



# **COVID-19 RESILIENCE: CREATIVE INDUSTRY OPTIONS AND STRATEGIES**

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**APRIL 2020**

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# INTRODUCTION

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All around the world, the COVID-19 pandemic has ravaged communities through sickness, loss of family and loved ones, physical isolation, mental trauma and fear faced by almost everyone anxious about their physical, mental and economic well-being.

The pandemic has also had significant negative economic impact, bringing to a halt global tourism, travel, hospitality, financial markets, live entertainment, personal services, restaurants and food value chains as well as supply businesses that are linked to these industries. This, in turn, has affected many people, especially those typically least well paid and the self-employed, not forgetting those working in informal environments in the gig economy, or in part-time work with zero-hours contracts.

In Kenya, President Uhuru Kenyatta declared the COVID-19 pandemic a national emergency on March 15<sup>th</sup>, 2020,<sup>1</sup> bringing into play a series of unprecedented institutional responses in a bid to arrest transmissions of the disease. These measures included sanctions on public gatherings, closures of schools and public spaces, nationwide

curfews on night movement, restrictions on domestic travel and closure of borders to international travel. These are all measures also being explored globally by different nations in a bid to enhance social distancing and reduce infection rates, thus ideally containing the pandemic.

In response to this, we took immediate precautionary and safety measures to ensure the wellbeing of our team, our beneficiaries and our wider ecosystem. We closed our headquarters and instituted a remote working protocol. To support our beneficiaries, we suspended all interest charges on existing facilities for the period of the emergency, offered a waiver on outstanding fees for affected businesses, and restructured our loan agreements in order to provide some relief.

Concerned by the impact of the pandemic not only on physical health now, but on the livelihoods of creative industry practitioners in Kenya and in East Africa—especially those in live music and events, film, tours and tourism, general cultural heritage work, gaming and other immersive experiences, fashion, and apparel, and more. We took immediate

<sup>1</sup> His Excellency Kenyatta, U. (2020). Coronavirus in Kenya: President Uhuru Kenyatta's full speech. Retrieved 21 April 2020 from <https://bit.ly/2xNBY6c>

steps to mobilize a creative and cultural sector response effort:

- with a view to understanding the impact (short, medium, and long-term) of the pandemic;
- to anticipate sector emergencies and needs, as well as to promote effective and evidence-based interventions.

We developed a sector needs analysis questionnaire, which we distributed on March 26<sup>th</sup> 2020. It received over 510 individual responses from across the country—an exercise necessary for the development of an initial creative sector baseline. The findings were presented for internal review on April 8<sup>th</sup> 2020, and then validated on April 29<sup>th</sup> 2020, by 21 industry and association leaders representing several practitioner associations, national organizations and leading creative sector agencies.

# CONTEXT

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Humanity is facing a global health crisis unlike any other in our lifetime: COVID-19 is causing widespread death and illness, leaving human suffering in its wake. It is also an economic and social calamity affecting lives everywhere.

While some individual countries whose exposure to the virus is receding have begun a progressive return to normal work and life, the pandemic continues to wreak havoc on every continent, including in Africa. Most of humanity remains in some form of confinement—an essential health sanction, but one that has also put the brakes on economic activities everywhere. The resulting slowdown shone a light on globalization's serious flaws—its inequalities, democratic shortfalls, and ecological disasters, and their disproportionate impact on vulnerable people—old populations, people ravaged by disease and poverty, the unemployed etc.

Until there is a vaccine, a cure or a reliable plan to generate herd immunity, the base case scenario is a continuous up and down of disruptions in how

we work and live for at least 2 to 4 years, resulting in sustenance of new habits long after. In this new world:

- We shall continue to experience intermittent limitations on movement and travel, bans on gatherings and the closure or near closure of borders, based on outbreaks and repeat outbreaks as they happen
- We shall experience limited access to capital for creative businesses and grants for culture and the arts, as governments are tending to numerous emergencies with limited revenues.
- We shall experience increased surveillance and potential infringements of privacy and personal security, as numerous surveillance capacities are activated to trace contacts and infected people.
- There shall be an increase in the use of contactless technology and digital platforms for cultural creation, production, sharing and dissemination of cultural information, goods and services.

- We shall endure disruptions of international supply chains affecting goods (textiles, dyes, paint, equipment), cultural learning, studies and exchange opportunities, as well as exhibitions/ festivals/conferences to meet buyers, benefactors and suppliers, among others.
- We shall experience a radical shift in consumer behaviour with more time spent at home: working from home, increased digital interactions, changed domestic consumption, increased health consciousness and increased general anxiety.
- As a result of social isolation, grief, loss of livelihoods, social distrust and anxiety, there shall be increased pressure on individual mental health. This may exacerbate existing social fractures, and thus potentially increase interpersonal conflict.

These current disruptions will change how we eat, work, shop, exercise, get education, manage health, socialize, and spend free time. Indeed, the cultural and creative industries (CCI) must have a place in shaping these discussions, because this crisis has had a disproportionate impact on the sector, and will continue to afflict it for

a long time to come. Most importantly, the creative sector has a significant role to play in the recreation of the human and social dimensions of society, and in shaping recovery.

# METHODOLOGY

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This needs analysis exercise was designed to generate baseline insights from across most sectors of Kenya's cultural and creative industry. It employed three principal methodologies in the development of this report.

## **Questionnaire:**

The primary information gathering methodology was through the development and deployment of a questionnaire which was designed to be completed by a business owner, framing the individual practitioner as a sole proprietor of a freelance business.

Through this voluntary online questionnaire, we were able to collect information from its 510 respondents on the following data points: contact information, gender, location, forms of registration, memberships in associations and trusted institutions, creative industry sub-sector practice, characteristics of the first quarter business cycle, self-assessment of the impact of COVID-19 on income, organizational revenues and operational costs, first quarter and annual revenues for the year 2019, first quarter

revenues for the year 2020, and projected impact on business revenues until June 2020.

This tool also sought to collect information on business practice and strategies: postponements, human resource (HR) and staffing information, planned HR changes, activity cancellations, postponements, refunds etc. and more, as well as generate information on innovations, coping strategies and emerging constraints.

## **Interviews and Case Studies:**

This analysis exercise identified, interviewed and considered information from 10 sector leaders who helped to balance the report, given the different number of respondents from each cultural and creative industry sub-sector referenced. These experts provided important information that framed the scope of this report. The sectors covered in the interviews include: music production, film production (medium to large), live events and performances, e-sports, visual arts, fashion, libraries, and museums.

### **Stakeholder Feedback and Validation:**

The preliminary results of this analysis exercise were also presented to a meeting of 21 association leaders and representatives from across cultural and creative industries (CCI) sub-sectors, who had an opportunity to interrogate the findings and provide clarity on findings. Following the incorporation of these inputs into the report, the final report was presented to the group for validation.

### **Limitations and Considerations**

#### ***Evolving Scenarios:***

This needs analysis exercise was conducted at an early point in the cycle of the pandemic in Kenya, even as it continues to unfold globally. The information and analysis in this report is our attempt at providing a snapshot of the impact of the pandemic in the culture and creative industries as the crisis continues.

#### ***Data Points:***

The primary data collection exercise included a limited number of questions, so as to be convenient for the respondents. The questionnaire exercise was designed to require approximately 15 minutes for completion, beyond which it would have

been exposed to a higher dropout rate.

#### ***Outreach, Traceability and Verification:***

The questionnaire included a section for the optional input of personal contact information, along with a request for permission to follow up with respondents.

#### ***Memberships and Registrations:***

The questionnaire requested information on memberships, registrations and trusted institutions. These responses are useful in the development of a relief effort or an outreach strategy. The registration information would also help in design of fiscal and taxation considerations.



# KEY FINDINGS AND ANALYSIS

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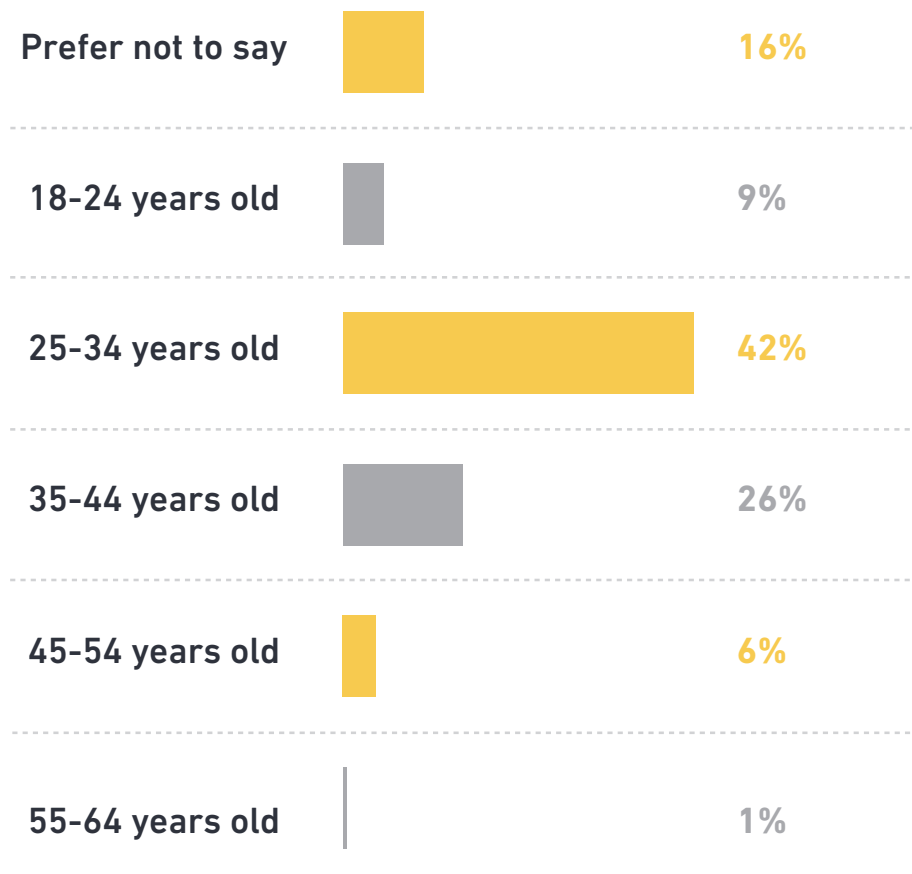
## I. Demographic Data and CCI Sub-sector Breakdown

*In this sub-section, we look at the demographic (age, gender and location) and CCI sub-sector representation data of the respondents.*

We had a total of 510 respondents from different CCI sub-sectors. We have collated and analysed the findings, and have represented them below:

### Age range of survey respondents

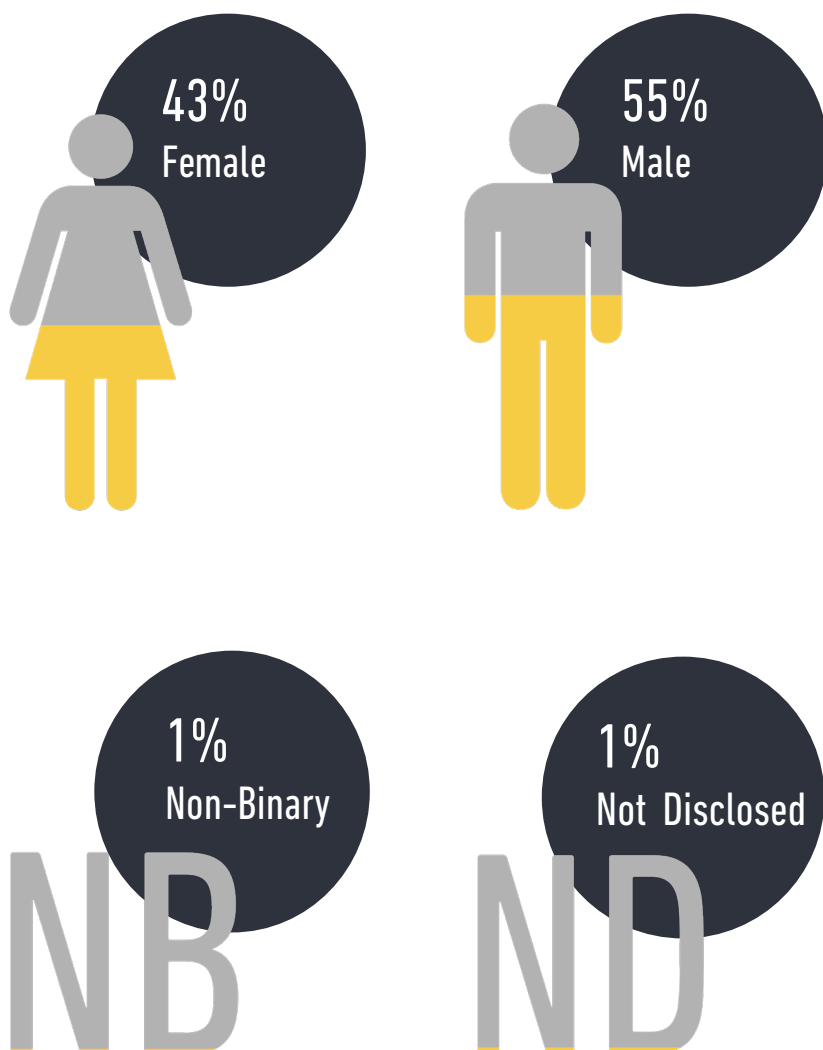
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A majority of respondents (51%) are below the age of 35, which qualifies them to be in the youth demographic in Kenya. A significant group of respondents (32%) are however aged above 35, suggesting that creative and cultural work is not an industry only for “young people”, or one that kicks out older folk.

