VillageCapital

UNLOCKING PIPELINE:

A Playbook for Entrepreneur Support in Africa

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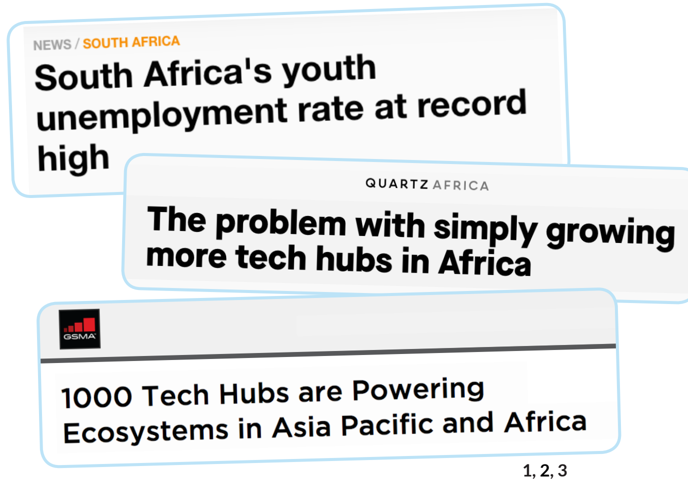
INTRODUCTION

When Barack Obama visited Nairobi's iHub in 2015, the incubator was one of about 200 organizations in Africa dedicated to helping entrepreneurs grow and scale their businesses.

In the four years since, that number has doubled.



[1, 2, 3]

Entrepreneur support has become an industry in Africa. But deal flow remains stubbornly low, especially for early stage companies. At Village Capital we believe that empowering and strengthening these entrepreneur support organisations (ESOs), like accelerators and incubators, is the key to unlocking pipeline and driving investment across the continent.

In the coming pages my colleagues Brenda Wangari and Rachel Crawford will share an overview of the ESO industry in Africa, and a playbook of best practices for supporting African entrepreneurs, based on more than 300 interviews and surveys with stakeholders in our network.

Building entrepreneur support systems anywhere is hard. Doing this work in nascent ecosystems with extreme challenges around infrastructure, policy and currency is the work of fearless pioneers. We're looking forward to working with these pioneers as the sector continues to grow.

Allie Burns
CEO, Village Capital

ABOUT THIS REPORT

VilCap Communities was a Village Capital program, funded by the UK Department for International Development's Impact Programme, to convene leading African ESOs and share best practices.

Over the course of twelve months in 2018, we worked on the ground with 15 entrepreneur support organizations (ESOs), interviewed more than 80 ESOs, and engaged more than 1,000 stakeholders, from entrepreneurs to investors to government leaders.

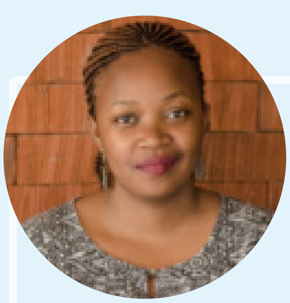
We learned that the entrepreneur support sector in Africa has an opportunity for better communication and collaboration. ESOs are growing businesses — much like the startups they serve. We need to focus on resourcing and strengthening existing hubs, rather than creating new ones.

The first section of this report, **Takeaways,** will share a playbook of best practices that emerged from VilCap Communities Africa - takeaways for ESOs, but also for the grantmakers that support them and for startup investors.

Our post-program survey showed that 94% of ESOs found exposure to other ESOs "very" or "extremely" valuable

The second section, **Ecosystem Overviews**, consists of high-level snapshots of the entrepreneur support landscape in Africa right now, and several in-depth case studies of ESOs.

Much of what we highlight has been mentioned in other reports published by our friends and colleagues in the Africa ecosystem. On Page 20 is a short (though certainly not exhaustive) list of publications for those looking to dive deeper.



Brenda Wangari
Program Associate for Africa,
Village Capital

WHAT DO PEOPLE MEAN BY ~~TECH HUBS~~ ESOs?

"Just how many tech hubs are there?" That question turns out to be harder to answer than it initially appears.

Tech hub is a catch-all term for organizations that support entrepreneurs and connect them with the social, financial and human capital they need to scale. The most recent landscape analysis of this industry, by the GSM Association in March 2018, counted 442 active tech hubs[4] — including more than 50 in Nigeria alone.

In this report we'll use the term **"entrepreneur support organization"**, or ESO, which we believe is more all-encompassing.

Below we provide a broad typology of ESOs, and on the following page we'll provide an example of one ESO that has evolved into a hybrid of several kinds.

Co-working space — An affordable, shared office space where entrepreneurs can work independently or collaboratively. Spaces may facilitate events or community gatherings.

CRANIUM ONE
NAIROBI // GARAGE

MakerSpace/Fab Lab — A physical space where entrepreneurs with shared interests, especially in computing or technology, can gather and share ideas and equipment.

Gearbox
FABLAB

Incubator — A co-working space for early-stage companies that also offers classes and business services. Particularly effective at helping launch ideation-stage companies.

nailab
mest

Accelerator — A program that provides high-growth companies with access to mentorship, investors and other support that help them become stable, profitable businesses. Many accelerators also manage affiliate funds, which provide equity in exchange for support.

500startups
Startupbootcamp
XL AFRICA
SCALING UP DIGITAL INNOVATION

Business Advisory Firm — A firm that provides specialised consulting services to growing businesses on their strategic or tactical challenges for a fee.

INKOMOKO

HYBRID ESO CASE STUDY: Co-Creation Hub

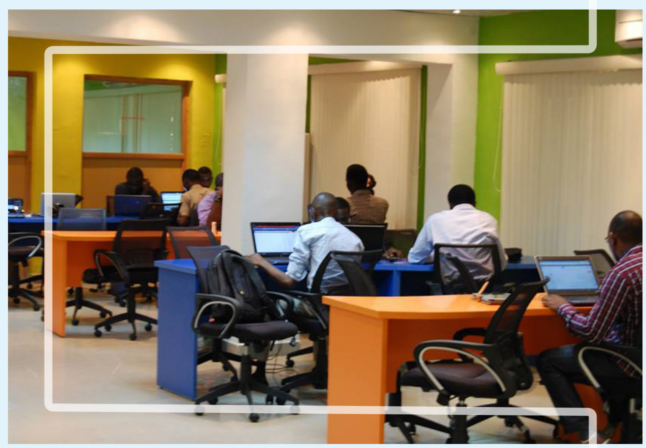
Nigeria's Co-Creation Hub is seen as one of the pioneer ESOs in Africa. The Hub originally launched in 2011, as a co-working space operating out of a 30,000-square foot warehouse in downtown Lagos. Read the story, as told by **Director of Incubation Damilola Teidi**, of how it's evolved into a hybrid "Innovation Centre"**.**

2012-13 : **Pre-incubation program —** "We learned that entrepreneurs working in our space needed more structured support than just a co-working space. We created a program to help them think through the initial stages of an idea."

2013 : **Full incubator —** "We saw that once entrepreneurs had a clearer idea of their business, they needed more dedicated support - introductions to customers, access to new networks. Our incubation program could offer that."

2012 : **Accelerator —** "We started running three-to-six month accelerator programs, each time with a strategic partner. The first was Growth Academy in partnership with NOKIA."

2016 : **Seed Fund (Growth Capital by CcHUB) —** "We saw that entrepreneurs coming out of our programs (and in the ecosystem generally) needed a bridge round — investments of $50,000-300,000. However, most investors are looking for larger ticket sizes... When we make an investment, we get a seat on the startup's board, and help with strategy and network-building."



