A photograph of four African women wearing traditional headwraps and patterned clothing. The women are looking in various directions, some towards the camera and others slightly away. The background is dark and out of focus.

PROSPER AFRICA

Investment and Partnership Opportunities in Africa's Creative Industries

PUBLIC VERSION

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Since launching Prosper Africa, the U.S. Government has directly supported 800 deals to close across 45 African countries for a total value of \$50 billion.

Prosper Africa engaged CrossBoundary, a mission-driven investment firm that unlocks capital for sustainable growth and strong returns in underserved markets, to carry out this study.

This report was prepared by Stephen Murray, Nneka Chime, Jake Cusack, Olowo Aminu and Princess Ebi. Special thanks to contributions from Aubrey Hruby, and to the many stakeholders engaged during this study.



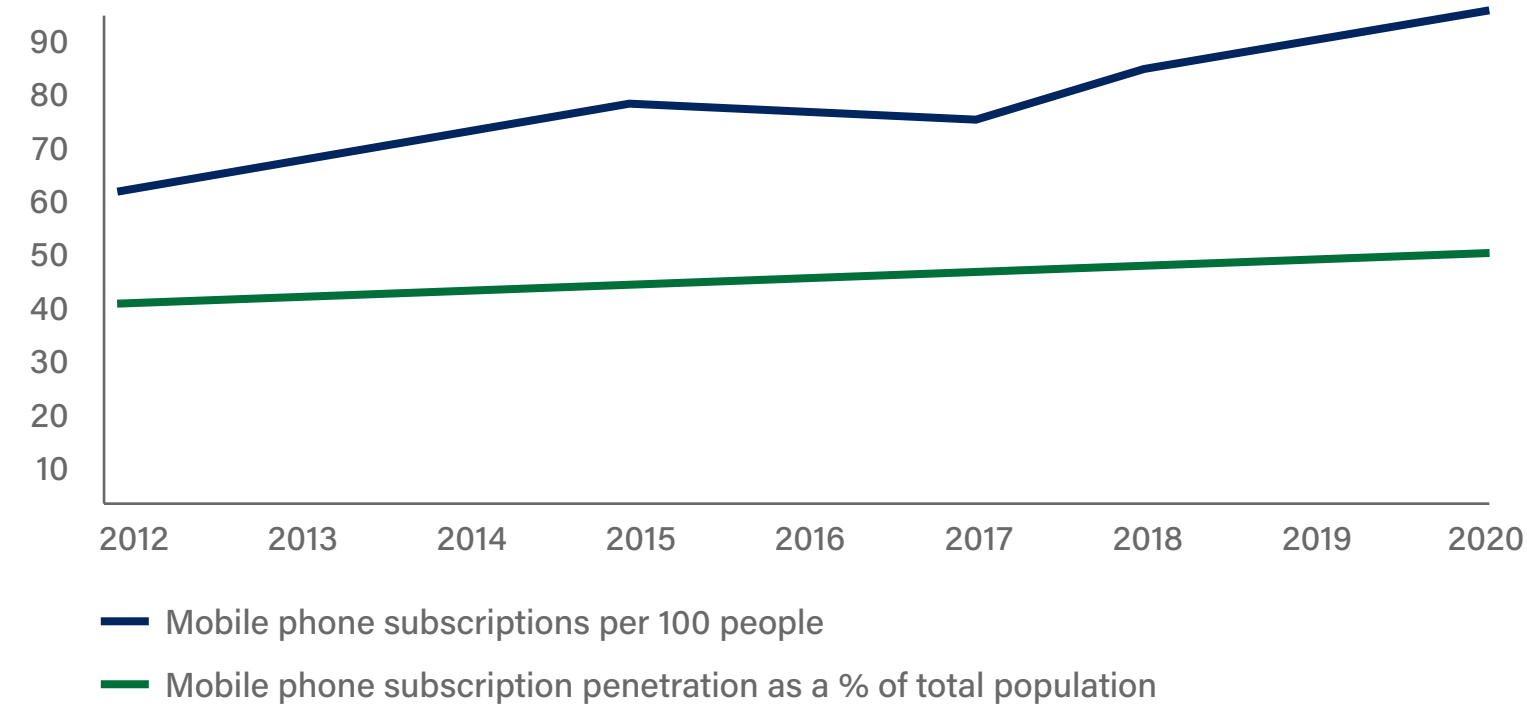
PROSPER AFRICA

» Executive
Summary

Since 2012, mobile connections across Africa have grown 6% per annum, with over 90 mobile connections per 100 people

This increase in mobile connections has created new ways of disseminating and monetizing content...

Mobile phone subscriptions per 100 people and per total population



» Across Africa, there has been an annual increase in mobile connections by approximately 6%, making it the world's second largest mobile market.

