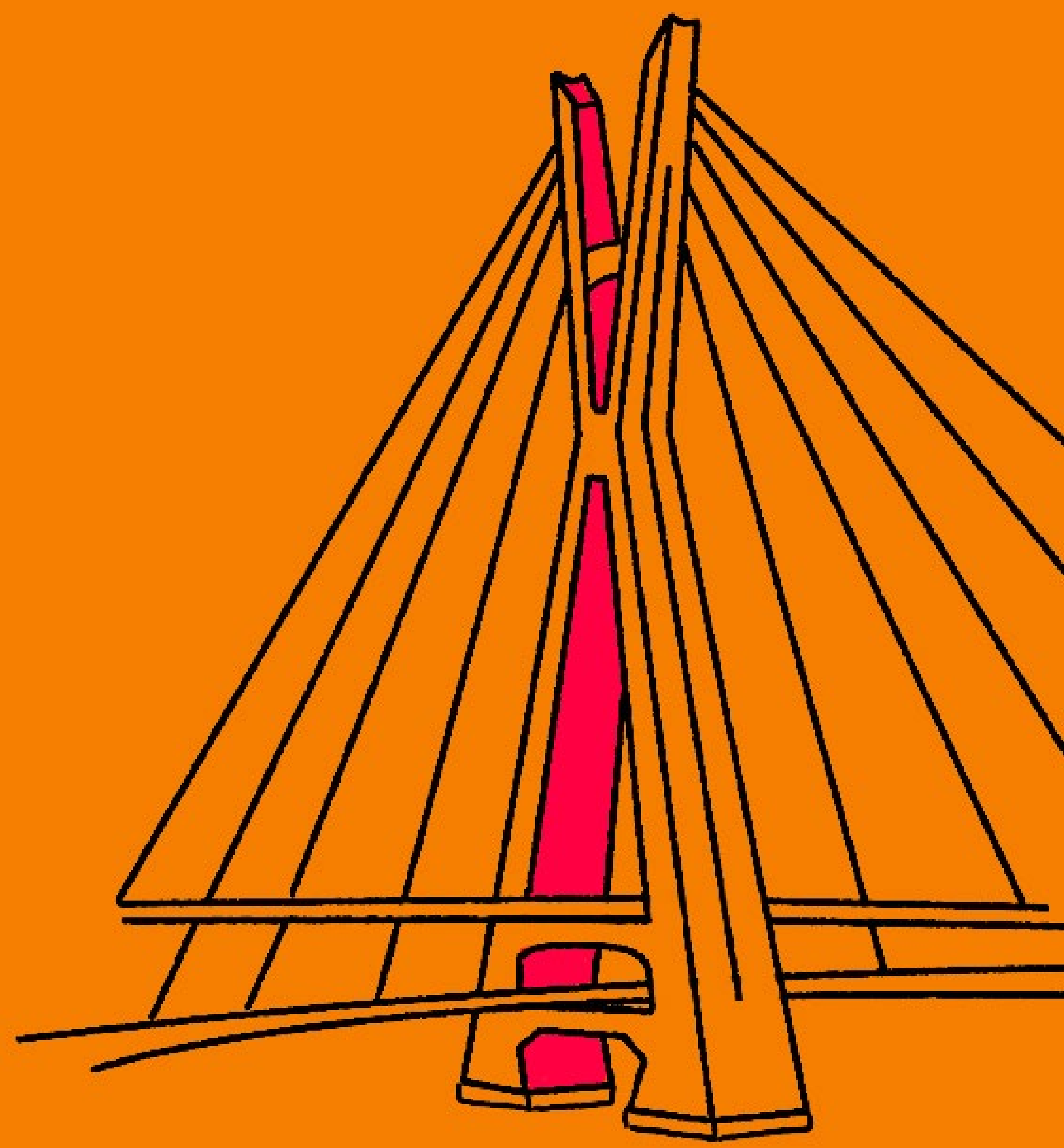
2. C. Goldin; L.F. Katz, 'The Origins of Technology-Skill Complementarity', The Quarterly Journal of Economics, v. 113, n. 3 (1998): 693–732.
3. nber.org/system/files/working_papers/w18715/w18715.pdf
4. J.G. Palma, 'Four Sources of "De-industrialisation" and a New Concept of the "Dutch Disease"', in: J.A. Ocampo (ed.), Beyond Reforms: Structural Dynamics and Macroeconomic Vulnerability (Washington: ECLAC, 2005), 71–116.
5. C.S. Dedecca, Notas Sobre a Evolução do Mercado de Trabalho no Brasil, Revista de Economia Política, v. 25, n. 1 (2005): 113–130.

Eduardo Saron has been a cultural manager for almost 20 years, and is director of Itaú Cultural, president of the Council of Culture and Creative Economy of the Government of the State of São Paulo and director of the Museum of Modern Art of São Paulo (MAM). He is an adviser to several institutions, including the São Paulo Art Museum Assis Chateaubriand (Masp), the São Paulo Biennial Foundation, the Jewish Museum, the Paço do Frevo (in Recife, PE) and the Pro-Dance Association (APD), and is manager of São Paulo Companhia de Dança and of the CPFL Institute.

Leandro Valiati is an economist, with a PhD in Development Economics and a post-PhD in Creative Industries (Labex-ICCA/Sorbonne-Paris 13). He is a professor and researcher in Creative Industries and Economy of Culture at several universities, including the Federal University of Rio Grande do Sul (Brazil), Queen Mary University of London (UK) – Peoples Palace Projects and Network Centre, University Paris 13 (Labex-ICCA/Sorbonne, France) and the University of Valencia (Spain). He is principal and co-investigator in international academic research funded by AHRC (UK), ESCR (UK), Ministry of Culture of France and Newton Funding (UK). Leandro holds a Newton Advanced Fellowship from the British Academy. He holds positions at the Advisory Board of Policy and Evidence Centre of Creative Industries (UK) – Nesta/AHRC, and the International Board of Policy and Evidence Centre of Creative Industries (UK) – British Council, and is Visiting Senior Researcher at the Global Policy Institute - Queen Mary University of London.



Safeguarding a creative and cultural moment: The impact of Covid-19 on Africa's creative sectors

George Gachara
Managing Partner, HEVA Fund LLC

Africa's cultural renaissance provides huge economic and social benefits that must not be lost in the pandemic. The region's first dedicated finance and support facility for the creative industries is evaluating transformative solutions.

In the first 20 years of the 21st century, the increasing visibility of cultural and creative industries in cities across Africa has been emblematic of the African renaissance – characterised by the growth of per capita and household incomes, aggressive transformation of urban spaces, rapid adoption of digital communication, growing diaspora remittances and increased foreign direct investments. Most of all, this included a growing sense of self-esteem, and vastly increased and globally consumed cultural expression through music, film, gaming, fashion and contemporary art, along with other cultural products and experiences driven by the dynamism and innovation of its citizens.

The renowned Cameroonian philosopher Achille Mbebe, in his paper Africa in The New Century, says that this renaissance process 'has been rendered even more powerful by its convergence with two parallel developments. The first is the emergence of the digital technologies of the information age, and the second is the financialisation of the economy.' Across the continent, creative individuals continue to leverage their cultural assets and knowledge – in design, language inventories, music styles and poetry, traditional crafting, healing and wellness practices, food preparation and cuisines, visual languages, and storytelling – to break the glass ceiling, and to make their mark in the continent and around the world.

Countless founders in cities across the continent make up a galaxy of interconnected enterprises, ventures, gigs and hustles, which we refer to as the creative and cultural industries. These in turn provide livelihoods and personal fulfillment to millions more, while defining contemporary urban lifestyles as they serve their fellow citizens at home and abroad.

The surge has also attracted cautious institutional interest, with early commitments coming from, among others, the Central Bank of Nigeria's Creative Industry Finance Initiative for fashion, film, ICT and music; the African Development Bank's fashion investment programme; Afreximbank's creative industry facility; and the investment facilities for film, music, gaming and fashion of East Africa's HEVA Fund, to highlight a few. These initiatives are signalling an increasing confidence in the cultural and creative industries, providing the information necessary for commercial investment and positive action from governments.

