



A New Approach  
for **Assessing Creative Enterprises**  
to Attract Impact Investment  
in Kazakhstan

Research Report / 2024

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## Key Terms

**The creative economy** is a set of sectors that specialise in the use of creative talent for commercial purposes<sup>1</sup>. The creative economy is defined by UNCTAD as an evolving concept based on the interaction of creativity and ideas with intellectual property, knowledge and technology<sup>2</sup>.

**The creative industries** (CCIs) defined by the UK Department for Culture, Media and Sport (DCMS)<sup>3</sup> as “industries that are based on individual creativity, skill and talent, and that have the potential to create wealth and jobs through the production and use of intellectual property”.

**Creative entrepreneurship**, a form of commercial activity (often self-employment) in one or more sectors of the creative economy. Its aim is to generate profits through the creation of value, value-added products, tangible and intangible assets, as well as the management of talent and intellectual capital.

**Impact**<sup>4</sup> or social impact is a significant change in the economic, social, cultural, environmental and/or political state as a result of specific actions and changes in the behaviour of individuals, communities or society as a whole. Impact can be positive or negative, and it can be intentional or unintentional. Impact can be measured in terms of the well-being of a group of people or the state of the natural environment caused by an event or action.

**A theory of change** is a method that explains how a given intervention (with financial and non-financial means) is expected to lead to a specific development change, outcomes and long-term consequences of the impact, which occur directly or indirectly.

**An indicator** is a measure of change. It tracks the dynamics of change before, during and after the intervention of an impact project. For example, it could be the creation of a creative alliance by graduates of an education programme, or a reduction in the amount of disposable packaging in the production cycle, measured in volume.

**Impact investments**, also known as social impact investments, mission investments, sustainable investments or responsible investments, according to the Global Impact Investing Network (GIIN)<sup>5</sup>, are investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. The growing impact investing market provides the capital needed to address most pressing global challenges in sectors such as sustainable agriculture, renewable energy, microfinance, creative industries, and more.

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<sup>1</sup> Newbiggin, J. (2022). *What is the creative economy?* British Council. Available at: <https://creativeeconomy.britishcouncil.org/guide/what-creative-economy/>.

<sup>2</sup> UNCTAD. *Creative Economy Programme*. Available at: <https://unctad.org/topic/trade-analysis/creative-economy-programme>

<sup>3</sup> Department for Culture Media and Sport (DCMS). (1998). *Creative Industries Mapping Documents*. Available at: <https://www.gov.uk/government/publications/creative-industries-mapping-documents-1998>

<sup>4</sup> Impact Frontiers. Impact definition. Available at: <https://impactfrontiers.org/norms/>

<sup>5</sup> GIIN. Impact Investment definition. Available at: <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>

**Patient capital**, also known as slow capital, is capital provided by corporate, investment, and philanthropic funds to develop impact projects. This capital is perfectly suited to slow ecosystems, such as social and creative entrepreneurship (as opposed to fast venture), and is designed to take on the high risks associated with the low sustainability of such projects and long-term impact outcomes.

**An impact investor** is a private or institutional owner of assets with the clear goal of enhancing positive changes in society or reducing the negative impact on social and natural systems. They do this by supporting entrepreneurial projects working in these areas.

**An impact investee** or impact investment object is a start-up or an organisation with a strong social mission and market development strategy that focuses on receiving impact investments<sup>6</sup>.

In this study, **intermediaries** are defined as self-regulating, interdisciplinary, specialized organizations that accumulate industry knowledge and provide project, consulting, and educational support, uniting main stakeholders (entrepreneurs, donors, investors, regulators). Business incubators, creative and impact centres, university research and development (R&D) centres, non-governmental organisations (NGOs) and development funds can act and be considered as intermediaries. One of the key functions of intermediaries is to create and maintain a high-quality project pipeline.

**A pipeline** is a portfolio of entrepreneurial projects that have passed educational programmes and preliminary assessment and are ready to receive investments.

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<sup>6</sup> Rockefeller Philanthropy Advisors Roadmap Series. (2020). *Introduction to Impact Investing*. Available at: [https://missioninvestors.org/sites/default/files/resources/RPA\\_PRM\\_Impact\\_Investing\\_Intro\\_WEB.pdf](https://missioninvestors.org/sites/default/files/resources/RPA_PRM_Impact_Investing_Intro_WEB.pdf)

## INTRODUCTION

### *Objectives of the Study*

The pilot study A New Approach for Assessing Creative Enterprises to Attract Impact Investment in Kazakhstan was conducted under a research grant from the British Council between April and September 2024.

This report explores the potential for an alternative way of assessing the contribution of creative enterprises, as activities that produce intangible assets and socio-cultural values cannot be measured in economic terms alone. It is advisable to consider such business initiatives as projects with a high potential for social and environmental impact.

The creative industries in Kazakhstan are still in their infancy and face difficulties in articulating their value and accessing investment. The main objective of introducing impact assessment is to stimulate the creative entrepreneurial ecosystem and increase the sustainability of entrepreneurial projects by attracting patient investment that meets the goals of social impact and the slow pace of development of creative projects.

The study had three objectives:

- 1) to review existing international social impact assessment practices applied in creative and related sectors,
- 2) to analyse the opportunities, benefits and barriers for implementing impact assessment practices for creative business models in Kazakhstan,
- 3) to explore the prospects for attracting impact capital to support the development of creative industries in Kazakhstan.

In order to identify models that could be piloted in Kazakhstan, the study reviewed the experiences of countries using impact assessment methodologies for creative enterprises. Expert interviews helped to identify leaders of the impact agenda in the country, as well as identifying systemic barriers that hinder the spread of impact assessment practices and the building of an impact project pipeline. Furthermore, the analysis of three overlapping entrepreneurial ecosystems (social, venture, creative) and the influence of venture on the development of creative entrepreneurship helped to identify a potential scenario for the formation of a creative ecosystem with elements of impact.

The report provides practical recommendations for key stakeholders on how to disseminate the impact agenda as a new framework for assessing the impact of the creative industries, pilot methodologies for assessing creative enterprises, and overcome systemic barriers that hinder the development of impact projects and attract investment. The report provides an overview of trends, examples of investment products and impact indicators, as well as creative lens for impact investment and suggestions for strengthening the role of intermediary organisations.



Given the interest in impact investment in Kazakhstan, any practical results of the impact assessment will help raise awareness among all stakeholders. The introduction of sustainable financial tools will make it possible to fully mobilize creative resources to achieve sustainable development goals.

This report is addressed to representatives of the expert community and intermediary platforms united by the theme of developing sustainable entrepreneurial ecosystems — creative and impact hubs, business incubators, universities, support and development funds, as well as impact assessment consultants and impact investors to be.

## *Problem Statement*

The growing interest in the creative economy in Kazakhstan allows independent cultural projects, creative associations and creative enterprises to be increasingly considered as full participants in the country's economic development. The agenda of key stakeholders now includes targets for the development of creative clusters and the implementation of training programmes for creative entrepreneurs. Private business incubators, innovation development funds and quasi-state structures offer acceleration and incubation programmes for creative entrepreneurs, with the possibility of receiving grants, investment support and mentoring.

However, the viability of creative business ventures is currently assessed exclusively through the lens of standard business criteria. Such an assessment, which relies mainly on financial indicators, overlooks the specificities of industries that create ideas, intangible assets and objects of cultural value, which significantly differentiate creative industries from other economic sectors.

Trying to fit creative projects into the criteria of fast-moving venture start-ups automatically makes them non-competitive in terms of monetary success, which limits their access to potential investment. At the same time, the scale of the social impact of creative products and services remains hidden from government agencies, donor organisations and investors, as well as from entrepreneurs themselves. As one of the founders of the creative economy, John Hawkins, notes,

*«We cannot understand the creative economy through the lens of conventional finance. To see it clearly, we need to understand its culture and psychology... We are seeing a shift in emphasis from economic value to human values»<sup>7</sup>.*

As creative enterprises have a cultural and/or social mission as their primary focus, they should be considered as projects with a high potential for social and environmental impact.

However, this perspective requires the use of an alternative conceptual framework and the introduction of distinctive evaluation criteria that diverge from traditional or venture business norms. The new criteria will not only assess the objective level of impact of creative projects and creative industries in general but will also facilitate their integration into the investment landscape. This, in turn,

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<sup>7</sup> Howkins, J. (2021). *We need to redefine success*. Creativity, Culture and Capital. Available at the link: <https://www.creativityculturecapital.org/blog/2021/09/13/we-need-to-redefine-success>

will require raising awareness among stakeholders of the specificities of conducting business in the creative sectors, as well as the adaptation of training programmes for creative entrepreneurs.

These events will create significant opportunities for the growth of impact investment and the inflow of patient capital into Kazakhstan's creative industries. The objective of impact investment is to enhance the impact of creative enterprises with a robust social mission by bolstering their sustainability, thereby increasing the return on and recirculation of investment in the creative sectors.

## *Methodology and Hypotheses*

The pilot study was based on the following hypotheses:

**Hypothesis 1.** Creative industries require their own evaluation criteria. The current methods for evaluating business models in creative industries are largely based on venture standards, with a primary focus on market and financial indicators. However, these approaches do not fully consider key parameters such as socio-cultural values and the extent of social and environmental impact. This biased assessment makes it much more challenging for creative enthusiasts to access the financial and non-financial support they require.

**Hypothesis 2.** Impact assessment is likely to be the missing component that determines the unique measurable contribution of creative enterprises and creative industries in general to the well-being of local ecosystems, regions and/or the country. Impact indicators should be integrated into the business model and complement the assessment of the commercial sustainability of the project.

**Hypothesis 3.** The application of impact assessment practices will facilitate the development of impact investment and attract international and local patient capital to the creative industries. However, this process is hardly possible without strengthening the role of professional intermediaries, which play a key strategic role in the implementation of new practices and supporting tools in the entrepreneurial ecosystem.

The following methods were employed for the study: desk research (collection and analysis of thematic and academic literature, open-source statistical data) and qualitative research. The lack of analytical and statistical data on Kazakhstan was offset by in-depth semi-structured interviews with ten representatives of intermediary platforms and experts in impact assessment.

The conclusions and recommendations for the implementation of new criteria for assessing creative business models and the development of impact investment are based on the expert opinions and the global trends described.



# SECTION 1.

## IMPACT IN THE CREATIVE INDUSTRIES

### 1.1. Creative Industries Worldwide

One of the earliest definitions of the creative economy was proposed by British economist John Howkins in his 2001 book, *The Creative Economy: How People Make Money from Ideas*. The creative economy is defined as a new economic system in which the value of goods, services or experiences is determined by their originality, novelty and creativity rather than by traditional resources such as land, labour and capital. It represents “a new way of thinking and doing that stimulates manufacturing, services, retailing and entertainment, with an emphasis on individual skills or talents as well as arts, culture, design and innovation”<sup>8</sup>.

In the UK, the creative industries were identified as a separate economic sector and given their own statistical codes in 1998. This followed extensive mapping<sup>9</sup> of the creative sectors by the Department for Culture, Information and Sport (DCMS). The creative industries were defined as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property”.

The DCMS identifies the concept of intellectual property as a key factor<sup>10</sup> in understanding the creative industries. This refers to the value of an idea, which is protected by copyrights, patents or trademarks from unauthorised copying or use for commercial purposes.

In the UK document, the following 13 creative industries were introduced for the first time:

- 1) Film and video making, animation, photography,
- 2) Radio and television,
- 3) Performing arts: theatre, dance,
- 4) Music, concerts, festivals,
- 5) Literature, publishing,
- 6) Architecture, urban planning,
- 7) All types of design,
- 8) Fashion,
- 9) Marketing and Advertising,
- 10) Crafts and applied arts,
- 11) Art and antiques,
- 12) IT and software development,

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<sup>8</sup> Howkins, J. (2001). *The Creative Economy: How People Make Money from Ideas*. London: Penguin.

<sup>9</sup> Department for Culture Media and Sport (DCMS). (1998). Creative Industries Mapping Documents. Available at: <https://www.gov.uk/government/publications/creative-industries-mapping-documents-1998>

<sup>10</sup> Newbiggin, J. (2022). *What is the creative economy?* British Council. Available at: <https://creativeeconomy.britishcouncil.org/guide/what-creative-economy/>

### 13) Multimedia and computer games.

This list was subsequently revised and has since served as a reference for programme document developers in other countries.

While there are national differences, cultural and creative industries have the following characteristics in common: their activities can be both tangible and intangible, and there is no distinction made between commercialised and non-commercial creative industries<sup>11</sup>. As outlined in Deloitte reports, functions related to operations, management, R&D, production and training in the creative sectors are also typically regarded as CCIs.

The concept of the creative economy and creative industries first appeared on the global economic agenda in 2004. At the 11th United Nations Conference on Trade and Development (UNCTAD), the Inter-Ministerial Group defined the creative economy as an economic activity based on knowledge and the interrelationship between creativity, ideas and technology, as well as on cultural values or artistic creation, cultural heritage and other forms of individual or collective creative expression<sup>12</sup>. All creative industries are recognised as important sources of economic and cultural value, including commerce, labour and manufacturing.

Since the UN General Assembly formulated the 17 Sustainable Development Goals<sup>13</sup> (SDGs) in 2015, global efforts and resources have been primarily focused on finding solutions to environmental problems and projects to combat climate change, such as reducing greenhouse gas emissions, protecting biodiversity and transitioning to a circular economy. However, as environmental, social and governance (ESG) standards have grown, projects aimed at positive changes in the well-being of society in general and the quality of human life in particular have increasingly emerged in the corporate sector as part of corporate social responsibility (CSR) strategies.

The United Nations has designated 2021 as the International Year of the Creative Economy for Sustainable Development<sup>14</sup>. Considering the pivotal role<sup>15</sup> of the creative industries, the architects of the SDGs have identified creativity and culture as key contributors to the attainment of sustainable goals in the realms of education, employment and economic growth. In addition to its contribution to social inclusion, cultural diversity and the protection of world cultural heritage, the creative economy was also identified as an important sector that promotes entrepreneurship, innovation, sustainable consumption and production, as well as sustainable tourism that creates jobs and develops local culture<sup>16</sup>.

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<sup>11</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

<sup>12</sup> UNCTAD. Creative Economy Programme. Available at: <https://unctad.org/topic/trade-analysis/creative-economy-programme>

<sup>13</sup> United Nations. Sustainable Development Goals (SDGs). Available at: <https://www.un.org/sustainabledevelopment>

<sup>14</sup> United Nations. *New Economics for sustainable development*. Available at: [https://www.un.org/sites/un2.un.org/files/orange\\_economy\\_14\\_march.pdf](https://www.un.org/sites/un2.un.org/files/orange_economy_14_march.pdf)

<sup>15</sup> United Nations. Sustainable Development Goals (SDGs). Available at: <https://www.un.org/sustainabledevelopment>

<sup>16</sup> Генеральная Ассамблея ООН. (2019). «2021 год — Международный год креативной экономики для устойчивого развития». Резолюция 74/198. Available at: <https://documents.un.org/doc/undoc/gen/n19/433/87/pdf/n1943387.pdf>

In 2023, The Group of Twenty (G20) leaders recognised that CCIs are one of the main drivers of sustainable socio-economic recovery from the COVID-19 pandemic<sup>17</sup> and one of the fastest growing sectors of the global economy.

The creative economy accounts for 6.2% of total employment, representing a significant contribution to the overall employment landscape. The creative industries have created nearly 50 million jobs worldwide<sup>18</sup>. They employ more young people aged 15-29 than any other economic sector<sup>19</sup>.

It is estimated<sup>20</sup> that the creative economy contributed 3.1% or USD 4.3 trillion to global GDP in 2022. The global creative economy is experiencing an annual growth rate of 9%, with developing countries exhibiting an even higher rate of 12%. It is forecast<sup>21</sup> that the contribution of the creative industries will reach 10% of global GDP in the coming years.

It is important to note that the definition of the creative economy today is associated with attempts to measure economic activity in a particular geography. To do this, each country defines a specific list of creative sectors that reflect a unique cultural landscape and priorities for innovation and assesses the economic contribution of these sectors.

However, despite the favourable market indicators of CCIs, their social impact is not always and everywhere evaluated, making it challenging to ascertain their objective contribution. For many countries, the creative economy is still in its infancy, but its rapid growth, without considering its social and environmental consequences, can only exacerbate existing economic imbalances, many of which have not yet been overcome.

International experts in the field of CCIs development are calling for the creation of new, more responsible standards of activity and the stimulation of the creative economy by attracting and redistributing alternative forms of capital, including socially responsible financing and impact investing. These objectives are designed to enhance the inclusivity and sustainability of projects, ensure the prudent use of natural resources, demonstrate respect for local communities, and establish new ethical and environmental standards for operations<sup>22</sup>.

Thus, an effort to evaluate the impact of the creative industries will greatly improve our comprehension of the distinctive value created by creative entrepreneurs and the potential for creative solutions that effectively address cultural, social, and environmental challenges.

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<sup>17</sup> UNESCO. (2023). *G20 New Delhi Leaders' Declaration reaffirms culture as a transformative powerhouse for sustainable development*. Available at: <https://www.unesco.org/en/articles/g20-new-delhi-leaders-declaration-reaffirms-culture-transformative-powerhouse-sustainable>

<sup>18</sup> UNCTAD (2022). *Creative Economy Outlook*. Available at: [https://unctad.org/system/files/official-document/ditctsce2022d1\\_en.pdf](https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf)

<sup>19</sup> UNESCO. (2015). *Cultural times: the first global map of cultural and creative industries*. Available at: <https://unesdoc.unesco.org/ark:/48223/pf0000235710>

<sup>20</sup> UNESCO. (2022). *Reshaping policies for creativity: addressing culture as a global public good*. Available at: <https://unesdoc.unesco.org/ark:/48223/pf0000380475>

<sup>21</sup> UNCTAD. (2021). *The creative economy takes center stage*. Доступно по ссылке: <https://unctad.org/news/creative-economy-takes-center-stage>

<sup>22</sup> Callanan, L. (2021). *Impact investing in the creative economy today*. Creativity, Culture and Capital. Available at: <https://www.creativityculturecapital.org/blog/2021/01/13/impact-investing-in-the-creative-economy-today/>

The following section will review the impact assessment and management practices of the non-profit sector and the creative industries in the United Kingdom, the United States and the European Union will be reviewed as the most systematic. This study did not consider the experience of impact assessment in the corporate sector.

## 1.2. Impact and Methods for its Assessment

In the mid-20th century, Milton Friedman, the 1976 Nobel Prize in Economics laureate, proposed a doctrine<sup>23</sup> that private companies should prioritise shareholder value creation, while social responsibility issues should be addressed by the government.

Half a century on, there is a notable shift<sup>24</sup> in approach within the business and finance sectors. In the context of today's complex economic, social and environmental landscape, traditional business models are undergoing a significant transformation. There is a growing recognition that the traditional concept of asset ownership<sup>25</sup> is evolving, and that business and private capital can play a pivotal role in addressing the world's most pressing challenges.