### Gender breakdown of survey respondents

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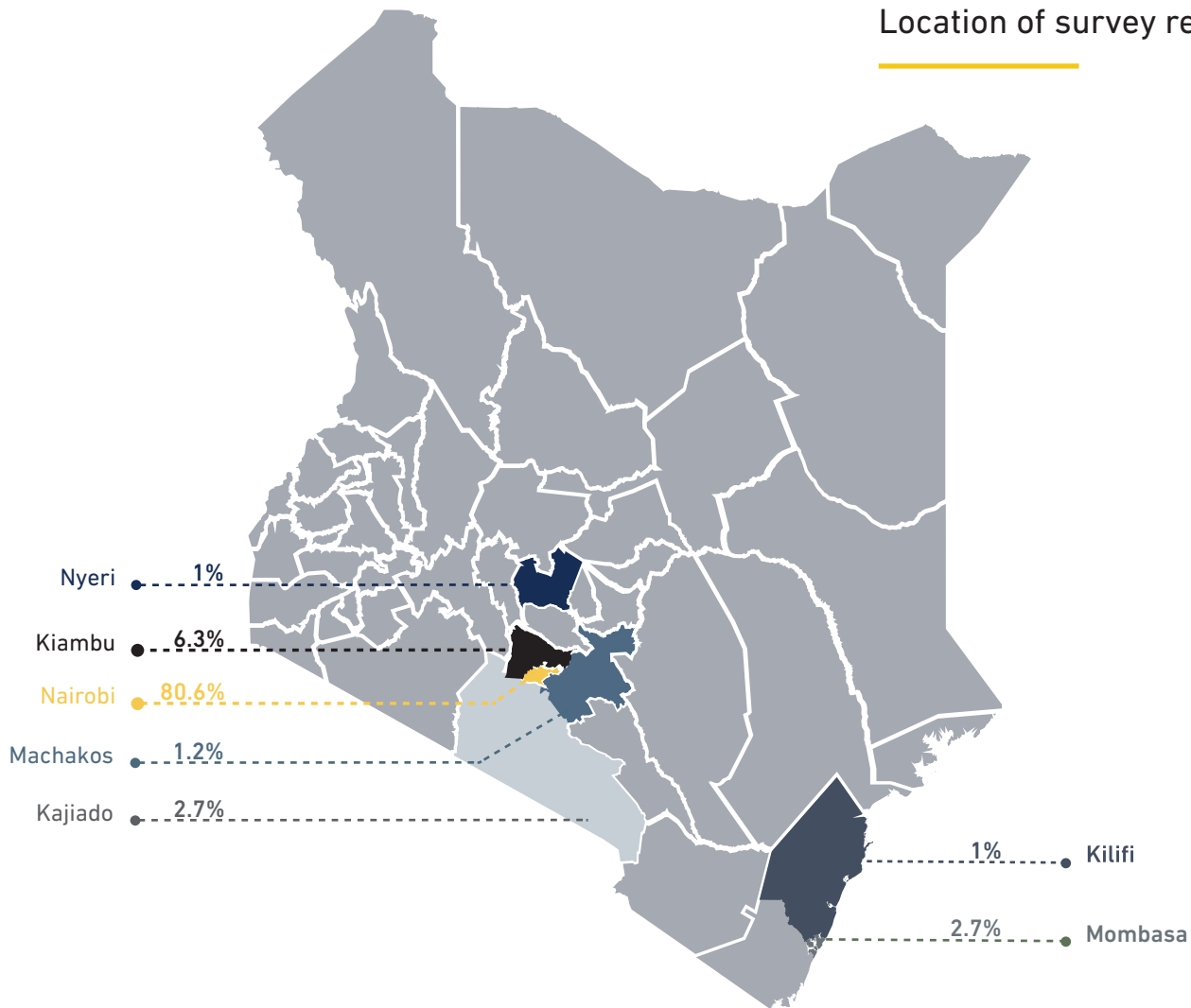


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More than half (55%) of the respondents identified as male, and 43% as female. 1% identified as non-binary, and 1% preferred not to disclose their gender.

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## Location of survey respondents



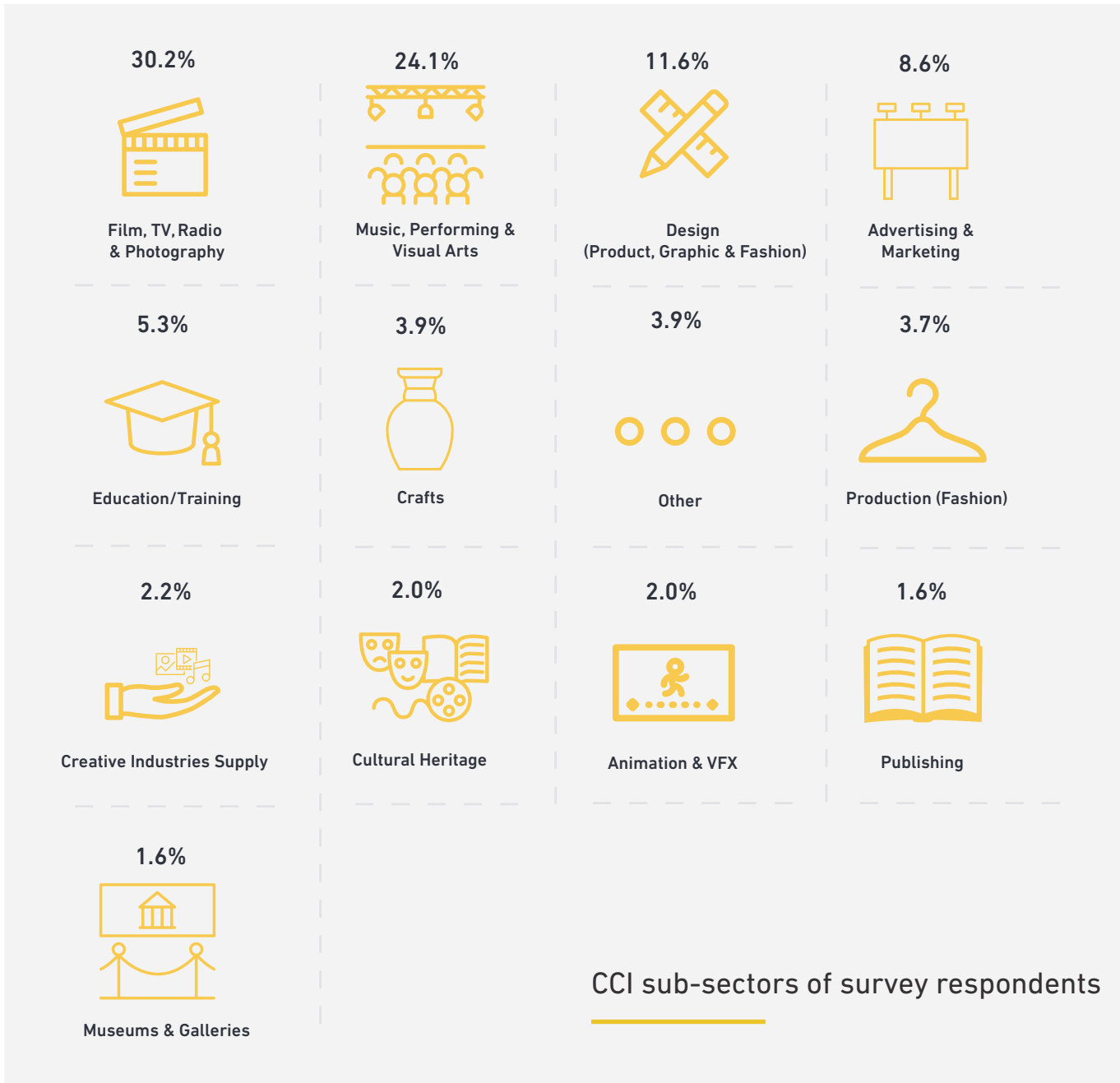
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Over 80% of the practitioners responded that they work in Nairobi, followed by 6.3% in Kiambu, and 2.7% in both Mombasa and Kajiado counties. Machakos, Kilifi and Nyeri each had a representation of about 1%.

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The rest of the counties shared the rest of the distribution include Bungoma, Embu, Kakamega, Kirinyaga, Kisii, Kisumu, Kitui, Laikipia, Makueni, Migori, Muranga, Nakuru, Narok and Uasin Gishu, each hosting under 1% of the respondents for their work and practice.

This confirms the widely held assumption that cultural and creative industries are mostly city based, contributing to the dynamic entertainment and nightlife of cities, as well as providing goods and services (communication, music, design etc.) to small and medium enterprises.



Practitioners in film, TV, radio, and photography contributed 30.2% of the responses, followed by music, performing and visual arts (24.1%). 11.6% of respondents represented the design sub-sector (product, graphic and fashion), and 8.6% operated in advertising and marketing.

Other industries represented include education/training, crafts, fashion production, creative industry suppliers, cultural heritage, animation and VFX, publishing, and museums as well as galleries.

## II. Memberships and Registrations

*In this section, we look at the representation, registrations and memberships of the respondent practitioners to CCI unions, associations and guilds and other entities.*

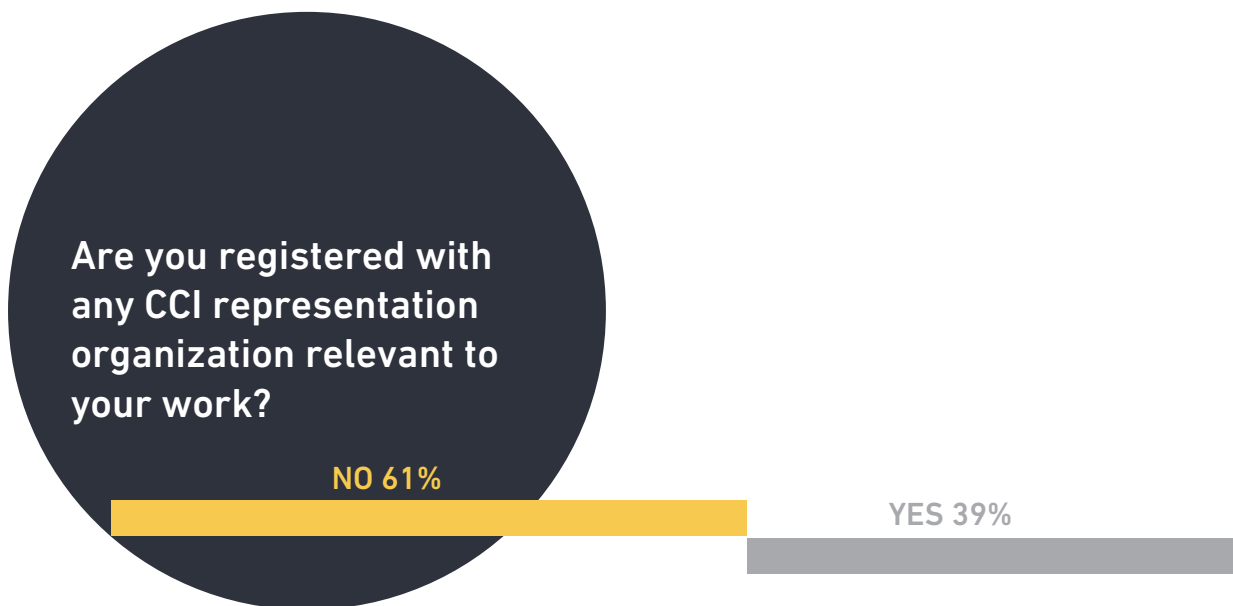
The questionnaire probed the nature of sector representation of the respondents, i.e. if they belonged to any CCI representative body such as a union, guild, association or other entity.