2018 : **NG Hub with Facebook —** "The hub is a creative space that houses a variety of programs. One is the Fbstart deep tech accelerator programm which is focused on entrepreneurs working with advanced technologies like IoT, AI, and mixed reality."

2019 : **CC Hub Design Lab —** "A research and development lab where we use technology to improve products and processes. We partner with government, entrepreneurs, and private organisations working in public health, education and governance to co-create solutions using human-centred design approaches."

TAKEAWAYS

There is very little information on what is and is not working in entrepreneur support in Africa.

The takeaways in the coming pages are informed by interviews with more than 80 stakeholders in Africa, a survey of more than 250 ESOs that applied to VilCap Communities Africa, notes from workshops and convenings, and Village Capital's experience running more than 30 accelerator workshops in Africa since 2009.

Several of the takeaways are also informed by research from our frequent partner the Global Accelerator Learning Initiative (GALI), which has spent nearly a decade analyzing what works and what doesn't in startup acceleration.

Takeaways for Entrepreneur Support Organizations

Co-working space, incubators, accelerators, etc.

Building cohorts of entrepreneurs.

There are endless choices and considerations that go into selecting cohorts of qualified and complementary entrepreneurs. We'll share how to think about a few of them.

1. Consider running programs with a narrow focus.

ESOs that run sector-specific programs reported that they were able to attract higher-quality mentors and raise more funding later on.[5] When putting out a call for applications, specificity is key - call for "hardware startups" or "agriculture technology startups" rather than a broad category like "tech startups".

ESO Insight

"Our program is tailored for entrepreneurs working around healthcare. That includes the curriculum as well as mentors — for instance, we had a speaker who had coordinated the response to the Ebola crisis in Nigeria. We also see a lot of collaboration between founders who come from tech and founders who have experience in health care."

- Adaora Odukwe, Private Sector Health Alliance of Nigeria

2. Don't treat a livelihood-sustaining business like a high-growth startup.

It's tempting to group micro, small and medium-sized enterprises (MSMEs) together under the category of "entrepreneur" or "small business". But these businesses can have incredibly diverse business models. Remember to center your program design on the question "How can I drive the appropriate type of capital (social, human, and financial) to each company I work with?"

RESOURCE

The Collaborative for Frontier Finance has created a segmentation framework that contributes to the vocabulary of entrepreneurship — high-growth ventures, niche ventures, dynamic enterprises and livelihood-sustaining enterprises. Learn more here.

3. Peer collaboration matters.

According to a 2018 GALI study, accelerators that place a heavy importance on peer collaboration between startups tend to outperform.[6] Avoid bringing direct competitors into the same cohort; otherwise, try to bake in as many opportunities for interaction and collaboration as possible.

Entrepreneur Insight

"Nigeria is very big but also very little. It was very interesting during Village Capital's accelerator program to see so many other people from across Africa running businesses, and to learn their motivations."

- Odunayo Eweniyi, Co-Founder, PiggyVest

Designing a strong curriculum.

Whether you're running a full accelerator program or a co-working space with frequent programming, you'll want to provide a strong value-add. According to our survey, 86% of African ESOs expressed interest in vetted ideas for curriculum — as well as the ability to localize that curriculum to suit their sector, geography and culture.

1. Be smart about selecting program partners who will roll up their sleeves.

A GALI study found that partners who are perceived as "adding brand value" because of their famous names do not play a major role in delivering positive program outcomes. On the other hand, partners who contribute to the curriculum and play a meaningful role in programming tend to yield better outcomes — even if they are not as well-known. If your accelerator is going to partner with a corporation or a large institution, it is a good idea to educate these partners on how to add tangible value to the entrepreneurs.

2. Spend time on 1-1 interaction, not lectures.

Avoid building your entire program around guest speakers or formal classroom-style sessions. GALI data show that one-on-one mentoring is more effective than lectures, and our highest-rated curriculum modules — stakeholder advisory sessions, mock board meetings, investor forums, and milestone planning — all involve identifying and matching startups with external stakeholders, customers, strategic partners, investors or advisors. If a mentor is well matched, they tend to enjoy the session and come back when invited again.

WHY WE DITCHED THE DEMO DAY

Many accelerators end their programs with an on-stage pitch competition, where investors in the audience will pick a winner. When we surveyed our companies and asked them where they met investors, it was rarely at an actual pitch event. The format privileges the ones who pitch well, rather than the ones who have the highest potential. At Village Capital we have replaced demo days with 1-1 investor meetings. Learn more here.

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3. Build in time for reflection and repeat mentor interactions.

Investors at the early stage are often taking a bet on the founder and their ability to execute. It can be very valuable to facilitate repeat interactions between entrepreneurs and the mentors or investors they meet at a program, so that the entrepreneurs can demonstrate how they respond to feedback and report on their progress over time. Traditionally, Village Capital programs have a one-month gap between each four-day workshop.

Building a sustainable business model.

Supporting entrepreneurs is capital-intensive. When we surveyed African ESOs about where they required additional support, the number one response was "raising operating capital". Here are some ways that ESOs have addressed this.

1. Diversify your revenue streams.

Several of the most successful ESOs in Africa have sought funding beyond philanthropic capital and subsidies — for instance through consulting and research fees, co-working space rental fees, sponsored data and impact research, or in some cases commission on capital raised for their startups.

ESO Insight

Patricia Jumi of Growth Africa, which has raised revenue from consulting fees as well as grants, spoke to her experience with early-stage companies with limited cash flows. "It is absolutely essential that any fees - whether revenue share or success fees - are aligned with the cash event itself and that they are small enough not to deplete this single cash event for the entrepreneur."

2. A fund is not a business model - at least not in the short term.

Several ESOs we have spoken with are looking to set up their own micro-VC funds. This can be an effective strategy for supporting entrepreneurs, and may deliver returns in the long run. But the most common types of funds have minimal management fees (2-4% of fund value) and are unlikely to deliver payouts in the first eight years.

RESOURCE

A recent report from the Dutch Good Growth Fund, Scaling Access to Finance for Early-Stage Enterprises in Emerging Markets, breaks down the dynamics of the scalability and viability of early-stage finance provision. **Learn more here.**

3. Develop (and track) relevant impact metrics.

Many ESOs we spoke with shared that they struggle to measure and evaluate data on their program's impact. The good news: this is not a problem exclusively felt by your organisation. The bad news: if ESOs as a sector do not get better at measuring impact, donors will stop funding the sector.

RESOURCE

GALI has written a valuable brief, "Measuring the Value for Money of Acceleration", that helps ESOs decide which outcomes to measure for — including venture growth, job growth, positive social and environmental impact, and others. **Learn more here.**

Grantmaker Insight

"For the majority of interventions Argidius supports, business growth is one of the key outcomes or goals. Proxies for growth, like revenue, full-time employee numbers and investment raised, are a vital basis for understanding whether the intervention is having the desired impact."

- The Argidius Foundation

4. Build templates for systems and repeat processes.

The Communities we work with joke, "VilCap, you've got a template for everything" — and it's true, we do. Accelerator programs can be expensive, but you can reduce costs by improving efficiency in your research, recruitment, selection and program management.

RESOURCE

Our team has built a program management platform, the VilCap Communities Toolkit, that harnesses learnings from more than sixty programs. The toolkit includes templates, guides, and program management tools, including a template that guides ESOs through the process of performing due diligence on applicants to an accelerators. Reach out to Emily Edwards at *info@vilcap.com* to learn more.