Concurrently, companies are facing pressure from a new source: the market. This pressure is coming from consumer groups, shareholders, investors, and other stakeholders<sup>26</sup>. The assessment of financial sustainability is now incorporating approaches to considering the impact and consequences of business activities on the planet and society<sup>27</sup>.

### *Impact Definition*

The term “social impact” is defined as the deliberate activity of business, government and/or non-profit organisations with the goal of achieving a positive and sustainable change in the quality of life of one or more stakeholder groups (but not individuals) or the state of the environment.

In 2015, the UN General Assembly set out 17 Sustainable Development Goals<sup>28</sup>, which led to the concept of social impact and ESG standards being adopted by businesses and then non-profit sector.

The 17 SDGs are grouped into five “5Ps” (Planet, People, Prosperity, Peace and Partnership), which reflect the economic, social and environmental components of sustainable development (people,

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<sup>23</sup> New York Times. *A Friedman doctrine—The Social Responsibility of Business Is to Increase Its Profits*. Republished at: <https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html>

<sup>24</sup> MIT Management Sloan School. (2021). *Social responsibility matters to business—A different view from Milton Friedman from 50 years ago*. Available at: <https://mitsloan.mit.edu/experts/social-responsibility-matters-to-business-a-different-view-milton-friedman-50-years-ago>

<sup>25</sup> Forbes Kazakhstan. *Что такое импакт-инвестиции и каково их будущее в Казахстане*. Available at: <https://forbes.kz/actual/organizatoryi-impact-hub-almaty-my-rytaem-sya-izmenit-pravila-igryi-v-finansovom-mire>

<sup>26</sup> Magna. IPG Media Lab. (2019). *The Impact of Culture. What it means for brands today*. Available at: <https://magnaglobal.com/wp-content/uploads/2019/05/Magna-IPG-Lab-Impact-of-Culture-US.pdf>

<sup>27</sup> Godeke, S., Briaud, P. (2020). *Impact Investing Handbook. An Implementation Guide for Practitioners*. Rockefeller Philanthropy Advisors.

<sup>28</sup> United Nations. Sustainable Development Goals (SDGs). Available at: <https://www.un.org/sustainabledevelopment>

planet and prosperity), as well as two critical conditions for sustainable development — peace and partnership<sup>29</sup>.

At the same time, in addition to the Sustainable Development Programme, 169 specific targets and 230 quantitative and qualitative indicators of effectiveness in achieving the SDGs have been identified. This system of measurable indicators enables companies with a strong social mission to evaluate their effectiveness and demonstrate the achievement of high-quality social change.

Therefore, regardless of industry characteristics or economic context, the objective of social impact management is to implement changes that can be measured using qualitative and/or quantitative data.

The International Association for Impact Assessment (IAIA) offers a more precise definition: impact is the difference between the results of a business activity and what would have occurred in the absence of that activity.

Today, **three key components<sup>30</sup> of impact** can be identified:

- 1) *the availability of measurable change* (changes or effects in activities, perceptions, awareness, behaviour, capabilities, opportunities, performance, policies, practices, processes or understanding),
- 2) *the direction of the impact vector* (changes or effects that have occurred with consumers, employees, suppliers, local and professional communities, beneficiaries of social initiatives, or the environment),
- 3) *the presence of physical boundaries of impact* within a given geographical perimeter (local, regional, national or international).

Impact assessment is inextricably linked to the issue of financial support and investment. Attracting responsible financing or impact investments for the development of companies with a social mission allows for the redistribution of capital in the market in a way that increases the sustainability of such projects and accelerates the achievement of the SDGs.

## Value and Socio-Cultural Contribution

In addition to impact, the definition of value, which is a key topic in discussions about the creative industries, requires particular focus.

In economic theory, value is still used as an indicator of the usefulness of a product or service in the context of consumer demand. Despite the creative industries' significant economic contribution and role in fostering socio-cultural values and sustainable development, there are still challenges in measuring their impact in an objective manner. These difficulties are explained by the complexity of

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<sup>29</sup> UNESCO. (2019). *Culture|2030 Indicators: UNESCO Framework for Measuring Culture's Contribution to the 2030 Agenda*. Available at: <https://unesdoc.unesco.org/ark:/48223/pf0000371562>

<sup>30</sup> UK Parliament. (2015). *Research Excellence Framework (REF 2014)*. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn07112/>

culture and creativity in the broad sense — they cannot be measured using purely economic or employment indicators.

Social Value International<sup>31</sup> views social value as a form of social consensus, or an understanding of the relative importance placed on changes in well-being by individuals. The organisation uses this understanding to inform more effective decision-making processes that consider the impact on the planet and the people whose lives are affected by third-party activities.

Consequently, conventional methods of assessing projects in the creative industries, which concentrate on “quick” effectiveness metrics such as the number of events held, the number of participants/audiences or the amount of training hours, are inadequate for determining the extent of contribution in the creative and other sectors that generate social impact<sup>32</sup>.

Today, there is a need for bespoke assessment models that facilitate the digitisation of intangible criteria, including the contribution of diverse ecosystems, information agendas, creative skills, products and services to societal well-being in terms of cultural, educational, spiritual, artistic and even therapeutic value.

The high density of creative industries in smart cities provides an opportunity to develop products and services that carry cultural values and focus on the public good. These can contribute to improving the quality of life and economic prosperity of cities. However, if not properly supported, they can also have the opposite effect, depriving cities of economic value. The UK experience<sup>33</sup> demonstrates that indicators of positive social change, such as improved health and well-being, higher educational attainment or reduced crime, increase proportionately when creative industries become fully sustainable, accessible and inclusive.

It is therefore essential that, when developing an ecosystem within CCIs, entrepreneurs have systematic access to capital in line with their goals and values, with a view to achieving social impact as well as commercial success.

Measuring social value and sharing the outcomes with all stakeholders can be an effective tool for transparency, strengthening public opinion and, as a result, attracting financial resources for creative organisations in need of external support. Furthermore, the measurement of relevant performance indicators and the analysis of the resources invested into CCIs will help to improve the strategy for the distribution of public and private funds and to guarantee certain protection mechanisms for CCIs from the state<sup>34</sup>.

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<sup>31</sup> Social Value UK. Social Value definition. Available at: <https://www.socialvalueint.org/what-is-social-value>

<sup>32</sup> Skolkovo Moscow School of Management. (2021). «Золотой стандарт импакта. Лучшие кейсы и практики по измерению социального воздействия бизнеса».

<sup>33</sup> Sanderson, F., Phillips, S., Maggs, D. (2023). *Impact Investing in the Cultural and Creative Sectors Insights from an emerging field*. Creative Industries Policy and Evidence Centre. ISBN: 978-0-7017-0278-6.

<sup>34</sup> Deloitte Private. (2023). *Art & Finance Report*, 8<sup>th</sup> Edition.



## *Methods for Social Impact Assessment*

According to the UN<sup>35</sup>, “an evaluation is an examination, conducted as systematically and impartially as possible, of the performance of an activity, project, programme, strategy, policy, issue, theme, sector, operational area or institution. It examines both expected and unintended results by examining the results chain, processes, contextual factors and causal relationships, using appropriate criteria such as relevance, effectiveness, efficiency, impact and sustainability. Evaluation aims to provide an understanding of why and to what extent intended and unintended results have been achieved, and to assess the impact of these results. Evaluation findings can inform planning, programming, budgeting, implementation and reporting, and contribute to evidence-based policy-making and improved development effectiveness and organisational performance”.

In today's business environment, the standards for companies that publicly affirm their dedication to sustainable development are becoming increasingly rigorous. A fundamental element of any social impact assessment is the availability of a robust evidence base, comprising digitalised qualitative and quantitative indicators that facilitate a comprehensive comparison of the social and environmental impacts achieved. The availability of such data is one of the ways to counteract the practice of greenwashing and impact washing, where claims about the results achieved are manipulated and unfounded<sup>36</sup>.

Consequently, funds and companies are continuously seeking to enhance the precision and transparency of the evidence base. A thorough assessment enables the gathering of feedback from beneficiaries and the consideration of all impacts resulting from the company's activities, whether positive or negative, immediate or delayed, anticipated or unanticipated. To this end, impact management and impact assessment practices are employed.

**Impact Measurement and Management (IMM)** is a common project management practice that follows a cyclical process and is subordinate to the chosen impact method's strategy and tactics. It entails defining objectives, gathering data, selecting suitable metrics and analysing progress, thereby enabling continuous improvement of the process as the project is implemented.

This approach includes essential steps such as clearly defining the primary and secondary beneficiaries, conducting a pre-project analysis of their needs, and measuring the initial condition (baseline) against which the results achieved will be compared. The data, as set out in the organisation's policy document, allows for regular measurement of intermediate results and their verification against the set objectives and indicators.

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<sup>35</sup> United Nations Evaluation Group. (2016). *Norms and Standards for Evaluation*. Available at: <https://www.unevaluation.org/document/detail/1914>

<sup>36</sup> Skolkovo Moscow School of Management. (2021). «Золотой стандарт импакта. Лучшие кейсы и практики по измерению социального воздействия бизнеса».

Figure 1. Structure of the Impact Measurement and Management (IMM) Programme



Source: Impact Management Project. *How Enterprises Manage Impact*.

All established social impact measurement and management methods rely on the collection of primary data from beneficiaries and stakeholders through the use of feedback gathering tools such as surveys and interviews.

Impact measurement and management requires organisations to be able to make trade-offs based on available resources and expertise. The IMM process requires a certain level of competence from both the impact project team and the intermediaries and investors. In developed markets, the assessment, monitoring and verification of results is usually carried out by an external, independent party such as consultants or impact funds that match business projects with investors.

By some estimates, there are more than 150 approaches to impact measurement today. However, many non-profit organisations, corporate and investment funds are not constrained by existing models and are developing their own approaches that consider individual objectives and the specifics of their portfolio. Subsequently, these assessment criteria are extended to entrepreneurial projects with a social mission that are focused on receiving investment.

In general, approaches and metrics are becoming more standardised, allowing for comparison of impact across sectors, industries and markets. The GIIN is playing a key role in this process.

The following section reviews several approaches that are considered the 'gold standard' of impact measurement. All can be applied to impact assessment in the cultural and creative sectors, where non-quantitative indicators predominate.

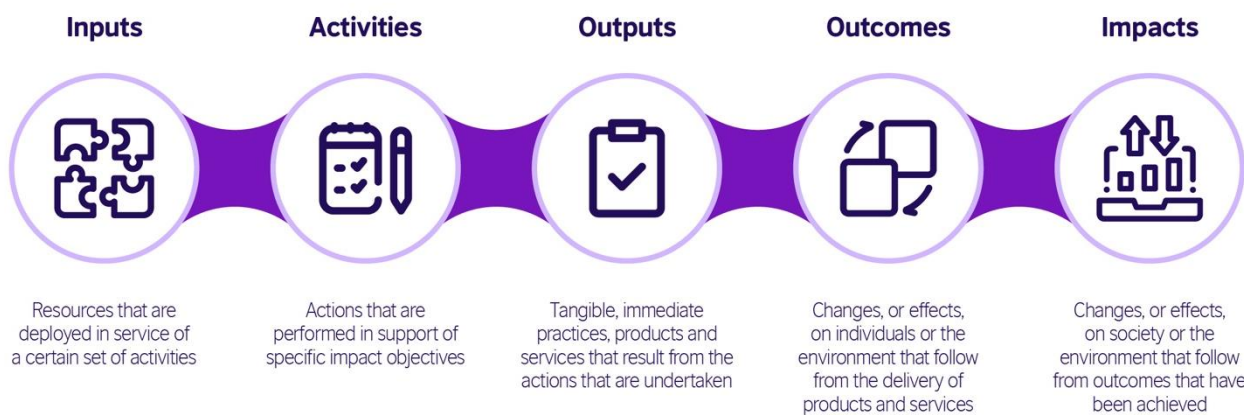
## The Theory of Change

While many non-profit organisations and investment funds utilise their own assessment tools, they all rely on the theory of change as a fundamental tenet<sup>37</sup>.

The theory of change is a logic model that articulates the intended changes in people’s lives or the state of natural ecosystems. It explicitly outlines the connections and rationale between actions (what will be done through financial and non-financial investments), outcomes (direct, short-term, medium-term results) and impacts (long-term changes that will occur directly or indirectly in different contexts)<sup>38</sup>.

The theory of change can take the form of a visual diagram with key components such as beneficiary needs, inputs, actions to achieve impact objectives, direct results of actions taken, measurable outcomes and impacts.

**Figure 2: Logic Model of the Theory of Change**



Source: Godeke S., Briaud P. (2020). *Impact Investing Handbook. An Implementation Guide for Practitioners*. Rockefeller Philanthropy Advisors.

In the context of entrepreneurship, the theory of change can be employed as the foundation for a business model or as a strategic plan for the advancement of a business or individual project with a social mission. It can also be used as a communication tool to describe, evaluate and interpret goals, risks and pathways to measurable impact for all stakeholders, including the change initiator, beneficiaries, investors and intermediaries.

<sup>37</sup> The Center for Theory of Change. Theory of Change definition. Available at: <https://www.theoryofchange.org>

<sup>38</sup> Godeke S., Briaud P. (2020). *Impact Investing Handbook. An Implementation Guide for Practitioners*. Rockefeller Philanthropy Advisors.

The theory of change is a popular tool for fundraising as it helps to visualise the expected outcomes and the logical chain leading to their achievement. It enables donors and investors to see how their contributions will result in tangible changes that go beyond statistical data.

The theory of change can also be presented as an impact map, showing all the components of the change process.

**Table 1. Example of the Impact Map Visualisation**

	PURPOSE	EXAMPLE OF INDICATORS FOR ASSESSING EFFECTIVENESS
IMPACT (time-domain measures) = DELAYED OUTCOMES – BASELINE CONDITION	Create a qualitative change in the well-being of beneficiaries or in the external environment	% of female programmers in country X, number of female students in technical universities
	<b>BASELINE</b>	
	A snapshot of the state of the environment prior to the start of the programme/project implementation	
	<b>BENEFICIARIES</b>	
	Individuals, groups or organisations targeted by the intervention	
	<b>RESOURCES</b>	
	Resources required for the activity	
	<b>ACTIVITIES</b>	
	All planned activities of the intervention	
IMPACT (attribution) = IMPACT (time-domain measures) – BASELINE measures	<b>INDICATORS OF ACHIEVEMENT OF SHORT-TERM GOALS</b>	Number of female students attending summer computer science camp
	Instant quantitative, less often qualitative, changes resulting from the organisation's activities	
	<b>INDICATORS OF ACHIEVEMENT OF MID-TERM GOALS</b>	% of female students who attended the summer camp and chose a technical field of study for university admission
	Medium-term qualitative changes resulting from immediate results	
	<b>BASELINE</b>	Increased women's rights in the country, programmes by other donor organisations addressing girls
Changes on the stakeholder side that would have happened anyway and without the organisation's activities		
	<b>INDICATORS OF LONG-TERM OUTCOMES</b>	Change in% of female programmers in country X through the establishment of a network of summer computer science camps for girls
	Long-term qualitative changes resulting from the organisation's activities	

Source: Skolkovo Moscow School of Management. (2021). «Золотой стандарт импакта. Лучшие кейсы и практики по измерению социального воздействия бизнеса». (The Gold Standard of Impact. Best cases and practices in measuring the social impact of business).

In practice, the development of the theory of change is primarily conducted by intermediary organisations (impact funds, business incubators, grant-making organisations) with the direct involvement of change initiators (entrepreneurs, business founders, management teams), as well as investment funds and independent consultants on impact investment projects.

The theory of change is based on a comprehensive understanding of the beneficiaries' needs, as identified through primary research. This approach guarantees that the theory of change accurately reflects the real needs of the target group, transforming it from a theoretical model into a practical tool that can effectively demonstrate solutions to existing problems. Consultants typically assist intermediary organisations and private investors in formulating impact themes and assessing impact. At the same time, they provide additional training and support services in the process of developing a theory of change. In developed markets this remains one of the most sought-after services in impact investing.

## *Social Return on Investment (SROI) Model*

The second most used method is the Social Return on Investment (SROI)<sup>39</sup> model, which quantifies the social and environmental impacts of a business or project. SROI is an adapted version of standard cost-benefit analysis.

It is important to note that in the field of welfare theory, the value of social benefits is typically determined by the amount the beneficiary is willing to pay for them. This approach allows for a comparison of costs and outcomes. However, social enterprises are often established in response to market imperfections, and standard methods may not always be applicable to their valuation. The SROI method addresses this issue by enabling the identification and monetisation of social and environmental benefits. The model establishes the financial value of externalities using proxies or estimates for which there is no financial expression, but these must be continually reviewed and updated to ensure accuracy.

The SROI model can be used effectively at two stages: at the planning and assessment stage, to determine the financial viability of a project before it is launched; and at the assessment stage, to determine the extent of the impact.

The key differentiating factor between SROI and other models is that it assigns a monetary value to the cumulative social impact generated in relation to the initial investment. This is reflected in a proportional ratio or fraction, such as 50:10. For instance, a final SROI score of 5 indicates that every dollar spent will generate (or has already generated) five dollars of social value.

$$SROI = \frac{\text{VALUES CREATED BY THE PROJECT}}{\text{INVESTMENTS IN THE PROJECT}}$$

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<sup>39</sup> Social Value UK. *On the Principles of Social Value*. Available at: <https://socialvalueuk.org/principles-of-social-value/>

The SROI method is regarded as a relatively resource-intensive approach. Due to the complexity of the calculations involved in determining the SROI fraction, many organisations employ a simplified approach to accounting for social value created. This is based on the eight principles proposed by Social Value International (SVI)<sup>40</sup> as part of the SROI methodology, without assigning monetary values.

### **Eight Principles from SVI:**

1. Where possible, involve all stakeholders in the process of defining results and performance indicators.
2. Understand the ways in which change is generated: positive and negative, expected and unexpected.
3. Consider and evaluate the factors that are important to different stakeholder groups.
4. Use an evidence based on objective stakeholder testimony to ensure that decisions are made to achieve meaningful change.
5. Do not overclaim your contribution. When assessing impact, recognise that other people or events may have influenced the changes that have occurred, and that some changes may have occurred independently rather than as a result of impact.
6. Be transparent in disclosing information, providing evidence, and discussing analysis with stakeholders.
7. Ensure that results are properly validated with key stakeholders and independent party representatives.
8. Be accountable: strive for social value through accountable decision-making.

The SROI method is regarded as an effective integrated approach to social impact assessment, as it provides a universal language for all stakeholders, including consultants, intermediaries and potential investors, through the use of quantitative indicators.

It is important to note that the process of assigning proxy values is inherently subjective and should be viewed in the context of an individual company's performance. It is not possible to make comparisons between SROI reports produced by different companies due to the differences in the specifics of the impacts and the profile of those involved in the process, even if the companies operate in the same industry.