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61% of the respondents indicated that they did not belong to any CCI representation or organization relevant to their sector or sub-sector.

39% of the respondents indicated that they were affiliated with CCI representation organizations.

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Sector representation of survey respondents

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## CCI representation organizations highlighted by survey respondents:

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### **Design**

- Design of Kenya Society
- Interior Design Association of Kenya

### **Music and Performance**

- Kenya Actors Guild
- Music Copyrights Society of Kenya (MCSK)
- Performer Rights Society of Kenya (PRISK)
- Kenya Reggae Fraternity

### **Suppliers and Services**

- Event Managers Association of Kenya
- Event Organisers Association of Kenya

### **Film, TV, Photography and Animation**

- Kenya Film and Television Practitioners Association
- Photographers Association of Kenya
- Association of Animation Artists in Kenya
- Association of Animation and Video Artists in Kenya

### **Media and Journalism**

- East Africa Journalists Association
- Media Council of Kenya

### **Others (not specific to CCI)**

- Central Organization of Trade Unions (COTU-K)
- Commonwealth Business Women Network Kenya
- Kenya National Chamber of Commerce
- Creative Economy Structure (Nakuru County)

The low CCI practitioner representation emphasizes the findings of the Ubunifu Report by Hivos East Africa which raised the following as capacity challenges in the sector:<sup>2</sup>

- Lack of awareness by artists about the existence of these unions;
- A significant number of creative practitioners avoid or evade organization memberships due to wariness of additional responsibilities and labour for the sector which may be voluntary or undervalued, or take time away from their personal practices;
- Several artists appreciate the lightness of informal business practice at the start of their enterprise journey, and so do not register legally or pay taxes because of the phase at which their business may be;
- Fragmentation and disorganization of unions is common, and this has led to rivalry and duplication of roles by different organizations;
- Failure to attract membership due to lack of resources for effective membership drives on the part of the organizations.

<sup>2</sup> Hivos East Africa (2016). The Status of The Creative Economy in East Africa. Retrieved 17 April 2020 from <https://bit.ly/2VPvJXB>

This survey further explored the question of formal registration and licensing by national or county governments.



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80% of the respondents indicated that they are not registered with any government entity relevant to their sector.

20% of the respondents indicated that they were registered with a government entity.

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Government registration of survey respondents

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Government entities highlighted by survey respondents:

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### **CCI-related Entities**

- Ministry of Sports, Culture and Heritage - Department of Culture
- Ministry of Trade and Industry (fashion/design)
- Permanent Presidential Music Commission (PPMC)
- Kenya Copyrights Board (KECOBO)
- Ministry of Education (Kenya Institute of Curriculum Development, Music Festivals, Drama Festivals)
- Kenya Film Commission

### **Finance-related Entities**

- Central Bank of Kenya
- Youth Enterprise Development Fund
- National Treasury

### **Sub-national/County Entities**

- Nairobi City County Government
- Nakuru County Government

### **Other Entities**

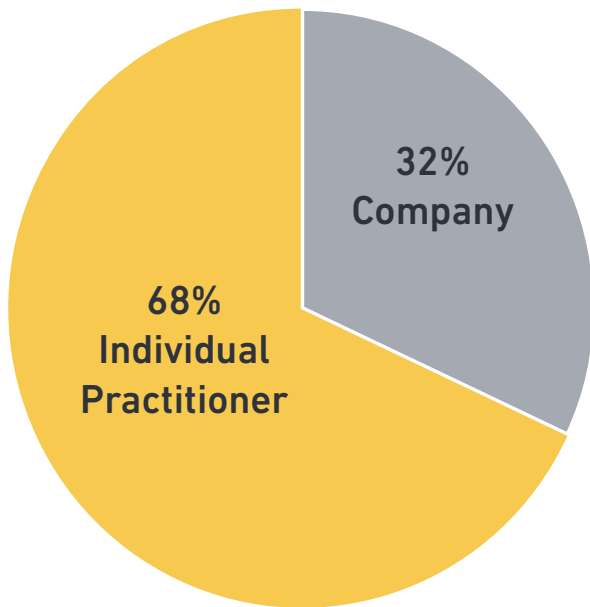
- Ministry of Labour and Social Security
- Ministry of Health
- Ministry of Interior and Coordination of National Government - Department of Disaster Management

### III. Business Operations and Revenues

*In this sub-section, we look at the business operation and revenue data of the respondent individuals and companies.*

335 respondents (representing 68%) are operating as individuals/freelancers in the creative and cultural industries, while incorporated entities represent 32% of respondents.

This confirms the widely held understanding that a majority of CCI practitioners are freelancers, often working in informal environments in the gig economy, or in part-time work with zero-hours contracts.



Gender	Company (% total number)	Individual (% total number)
Female	32%	68%
Male	30%	70%
Non-binary	50%	50%
Prefer not to say	43%	57%

## **Length of CCI Business Operation:**

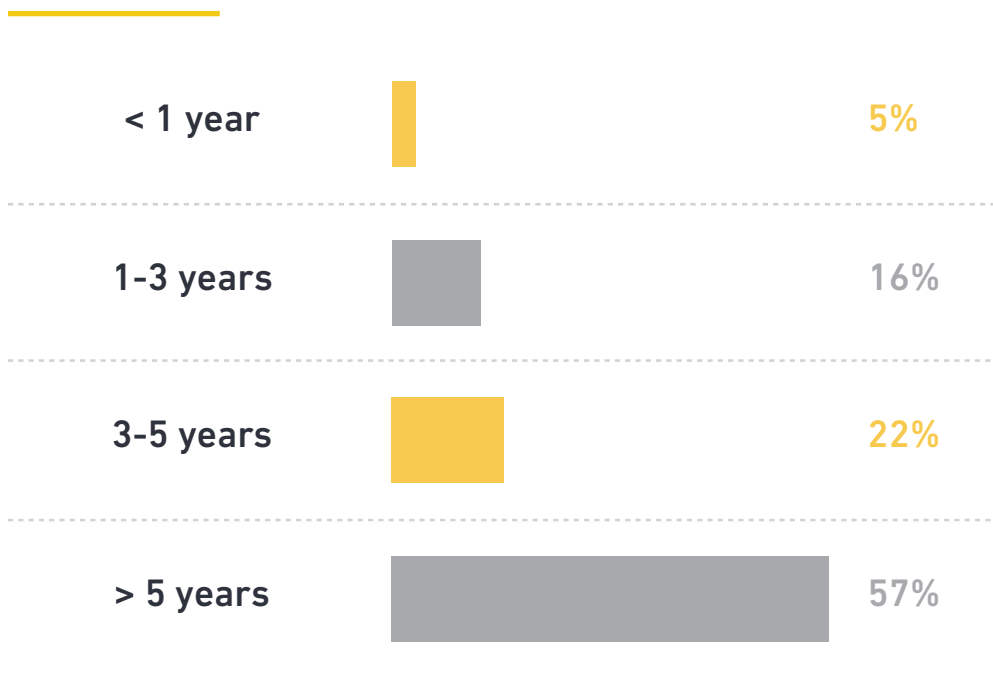
Over half of the respondents (57%) have been in CCI business for more than 5 years, with 22% of respondents having operated between 3 and 5 years. 16% of those surveyed have been practising for 1 to 3 years.

While the majority of respondents reported having their CCI business in operation for more than 5 years, it is worth noting the following:

- More than half of the respondents in the fashion sub-sector have been open for between 0 and 3 years, suggesting a higher concentration of seed level and early stage ventures.
- Majority of businesses providing supply services (events, inventory and more) have also operated for less than 3 years indicating a similarly high concentration of seed level and early stage businesses.
- All the respondent businesses in the gaming and e-sports sub-sector have also been in operation for less than 3 years.

## Length of operation of respondent businesses (years)

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In Kenya, 46% of SMEs close within a year of founding, with another 15% in the year after that,<sup>3</sup> and 70% are recorded to have failed within the 1<sup>st</sup> three years of operation.<sup>4</sup>

This highlights the increased fragility and precariousness of 43% of the respondents, who have been operating their CCI businesses for less than 5 years.

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The COVID-19 crisis calls for urgent SME-focused intervention to help support cash flows, preserve capital, retain jobs and increase the likelihood of business survival.

<sup>3</sup> Kangethe, K. (2018). 46pc Of Kenya's SMEs Close Within A Year Of Founding. Retrieved 17 April 2020 from <https://bit.ly/2VN1Lnb>

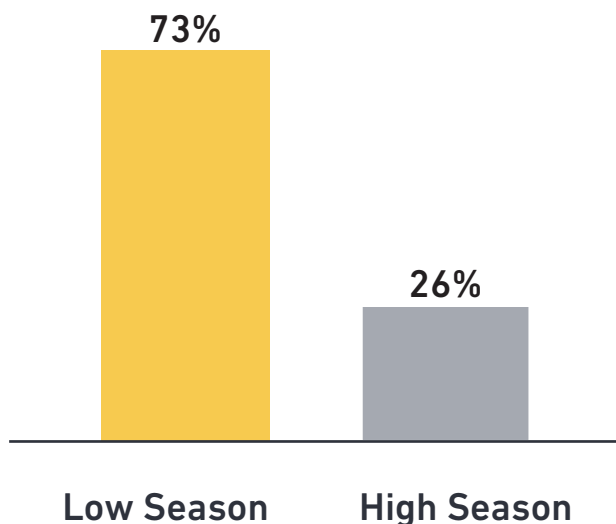
<sup>4</sup> Douglas, J. et al (2017). An Exploratory Study of Critical Success Factors for SMEs in Kenya. Retrieved 17 April 2020 from <https://bit.ly/2VQvYSe>

## Income Estimates: Q1 Income Versus Annual Income (2019)

### First Quarter Business Activity:

73% of businesses described their usual first quarter business activity as low season, with the rest recording it as a period of high income. This description of Q1 as low season for many of the practitioners cut across all CCI sub-sectors represented in the survey.

### Description of usual Q1 business by survey respondents



### First Quarter Incomes:

Over half of the respondents reported business incomes in the first quarter of 2019 of below KES 250,000, followed by 20% who were in the range between KES 250,001 to 500,000.

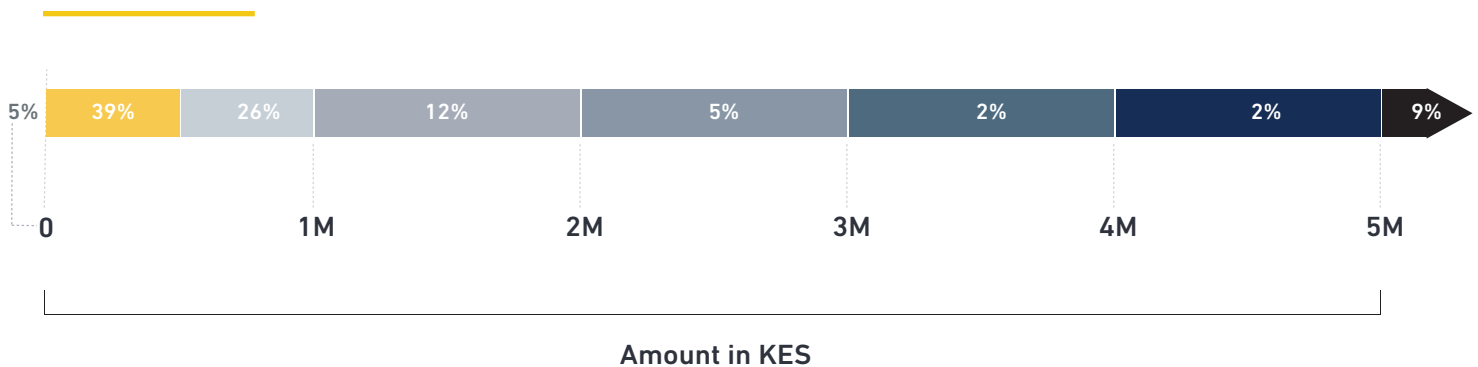
The outliers confirm the seasonal nature of creative industry business cycles; 13% of respondents recorded no income at all. The remaining 15% reported incomes of over KES 500,000 (with half of these enterprises logging annual returns of KES 1M and above).

