

# Is Impact Investing Repeating The Mistakes Of Investing? The Solution Is A Creative One.

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*Impact investors are missing the large swath of the global economy where women, youth, indigenous peoples, and others can be found: the creative economy. By Laura Callanan*

‘Doing well while doing good’ is a mantra now invoked by the largest banks, the richest families, the oldest endowments and the biggest pension funds in the world. US\$31 trillion in impact capital is currently at work globally, reflecting how many investors are considering the way their decisions affect people and the planet as well as their own pocketbooks.

While visionary women and diverse leaders have been part of the global impact investing conversation over the past 15 years, the key decision-makers at the largest impact funds are white men. This is worrying, because fund managers and venture capitalists have been shown disproportionately to invest with entrepreneurs and business leaders who share their gender and race. The harsh reality is that the people and institutions controlling impact investing look a lot like the people and institutions controlling investing.

Unsurprisingly, these many refugees from Wall Street and the City of London gravitate toward opportunities in technology, energy and financial services as the best way to deploy their \$1 billion impact funds. The result is that impact investors are missing the large swath of the global economy where women, youth, indigenous peoples, and others who are often overlooked and underestimated can be found: the creative economy.

One of the most rapidly expanding sectors, the creative economy – comprised of industries like fashion, film, music and design - is predicted to be 10 percent of the world economy in the next few years. Potentially transformative in terms of income generation and as a source of fulfilling jobs, creative industries already employ 30 million people worldwide through the formal economy, plus an estimated 300 million people within the global informal economy.

## Creative Economy Through a Gender Lens

Seemingly purpose-built for the most enthusiastic and quickest-growing segments of impact investors who are the next generation and women, the creative economy employs more people aged 15–29 than any other sector - and 285 million creative economy workers are women. Women and diverse entrepreneurs launch businesses in the creative economy because of lower barriers to entry compared to other sectors, and the outsized role that

originality and merit play in business success. For example, in the U.S., up to 35% of all women-owned businesses, and 38% of BIPOC-owned businesses, are in the creative economy.

One example of the creative economy at work for women is Matriarca, among the largest cooperatives of artisans in South America. Matriarca currently offers economic opportunity to more than 2,000 artisan women from native communities in the Gran Chaco Region. The company blends the value of ancestral techniques and handmade work, with stewardship of natural resources and the environment through good design.

Matriarca straddles the informal and formal economies. Women work from home weaving textiles and baskets. Corporate headquarters are in Buenos Aires and New York, and stores around the world sell Matriarca's clothes, accessories and home goods in the global marketplace. Women have led, worked in and invested in this social enterprise since 2013.

Given the lived experience and networks of most fund managers, it is not hard to imagine why women and diverse entrepreneurs have a challenging time accessing capital. But these old habits have no place within impact investing. We allow them to persist - and to hold back the growth of a just, inclusive and sustainable economy - at our peril.

## **Funding a Creative Future**

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That's why it is encouraging to see impact funds focused on backing women and other under-represented entrepreneurs investing in creative economy companies. For example, SheEO invested in Brown Toy Box, a company using play to teach science, technology, engineering, art and math (STEAM) to Black children; and Makers Studio, a design-build firm seeking to transform how we make meaningful connections. EchoVC Partners invested in Kukua, an education and entertainment company whose first video game and app series features Sema, a "super African girl"; and TOFA (Traders of Africa), a B2B marketplace for products grown or manufactured in Africa, including apparel and home goods.

The creative sector has the potential to lead this change. This is why, Fran Sanderson of NESTA, Carolina Biquard of Fundación Compromiso, and I launched Creativity, Culture & Capital, a new research and community platform for impact investing in the global creative economy.

Creativity, Culture & Capital is gathering stories of the creative sector as a source of impact and financial return, and building the coalition of stakeholders who understand the power of creativity to drive profit and purpose. This is preparation for the launch of a global fund, mobilising impact capital that will be deployed nationally and regionally through the growing number of impact investment funds focused 100% on the creative economy.

Examples of funds leading the way include the Arts & Culture Finance Fund in the UK which lends growth capital to nonprofit arts organisations and social purpose businesses in the creative economy; the HEVA Fund based in Nairobi which invests in the creative economy of East Africa with focus on fashion, media and design and special funds for women entrepreneurs; the LISC NYC Inclusive Creative Economy Fund in the US investing in affordable workspace for creative economy businesses generating quality jobs for middle skill workers as part of a strategy focused on strengthening low income communities; and France's Mirabaud *Patrimoine Vivant* ("Living Heritage"), a private equity fund focused on European artisan and traditional craft businesses from socially-responsible Mirabaud Asset Management.

Let 2021, the United Nations International Year of Creative Economy for Sustainable Development, be the moment when impact investing resolved to avoid conventional investing's pitfalls – and created a better solution.

*Laura Callanan is founding partner of [Upstart Co-Lab](#) which connects impact investing to the creative economy in the US. Read more about Creativity, Culture & Capital at [creativityculturecapital.org](#). Image: Wangari Nyanjui is the founder of Peperuka, a socially-conscious company based in Nairobi that makes limited-edition apparel, home decor and gift items.*