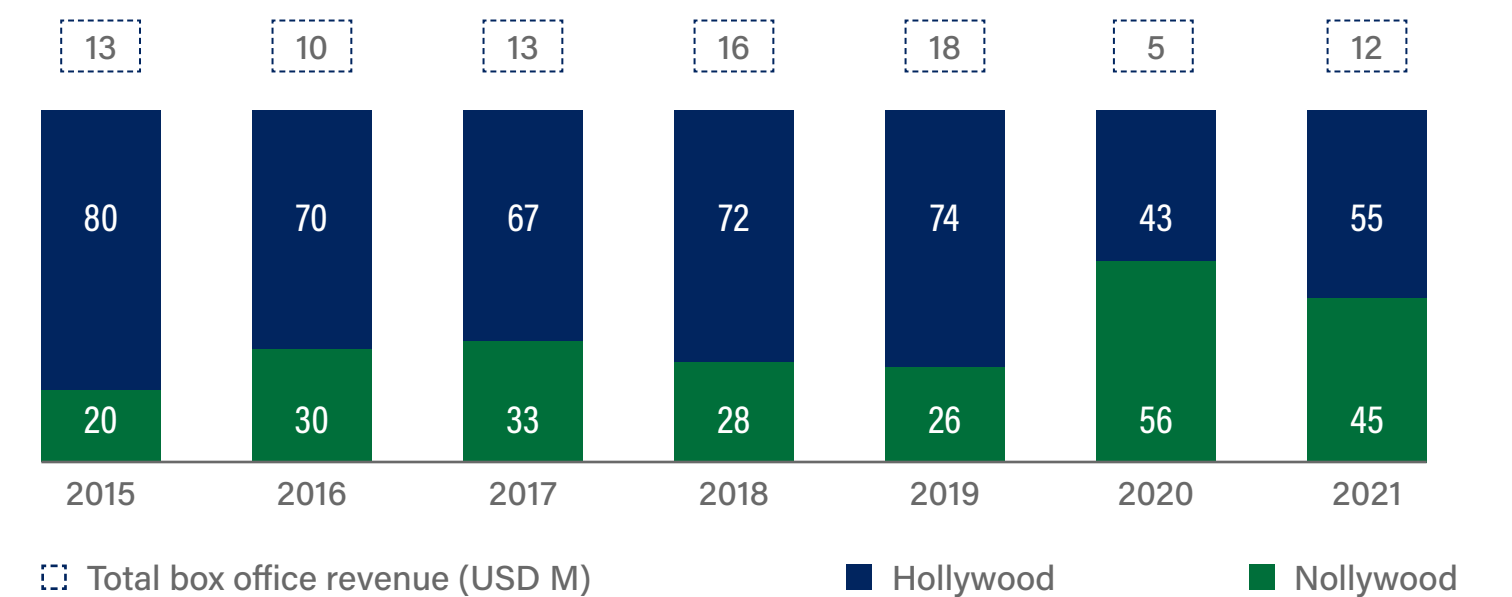
» The reduced cost of smartphones has also facilitated a rise in smartphone ownership, up to 48%, which is expected to reach 64% by 2025..

» This steady growth in mobile connections makes it possible for creators and creative industry stakeholders to monetize local audiences through mobile money services.

» With over 300 million Africans active on social media, a number exceeding that of active Americans, local creatives are increasingly able to create content for local audiences and collaborate with others across the globe.

... which has driven the production of local content for local audiences

West African Box Office Revenue Contribution of Foreign and Local Releases



» The steady growth in West African Cinema Box Office earnings, while interuped by Covid-19, has largely been driven by local releases. Although the regional market is small by global standards, the highest-grossing films in Nigerian box-office history; The Wedding Party (USD1.5M) and Omo Ghetto: The Saga (USD1.5M) have been local productions.

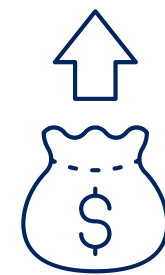
» International streaming players like Netflix (2016) and Amazon Prime Video (2021) have launched on the continent and are influencing both the consumption and production of African content through partnerships with local producers such as EbonyLife and Inkblot.

Africa's creative sectors are witnessing increased activity from new global entrants and local investors in a bid to further develop the ecosystem



Entrance of U.S. creative companies

U.S. streaming giants, Netflix and Amazon have entered the African market with an appetite for local content – bringing their streaming services while also penning licensing deals with local production companies to increase African content for global distribution.







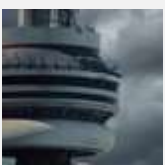
Rise of African investors

Successful exits and rising valuations have helped establish a new generation of wealthy Africans who are investing into new African opportunities. While Africa-based investors have historically accounted for less than 30% of the total number of investors active on the continent, the numbers are rising with promising future growth expectation.



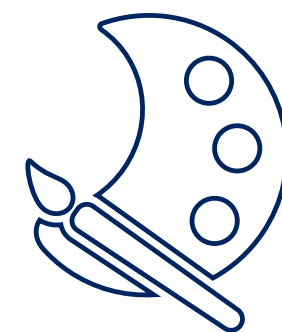
Global impact:
Over the past five years, the African creative sector has experienced outsized growth and impact in popular culture

African artists frequently appear on Shazam's top 100 most searched songs*

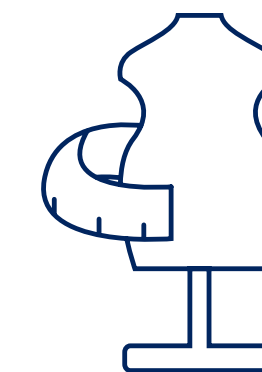
24		love nwantiti [Remix] LOVE NWANTITI [REMIX]
28		Emiliana CKAY
31		Peru (Acoustic) FIREBOY DML & ED SHEERAN
53		Sad Girlz Luv Money Remix AMAARAE & MOLIIY FEAT. KALI UCHIS
128		One Dance DRAKE FEAT. WIZKID & KYLA



- » The African music industry has been propelled to the global stage through increased collaborations and partnerships.
- » Warner Music recently acquired Africori, one of the continent's leading music distribution companies.
- » Beyonce's critically acclaimed 'Black is King' album featured prominent artists from Nigeria, Ghana, South Africa, and Tanzania.
- » Remixes of popular African songs with US artists have also catalyzed growth for the sector.



- » The emergence of Africa-focused art fairs such as ArtX Lagos and 1:54 have played a key role in showcasing artwork from the continent as innovative and dynamic.
- » African visual artists have reported increased inbound requests from international galleries for representation across global markets.
- » Several African artists have seen the value of their work skyrocket over short periods of time e.g., Amaoko Boafo's art value increased 100x in less than 2 years.



- » Africa's fashion industry has witnessed growth in global recognition and demand.
- » International retailers such as Nordstrom and Bloomingdales have implemented retail programs to support emerging African designers.
- » The LVMH Prize has accepted an increasing number of African designers, including Kenneth Ize who was a finalist in 2019.