### Annual Income (2019):

39% of our respondents had total annual incomes of below KES 500,000 in 2019.

25.5% of respondents reported earning between KES 500,000 and KES 1,000,000. 12% of respondents earned between KES 1,000,000 and 2,000,000, and 18% earned KES 2,000,000 and above. This data aligns with our fund application form data where 50% of our applicants reported annual revenues of KES 500,000 and below.

## Annual incomes/revenues of respondents (2019)



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5.3% of respondents recorded no income, highlighting a category of creative practitioners in extreme distress, possibly as a result of compounded challenges.

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### Employment and Human Resource Management

Just under half the businesses (42%) have employees, either on full-time or part-time basis.

85% of the businesses with full-time employees recorded having between 1 and 10 people on payroll, with most of the remaining 15% recording between 11 and 50 people. This situation is similarly reflected in the part-time employee distribution: 75% of respondents recording 1 to 10 part-time employees,

and 15% logging 11 to 50 part-time employees. Very few respondents had over 50 employees, either part-time or full time.

This suggests that most CCI businesses are small outfits, with seasonal business cycles often relying on casual workers during peak sessions.

The sectors with the most employees, in both part and full-time work, mirror the sector sizes and incomes seen with the wider respondent patterns, with music, performing and visual arts, as well as film, TV, radio and photography, leading the way. They are both followed by design (product, graphic and fashion), advertising and marketing, and fashion production.

#### **IV. Impact of COVID-19 on Creative and Cultural Industry Practice**

*In this sub-section, we look at the impact that COVID-19 has had on the business operations and revenues of the survey respondents.*

The bans on public gathering and travel restrictions (both local and international), alongside night time curfews, social distancing measures, closure of schools and public spaces, and restrictions on movement, have radically changed social and economic interactions in Kenya. With these measures, business and productivity as we know it has had to significantly shift—with shorter working hours and remote working in some cases.

The creative industry has experienced the impact of these difficult but necessary sanctions as is demonstrated by responses below:

- 97% of respondents indicated that their business had been directly affected by the COVID-19 pandemic slowdown. This has led to significant changes in income and operating costs.

- 88% of the respondents noticed a decrease in incomes over the Q1 2020 as a result of the pandemic.
- 10% did not notice a change in income, while 2% reported an increase in income. This was as a result of prior orders/incomes projects, mostly from the fourth quarter of 2019, or the business experiencing an upswing in digital and online streaming sales.

## **Impact of COVID-19 on Incomes: A Gendered Analysis**

### **Women-owned and Women-led Businesses**

97% of the female respondents indicated that their business had been directly affected by COVID-19 pandemic slowdown measures.

83% of the female respondents noticed a decrease in incomes over Q1 2020 as a result of the pandemic.

15% did not notice a change in income, while 2% reported an increase in income.

### **Men-owned and Men-led Businesses**

98% of the male respondents indicated that their business had been directly affected by COVID-19 pandemic slowdown measures.

92% of the male respondents noticed a decrease in incomes over Q1 2020 as a result of the pandemic.

6% did not notice a change in income, while 2% reported an increase in income. No major difference can be seen re. gender from this particular data set. There were not enough non-binary

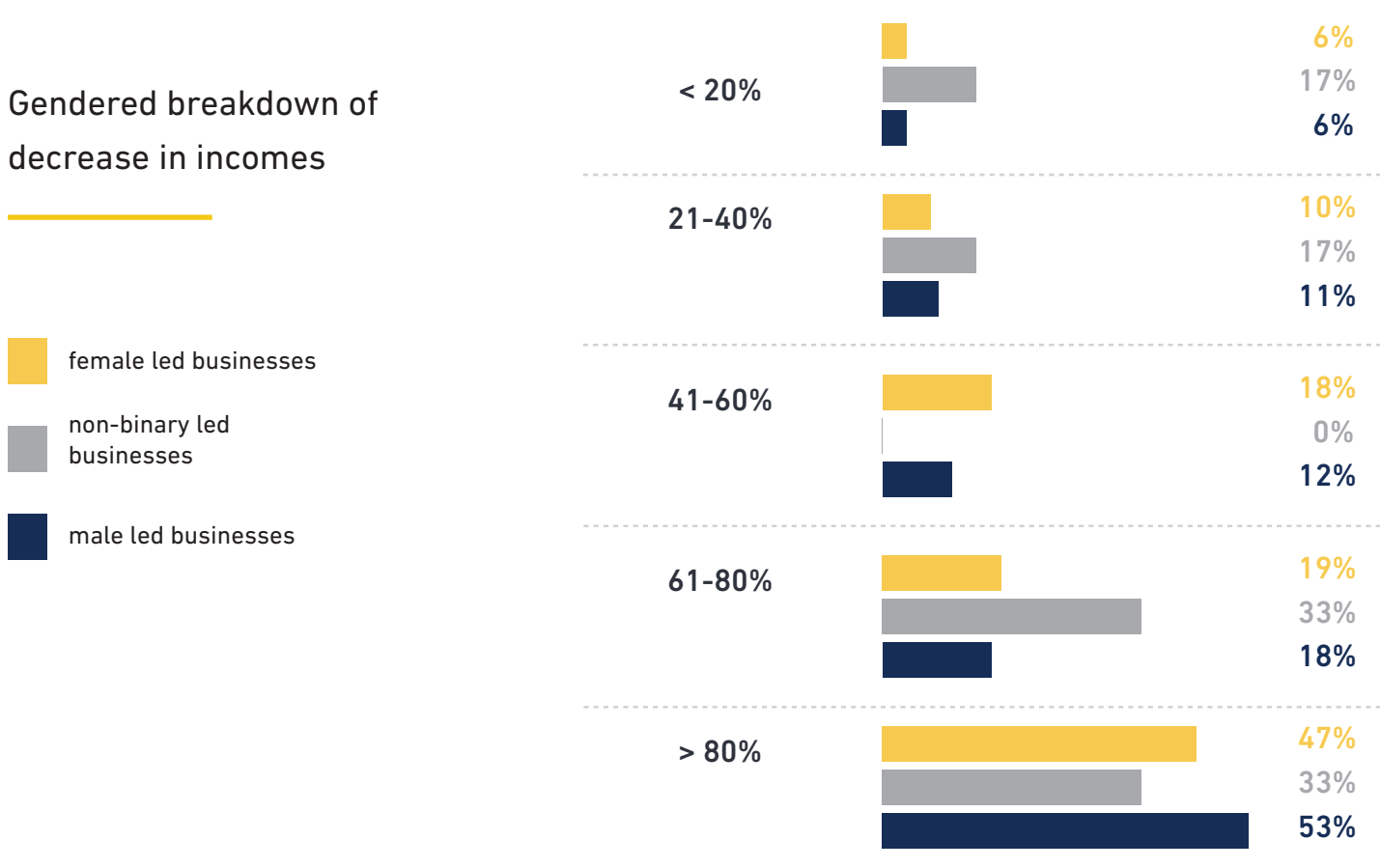
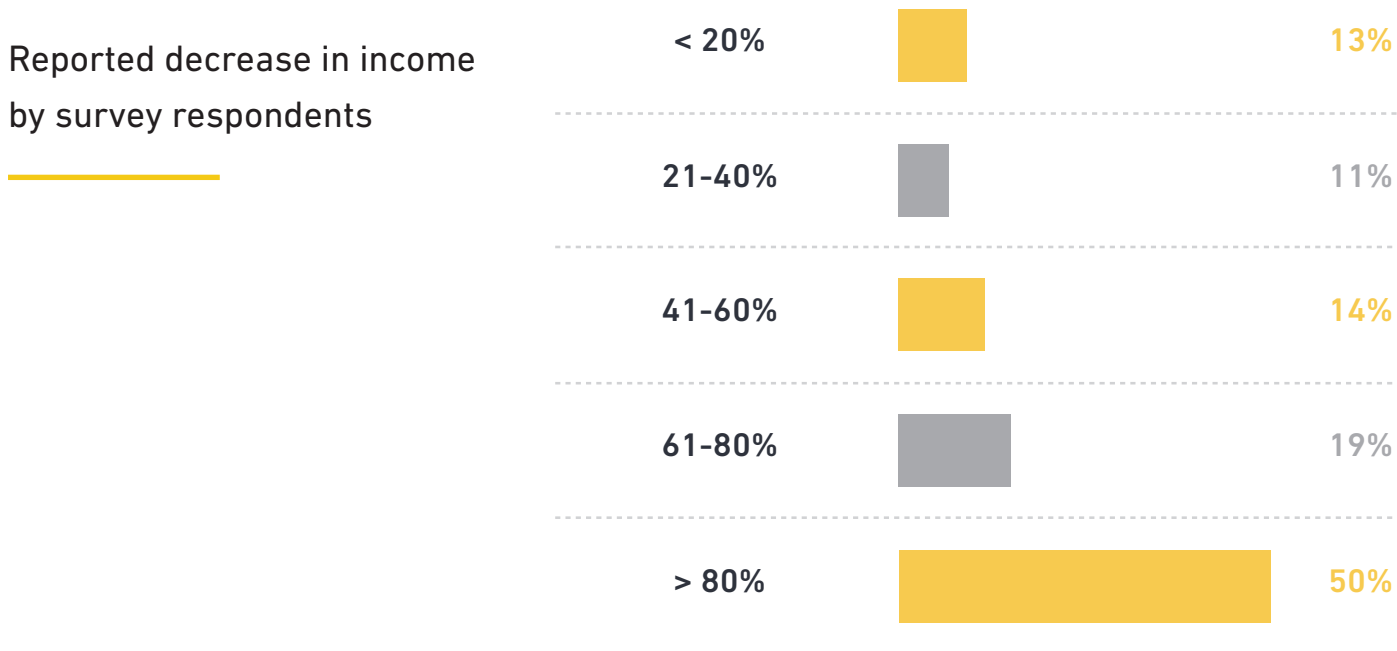
identifying respondents to enable substantive analysis of the effects of the pandemic specifically on this population. Non-binary and other minority gender identities in Kenya are widely misunderstood, discriminated against and marginalised in many ways,<sup>5</sup> including economically. Further research would need to be done to map out their experiences in SME business in Kenya, as well as in CCI practice.

When we further consider the experiences of female business owners, wider data sets around women in small business preceding this time tell us 2 additional things about their specific contexts. Firstly, despite the internet access women respondents to this survey clearly have (because it was only available online), general statistics around digital access place women at a disadvantage due to the digital gender gap. As such, online business solutions are not as easy to implement and keep running. Further, women also take on additional caregiving roles in the home, doing most domestic chores, as well taking care of small children and the wider family, the sick etc. This care penalty on their time already manifests in less resources available for their entrepreneurial activities and

<sup>5</sup> Namita (2017). [Special Edition] Expert On My Own Experience. Retrieved 29 April 2020 from <https://bit.ly/3bW9PJh>



plans in normal life,<sup>6</sup> and this can only have been intensified by the lockdown (supervising the learning of children who are now home because of school closures.



<sup>6</sup> Mercy Corps (2019). Towards a Digital Workforce: Understanding the Building Blocks of Kenya's Gig Economy. Retrieved 22 April 2020 from <http://bit.ly/2SEFoic>

## Changes in Operational Costs

37% of our respondents indicated an increase in the cost of operations, and 34% indicated a decrease. 31% noted no change in their business expenses.