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<sup>40</sup> Social Value International. *The Guide to SROI*. Available at: <https://www.socialvalueint.org/guide-to-sroi>



## Impact Management Project (IMP) Method

The Impact Management Project (IMP) Method demonstrates how impact organisations and impact investors can contribute to one or more classes of social impact:

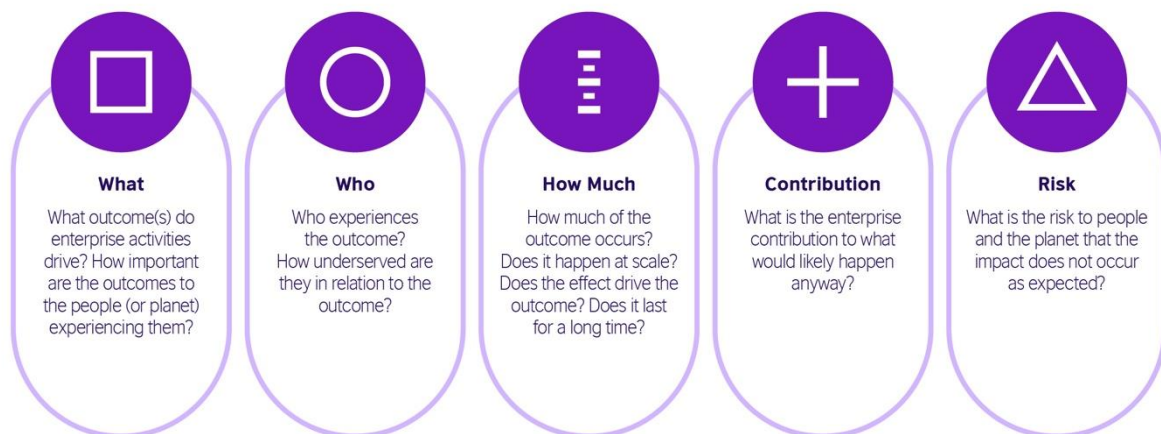
**Class A.** Acting to prevent harm

**Class B.** Creating value and benefits for stakeholders

**Class C.** Contribute to solving problems

In line with this concept, the IMP authors developed the Five Dimensions of Impact. It is acknowledged that all investments have an impact on people and the planet, whether positive or negative, and whether intentional or unintentional. By employing the Five Dimensions of Impact (and their associated subcategories), impact organisations and investors can ascertain which medium- or long-term outcomes are of greatest consequence and evaluate the efficacy of those impacts.

*Figure 3: Five Dimensions of Impact*



Source: *Impact Management Project*.

IMP is claimed to be the only method that can digitise the social and environmental impacts of key operational processes specifically in a business context. This includes separately identifying the different categories of impacts related to product manufacturing, supply chains and other business operations. However, it is not a suitable method for assessing the impact of an entire organisation.

The IMP method places greater emphasis on the core principles of the theory of change, incorporating elements such as impact risk, attribution, and baseline measurement.

**Figure 4: An Example of the Detail of Five Dimensions of the Impact Management Project**



Source: Impact Management Project. *How Enterprises Manage Impact*.

The key benefit of the IMP approach is that it can be integrated with existing standards, such as core metrics applied to specific industries, sectors and issues, to demonstrate progress on impact. Examples of relevant standards include SASB, B Lab, IRIS+, and others.

To illustrate, GIIN<sup>41</sup> has created the IRIS+ indicator system as a unified impact measurement standard. This system defines performance indicators by theme and impact category. This standard allows impact organisations and investors to efficiently identify and select appropriate indicators from a comprehensive open catalogue<sup>42</sup> and provides guidance on standardised data collection and reporting. IRIS+ indicators have been developed for broader themes and sub-themes, often aligned with the thematic focus and outcomes of the theory of change. However, the majority of indicators are measures of the degree of change. IRIS+ is aligned with the Sustainable Development Goals (SDGs) and over fifty other conventions.

## *Culture | 2030 Indicators by UNESCO*

The Culture|2030 Indicators<sup>43</sup>, or “The Thematic Indicators for Culture in the 2030 Agenda”, is a tool developed based on UNESCO conventions that assesses the concrete and practical contribution of culture to the 2030 Sustainable Development Goals (SDGs). The methodology views culture as a sector of action and a cross-cutting element of the SDGs. The framework considers not only economic well-being and job creation, but also the mechanisms through which culture influences the construction of knowledge and skills, and people’s engagement and participation in collective processes.

The framework is comprised of four strands:

- **Environment and sustainability:** culture’s contribution to creating a sustainable environment, with a focus on preserving cultural and natural heritage and fostering a healthy urban ecology.
- **Material well-being and livelihoods:** the contribution of culture to promoting and enabling socially inclusive and sustainable economies through the generation of income and employment opportunities and the stimulation of revenues from cultural goods and services and cultural enterprises.
- **Knowledge and skills:** the contribution of culture to the transfer of locally available cultural values, knowledge and skills for empowerment through training and the development of educational methodologies, guidelines and recommendations.
- **Inclusion and participation:** the contribution of culture to fostering social cohesion and promoting inclusion and participation in society, including assessing access to culture, realising the right of everyone to participate in cultural life and the right to freedom of cultural expression, including artistic freedom.

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<sup>41</sup> IRIS+ by GIIN. Available at: <https://iris.thegiin.org>

<sup>42</sup> IRIS+ Catalogue of Metrics. Available at: <https://iris.thegiin.org/metrics/>

<sup>43</sup> UNESCO. (2019). *Culture|2030 Indicators: UNESCO Framework for Measuring Culture’s Contribution to the 2030 Agenda*. Available at: <https://unesdoc.unesco.org/ark:/48223/pf0000371562>

**Table 2. UNESCO's Culture | 2030 Indicators Framework**

DIMENTION	REF.	INDICATOR	POTENTIAL GENDER DIMENSION
<b>Environment &amp; Resilience</b>	1	Expenditure on heritage	
	2	Sustainable Management of heritage	Gender taken into account in policy considerations
	3	Climate adaptation & resilience	Gender taken into account in policy considerations
	4	Cultural facilities	Sex of owner-operated businesses. Sex ratio of board members and senior directors
	5	Open space for culture	Sex of users and operators (e.g. market stalls)
<b>Prosperity &amp; Livelihoods</b>	6	Culture in GDP	
	7	Cultural Employment	Disaggregate by sex, age & other characteristic
	8	Cultural Businesses	Sex of owner-operated businesses. Sex ratio of board members and senior directors
	9	Household expenditure	
	10	Trade in cultural goods & services	
	11	Public finance for culture	Gender-based accounting
	12	Governance of culture	Gender taken into account in policy considerations
<b>Knowledge &amp; Skills</b>	13	Education for Sustainable Development	Gender taken into account in policy considerations
	14	Cultural knowledge	Gender taken into account in policy considerations
	15	Multilingual education	
	16	Cultural & artistic education	Gender parity index
	17	Cultural training	Gender parity index
<b>Inclusion &amp; Participation</b>	18	Culture for social cohesion	Disaggregate by sex, age & other characteristic
	19	Artistic freedom	Gender taken into account in policy considerations
	20	Access to culture	Disaggregate by sex, age & other characteristic
	21	Cultural participation	Disaggregate by sex, age & other characteristic
	22	Participatory processes	Disaggregate by sex, age & other characteristic

Source: UNESCO. (2019). *Culture | 2030 Indicators*.

The developers of the Culture|2030 Indicators provide a comprehensive step-by-step assessment guide, including a detailed description of the four thematic areas, checklists, data sources and methodology for calculating the indicators. These materials are available to the public.

## 1.3. Impact Investing

The term “impact investing” has been in use since 2007 and is defined by the GIIN<sup>44</sup> as “investments that seek to generate positive, measurable social and environmental impact alongside financial returns”.

An investment can be categorised as an impact investment if it meets **four criteria**:

- 1) *Purpose* (defining a social objective and a plan to achieve it),
- 2) *Return on investment* (an indicator of the return on investment),
- 3) *Return spectrum* (an indicator that considers the relationship between social impact and economic benefit),
- 4) *Social impact measurement and evaluation* (a way of determining contribution).

It is important to note that impact investments are not grants or donations, as they are designed to generate a positive financial return. It is assumed that social and environmental change will be achieved through the company’s purposeful activities, rather than as a side-effect of its business activities.

Impact investors concentrate their efforts on existing or developing projects whose business model is based on a robust social mission. Investments are made with the dual objective of increasing positive impacts and minimising negative impacts, as well as strengthening the sustainability of the projects in question.

Impact investing is a rapidly evolving field comprising a diverse range of products, funds and strategies that enable investors to direct their capital towards the social and environmental issues that align with their priorities. The intention to make a verifiable positive difference is the defining characteristic of impact investing and the core motivation of an impact investor, whether an institutional fund, family office or private investor.

Impact investing is an umbrella term that encompasses evolving concepts and approaches across a range of industries.

**Table 3: Types of Impact Investing**

<b>Sustainable Investment</b>	Investing with a view to expected long-term social, environmental and governance benefits. A vision of a sustainable future is the starting point for developing strategic actions.
<b>Socially Responsible Investment (SRI)</b>	Socially responsible, socially aware, green or ethical investing is a long-term investment approach that considers ESG factors and promotes practices

<sup>44</sup> Global Impact Investing Network (GIIN). *Impact Investment definition*. Available at: <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>



	that support environmental stewardship, consumer protection, human rights and diversity.
<b>Impact Investment</b>	Investments in organisations and funds that can harness the positive power of entrepreneurship for meaningful change. Investments can be made in both emerging and developed markets and can include below market to market returns where appropriate.
<b>ESG Investment</b>	Environmental, social and governance (ESG) factors are non-financial data that are considered as part of investment analysis to assess whether investments promote sustainable, equitable and efficient practices and mitigate potential risks from project operations.
<b>Venture Philanthropy</b>	A long-term approach with a high degree of impact investor involvement that supports social projects or organisations, typically NGOs, to scale their social impact.
<b>Mission Related Investments</b>	Directing an investment fund's assets towards fulfilling its own social mission and investing in financially viable initiatives that seek to achieve one or more social goals.

Sources: <https://www.impacteurope.net/impact-glossary>,  
<https://missioninvestors.org/resources/fundamental-terms-and-concepts-impact-investing>

The term “impact investing” is often incorrectly used interchangeably with “philanthropy”, “corporate social responsibility” (CSR), “sustainable development” and “ESG”. Although these concepts are discrete, they can be mutually reinforcing in a business context. There is still debate as to whether impact investing should be considered an investment vehicle or asset class, or whether impact should be a lens through which all asset classes are viewed.

However, regardless of how one constructs the conceptual framework, the growth rate of the impact investing market over the past decade has exceeded that of most other asset classes. GIIN estimates that as of December 2021, 3,349 organisations were managing impact investing assets globally, with a global market size<sup>45</sup> of USD 1.164 trillion. This represents a significant increase from USD 715 billion in 2020. The International Finance Corporation's (IFC) global estimate for 2020 was even higher at USD 2.3 trillion<sup>46</sup>.

In the UK alone, Big Society Capital<sup>47</sup> estimates that the market has grown more than tenfold in the past 11 years, from GBP 830 million in 2011 to GBP 9.4 billion in 2022. Furthermore, in the United States, the responsible investment market has expanded by 300% in just two years, from 2021 to 2022. Various sources estimate its value to be between USD 12 billion and USD 715 billion<sup>48</sup>.

<sup>45</sup> Global Impact Investing Network (GIIN). (2022). *Sizing the impact market*. Available at: <https://thegiin.org/assets/2022-Market%20Sizing%20Report-Final.pdf>

<sup>46</sup> IFC. (2020). *Investing for Impact: The Global Impact Investing Market*. Available at: <https://www.ifc.org/en/insights-reports/2021/impact-investing-market-2020>

<sup>47</sup> Sanderson, F., Phillips, S., Maggs, D. (2023). *Impact Investing in the Cultural and Creative Sectors Insights from an emerging field*. Creative Industries Policy and Evidence Centre. ISBN: 978-0-7017-0278-6.

<sup>48</sup> Global Impact Investing Network (GIIN). (2020). *Annual Impact Investor Survey*. 10<sup>th</sup> edition. Available at: <https://thegiin.org/assets/GIIN%20Annual%20Impact%20Investor%20Survey%202020.pdf>



Impact investments encompass a range of asset classes and types, including direct investments, real estate, venture capital, equity investments in intermediary funds or individual companies, and debt and fixed income investments<sup>49</sup>. This capital can take a variety of forms, including traditional philanthropy and grants, as well as social investment.

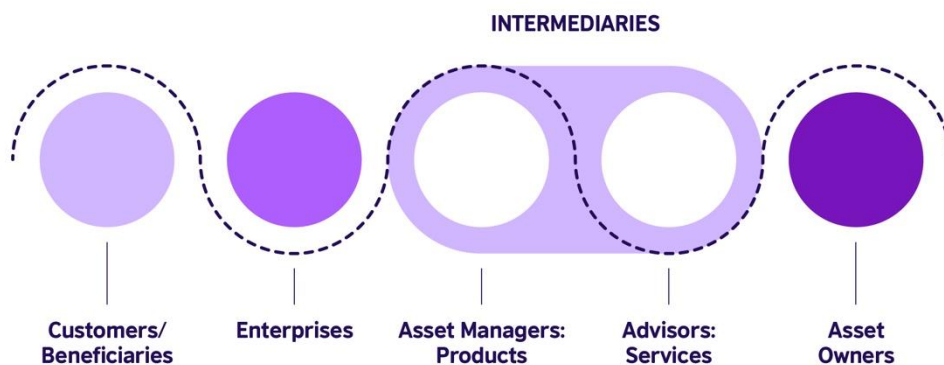
## Impact Ecosystem

It is challenging to achieve meaningful impact without an appropriate ecosystem that brings together key stakeholders and ensures comprehensive engagement throughout the entire impact cycle. This includes aligning the organisation's desired impact with meaningful change, evaluating impact at the beneficiary level, and measuring return on investment.

It is important to note that the impact capital chain and the social value chain involve the same processes and stakeholder engagement, but the order of the stages is reversed. This is illustrated in figures 5 and 6.

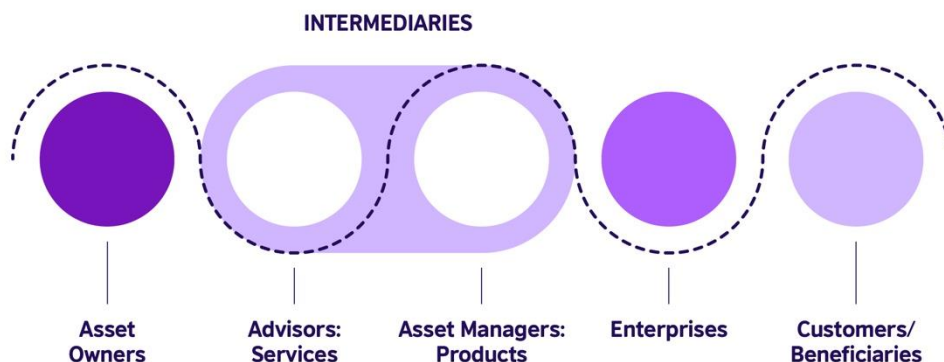
This is more indicative of the cyclical nature of both the change creation process and the ecosystem as a whole.

**Figure 5: Value Chain in an Entrepreneurial Ecosystem**



<sup>49</sup> Montocchio, E. (2023). *Impact Investment trends in 2023*. LinkedIn. Available at: <https://www.linkedin.com/pulse/impact-investment-trends-2023-emma-montocchio/>

Figure 6: Impact Capital Flow Chain



Source: Godeke S., Briaud P. (2020). *Impact Investing Handbook. An Implementation Guide for Practitioners.* Rockefeller Philanthropy Advisors.

Each participant is integral to the functioning of the ecosystem.

**Beneficiaries.** Consumer groups, diverse communities or local natural ecosystems for whose benefit impacts are identified and implemented.

**Impact entrepreneurs.** The narrow definitions of social, creative or technological entrepreneur are being replaced by the more generic term “impact entrepreneur”. This term applies to anyone who takes on the role of change agent, defines a social mission and has a targeted social impact on beneficiaries through their business activities. In the context of financial support, impact entrepreneurs are the recipients of investment.

**Asset owners/investors.** At present, impact investment in developed countries is primarily sourced from charitable trusts, investment and corporate foundations, private family offices, public organisations and private investors who have their own social mission and seek to increase the scale of social impact by supporting other actors, namely impact entrepreneurs and intermediary organisations.

In Europe, for instance, 36% of impact investment originates from venture capital and private equity funds, 20% from private financial institutions, including traditional and ethical banks, and only 1% each from business incubators, accelerators and business angels<sup>50</sup>.

**Operators / intermediaries.** While social impact investments can be made directly from the capital owner to the investment recipient, the most common approach is to work with professional operators or intermediaries. They play a pivotal role in the development of the impact investment market.

<sup>50</sup> Based on the presentation by Eva Konzal (Impact Europe), Impact Forum Almaty, April 2024.

Intermediary organisations specialising in different areas of expertise are able to offer invaluable support to investors in the form of industry knowledge and expertise in pre- and post-investment impact assessment and monitoring, advice on impact management, and assistance with reporting.

Intermediaries aim to increase the amount of capital available to impact entrepreneurs, enabling them to achieve and scale their social impact. In this way, intermediaries facilitate the alignment between the demand for capital and the supply of investment, thereby mobilising additional financial resources into the social impact ecosystem. They distribute the investments received from asset owners, thereby enhancing the viability of entrepreneurial projects. The typical timescale for intermediaries to support impact projects is 3-5 years.

One of the primary roles of intermediaries is to develop and sustain a robust pipeline of investment-ready projects. The basic principle of the pipeline is the same as the standards applied in the venture ecosystem: the project funnel begins with the selection of applications, the screening of business models, the subsequent acceleration of projects and the competition for investment. However, for impact investing purposes, a full due diligence process is added, considering the organisation's activities, objectives and impact risks, including impact indicators, assessment of financial sustainability, determination of the financing structure, return on investment and non-financial support for the project.

The following is an example of **the process of creating a pipeline** for receiving impact investment through an impact fund (using Via Fund<sup>51</sup> as an example):

1. Sourcing impact projects through acceleration programmes.
2. Investment — the creation of a bespoke financial model and accompanying tools for each project.
3. Incubation and support — providing non-financial support (mentoring, training programmes) and defining measurable impact indicators for each project.
4. Measuring results and impact indicators — assessing and verifying social impact and financial results.
5. The return on investment and subsequent reinvestment — building a new portfolio and reallocating capital for future investments.

In the value chain, the intermediary is compensated for their role in preparing investment projects and monitoring their progress. From the perspective of attracting and/or returning investment, this approach increases costs. However, it standardises and makes the process more transparent for all stakeholders, while also increasing the sustainability of impact efforts.