Source: Shazam, Dec 2021
*Shazam is music discovery platform owned by Apple Inc.

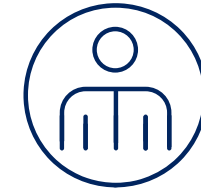
This increased global recognition has emphasized the need for investment and strategic partnerships to achieve scale

Case Study: Amoako Boafo

- » Amoako Boafo is a Ghanaian artist who attended Ghanatta College of Art and Design. He has built a reputation for his complex and diverse representations of the black Diaspora.
- » Between 2018 and 2020, Boafo witnessed a hundredfold increase in the price of his works, selling a portrait for USD3.3M at a Christie's auction.
- » Boafo's works and that of several other African artists have caught the attention of international collectors who continue to show interest in African art.



To develop a sustainable and efficient ecosystem, Africa's creative industries require four main components



Human capital

- » Africa possesses highly skilled participants across creative industries, **the majority of whom have received only informal education.**
- » Qualifying these skills through **formal training** would promote **entrepreneurship, access to jobs** and increase **collaborative relationships** with other sectors.



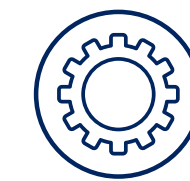
Market linkages

- » Africa's ability to connect directly with regional and global markets is **primarily driven by digital access through mobile phone penetration and internet connectivity.**
- » The COVID-19 pandemic **accelerated digital adoption** and led to transformative shifts towards online activities, however, communications infrastructure remains deficient outside major cities.



Financial capital

- » Grant capital is the most prominent form of funding available to Africa's creative industries, this has led to the sector being **viewed as a philanthropic or lifestyle investment, as opposed to a viable source of economic growth and financial returns.**
- » Increased patient capital from institutional investors will play a key role in the growth of the ecosystem.



Regulatory Infrastructure

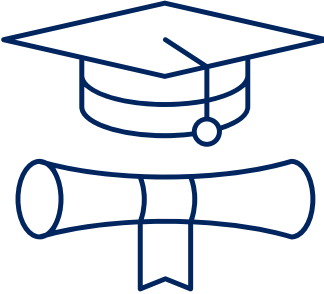


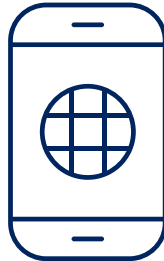
- » A **supportive regulatory environment is crucial** to the development of Africa's creative economy.
- » Promoting and fostering a strong creative ecosystem **requires intergovernmental efforts, as well as public-private partnerships.**
- » **Piracy is a major issue across Africa's creative industries,** making it difficult for creators to benefit from their intellectual property.

Across the six identified sub-sectors, the music industry has the most well developed components, despite financial and regulatory difficulties

	Human capital	Market linkages	Financial capital	Regulatory infrastructure	Summary
FASHION					Despite talented stakeholders, fashion in Africa needs more advanced linkages to international markets along with increased financial and regulatory support.
MUSIC					The music industry is negatively impacted by the opaque and inconsistent regulatory infrastructure that prevents stakeholders from reaping the full benefits of the intellectual property (IP) they create.
FILM & TV					Despite limited resources, Africa's Film and TV sector is thriving, however, investment in enabling assets is required to meet the international production standards that would drive the export of more African content.
ARTS					The arts industry requires more robust market linkages to build international partnerships that would scale the export of African art.
GAMING					Africa's video gaming market remains underdeveloped but is beginning to show signs of growth amidst increased investor interest.
SPORTS					Africa's sports sector remains untapped and underfunded. Improvements in physical infrastructure and key partnerships could hugely accelerate growth.



The challenges faced across these creative industries have far-reaching consequences that require robust interventions to facilitate enabling environments

Intervention	Description	Impact on trade and investment
<p>TRAINING INSTITUTIONS</p> 	<p>The scarcity of formally trained and specialized creatives and professionals across the creative and sports sectors increases operational costs for companies in the sectors.</p>	<ul style="list-style-type: none"> » Creates recruiting bottlenecks for U.S. companies entering the African market such as Netflix, who have had to invest in local training programs due to the scarcity of skilled personnel. » Undermines the African creative economy investment case, thereby limiting the growth of the ecosystem.
<p>INVESTMENT FACILITATION</p> 	<p>Creative sectors require strategic patient capital and support to thrive. Limited internet connectivity negatively impacts the supply and demand side of the creative economy.</p>	<ul style="list-style-type: none"> » Poor internet connectivity slows down U.S.-Africa interaction through content, information and cultural exchange. » Limited access to financing makes it difficult to export finished goods and scale operations.
<p>INTELLECTUAL PROPERTY PROTECTION</p> 	<p>Several African countries possess robust IP rights, but protection and enforcement have been ineffective and often overlooked.</p>	<ul style="list-style-type: none"> » Obstructs U.S. investment in IP generating assets. Poor enforcement makes it difficult for investors to generate sustainable returns on creative sector investments.
<p>VISA SUPPORT</p> 	<p>The export of African content, particularly music and art relies heavily on audience and collector engagement to gain recognition at a global level. High visa rejection rates and slow processes negatively affect the growth trajectory of such artists.</p>	<ul style="list-style-type: none"> » The inability to tour in the U.S. represents a substantial loss of income for musicians, record labels and their investors. » African artists miss out on reputable and highly engaging U.S. art residencies that would accelerate their advancement.