To further outline the changes in operational expenditure, our respondents highlighted the specific business operations which were immediately affected by the COVID-19 sanctions:

- 34% of the respondents reported experiencing cancellations of events and orders (“orders” includes contracts, gigs and opportunities e.g. being contracted to work as a camera operator on a shoot).
- 29% of the respondents reported experiencing postponements of events, orders, and performances.
- 13% of the respondents reported experiencing cancellation of their international and local work-related trips.
- 12% and 4% reported reduced sales and ticket/fee refunds respectively,

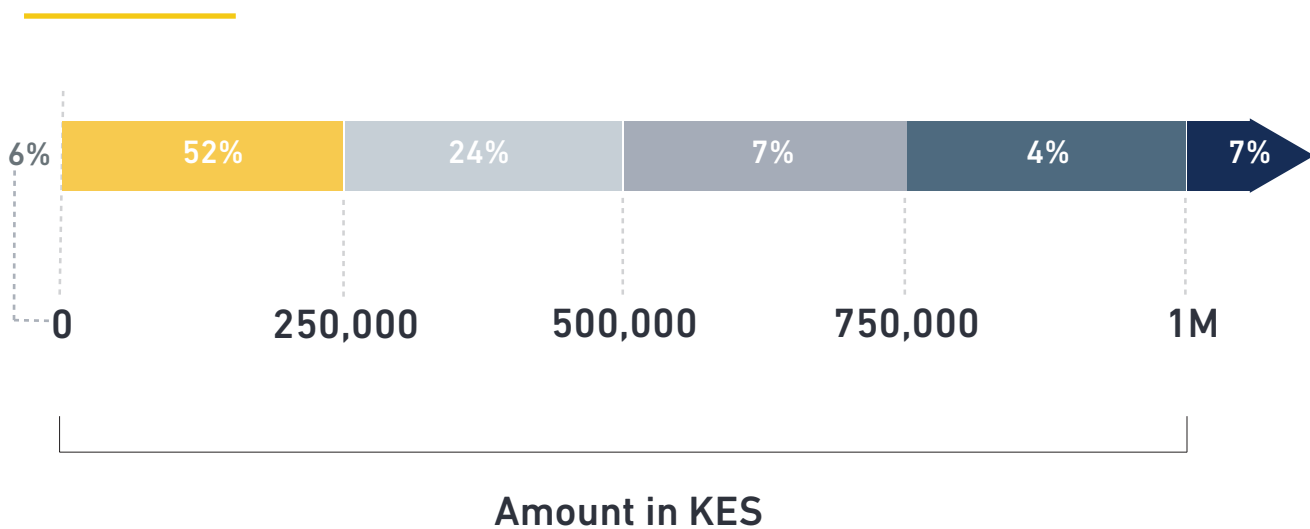
while 6% have had to implement staff reduction measures to cope with the crisis (4% temporary and 2% permanent staff reductions).

It is important to note that the majority of the respondents experienced numerous shocks at the same time, given that reduced sales, trip cancellations, event postponements and more all happened during same period.

## Estimates of Lost Incomes

Majority (76%) of our respondents registered instances of financial loss. This group experienced a loss in incomes of up to KES 500,000 in the first quarter. The results were as follows.

Q1 2020 loss estimates as a result of COVID-19



## Projected Financial Losses

In order to determine the extent of impact if the crisis extends into the second quarter (which is often seen by many practitioners as the beginning of the business cycle, after the Q1 low season) we asked our respondents to do some projections regarding expected income streams from future business.

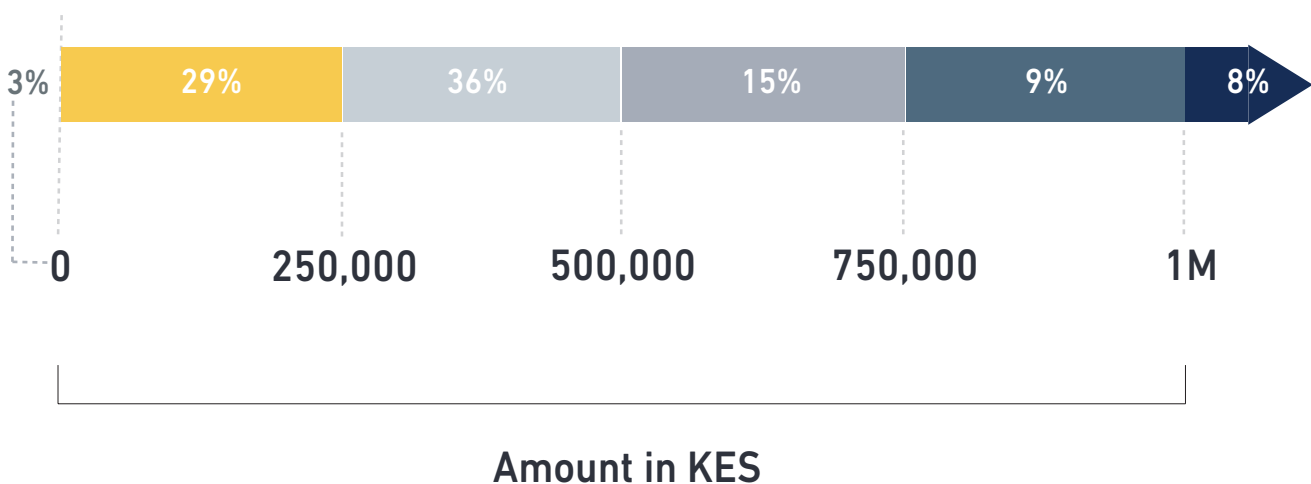
- 34% of the respondents projected further cancellations of events, orders and opportunities for creative business.
- 25% of the respondents projected further postponement of events, orders and performances.
- 15% of the respondents projected

cancellations of their international and local work-related trips (showcases, learning, exhibitions, and more).

- 12% and 6% reported reduced sales and ticket/fee refunds respectively, while 8% have had to implement staff reduction measures to cope. (3% temporary and 5% permanent staff reductions).

Majority (80%) of our respondents projected further losses of up to KES 750,000 should the crisis extend into the second quarter. This was broken down as follows:

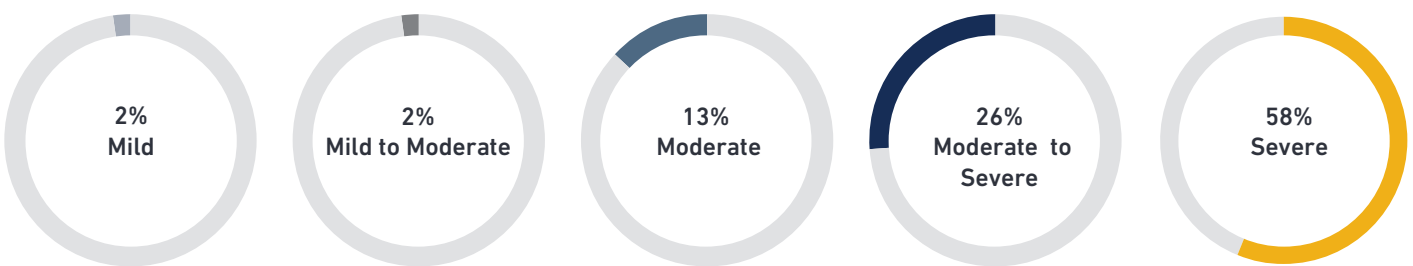
Anticipated loss estimates as a result of COVID-19 (Q1 2020)



## Severity of COVID-19 Impact on Creative Industries

We asked the survey respondents for a qualitative rating of the impact of COVID-19 on their earnings scored on a scale from mild to severe.

How would you rate the financial impact of COVID-19 on your business/craft/profession?



To further clarify this rating, we provided an opportunity for qualitative explanations. We have sampled some of them below and kept their sources anonymous.

“I have been unable to make official bookings for photography jobs as most clients aren’t willing to come to the studio, leading to drastic reduction in sales. Commercials/advertising photography jobs are at a standstill as well, as licenses to shoot are currently not being given out by the government.”

*Sub-sector: Film, TV, Radio and Photography*

“Having students who you have to train one-on-one to monitor their progress has now become difficult due to social distancing. Even with the possibility of supporting training on social media, most clients don’t have access to internet and the necessary equipment”

*Sub-sector: Education/Training*

“We have mainly been affected by the cancellation of flights. We had a couple of media tours planned and now we are not able to go, nor can the suppliers come as had been planned. This will affect our business short and long term because cross-continental travel and events are some of our larger operations.”

*Sub-sector: Advertising and Marketing*

“We were about to launch a product but have struggled to get advertising clients

(who are a key source of revenue) due to budgetary restrictions on their end as a result of the crisis.”

*Sub-sector: Animation and VFX*

## **V. Coping Strategies and Innovations**

*In this section we outline the respondents’ efforts to cope, and their immediate term responses to the COVID-19 crisis.*

Cultural and creative industries have had to invent new models through experimentation and innovation in order to cope and help themselves emerge from this pandemic. Survey respondents are employing diverse strategies to increase their resilience and continue their practice during this period. Below is a selection of their responses:

“We have to reduce our overall expenses by 50%. We will have to look for new business as most of the current jobs are on pause. We will have to create new products that offer recurring income options. We will have to develop a more substantial rainy day fund for at least 6 months for the business.”

*Sub-sector: Interior Design & Architecture*

“We are trying to offer digital solutions to

others whose businesses are suffering because of lockdown and don't have a digital presence. We hope to offer discounted rates that will help others get through this difficult time whilst hoping to utilize the little we get to survive as well."

*Sub-sector: Design (Product, Graphic, Fashion)*

"So far I have been able to pivot to try to move my business online by selling prints and offering workshops. It won't do much but it gives me a bit of a cushion with my bills."

*Sub-sector: Film, TV, Radio, and Photography*

"We have tried to use this time to sample new items so we have a complete collection to show clients when we reopen."

*Sub-sector Production (Fashion)*

"We've moved all meetings and essential work online. However, in the film business, this is only possible for potential clients and/or post-production work."

*Sub-sector: Advertising and Marketing*

"We asked the bank to kindly extend measures that may cushion us from overdrafts and interest fees. However,

within a week we may have to put half the staff on mandatory unpaid leave."

*Sub-sector: Film, TV, Radio, and Photography*

## **VI. COVID-19 Assistance and Recovery: Practitioners' Opinions**

*In this section respondents suggested institutions which they thought could roll out pandemic assistance.*

We asked respondents to highlight institutions they most trusted to support or oversee potential COVID-19 relief efforts. A total of 283 responses which fell into the following categories:

<b>Categories</b>	<b>Responses</b>
Government/Public Sector	36%
Unions /Associations /Guilds	30%
Private Sector	12%
NGOs/Local and International Donors	6%
I do not trust any institution	13%
Other	3%



# CASE STUDIES

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*We spoke to individual CCI practitioners in different CCI sub-sectors to gather some qualitative information about the pandemic's effects, their resilience measures and their insights for wider industry support.*

## **A. Sub-sector: Music recording and distribution | Artist management**

**Respondent: Bon'eye, Musician and Co-Founder, Decimal Records**

### **Business Model:**

Decimal Records operates as a recording company and music label. Their business model is built around signing music recording and performing artists on an exclusive contract for a minimum of 3 years. They currently have 4 artists signed to the label.

Decimal Records not only makes revenue share deals with its signed artists, but also provides housing allowances and healthcare covers among other monthly overheads for their artists to ensure comfortable and stress-free production conditions for them.

### **Revenue Streams:**

Decimal Records generates 62% of revenues from live performances, 24% from music sales, 4% from licensing rights, 4% from merchandise, 3% from brand endorsements and 3% from brand ambassadorship services.

### **COVID-19 Impact on Decimal Records:**

Following the ban on public gatherings as well as social and recreational events, Decimal's main revenue source (live performance) has come to a complete stop. Furthermore, endorsements and brand ambassadorship services have been greatly reduced as companies restructure their budgets to cushion the impact of the crisis on revenues, through a reduction of marketing and advertising expenditures.

Music sector royalty payments have also been threatened as there will be a reduction in the collection of royalties from public service vehicles, bars and night-clubs, hotels, barbershops, and salons, from the slowdown/full closure due to lack of business occasioned by social distancing protocols.

## **Resilience Plans and Industry Future Reflections:**

Decimal Records is looking to build its capacity to create alternative content for digital distribution, through the purchase of additional equipment such as microphones, cameras, and lights. This will complement their slowed live music business. Decimal Records sees this as an increased opportunity to build digital audiences and followings across all media. There is also further potential to explore making unique content, due to this new interest and growing consumption in the digital global space/ audience.

***The upswing of online gigs has exposed the lack of digital revenue collection systems for online activities using musicians' content without a system to ensure royalty payments from these new users to rights holders. This is an area for possible deliberation and innovation.***

The collection of general royalties has been streamlined to one collective license. Any payments to artists should be done in the same manner, from a single entity, to cut down on the

cost of overheads and leakages from corruption. For example, royalties from PSVs collected via the National Transport and Safety Authority (NTSA) during PSV license renewal, and the Catering Levy from hotels, would all ideally go into one pool of finances for the creative sector. It would be prudent to set up a transparent and independent institution to distribute royalties based on actual user data.

The public outcry regarding the KES 100 million relief directed by the President of Kenya to the sector signals that continued stigmatization of the creative industries continues to affect the perception of sector product value. Awareness campaigns should be considered, as the COVID-19 pandemic lifts, on the importance of the creative sector and its business viability, so as to attract investors and sensitize the masses on the business side and profit potential of the creative sector.