Developing your team.

In a survey for Village Capital's **2018 Talent Playbook**, we found that startup founders reported "human capital" as their number-one challenge. Many African ESOs are essentially startups themselves, and similarly struggle to find, develop and maintain talented teams.

1. Petition partners for unrestricted funding to support team capacity.

Grantmakers often provide constraints and restrictions on how funding can be dispersed. Restricted funding often leads to scope creep, distracting ESOs from their core work, which should be to support entrepreneurs.

2. Hire for the stage you want to reach, not the stage you are at.

Early-stage CEOs tend to treat hiring as an administrative function rather than a strategic one. Hiring for the future involves thinking strategically about where your company is going, identifying areas where you need help, and making a plan for how you will fill those critical skill sets, even if it is down the road.

3. Entrepreneurial experience should be non-negotiable.

Endeavour found in a recent report that ESO programming managed by people with no entrepreneurial experience can actually have a negative impact on entrepreneurs. Meanwhile, "Knowledge, mentorship, or investment coming from an entrepreneur who has led a company to scale was associated with approximately two times greater prevalence of top performance."[7]

Thinking regional.

Not every ESO serves high-growth tech startups. But for those that do, think about how you can offer regional support.

Venture capital investors care about scale above all else: does a startup have the potential to serve not just thousands, but millions of customers? Countries like Côte d'Ivoire and Malawi are relatively small markets, and startups will often find they need to find customers in multiple countries in order to scale. We'll highlight some ESOs working to encourage cross-country collaboration.

1. Consider coordinating on regional programming.

We have found that ESOs that run regional programs, or facilitate cross-ecosystem connections, have been more successful in raising operating and investment capital.

ESO Insight

"SAVP exists to help ESOs and startups from across Southern Africa draw on each others' experience and insight. We share insights on how to implement incubation programs, provide seed investment, conduct research on growing sectors, and advocate for startup-friendly policies that will make Southern Africa a bedrock for African innovation."

— Simunza Muyangana, Co-Founder of Southern Africa Venture Partnership

2. Consider collective advocacy.

Organizations like i4Policy are leading the charge on lobbying governments for start-up-friendly policy — both on a country-by-country basis and by creating collaborative links across ecosystems. Contributing to this kind of collective advocacy can feel off-mission, but will yield returns in the long run.

ESO Insight

"We aren't traditional civil society actors banging on doors telling governments what we want; we approach policymakers from a position of partnership. We're using the win-win tactics of good business. Governments want more people employed, and we entrepreneurs want to employ more people. So we're building an alliance of innovative community leaders who want to support their governments to solve these problems."

— Jon Stever, i4Policy

Takeaways for Grantmakers

Development organizations, NGOs, foundations, etc.

1. Focus on resourcing existing ESOs, rather than creating new ones.

ESOs play a critical role in the entrepreneurship ecosystem. However, the quality and services offered by organizations in this rapidly growing sector is extremely varied. Our suggestion: focus on the ESOs that are demonstrating results, and provide them with the resources and operating capital they need to develop their strategy, build out their programming and strengthen their teams.

2. Consider ESOs as service providers for entrepreneurship programs.

ESO leaders are alsoc ommunity leaders. ESOs can help public administrators implement entrepreneurship policies, including capacity-building and access to finance and markets. Leveraging existing resources can eliminate the need to set up new, costly public agencies or initiatives that often turn out to be ineffective at meeting the needs of entrepreneurs. It can also help avoid dependence on international consultants who may lack crucial local context.

3. Consider multi-year funding models

ESOs are growing businesses that need time to achieve sustainable business models, just like the startups they serve. Progressive donors are moving toward multi-year, milestone-based funding models that are heavy on strategic technical assistance.

GRANTMAKER SPOTLIGHT

In 2018 the Kenyan government and the World Bank launched the Kenyan Industry and Entrepreneurship Project, a $50 million commitment that includes support for ESOs. The project will fund "performance plans" for select incubators and accelerators with an emphasis on funding their identified priorities. These ESOs (much like startups) will be funded over multiple years, with funds dispersed regularly based on performance.[8]

GRANTMAKER SPOTLIGHT

The Imago Dei Fund offers unrestricted funding to its grantees, as well as "additional support fund" grants. For example, it provides "Keep the Spark Alive" grants to help its grantees "nurture the inner journeys of their staff, and therefore enhance the organization as a whole." In the words of managing partner Lisa Jackson, "We think this is one of the most powerful ways to support an organization to meet its mission."[9]

4. Support efforts to convene ESOs across ecosystems.

The good news: African ESO leaders no longer need to look to San Francisco, London or Tel Aviv for examples of thriving ecosystems; they can now look to Lagos, Nairobi and Cape Town. The bad news: there are relatively few opportunities for true cross-ecosystem collaboration and sharing.

Our survey showed that 94% of ESOs in our program found exposure to other ESOs very or extremely valuable — and the group cited peer learning as a top value-add. More in-person convenings are critical for the industry at this stage.

ESO Insight

"Our exposure to other African ecosystems has helped us to restructure our approach, and inspired us on how we should build the ecosystem in Kinshasa. Our counterparts shared leads for partners, and tips on what has worked for them."

— Francois Ngenyi, Ingenious City

5. Support regional programming.

Many African economies are individually too small for entrepreneurs to reach a scale that is attractive to investors. We have seen that ESOs with regional programs — for instance Suguba, Southern Africa Venture Partnership and Jokkolabs — have been more successful in raising operating and investment capital.

Takeaways for Investors

1. Look beyond equity and the "two and twenty" model.

The most common option for funding high-growth, early-stage ventures across the world is equity. Many startups in Africa would in fact be better served by alternative options such as debt, asset financing or revenue sharing — and when startups succeed, so do investors.

INVESTOR SPOTLIGHT

GreenTec Capital Partners.

"To access patient capital, all early-stage/pre-growth-stage startups/SMEs in Africa should have demonstrated their market USP and identified their pathway to scale.The capacity to spot and achieve scale requires access to expertise, network and operational support (implementation of C-level operatives in your team). Our Results for Equity (R4E) model is a transaction model, which converts a small portion of equity following a successful customized implementation of your scaling gene."

— Erick Yong, CEO

2. Take a long-term approach that includes post-investment technical assistance.

Few startups will check every box that an investor is looking for. It's important to offer more than just catalytic capital. Make sure to factor in the need for continued "venture building" support.