Intermediaries provide investors with a wide range of advisory and management services, including access to projects that have undergone incubation and validation; access to analysis and investment opportunities in selected sectors; assistance in allocating funds, building and managing an investment portfolio; and support in assessing the impact and risks of an entrepreneurial project.

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<sup>51</sup> Based on the presentation by Olga Maksimova (Via Fund, Armenia), Impact Forum Almaty, April 2024.

In return, impact entrepreneurs receive a range of benefits from intermediaries, including assistance with navigation and access to investment capital, specialist knowledge and skills, standardisation of business processes, support in identifying, evaluating and monitoring impact indicators, assistance with financial management and access to technical support.

## 1.4. Impact Investing in Creative Industries

The investment in the creative industries, arts and culture is a fast-growing area, with a variety of initiatives around the world mobilising catalytic capital and increasing available funding to develop initiatives and entrepreneurial projects in these sectors.

According to Deloitte<sup>52</sup>, impact investment reached an estimated USD 1.164 billion in 2023, representing a substantial capital base that will drive significant growth in the creative sectors in the coming years. Furthermore, this will result in a transformation of the traditional model of philanthropic funding, which will shrink and take on a new, more sustainable form.

A comprehensive database of global initiatives and mapping of investment funds supporting cultural and creative industries are now available.

For example, the international Creativity, Culture & Capital<sup>53</sup> project is engaged in the process of identifying funding models and the potential for impact investment in the creative economy. Furthermore, the 2022 Culture and Creative Impact Funds Map has identified over 36 impact funds globally, including eight in the UK, eight in Latin America, seven in Africa, six in the US, five in Europe, one in India and one international fund. All support projects in CCIs exclusively and/or include these sectors in their investment verticals. The Impact Fund Mapping reveals the significant untapped potential for targeted investment in the creative economy.

In a context of reduced public spending in developed countries, new opportunities for financial support to cultural and creative industries have emerged, encompassing private and philanthropic investment, in addition to the traditional reliance on public funds for such initiatives. Consequently, new financial schemes are being introduced to facilitate the flow of capital into projects related to culture and creativity.

It is also the case that the corporate sector can be regarded as a potential source of capital for CCIs. As the European Commission's Corporate Sustainability Reporting Directive (CSRD)<sup>54</sup> strengthens social responsibility standards for the corporate sector, impact investments in the creative sectors, culture and the arts will increase. At the same time, investees will need to demonstrate to investors that they are making good use of the funds they receive and attracting new supporters and consumers by improving their performance and impact analysis, including their contribution to the SDGs.

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<sup>52</sup> Deloitte Private. (2023). *Art & Finance Report*, 8<sup>th</sup> Edition.

<sup>53</sup> Creativity, Culture & Capital. Available at: <https://www.creativityculturecapital.org>

<sup>54</sup> Deloitte Private. (2023). *Art & Finance Report*, 8<sup>th</sup> Edition.

## Key Challenges

While the contribution of CCIs to national economies is becoming more widely acknowledged, certain obstacles to the growth of impact investing remain.

Creative sector organisations have both tangible and intangible assets. It is well established that physical assets such as buildings, collections and tangible artefacts are of significant value. However, the vast array of intangible assets, including content, intellectual property and organisational networks, remains largely overlooked by entrepreneurs, funders and investors.

According to Creative PEC<sup>55</sup>, the value and potential of intangible assets has not yet been fully realised, especially in the context of high international demand for creative content. The reason for this is that there are limitations on the growth and scaling up of creative projects due to a lack of equity capital and access to investment for entrepreneurs.

The absence of regular impact investing is indicative of sectors that have difficulty in articulating value, which represents a weakness for CCIs. This, in turn, explains the lack of products and programmes in the market to help institutional and private investors invest more effectively in the creative sector.

However, research conducted by Upstart Co-Lab<sup>56</sup> has demonstrated that there are instances of impact investing in the arts, design, culture and heritage, though these are not classified as creative economy investments. For instance, investors with a focus on women's entrepreneurship may not perceive the connection between these initiatives and the creative economy, or companies that have received impact investment for sustainable production practices may not always be identified as part of the ethical fashion sector.

Given that the US creative economy contributes over 4.5% to GDP and is estimated to be worth USD 1.1 trillion by 2022<sup>57</sup>, it is surprising that information on targeted impact investment in the creative economy has not been included in GIIN's annual reports<sup>58</sup>. For example, between 2017 and 2022, there was a negative 11% annual growth in investment in the arts and culture sector, which represented just 0.1% of total investable assets under management (AUM). Furthermore, only 5% of investors reported<sup>59</sup> that they directed some of their investments to the arts and culture.

Deloitte's findings align with this trend, indicating that investors view social impact investing as a promising opportunity. However, there is still a need to develop a compelling evidence base to support the case for impact investing in creative industries, culture, and the arts<sup>60</sup>.

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<sup>55</sup> Sanderson, F., Phillips, S., Maggs, D. (2023). *Impact Investing in the Cultural and Creative Sectors Insights from an emerging field*. Creative Industries Policy and Evidence Centre. ISBN: 978-0-7017-0278-6.

<sup>56</sup> Design Team and Upstart Co-Lab. (2020). *Creative Impact. Impact Investment*.

<sup>57</sup> U.S. Bureau of Economic Analysis (BEA). (2022). *The Arts and Cultural Production Satellite Account*. Available at: <https://www.bea.gov/data/special-topics/arts-and-culture>

<sup>58</sup> Upstart Co-Lab. (2017). *A Creativity Lens for impact investing*.

<sup>59</sup> Hand, D., Sunderji, S., Pardo, N. M. (2023). *GIINsight: Impact Investing Allocations, Activity & Performance*. GIIN. Available at: <https://thegiin.org/publication/research/2023-giinsight-series/>

<sup>60</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

The methods used to assess economic efficiency and social impact in the creative industries are typically borrowed from other sectors and do not fully account for the specificities of creative activities. This is evident in the nature of cross-sectoral projects, whose benefits are often unclear as they are situated in different sectors. Additionally, there are fully customised initiatives that are not scalable. Furthermore, the micro-enterprise format and high horizontal mobility of professionals<sup>61</sup> are not reflected in official statistics. As a result, attempts to compare the economic performance of CCI entrepreneurial projects with other sectors lead investors to undervalue and perceive creative enterprises as uncompetitive.

These barriers are further compounded by the lack of awareness among stakeholders of the distinctive business practices and value creation processes inherent to the creative sectors. There is also a lack of understanding of the management of intangible assets. As John Howkins<sup>62</sup> argues, “the problem is that traditional investors familiar with business models based on repetition and marginal pricing can be misled by businesses based on creativity and innovation. Experts on physical assets can be puzzled by intellectual property. Or they understand brands but don’t know how to value copyright. Or they can’t judge founders’ or executives’ competence. Or they are comfortable with discounted pricing but cannot understand followers who act like fans”.

## Investment Products

Impact investments in CCIs are typically collaborative, with capital coming from multiple sources to form catalytic capital.

The Catalytic Capital Consortium<sup>63</sup> defines catalytic capital as “debt, debt, equity, guarantees, and other investments that accept disproportionate risk and/or concessionary returns relative to a conventional investment to generate positive impact and enable third-party investment that otherwise would not be possible”. Catalytic capital is an essential instrument for bridging financing gaps and scaling impact, while complementing conventional investments.

As the global economy shifts from smart grants and interest-free loans to impact investing, the development of financial instruments to support impact projects is also evolving. The key products that are gaining traction in CCIs include soft loans, mezzanine financing, equity, Social Impact Incentives (SIINC) and Systematic Investment Plans (SIB)<sup>64</sup>.

To illustrate, cultural impact bonds may take the form of social impact bonds (SIBs). The Organisation for Economic Co-operation and Development (OECD) defines a social impact bond as an innovative financing mechanism through which governments or the quasi-public sector organisations can enter into agreements with social service providers that can deliver agreed and measurable social

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<sup>61</sup> McIntyre, P., Fulton, J., Kerrigan, S., Meany, M. (2023). *Entrepreneurship in the Creative Industries. How Innovative Agents, Skills and Networks Interact*. ISBN 978-3-031-19454-2.

<sup>62</sup> Howkins, J. (2021). *We need to redefine success*. Creativity, Culture and Capital. Available at: <https://www.creativityculturecapital.org/blog/2021/09/13/we-need-to-redefine-success>

<sup>63</sup> MacArthur Foundation. (2019). *Catalytic Capital at Work*. Available at: <https://www.macfound.org/press/article/catalytic-capital-work>

<sup>64</sup> Sanderson, F., Phillips, S., Maggs, D. (2023). *Impact Investing in the Cultural and Creative Sectors Insights from an emerging field*. Creative Industries Policy and Evidence Centre. ISBN: 978-0-7017-0278-6.



outcomes. A financing mechanism is initiated when a company with a social mission, typically an intermediary such as an impact fund, issues thematic bonds and secures funds from private investors, philanthropic organisations or investment funds. Service providers then use these funds to cover their operating costs. In the event that the planned social outcomes are achieved, investors receive a premium (pay for success) from the government or an authorised body<sup>65</sup>.

Furthermore, there are examples of the successful introduction of more sustainable investment products. In Colombia, the Orange Economy Policy has led the way in issuing Orange Bonds<sup>66</sup> to support the growth of creative industries. As most Orange Economy businesses are start-ups, early-stage companies, mere projects or ideas, their commercial development prospects carry a high level of risk. In this context, the initiative aimed to collaborate with commercial banks to reduce the barriers to entry for creative businesses and to develop new financial products and guarantees that focus on future ideas and intangible assets with delayed effects, which are challenging to monetise and value economically.

In 2018, Bancóldex<sup>67</sup> successfully issued Orange Bonds, raising capital from 322 investors and financing projects in the arts and heritage (52%), cultural industries (42%) and functional creations (6%) over a two-year period. Concurrently, CCI enterprises were able to utilise the funds raised for working capital (69%) and business modernisation (31%).

The availability of “soft capital” therefore provides a significant stimulus to the market, including the ability to offer more flexible and risk-tolerant investment products to those organisations in need of funding<sup>68</sup>. On a market-wide scale, this helps to overcome the alienation of the cultural and creative sectors due to their volatile income, thereby enabling them to re-enter the investment arena.

## Investment Lens

The choice of social issue and impact objectives will determine which specific themes and corresponding lenses investors select. While a theme may be sector-specific (e.g. creative industries) or area-specific (e.g. entrepreneurial education), an impact lens is a defined perspective applied consistently across all impact investors’ assets. To illustrate, an investment fund may apply a gender lens to all its investments, evaluating how investments impact the gender performance of different projects.

In CCIs, the lens could be:

- The development of creative clusters and hubs (infrastructure construction, renovation, socio-cultural property management),
- The development of communities (local, creative, professional),

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<sup>65</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

<sup>66</sup> Munero, C. (2021). *Sharing the orange bond with the world*. Creativity, Culture and Capital. Available at: <https://www.creativityculturecapital.org/blog/2021/09/13/sharing-the-orange-bond-with-the-world/>

<sup>67</sup> Ibid.

<sup>68</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

- The strengthening of inclusion and tolerance practices (involvement of different beneficiary groups, including vulnerable groups and people with disabilities),
- Local ecological/ethical production, sustainable materials,
- The reducing of the carbon footprint (by changing supply chains),
- The creation and management of intangible assets,
- The preservation of local cultural heritage (crafts, monuments)
- The creating of a safe environment, etc.

### **Example of the Upstart Co-Lab Impact Fund (USA)**

Upstart Co-Lab, the largest impact fund in New York, has repositioned its work to align with the term “creative economy”, moving away from the term “culture and arts”. To direct impact investors’ attention towards opportunities to develop entrepreneurial projects and assets related to culture, art, design and heritage, the fund has introduced a new tool, called the Creativity Lens.

Considering the distinctive characteristics of the US creative industries, Upstart Co-Lab has identified 145 sectors<sup>69</sup>. The initial impact investments were made in five key creative industries:

1. *Ethical fashion*: apparel, footwear, jewellery and accessories companies that proactively address industry concerns related to labour relations, environmental impact, governance and/or preservation of cultural heritage.
2. *Sustainable Food*: food and beverage companies and suppliers that are actively working on solutions for resource conservation, cultural heritage, access to healthy food and consumer awareness.
3. *Social Impact Media*: companies that use storytelling, communications and technology to amplify positive social outcomes, provide a platform for underrepresented voices and agendas, and foster diverse workplaces.
4. *Other Creative Enterprises*: companies with sustainable business models that produce and distribute art, design, cultural and heritage products, create quality jobs and have a social impact.
5. *Creative spaces (clusters)*: projects that focus on creative people or creative economy enterprises, provide affordable real estate and generate benefits for the neighbourhood.

In 2018, Upstart Co-Lab launched the NYC Inclusive Creative Economy Fund<sup>70</sup> in partnership with the Local Initiatives Support Corporation (LISC). The fund raised USD 6.2 million in capital from individuals, family offices, philanthropic foundations, and cultural institutions. The proceeds were used to finance affordable workspace in New York City, enabling creative entrepreneurs to expand their businesses and create jobs, including for low- and moderate-income workers.

<sup>69</sup> The North American Industry Classification System (NAICS). Available at: <https://www.naics.com/search/>

<sup>70</sup> Design Team and Upstart Co-Lab. (2020). *Creative Impact. Impact Investment*.

## Key Trends in Investment in Creative Industries

The following section outlines the key trends that, according to expert forecasts, will contribute to the spread of impact investment and alternative forms of financial support for the projects in the CCIs.

### Trend 1: The Creator Economy

The Upstart Co-Lab Impact Fund places a strong emphasis on the rapidly growing Creator Economy<sup>71</sup>. This is an ecosystem of online platforms that enable independent developers of content, products and services to monetise their work by developing and engaging diverse audiences through views, subscriptions to exclusive content, collaborations and advertising deals. The intrinsic connection with technology provides the opportunity to reach a vast audience on a large scale.

It is estimated that there are more than 250 million creators and influencers<sup>72</sup> in this sphere, with a global market value of USD 104 billion.

By 2021, the global creator economy had attracted over 165 million new participants, with significant growth in the US (+34 million), Spain (+10 million), South Korea (+11 million) and Brazil (+73 million)<sup>73</sup>.

In the US alone, over USD 7 billion has been invested in the sector during this time. Web3's platforms enable direct investment in a creator, artist or designer via NFT and social tokens. Impact investors can select creators by geography, demographics or subject matter that best match their impact goals.

Today, impact investments go to talent agencies, production studios, content creation studios and influencers. Traditional venture capital funds view the creator economy as the future of e-commerce, entertainment and media.

### Trend 2: Smart and Stimulating Cities

The 2023 Smart City Index Report<sup>74</sup> definitively demonstrates the importance city dwellers place on the overall quality of urban life. The concept of a smart city can be defined in a number of ways, including as an "open and innovative city", an "inclusive and diverse city", a "sustainable city" or a "citizen-centred city". This clearly demonstrates how the leading cities in the ranking are designed and managed.

Inclusion and diversity are the key performance indicators. These factors are linked to talent attraction and retention strategies, as well as higher levels of tolerance towards immigrants and different minorities, which in turn contribute to a more attractive business environment.

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<sup>71</sup> Upstart Co-Lab. (2023). *The Creator Economy: A Guide for Impact Investors*. Available at: <https://upstartco-lab.org/impact-investing-in-the-creator-economy/>

<sup>72</sup> Winter, D. (2023). *7 Types of Digital Creators Who Power the Creator Economy*. Shopify. Available at: <https://www.shopify.com/blog/creator-archetypes>

<sup>73</sup> Adobe. (2020). *Future of Creativity Study*. Available at: <https://news.adobe.com/news/news-details/2022/Adobe-Future-of-Creativity-Study-165M-Creators-Joined-Creator-Economy-Since-2020/default.aspx>

<sup>74</sup> IMD. (2023). *Smart City Index Report*. Available at: <https://www.imd.org/wp-content/uploads/2023/04/smartcityindex-2023-v7.pdf>

The creative industries, along with culture and creativity in general, have the potential to promote social cohesion, support the inclusion of marginalised groups in society and increase the attractiveness of the city as a safe place to live and visit. Cities that are cultural and creative hubs attract investment and become “stimulating cities”<sup>75</sup>. A stimulating city provides residents with the opportunity to explore neighbourhoods, visit entertainment venues, participate in public events, connect with others and take advantage of educational opportunities.

London serves as an example of a stimulating city, distinguished by its dedication to diversity and social cohesion. It fosters creativity and the arts, which are showcased in over 300 museums and art galleries. In 2016, the role of Night Czar<sup>76</sup> was established in London. The Night Czar is responsible for implementing the mayor's vision to ensure the city's continued success and to promote London's nightlife on a national and international scale. The securing of venues is a collaborative effort involving restaurateurs, the nightlife industry, local authorities, the police, transport authorities, residents and consultants. The Night Czar has launched a Night Underground initiative, which provides 24-hour public transport on Fridays and Saturdays. Furthermore, a charter for LGBTQ+ venues has been published in collaboration with the mayor to facilitate the opening of new LGBTQ+ venues in the city.

For most smart cities, a vibrant nightlife and diverse evening entertainment options represent a significant cultural asset. Night town halls have been established in all major European cities, as well as in Tokyo and New York. A greater awareness of the beneficial impact of creative projects on urban quality of life will enable smart cities to secure further investment in related activities within the CCIs.

### **Trend 3: Infrastructure and Communities**

In some countries, impact investment in creative communities is one of the fastest-growing areas of investment. In the United States, for instance, there is a 30-year history of providing investment support for creative spaces and small creative enterprises. Such programmes are implemented as part of a comprehensive community development plan under the “creativity lens” framework. Community development financial institutions<sup>77</sup> have a substantial portfolio of projects nationwide. Investment is made in the development of commercial space for creative enterprises, arts centres, workshops and artist residences<sup>78</sup>.

### **Trend 4: New Audiences and New Values**

The consumer market is undergoing a significant demographic shift, with a new generation entering the market each year and the average age of consumers continuing to decline. Young people aged 18-35 are demonstrating an increased sensitivity to issues such as reputation and social responsibility,

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<sup>75</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

<sup>76</sup> Mayor of London. (2024). *Night Czar*. Available at: <https://www.london.gov.uk/programmes-strategies/arts-and-culture/24-hour-london/night-czar>

<sup>77</sup> Thompson, B. (2022). *Impact Investing Through Community Development Financial Institutions (CDFIs)*. Forbes. Available at: <https://www.forbes.com/sites/brianthompson1/2021/01/31/impact-investing-through-community-development-financial-institutions-cdfis/>

<sup>78</sup> Godeke S., Briaud P. (2020). *Impact Investing Handbook. An Implementation Guide for Practitioners*. Rockefeller Philanthropy Advisors.

a trend that is evident across the globe. Generation Z is exposed to a range of global issues from an early age, and this shapes their priorities when it comes to employers, brands and initiatives<sup>79, 80</sup>.