At HEVA, for example, our Cultural Heritage Seed Fund has invested in projects as varied and vital as Paukwa House, a storytelling firm created to infuse Kenyan national narratives with positive fact-based stories, and Harriet Ng'ok, a herbalist working to generate and share knowledge on the cultural significance and use of herbal medicine. Our Young Women in Creative Industries Fund has helped women-owned and women-led early-stage creative enterprises in Kenya to expand production and distribution, build e-commerce platforms, buy equipment and build their teams.

> Countless founders in cities across the continent make up a galaxy of interconnected enterprises, ventures, gigs and hustles that we refer to as the creative and cultural industries

It is important to consider that while the creative industries are materialised by market dynamics, they are at the same time providing a transcendental service for their audiences and communities. Despite the tension between artistic practice and commercial values, creative services continue to reward their audiences with subjective payoffs, which include but are not limited to reassurance, confidence, positive emotions, an evolving aesthetic of self-ownership, and in this case, a vibrant discourse in decolonisation. These extraordinary qualities are especially important during a crisis, greatly contributing to the industries' own resilience.

Seizing the moment

As we enter the third decade of the 21st century, we are confronted by the deep shocks and disruptions triggered by the Covid-19 crisis, which has not only slowed us down but also provoked critical questions to any 'business as usual' posture – questions that we have to address in order to advance the African cultural and creative moment.

To seize this understanding, we must quickly move from needing to be convinced of the viability of the creative industries in Africa to accepting that the African renaissance opportunity not only constitutes an investment in the individual artists to animate their mandates in society today (and by extension their enterprises), but a pay-forward scheme for those who want to be co-producing the realities of the second most populous and youngest continent now and over the course of the 21st century.

It seems to me that the next four years will represent one of the most consequential periods in the recent history of the cultural and creative industries in Africa. In the next year, because of the pandemic, we are bound to witness increased pressure on (and disruption of) practices, business models, supply chains and delivery of creative goods and services. This, if left to proceed uninterrupted, will unfortunately lead to the bankruptcy and closure of many businesses and severe job losses.

However, with the necessary investment, business support and innovation, the more agile propositions will survive and will embark on a slow recovery: questioning old norms; looking to understand the post-Covid-19 reality through experimentation and research; stabilising operations; and reinventing new positions. Only then can these entities find new growth, adopt new technologies and discover the benefits of the new ways of living and working.

The time is now

Having waived fees and charges to help increase the resilience of our portfolio businesses early in the pandemic, HEVA Fund received additional, more frantic requests for cashflow support related to the economic effects of Covid-19. These requests, adding up to over US$500,000, were primarily seeking to preserve over 1,000 jobs, in a limited time period through the end of August 2020. While we are exploring strategies to meet some of these needs in the short term, this stark reality is indicative of the pressure cultural and creative businesses are experiencing as a result of the pandemic.

While considering a response, it is imperative that we fashion a transformational finance and support facility that will not only provide a lifeline for the ventures to survive the current crisis until their next business cycle, but also encourage the transformation of these industries, in order to set them up for future growth.

This facility should take into consideration recalibrated timelines for slow recovery through responsive models, to allow practitioners space to recover and reinvent. It should encourage ownership of production and distribution platforms, growth and integration of ecosystems to reduce risk, and learning to help increase value and productivity. In addition to these business outcomes, the facility should also consider laying ground for increased access to social protections, such as housing, healthcare and production infrastructure investments.

Achile Mbembe is convinced of the forward motion of the African arts project, 'Whether one likes it or not, Africa is firmly writing itself within a new, de-centred but global, history of the arts'. According to Achile, 'the emerging consensus is that the destiny of our planet will be played out, to a large extent, in Africa. This...will constitute the main cultural and philosophical event of the 21st century'.

Read the HEVA Fund report on the impact of Covid-19 on the creative economy of Kenya.

HEVA learning and development programme engagements with creative sector practitioners.

HEVA team introductions during a meeting with stakeholders.

Dr. Njoki Ngumi, Learning and Development Manager, and Ms. Wakiuru Njuguna, Partner and Investment Manager, hosting young women leaders in our OTA programme.

HEVA fireside chats with creative industry entrepreneurs on investor readiness.

All photos : Noel Kasyoka

George Gachara is a social entrepreneur, arts manager, and the managing partner of East Africa's creative industries investment facility, HEVA Fund LLP. George is leading a development and business exploration of the creative industries in East Africa, and is providing leadership in creating long-term economic and cultural value in this dynamic sector. George is also a cyclist, writer, filmmaker and thought leader.

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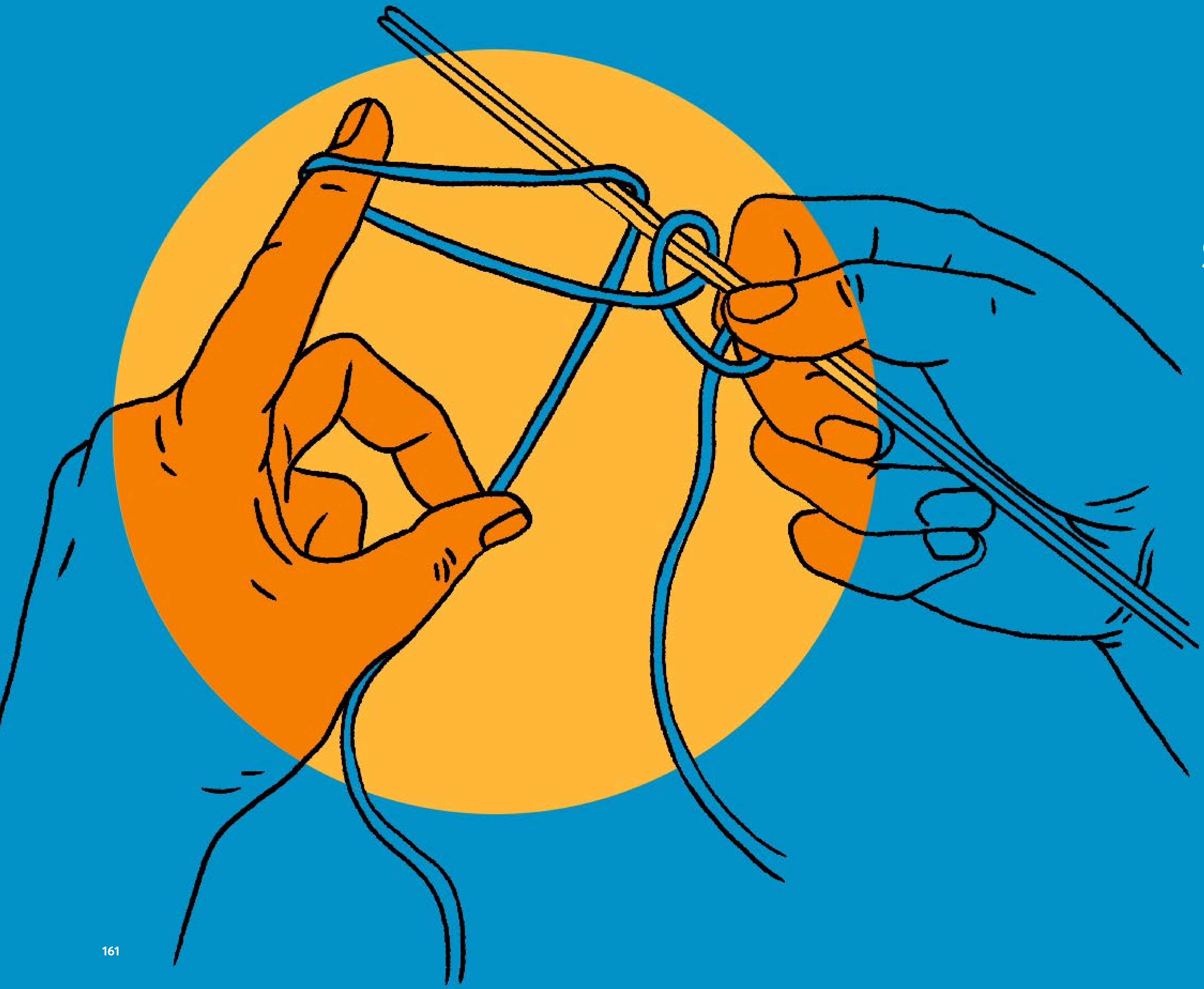


A blended finance solution for sustainable fashion and impact businesses in Brazil

André Melman
Director, Trê

During the Covid-19 pandemic, an innovative financing programme is bringing together large corporations, high net worth individuals and retail investors to support small sustainable businesses in Brazil.