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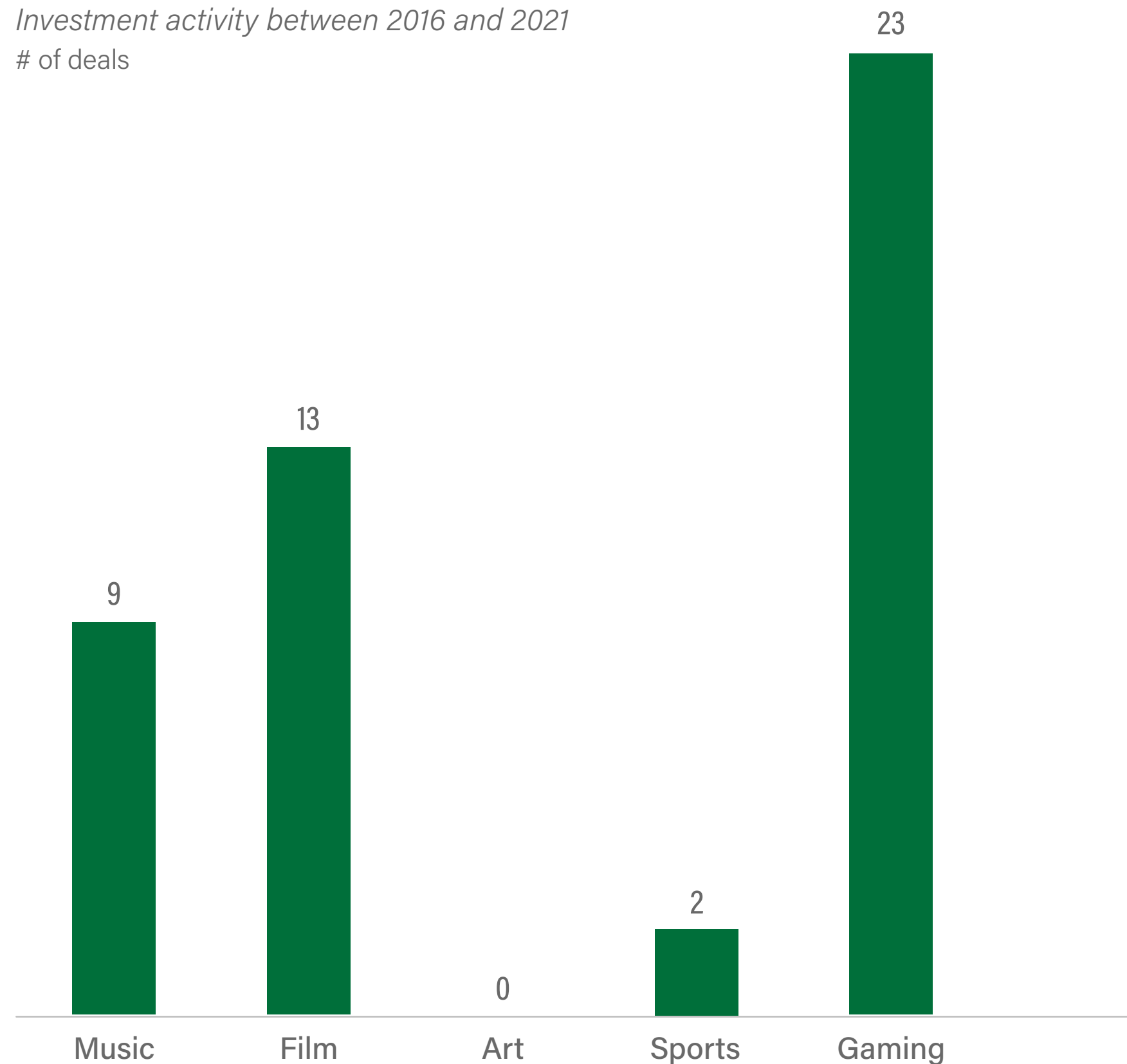
» Investment
Landscape



The fragmented and opaque nature of most creative industries limits the flow of private capital from institutional investors

There is limited investment activity across creative industries

Investment activity between 2016 and 2021
of deals

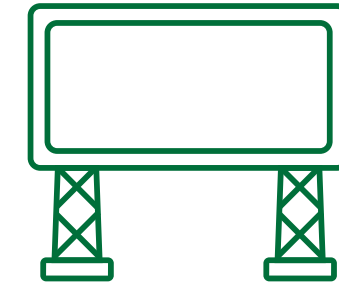


- » Strategics are the most active investor class in Africa’s music sector. Record labels and distribution companies are incentivized to keep a pulse on strategic opportunities in emerging regions.
- » There is a similar trends in film, where strategics are the most active investors class. Recently, there has been increasing participation from venture capital (VC) and private equity (PE) firms. IrokoTV and Radio Africa are the largest recipients of VC and PE funding in Africa.
- » The gaming landscape is more aligned with typical technology startups and has therefore seen more institutional investment activity. For example, the South African game publisher, Carry1st raised USD20M from a16z and a suite of other leading American VC’s and technology companies.

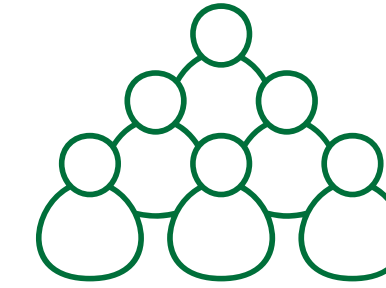
“ Strategic investors have a long-term view of the creative industry and are willing to take their time before expecting returns. This is not the tech industry; capital needs to be a bit more patient and strategic.”

Founder
Distribution company

Underinvestment in creative industry infrastructure has led to a scarcity in cultural institutions and venues for investors to recoup capital through in-person events



Physical infrastructure



Talent infrastructure

MUSIC There is a lack of purpose-built infrastructure for producing and performing music in Africa because typical investors are not accustomed to the seasonal return profile.

The limited talent pipeline for industry professionals and executives prevents key operational and investment learnings from being codified and standardized.

FILM Filmmakers and production houses also cited the lack of quality infrastructure for production and performance as a major bottleneck.

The limited pool of experienced technical talent for filmmakers means that projects require expensive international post-production hires. This reduces the cost advantage compared to other locations.

FASHION Stakeholders in the fashion industry face issues with power supply, water quality, and waste management that increase their operational costs and reduce the quality of finished products.