Young consumers expect businesses to demonstrate social engagement, cultural relevance, responsiveness to contemporary sentiment, and a commitment to addressing pressing social issues in a way that benefits the wider community<sup>81</sup>. At the same time, some of them are prepared to go to great lengths to actively support companies, including small businesses, provided that their stated and practised values on social responsibility align with their own values<sup>82</sup>.

Furthermore, the profile of managers and investors is becoming increasingly younger. Deloitte<sup>83</sup> has identified impact investing in the creative sectors as an attractive investment model for the younger generation.

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<sup>79</sup> X Marketing. (2019). *Brands + Culture + Twitter = Impact*. Available at: <https://marketing.twitter.com/en/insights/brands-plus-culture-plus-twitter-equals-impact>

<sup>80</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

<sup>81</sup> Magna. (2019). *The Impact of Culture. What it means for brands today*. Available at: <https://magnaglobal.com/wp-content/uploads/2019/05/Magna-IPG-Lab-Impact-of-Culture-US.pdf>

<sup>82</sup> The Deloitte Global Millennial Survey. (2020). *Millennials and Gen Zs hold the key to creating a "better normal"*. Available at: <https://www2.deloitte.com/gr/en/pages/about-deloitte/articles/MillennialSurvey2020.html>

<sup>83</sup> Deloitte Private. (2023). *Art & Finance Report*, 8th Edition.

## SECTION 2. IMPACT IN CREATIVE INDUSTRIES IN KAZAKHSTAN

### 2.1. The Specifics of Creative Industries Development

One of the first serious attempts to map<sup>84</sup> Kazakhstan's creative industries was undertaken by the British Council in 2018 as a follow-up to the Creative Central Asia<sup>85</sup> series of international forums. The results showed that the creative industries make up a significant proportion of business ventures in Kazakhstan. At the time, 17,581 creative enterprises had been registered, accounting for 3.8% of all businesses in the country.

The creative economy is centred in two cities: Almaty and Astana. Together they accounted for 62% of all creative organisations in Kazakhstan with 45% in Almaty and 17% in Astana.

Furthermore, the cities of Shymkent and Karaganda have demonstrated notable growth over the past three years. This dynamism aligns with the global trend of a high concentration of CCI entrepreneurial projects in major urban centres, driven by developed cultural infrastructure and diverse consumer audiences.

Almaty has the highest concentration of CCIs compared to other cities in Kazakhstan, with creative enterprises accounting for 6% of the city's total entrepreneurial base. Among them, small and micro enterprises with 1-5 employees predominate. These enterprises account for over 75% of all registered creative enterprises in both Almaty and Astana.

The majority of creative entrepreneurs are sole proprietors and freelancers. Their widespread presence in urban areas facilitates the high mobility of professionals between sectors, resulting in an increase in the number of non-standard, hybrid and interdisciplinary business projects. However, some of these may remain in a blind spot and inaccessible to statistical recording<sup>86, 87</sup>.

Such specificities of doing business add to the global picture<sup>88</sup> but make it difficult to quantify the size of the creative economy. All the major studies conducted in Kazakhstan between 2017 and 2023 noted the lack of statistical data and raised concerns about the overall accuracy and reliability of the accessible indicators, due to considerable inconsistencies<sup>89</sup>.

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<sup>84</sup> Pratt, A., Simpson, E., Shayakhmet, D. (2018). *Mapping the Creative Industries in Kazakhstan*. Available at: <https://kazakhstan.britishcouncil.org/programmes/arts/creative-industries-mapping-report>

<sup>85</sup> British Council. About Creative Central Asia forum. Available at: <https://kazakhstan.britishcouncil.org/creative-central-asia/past-event/about>

<sup>86</sup> Гончарова, А., Шаяхмет, Д. (2020). *Диагностика основных компетенций, знаний и навыков креативных предпринимателей в Казахстане*. *Central Asian Economic Review*. 2020;(5):54-70 <https://caer.narxoz.kz/jour/article/view/20#>

<sup>87</sup> Берновская, А., Газиев, С., Тентиева, Ч., Шерматова, Ш., Шаяхмет, Д. (2021). *База данных креативных бизнесов*. Creative Central Asian Network.

<sup>88</sup> UNCTAD. (2008). *Creative Economy Report*. Available at: [https://unctad.org/system/files/official-document/ditc20082cer\\_en.pdf](https://unctad.org/system/files/official-document/ditc20082cer_en.pdf)

<sup>89</sup> Zhuparova, A., Pukala, R., Doszhan, R. (2022). *Analysis of the Development of Creative Industries in Kazakhstan: The Qualitative Analysis*. *Eurasian Journal of Economic and Business Studies*, 4(66), 145—159. <https://doi.org/10.47703/ejeb.v4i66.183>



For instance, the Ministry of Culture and Information of the Republic of Kazakhstan has revealed<sup>90</sup> that 32,000 enterprises in the creative sectors were registered in 2023, representing 95,000 employees. Meanwhile, alternative sources<sup>91</sup>, citing the Bureau of National Statistics, provide a figure of 310,200 people, which is relevant for 2020. Furthermore, the same data indicates that from 2017 to 2020, the creative industries accounted for 2.8% of GDP. Other estimates place this figure below 1%<sup>92</sup>. From 2010 to 2020, the sector grew by 3.2 times in nominal terms, which is in line with the growth dynamics of the entire economy of Kazakhstan.

Given the systemic inconsistency of available statistical data, the findings of qualitative research remain the most reliable. They provide insights into the profiles of creative enterprises and the conditions that facilitate their growth.

Despite their diversity and high potential for interdisciplinary cooperation, there is currently no unified approach to the creative industries in Kazakhstan. It is frequently the case that creative entrepreneurs are not included in the agendas and programmes for the development of creative industries, particularly in the regions. These enterprises lack the necessary resources required for business development, access to entrepreneurial training, and systemic financial and non-financial support.

The majority of entrepreneurs lack the requisite business education, financial and legal literacy, and often have to learn business processes through practical experience<sup>93</sup>.

In Kazakhstan, as in other countries worldwide, small businesses, individual entrepreneurs and freelancers tend to cluster in urban areas and creative hubs, forming partnerships or client relationships with one another. Conversely, the lack of sustainable creative clusters increases the isolation of entrepreneurs, hindering their access to new knowledge, connections and opportunities for implementing joint, larger-scale projects.

Since 2018, acceleration and incubation programmes have been held in Almaty and Astana with the objective of improving the skills of creative entrepreneurs. Notable providers of such expertise include Impact Hub Almaty and the MOST business incubator. However, the number of such programmes remains limited, and the programmes themselves are irregular and do not provide for sustainable systemic changes. The lack of a long-term comprehensive plan that would allow creative entrepreneurs to receive mentoring, financial and non-financial support at different stages of development calls into question the effectiveness of one-time training programmes.

Moreover, the market is dominated by training programmes that focus on developing traditional entrepreneurial skills but lack the specifics of creative activities such as intangible asset management, asset tokenisation (NFT), content monetisation, community development in creative clusters, and so

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<sup>90</sup> Министерство Культуры и Информации Республики Казахстан. (2023). *Итоги 2023 года: По поручению Главы государства в Казахстане создаются все условия для масштабного развития креативной индустрии*. Available at: <https://www.gov.kz/memleket/entities/mam/press/news/details/679103?lang=ru>

<sup>91</sup> Информационно-правовая система нормативных правовых актов Республики Казахстан. (2021). *Об утверждении Концепции развития креативных индустрий на 2021—2025 годы*. Available at: <https://adilet.zan.kz/rus/docs/P2100000860>

<sup>92</sup> Абдрахмет, Д. (2023). *Регионы - потенциальные точки роста креативных индустрий*. Капитал. Available at: <https://kapital.kz/economic/121932/regiony-potentsial-nyye-tochki-rosta-kreativnykh-industriy.html>

<sup>93</sup> Гончарова, А., Шахмет, Д. (2020). *Диагностика основных компетенций, знаний и навыков креативных предпринимателей в Казахстане*. Central Asian Economic Review. 2020;(5):54-70 <https://caer.narxoz.kz/jour/article/view/20#>

on. As a result, the training provided fails to address the gaps in knowledge and skills that entrepreneurs require to ensure the long-term viability of their business projects.

To address the gap in entrepreneurial skills, a new field of study was introduced in several creative universities: creative entrepreneurship (or entrepreneurship in the creative industries). As part of the 5-year programme (2018-2022) for the exchange of expertise between educational institutions of the UK and Kazakhstan, Creative Spark<sup>94</sup>, with the support of The British Council, provided 11 Kazakhstani universities with the opportunity to adapt and include modules on creative entrepreneurship in their curricula. In 2020, the Kazakh National Academy of Arts named after Zhurgenov in Almaty became the first university to integrate the subject of “creative entrepreneurship”<sup>95</sup> into the curriculum for the “art management” specialisation.

The primary providers of non-financial assistance (consulting, educational, facilitation, research) at the systemic level in the field of creative economy development in Kazakhstan are international organisations such as The British Council, UNDP, UNESCO and others.

In terms of financial support, creative entrepreneurs have the opportunity to receive one-off business development grants from the private charitable fund Sabi through the “Build Your Business” competition, which has been running for more than 10 years. Chevron has been a long-standing supporter of the Union of Craftsmen of Kazakhstan for many years.

In general, there is a gradual process of institutionalisation of market players in the creative industries. In addition to the work of professional unions and associations, institutions are being established with the objective of uniting representatives of the CCIs for the purpose of advocacy at various levels. For example, the Association of Entrepreneurs of Cultural and Creative Industries, the Eurasian Association of Creative Industries, the Fund of Creative Initiatives and Cultural Heritage, the Alliance of Creative Industries of Kazakhstan, and many others.

In recent years, there has been a notable shift in focus towards the creative industries by government agencies. In 2021, the Ministry of National Economy developed and approved the “Concept of Development of Creative Industries for 2021-2025”<sup>96</sup>. In fact, the concept entails the advancement and consolidation of the list of creative industries at the legislative level, along with the establishment of fundamental principles and approaches to regulating the activities of business entities within the creative industries sector, as outlined in a 17-step plan. It is anticipated that by 2025, the contribution of CCIs to Kazakhstan’s economy will reach 5%, employment will increase to 4%, the number of registered small and medium-sized enterprises (SMEs) will grow to 80,000, and the volume of exports will reach USD 200 million. It is worth noting that the concept has yet to be fully realised in practice.

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<sup>94</sup> British Council. *About Creative Spark Programme*. Available at: <https://kazakhstan.britishcouncil.org/programmes/education/creative-spark>

<sup>95</sup> Сорокина, Ю. (2022). Внедрение дисциплины “Креативное предпринимательство” в Казахской национальной академии искусств имени Т. К. Жургенова. *Central Asian Journal of Art Studies*, т. 7, № 1, 2022, с. 131—142. DOI:0.47940/cajas.v7i1.541.

<sup>96</sup> Информационно-правовая система нормативных правовых актов Республики Казахстан. (2021). *Об утверждении Концепции развития креативных индустрий на 2021—2025 годы*. Available at: <https://adilet.zan.kz/rus/docs/P2100000860>.

The initial List of Economic Activities Related to the Creative Industries<sup>97</sup> was approved in June 2023. The List included 43 economic activities from the following sectors:

- Conference and trade fair organisation,
- Jewellery,
- Filmmaking and animation,
- Libraries and museums,
- Cultural and recreational activities (concert activities, activities of concert halls and theatres, artistic and literary creation, activities of puppet theatres, activities promoting cultural and entertainment events, activities of theatres and circuses),
- Cultural heritage,
- Music (music recording and publishing, manufacture of musical instruments),
- Architecture and fashion,
- Activities related to the production and broadcasting of television programmes,
- Photography,
- Handicrafts,
- Software and computer game development.

This list, which includes the sub-sectors of cultural heritage, arts and crafts is reflective of Kazakhstan's cultural policy but does not align with the state's economic ambitions and efforts to digitise, stimulate technological innovation and increase the export competitiveness of market players.

It is worth noting that the IT sector has been included in the list of creative industries, albeit not in its entirety, by analogy with global classifications. Meanwhile, over the course of Kazakhstan's independence, a comprehensive ecosystem has emerged in the IT sector. Entrepreneurial projects in FinTech, EdTech, e-commerce, and marketplace development receive preferential and systemic support from the state and Kazakhstani and international venture funds.

In the context of this study, it is important to consider the specifics of venture capital investment, as approaches to non-financial and investment support for entrepreneurial projects can be adapted for the development of a similar ecosystem in the creative sectors. This will be addressed in the following section.

In recent years, a number of specialised councils and committees for the development of innovation and creative industries have been established in Kazakhstan. These have been set up under the city and district akimats (administrations), as well as in the regional offices of the Atameken Chamber of Entrepreneurs<sup>98</sup>. Additionally, quasi-state companies are being established. Their activities are focused on the implementation of development programmes, the organisation of competitions, the

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<sup>97</sup> Эталонный контрольный банк нормативных правовых актов Республики Казахстан в электронном виде. (2023). *Постановление Правительства Республики Казахстан от 6 июня 2023 года № 448 «Об утверждении перечня видов экономической деятельности, относящихся к креативной индустрии»*. Available at: <http://law.gov.kz/client/#!/doc/182577/rus>

<sup>98</sup> Маслихат города Алматы. (2022). *В Алматы утвердили программу развития города*. Available at: <https://www.maslihat-almaty.kz/ru/content/v-almaty-utverdili-programmu-razvitiya-goroda>

distribution of funds and the organisation of public events dedicated to the development of the creative economy in Kazakhstan and Central Asia. At such events, there is a growing recognition of regions as pivotal growth hubs for CCIs<sup>99</sup>.

In 2023, the Almaty akimat announced the launch of the Almaty Creative Venture Fund. However, by mid-2024, the fund had not yet commenced operations. At present, the Digitalisation Department of the Almaty akimat is providing financial support for the business incubation programme at AlmaU University. Additionally, the Department of Entrepreneurship and Investment is offering grants of up to KZT 5 million for business development in CCIs<sup>100</sup>. The National Agency for Development of Innovations QazInnovations JSC, which specialises in promoting knowledge-intensive and innovative technologies, has also provided one-off grants for informal training programmes for creative entrepreneurs in selected cities and regions of Kazakhstan.

Loans for SMEs are generally available to creative entrepreneurs through the Damu Entrepreneurship Support Fund. The programme encompasses a single, comprehensive set of measures, with handicrafts representing the sole sector of the CCIs included in the list of priority economic activities. This sector is eligible for financing ranging from KZT 20 million to KZT 5 billion.

In 2024, the Ministry of Culture and Information of the Republic of Kazakhstan announced the creation of a fund<sup>101</sup> made up of contributions from the sole operator of the national lottery JSC Satti Zhuldyz and sponsorship funds with a total budget of KZT 3.8 billion. This fund will be used to support projects in the creative industries.

Despite the high level of activity and the large budget allocated by the state for the development of CCIs, the level of expertise in creative economy issues among middle and senior level public officials can be characterised as low. This is evidenced by frequent requests for experts to prepare analytical documents and to conduct introductory seminars and training courses for public sector employees in the regions.

It is important to note that the evaluation of governmental development programmes and competitions for financial support to entrepreneurs is primarily concerned with ensuring that the funds received are used for their intended purpose. The effectiveness of the activities and medium- to long-term results is not a primary focus. This likely explains the preference for grants as the primary form of financial support, as the award of grants does not necessitate backing for projects, enhancements to their sustainability, or monitoring of outcomes.

Given the ongoing challenges in measuring CCIs' quantitative contribution to the country's economic growth, there is a gap in publicly available information regarding their social impact assessment. This may suggest that the assessment is not being conducted by the competent authorities.

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<sup>99</sup> Абдрахмет, Д. (2023). *Регионы - потенциальные точки роста креативных индустрий*. Капитал. Available at: <https://kapital.kz/economic/121932/regiony-potentsial-nyye-tochki-rosta-kreativnykh-industriy.html>

<sup>100</sup> Almaty Creative. (2024). *Финансовые инструменты*: <https://almatycreative.com/finance/>

<sup>101</sup> По материалам брифинга вице-министр Министерства культуры и информации Республики Казахстан Д. Кочетова от 5 февраля 2024 года.

## 2.2. Impact of Venture Ecosystem on Creative Industries Development

The specifics of the development of Kazakhstan's venture capital market are not the focus of this study. However, a brief review of its positive and negative impact on the formation of entrepreneurial projects in CCIs is warranted.

Despite its dynamic emergence, the start-up ecosystem and venture capital market in Kazakhstan are still at an early stage of development. Since 2003, the government has been actively involved in promoting innovation, implementing legislative reforms in digitalisation, and building infrastructure through support for its flagship projects, the Astana International Financial Centre (AIFC) and the Astana Hub. The establishment of the National Innovation Fund JSC, the adoption of the Law "On Investment and Venture Funds"<sup>102</sup> and the subsequent opening of funds, techno parks and incubators have contributed to the formation of a venture capital market ecosystem.

Today, Kazakhstan's start-up ecosystem is valued at over USD 100 million<sup>103</sup> and ranks 73rd in the Global Start-up Ecosystem Index<sup>104</sup>. The primary focus of this ecosystem is on the development of IT start-ups and the attraction of investment in high-growth companies with the potential to become "unicorns" (start-ups with a capitalisation of over USD 1 billion).

The established venture ecosystem has the advantage of unifying key stakeholders who are focused on a common goal (the incremental development of sustainable, high-growth technology companies) and who fulfil different roles, such as those related to government regulation, financing, training, mentoring and popularisation.

The stakeholders can be divided into the following groups:

- Public sector (Ministry of Digital Development, Innovation and Aerospace Industry, Science Foundation, QazInnovations JSC, Zerde Foundation (disbanded), KazTrade, KazakhExport, QazPatent, Kazakh Invest, KazAID, Entrepreneurship Development Funds, City and Regional akimats),
- Financial and professional development institutions (World Bank Group, EBRD, USAID),
- Second-tier banks, microcredit organisations,
- Intermediaries and operators (AIFC, Astana Hub, TechGarden Innovation Technology Park Foundation, international NGOs, MOST Ventures),
- Investment funds (international, local, private, state, quasi-state),
- Private venture investors, philanthropists, business angels,
- Coaches, trackers, consultants, mentors,
- Technological and business universities and their incubators,

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<sup>102</sup> Информационно-правовая система нормативных правовых актов Республики Казахстан. (2024). Закон Республики Казахстан «Об инвестиционных и венчурных фондах» от 7 июля 2004 года N 576. Available at: <https://adilet.zan.kz/rus/docs/Z040000576>

<sup>103</sup> Tuz Ventures. (2021). The Start-up Ecosystem of Kazakhstan.