Trê – Investing with cause is a young organisation born in Brazil to foster a new economy, contributing to the healthy flow of money towards businesses and entrepreneurs aligned with chosen causes. We structure and operate creative financial solutions, using blended finance mechanisms accessible to both large and small investors, catalysing the role of every donor and investor for the transformation that we want to see in the world. Working for systemic socio-environmental-cultural causes, we operate through financial vehicles, platforms and business models in collaboration with financial institutions, companies, civil society organisations and development agencies.

Our first chosen cause was conscious and sustainable fashion. In Brazil, we have the most extensive fashion production chain in the western world, from the production of natural fibres (Brazil is one of the five largest cotton producers), through spinning, weaving, designing and manufacturing of clothing, all the way up to trade production and large national retail chains. This is an industry, both globally and locally, with complex and conspicuous challenges around issues such as quality of life for workers, waste management, consumer identity and consumption patterns.

In August 2019 we structured our project, aiming to address some of these challenges. Our initial partners included C&A Foundation (now known as Laudes Foundation), which contributed catalytic capital for structuring, as well as the connection with various actors by Lab Moda Sustentável, a project also supported by the foundation. Fundación Avina and Parsifal21 have also been fundamental supporters since the conception of Trê.

We believe in collaborative practice, mobilising and engaging different partners for the success of a project. We encourage the creation of a field of trust in different ways, including art and dialogue spaces for this integration. The development of trust is the basis for the relationships in our team at Trê, and with entrepreneurs, project partners, donors and investors.

> A philanthropic pool was established as a reserve for future losses – reducing the loss risk for small investors – and potentially for lending with a zero interest rate through the platform

Early in the project, we launched a national call for businesses, in collaboration with accelerators, incubators, individuals and associations in the sector. We received 190 applications, of which 19 companies were selected based on the maturity and positive impact of their business in four dimensions.

In December 2019 we hosted a cultural event to present the first fashion businesses selected to several representatives of the sustainable fashion industry, business development and the impact investment sector.

Our initial expectation was that the 19 chosen companies would undergo a development programme from March 2020, including preparation to access potential investors. When the Covid-19 pandemic hit, some of the selected businesses went into survival mode, with the financial resources to pay their teams becoming a priority over medium-to-long-term development goals. Concomitant to these challenges in the fashion sector, impact businesses from different sectors in Brazil had already anticipated financial challenges as the country emerges from an economic and social crisis.

Faced with these challenges, and relying on our capacity for mobilisation and collaboration, we teamed up with B Corp, the Conscious Capitalism Movement and Din4mo to develop a creative blended finance solution to bring emergency financing to 50 small impact businesses, including some of the fashion businesses that had been pre-selected to receive investments. The CoVida20 project was born with great agility and engagement, for the causes of employment and income.

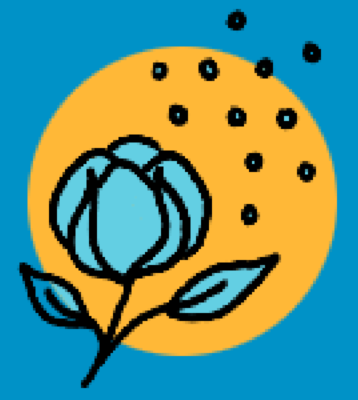
Businesses from all over Brazil have signed up for CoVida20 since April. There are over 280 enrolled to date, following a deep and agile process coordinated by Trê, including interviews, an assessment of the coherence of the impact thesis and an evaluation of creditworthiness based on the viability of the business before the crisis.

Trê as a banking correspondent, together with fintech partner Mova, a crowdlending platform authorised

Investing with cause

Why?
We believe that when acting for causes, the intentionality of change can become even stronger and more visible. Directing efforts to a systemic cause, we seek solutions to challenges at different points in the value chain.

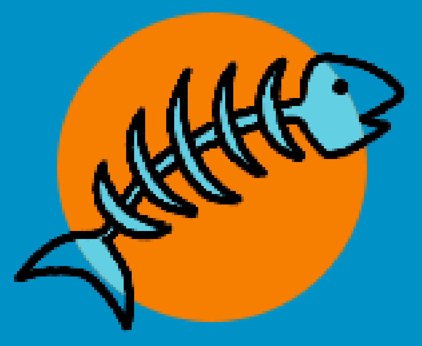
Why sustainable and conscious fashion?
The fashion industry is of great relevance for Brazil and globally.



25 per cent of world pesticides use is in cotton planting. Brazil is among the top 5 producers.

The fashion industry accounts for up to 10 per cent of global emissions.

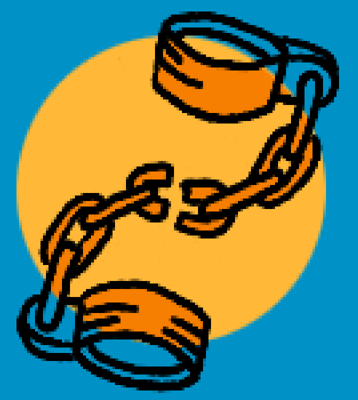
Fashion is the 2nd-highest sector for water consumption and produces about 20 per cent of the world's contaminated wastewater.



500,000 tons of synthetic microfibres enter the oceans each year.