Fabric producers in Africa face a limited availability of skilled textile craftspeople who can produce consistent output at scale. This leads to African producers being out-competed by those in Asia and other markets.

// Performance infrastructure will help support local industry, and give African artists the opportunity to earn sustainable income from their core fanbase at home."

CEO
Record Label

// Africa needs integrated production studios that can do a bit of everything; bringing world-class production quality to local Film and TV.

Elias Schulze
TV Executive

// It's difficult to meet the quality and volume demands of some of these international retailers because we do not have access to quality infrastructure. A lot of craftsmanship around textile production has not been passed down formally, so it's also tough to find talent.

Founder
Nigerian Luxury Brand

To facilitate sector growth, international institutions can develop strategic partnerships with local investors and stakeholders

POTENTIAL PARTNERS

ACTIVITY DESCRIPTION



Through its Creative Arts Campaign, the African Leadership Academy (ALA) is determined to galvanize and mobilize talented creatives across the ALA network. The right partnerships can scale its creative accelerator and education programs for stakeholders in the creative industry.



Art X offers a dynamic launchpad and accelerator for Africa's fastest-rising musicians and visual artists through one of their flagship platforms. With appropriate support, Art X can scale this support to expand their US partnerships to provide more comprehensive resources and cultural exchange opportunities for rising creative talent



Style House Files is a fashion business development agency focused on the advancement of Africa's textile and apparel industry through capacity building programs, international market access initiatives and showcases (e.g., Lagos Fashion Week). Style House Files requires long-term strategic partners to catalyze their impact, increase the export of African apparel and ultimately establish a sustainable fashion ecosystem.



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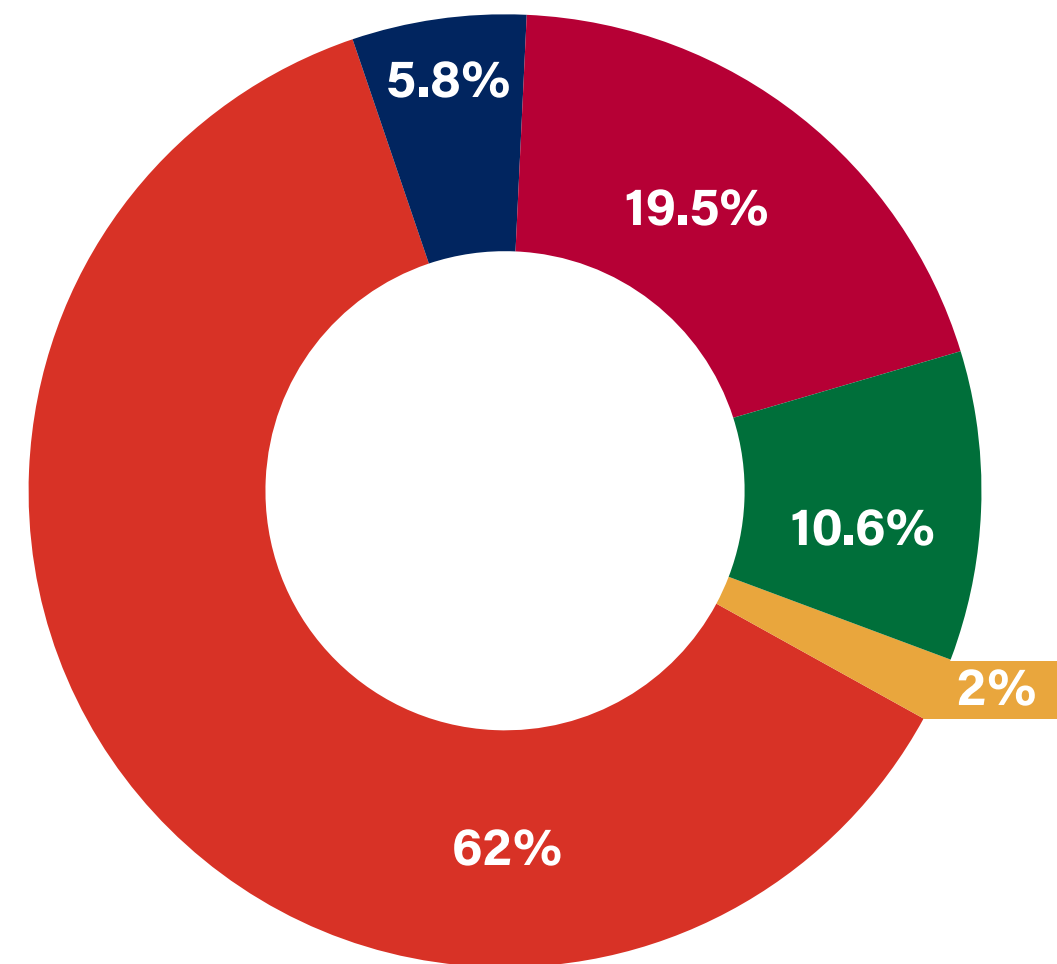
» Strategic
Growth
Opportunities