## **B. Sub-sector: Visual Arts**

**Respondent: Patrick Mukabi,  
Visual Artist**

“When people are not healthy, they cannot buy art,” Patrick says this to shed light on the relationship between

wellbeing (social, mental, physical and environmental elements considered) and the consumption of art products. Patrick has 20 years of experience as a visual artist and mentor of classes in various institutions. He also runs the Railways Museum.

### **Revenue Model and Business Cycle:**

His revenues as an artist come from selling paintings and delivering mentorship classes. The institutions in which he mentors all closed operations in response to the government's directives. Regarding his painting sales, the majority of his clients come from Spain and Italy, and both nations have been heavily affected by the pandemic.

In this period, he has been able to sell a few paintings to his local clients, but has had to give substantial discounts due to the strained financial environment, as well as to take the additional cost of delivery.

Visual art and painting has a business cycle that peaks in March-April with the Easter holiday, the closure of the international school year period for the summer holiday thus giving parents additional disposable finances, and the

Chinese New Year. A secondary peak for the industry is experienced in November-early December due to school holidays and preparation for Christmas festivities.

### **Impact of COVID-19 on Visual Arts:**

Patrick is deeply concerned by the effects that COVID-19 will have on 2020's business cycle. Given the unlikelihood of a quick recovery, he believes that the next peak for visual art will only take place in March 2021.

***The ban on gatherings in public spaces such as exhibition spaces has pushed him to explore online platforms to showcase his work. He uses a website to reach older demographics, and social media platforms to reach a younger demographic. He has found that this may not be effective for a seasoned collector, as many of his clients tend to be, because a digital photo of a painting may not be an accurate representation of its texture or appearance in real life.***

### **Innovations and Resilience:**

He has also started receiving payments through Bonga points. He states that this loyalty points scheme by Safaricom

places the value of 5 Bonga points for 1 Kenya Shilling, allowing clients to consider payment through accrued credits.

### **C. Sub-sector: Film**

**Respondent: Jim Shagoon,  
Filmmaker**

#### **Film Industry Health Exposure:**

As the film industry is a team activity, social distancing makes it difficult to work given that the process necessitates having several members of cast and crew on set. Those who had pre-COVID broadcasting commitments have continued to shoot, but they constantly take on the risk of infection.

#### **Film Industry Revenue Streams:**

Advertisement production provides the largest share of film industry revenue in Kenya. With the current slow-down of business activity, corporates have also paused their marketing strategies and reallocated their budgets. As such there is a significant reduction of incomes in the film production sector.

This would be an opportune time for local television and cable broadcasters to buy local content from the domestic film industry, especially because more people are in a position to consume it now at home or online. However, the financial offering from local broadcasters is often too low to be viable for creative producers.

#### **Film Industry Resilience Insights:**

***A film sector relief fund should be made available by the government, to supplement the offerings made by broadcasters. This could be implemented at a per-episode cost, in order to incentivize the uptake of local content by local broadcasters. For example, if the broadcaster offers KES 60,000 per episode, the government can match the offer with a supplementary amount of KES 60,000. This way, the government would offer direct relief to content producers who would then be able to keep their businesses running and support their employees during this tough business time.***

There is no structure for distribution of the emergency relief package: the KES 100M relief package promised by the

president should also be channelled to address the concerns of the film industry. It would be important that they transparently identify and cheaply distribute this relief to the most vulnerable practitioners.

It is also possible to use this time to streamline services by reducing the number of government bodies that regulate films and promote filming in Kenya. These are expensive to run and have overlapping functions without little trickle-down positive effect on film industry practitioners. It would be easier to have one film body or council that oversees all matters of regulation, promotion, and handling of inquiries.

With regards to recovery, it would help to entice foreign film-makers to shoot in Kenya, creating further opportunities for local producers. They can be incentivized to shoot in Kenya through temporary work permit and visa fee waivers, location fee waivers (such as in game-parks fees and street-hiring fees), which can all be part of bilateral co-production agreements signed with the government.

#### **D. Sub-sector: Libraries**

**Respondent: Angela Wachuka,  
Co-Founder Book Bunk**

Following the closure of public spaces, two projects have had to change as a response to the COVID-19 crisis. The ongoing architectural restoration of three public libraries has had to slow down. For example, at one site in Kaloleni, they have had to reduce their site workforce from around 28 workers to 8 per day. This means 20 individuals have lost their sources of livelihood. Also, the timeline for re-opening these libraries has been moved, inconveniencing users and the community further.

In another site (Makadara), they had taken on board 30 interns to catalog the collection. The interns can no longer access the building and can only work from home. They are currently able to continue with the book weeding process from home, where they inspect the physical condition and contents of the books that are to be catalogued.

#### **Innovations and Resilience:**

Book Bunk has responded to the crisis by

speeding up their plan to create digital libraries. They have around 150,000 materials that they would like to digitize and are tackling this bit by bit. They would also like to digitize newspaper records dating back to the year 1906. These newspaper records, among other treasures, are very delicate, and digitizing them requires specialized skills which makes it an expensive process.

Despite these crises and the slowdown, Book Bunk has endeavoured to reduce layoffs and job losses, to keep people on payroll through the crisis: these people include Book Bunk staff, public librarians who receive overtime from them, their interns, and their library site contractors.

The future of libraries post-COVID will definitely entail increased uptake of digital services. This means that Book Bank needs to speed up digital cataloging. There are also questions around what the future of public spaces looks like, and how their architecture plays into allowing them to still be accessible by people during a crisis like this one.

#### **E. Sub-sector: Fashion**

**Respondent: Ogake Mosomi,  
Fashion Designer**

#### **Revenue model:**

Ogake Mochache's specialty is wedding gowns and wedding-related garments. Due to measures taken to enhance social distancing, most weddings have had to be postponed. This has brought to a halt business for the gown fitters. Loss of business has led to layoffs of some staff, and salary cuts for others of up to 40%.

#### **Innovations and Resilience:**

They have made a shift in products to make masks. However, business has had to put in more resources in the form of labour hours to earn less income, as masks are low value items, and the market for them is saturated.

As soon as the pandemic is over, they anticipate a huge rush as customers try to catch up with postponed wedding events. As a result, they worry that there may be a shift from lack of business to the converse: far more demand than the current capacity. There is also a risk of losing certain skills during this period from the layoffs which might not be recovered post-COVID-19, e.g. labour specialists who may change sectors for survival during this period.

## **F. Sub-sector: Museums**

**Respondent: Juma Ondeng',  
Director Of Public Programmes,  
National Museums Of Kenya**

### **Business Models and Innovation:**

Museums serve as cultural, educational and research centers for many. Revenue flows have been affected by the sudden halt in receiving guests. These revenues take care of overheads and other costs not covered by the national budget. If the pandemic persists further, the situation may push the Treasury towards slashing allocations for museums.

Currently, majority of visitors to the museum are school groups and international tourists. It is anticipated that there may be low turnout post-COVID due to high levels of scepticism with regards to people's perception of safety in social centers. International tourists numbers may also be affected if they remain jittery about the effects of travel on their health.

***The museums have digital exhibitions that are free to access: no revenue is collected from their online platforms. A strategy moving forward would be to look at how to monetize these platforms in varied***

***ways, such as advertising, so as to have an income flow that would cover costs.***

## **G. Sub-sector: Gaming and E-sports**

**Respondent: Victor Ngei and Judith Makenzie, Director and Business Development Manager, Vivid Gold**

### **Business Model and Current Resilience:**

There has been increased demand for gaming products—hardware (consoles and devices) and software (licensed games)—during this crisis period, and as a result, there has been significant increase in sales.

While the demand for products is high, international supply logistics have been disrupted, leading to fast depletion of the stock with limited ways to replenish it. As a result, they have had to put on sale the gaming hardware inventory previously used for corporate event rental, for sale as refurbished equipment, to meet some of the demand. This period would have provided a huge business opportunity had of they'd had capacity to secure their inventory before the lockdown. They have however been able to sell software to clients, using digital codes.



***They have set up an intentional manager-client relationship, which has resulted in higher customer satisfaction, thus improving their customer retention. Their operations are now more inclined to online platforms to both support social distancing and reach a wider market.***

Given that they have depleted their stock, Vivid Gold staff have had to revert to their 2019 salaries, and forfeit their end of year bonuses to help them cover the low business months.

#### **Impact of COVID-19 on Gaming and E-sports:**

The importation of supplies has become a challenge due to the cancellation of international flights into the country. About half of the staff are now on forced leave or working in shifts, despite the increased workload, in response to social distancing measures.

***After this pandemic, the market may perceive a new normal where manufacturers may increase the use of software to improve already existing hardware, and generate digital keys to sell products online.***

#### **H. Sub-sector: Film**

**Respondent: Coast Filmmakers Association**

#### **Impact of COVID-19 on Filmmakers in the Coast:**

Ongoing projects have come to a complete halt. Some projects have had to be cancelled and others postponed to a later date (this date is itself unclear). Most film companies are unable to pitch new projects due to uncertainty surrounding timelines, and increased caution around the probability of recouping after the pandemic. This has led to difficulty securing funding intended to ascertain artists of their livelihoods, as well as cover operational costs to stay in business during this period and moving forward. There has also been a layoff of employees as a result of interrupted income flow.

The audience has also been affected. The growing interest in the pandemic updates has tended to shift audience attention from film content for entertainment to matters of everyday survival. Some audiences are at home and able to consume more content, but everyone is uncertain in general.



## **Innovations and Resilience:**

The film industry may have to consider how to incorporate the use of online platforms in operations. Also, not being on the ground has provided an opportunity for filmmakers to evaluate their journey and creative process, put more research into current work and learn from other filmmakers.

If the pandemic lasts longer than anticipated, there is a probability that part of the audience might shift significantly to online content such platforms such as Netflix and ShowMax, and refuse to return to cinemas. This could result from paranoia tied to social gatherings.

### **I. Sub-sector: Creative Economy Lobbying and Support**

**Respondent: James Mwachia,  
Secretariat Creative Economy  
Stakeholders, Nakuru**

### **Impact of COVID-19 on Creative Industries in Nakuru County:**

The Creative Economy Stakeholders is an association of practitioners in Nakuru. They mainly work to link creative sector

practitioners with financing and capacity building opportunities, and also engage in advocacy.

So far, due to COVID-19, artists (especially visual artists) have had to price their products below cost in order to have income flow in for personal sustenance. Many players in the fashion industry are channelling their resources into making masks so as to stay afloat.

***Events meant to happen in April have had to be cancelled, and this action has resulted in huge losses given that some of the logistical preparations had already been put in place. The pandemic has also been anxiety-inducing for most creatives, given that this situation has denied them a platform to earn a living.***

There has been a loss of jobs in Nakuru. This has hit most artists in collectives compared to solo artists, as they practise in collaboration and social distancing measures have greatly interrupted this.

## **Innovation and Resilience:**

The culture and creative industries in Nakuru County have been able to respond to the COVID-19 crisis, as demonstrated

below:

- Artists are now pushing their content through online platforms.
- There are sub-county level collaborations coming up to create interventions to cushion artists against the harsh economic situation resulting from the pandemic. This activity is guided by their database on the artists.
- Players in the fashion industry have scaled down their production and are now producing masks. This mask production has not been profitable as many players are all producing the same commodity, and therefore prices have been suppressed by the unmatched supply.

### **Coordinated Response from the County Mechanism:**

They have a well-designed structure that would be useful to pass financial support to practitioners, and help creatives get back to business. To achieve this, they can partner with institutions such as Nakuru Players' Theatre, which hosts over twenty five groups of creative practitioners, to reach artists.

They have been pushing to have film added to the eight Polytechnics in Nakuru. This will be in conjunction with two ICT hubs in Rongai and Kuresoi who will be contributing greatly to the animation part of the curriculum. A focus on this after the lifting of social distancing measures will enhance the skill set within the county, and boost employment opportunities after the pandemic.

This pandemic period has given rise to an opportunity to evaluate the creative journey so far for most practitioners. In partnership with Stanbic Bank, they are looking to carry out capacity building for creatives that would build their business acumen and future-proofing abilities, in order to handle the wider crisis of sudden interrupted revenue.

