

# Manifesto for the financing and support of entrepreneurship in Africa

October 2022



20  
YEARS



**IIP** INVESTISSEURS  
& PARTENAIRES

FINANCING, SUPPORTING AND PROMOTING THE ENTREPRENEURS WHO ARE TRANSFORMING AFRICA

# Foreword

**Twenty years ago, we created I&P with a conviction: that Africa's rapid and inclusive development requires a solid fabric of profitable and formal small and medium-sized enterprises (SMEs) that provide sustainable solutions to the social challenges facing the continent.**

Twenty years ago, committed entrepreneurs on the continent were already numerous, but they lacked tools, support, financing, and visibility. They needed investors... and partners.

Twenty years ago, betting on African entrepreneurs and investing in the capital of these small businesses on the continent was rarely done and seemed like a bold gamble, to say the least. But we put our conviction on the line and took the plunge, along with the support of a few investors who were ready to take up the challenge.

This bet on African entrepreneurs has proven to be a winning one. I&P and its partner teams consist of more than 160 employees in 12 offices worldwide (Burkina Faso, Cameroon, France, Ghana, Ivory Coast, Kenya, Madagascar, Mali, Niger, Senegal, Uganda, United States), have raised €400 million and financed more than 250 start-ups and small businesses. Our impact continues to grow—today we finance over 50 new companies every year!

Some of the companies we support experience failure—because investing, like entrepreneurship, involves risks and sometimes mistakes. However, the successes we contribute to are extremely numerous, and some of our investee companies have become entrepreneurial role models in their countries and beyond.

I&P has developed various financing tools, deploying acceleration programs and pan-African private equity funds. To further increase our impact, particularly on projects in the early entrepreneurial phase, and to contribute to the emergence of African investment teams that raise capital in their countries, we have also co-created partner funds in Burkina Faso (Sinergi Burkina), Niger (Sinergi Niger), Senegal (Teranga Capital), Madagascar (Miarakap), and Côte d'Ivoire (Comoé Capital). Five other national funds will soon follow.

Today, 20 years later, thanks to the efforts of some teams as committed as our own, a general consensus has emerged that African entrepreneurship is essential to the continent's prosperous future. From Madagascar to Côte d'Ivoire, from Ghana to Rwanda, and across so many other countries, political officials, international institutions (the African Union, the World Bank, the UN, the African Development Bank, the French Development Agency, the European Union...) and private-sector leaders have made entrepreneurship an absolute policy priority. They are launching programs, opening spaces dedicated to business creators, and unlocking financial resources.

A general consensus has emerged that African entrepreneurship is essential to a prosperous future for the continent

**Overall, the ecosystems supporting entrepreneurship are growing.**

More and more states are digitizing certain administrative procedures and creating support instruments for SMEs. The business environment is gradually improving. Incubation and acceleration structures are providing invaluable support, and business angels and mentoring networks are multiplying. Investment funds are increasing their financial commitments. In the first two months of 2022, African start-ups raised nearly \$1.2 billion, three times more than in 2021 and six times more than in 2019, over the same period.

However, it is true that these funds were raised mainly in large countries and for companies operating in the tech sector. In a complex, volatile economic context, often fraught with political instability and conflict, mobilization by the financial sector, despite improvement, remains too modest. While the support for African entrepreneurship by governments, investors, the international community, and foundations has grown significantly since the early 2000s, it remains insufficient to ensure the necessary level of entrepreneurial success warranted by the need for decent employment, access to essential services, equality, macroeconomic stability, and, indeed, resilience in the face of ever more pressing environmental challenges.

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**In 20 years of upheaval in Africa, our initial postulate that entrepreneurs are vital to a sustainable future and worthy of investment has never lost its relevance.**

More than ever before, African SMEs are drivers of social impact: they are linking producers and markets, creating much-needed jobs for African youth, and generating tax revenues for their countries that allow for the much-needed funding of social services and security as well as for improving the macroeconomic resilience of African states.