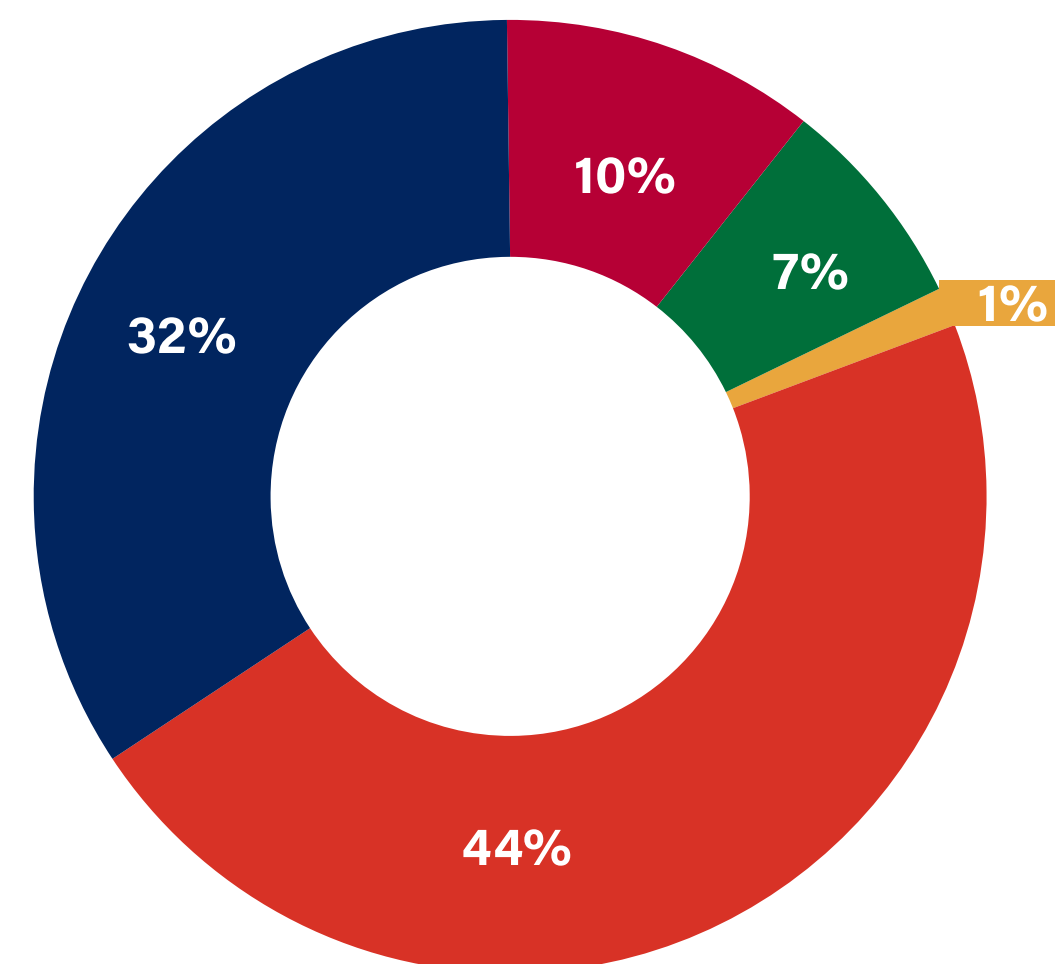
Investment towards establishing affordable and reliable internet connectivity would facilitate sizeable growth in music revenues and the industry at large

A large portion of music revenues in Africa come from ringtone and ringback tones

Global recorded music industry revenue distribution, 2020



Africa recorded music industry revenue distribution, 2020



■ STREAMING ■ PHYSICAL SALES ■ SYNCHRONISATION* ■ PERFORMANCE RIGHTS ■ RINGTONES AND RING BACK TONES

Poorly implemented regulation and high revenue splits with telcos makes it difficult for artists to generate sustainable incomes

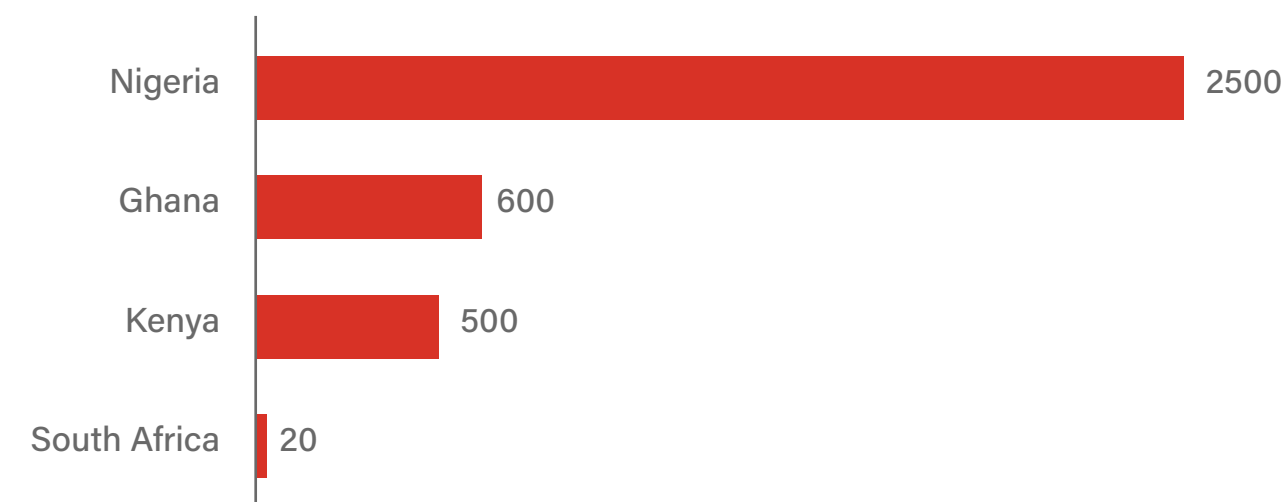
- » Ringtones and ringback tones make up a significant portion of music revenue across Africa. This is largely driven by the fact that **listeners do not require reliable internet connectivity for consumption.**
- » The wide reach of telcos across local markets gives the music industry a reliable distribution channel for ringtones and ringback tones. In return, **telcos collect up to 70% of the revenue generated.**
- » This significantly shrinks the revenue pool available to artists and their investors. Increased availability of affordable internet **will lower data streaming costs and increase income attributable to artists.**

Using Nollywood as a case study, increasing the production volume of high-budget feature films can lead to local and international success

The Nollywood model was built on a no-frills commercial model

Locally produced films

Average number of films per year



- » Nollywood started with a focus on direct-to-video sales to the local market in the 1990's. Low monetization due to rampant piracy forced lower budgets and a rapid approach to production and marketing.
- » Funding for Nollywood has historically been 100% private, sourced from producers themselves and passionate angel investors.