### **J. Sub-sector: Live music performance and events | Modern urban culture**

**Respondent: Muthoni Drummer Queen, Co-Founder GoodTimes Africa**

### **Impact of COVID-19 on Live Music Performance and Events:**

The live music sector is social and

communal in nature. COVID-19 has disrupted that, and the sector may never exist exactly as it did before. These disruptions are immense in that they do not only affect the revenues of live music business, but also affect all connected elements and service providers such as: sound engineers, light engineers, food vendors and caterers, stage and tent suppliers, transporters, make-up artists, exhibitors (fashion designers and other artists), music performers, security, and more. The live music performance and events value chain supports all these people as individual business practitioners, as part of their daily revenues and income. The pandemic has thus led to a cash-loss problem in the sector, as money is no longer making its way to these industry-adjacent businesses.

Live music businesses have themselves found their source of direct revenue completely obliterated, and are struggling to meet costs such as rent and payroll, as well as meet obligations to pay back loans taken to buy gear for future plans.

#### **Business Model and Current Resilience:**

GoodTimes Africa has managed to be

resilient because of its diverse skillsets which allow staff to move across to other projects offering alternative revenues. They prioritize their relationships with suppliers, because good faith is a valuable currency during difficult times when trust is hard to come by.

As an artist in her personal capacity, Muthoni has taken some personal time to explore within, revisiting her plans for her music and learning widely from global trends, which she intends to feed into the evolution of her output post-COVID.

#### **Innovations for Recovery:**

Muthoni is convinced that the future of live events as a value chain would need to change: it would need to evolve past accruing value only to, or too highly from, physical social interaction. It would need to shift towards creating different kinds of experiences (live or digitally) that people can engage with, considering all the new anxieties about proximity. Digital media is becoming a core part of a fun user experience, as artists move towards preference of a direct consumer revenue model offered by membership platforms like Patreon, as compared to the more common 3<sup>rd</sup> party aggregation models.

Such platforms ensure direct revenues to artists for content they put out online. For GoodTimes Africa, this has led them to consider how they offer live music events as a service, and how they can better immerse the experience to create more user value even via a digital platform.

### **Practitioner Recommendations for COVID-19 Intervention: Case Study Suggestions**

*This is a collation of the insights from the case study respondents about what CCI COVID-19 assistance could look like, divided into 2 parts: during the pandemic, and after the pandemic.*

#### **A. DURING COVID-19**

*1. Support artists:* Stipends would be useful to the public at this time, for things like food and rent. This would also enable the artists to keep making work during this period.

*2. Interventions around debt financing:* Current inability to re-negotiate terms with financial institutions is harmful to small and medium sized businesses, considering current circumstances. Reduced loan interest rates, or an

extended loan repayment period as well as production grants for continued operations and creation of content while working from home can be also considered. These debt facilities should also be subsidised or guaranteed by the government.

*3. Legal protection of local online content:* This ensures that artists can make the revenues they deserve from it.

*4. Resuming cargo imports:* This would greatly help work at this time. The state has currently given preference to the import of medical supplies. With support from inspection bodies, a government directive to allow commercial goods through would give a boost to most businesses relying on imports.

*5. Tax breaks and holidays for small businesses:* Corporate tax and individual income tax waivers for 2020/2021 would be a good idea to cushion practitioners and companies at this time.

*6. Direct cash injections:* Support via cash flows, job retention for specialised staff, and also assurance of good trickle down of these resources to those most in need.

*7. Strengthening capacities of sector organization:* This would increase their transparency, so that people can trust them more to manage or coordinate any relief resources.

*8. Reduction of barriers:* This would increase access by the sector to government tender jobs for small businesses, such as those to make personal protective equipment.

## **B. POST COVID-19**

*1. Pre-production support:* If this is done it will be much easier to pick up after the pandemic from the production stage.

*2. Funding availability:* This will cover new exhibitions as well as public sensitization, advertising, and local/international outreach activities to support CCIs in bouncing back.

*3. Other reliefs:* NHIF medical payment for artists for the year 2020 can be considered, as well as support for transition to digital distribution.

*4. Royalty collection and payments streamlining:* Accurate information on

collections and distribution of royalties would be useful to strategize better payments to artists as well as increase payouts from streams and telcos.

*5. Circulating money in Kenya:* This would keep money moving in the economy by buying and consuming local where possible.

## **COVID-19: CCI RESILIENCE**

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In order for the creative and cultural industries in Kenya to emerge from the challenges occasioned by the COVID-19 crisis, the sector will need to implement a raft of coping mechanisms in the short-term as the crisis unfolds, respond to the changing needs of its workers, audiences and beneficiaries in the medium term, and invent new models and practices, in order to emerge from this pandemic in the long term.

In order to begin to understand the implications of the crisis even as it continues to unfold, in this section we would like to advance three analytical

tools, which would help reconcile the findings of this needs analysis exercise.

### *I. Industry Risk and Exposure Analysis*

Given the findings, we present a snapshot of how different sub-sectors of the cultural and creative industries are impacted, and highlight some opportunities for survival and renewal in search of positive change.

### *II. COVID-19 Crisis Strategy Matrix*

Given the findings, we present a wide-based strategy matrix that will contribute to an understanding of the impact of COVID-19, considering different levels of sub-sector severity and duration.

### *III. Building the New Normal*

A proposition of a series of interventions looking to support creative industry practitioners to survive, reinvent their businesses, and continue to be responsive to the needs of their employees, suppliers, ecosystems, communities and audiences.

## **I. Industry Risk And Exposure Analysis**

The following industry risk and exposure chart compares sub-sector characteristics to the sanctions and measures imposed as a result of COVID-19, in order to highlight the areas of practice bearing the highest impact.

Using this tool we rate the exposure along a spectrum starting from low, and moving to medium, high and very high. We have listed these insights below.

Sub-sector	Large gathering essential	Close human physical interaction essential	Dependence on travel	Dependence on grants and public expenditure	Dependence on international logistics	Consumption during pandemic	Impact analysis
Music Recording and Radio	Low	Very High	Medium	Medium	Medium	Very High	Medium
Film, TV and Digital Content	Medium	Very High	Medium	Medium	Medium	Very High	Medium
Gaming and E-sports	High	Medium	Low	Low	Very High	High	Medium
Fashion	Low	Medium	Low	Low	Medium	Medium	High
Live Music, Theatre, Dance and DJ Performances	Very High	Very High	High	High	High	Low	Very High
Visual Arts and Sculpture	Very High	Medium	Medium	Medium	Low	Low	High
Education and Training	Very High	Very High	High	Medium	Low	Medium	High
Publishing	Low	Low	Medium	Low	Medium	Medium	Medium
Live Entertainment and Events: Weddings, Other Cultural Occasions and Event Supplies	Very High	Very High	High	Low	High	Low	Very High
Crafts	Low	Low	Very High	Low	High	Low	High
VFX, Animation and Digital Arts	Low	Low	Low	Low	Medium	High	Low
Museums, Galleries and Cultural Heritage (Tangible)	Very High	High	High	High	High	Low	Very High
Natural Remedies, Wellness and Cosmetics	Low	Low	Medium	Low	Medium	High	Medium
Restaurants, Traditional Cuisine, and Street Food	High	Very High	Medium	Low	Low	Medium	High

### **Very High Exposure:**

Based on the interactions between inherent sector characteristics, health sanctions and consumer behaviour, we have rated the following sectors as particularly vulnerable and precarious to the impact of COVID-19 contractions. These sectors include but are not limited to: live music, theatre, dance, disc jockeys (DJ) and other live performers, live entertainment, weddings and other cultural events, event sector supplies as well as museums, galleries, and cultural heritage (tangible).

These sectors may experience sustained revenue losses (over 50%) for most of 2020, which might push them to bankruptcies or credit defaults. These sectors urgently need to pivot through innovation or diversification. If unmitigated, most of these creative businesses might have to abandon the market.

The mitigation strategies for this exposure level include: the need effective nation-wide effective pandemic control, some form of emergency support and recovery stimulus to ease the impact, as well as a level of endurance should the social

distancing measures be prolonged.

### **High Exposure:**

Based on variable factors in the supply chain (high dependence on international supply, tourists and expatriate market segments and more), and coupled with evolving consumer behaviour (reduced spending, damaged trust in hygiene and public exposure) the most affected sub-sectors are fashion, visual arts, restaurants, traditional cuisine, street food, crafts, education and training.

These sectors may experience sustained revenue losses (estimated at between 15% and 50%). They have a chance to engage survival strategies, and prepare for a relatively slow recovery. It would be beneficial for these sectors to re-engineer their supply chains, as well as create new products and services through innovation in response to consumer behaviour. There is also room for increased innovation in supplies, such as digital and virtual individual/group learning methods, purchases and sales, customer logs, logistics and delivery etc.

The fashion industry can produce personal protective equipment at scale.



The restaurant business could support families with weekly meal plans through delivery services.

The mitigation strategy for this exposure level may include concessionary financial support to preserve capital and critical human resources, as well as legal support to negotiate contracts and obligations. A stimulus package that would be a technical assistance facility for the transformation, considering consultations, research, market innovation and more, could also be useful.

### **Medium Exposure:**

The sectors whose low touch production and distribution characteristics are experiencing an upswing in consumption seem to exhibit limited exposure in some ways to the impact of COVID-19. These sectors include music recording and radio, film, TV, and digital content, home gaming and online e-sports, as well as digital publishing, natural remedies, wellness and cosmetics. Consumption of the products of these sub-sectors has remained the same and may even have increased, but there have been significant bottle necks in production timelines and even product movement brought about by

the social distancing measures.

These sub-sectors may experience revenue growth as a result of a demand surge. They may require business support, customer service and growth capital in order to push for market share, increase safe production capacity and increase digital distribution. Legal support would be necessary to protect copyrights and e-commerce support to increase revenues (royalties, licenses, digital sales).

## **II. COVID-19 Crisis Strategy Matrix**

In the table below, we outline a recovery plan for the creative and cultural industries, mapping the different exposure levels within different sub-sectors alongside discrete phases of pandemic management. We cover the acute emergency period (which we are currently in), and move optimistically into a resilience phase, and then towards the characteristics that can support a state of CCI change and transformation.

	<b>Emergency Phase: April to September 2020 (6 months)</b>	<b>Resilience Phase: Sept 2020 to Sept 2021 (12 months)</b>	<b>Transformation Phase: Sept 2021 to Sept 2023 (36 months)</b>
<b>CCI Conditions:</b>	<p>Ban on gatherings</p> <p>Travel restrictions</p> <p>Hygiene requirements</p> <p>Pandemic control measures in place</p>	<p>Social distancing measures in place</p> <p>E-commerce and logistics</p> <p>Shift in ceremonies and rituals (rethink weddings, funerals)</p> <p>Social businesses in extreme strain (clubs, theatres, festivals, cruises, sit-in restaurants)</p> <p>Local and international travel restrictions with a possible quarantine period</p>	<p>People and organizations discover the benefits of new ways of living and working</p> <p>Challenging traditional business and lifestyle norms</p>
<b>Wide-based Strategy</b>	<p><i>Defensive strategy:</i></p> <p>Capital Preservation</p> <p>Contracts renegotiations (postponements, cancellations)</p> <p>Protection of workforce (job protection, workplace safety)</p>	<p><i>Defensive strategy and mitigation:</i></p> <p>Economic stimulus easing the damage</p> <p>Increased need for legal services</p> <p>Prepare for slow recovery</p> <p>Stabilize operations (supply chain, distribution)</p> <p>Protecting revenues and cash flow</p> <p>Understanding new economy and opportunities</p> <p>Planning on new products and services/models/new markets</p>	<p><i>Offensive strategy:</i></p> <p>Pivot through innovation</p> <p>Reinvention and creation of new positions</p> <p>Divesting</p> <p>Research and R&amp;D</p> <p>Finding new growth</p> <p>Reskilling and training</p> <p>New wave of entrepreneurship</p> <p>New technologies and accelerated supply chain solutions</p>
<p><b>Very High Exposure:</b></p> <p><b>Live music, theatre, dance, disc jockey (DJ), live entertainment, weddings, cultural events sector supplies as well as museums, galleries, cultural heritage (tangible).</b></p>	<p>Nationwide effective pandemic control</p> <p>Public supported emergency financial facility to help preserve capital, payroll support for businesses to preserve incomes and critical human resources</p> <p>Legal support to negotiate contracts and obligations</p>	<p>Recovery stimulus to ease impact</p> <p>Prepare for slow recover</p> <p>Understanding new economy and experimentation</p> <p>Planning on new products and services /models /new markets</p> <p>A technical assistance facility for the transformation consultation, research and market innovation</p>	<p>Recovery stimulus to ease impact</p> <p>Pivot through innovation</p> <p>Reinvention and creation of new positions</p> <p>Divesting</p> <p>Finding new growth</p> <p>New wave of entrepreneurship</p> <p>New technologies and accelerated supply chain solutions</p>