By the same token, more than ever before, entrepreneurs in Africa are facing immense challenges: the COVID-19 pandemic and the subsequent energy and food crisis have greatly affected SMEs in the past several years. Political insecurity and armed conflicts have intensified. Macroeconomic instability and increasing public debt are constraining opportunities.

**We must therefore redouble our efforts.**

In our twentieth year of impact investing in African SMEs, we want to continue to do our part to contribute to the collective solution: between now and 2030 we intend to help grow 500 champions of sustainable and responsible entrepreneurship in Africa. Alone, I&P cannot achieve significant goals on a macroeconomic scale. We can, however, help a critical number of entrepreneurial ventures become visible and viable, and thereby convince a growing number of African entrepreneurs that their success is possible, as well as ever more investors and supporters that this cause is worth supporting.

**Together, we must foster the path to prosperity and real impact in Africa.**

**The objective of this manifesto is to share with you the five best practices or core approaches that we believe are essential if we want to accomplish our mission to serve African entrepreneurs.**

We are addressing not only entrepreneurs here, but the ecosystem that is vital to their success: governments and public authorities, national and international investors, donors, large companies, local support structures, and banks.

These strategies have been well-identified, but it must be said that they are being carried out too slowly. After much internal discussion and consultation, our team is convinced of the necessity of reinforcing the following approaches:

**Approach 1** Recognize and promote tomorrow's champions, such as they are

**Approach 2** Strengthen the skills of entrepreneurs, their employees... and their strategic partners

**Approach 3** Boldly invest in good social and environmental practices

**Approach 4** Fuel talent by providing appropriate and relevant financing and support

**Approach 5** Transform public administration into allies of entrepreneurs

**We, the team of Investisseurs & Partenaires, have made a commitment via our strategic plan to promote these five strategies. We hope to carry them out with all those who share our vision.**

# Approach 1



## Recognize and promote tomorrow's champions, such as they are

Too often, investing in Africa today is still concentrated on a small number of companies and in a small number of countries that capture international attention and on already large-sized companies often run by men who have the "right" background, the "right" degree and/or are part of the "right" network.

Yet the entrepreneurial spirit and the ability to get a small business off the ground can be found throughout Africa, in both men and women of all ages and backgrounds.

We therefore call for the creation and strengthening of financing and support structures that meet African entrepreneurs (including women!) as they are and where they are, without neglecting the most fragile countries, where the fostering of a structured private sector is particularly important. It is necessary to foster diversity and inclusion, to increase funding for women, and to promote entrepreneurs operating in fragile countries.

The existence of offers of financing and support will help convince the best entrepreneurs to take the leap to pursue training, investment and formalization and get beyond the discouragement and self-doubt of those who feel condemned to stagnate due to a lack of close and supportive partners.

## Approach 2



### **Strengthen the skills of entrepreneurs, their employees... and their strategic partners**

Throughout their entrepreneurial journey, men and women must excel in many different areas. They must be skillful in sales and marketing, raise funds, manage teams with tight quality/cost/safety ratios, acquire technical skills, recruit, and track their business with formal tools, all this while it is often difficult to find qualified employees. On a psychological level, entrepreneurs must also learn to build on their strengths and unify teams, accept failures, and recognize their limits.

The need for training and support, both technical and managerial, is therefore of primary importance, both for entrepreneurs and their employees.

As a general policy, we can only encourage the strengthening of education programs and professional and vocational training, which will benefit companies over the long term.

In day-to-day operational management, we should emphasize the importance of technical assistance, a component that is sometimes overlooked or ignored, but which provides companies with technical sectoral expertise (legal, commercial, technological, managerial, etc.) critical for improved performance and capacity building.

Skills development is also needed for all those who work alongside SMEs. Financiers, accelerators, incubators and other entrepreneur support structures also need training (and I&P is no exception!). No financing can be successful without a competent team that fully understands the constraints specific to SMEs and can offer the appropriate tools to meet the needs of the entrepreneur.

