

“Strategic Growth & Spread of Start up into Africa”

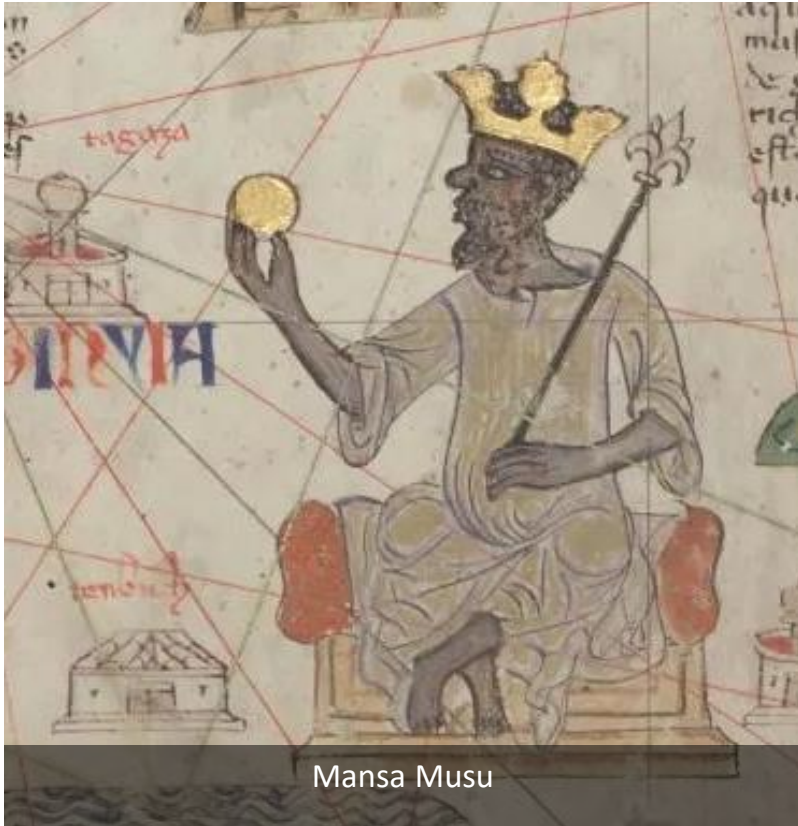
Afreximbank

Director Strategy and Innovation

Dr. Robert Ochola

October 2020





Mansa Musu



The Great Zimbabwe



Africa's Regional Setup

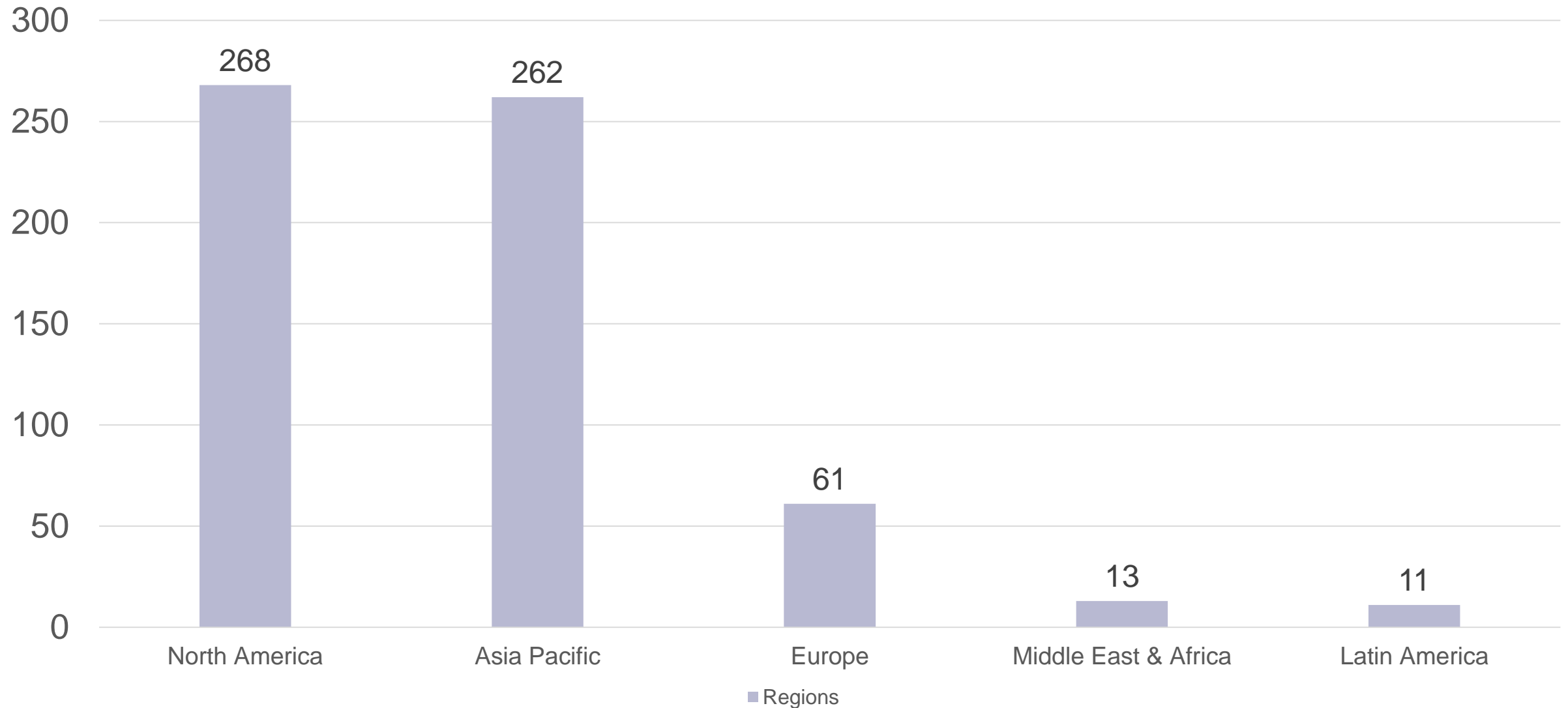
A look at where we have come from...