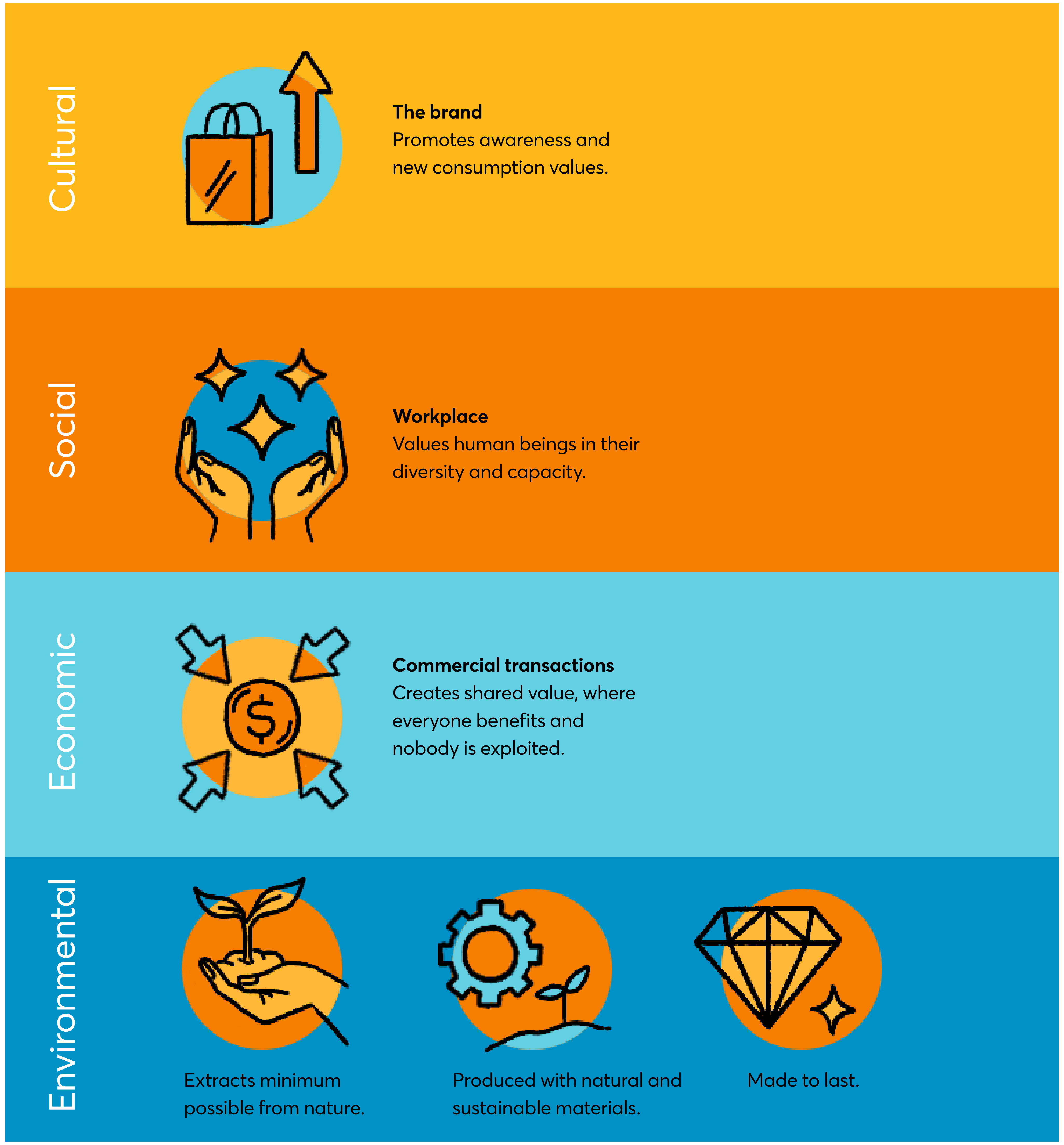
Global losses of US$500 billion per year result from clothing disposal.

There are 170,000 tons of textile waste per year in Brazil.



More than 2,000 people were rescued from slave labour in the clothing sector in Brazil between 1995 and 2013.

Business are evaluated in 4 dimensions



by the central bank, developed a financial solution that is simple enough to move at the necessary speed, and able to include investments from hundreds of small investors.

Under this blended solution, selected impact businesses can access long-term loans (up to 48 months), with a grace period up to 12 months and an interest rate of 6.17 per cent per annum, to finance two-to-four months of employee expenses. The average loan per business is close to US$25,000. These conditions are highly favourable compared to commercial bank conditions, when available.

A philanthropic pool was established as a reserve for future losses – reducing the loss risk for small investors – and potentially for lending with a zero interest rate through the platform. Large listed Brazilian corporations such as Gerdau and Magazine Luiza became donors, as did high net worth individuals, with total donations to the pool reaching close to R$800,000 (US$150,000).

Larger investors, including corporations such as Movida as well as high net worth individuals, committed investment amounts from US$15,000 to a range of selected impact businesses through the lending platform, with long lending terms (48 months). Smaller investors can lend from less than US$100 directly to chosen businesses, over shorter periods (24 months).

Sustainable fashion businesses that have already raised loans through the programme include Insecta Shoes (women-led company, based on circular fashion, sustainable design and waste management), MyBasic (women-led company working with sustainable fabrics) and Refazenda (women-led company, based on circular fashion, sustainable design and waste management).

Bringing donors and investors into new blended financing models like the ones Trê is developing in Brazil presents an important education challenge. Foundations and financing civil society organisations (CSOs) are entering an experimental phase regarding catalytic capital allocation for positive impact financial instruments. The usual philanthropic capital goes directly to CSOs working for the UN Sustainable Development Goals, not to financing intermediaries. From the investor perspective, risk and return can be equal or in some cases surpass importance, related to expected positive impact on society and planet. Attracting capital to selected businesses through a peer-to-peer platform can be a challenge when investors are used to a single deposit in mutual funds. A capital market instrument, such as a credit mutual fund or a green bond, would probably make it easier to attract investment capital from multi-family offices and individual investors. We will keep working for a future in which more robust financial structures will deliver clear and fair results for all stakeholders and for the planet.

André Melman is a director at Trê, responsible for new project development. His experience comes from investment banking, as an adviser to impact organisations, and also as an entrepreneur in the organic food industry. André holds a degree in Engineering from the University of São Paulo, and an extension in Finance from the University of California, Berkeley.

Fu/iNDING CULTURE: Designing an impact fund to support Italy's culture sector

Marco Zappalorto, Chief Executive &
Simona Bielli, Head of Programmes,
Nesta Italia

A new Italian arts and culture impact fund intends to foster a more sustainable approach in the sector.

Arts and culture organisations face several significant obstacles in securing funding. The first is that they may lack the management and technical expertise to understand the financial instruments available to them. If they apply for bank loans, they are often required to provide personal warranties. If they choose the grant route, they are not invited to think long term, because the funds emphasise specific short-term results and are not designed to promote sustainable activities.

In Italy in particular, arts and cultural organisations are typically fragile micro-businesses, tending to survive thanks to public and private grants. Grants are typically project-related, making it difficult for organisations to cover their overheads and discouraging long-term thinking. Although some of these organisations are very entrepreneurial, they are not incentivised to look for alternative sources of funding, and very few have considered bank loans. We would like to change this, fostering more sustainable behaviour and planning.

> If they choose the grant route, organisations are not invited to think long term, because the funds emphasise specific short-term results and are not designed to promote sustainable activities

Fu/iNDING CULTURE was established to help. Inspired by Nesta's Arts Impact Fund, the initiative has been designed to provide repayable loans to Italian arts and cultural organisations, typically unbanked, who want to launch or sustain the growth of an ambitious project with the potential to deliver financial and social returns.

The fund seeks to facilitate access to bank loans, decreasing personal risk for founders because it does not require personal warranties. Through this process, it aims to foster an entrepreneurial mindset and a sustainable approach in the arts and cultural sector.

The innovative aspect of the model is related to its structure: a blended financial instrument offered by a bank and covered partially by a guarantee fund provided by philanthropic foundations.

The guarantee fund will be equivalent to half the value made available by the bank in the form of loans, and in most cases will cover 50 per cent of the total amount of each loan. There may be cases in which the due diligence carried out by the bank deems the project to be higher risk. In this case, if the philanthropic foundations agree because of the innovative nature and the impact potential of the project, the guarantee fund may cover a higher percentage of the loan. Alternatively, if a project has a solid financial and economic footing, the guarantee could potentially be lower.

Devolving a part of the funding to a guarantee fund rather than to grant-making activities allows the philanthropic foundations to benefit from a leverage effect. This happens every time an organisation repays its loan, because the amount settled in the fund can be re-used to guarantee a loan to another entity.

We are envisaging a €2 million fund (for the repayable loans) and an additional €1 million fund as a guarantee. Through this, we aim to support around 30 organisations.

To be considered for the loans, arts and cultural organisations will need to meet criteria related to innovation, sustainability, financial structure and social impact. As a result of our conversations with cultural managers, artists, intermediaries and grand makers, we will also offer beneficiaries of the programme some capacity-building support during the first two years of the project, as well as instruments to monitor their impact.

Organisations will be able to use the loan to scale, expand or replicate existing projects that have proved successful, as well as to test new models such as the use of new technologies. They can also use the money for non-project needs such as supporting cash flow, supporting growth, transitioning to a new business model, acquiring new assets or restructuring.