INVESTOR SPOTLIGHT

Mercy Corps Ventures. *"Support is core to Mercy Corps Ventures' model. When you're investing in early-stage companies in frontier markets, the post-investment support you provide is as crucial as, and often even more catalytic than, the capital. We act as a consultant, advisor and active board member to help ventures develop their business models, hone their product or service, and de-risk their impact so they can overcome barriers to growth and position themselves to raise follow-on funding. Each enterprise is unique, and it's important to tailor your approach to fit."*

— Amanda West, Principal, Impact & Insights

Accion Venture Lab. *"We've developed an approach to post-investment support that leverages our experience and allows us to engage with our portfolio in an agile and responsive manner. We have in-house dedicated resources focused on providing direct on-the-ground support to our entrepreneurs across five key areas — Business Model and Growth Strategy; Customer Strategy; Product and Pricing; Operations and Process Management; and Human Capital... This hands-on support also enables us to learn about what drives success within our companies, and helps us make better investment decisions."*

- Tahira Dosani, Managing Director

Lagos Angel Network. *"On the African continent, where deal volumes are on the rise but quality remains low, it's important to understand that providing cash is just the beginning - and that mentorship and support is equally fundamental to getting a return on your investment. That's why one of the most critical aspects to making successful angel / founder relationships work is teachability."*

- Tomi Davies, Co-Founder

FURTHER RESOURCES

African Business Angels Network *— Angel Investing In Africa.* READ HERE

ANDE - *Ecosystem Snapshots* READ HERE

GSMA *- Africa: A look at the 442 active tech hubs of the continent* READ HERE

The World Bank - *Tech Hubs In Africa* READ HERE

African Development Bank *- African Economic Outlook 2018* READ HERE

African Development Bank *- African Economic Outlook 2019* READ HERE

Global Accelerator Learning Initiative - *Acceleration in Sub-Saharan Africa* READ HERE

Partech Partners *- Africa Tech Startups raise 1.163B in 2018 Partech Report* READ HERE

Endeavor Insight *- Fostering Productive Entrepreneurship Communities* READ HERE

Kauffman Foundation *- Enabling Entrepreneurial Ecosystems* READ HERE

Omidyar Network *- The Missing Middles: Full Report - Segmenting Enterprises to Better Understand Their Financial Needs* READ HERE

Dutch Good Growth Fund *- Scaling access to finance for early-stage Enterprises in Emerging Markets: Lessons from the Field* READ HERE

Briter Bridges *- Ecosystem Maps* READ HERE

Argidius Foundation *- Networking Works: peer-to peer business networks help Small and Growing Businesses* READ HERE

Afric'Innov *- Challenges and Opportunities of Incubators in West Africa* READ HERE

ECOSYSTEM OVERVIEWS

AND ESO CASE STUDIES

WEST AFRICA

RECENT DEVELOPMENTS

- Nigeria attracted **$306 million in venture funding** in 2018 (167% year-on-year growth) across 26 deals. Twelve startups raised rounds of $5 million or more.[10]

- **The World Bank recently launched L'Afrique Excelle**, a Francophone version of the their XL Africa accelerator. The initial XL Africa program had only one Francophone company accepted out of 900 total applicants.[11]

- **Google launched an artificial intelligence research center** in Accra, Ghana in 2018. The center will bring together machine-learning researchers and engineers to study the applications of AI in areas like healthcare, agriculture and education.[12]

- The entrepreneurship advocacy group **i4Policy held a series of well-attended "Policy Hackathons"** in 2018 and early 2019 in Nigeria, Senegal, Côte d'Ivoire, Mali, Burkina Faso, Niger, Benin and Togo. These events have helped institutionaliz a policy dialogue between government stakeholders and ESO leaders. They are now aiming to organize an event with the WAEMU commission.

VilCap Communities Africa Cohort Organizations:

Suguba (Mali, Côte d'Ivoire, Senegal)
Ventures Platform (Nigeria)
Private Sector Health Alliance of Nigeria (Nigeria)
EtriLabs (Benin)
Growth Mosaic (Ghana)
Andela (Nigeria)
Energy Generation (Togo)
Jokkolabs (Senegal)

**from Global System for Mobile Communications (GSMA) report.*

RECENT DEALS

OneFi - parent company of mobile lending platform Paylater	$5M in debt financing	from **Lendable** *(March 2019)*[13]
Wakanow - online travel agency focused on West and East Africa	$40M private equity funding	from **The Carlyle Group** *(December 2018)*[14]
mPharma - data analytics service for patients, health ministries and pharmaceutical companies	$9.7M Series B round	from **4DX, Golden Palm Investments Holding Co. and others** *(January 2019)*[15]
PEG Africa, a provider of pay-as-you-go home solar systems to energy-poor households	$25M Series B round	from **CDC Group, Energy Access Ventures, and others** *(March 2019)*[16]
Janngo, a social tech incubator that offers digital tools for small businesses	$1.2M seed round	**from Clipperton, Soeximex and others** *(May 2018)*[17]

ESO CASE STUDY:
Suguba - Building a "Regionally Connected" West Africa

When the World Bank opened applications for its first-ever African accelerator program in 2016, more than 900 startups applied for the chance to meet investors and get their chance on a world stage. But in the final count, only one of the 20 entrepreneurs accepted into the program came from Francophone Africa.

Fayelle Ouane and Issam Chleuh, co-founders of Suguba, are on a mission to change that narrative. Ever since they launched Suguba (which means "big marketplace" in Mande) in 2017 with a grant from the Dutch Good Growth Fund and a single location, they have expanded swiftly into a regional hub for startups in West Africa, connecting Francophone entrepreneurs with each other and with the rest of the continent.

The organization has incubated and trained more than 2,000 entrepreneurs to date, and in March 2019 it announced that it will partner with the World Bank on a Francophone-centric version of that XL Africa accelerator, called L'Afrique Excelle.

Smart partnerships. Ouane attributes part of Suguba's success to its ability to be flexible and responsive to grantmakers. Suguba's accelerators do not have a sector focus, but they are largely focused on youth and female entrepreneurs, a priority for grantmakers on the continent.

Blended financing. To date Suguba has raised more than $1 million in grants. But it has recently begun to generate extra income from rent at its co-working spaces. It still fundraises year-round, with support from on-the-ground partners at its hubs in Bamako and Dakar.

Building cohorts. Ouane's advice for other African accelerator leaders is to focus on quality of applicants, not quantity. She gave the example of a program Suguba ran for female entrepreneurs in Mali. "We had 60 applicants, but only eight were actually entrepreneurs. Yes, you can find numbers, but you'd be wasting your time supporting them because they don't have the right mindset."

Breaking down regional barriers. Ouane believes that Suguba has an important role to play in changing government policy across the region. Countries like Côte d'Ivoire and Mali are relatively small markets, and startups in those countries will often find they need to export their product or service in order to scale. But "non-tariff barriers" like bribes at the border and fake customs requests get in the way. Ouane provides the example of a Malian entrepreneur trying to export bottled juice: "She was amazed to find that it's easier to export to France than to Senegal."

Suguba is now working with i4Policy to organize a "Made in West Africa" conference, which will bring together customs officers and ministers of trade from various countries to discuss trade-enabling measures. "Trade needs to be mutual and reciprocal," Ouane says.

Trade needs to be mutual and reciprocal

The challenge of measuring impact. "We're good at executing programs, but monitoring and evaluation has been hard," Fayelle says. "This makes further fundraising difficult, since we can't prove our results." Moving forward, Suguba is partnering with the African Development Bank and GALI to gather data that they can then analyze.

EAST AFRICA

RECENT DEVELOPMENTS

- East Africa is the fastest-growing regional economy on the continent, with **5.7% growth in real GDP in 2018.**

- Kenyan startups attracted **$348 million in funding in 2018,** a 36% increase over the previous year. That funding was spread across 44 deals, with 11 startups raising rounds greater than $5 million.