<p><b>High Exposure:</b></p> <p><b>Fashion, visual arts, restaurants, traditional cuisine, and street food, crafts, education and training</b></p>	<p>Commercial loan on concessionary rates: support to preserve capital, payroll support and critical human resources.</p> <p>Legal support to negotiate contracts and obligations</p> <p>Prepare for slow recovery</p>	<p>Growth capital to support the turn around: re-engineer their supply chains, create new products and services through innovation in response to consumer behavior</p> <p>A technical assistance facility for the transformation consultation, research and market innovation</p> <p>Planning on new products and services /models /new markets</p> <p>Research and R&amp;D</p>	<p>Growth Capital</p> <p>Reinvention and creation of new positions</p> <p>Divesting</p> <p>Finding new growth</p> <p>Reskilling and training</p> <p>New wave of entrepreneurship</p> <p>New technologies and accelerated supply chain solutions</p>
<p><b>Medium Exposure:</b></p> <p><b>Music recording, radio, film, TV, and digital content, home gaming and online e-sports, publishing as well as natural remedies, wellness and cosmetics</b></p>	<p>Business support and customer service</p> <p>New markets: local broadcasters, digital distribution strategies</p> <p>Growth capital</p>	<p>Growth Capital</p> <p>Legal support would be necessary to protect copyrights, with e-commerce support to increase revenues</p> <p>Consolidating the supply chain</p>	<p>Growth Capital</p> <p>Expansion and aggressive push for growth and market share</p> <p>Growth strategy: new markets segments and new products for captive audiences</p>
<p><b>Self-employed/ Freelancers</b></p>	<p>Public arts and community engagements</p> <p>Capacity support for associations and artists representation organizations</p> <p>Food, rent and health care subsidies</p>	<p>Public arts and community engagements</p> <p>Artist Savings and Credit Unions</p> <p>National Arts Council programs to focus on the following:</p> <ul style="list-style-type: none"> <li>- Legal support would be necessary to protect copyrights, and e-commerce support to increase revenues</li> <li>- Re-skilling and trainings</li> <li>- Equipment, software and facilities for new productions</li> </ul>	<p>Artist Savings and Credit Unions</p> <p>Access to personal and business loans</p> <p>National Arts Council programs to focus on the following:</p> <ul style="list-style-type: none"> <li>- Legal support would be necessary to protect copyrights, and e-commerce support to increase revenues</li> <li>- Re-skilling and trainings</li> </ul> <p>Reinvention and creation of new positions</p> <p>New wave of entrepreneurship</p> <p>New technologies and accelerated supply chain solutions</p>

### III. Building The New Normal

The recovery of the society along with that of the cultural and creative sectors cannot repeat mistakes of the past. Some of the most important lessons learned through this crisis point to previously overlooked and underestimated areas of intervention: the absence of artist representation organizations to advocate on behalf of the creative industry interests; precarious labour conditions with little social protection; reliance on pure grant mechanisms and international supply chains for critical goods and services; the unequal access to digital tools, facilities and know-how among creatives; ineffective collection, and distribution of royalties and license payouts so as to secure creative livelihoods, and many more, have all compounded our vulnerability. These areas must be confronted and rectified, if we are to take advantage of this transformational opportunity.

Some new opportunities have also come to light because of this crisis: the rapid and widespread use of digital tools to maintain essential social interactions despite physical restrictions; the need

for the arts and cultural services at household level to keep populations entertained, comforted and engaged. This can guide us as we restart our economy and return to a new life together.

Reflecting on these findings, we are convinced that a return to “pre-pandemic business as usual” does not serve the interest of any sector, much less that of artists and creative practitioners. Low income potential, precarious supply chains, fragile labour conditions, low representation, low access to commercial finance, ineffective royalty collection and distribution and low capacity culture and creative sector-serving public institutions were all part of the previous fabric, and still await us at the end of COVID-19. We therefore propose a brave and robust response package which not only seeks to address the current crisis, but also increases sector resilience and establishes a runway for a brighter future. This would include:

- Inviting artists and artisans to work with communities across the country, thus securing incomes and artistic livelihoods while promoting social cohesion and community health outcomes;

- Fiscal and tax incentives to unlock and stimulate creative productivity through digital transition, e-commerce, online content and more, as well as activating local and regional value chains;
- Establishing critical artist representation, artist savings and credit unions, an arts council and others, which streamlines existing institutions thus saving resources;
- Administrative action (YouTube, telcos, streaming services etc.) to secure digital sales, royalties and licenses for artists, in a bid to balance artistic earnings and shore losses from cancellation of mass activities;
- Providing a creative business rescue finance facility, with complementary research and technical assistance geared towards strategic transformation, as well as a creative industry guarantee facility to unlock follow-on commercial sector credit.

### **INUA Artists Relief Project: A Relief Facility**

This strategy has been inspired by the historic United States of America

Federal Art Project (1935–1943) dubbed “Roosevelt’s New Deal for the Arts”, which was launched after the Great Depression. It was designed as a relief measure to employ over 10,000 artists, painters and artisans and commission community projects across the country.<sup>7</sup>

We are proposing an ambitious 3-year **“INUA Artists Relief Project”**, a national project to employ artists and artisans to take on the following array of tasks, not limited to: create murals, graffiti and sculptures in public spaces; create digital banks of audio, photography and video content on cultural heritage in their counties; make music and present this music in homes for elders, hospitals, prisons and children’s homes; support the education of children in the arts, in playing instruments, in reading and writing stories among other programs; and designer support of the revision and development of identities, branding of documents, uniforms, signage and visual assets in counties across the country, with many more contextual possibilities available.

Implemented through trusted institutions, this facility should recruit over 100,000 artists and creatives (who can

<sup>7</sup> University of Minnesota (2020). FEDERAL ART PROJECT. Retrieved 21 April, 2020 from <https://bit.ly/2Kvgr4V>

demonstrate that they have practised for more than three years) in counties around Kenya. This exercise will seek to actively include people living with disabilities, artists from indigenous communities, multi generational artists, and people from different races and tribes of Kenya, to serve their communities and contribute to national cohesion.

This will contribute to education outcomes for learners across the country, positive mental health outcomes for isolated peoples across the country, and increased beautification and urban regeneration useful to signal renewal of the society. It will also add value to health messaging especially around health crises, such as COVID-19, cholera, malaria, HIV/ AIDS among other priorities, as well as increase access to social welfare for freelance workers, reducing their vulnerability by securing rent, food, healthcare and savings.

This facility should also support artists and practitioner representation organizations and unions, as well as artists' savings and credit institutions which will contribute to strengthening artistic stability, growth of artistic practice, professional dialogue channels

with the public sector as well as interaction with communities.

### **Public Policy and Tax Support**

We propose the following package of public policy measures, administrative actions and tax incentives, in support of the above stated objectives:

- Enforcement of local broadcast quotas by creating a complementary subsidy to support local broadcasters to buy local content especially, with a focus on children, educational programming etc;
- Activating the fashion sector by providing incentives for local production of protective clothing and masks for healthcare workers, a stimulus package to increase market share occasioned by any existing reduction of second hand clothing importation, and encouraging importation of raw and finished fabrics from the East African Community;
- Administrative action (YouTube, telcos, streaming services etc.) to secure digital sales, royalties and licenses for artists in a bid to balance artistic earnings and shore losses from

cancellation of mass activities;

- Reduction of import and excise duties, VAT and other taxes for three years, to encourage retooling the creative sector for digital transition. These tax incentives should focus on the sectors marked “very high and high impact” as well as on the participants in the potential “INUA Artist Relief Project”;

- Conditional corporate tax reductions to incentivize digital distribution companies that promote, support the production of and distribute local content;

Income tax holiday for the artists participating the national arts project to support an increase in savings along with promoting access to financial information;

- Reforming the Universal Service Fund (USF)<sup>8</sup> as set up by the the Kenya Communications (Amendment) Act, 2009, to contribute 25% for the next three years to the recovery efforts of the digital and audiovisual sector, through the National Art Project, the business rescue fund as well as support for research and innovation

proposed in this document;

- Establishing the National Arts Council to spearhead the recovery of the cultural and creative industries, along with reforming public institutions with overlapping mandates.

### **Culture and Creative Business Rescue Fund Facility**

In response to the emergency faced by the CCI sectors which are experiencing the highest impact of the crisis along with those affected by the economic slowdown, we are proposing the establishment of a CCI business rescue fund—sponsored by public sector and supported by private sector—to meet the following needs:

- Emergency facilities to secure assets, reduce job losses and support the operations of small and medium sized businesses in the creative sector, provide relief for CCI freelancers, and incentivize reinvention and transformation for sectors with very high and high exposure to the COVID-19 impact;
- Low interest debt/hybrid facilities with longer repayment periods/grace

<sup>8</sup> Communications Authority of Kenya (2009). Purpose of The Fund. Retrieved 1 May 2020 from <https://bit.ly/2WjPiaT>



periods of more than a year (to ensure that the businesses recover cash flow in this period). The models can support: payroll protection loans, working capital loans as well as infrastructure/ asset security loans for SMEs;

- Stimulus facility to support dynamic creative industry businesses to restructure interrupted supply chains, diversify offerings, increase market share, increase integration in local and regional value-chains, support the transition to low touch and digital capabilities, as well as take advantage of new opportunities made available by the crisis. The stimulus facility shall offer low interest, debt and equity investments to dynamic businesses to find new growth and continue to serve local and regional markets in this new normal;
- A Technical Assistance Facility to provide the much needed legal and regulatory support, business strategy and cashflow support, and other on-demand support for SMEs in this transition period. This facility shall make available experts to support the businesses looking to restructure their operations, raise additional

investments and manage their short term to long term commitments. This facility shall be offered complementary to the beneficiaries of emergency facility and the stimulus facility. It shall be available throughout the life of the two facilities.

Furthermore, in order to secure future financial stability of the creative industries, **we further recommend the establishment of a Guarantee Fund Facility to increase access to commercial financing for the CCI sector, along with the establishment of an Arts and Culture Endowment Fund**, to secure the development of the arts and culture sector in the future. With a view to raising resources for these investments, we propose a review of the allocations formula for the Sport, Arts and Social Development Fund to increase expenditure in the arts sector to 35% of the fund.

Subsequently, we propose the establishment of a KES 1.5 billion Guarantee Fund (annual contributions of KES 500M) useful to unlock commercial investments to the CCI sector through leveraging commercial sector resources. We further propose the establishment of



a National Arts and Culture Endowment Fund of KES 5 billion (annual installments of KES 1 billion) to be managed for posterity by the National Arts Council.

opportunities to model a transition, and thus help the sector emerge with new habits, new norms and a new lifestyle.

### **Research, Knowledge and Innovation Facility**

The recovery of the society, along with that of the cultural and creative sectors, will only be possible if the sector is able to generate knowledge, experiment with numerous ideas, monitor change, and evaluate progress.

Within communities, practitioners are grappling with pressing questions on their futures: those who shall build a design thinking capability and prioritise research collaboration, all while sharing expertise, knowledge and innovations, will create better outcomes for their sectors and societies.

We therefore finally propose the creation of a **CCI sector observatory, with resources for research, experimentation and sharing**. These will be useful to reconcile the sector with the evolving reality of the crisis, shifting consumer behaviour and increased social pressures in the short-term, making available

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<sup>8</sup> Communications Authority of Kenya (2009). *Purpose of The Fund*. Retrieved 1 May 2020 from <https://bit.ly/2WjPiaT>

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### **HEVA Fund LLP**

HEVA is a dedicated finance, business support and knowledge facility for creative industries in East Africa. Since 2013, HEVA has generated insights, rolled out investments, and innovated financial models specifically for the growth of the creative economy in East Africa. We have invested in more than 40 creative businesses and directly supported over 8,000 creative practitioners in the fashion, digital content and television, live music and gaming value-chains.

From Nairobi to Kampala, Kigali to Arusha, and Lamu to Dar es Salaam and Addis Ababa, the creative sector is where the creation of new products and new cultural experiences is happening. We want to be at the forefront of helping producers of cultural goods and services to build high-value, profitable businesses, where new ideas will come to life, and where the highest potential for great profits, great jobs, and happy people will be found.

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