<sup>104</sup> Start-up Blink. (2023). Global Start-up Ecosystem Index Report. Available at: <https://www.thenewnorth.com/wp-content/uploads/2023/10/start-upecosystemreport2023.pdf>

- Private IT-schools,
- Thematic media resources, professional platforms and events (publications, podcasts, forums, festivals, start-up competitions) that contribute to the popularisation of technological/venture entrepreneurship and the consolidation of expertise.

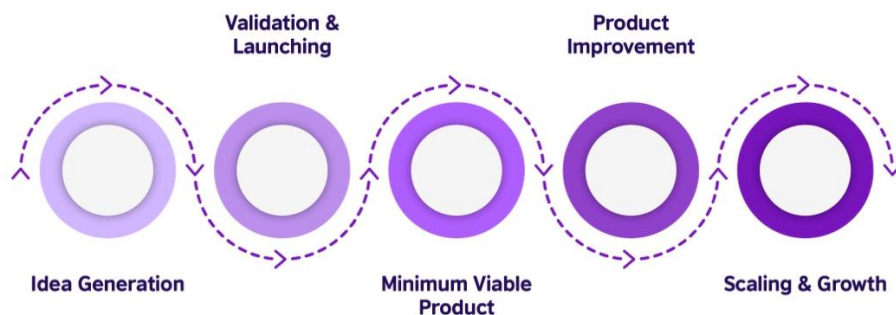
A well-developed and transparent ecosystem empowers start-up companies to progress through various stages. At each stage, they receive training, mentoring and financial support, as well as additional opportunities to participate in international hubs and global thematic events. Systemic support provided by intermediary organisations such as hubs and incubators, enables entrepreneurs to qualify for the pipeline and receive funding from one or more sources.

With the increasing number of business education programmes, international standards of entrepreneurial education have been established in Kazakhstan, with the relevant knowledge and skills now being transferred to other Central Asian markets<sup>105</sup>. Leading business incubators are also using their programmes for one-off initiatives to train entrepreneurs in the social and creative sectors.

However, despite regular investment in the education and development of entrepreneurs, the pipeline of technology projects that hold promise for investors is still limited<sup>106</sup>. Local investors are becoming more selective, with a smaller number of start-ups receiving more capital. The focus is now on the quality of the teams and the global market orientation of the projects.

The phases of start-up formation and development in the technology and creative sectors are almost identical, although not all creative projects can quickly create and test a minimum viable product (MVP) or to scale due to the distinctive features of their activities. For instance, this may not be feasible for projects in the events industry, film production or architecture firms. In this regard, while the venture ecosystem boasts extensive expertise, it may lack the flexibility and inclusivity required for non-technology sectors.

**Figure 7: Development Stages of Technology Start-ups**



Source: Tuz Ventures. (2021). *The Start-up Ecosystem of Kazakhstan*.

<sup>105</sup> Most Ventures. (2023). *Venture Capital Market Overview in Kazakhstan*.

<sup>106</sup> Based on the results of panel sessions at the Central Eurasian Venture Forum 2024 (<https://ventureforum.asia>).



Importantly, venture capital and traditional business criteria are still widely used to evaluate creative organisations' business models. These include financial sustainability, scalability to other markets, potential for rapid growth and high return on investment capital. However, these evaluation practices are incompatible with the specificity and speed of project implementation in CCIs. This can lead to a systemic distortion of the value of creative endeavours, making them uncompetitive in the eyes of venture investors, whose expectations lie in the realm of monetary performance indicators. When projects with unique socio-cultural values do not align with the venture capital standard, there is a gradual alienation of creative entrepreneurs from the start-up ecosystem, and investment opportunities become unattainable.

Statistics from MOST Ventures<sup>107</sup> supports this view. The most common volume of investment in a technology start-up by a Kazakh private venture investor is up to USD 500 thousand, and the investment horizon is up to 10 years with a return of 3X-5X (300-500% profit). This high return is appropriate for fast-growing companies but is not relevant for CCIs' slow-growth business projects. At the same time, the venture ecosystem does not yet offer individual approaches to assessing non-financial value and social impact.

Business angels and venture capital funds continue to be the most significant sources of investment for technology start-ups. In the period from 2018 to 2022, they financed 90% of the total volume of venture deals in Kazakhstan, which totalled 175 deals worth USD 87 million<sup>108</sup>. The majority of these investments were aimed at providing financial support to entrepreneurial projects in their early stages of development, with pre-seed (38%) and seed (46%) funding being the most prevalent.

In addition to private investors, investment funds and clubs, capital in the venture ecosystem also comes from the government. This capital is used for various purposes, including funding start-ups, developing infrastructure, organising thematic events, running professional development programmes and funding programmes for private IT schools<sup>109</sup>.

The venture ecosystem exerts a dual impact on entrepreneurial projects within CCIs. Incubators establish a uniform international standard for evaluating entrepreneurial projects, enabling all market participants to enhance their commercial viability and utilise the ecosystem for progressive development and investment opportunities. However, due to their distinctive characteristics, CCI projects should not be equated with traditional or venture capital operations. Instead, alternative approaches are required to monitor the socio-cultural changes they generate.

The current position of CCIs in terms of systemic opportunities for the development of entrepreneurial projects is illustrated in the following comparative table.

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<sup>107</sup> Most Ventures. (2023). Venture Capital Market Overview in Kazakhstan.

<sup>108</sup> Ibid.

<sup>109</sup> Tech Orda Programme. Available at: <https://astanahub.com/en//TechOrda2024>

*Table 4. Comparative Table of Three Entrepreneurial Ecosystems in Kazakhstan*

TYPES OF ECOSYSTEMS	ENTREPRENEURSHIP IN CREATIVE INDUSTRIES (HYBRID)	SOCIAL ENTREPRENEURSHIP	VENTURE ENTREPRENEURSHIP
<b>Pace of entrepreneurial project development</b>	Slow, requires patient investment	Slow, requires patient investment	Fast, fast turnover of venture capital
<b>Ecosystem</b>	No ecosystem, specialised hubs, incubators. Key players have not been identified. Single one-off financial and non-financial support measures	Ecosystem present, key players identified, but many operate autonomously. Full cycle of financial and non-financial support, 3-5 years of support from intermediary	Ecosystem is well developed, with a wide range of key players involved. Full cycle of financial and non-financial support, 3-5 years of support from intermediary, in some cases up to investor exit
<b>Intermediaries in the ecosystem</b>	International NGOs, one impact hub, creative hubs, universities, independent consultants	International and local NGOs, quasi-state development funds, one impact hub, microfinance organisations, independent consultants and qualified impact appraiser	Universities, business incubators at universities, business hubs and their incubators, venture funds, investment funds, quasi-state development funds, business angels, banks, microfinance organisations, business media and influencers
<b>Pipeline projects from intermediaries</b>	None	Regularly established and maintained, adjusted for the continuing shortage of sustainable projects	Regularly developed and maintained, adjusted for the decreasing shortage of sustainable projects and the increasing number of successful projects
<b>Entrepreneurial education</b>	One-off introductory business literacy programmes not reflecting the specifics of CCIs (accelerators, incubators), 1 module at the Academy of Arts, open lectures, 1 online course. There are rare examples of adapted methodologies on the market (Creative Spark)	Specialised training programmes (impact hubs, incubators, NGO programmes, open lectures, online courses), offering support from basic business literacy to project implementation and strengthening	Specialised training programmes (universities, business hubs, accelerators, incubators, open lectures, online courses, training in international hubs). Full cycle of support from basic business literacy to first sales and investment deals
<b>Level of risk of entrepreneurial projects</b>	High	Medium, high	All types of risk
<b>Level of sustainability of entrepreneurial projects and teams</b>	Low	Low, medium	High for projects in the Pipeline
<b>Level of readiness to scale</b>	Low	Low	High for projects in the Pipeline

<b>Level of readiness to receive and return investments</b>	Low	Low	High for projects in the Pipeline
<b>Investment attractiveness</b>	Low	Low	High
<b>Sources of capital for the projects</b>	International NGOs, quasi-state development funds, akimats, private charitable and corporate funds	International and local NGOs, quasi-state development funds, akimats, private charitable funds, companies as part of their corporate social responsibility, corporate investment funds	Venture funds, investors and business angels' clubs, quasi-state development funds, Astana Hub, akimats, companies as part of their corporate social responsibility, corporate investment funds, private investors
<b>Instruments of financial support</b>	Grants	Grants, interest-free loans	Grants, soft loans, direct investments
<b>Non-financial support tools</b>	Acceleration, incubation, mentoring, networking, demo days, open lectures, thematic events (forums, conferences), international start-up competitions	Acceleration, incubation, mentoring, networking, deal support by the mediator's team, demo days, open lectures, thematic events (forums, conferences), international start-up competitions	Acceleration, incubation, mentoring, business angel support, networking, deal support by the intermediary, business angel/investor courses, business angels and investors clubs, demo days, meetups, specialised local and international events, business publications, analytics, media resources, thematic Telegram-channels and groups, social networks of ecosystem participants (incubators, hubs, funds), online courses, roadshows and visits to international business hubs, local and international start-up competitions

As the Kazakhstani creative economy has already been given legal status, efforts must now be made to ensure that the development of this sector focuses on increasing the sustainability of creative business projects. Achieving these goals will require targeted efforts to build a comprehensive ecosystem, consolidate key stakeholders, and implement effective approaches to evaluating the economic, socio-cultural, and social contributions of creative industries. The experience gained during the 20-year evolution of the venture ecosystem can serve as a reference point for the creation of an ecosystem in CCIs, considering their specificities and slow pace of development.

## 2.3. The Results of Expert Interviews

This study found that traditional economic indicators such as sector contribution to GDP, number of registered legal entities, number of employed professionals and tax payments to the budget are used to assess the contribution of creative industries to Kazakhstan's national economy. An assessment of the social contribution of CCIs is unlikely to exist.

Business incubators and hubs offering one-off training programmes for creative entrepreneurs tend to limit themselves to assessing traditional business indicators (commercial viability, sales volume, customer satisfaction, and market indicators of "quick wins"). Conversely, potential investors evaluate businesses through the lens of venture attractiveness, considering scalability to other markets, potential for rapid growth, and return on investment capital with high returns.

Meanwhile, social impact assessment methods have become widespread in the corporate sector. These programmes are often implemented as part of corporate social responsibility, taking the form of patronage or sponsorship of the projects with a specific social or cultural mission. However, due to the complexity of the methodologies and the mismatch between corporate objectives and the ambitions of selected impact projects, such practices are not yet widespread and remain unknown to many entrepreneurs in both the technology and creative sectors.

Conversely, the issue of impact is beginning to be discussed in the venture capital community. However, the question of what constitutes an impact for Kazakh investors is still open.

Impact assessment experts are convinced that the subject of impact in Kazakhstan is limited in scope and often formal in nature. The experts point to the frequent substitution of concepts and speculation with the terms "impact", "green", "ESG", which have no evidence base. In business circles, the term "impact", despite its association with the 17 SDGs, is more often used as a synonym for operational results such as successful completion of a project, entry into a new market or business diversification.

However, even when creating entrepreneurial projects with impact potential, examples of consciously working within a framework of measurable and manageable change at the company's mission level, rather than as a by-product of its activities, remain rare.

It is important to note that not all organisations in Kazakhstan have the financial resources to conduct an impact assessment, which is a complex, time-consuming and costly process requiring specialised expertise and long-term strategic planning.

Typically, such assessments are conducted by large companies as part of the Global Reporting Initiative, a standard for preparing public non-financial reports, prior to an initial public offering (IPO), and as part of an audit by international donors, grantors and investors who implement projects with a specific impact lens and set certain standards for recipients of funding.

The results of the expert interviews indicate that the greatest expertise in assessing mid- and long-term impact is held by organisations specialising in the development of social and civic projects. These organisations act as intermediaries, connecting relevant knowledge and capital (ownership or sourced

from external entities) to socially oriented projects, thereby enhancing their long-term sustainability. Experts categorise intermediaries into two groups: impact organisations with a social mission, which initiate and execute programmes themselves, and operator organisations, which implement projects within the framework of existing programmes and donors' budgets as part of their CSR.

In Kazakhstan, there is a lack of organisations specialising in working with CCIs and applying methods for assessing the social, cultural or environmental impact of creative enterprises. To address this knowledge gap, interviews were conducted with experts from related sectors who have experience in portfolio management of social and hybrid projects. These experts have approaches to change assessment that are relevant for application in CCIs.

*In response to the question of the development of impact investing in Kazakhstan and the role of impact measurement in supporting the emerging creative economy, experts highlighted its potential as a key step towards democratising the market. At present, a significant number of initiatives and business projects that generate socio-cultural value and incorporate the prefix “creative” are frequently lacking in financial and non-financial support.*

Complex and slow systems such as social and creative entrepreneurship will never attract large investors focused on quick results. At the same time, impact funds that can provide “patient” support tools tailored to the specificities of CCIs require an evidence base and sustainable projects with the potential to scale their social impact.

As it is difficult for entrepreneurs to make an objective assessment of their business model and its prospects independently, the function is ideally performed by teams of intermediary organisations. Such teams help entrepreneurs translate impact goals into indicators of change and connect projects to the most suitable sources of capital.

In CCIs, there are many business initiatives that involve a large number of specialists. When impact is measured in more detail, the potential for the long-term impact of such projects on people's quality of life, as well as non-financial and intangible outcomes, can be enormous. The introduction of a new system for measuring the contribution of CCIs could open access to “conscious” capital and increase the effectiveness of creative resources in achieving the Sustainable Development Goals.

The key authority in the application of impact assessment methodologies was the Soros Kazakhstan Foundation, which specialised in the development of social and civic projects at the intersection of education, culture and urbanism, and which ceased its activities in 2023. A multi-level impact system with individual indicators to assess the work of the Foundation, each thematic programme and every actor (initiator of an impact project) receiving a development grant was a distinctive feature of the Foundation. The Foundation provided support to selected initiatives over a period of 3-5 years.

While the project managers provided curatorial, advisory and training support to their portfolio projects, the actors themselves were involved in developing the theory of change and relevant assessment indicators. The introduction of this approach minimised initial resistance from project initiators and

changed the perception of the evaluation process from a “punitive tool’ of the Fund to a strategic planning tool for the actors. Subsequently, the most successful actors (Urban Forum Kazakhstan, Cityzen Space) confirmed that following several years of working with the Fund, the system of assessment indicators had become part of their internal culture and part of the DNA of their business model.

In defining and monitoring *quantitative* indicators, the Foundation’s project teams measured universal parameters such as audience reach, number of publications or events held. Consequently, qualitative indicators had to be adapted to the internal processes and resources of each specific project. For this reason, all projects received individual support and impact risk assessments were tailored to the level and conditions of funding.

At the portfolio level, the Fund team identified the following qualitative indicators of long-term project impact:

- An increase in the number of new professionals in the field,
- The emergence of a systemic actor among the grantees,
- Institutionalisation of the actor (e.g. transition from a grassroots initiative group to a public foundation),
- A qualitative change in the public agenda or the dissemination of a new thematic discourse in the professional community,
- Production and distribution of educational materials in Kazakh language,
- Launching a local project at the national level,
- Publication of methodological materials, educational manuals or books based on the results of the implemented activities,
- Broadening the sources of funding for the project, etc.

Achieving these parameters has allowed project initiators not only to achieve their initial goals, but also to increase their expertise in the public sphere, becoming advocates and activists in their agendas.

The final indicator in the above list reflects the nature of funding for social and creative projects, where capital is generated from a variety of sources, including income from operating activities, crowdfunding, sponsorship, thematic grants (for travel, business development, staffing), as well as non-repayable loans or SME loans.

The Impact Hub Almaty is one of the few operating platforms with experience of working with both social and creative entrepreneurs. The Hub has recently abandoned the traditional division of entrepreneurs by industry and is now focusing on impact entrepreneurs. The team provides entrepreneurs with the opportunity to develop or enhance their business model around social mission and considers its primary role to be cultivating a high-quality pipeline of impact projects.



Impact Hub held its first Impact Accelerator in 2024, offering sustainable social enterprise founders with at least two years' experience individual mentorship rather than traditional training. Out of 21 applications, only 6 participants reached the final of the programme, and 4 projects received funding between KZT 2 and 3.5 million. The Impact Hub also tested an interest-free loan scheme for the first time and has previously run training programmes and provided grants to impact entrepreneurs from Chevron and international NGOs.

Looking to the future, the Hub plans to establish its own investment fund and transition from grants and interest-free loans to impact investments (repayable capital). This strategic move is designed to not only stimulate the commercial sustainability of entrepreneurial projects, but also recycle working capital to invest in participants of new programmes.

Earlier, an interest-free loan scheme was successfully implemented by the "Eurasia. Central Asia" Fund (EFCA). For over two decades, the Fund has been supporting social entrepreneurship in Western Kazakhstan for more than 20 years by attracting capital from the corporate sector. The NURIS business incubator at Nazarbayev University not only provides grants to graduates of its incubation and accelerator programmes (KZT 2 million and KZT 7 million respectively), but also offers options that can be converted into equity if a start-up attracts more than USD 100,000 in investment. This approach enables the incubator to generate revenue from the investment and subsequently reinvest these funds to support the growth of new ventures. This approach contributes to NURIS's growing reputation, as it specialises in the early stages of start-up development and has a substantial portfolio of fast-growing entrepreneurial projects, which makes investors and business angels more willing to participate in the programmes.

In the current business environment, grants (non-repayable financial assistance to achieve specific objectives) remain the most prevalent form of financial support for entrepreneurs, including from the public and quasi-public sectors. Investors regard grants as an ineffective instrument that undermines entrepreneurship in general, while representatives of intermediary organisations view grants as a vital social investment in human capital. They believe that the skills and new experiences gained will help entrepreneurs to develop more sustainable business ideas in the future.

However, the introduction of new financial instruments for business support requires certain reforms. Most intermediary organisations are NGOs and do not have a licence to carry out financial operations, which means the risk of non-repayment of investments by entrepreneurs remains high for hubs and incubators. The leverage available to microcredit organisations and banks is not available to intermediaries. For this reason, there is a growing need for a long-term partnership between intermediary organisations and financial institutions. This could involve the debit of entrepreneurs' bank accounts directly to repay outstanding loans to the granting organisation or investor, thereby streamlining the repayment process. At present, the process of providing individual products to each borrow entity is difficult and often impractical for banks.

Kazakh venture investors tend to prioritise investment in areas with which they are familiar. As CCIs is at an early stage of development, there are virtually no examples of successful investments and exits in the market where funds or business angels have been able to return or earn capital. Some investors support projects in film production, music and contemporary art, but more often see their contribution as philanthropic. Notable projects include the Museum of Contemporary Art, funded by

prominent philanthropist Nurlan Smagulov, the Tselinniy Centre for Contemporary Culture, supported by Kairat Boranbayev's family office, and Arsen Tomsky's Alternativa Film Award (inDrive).