- **Fintech is a strength in the region,** thanks in part to the fact that M-Pesa originated in Kenya. The industry has recently been bolstered by the entrance of nontraditional players, inlcuding digital wallets Google Pay and Apple Pay, and e-retailers like Amazon.[18]

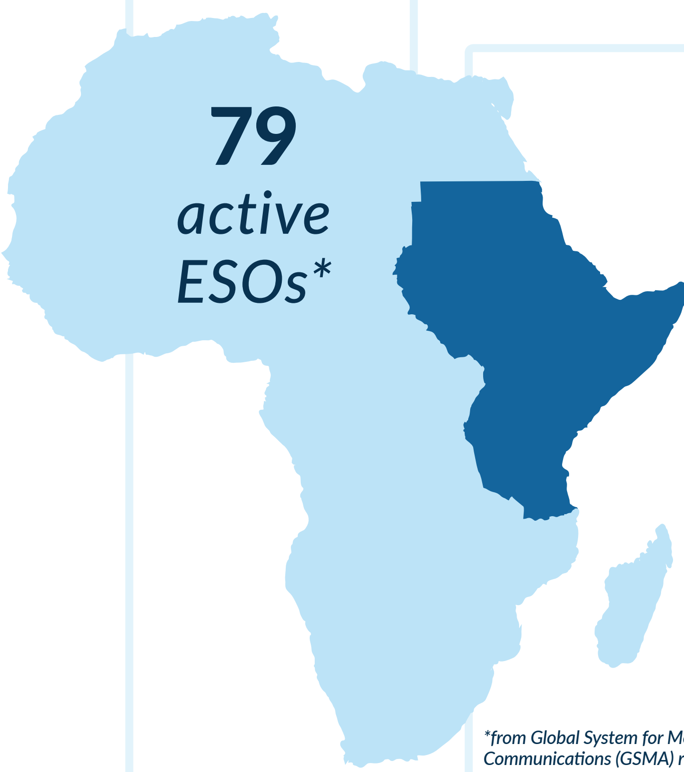
- **Ethiopia is seen as a leader in artificial intelligence:** the robot Sofia was partly developed by an Ethiopian team, and a global AI conference, the International Conference on Learning Representations, is moving to Addis Ababa in 2020.[19]

VilCap Communities Africa Cohort Organizations:

blueMoon (Ethiopia)
The Innovation Village (Uganda)
Anza (Tanzania)
Entreprenarium Foundation (Rwanda)

Other notable ESOs:

iHub (Kenya)
iceAddis (Ethiopia)
Outbox (Uganda)
iRise Hub (Somalia)
Impact Hub Kigali (Rwanda)



from Global System for Mobile Communications (GSMA) report.

RECENT DEALS

ConnectMed - a telehealth company enabling patient consultations via video link

Acquired

by **Merck** *(April 2019)*[20]

Cellulant - digital platform for consumer, internet and marketplace payments

$47.5M *Series C round*

from **Endeavor Catalyst, Progression Capital Africa, TPG Capital and others** *(May 2018)*[21]

M-Birr - Ethiopia's first mobile money service

$9.8M *Seed round*

from **EIB and DEG** *(January 2018)*[22]

Zola Electric
an off-grid electric company

$55M *Series D round*

from **GE Ventures, Helio Investment Partners and others** *(January 2018)*[23]

Tugende
offering lease-to-own funding for motorcyclists

$5M *debt financing*

from **PG Impact Investments** *(February 2019)*[24]

CASE STUDY:
The Innovation Village (Uganda)

In 2015 Uganda was rated as the most entrepreneurial country in the world, with one in four Ugandans able to make the claim that they owned a business.[25] But that only tells part of the story: many of these businesses, founded out of necessity in a country where jobs are scarce, struggle to scale beyond the village or neighborhood level, and many do not survive beyond their first year.

That is starting to change. In 2016 Ugandan startups raised $270,000 in venture capital. The following year, that number reached nearly $16 million. The Innovation Village, an incubator and accelerator based in Kampala, is gaining ground as a launchpad for entrepreneurs with a vision to scale. Its Challenge Driven Accelerator, discussed below, takes a specific problem-solving approach to innovation.

Problem-focused approach.
Innovation Village is proud of its "ecosystem approach", which brings together multiple partners across the public and private sectors, academia, research and civil society. Their Challenge Driven Accelerator is an open innovation challenge to solve pressing problems for government and development agency partners. Recently the accelerator partnered with the UN Capital Development Fund, Mercy Corps and others on Hack4Refugees, to seek out solutions that will help refugees "boost their connectedness to the wider socio-economic system."[26]

Launching a fund for the Missing Middle.
Innovation Village has launched a venture fund, 97Fund, to invest directly in startups. The fund will support high-growth, mission-driven entrepreneurs and will seek competitive long-term financial returns for investors.[27] CK Japheth, lead at Innovation Village, says that this fund will directly address the problem of the "Missing Middle": "80% of entrepreneurs that come to us are at the ideation stage — but almost all of the capital available is at the launch or growth stages. Virtually no one is providing that early capital."

The role of government.
Japheth says that the Ugandan government can and should play more of a role to catalyze the pipeline of private sector investment. "Government is in a position where it can help market-building for the ecosystem," he says. "We have entrepreneurs who can provide services for government. If government is an early customer, it can incentivize multinational companies to pay attention to these startups."

CENTRAL AFRICA

RECENT DEVELOPMENTS

Startups in the region have struggled to access venture funding. Angola led the region with a total of **$8 million in funding** going to tech startups in 2018.

We Cash Up from Cameroon, which uses artificial intelligence and blockchain technology in their B2B payment gateway solution, was **one of 1000 companies from Africa or Asia** selected to receive the "eFounder Fellowship", a prize supported by Jack Ma of Alibaba.[28]

Internet access is a challenge in the region. A World Bank-financed ICT operation in the Democratic Republic of Congo (DRC) aims to help break the digital isolation of the country, especially in rural areas, by linking it to Cameroon and the Central African Republic. The project is expected to **reduce international bandwidth costs by more than 60%;** it will improve internal and external communication and boost regional integration.[29]

Development agencies lead in entrepreneur support efforts in the region. For instance, the World Bank supports a **$100 million project for SME development** in DRC with a focus on agriculture, trade and manufacturing industries.[30]

VilCap Communities Africa Cohort Organizations:

Ingenious City (Democratic Republic of Congo)
Entreprenarium Foundation (Gabon)

Other notable ESOs:

Kivu Hub (Democratic Republic of Congo)
Acelera Angola (Angola)
Wenak Labs (Chad)
Kinshasa Digital (Democratic Republic of Congo)
Kianda Hub (Angola)
ActivSpaces (Cameroon)

*from Global System for Mobile Communications (GSMA) report.

RECENT DEALS

Kiroo Games - an independent game studio

$240K Seed round

from **Undisclosed Investors** *(May 2015)*[31]

Tupuca - an all-in-one delivery platform that allows users to

$200K

from **Pramod Asija, Rohit Dawani and other angel investors** *(April 2018)*[32]

Gifted Mom - a platform tackling infant & maternal mortality through information sent via SMS or a smartphone app

$200K

from **pitch competitions** *(over 18 months)*[33]