“There is a tide in the affairs of men, Which taken at the flood,
leads on to fortune. Omitted, all the voyage of their life is
bound in shallows and in miseries. On such a full sea are we
now afloat. And we must take the current when it serves or
lose our ventures.”

Julius Caesar by William Shakespeare.

Global landscape

Number of Unicorns Worldwide as of January 2020 by Region

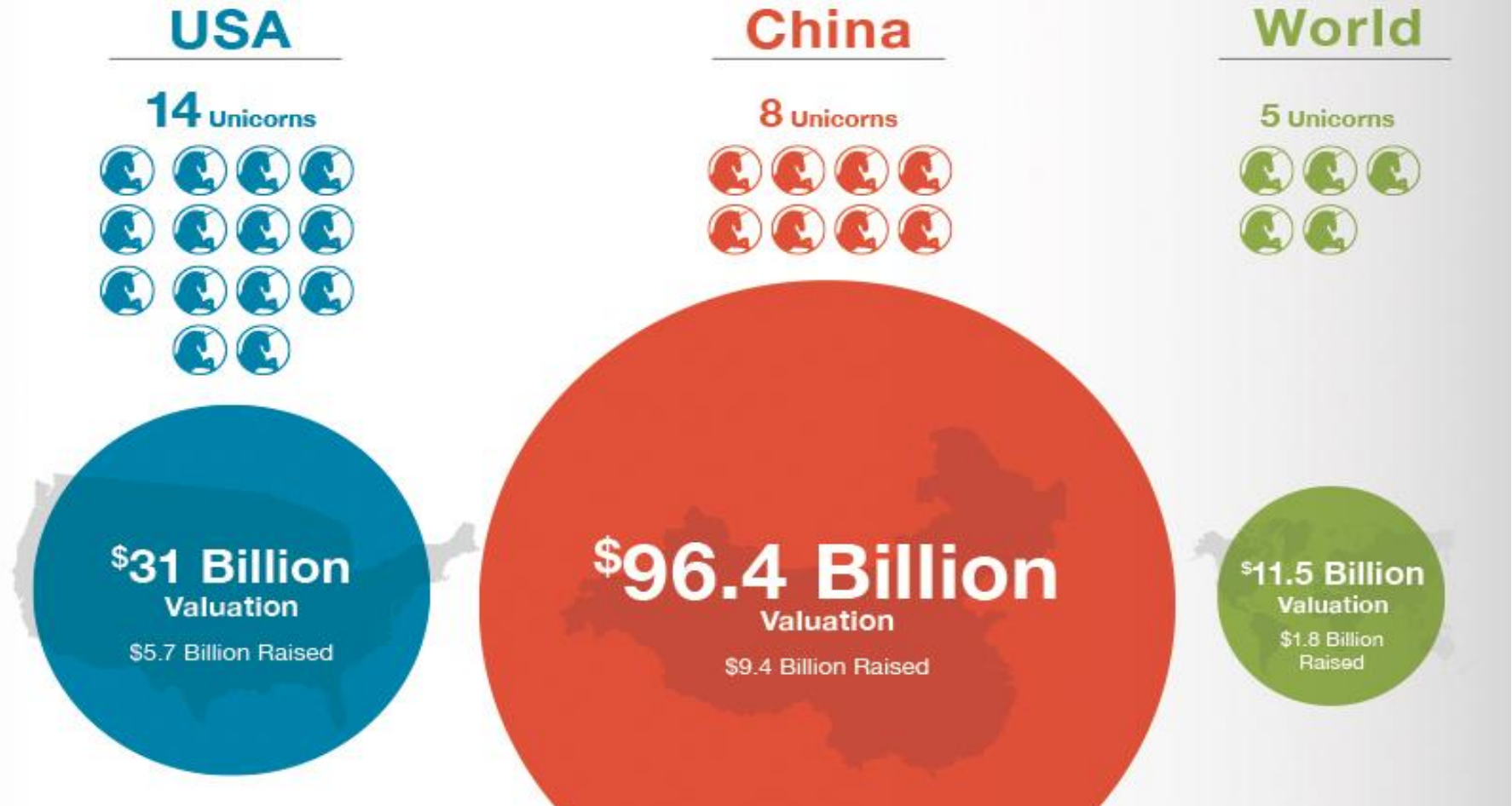


Document Classification: **Unclassified**



The Fintech Unicorns

Here is a geographical breakdown of the world's 27 fintech unicorns.



- Over 500 of the world's unicorns in early 2020 originated from either North America or APAC, a number significantly higher than those found in the regions of Europe, Middle East and Africa, and Latin America.
- A Unicorn company is a privately owned startup that has a current valuation of one billion USD or over. Once a company has gone public (IPO) or has been acquired it is no longer termed as a Unicorn.

India Case Study

- The Indian government defines a startup as an entity:
 - Less than seven years young
 - An annual turnover of less than US\$ 3.41 million
 - Headquartered in India.
- The Startup India initiative by the country's Department of Industrial Policy and Promotion helps build a positive, effective ecosystem in the country, turning business ideas into a reality for a flourishing startup environment.
- States and union territories across the country introduced startup policies following the government's initiative. Even though the hiccup of the [demonetization in November 2016](#) shook up various sectors of the economy, India's ranking in the [ease of doing business steadily improves](#) with each passing year.