Experts also cited examples of large Kazakh entrepreneurs expressing interest in supporting creative businesses but being unable to find intermediaries with the appropriate impact expertise and a pipeline of sustainable projects.

Business incubators that actively work with investors do not yet see much market interest in CCIs entrepreneurial projects in general and creative impact projects in particular but are ready to provide training programmes for creative entrepreneurs once the demand is created.

However, impact assessment experts are convinced that merely including lectures on impact and impact assessment in a training or acceleration programme is insufficient. A qualitative change of narrative, a deep work on values, business mission and the concept of social responsibility is required, especially in the early stages of entrepreneurial projects. This requires the cultivation of a culture of long-term strategic vision and the assessment of the impact of business activities on people and communities, a goal that cannot be achieved in the short term of 1-3 years.

Today's creative start-ups demonstrate encouraging development dynamics, however, if entrepreneurs fail to define impact goals at the outset and establish a causal link between financial investments and planned changes, measuring results and attributing them to purposeful actions becomes challenging. In such cases, projects must undertake change management work in addition to operational processes. The absence of impact monitoring leaves entrepreneurs unable to secure financial support from impact funds and investors, whose activity in Kazakhstan and the global market is predicted to expand, according to experts.

The existing acceleration and incubation programmes for creative entrepreneurs have been criticised for being too focused on immediate results, such as the mental leap expected during a one-week course on basic business skills, rather than on the organic growth of entrepreneurial projects, where new needs and challenges arise at different stages of development. As a result, creative entrepreneurs are deprived of a long-term educational path and access to a fully functional ecosystem in which they could grow a commercially sustainable business within a few years and be ready to receive major investment.

The NURIS business incubator is noteworthy for its own ecosystem as well as its connection to a substantial venture capital ecosystem, into which its successful alumni are integrated. The incubator engages individuals with no prior entrepreneurial experience, including high school students. A dedicated department organises motivational events where prospective participants can try on the role of an entrepreneur, learn about product creation, examine case studies and source compatible start-up ideas. This is followed by an educational programme that teaches basic skills in sales, presentation, customer and competitor research. Initial business ideas are tested in a series of hackathons, challenges and competitions, before participants are placed in a business incubator where they are helped to develop their business idea and make their first sales within 12 weeks. Meetings with investors are only available to accelerator programme participants. At the same time, financial support becomes available to projects as soon as they successfully complete the initial training programme, and remains accessible at all subsequent stages.

The existing venture ecosystem provides a framework with at least six key stages that can be revisited as many times as necessary before an entrepreneur launches a business project and is ready to receive funding. Applying such a structure to the creative ecosystem could allow creative entrepreneurs to access the financial and non-financial support they need as their business develops, not just at the start. At the same time, existing incubators could enhance their capabilities and introduce more hybrid programmes, considering the impact agenda and adapting to the particularities of conducting business in the CCIs, such as intangible asset management, content creation, and more. This would be advantageous for entrepreneurial projects across the board.

In addition, with the digitalisation of lifestyles, experts predict that collaboration between technological, social and creative entrepreneurs will become the new norm. The growing number of non-standard projects indicates that more complex, hybrid products and services will be created in the near future. For this reason, there is an argument for considering the inevitable blurring of industry boundaries and promoting cross-disciplinarity in entrepreneurship education.

There is still a strong need for the establishment of safe “brave spaces” that serve as residences, co-working spaces and training centres where entrepreneurs can develop informal connections, broaden their visual experience, test ideas and share knowledge. This function can be fulfilled not only by incubators, but also by creative hubs of different orientations, providing a “one-stop-shop”<sup>110</sup> for advisory, financial and networking support. Furthermore, creative hubs can deliberately bring together specialists from different sub-sectors on a single platform, fostering synergy and joint growth of both individual actors and the ecosystem as a whole.

At the same time, a prerequisite for the development of an ideal environment is its ultimate decentralisation. According to industry experts, the state should only be responsible for transferring real estate, the majority of which is currently on its balance sheet, to creative producers to facilitate the development of creative hubs and clusters. However, the public sector continues to establish and manage similar sites in the regions through quasi-public companies, despite the list of economic activity codes related to CCIs not including the activities of hubs and clusters. This proliferation of public sector intermediaries has the potential to limit the already scarce opportunities for market actors, while also creating competition with them.

This bias is partly due to the lack of a sufficient number of independent intermediary organisations in Kazakhstan with a relevant specialisation in CCIs and long-term ambitions to develop the entrepreneurial ecosystem. The situation is also aggravated by the formation of information and professional “bubbles” that are typical of the Kazakh market, where business, venture capital, individual entrepreneurs, NGOs and the public sector operate in isolation from each other. According to experts in the field, a lack of willingness to collaborate and weak horizontal ties are major issues in the country. This can be attributed to a fundamental mistrust of the state, investors, partners, and society. Such misalignment not only hinders communication and the exchange of expertise among potential stakeholders but also reduces the effectiveness of efforts.

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<sup>110</sup> Кейг Г., Броди К., Шаяхмет Д., Жексенбек Д. Создание креативных хабов в Казахстане. Руководство для лиц и организаций, определяющих политику (2023). The British Council совместно с AlmaU.

All the experts interviewed are convinced that the organic development of entrepreneurial communities is impossible without the development of systemic independent platforms that bring together key players, are the main initiators of change and carriers of knowledge.

The presence of such highly qualified intermediaries is a critical condition for the rapid growth of pipelines of creative entrepreneurial projects and for increasing their sustainability. However, supporting individual projects within the context of working with fragmented business models is a labour-intensive task that neither entrepreneur, investors nor public actors cannot afford.

In developed markets, intermediaries are remunerated for preparing and tracking projects for investment. According to international standards, in large corporate funds working with sustainable business models, remuneration can reach 5-12% of the investment volume. When working with unique business models, project management, advisory and training services can be estimated at up to 50%, as quality project support requires daily communication with all stakeholders. These costs will be borne by investors and/or grantors, which, given the low awareness of impact investing principles in Kazakhstan, will require additional argumentation and explanation. However, in the sustainable development paradigm, intermediary fees can be viewed as the cost of guarantees for the scaling-up of positive impacts of portfolio projects.

Given the existing constraints, it is imperative to bring together the key stakeholders at this stage of development. These stakeholders include impact appraisers, entrepreneurs, consultants, investors, donors, hub and incubator representatives. Collective expertise and a clear division of roles are needed to develop agreements and strategies for developing the impact ecosystem.

According to experts, a long-term vision and consensus within the expert community is needed before the public sector can engage in impact assessment. This will involve a qualitative shift in the agenda, the development of unique indicators of change, and new criteria for identifying and supporting impact projects in the CCIs that generate a positive, measurable impact.

It is likely that the creative ecosystem being created for the first time will include elements of the impact ecosystem. Plans for its development should include not only events bringing together all stakeholders, but also a long-term media campaign aimed at popularising impact projects and targeting the wider business community. In addition to developing educational programmes for entrepreneurs, it is also important to upgrade the skills of impact managers with a specialisation in CCIs, as they are the ones who will have to regularly assess the innovativeness, complex impact potential and sustainability of creative projects. In the field of impact, the qualification of all stakeholders is one of the most important applied challenges.

Special attention should be paid to the role of the state in unlocking the potential of CCIs and assessing their contribution to the national economy. Experts have expressed concerns regarding the public sector's capacity to propose and implement long-term development programmes, and the absence of a structured approach to evaluating the effectiveness of such programmes, irrespective of their planning horizon.

Furthermore, the efforts made by the public sector appear to be an attempt to monopolise and impose agendas from above, while there is a lack of quality expertise and strategic vision for the development

of CCIs in the public sector. This is evidenced by the ineffectiveness of the events organised, which have had no noticeable impact on the development of professional dialogue between stakeholders, often lack practical value and constantly exclude entrepreneurs themselves from the discussion.

Large budgets allocated to the implementation of the “abstract incentive programmes” almost never reach creative entrepreneurs. Additionally, the absence of clear criteria in the selection of programme operators (contractors) and the lack of transparency in the distribution of large funds has led to the attraction of “untargeted individuals” to the sector. This has resulted in a failure to address projects with the potential to make a meaningful impact and report on positive changes.

At the same time, the professional community anticipates definitive measures from the state, which are presently only partially implemented or not at all:

- 1) Improvement of the legal and regulatory framework that promotes the development of free enterprise and the market economy, facilitating the integration of processes, resources and finances between all stakeholders of the creative ecosystem (entrepreneurs, intermediaries, banks, investment funds, NGOs, philanthropists),
- 2) Cooperation and synchronisation with major donors and international players in the development of CCIs, participation in funds and foundations of funds that will specialise in the development of priority industries of cultural, social and environmental importance (in Kazakhstan there are examples of the development of large microfinance organisations with the support of international financial institutions),
- 3) Developing a culture of risk assessment and programme effectiveness, changing approaches and indicators for assessing the contribution of CCIs to the country’s economy, correcting economic activity codes and improving the quality of statistical accounting (expanding the range of available analyses),
- 4) Channelling “long money” into the development of physical creative infrastructure and quality entrepreneurship education,
- 5) Transparency and accountability of public investment funds: applying clear measurable indicators for the selection of beneficiaries, involvement of professional appraisers and management teams.

Therefore, the discussion on the introduction of a new conceptual framework for assessing the socio-cultural and societal contribution of creative industries requires a simultaneous revision of related systemic issues. These include the creation of a fully-fledged creative ecosystem, the unification of the expert impact community, the distribution of roles among key players and the development of long-term strategies for attracting and managing patient investment in CCIs.

## FINDINGS AND RECOMMENDATIONS

The pilot study explored an alternative approach to assessing the social impact of creative industries to attract impact investment.

As many creative enterprises are initially driven by a cultural and/or social mission, it is logical to regard them as projects with considerable social and environmental (impact) potential. The primary goal of implementing an impact assessment is to stimulate the creative entrepreneurial ecosystem and enhance the sustainability of entrepreneurial projects by attracting impact capital. In this context, impact capital is viewed as a sustainable financial resource that is allocated to promote social and environmental justice by supporting enterprises with a relevant mission.

In Kazakhstan, as in many other countries worldwide, the creative economy is still in its infancy and, due to its complexity, there is a lack of established methods of evaluation. The narrow economic view of the creative industries, borrowed from other sectors, overlooks their unique characteristics.

Conventional approaches to evaluating creative industries business models rely on traditional market and financial indicators, overlooking the distinctive characteristics of creative endeavours. These indicators do not consider the specific characteristics of creative activity, such as the creation of intangible assets, talent management and the bespoke and interdisciplinary nature of projects that cannot always be commercially scaled. This distorted perception of the value of CCIs makes it very difficult to assess and understand the extent of the intangible contribution of creative enterprises to a country's economy.

In emerging markets, creative entrepreneurs often find themselves outside the scope of traditional business agendas and face challenges in articulating their value. This can result in limited access to financial and non-financial support, thereby constraining their growth potential. Consequently, government initiatives to develop CCIs will not achieve their full potential unless the contribution of creative initiatives is objectively measured. Therefore, **the creative industries need their own assessment criteria.**

An alternative perspective on the role of creative enterprises highlights their potential to generate value and social and socio-cultural impacts that can positively impact the quality of life of people and natural ecosystems over time. Existing impact assessment models in CCIs measure and digitise intangible parameters such as the contribution of different ecosystems, information agendas, creative skills, products and services to the well-being of society in terms of cultural, educational, spiritual, artistic and even therapeutic value.

Impact assessment is inextricably linked to the issue of impact capital, which is channelled to develop initiatives with a strong social mission. There are more than 36 impact funds around the world that specialise in providing systemic support to projects and attracting slow capital to CCIs. While many funds utilise their own proprietary tools to assess impact, all are grounded in the Theory of Change or



well-known approaches such as the Social Return on Investment (SROI) model, IMP's 5 Dimensions of Impact methodology, and the Culture|2030 Indicators or Cultural Contribution Indicators for the 2030 Agenda, developed based on UNESCO conventions. These tools translate qualitative indicators into quantitative ones and aim to develop practices for managing change, monitoring results and providing the evidence base that donors, foundations and impact investors need to make investment decisions.

**Impact assessment is therefore the missing component that defines the value and unique measurable contribution of individual creative enterprises and the creative industries as a whole to the well-being of communities and local ecosystems.** The introduction of a new impact assessment system for creative business models can open up access to the impact capital market for entrepreneurs, thereby mobilising creative resources to achieve impact goals.

The experience of countries with well-developed creative economies demonstrates the positive change resulting from the development of impact investing in CCIs. This is inextricably linked to states' commitments to the 17 Sustainable Development Goals and the democratisation of capital.

The case for impact investing is based on the assertion that the combination of investment capital and impact objectives will deliver greater cultural, social and environmental benefits for a wider audience than if these separate strands were developed independently. Impact investing is often described as "patient", "slow" and "conscious" as it fully aligns with the capabilities of slow systems such as social and creative entrepreneurship (as opposed to fast venture), and assumes high risks associated with the low sustainability of these projects.

Attracting patient investment in the creative sectors allows capital to be reallocated in the market in a way that improves the commercial sustainability of impact projects. The availability of concessionary capital provides significant incentives to the market, including more flexible and risk-tolerant investment products for organisations in need of funding. At a market level, this helps to overcome the alienation of the cultural and creative sectors due to their unstable income and brings them back into the investment arena.

The global impact capital market is expanding annually, driven not only by the strengthening of corporate social responsibility standards, but also by the influx of corporate and philanthropic capital, whose financial instruments are taking on more sustainable forms from grants to investments with impact potential. Market growth is also evidenced by indirect trends related to the rapid development of the creators' economy, the transformation of smart cities, and new business ethics demands from a younger generation of consumers.

Consequently, the implementation of social impact assessment practices will contribute to the development of impact investing, which will actively attract international and local patient capital to the creative industries.

**The application of impact assessment practices will facilitate the development of impact investing, which will actively attract international and local patient capital to the creative industries.**

As the creative industries in Kazakhstan have only received legal status in 2021 and are at an early stage of development, they require measures to strengthen the sustainability of creative business projects and a closer look at the specifics of the impact of entrepreneurial initiatives on people, communities and natural ecosystems.

The study established that in Kazakhstan, the assessment of the contribution of CCIs to the country's economy follows a standardised protocol, considering quantitative indicators such as the sectors' contribution to GDP, the number of business entities, the number of jobs and the volume of tax payments. Practices for assessing the socio-cultural, social and environmental impact of the creative industries are not applied, and the research did not identify any specialised programmes in this area or practitioners with relevant qualifications.

However, independent intermediary organisations working in the field of civic and social project development have the most extensive expertise in assessing impacts relevant to the specificities of the creative industries. Interviewees from these sectors have expressed a willingness to engage in work to develop unique evaluation models. The British Council is well-positioned to facilitate this process by bringing together key stakeholders, including independent impact assessors, creative entrepreneurs, researchers, academics, representatives of impact and creative hubs, incubators, donors, and investors.

It should be noted that business initiatives in CCIs are an example of hybrid entrepreneurship with elements of social, technological and creative entrepreneurship. At the same time, creative entrepreneurs do not fit well into the social and venture ecosystems, while the creative ecosystem in Kazakhstan is not yet formed. The analysis of the three entrepreneurial ecosystems in Kazakhstan has shown that business projects only receive a boost for quality development only in environments where regular educational opportunities, systemic financial and non-financial support and access to catalytic capital are available. It is therefore recommended that the future unique creative ecosystem in Kazakhstan should be built around the hybrid nature of creative activity and a focus on social impact, while incorporating effective elements of the social and venture entrepreneurial ecosystems.

Considering the current lack of awareness among investors and entrepreneurs regarding the intricacies of conducting business in the creative sectors and impact assessment practices, the demand for impact investment in Kazakhstan remains underdeveloped. In this context, the role of intermediary organisations in disseminating the impact agenda and introducing new approaches to enhance the viability of creative projects and their investment attractiveness is increasing.

The availability of highly skilled intermediaries and management teams is a critical prerequisite for the development of a quality pipeline of creative entrepreneurial projects. However, the limited number of independent intermediaries specialising in CCIs may hinder the development of creative projects and the scaling up of the impact agenda in Kazakhstan. To address this, it is essential to support and strengthen the roles of experienced intermediaries (such as Impact Hub Almaty and MOST Business Incubator) and to involve graduates of impact programmes who have become systemic actors in their sectors (such as Urban Forum Kazakhstan, Citizen Space and others) in development programmes. These individuals can serve as ambassadors for the impact agenda, promoting new approaches to impact assessment.

Such centres of expertise, represented by intermediaries, have the capacity to accumulate knowledge and train not only creative entrepreneurs and investors, but also representatives of new sites that are just starting to work systematically, but may remain outside the impact agenda or lack qualifications. This approach will expand the decentralised intermediary network and make it more sustainable.

Given the rather complex Kazakhstani context in which the creative industries are developing, the prospect of introducing a new conceptual framework for assessing the socio-cultural impact of CCIs entrepreneurial projects and attracting impact investment cannot be considered in isolation. The following recommendations aim to overcome existing systemic barriers to better pilot new assessment models.

### **Recommendation 1**

The sustainable development of the creative industries is dependent on the establishment of a comprehensive entrepreneurial ecosystem. In developing this ecosystem — and for many countries around the world, including Kazakhstan, it is being created for the first time — it is important for entrepreneurs to have systemic access to capital that is aligned with their goals, values, slow pace of development and focused on social impact, not just commercial success.

The ecosystem should be structured to support all stages of creative project development, from the fundamental entrepreneurial skills to navigating interactions with donors and investors. It should also be guided by the concept of patient investment of knowledge, experience and capital, following the example of social project development. In this context, a return on investment is not expected to be realised until at least 5-7 years after investment, and in the case of creative hub management, not before 10-15 years.

### **Recommendation 2**

To ensure the sustainability of creative ecosystems, it is essential to consolidate and clearly define the roles of stakeholders, including the public sector and international organisations. The process of establishing a quality creative project requires the involvement of human resources, including methodologists, managers, trainers, mentors and business angels.

Given that intermediaries (typically NGOs) lack internal resources to assume all roles, it is vital that each ecosystem actor is involved at its own level. For instance, universities impart fundamental business competencies and the notion of social responsibility to prospective entrepreneurs, hubs offer incubation programmes for start-ups and aspiring intermediaries, business incubators expedite the growth of experienced entrepreneurs and function as intermediaries in investment distribution, banks and microcredit organisations oversee financial transactions, and investment funds cultivate suitable investment frameworks.

### **Recommendation 3**

To proactively develop and increase the diversity of creative projects, it is necessary to establish “safe brave spaces” that encourage organic and barrier-free growth. These spaces, whether physical or

virtual, should be designed to facilitate experimentation, test new business models, encourage collaboration, and facilitate the sharing of expertise and peer-to-peer learning. There is an urgent need to increase the number of sustainable, independent, cross-sectoral creative clusters, hubs and incubators if the full development of CCIs is to be achieved. Investors who contribute to the development of creative infrastructure and who support the opening and long-term development of such facilities should be eligible for tax incentives.