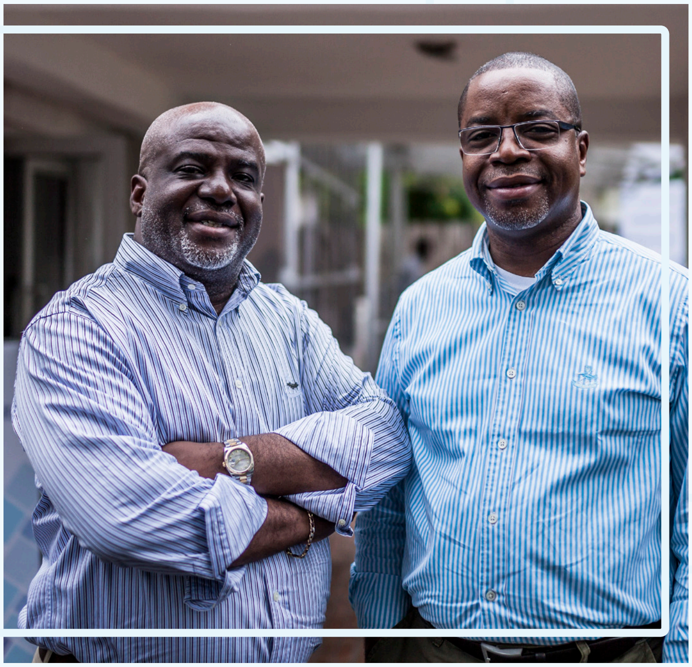
Enko Capital — an asset management company focused on investing in opportunities across Africa through fixed-income agreements, private equity deals and listed equity agreements — acquired its first stake in a publicly listed company in **East Africa, Software Technologies**, a Kenya-based developer of innovative software solutions and products on cloud platforms that allow customers to drive new revenue sources, find savings, improve compliance and mitigate risks.[34]

CASE STUDY:
Ingenious City (DRC)

"Being an entrepreneur in Kinshasa is a bit like being thrown in the middle of a boxing ring and you have to fight against someone who is stronger than you," according to one entrepreneur in the DRC.[35]

The DRC has been compared to a phoenix: after years of instability, a small but vibrant startup scene is emerging in the sprawling capital Kinshasa, backed in part by funding from the DRC diaspora. At the forefront of this renaissance is Ingenious City, a Kinshasa-based collaboration launched in May 2018 by Sycomore Ventures and UK Aid-backed economic development programme ELAN RDC.

Ingenious City, which is based out of a 1,500-square-foot warehouse, aims to address a number of deficiencies in the DRC entrepreneurial ecosystem, including the lack of a stable space with reliable infrastructure for entrepreneurs to work from; the shortcomings in available mentorship and incubation programs; and a gap in access to capital. It launched its first accelerator program in January 2019.



Access to capital is a challenge.
Banks in the DRC view startups as a risky bet, but this is starting to change. The country's national trade union, Federation des Entreprises du Congo, recently launched a special unit, the National Commission for Young Entrepreneurs, to serve in an advisory role to banks to tell them which startups are most promising, provide legal advice and encourage alternative forms of finance like revenue sharing. It hopes to reach 55,000 members by 2020.[36]

Working in a developing ecosystem.
The DRC's entrepreneurial ecosystem is just getting off the ground. A Village Capital survey found that more than a quarter of the ESOs that applied lived in cities that had 10 or more co-working spaces (several had more than 20).The DRC, on the other hand, has only a handful in the entire country. "Our ecosystem is in the early stage — people are trying to build something that did not exist before," says Francois Ngenyi, managing director of Sycomore Ventures. "We're expecting that after two or three years, the ecosystem will be more developed."

A multi-step acceptance process.
Ingenious City has developed an application process that forces entrepreneurs to develop their ideas through a series of milestones. Entrepreneurs who apply to their program first present in front of a panel of experts, who perform a SWOT analysis. If they make it to the next stage, they go through a one-month pre-incubation process to develop their idea and see if it fits a market need. They then pitch in front of another panel, and if approved, join the incubation program for six months.

NORTH AFRICA

RECENT DEVELOPMENTS

The World Bank-funded "Innov'Invest", managed by the government of Morocco, recently launched a **$50 million public fund-of-funds.** It has already invested in four VC funds and provided incentives like pre-seed interest-free loans and grants through accredited ESOs.[37]

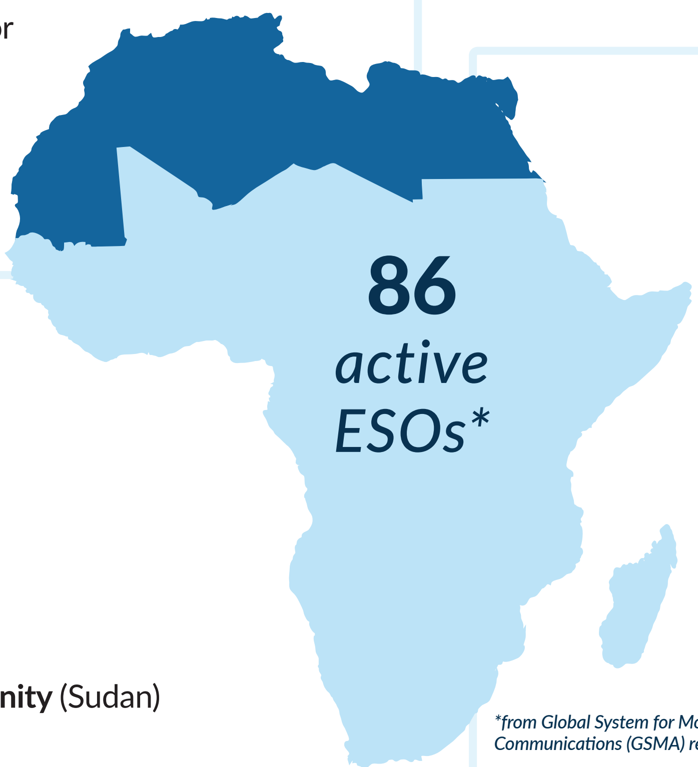
Egyptian startups raised $68 million in funding in 2018, the fifth-highest amount on the continent. The Central Bank of Egypt recently announced plans to launch an EGP1 billion ($57 million) fund dedicated to backing fintech startups.[38]

The region is developing its own identity. In the past, the region has often been considered part of the Middle East and North Africa (MENA). In December 2018, Sawari Ventures raised a $35 million fund to invest in "North African" startups.[39]

Tunisia's 2018 Startup Act has been hailed as a progressive and ambitious policy package — the legislation created **a $200 million fund for startups,** and included incentives and benefits for entrepreneurs including exemptions from corporate taxes and support around filing international patents.[40]

Angels are getting united: in March 2019, four angel networks in Egypt (Cairo Angels, Alex Angels, AUC Angels and HIMangel) signed a syndication agreement to foster collaboration and attract more professionals to consider angel investing as an asset class.[41]

In 2018, Morocco's solar energy association Cluster Solaire partnered with the IFC to launch the Morocco Climate Entrepreneurship program, to "support green ventures in Morocco". **The country is already home to the world's largest solar complex,** the Noor Concentrated Solar Power Plant, which is expected to reduce carbon emissions by an estimated 760,000 tons per year.[42]



*from Global System for Mobile Communications (GSMA) report.

VilCap Communities Africa Cohort Organizations:

Jokkolabs (Morocco)

Other notable ESOs:

Flat6Labs (Egypt, Tunisia)
New Work Labs (Morocco)
IncubMe (Algeria)
Innovation and Entrepreneurship Community (Sudan)
Cairo Hackerspace (Egypt)

RECENT DEALS

Expensya - an expense-management software developer

$4.5M Venture round

from **lead investor Isai** *(December 2018)*[43]

Vezeeta - the leading digital healthcare platform in MENA

$12M Series round

from **BECO Capital, Crescent Enterprises Ventures, Silicon Badia and others** *(September 2018)*[44]

Swvl - a Cairo-based bus network operator

$20M Series B round

from **Arzan Venture Capital, DiGAME and others** *(November 2018)*[45]

Wuzzuf - an online recruitment platform and job-matching service

$6M Series B round

from **Endure Capital, Kingsway Capital Partners and others** *(May 2019)*[46]

CASE STUDY:
Jokkolabs (Morocco)

When Jokkolabs launched in 2010, it was one of the first ESOs on the continent. Over the past decade it has grown into a network of 12 hubs, ranging from North to West Africa, and also France — including an office in Marseille and another near Paris.