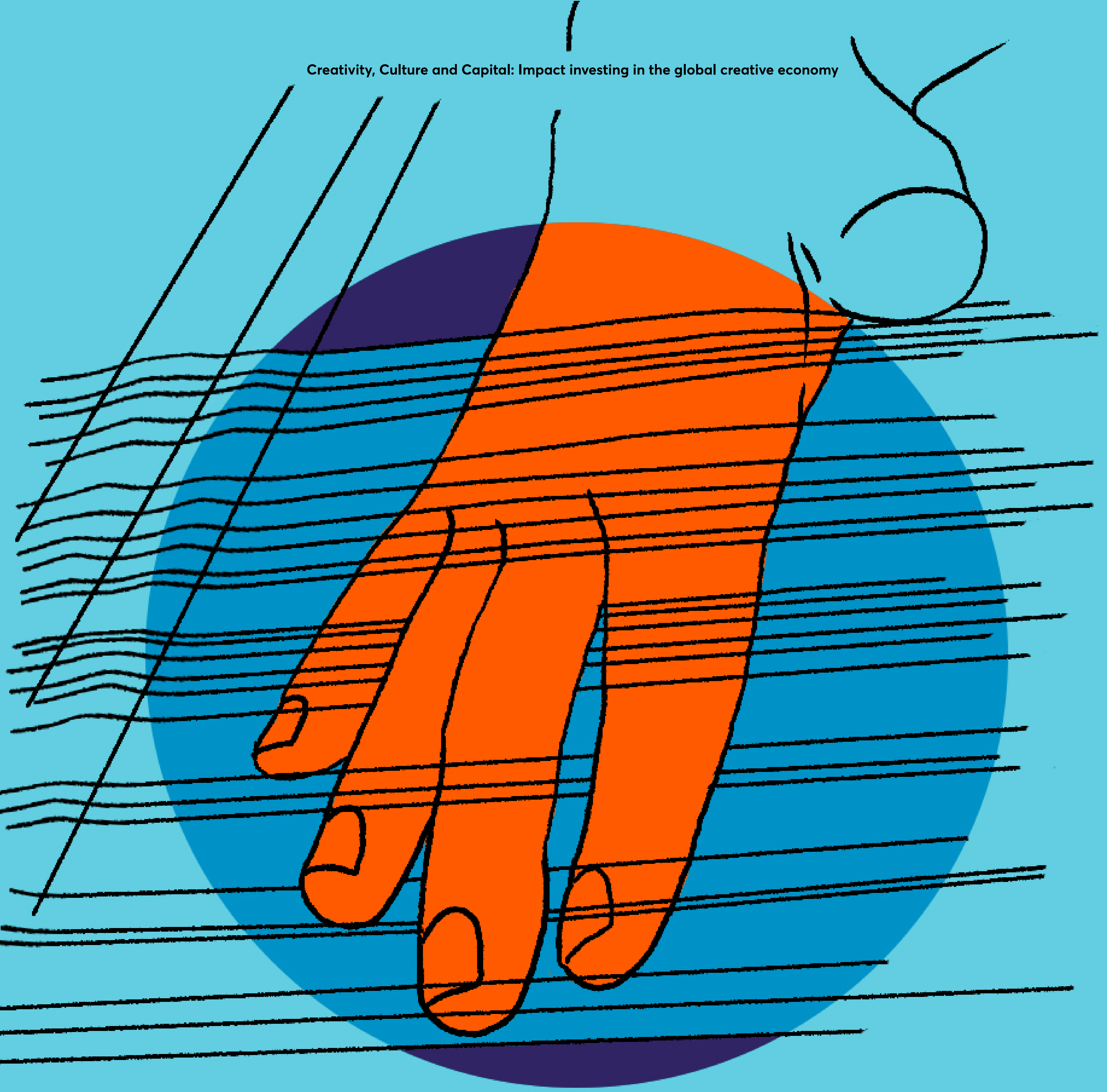
In the development of this model, we established a connection with the European Investment Fund to understand how we could apply to the Guarantee Facility for creative and cultural enterprises offered within the Creative Europe Programme. Our funding partner, Fondazione San Paolo, helped us to establish connections with a bank and create a financial model that worked for all the parties involved (arts and culture organisations, foundations, the bank).

To some extent, the model has to be designed around the interested partners. For example, having on board a bank, which can only take limited risks, represents a design constraint: we might like to give a grant to an organisation that has been exceptional in delivering cultural projects with a social impact, and which is presenting a very interesting project, but if its financials were too fragile we would be unable to do so. On the other hand, partnering with a bank provides us with critical expertise on due diligence and a knowledge of how to determine best practice in new markets.

Some very active and successful arts and cultural organisations in Italy have already expressed their interest in Fu/iNDING CULTURE. While the model is currently set up to provide loans to non-profit organisations only, after the initial 2.5-year pilot we hope to be able to extend it to for-profit entities as well. In the future, we believe this model has great potential to be implemented in other geographies – though just as we adapted the Nesta model for Italy's needs and regulations, so too will other regions need to reflect their local realities.

Simona Bielli is Head of Programmes at Nesta Italia. She oversees the organisation's portfolio of activities in Arts and Culture, Social Inclusion and Tech for Good. She leads the programmes in the Arts & Culture field, including the STARTS Regional Center in Piedmont. Before joining Nesta Italia, Simona spent three years in London working as Research and Programme Manager for the Digital Startup team at Nesta, where she managed a number of European-funded projects, specifically related to corporate and startup collaborations.

Marco Zappalorto is the Chief Executive of Nesta Italia. Marco joined Nesta in 2011; before setting up Nesta Italia, he was Head of European Development and he contributed to the establishment of Challenge Prize Centre and led most of the Centre's European and international work. Prior to Nesta, Marco worked for OmniCompete (now Innocentive), managing the design and delivery of prize competitions in a wide range of sectors for both the public and private sector. He also worked for the London Chamber of Commerce and Industry where he provided advice to SMEs on European issues and opportunities. Marco holds an MSc in European Political Economy from the London School of Economics and Political Science.



In consideration of craft: The promise at the base of the pyramid

Chris van Bergen
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Small craft producers are a huge part of the global economy, but are often overlooked by impact investors. The right financial solutions can bridge the gap.

As a consumer, you may find yourself wondering about the provenance of the beaded artwork you hang prominently on your wall, reminiscent of your trip to Morocco those years ago. Or the handwoven baskets you recently acquired from your favourite big box retailer, whose label indicates: 'Made in the Philippines'. Or your favourite scarf: you were told by the salesperson that it was hand-dyed using a centuries-old technique from India. When thinking of these treasured pieces, it is not difficult to imagine how your purchase is supporting an artisan on the other side of the world. Niche, small, quaint, closed off from the global economy: all words that are often used in describing the global handcraft sector. The assumption here makes sense, given the fact that these products are most often produced in homes or small informal workshop setups, removed from the traditional concepts behind large-scale factory production. While you have an emotional attachment to the products, it is certainly not a sector that you think of in terms of impact investing potential.

However, these perceptions of the sector could not be further from the reality. The truth is there are hundreds of millions of people engaged in craft production – at least 300 million[1] at last count – and the global craft economy is poised to reach a valuation of US$984.8 billion within the next few years.[2] These businesses range from small operations of a few people (think of a US maker) to businesses that utilise thousands of people, often in cottage industry formats, to create those coveted baskets. Craft represents one of the largest informal sectors in the world, and has long been a vital form of employment that facilitates women's participation and inclusion in the global economy. In fact, it is one of two primary means of employment for women – agriculture being the other – in emerging markets. But we also are now seeing firsthand the power it can have in under-resourced communities of makers within the United States.