New Nollywood has positioned itself to benefit from streaming and cinema viewership

- » Since the launch of Nigeria's first modern cinema house, ambitious film-makers have produced higher-quality, higher-budget films intended for cinema-release.
- » New Nollywood benefits from more diverse funding sources, including grants and occasional loan programs, in addition to improved facilities and technical talent programs.

New Nollywood at a glance



Increased investment and partnerships are key to achieving global relevance

- » Nollywood will require continued investment in infrastructure and human capital to sustain its current growth trajectory and achieve more international recognition.
- » Film Festivals such as the Africa International Film Festival (AFRIFF) showcase Nigerian talent and facilitate partnerships with global players in the film industry.
- » International streaming platforms such as Disney are increasingly commissioning Nollywood content to cater to a growing audience of young Africans.



Two-way trade and investment in the art industry can be further facilitated through collaborative residency programs similar to those established by European cultural institutions



- » Goethe-Institut South Africa launched LAPA, a Pan-African artist residency in collaboration with Visual Arts Network of South Africa (VANSA).
- » The residency has promoted regional exchange for growth and learning. The Johannesburg-based residency program provides critical support for artists and art professionals.
- » The Goethe-Institut also provides funding to support artistic initiatives in several African countries. In cases where artists have been invited to fairs in Germany, they have also provided financial support.



- » Through fully-funded residency programs like Cite internationale des arts, Alliance Française encourages foreign artists to research and develop projects in Paris to facilitate cross-cultural dialogue. The program welcomes more than 300 artists monthly.
- » In select African cities, Alliance Française provides a world-class facility, including logistic and technical assistance for artists who are selected to develop and exhibit projects in partnership with them.
- » The Alliance Française does not provide direct funding to the art sector in Africa.



- » In collaboration with the Manchester Metropolitan's School of Digital Arts (SODA), the British Council offers a residency for African artists looking to gain experience in digital arts.
- » The residency seeks to unlock new opportunities for African artists who are underrepresented at the intersection of technology and art.
- » The program will give participants an opportunity to develop prototypes and publicize their work to international audiences.
- » It also gives artists the opportunity to leverage the growing NFT space that could be a key source for artist empowerment.

Partnerships with global retailers will play a key role in increasing output and ensuring the sustainability of Africa's fashion landscape

African Brands

Access to markets

African brands need better access to international retail markets - the US apparel market alone is valued at \$318B compared to \$1B for the whole of Africa.

Access to technical assistance

Local brands need support to meet international retail standards and production timelines.

Access to finance

There is limited availability of financing focused on fashion brands and their unique requirements.

There are various strategic interventions that would mitigate these challenges

US Fashion Buyers

Limited market knowledge

This makes it difficult for US buyers to navigate the African fashion market, identify key stakeholders and build long-term relationships.

Misaligned incentives

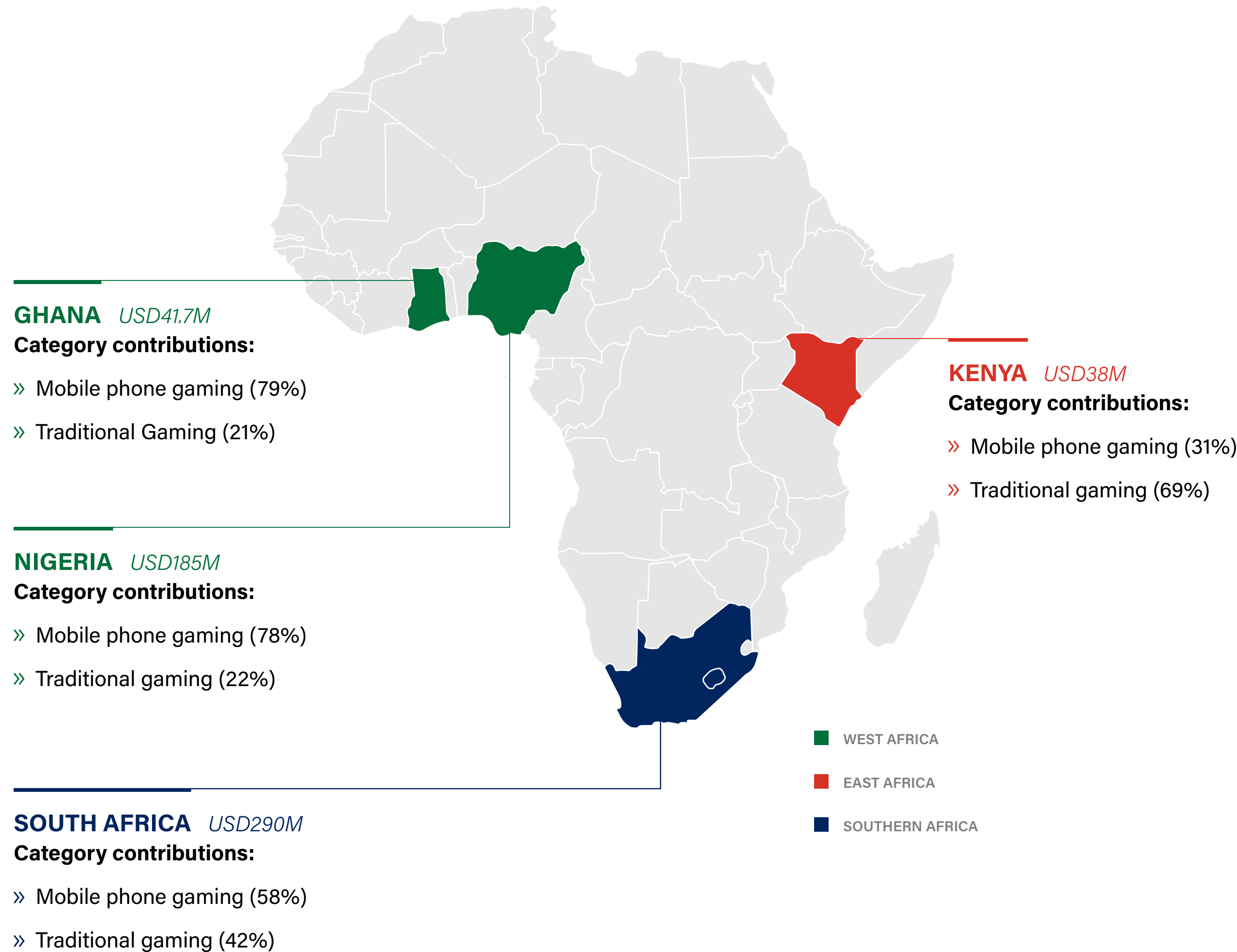
Low volumes from most high-quality African brands present a high risk to US retailers

Value chain uncertainty

Few African brands employ standardization practices that can ensure predictability through the process.