#### **Recommendation 4**

New educational programmes in impact assessment are recommended for creative entrepreneurs and managers of intermediary organisations. In addition to developing entrepreneurial skills, these programmes should focus on deep reflection on the entrepreneur's personal values, the social mission of business, and rethinking the impact on consumer groups, communities and natural ecosystems. Collaborating with experts in various formats, such as regional residencies, labs, education and research programmes, will enhance the cross-disciplinarity of projects, address the persistent shortage of non-standard applied solutions, and further unlock the unique potential for impact of each creative project.

#### **Recommendation 5**

In the long term, specialised intermediaries, laboratories and expert groups should emerge in the creative ecosystem to study the specificities of doing business in CCIs. These groups will analyse and explain the impacts they generate and develop and improve impact assessment indicators at the level of management methodology. In the future, this role could be assumed by evidence centres at universities.

#### **Recommendation 6**

Impact investing is the most effective way to attract patient capital to the creative industries, which can provide a targeted socio-cultural stimulus for their development. In this context, it is essential to raise awareness of the characteristics of impact investing among local investors, and then to develop programmes to attract impact investments targeted at corporations, private and public investment funds. Impact hubs and business incubators can play a key role in this process.

#### **Recommendation 7**

As a potential lens for impact investing in CCIs, it is recommended to focus on three categories of projects that are prioritised for the development of a sustainable creative ecosystem: 1) increasing the quality and number of independent intermediary organisations (and their project teams), 2) developing creative hubs, and 3) supporting projects that create intangible assets with impact potential.

Based on these key areas, impact hubs and incubators can form appropriate pipelines for piloting the impact assessment methodology and attracting impact investors.

## CONCLUSION

To summarise the findings of the study, it can be concluded that an alternative approach to the assessment of creative enterprises using social impact assessment models seems to be a timely solution for Kazakhstan. This is because the creative industries are in their infancy and have difficulties in articulating value and accessing investment.

Developing an impact agenda will require a qualitative change of narrative and may be difficult at first due to the lack of a fully-fledged creative ecosystem. However, there are no barriers to piloting an impact assessment method: a new programme can be developed and tested in an impact accelerator format by one or more intermediaries with the involvement of impact experts. The assessment models discussed in this report can serve as a starting point for the development of unique business models where impact assessment does not exclude, but rather complements, commercial sustainability analyses.

As the investor community is already cautiously interested in the topic of impact investing, any practical results of impact assessment will raise awareness among all potential stakeholders.

The application of impact assessment practices in the field of creative industries is poised to benefit all stakeholders:

- Along with access to patient investment, creative entrepreneurs will gain strategic change management skills and motivation to strengthen their social mission and scale their intentional social impact,
- Using impact assessment practices, intermediary organisations will be able to build a pipeline of sustainable entrepreneurial projects by matching capital demand with investment supply,
- The value of impact assessment for investors is to realise their own social mission by supporting entrepreneurial impact projects with the appropriate profile. In doing so, investors can use more sustainable financial instruments such as impact investments, smart loans, mezzanine finance or social impact bonds instead of traditional grants, thereby repaying and recirculating funds,
- An evidence base of impact monitoring and analysis will help institutional and private investors to invest more effectively in the creative sectors. This will have a long-term positive impact on the development of the creative ecosystem,
- Finally, the ultimate and primary impact beneficiaries (social and consumer groups, communities working with natural ecosystems), for whom positive change is created or negative impacts are minimised, will be able to access more socially responsible services, products and activities and experience positive changes in their own or their community's quality of life.

The potential for impact investing in Kazakhstan is an emerging area of discussion. As this field evolves, questions regarding the redefined role of business and the development of impact measurement metrics will become increasingly prevalent. Attracting patient capital to the creative industries will allow significant and sufficiently large creative sectors, and therefore broad consumer audiences, to be brought into the region's sustainable development agenda.



## ADDITIONAL MATERIALS

### *Impact Indicators*

The results of the qualitative study have led to the development of an original set of impact indicators that can be used to assess the long-term contribution of intermediaries shaping the creative ecosystem and creative entrepreneurs. This list is not exhaustive and is intended only as a starting point for future discussions with impact evaluators and stakeholders.

**Table 5: Impact Indicators for Intermediary Organisations Providing Financial and Non-financial Support to Entrepreneurial Projects in CCIs**

<b>IMPACT TARGET: WEAKNESSES HINDERING THE DEVELOPMENT OF A CREATIVE ECOSYSTEM</b>	<b>SOCIAL AND/OR ENVIRONMENTAL IMPACT INDICATORS</b>
Disunity among key stakeholders due to the problem of “professional bubbles”	Unification and synchronisation of key stakeholders, Assigning roles in the ecosystem, Agreements and evaluation standards development, Development and launch of the joint impact programmes with impact assessments at intermediary and stakeholder levels
Lack of educational programmes aimed at learning about impact and its assessment for creative entrepreneurs	Development of targeted educational programmes aimed at learning about impact and its assessment for entrepreneurs in CCIs and related sectors, Development of accessible online educational programmes in the Kazakh language to activate the regions, Regular launching of impact projects with a strong social mission, Development and dissemination of methodological materials
Low awareness of impact agenda and impact investing approaches in the investor community	Implementation of investor education programmes, Implementation of targeted impact investment programmes and products for private, corporate and public investment funds, Strengthening the pipeline of sustainable impact projects, building a transparent evidence base
Lack of and/or weak qualification of project managers in impact assessment, support and monitoring of impact projects	Launch of educational programmes for impact managers and impact producers, Increase in the quantity and quality of expertise of impact managers in intermediary and granting organisations, investment funds,

	Development of methodological materials and launch of programmes in the regions
Weak horizontal ties, reluctance of experts to co-operate and form partnerships	Building collaborations, alliances and projects at the level of joint budgets, programmes and outcomes between intermediaries and stakeholders
Fragmented impact initiatives with untapped potential for scaling up impact	Creation and building of a quality pipeline of impact projects, Regularity and increase in the production of impact projects with a strong social mission
Unexplored potential of interdisciplinary projects	Launch of the programmes aimed at creating collaborations, creative alliances and joint projects between creative entrepreneurs and other sectors
Lack of financial support for entrepreneurial projects	Formation of catalytic capital to support entrepreneurial projects: attracting funds from investors, donors and grantors with an increasing share of impact investments, Attracting investments for own development
Lack of non-financial support for entrepreneurial projects	Development of methodological materials, Involvement of mentors and appraisers in the programmes, Provision of services for recruitment of projects with impact potential, as well as for support, impact assessment and monitoring, Creation/strengthening of platforms for continuous experience sharing and peer-to-peer learning among entrepreneurs
Lack of an actor or alliance to develop an impact agenda and provide education and information	Emergence of a system player(s) or alliance engaged in advocacy and education on impact assessment in CCIs on an ongoing basis, Holding thematic events (forums, round tables, meet-ups), Bringing together experts to strengthen presence in the media field

**Table 6: Impact Indicators for Creative Entrepreneurs Receiving Support from Intermediaries**

<b>IMPACT TARGET:</b>	
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WEAKNESSES AND UNIQUE FEATURES OF DOING BUSINESS IN THE CREATIVE INDUSTRIES	SOCIO-CULTURAL, SOCIAL AND/OR ENVIRONMENTAL IMPACT INDICATORS
Value-based business model	Social, cultural, educational, environmental, gender and other values of the entrepreneur integrated into the business model and product or service
Creation and/or management of intangible assets (intellectual property, copyrights, brands, franchises, patents)	<p>Development of patents, brands, franchises based on social mission,</p> <p>Creation of new value, new products and new markets through collaborations with other players,</p> <p>Change or shortening of the value chains,</p> <p>Creation of new jobs by expanding the franchisee network</p>
Talent management	<p>Human capital development through education, training, inclusion,</p> <p>Creation of projects/platforms to increase diversity and inclusion of underrepresented voices, talents, expertise,</p> <p>Additional retraining and employment opportunities, including for vulnerable and marginalised groups and people with disabilities,</p> <p>Mentorship for emerging professionals,</p> <p>Strengthening and institutionalisation of the professional community</p>
Audience management	<p>Change or instil new consumer habits, including lean, reuse and recycle practices,</p> <p>Increasing of the functional knowledge, dissemination of new agendas, educational activities,</p> <p>Direct measurable impact on the quality of life of consumers through a product or service,</p> <p>Indirect measurable impact on the quality of life of consumers through a product or service,</p> <p>Neighbourhood benefits (safe, inclusive environment, improved quality of life, reduced traffic through polycentricity)</p>
Creative cluster creation and/or management	<p>Development of business infrastructure in and around the cluster, with a focus on the development of multidisciplinary,</p> <p>Measurable contribution to the development of social/cultural/educational/gastronomic/touristic infrastructure in the cluster, neighbourhood, city, region,</p> <p>Creation of safe, inclusive environment</p> <p>Opening new spaces for educational and cultural leisure, experimental projects and collaborations,</p> <p>Emergence of new creative actors, associations, partnerships, alliances and independent creative networks in the cluster,</p> <p>Unification of clusters into partnership networks,</p> <p>Enhancement of the economic sustainability of the residents,</p> <p>Improvement of the residents' entrepreneurial skills,</p> <p>Partnership programmes with intermediary organisations (platforms for accelerators, incubators, professional events, advisory support for residents),</p> <p>Legalisation of residents' businesses (freelancer - entrepreneur - LLP)</p>

Responsible/lean production	<p>Development of local production in the regions (reduction of carbon footprint by switching to renewable energy sources and biofuels, optimisation/reduction of logistics chains and transport loads, retraining and employment, including for representatives of vulnerable and marginalised groups and people with disabilities),</p> <p>Ethical production and packaging standards (5Rs: Refuse, Reduce, Reuse, Repurpose, Recycle),</p> <p>Preservation and improvement of traditional local practices in line with current environmental standards (craftsmanship, working with local materials),</p> <p>Creation of new activities and jobs</p>
Weak horizontal ties, reluctance of entrepreneurs to co-operate and form partnerships, untapped potential of cross-disciplinary (intersectoral) projects	<p>Creation of new value, new products and new markets through collaboration with related sectors,</p> <p>Growth of partnership projects and increasing business opportunities for related sectors,</p> <p>Creation of new jobs, activities and professions</p>
Horizontal mobility	Increasing additional opportunities for retraining and employment, development of new career paths
Weak sustainability of entrepreneurial projects and short-term planning horizon	<p>Commercial sustainability of the project in the 3-5, 5–10-year perspective,</p> <p>Expansion of income and/or funding sources during the period of intermediary support and beyond</p>
Institutionalisation and professionalisation	<p>Development of a professional community,</p> <p>Institutionalisation of the actor (emergence of representative functions, advocacy, influence in politics, mobilisation of stakeholders)</p>

## *Case-study of an Impact Project Alternativa Film Award (inDrive)*

<b>Company:</b>	<b>inDrive</b>
<b>Company's mission:</b>	Fighting injustice through high scale impact systems (technology, media, art). Positive impact on the lives of more than 1 billion people worldwide
<b>Initiator:</b>	Founder, CEO Arsen Tomsky
<b>Initiative/Programme:</b>	Alternativa Film Award. International Film Award (fiction, documentary, animation, hybrid)
<b>Lense:</b>	Filmmakers highlighting social issues in the region
<b>Impact goal:</b>	Recognition of under-represented local filmmakers, promotion of films with socially relevant themes, development of the community, creation of a local hub with an educational platform
<b>Theory of change:</b>	See table 7 below
<b>Programme components:</b>	<ol style="list-style-type: none"> <li>1. Educational laboratory for screenwriters, directors and producers,</li> <li>2. Awards ceremony (2023–2024),</li> <li>3. Film festival with public screenings of prize-winners (2024),</li> <li>4. Distribution and promotion of the winning films (2024)</li> </ol>
<b>Geography:</b>	Countries of Central Asia (from 2023) and South-East Asia (from 2024)
<b>Financial tools:</b>	<ul style="list-style-type: none"> <li>– Total Prize: 100,000 USD,</li> <li>– Grants of 20,000 USD, to be used at the discretion of the recipient,</li> <li>– Educational trips to international documentary film festivals and film residencies</li> </ul>
<b>Source of funds:</b>	Corporate funds
<b>Outlook (timeline):</b>	5-10 years per market
<b>Direct beneficiaries:</b>	Filmmakers, film crews
<b>Indirect beneficiaries:</b>	Local communities
<b>Direct results / Outputs:</b>	Impact on the quality of life of the grantee and his/her family or crew; career trajectory of the documentary filmmaker, his/her media exposure, professional recognition, sustainability (possibility of continuing professional activity); participation, nominations and awards at international festivals (recognition by external organisations); scale of public resonance of the topic raised; media coverage
<b>Indirect results / Outcomes:</b>	New trends in filmmaking; shift in social agendas; statements from government agencies on the issues at hand
<b>Quantitative results:</b>	<p>Results 2023</p> <p>Award:</p> <ul style="list-style-type: none"> <li>– 350 eligible entries received from 25 countries,</li> <li>– 21 shortlisted entries,</li> <li>– 20 public events organised,</li> </ul>

	<ul style="list-style-type: none"> <li>- 3 film labs held with 49 participants (Teen Lab in Tashkent, Impact Lab in Bishkek, Development Lab in Almaty)</li> </ul> <p>In the process:</p> <ul style="list-style-type: none"> <li>- 25 screenings of 13 films held in 2 cities,</li> <li>- more than 2,000 people attended the screenings in two cities,</li> <li>- limited distribution of one of the winning films is planned, 30 offline screenings + 2 weeks of free online access in 2 countries,</li> <li>- 2 directors continue to work on their next films with Alternativa prize money,</li> <li>- 1 film distributed in Nepal thanks to Alternativa cash prize ('No Winter Holiday'),</li> <li>- 1 director graduated from the Pop Up Film Residency programme in Paris (winner in the RESONANCE category)</li> </ul>
<b>Resources and tools for impact monitoring:</b>	<p>Research department to monitor impact; project teams to develop their own theory of change, measure SROI (social return on investment), assess the potential for scalability of the initiative in other markets, qualitative and quantitative impact assessment (feedback questionnaires for participants and winners of the Award, as well as for participants of the educational modules, a system to collect mentions of the Award and films/authors in the media and separately in social networks).</p>
<b>Partnerships:</b>	<p>Local NGOs, local and international PR, marketing and event agencies, impact assessment consultants, internal and external auditors.</p>
<b>About the project:</b>	<p><a href="https://alternativa.film/awards.html">https://alternativa.film/awards.html</a></p>

Note: As some filmmakers receive funding for the development of their projects from a variety of sources, including crowdfunding, grants, awards, and interest-free loans, inDrive grants can be viewed as a form of catalytic capital that enhances the viability of filmmaking projects and/or crews in the medium to long term.



**Table 7: Theory of Change of the Alternativa Film Award (inDrive)**

Impact objectives: Recognition of Underrepresented Filmmakers, Promotion of Socially Impactful Films, Education.

<b>BENEFICIARIES: FILMMAKERS</b>						
<b>Actions to achieve impact objectives</b>	<b>1st year – throughout the project</b>		<b>2nd-3rd year</b>		<b>4th year +</b>	
	<b>Short-term results</b>		<b>Mid-term results</b>		<b>Long-term results</b>	
	<b>Outcome</b>	<b>Indicators</b>	<b>Outcome</b>	<b>Indicators</b>	<b>Outcome</b>	<b>Indicators</b>
Submit films for awards, attend awards ceremony, connect with international film community	Increased visibility (international and local PR)	Number of publications with focus on participants  Increased visibility in social media (number of followers)	Increased industry recognition	Number of other awards filmmakers participate in Increase in box office receipts Increase in number of views on streaming platforms / online Increase in social media recognition (subscribers) and online searches (search engines) Increase in professional media recognition	Ongoing recognition in the industry	Number of awards received by participants Number of mentoring projects undertaken by participants Number of media publications, quotes and interviews with participants
	Networking opportunities	Number of new contacts that participants report to secure after the award	Increased career opportunities	Number of new films created, among them, number of films focused on social impact Amount of funding received	Career success	Number of commercially successful films produced / including number of successful films with a social impact focus Offers to participate in prestigious projects / collaborations with famous filmmakers
	Exchange of experiences	Feedback on new knowledge and experience				

BENEFICIARIES: LOCAL COMMUNITIES						
Actions to achieve impact goals	1st year – throughout the project		2nd-3rd year		4th year +	
	Short-term results		Mid-term results		Long-term results	
	Outcome	Indicators	Outcome	Indicators	Outcome	Indicators
Learn about filmmakers' success stories	A sense of pride in the success of local filmmakers	Public engagement	Social change inspired by festival participants' films	Number of related community initiatives in the region	Informed and engaged global citizens	Active involvement in social issues, advocacy

### Educational Stream

BENEFICIARIES: TEENAGERS FROM DEVELOPING COUNTRIES						
Actions to achieve impact goals	1st year – throughout the project		2nd-3rd year		4th year +	
	Short-term results		Mid-term results		Long-term results	
	Outcome	Indicators	Outcome	Indicators	Outcome	Indicators
Teenagers acquire new knowledge, become familiar with tools and explore the characteristics of cinema	Teenagers acquire new knowledge, become familiar with tools and explore the characteristics of cinema	Increase in skills and knowledge	Teenagers continue to practice filmmaking	Number of films/videos made and published by participants	Teenagers choose to continue their education in film or other arts industry	Number of people continuing training in art/film
Teenagers make their first films		Number of films made during the project				
Public screening and opportunity to enter a children's festival	Teenagers receive their first recognition	Number of films presented to the public and selected for the Children's Film Award	Rising popularity on social media	Increase in social media popularity (Instagram, YouTube)	Teenagers have successful careers in the film industry	Number of people who went on to professional film careers Number of awards received by participants

*The Pitching and Impact Lab*

<b>BENEFICIARIES: FILMMAKERS</b>						
<b>Actions to achieve impact goals</b>	<b>1st year – throughout the project</b>		<b>2nd-3rd year</b>		<b>4th year +</b>	
	<b>Short-term results</b>		<b>Mid-term results</b>		<b>Long-term results</b>	
	<b>Outcome</b>	<b>Indicators</b>	<b>Outcome</b>	<b>Indicators</b>	<b>Outcome</b>	<b>Indicators</b>
Participate in film labs	Improving specialised knowledge of film production	Number of participants reporting increased knowledge	Filmmakers create sustainable film projects	Number of film projects launched by Film Lab participants	Building a sustainable career in the industry	Number of Lab participants who have built a sustainable career in the film industry
	Award	Number of projects that won the training programme (recommended to residents and further professional awards)				
	Networking	Number of new contacts reported by participants following the award	Increase the level of collaboration between filmmakers	Number of new collaborations		