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1. Gupta, Neelam (2001) Invisible labor: Social security for home-based workers of the garment, agarbatti and papad industries, Delhi, SEWA Bharat, p v and vi
2. Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023 From researchandmarkets.com

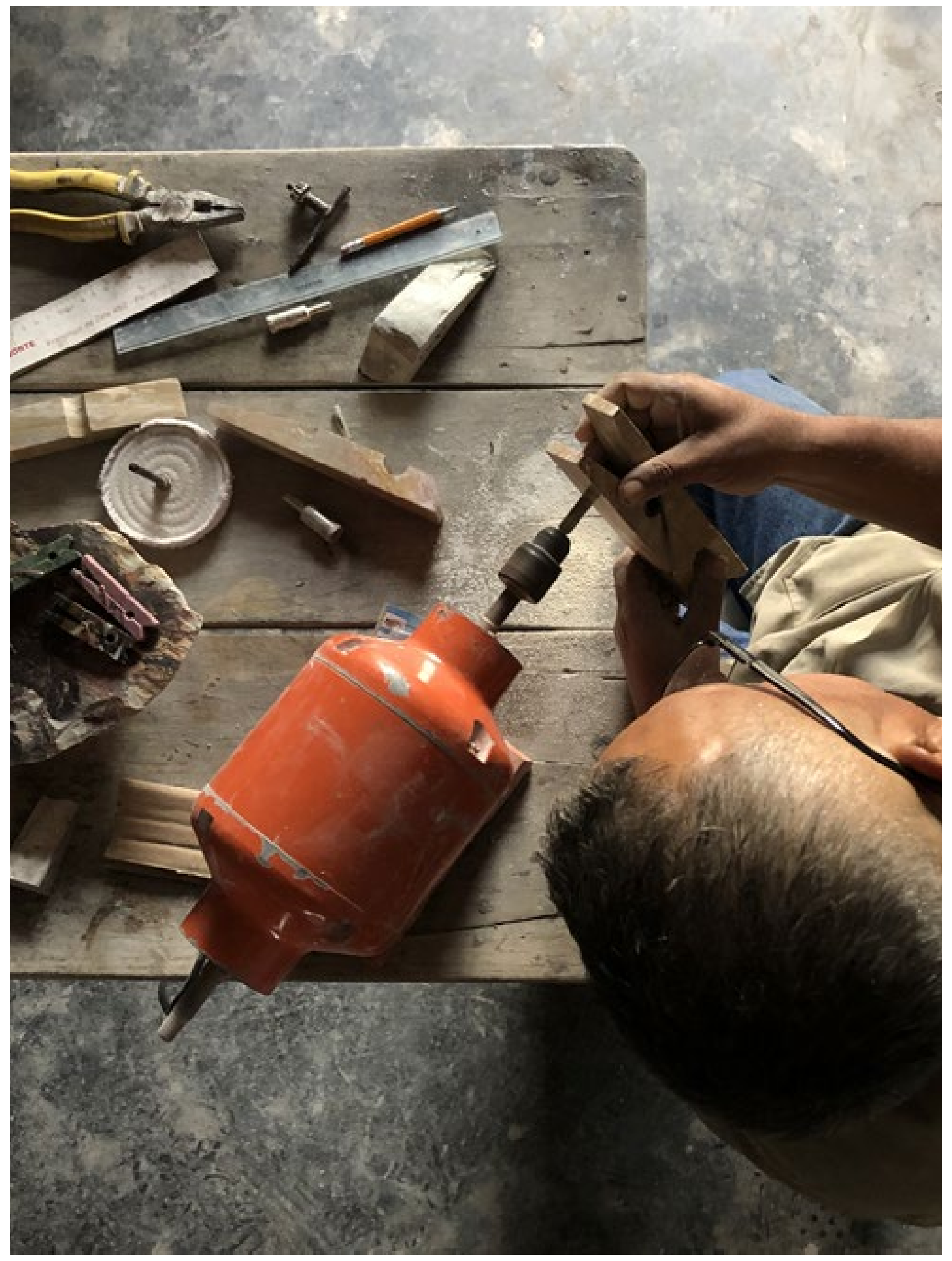
It is around this promise of impact that Nest was founded, and the reason why the education of consumers, brands, investors and philanthropists on the power of craft business for social and economic growth is core to our mission. Since 2006, Nest has been a nonprofit committed to the social and economic advancement of global artisans and homeworkers through supply chain transparency and sustainable business development. Our programmes are designed to generate global workforce inclusivity, improve women's well-being beyond factories and preserve cultural traditions of craft. We bring resources to over 1,000 businesses across 100+ countries, 77 per cent woman-led. We utilise philanthropic funds to support grassroots programming benefiting maker and craft businesses. We support major brands as they integrate artisan sourcing into their supply chains. Our Ethical Handcraft Standards, training and assessment protocols confer a consumer-facing seal of assurance on products in West Elm, Pottery Barn and Target.

Additionally, Nest looks at universal challenges the sector faces that limit overall advancement. After over a decade working with handcraft enterprises and multinational brands, we uncovered a systemic challenge that prevents increased market access and limits the ability of brands to source from decentralised supply chains: the lack of sufficient purchase order financing solutions available to small-scale producers who are poised for scale and have desirable product offerings for the international market. Financing vehicles often ignore the sector because they do not know how to calculate risk, leading to either impossibly high interest rates or a lack of investment altogether.

Impact investment offers a solution. First, just as within smallholder farmer initiatives such as coffee and cocoa, there is a need for financing options that make sense. Market demand for ethically handcrafted products is driving an increased willingness for brands to commit significant and recurring orders with craft enterprises. Yet the current purchase order practice is designed for

Craft business provides valuable economic opportunities for women around the world. Photo credit: Sukkhacitta

Handloomed fabrics being created by a skilled master weaver. Photo credit: Sukkhacitta



Artisan mixes handwork with machine skill to craft objects of beauty
Photo credit: DAR Proyectos

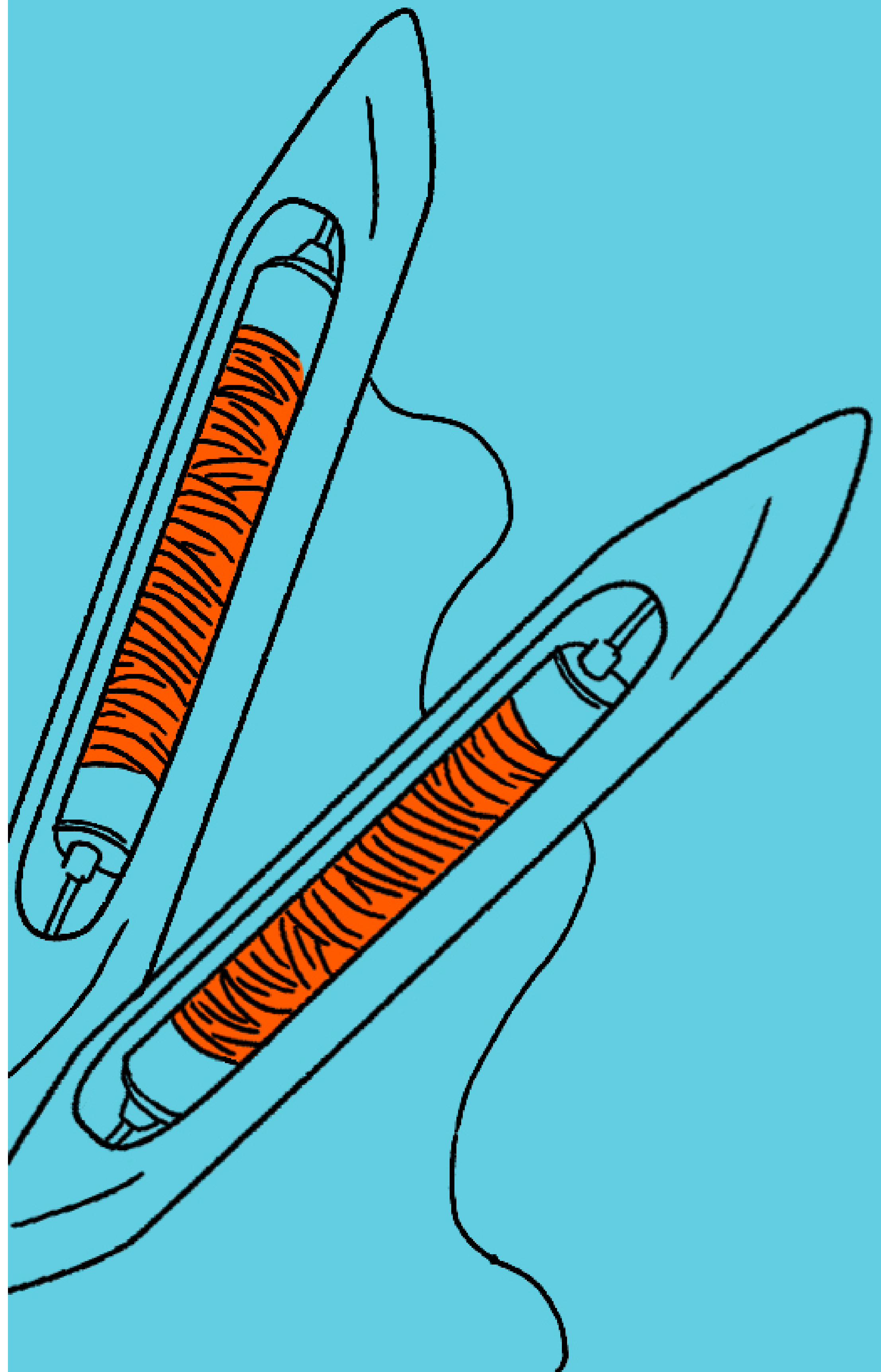
large-scale factory orders wherein brands remit payment only once an order has shipped and, in some cases, not until 60 or even 120 days after shipment. Maker and handcraft enterprises often lack the working capital required to meet these large orders, so the delayed payment creates an impossible situation for scaling businesses. Traditional financial institutions hesitate to lend working capital to these businesses without the ability to assess credit risk, or provide options at prohibitively high interest rates. The need to create purchase order financing equipped to support businesses in less formal economic settings is critical to unlocking more equitable financial access and accelerating economic growth for small businesses. Investment is needed to support these financing vehicles, and blended models should be considered in order to address first-loss capital and a reduction in interest rates to increase accessibility.