## Approach 3



### **Boldly invest in good social and environmental practices**

Our experience has convinced us that the attention paid by African companies and their financiers to good social and environmental practices is not only an ethical (and often regulatory) requirement, but also a long-term success factor.

Investing in the means of production, thereby allowing for improvement of social and environmental performance, is imperative for a company's long-term development. We are talking about crucial issues here, such as access to decent work, on-the-job health and safety, energy efficiency, and the consideration of environmental issues, to name a few.

It must be recognized, however, that in the very informal context of African economies, over the short term, such investments may come into conflict with the profitability of certain SMEs, particularly companies that are still young and fragile.

The challenge for entrepreneurs comes back to integrating social and environmental standards over time and turning immediate costs into future benefits. The investors who support entrepreneurs must encourage them to develop ambitious plans for improvement that can be carried out at a realistic pace.

# Approach 4



## **Fuel talent by providing appropriate and relevant financing and support**

Too often, entrepreneurs come up against a lack of the financing needed to realize their ideas and inspirations, and if their budgets are too tight, find themselves in difficulty when faced with the first unforeseen expenses.

Regardless of the amounts raised, it is the financial instrument used that can determine success or failure.

For high-potential start-ups, we call for the generalization of acceleration programs offering flexible financing (e.g., in the form of seed financing, repayable advances, or honorary loans), and personalized support that combines skills development and technical assistance.

For more structured SMEs, equity or quasi-equity investment funds now exist in many countries, and the funds created by I&P were among the pioneers. However, traditional and rigid private equity models are not well suited to funds targeting SMEs, which, operating in difficult contexts (lack of infrastructure, skills challenges, geopolitical crises, etc.), need long-term support and time for financial value creation. To allow for a better business model at all levels and to have the most sustainable impact, there is a need to envision more flexible investment vehicle models that provide the time and resources necessary for the growth and consolidation of these small and medium-sized businesses.



# Approach 5



## **Transform public administration into allies of entrepreneurs**

Pro-entrepreneurship discussions and actions are multiplying on the African continent, driven by public actors and administrations that view the development of SMEs as an indispensable engine for Africa's ongoing growth and prosperity. This is one of the most encouraging developments we've observed over the last two decades, and one which is bringing considerable change to companies and their ecosystems.

Nevertheless, there is still much room for improvement needed to remove the obstacles these companies face. We need to simplify and digitalize administrative procedures, whether they be filing articles of association, obtaining documents or making a VAT declaration. We must not discourage SMEs who want to formalize their business and are already facing fiscal challenges, many of whom decry a tax beating that endangers their profitability and even their existence.

Many African countries have initiated reforms along these lines. States and administrations also have a key role to play in facilitating regional and pan-African trade and creating synergies between companies in different African countries. These initiatives must be encouraged, imitated, amplified and accelerated.

# About



**Investisseurs & Partenaires (I&P) is a pioneering impact investment group, entirely dedicated to financing and supporting entrepreneurs in Africa.**

I&P's multicultural team is located in 10 sites in Africa (Burkina Faso, Cameroon, Ivory Coast, Ghana, Kenya, Madagascar, Mali, Niger, Senegal and Uganda), as well as in France and the United States (Washington DC). With its partner teams, it has more than 160 people specializing in investment, impact, and more generally, in the support of African SMEs/businesses.

Since its creation in 2002, I&P has supported more than 250 companies based in Sub-Saharan Africa and operating in various sectors and now finances about 50 more SMEs every year.

Over the years, I&P has developed four complementary business lines to meet the needs of African SMEs: three lines (Acceleration, Development, Expansion) dedicated to SME financing and segmented according to the maturity of the company and the size of the financing sought, and an Ecosystems line to foster both the emergence of entrepreneurs and investors in Africa and the development of an environment conducive to their growth and prosperity.

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