Mobile phone penetration has led to the dominance of mobile games across Africa's USD590M gaming industry



- » Africa's video game industry is **currently valued at USD590M**. South Africa is the continent's largest market, followed by Nigeria and then Kenya.
- » The prevalence of U.S. and Asian gaming companies has historically posed a challenge to local developers who lack similar talent and capital resources.
- » The proliferation of smartphones has made **mobile gaming the most prominent form of gaming across the continent and has led to a gradual rise in developers and publishers that are eager to localize gaming experiences for Africans.**

Carry1st



Carry1st successfully raised USD20M from leading VC investors in the US

The founders of Carry1st's, Tilotenda Mundangepfupfu, Lucy Hoffman, and Cordell Robbin-Coker.

Mobile will continue to dominate

"The future of gaming (in Africa) is mobile (as compared to console-based gaming)... Africans are accessing the internet on their phones and we expect mobile gaming to dominate for (at least) the next 5 years"

Highest growth in more advanced economies

Outside of Sub-Saharan Africa, which is dominated by S. Africa, Nigeria and Kenya, "North African markets (Tunisia, Morocco, Algeria and Egypt) are high growth markets for Carry1st". Potential growth markets in Sub-Saharan Africa include Ghana, Rwanda, Tanzania, Uganda and Botswana. "The development of Turkey's gaming sector (over the past 5 years) is a case study for the opportunity in Africa"

Lack of training limits opportunities for African game developers

South Africa has relatively strong educational infrastructure for gaming. Outside of South Africa "there are no video gaming development degree programs, right now it is just one-off electives"



The USD20M funding will accelerate Carry1st's growth towards becoming a leading consumer internet company in the region

On creating impact

"We've spoken to USAID and other patient capital providers about gaming's potential impact on job creation and the gamification of education"

On creating high revenue games

"(Successful games) require as much math as they do art." Patient, development capital can help African game developers, but there needs to be a well-established "pathway to revenue"

On the impact of a female founder

Over half of Carry1st's new hires are women and we continue to attract high-quality female candidates. "There is a low likelihood to join (a company) if you are female employee #1"



Inadequate investment in Africa's sports industry from local governments and institutional investors has prompted local entrepreneurs to get involved



**OVER
USD
120,000**

in ticket revenue in inaugural season

**UP
TO
2,000**

attendees for live matches

In January 2022 Paystack founder, Shola Akinlade, funded and launched a professional soccer club - Sporting Lagos - to address the funding gap that exists in Nigeria's most popular sport

- » Four-time African Footballer of the Year and FC Barcelona star, Asisat Oshoala, announced the launch of the 'Asisat Oshoala Academy' (AOA) in June 2022. The academy, a partnership with Nike and Women Win, aims to provide young women in Lagos access to football and life skills.
- » Despite soccer being the most popular sport in Nigeria, local clubs do not have adequate support to attract the level of interest that European teams benefit from.
- » Sporting Lagos is run by an organization of professionals experienced in sports and venture-building who oversee the effective management of the club.
- » Sporting Lagos is currently in the process of developing an academy that will serve as a pipeline for future team players, as well as an avenue for revenue as international teams continue to source more talent from Africa.
- » The state of existing stadiums in Nigeria has also been a challenge for the Sporting Lagos League. They are eager to bring in strategic investors to address this issue in the near future.

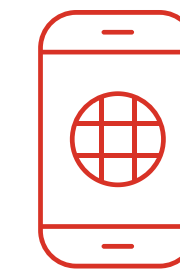


NBA Africa is an exemplary strategic investment and partnership program that has driven private capital into the African sports industry

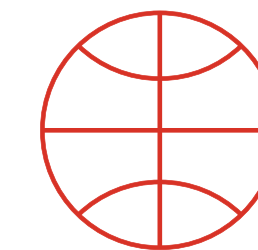
NBA Africa is investing significantly in the continent’s basketball industry

- » NBA Africa oversees the league’s business on the continent, including the Basketball Africa League (BAL). BAL successfully launched in 2021 featuring 12 teams from 12 countries.
- » NBA Africa is looking to increase the number of TV licensing deals on the continent. In 2016, the league reached a multi-year deal with Econet Media to broadcast over 500 NBA and WNBA games per season.
- » NBA Africa is also focused on increasing access to basketball through social responsibility programs and local business partnerships .
- » In July 2021, Barack Obama joined NBA Africa as a strategic partner. In November of last year academy award winning actor Forest Whitaker joined as a strategic investor.

Through BAL, NBA Africa is increasing U.S.-Africa trade and investment



Africa offers an untapped market to expand licensing deals, generating additional income for U.S. companies. This is particularly exciting in the context of rising smartphone subscriptions, which are expected to increase by 50% within the next 4 years.



The continued development of Africa’s basketball infrastructure will expand the pool of talent that could play at an elite level.



Growing investment in Africa’s basketball industry by U.S. companies and agencies also contributes positively to the USA’s image across the continent.

PROSPER FRICA

A U.S. TRADE AND INVESTMENT INITIATIVE