As one example of their programming: Jokkolabs' TheBridgeAfrica initiative, supported by the Société Général, includes a six-month program for African diaspora living in France to return to Africa to start a business.

No more new hubs. Aboubaker Benslimane, the Morocco lead at Jokkolabs, stresses that their strategy is to improve the locations they have now, not to build new ones. "There are enough tech hubs in Africa, but many lack the processes and resources to survive. For a lot of hubs, when their grants and sponsors expire, they won't be able to keep their doors open anymore," he says. "Our strategy is not to open new hubs, but instead to resource our existing locations and build partnerships with other hubs."

Letting partners feel part of the process. Benslimane tells a recent story about fundraising for a fintech accelerator that would use a curriculum from an outside organization. "The bank that we approached for funding wanted to build their own program from scratch — they wanted total ownership and control over the process and the brand. That can be counterproductive, but it's a reality." As a solution, they decided to bring in specific elements from the outside organization.

Running sector-specific programs. "It's always easier to run a program in a specific sector because you have specific experiences that the entrepreneurs can share — there is more opportunity for cross-fertilization," Benslimane says. "If you put a fintech startup in a room with another fintech startup, they have a lot to learn from each other." He added that the sector focus also makes it easier to source entrepreneurs.

A lesson for grantmakers. "Morocco shares a lot of synergies with West Africa and the ECOWAS states," he says. But grantmakers tend to think of North Africa in a silo. "[Grantmakers] should think more about stage of maturity than a country's geographic position."

SOUTHERN AFRICA

RECENT DEVELOPMENTS

South Africa leads the region in startup funding: **startups from the country raised $250 million** in 2018 across 37 deals, a **49% increase over the previous year.**

The South African government recently launched SA SME Fund, a fund-of-funds that will invest in a collection of eight smaller funds in order to catalyze the broader ecosystem. It plans to invest in three venture funds (Knife Capital, 4Di Capital and Savant), one accelerator (The Grindstone Accelerator), three growth capital funds (PAPE Fund Managers, SummerPlace and Growth Grid) and two funds aimed at impact investing (Firebird and Spartan SME Finance).[47]

The African Development Bank recently granted a **$100 million loan** to support the Mauritius government's 10-year master plan for small business support.[48] Several recommendations have already been put in place; for instance, the government launched its National Entrepreneurship Campaign to celebrate and support the country's entrepreneurs.[49]

VilCap Communities Africa Cohort Organizations:

Southern Africa Venture Partnership
Bongohive (Zambia)
mHub (Malawi)
Tech Village (Zimbabwe)

Other notable ESOs:

Savant (South Africa)
Ideario (Mozambique)
Habaka (Madagascar)
Injini (South Africa)

from Global System for Mobile Communications (GSMA) report.

RECENT DEALS

orderTalk - an online ordering software and call center solution

acquired for UNDISCLOSED AMOUNT

by **Uber Eats** *(May 2018)*[50]

Yoco - a mobile point-of-sale payments venture that gives

$16M *Series B round*

from **Orange Digital Ventures and others** *(September 2018)*[51]

MFS Africa - a pan-African fintech company that develops value-added services for mobile wallets

$14M *Series B round*

from **Equator Capital Partners, FSD Africa, Goodwell Investments and others** *(April 2018)*[52]

Golix - a bitcoin exchange startup

$23M

from **an initial coin offering** *(June 2018)*[53]

Kazang Solar — sister company of Kazang, the largest provider of electronic vending services in Zambia

$1.6M *grant*

from **Africa Enterprise Challenge Fund** *(August 2018)*[54]

CASE STUDY:
Bongo Hive (Zambia)

On 18 March 2019, President Edgar Lungu of Zambia warned government agencies working on entrepreneurship to replace their rhetoric with immediate action. If nothing is done, he warned, agencies will be reformed or key players could be fired. The president's warning underscores the importance of entrepreneurship and the organizations like BongoHive that support it.

Lusaka-based BongoHive is Zambia's first technology and innovation hub. Established in 2011, the co-founders, all enthusiastic programmers, sought to address the gaps they experienced working within the local technology industry, which lead to a lack of coordination, skills exposure and productivity.

Since 2011, BongoHive has evolved to assist scalable startups of any background by enhancing skills, accelerating growth, strengthening networks, increasing collaboration, providing a forum for ideas exchange and reducing barriers to entrepreneurship.

BongoHive's Launch Accelerator helps startups in Zambia gain traction and scale in the country and beyond. Over the last three years the program has supported 79 startups, with alumni going on to raise more than $800,000 in funding.

Launching a fund for the Missing Middle. BongoHive hopes to start a venture fund in the near future. According to Simunza Miyungana, the organization's co-founder and director of entrepreneurship, a fund would allow the organization to provide necessary capital to growth companies to overcome the problem of the "missing middle". "There is a gap in the Zambian ecosystem. Private equity and venture capital firms want to provide financing to companies of above $500,000. However, most companies in Zambia are not ready to receive such funding. By having a fund, we could help fill that gap and serve as a bridge to get companies to the point where private equity and venture capital firms are interested in investing."

VCC AFRICA COHORTS

Cohort One (Lagos)

Energy Generation (Pan African) - An energy- and hardware-focused organisation aiming to solve African challenges with African-led technology and entrepreneurship innovations.

Global Entrepreneurship Network Freetown (Sierra Leone) - The GEN Sierra Leone is building the nascent startup entrepreneurial ecosystem in Sierra Leone through its combined incubator and accelerator program. It runs Freetown Pitch Night, the Creative Business Cup and the Future Agro Challenge.

Growth Mosaic (Ghana) - Growth Mosaic is a social-purpose business preparing small and growing businesses to access and manage investment. It reduces execution risks and improves the investability of clients. This enables clients to attract growth investment and improve deal flow for investors.

Ingenious City - Sycomore Ventures (Democratic Republic of Congo) - Sycamore Ventures is a for-profit investment company with two activities: Ingenious City, a platform for incubators, and Sycamore Venture Investments, a venture capital company that invests in early-stage startups in the DRC.

Private Sector Health Alliance of Nigeria - Nigeria Health Innovation Marketplace (Nigeria) - Nigeria Health Innovation Marketplace is a convergence platform for innovators, entrepreneurs, investors, healthcare practitioners/advocates, NGOs, development partners and all key actors in the healthcare value chain from conceptualizer to end user. The marketplace explores and shapes alternative approaches to improving healthcare in Nigeria.

Suguba (West Africa) - "Suguba" means "big marketplace" in Mande. It is a regional platform with the vision to develop robust entrepreneurial ecosystems in Francophone West Africa, especially for youth and women-led enterprises. Suguba aims to foster regional integration by connecting entrepreneurs of the region to create strong integrated value chains and gain regional market opportunities.

The Innovation Village (Uganda) - The Innovation Village is Uganda's launchpad for leading innovators and entrepreneurs. From helping entrepreneurs launch and grow high-impact ventures to attracting regional and global opportunities, their ecosystem approach converges multiple partners including public, private, academia, research and civil society as one force for good.