Second, within the craft sector there are businesses of every shape and size, and it is challenging for impact investors to understand where to start looking or to even realise that their interests may already be aligned with an existing business that is seeking growth capital. Businesses range from traditional e-commerce models operating out of the US (but sourcing product from cooperatives and other social enterprises), to producer businesses based in emerging economies, to craft businesses utilising revolutionary technologies to create new product out of waste plastics. The opportunities are boundless, as long as investors know where to look.

Nest's positioning as both an expert in ethical craft production as well as the craft business sector as a whole is an opportunity to diminish the gap between capital and the sector, providing the valuable information needed regarding investable opportunities on both sides of the equation, and assisting financing to right-size the risk.

Photo credit : Sara Otto

Christopher van Bergen is the CFO/COO of Nest, Inc., where he oversees programming, finances, strategic initiatives and partnerships with pioneering brands. Chris helped spearhead Nest's ethical compliance programme, and has worked to guide the organisation through years of exponential growth and impact. He is also an Adjunct Professor at the Leonard N. Stern School of Business at NYU, teaching coursework on Sustainability & Social Impact in the Supply Chain.



Afterword

Yo-Yo Ma
Cellist

Culture and creativity are already having a positive effect on the serious issues facing our society. But with the right support, they can do more.

Culture connects us. This is something I have believed for my entire life, and I have been lucky to see the proof wherever I go. Whether it's a composer, orchestra and audience creating communality through a huge work, or a simple song shared by a mother and child, culture is how we create meaning, find purpose, understand each other, experience wonder and construct new realities. That's because culture not only contains the arts but also the humanities, the sciences, agriculture, medicine, design, cuisine – all the ways that we explore and create in order to survive and thrive. Culture is how human beings express truth, build trust and find the empathy to serve each other's needs.

Culture's creative ability to build connection and to help us imagine and build a better world is everywhere. Two years ago, I tried an experiment to explore this. I set out on a playing and listening tour, and brought with me with the music of J.S. Bach, a composer I view as a 'scientist-artist,' someone who was able to study humanity objectively but also to be totally empathetic. That quality comes through in his music and is a primary reason why people still connect with and through it, even people living 300 years after Bach and in very different cultures from his own. I thought that by playing this music for people all over the world and listening to them about what gives them meaning and purpose in life, we might be able to start a much bigger conversation about the vast number of ways in which culture connects us today. So, over 19 months and six continents, I played 27 concerts of Bach's suites for solo cello, in indoor and outdoor venues where the biggest and most diverse audience possible could join me. Those concerts became the springboard for 'days of action,' events designed primarily by local partners and intended to spark a conversation about how people draw meaning and purposeful action from culture.

What did I learn? First, culture and creative work are having a positive impact on the most serious issues facing our society, and they're doing so right now. We saw this everywhere. In Jakarta, we collaborated with the sustainable fashion enterprise SukkhaCitta, which is reviving traditional methods of dye cultivation and textile manufacturing in order to end the exploitation of women in the global fashion supply chain, sustain the environment, bring indigenous cultures into the formal economy, create jobs and keep traditions alive. In Montreal, we worked with Wapikoni, an organisation that fosters personal and professional growth through audiovisual creation for Indigenous Canadians and promotes the inclusion of their voices – and a tradition of 'seven generation' decision-making – in Canada's future. In Athens, we partnered with Shedia ('the raft'), Greece's street paper, which also runs an upcycling programme, a bar and a restaurant, all staffed by employees who are homeless or living in poverty and have been empowered and trained by the organisation. And in Washington, DC, we finished the day of action at the Anacostia Art Center, a mixed-use space building Black equity through culture-focused businesses. In each of these places and many more, people are using culture and creative activity to create jobs, raise voices and build hope.

In the midst of so much inspiring work, though, I also learned that there is potential for much more impact. In Sydney, the day of action featured a social impact hackathon for Connections Australia, an app that helps new immigrants find the skills, jobs and communities that they need to thrive. It already serves thousands of new Australians, but roughly half a million arrive every year – and there were more than 270 million migrants globally in 2019. For another example, Nest, our global partner who connected us with local artists to create posters for each concert, works with over 200,000 'handworker' artisans in over 100 countries to give local culture access to global markets. But globally the number of home-based handworkers may be in the hundreds of millions. Culture's great strength is its human dimension, but that means that much of the impact we saw needs to be built one person at a time, and there is great potential to scale up good solutions.

To meet that potential, this work needs more support. Even though culture can produce great collective endeavours, it is grounded in our individual experience of