Ventures Platform (Nigeria) - Ventures Platform is an enterprise development organisation focused on building and supporting entrepreneurs and innovators who leverage technology to create solutions to Africa's most urgent problems. Its vision is to create inclusive and sustainable wealth in Africa. Ventures Platform does this by building the capacity of African entrepreneurs and innovators to create sustainable solutions to the most urgent problems on the African continent.

Cohort Two (Nairobi)

Andela (Nigeria) - The Andela Entrepreneurship Center is a new initiative with the immediate aim of equipping Andelans with the entrepreneurial skills and resources needed to maximize their impact and infuse Andela's values into the global technology ecosystem.

Anza (Tanzania) - Anza is an innovation organisation founded on the belief that entrepreneurs will transform Tanzania. Understanding the challenges faced by many growing enterprises, Anza provides personalised and strategic capacity building, affordable capital, and relevant networks.

blueMoon (Ethiopia) - blueMoon launched operations in January 2017 as Ethiopia's first agribusiness/agri-tech incubator and seed investor. Its mission is to discover, incubate and invest in exceptional "once in a blue moon" ideas.

Entreprenarium (Rwanda) - Entreprenarium Foundation helps entrepreneurs create and sustain businesses that will create jobs, income and wealth across Africa. Their mission is to make entrepreneurs' businesses feasible, fundable, profitable, bigger, sustainable and impactful.

EtriLabs (Benin) - Founded in 2009, Educational Technology and Research International Benin (EtriLabs) is the oldest and largest technology hub in Benin. It leverages the unique opportunity of technology to jumpstart lasting change in the communities it serves.

Jokkolabs (West Africa, Morocco) - Jokkolabs is a non-profit independent organization that serves as an open innovation ecosystem and a virtual cluster for social change based on an organic entrepreneur community and a network of innovation centers. Its vision is to inspire and develop a community of collaborative entrepreneurs to invent the future for a shared prosperity.

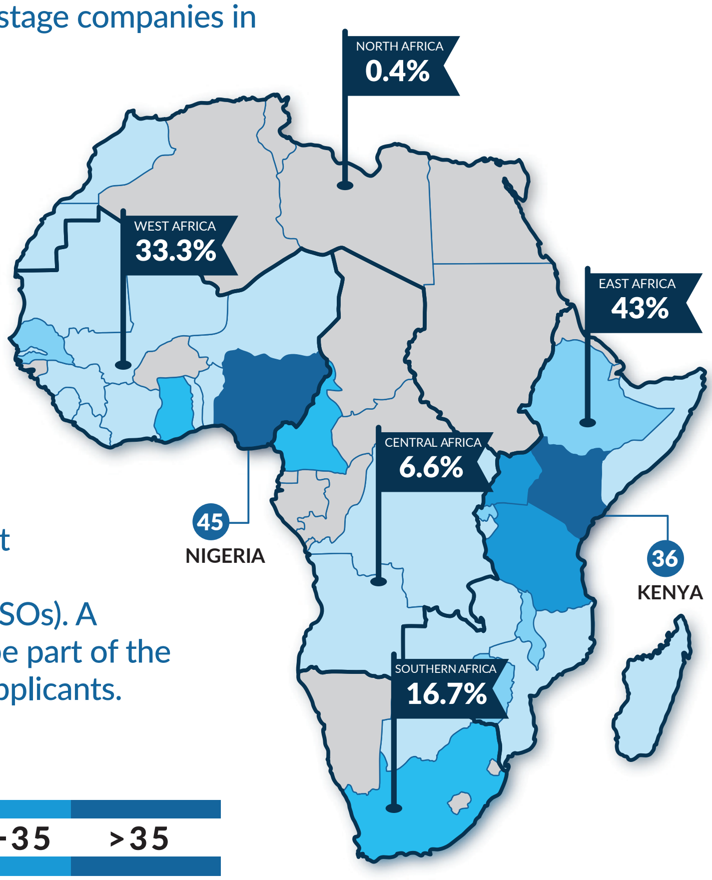
Southern Africa Venture Partnership (Zambia, Malawi, Zimbabwe) - The Southern Africa Venture Partnership is an organisation dedicated to countering the gaps in critical resources needed to sustainably nurture high growth potential startup ventures in Southern Africa. The partnership is an alliance between three entrepreneur support organisations; BongoHive from Zambia, Tech Village from Zimbabwe and mHub from Malawi.

Application Data

VilCap Communities (VCC) Africa is an innovative programme to accelerate the flow of capital to early-stage companies in sub-Saharan Africa.

In 2018, VCC Africa, led by Village Capital and supported by the UK Department for International Development's Impact Programme, directly supported 15 leading African ecosystem builders (accelerators, incubators and seed funds) using Village Capital's proprietary investment-readiness curriculum and tools

VCC Africa was Village Capital's largest program to date focused on African entrepreneur support organisations (ESOs). A total of 259 African ESO's applied to be part of the program. This is an analysis of those applicants.



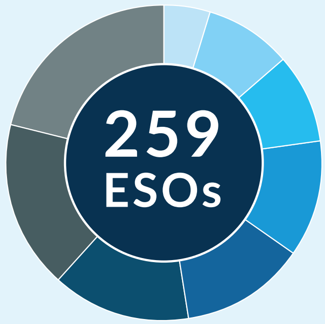
GEOGRAPHIC DISTRIBUTION

1-5	6-10	11-25	26-35	>35

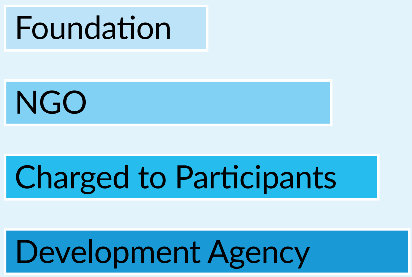
Number of organisations that applied

ESO FOCUS

- Infastructure
- Manufacturing
- Energy
- Finance
- Health
- ICT
- Education
- Agriculture



ESO FUNDING SOURCES



ESOs SUPPORT:

61% Livelihood Businesses

41% Dynamic Businesses

41% Niche Ventures

50% High-growth Ventures

**The majority of ESOs work with more than one type of business, each percentage is out of total applicants.*

About VilCap Communities

VilCap Communities Africa is a continuation of Village Capital's efforts to share best practices with ESOs around the world.

VilCap Communities launched in 2016 with support from the Kauffman Foundation, Sorenson Impact Center, and DOEN Foundation and 26 pioneer Communities in the US and emerging markets. It has since expanded to support ESOs in 40 countries that have in turn supported and invested in hundreds of early-stage entrepreneurs.

Village Capital offers the VilCap Communities Platform, which includes program management support tools as well as Village Capital's investment-readiness curriculum and methodologies. Communities who use the platform are able to manage and implement their programs directly on this platform, making modifications or adding their own unique features and curriculum directly to their workspaces.

Interested in learning more about VilCap Communities in Africa? Reach out to Emerging Markets Manager, Rachel Crawford at ***rachel.crawford@vilcap.com.***

About Village Capital

Village Capital helps entrepreneurs bring big ideas from vision to scale. Our mission is to reinvent the system to back the entrepreneurs of the future. Our vision is a future where business creates equity and long-term prosperity. Since 2009, we've supported more than 1,000 early-stage entrepreneurs through our investment readiness programs. Our affiliated fund, VilCap Investments, has provided seed funding to more than 100 program graduates.

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For any questions, please contact: Ben Wrobel, Village Capital, 1101 K St NW, Washington, DC 20009

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Research analyst certification: The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report

ENDNOTES

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