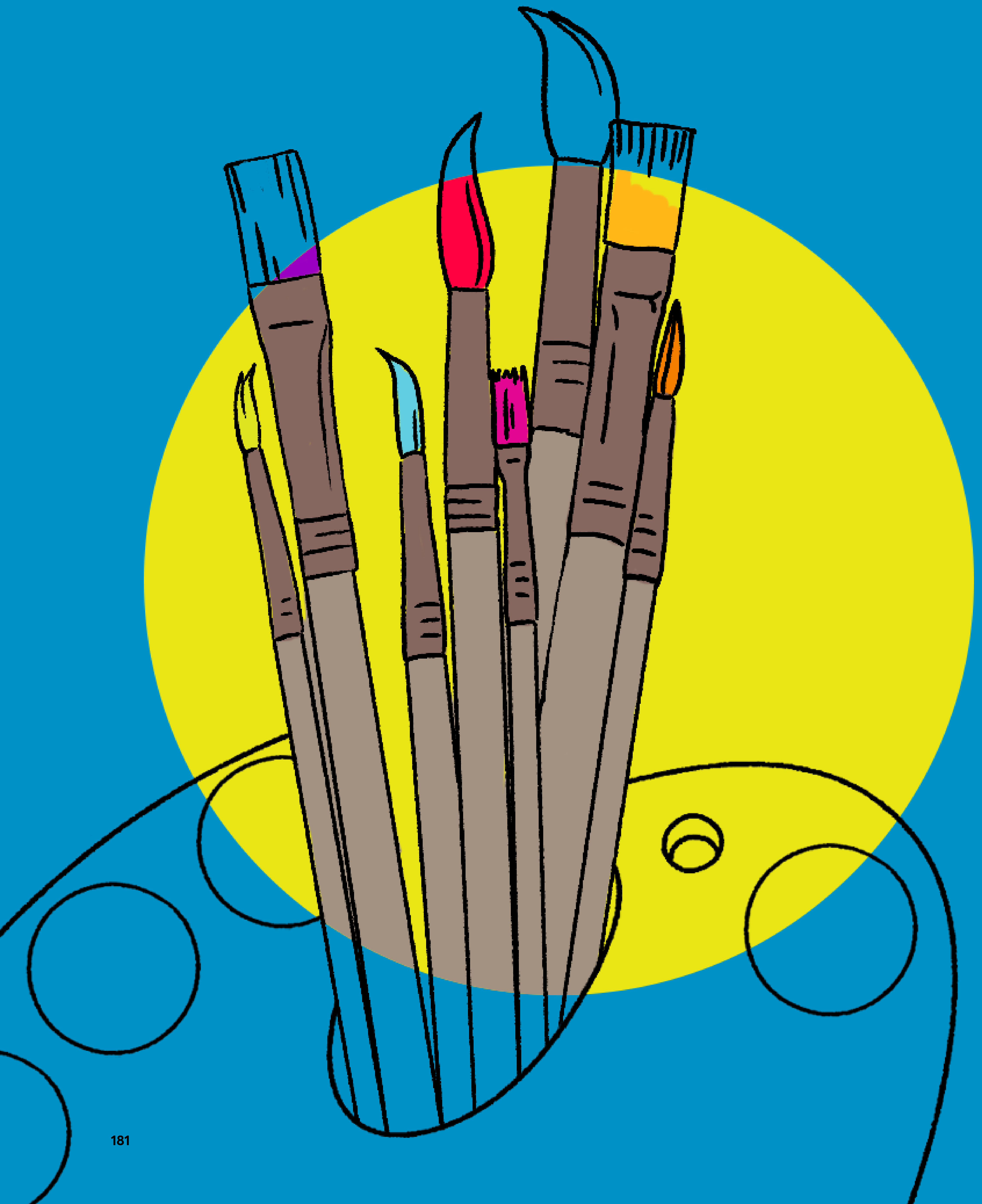
the world; even though it can be powerfully global, it starts as something local. So unlike a government programme or a corporate initiative, culture's 'creative economy' needs support from the bottom up to make those connections more likely. Many of the organisations we worked with were very successful locally but would need investment – of financial capital, or human resources, or public recognition – to reach a wider audience and eventually be part of global solutions.

As a society, we have no difficulty supporting the science side of culture. But science is most effective when it retains its human dimension – that is, when it is firmly situated as a cultural activity. To find the truth and understanding that serves humanity's needs most effectively, we need both art and science to be at full strength and in collaboration with each other. It's when the tactile and the invisible are both present in our thinking that we find meaning and purpose. So let's invest in the rest of the creative economy with the same enthusiasm with which we invest in scientific impact, knowing it's all part of the same, larger project: creating a better world for the generations to come.

J.S. Bach had the gift of seeing humanity very clearly, and his response to that knowledge was to write music of empathy and hope rather than of anger or despair. Wherever humans have gathered together, we have used our creative faculties to seek truth, to build trust and to serve one another. We continue to do so today, even in the most challenging circumstances. Culture's power is in connection – it connects us to each other and to the world, helping us to know that if you hurt, I hurt. With that intrinsic strength and the right support, culture and creativity will continue to be the most powerful source of human solutions.

Yo-Yo Ma by Jason Bell

Yo-Yo Ma was born in 1955 to Chinese parents living in Paris. He began to study the cello with his father at age four, and three years later moved with his family to New York City. There, he continued his studies at the Juilliard School. After his conservatory training, he sought out a liberal arts education and graduated from Harvard with a degree in anthropology. Yo-Yo's career is testament to his faith in culture's power to generate the trust and understanding essential to a strong society. This belief inspired Yo-Yo to establish the global cultural collective Silkroad, and, more recently, to set out on the Bach Project – a six-continent tour of J. S. Bach's suites for solo cello and an invitation to a larger conversation about culture, society, and the themes that connect us all.



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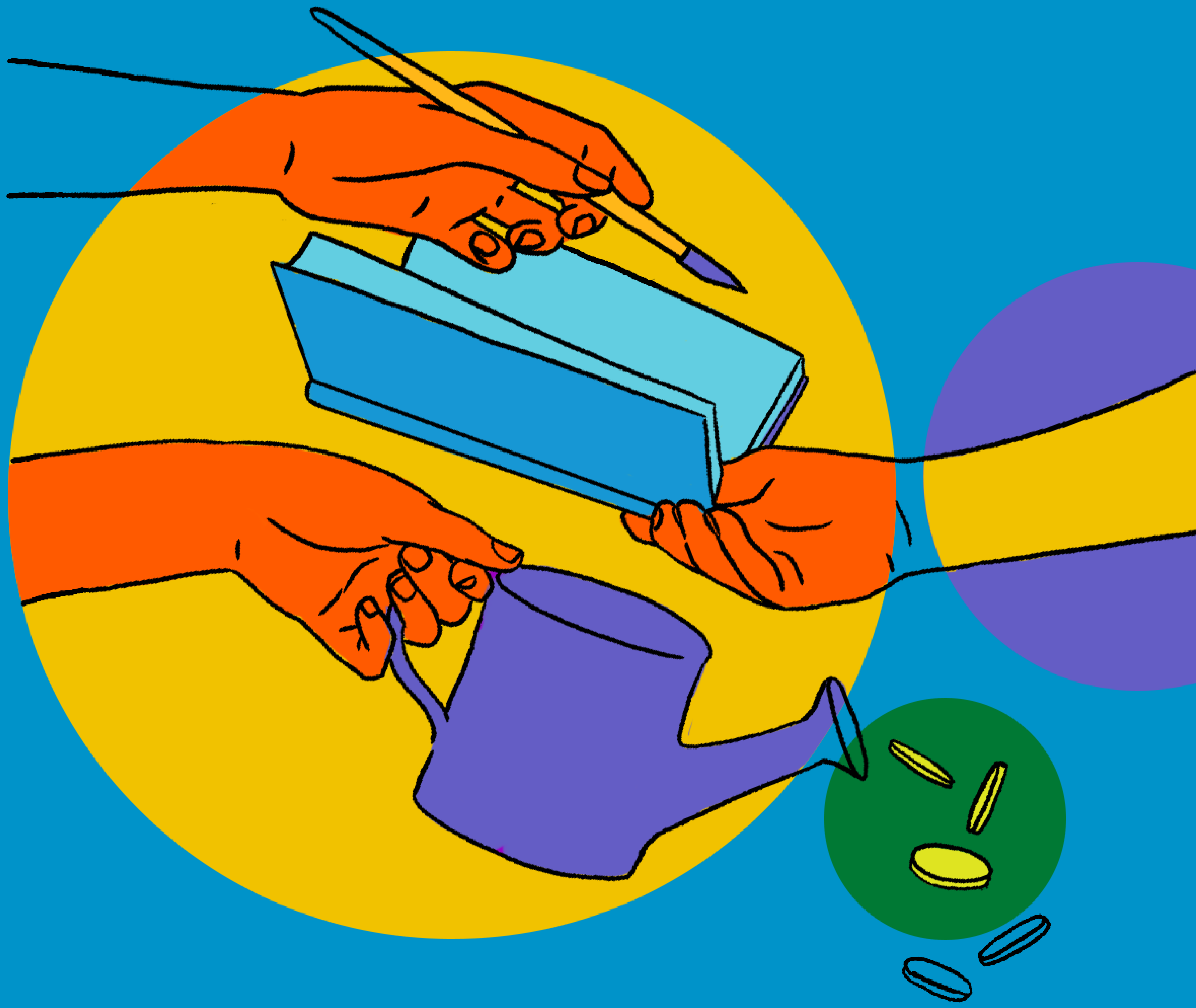

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