MSME SHARE IN
INDIA'S GDP
28.9%

NUMBER OF
MSMEs
63.39m

SECTOR WITH THE HIGHEST
MSME NUMBER
TRADE

Some useful Start up sound bites...

- About **90% of new startups fail**.
- Bytedance is the top valued startup, valued at **\$75 billion**.
- In 2020, **65% of UK adults** want to start their own business.
- In 2019, Berlin was ranked the **best city in the world for startups**.
- In 2020, there are about **615 unicorn companies**.
- The median salary for self-employed individuals with incorporated businesses in the US was **\$50,347**.
- One-third of small businesses in the US started with **less than \$5,000**.

Africa: The Current Landscape












Obstacles Faced by Startups

- Time required to start a business in the country
- Ease of doing business
- Number of procedures needed to start a business
- Cost of starting a business
- Distribution milestones pre-seed founders want to achieve

The Good and The Bad...

- The Nigerian technology startup ecosystem recorded over **\$700-million** in venture capital funding in 2019, however this constitutes less than **20 percent** of the market opportunity.
- **84% of startups** have reported disruptions in their funding efforts, with **79% of startups** having less than a six-month buffer, and only 6% have a cash **runway of 13 – 25 months**.

Top 10 Funded Startups - Africa - 2017

Startups	Country	Industry	Amount (\$M)
	Ghana	Solar/Fintech	13.5
	Kenya	B2B Commerce/ Supply Chain	10.3
	Nigeria	Fintech	10
	South Africa	IOT	7.7
	Uganda	Solar Energy	6
	Egypt	HealthTech	5
	Nigeria	eCommerce	5
	South Africa	Social Impact/ EdTech	4.5
	Kenya	Fintech	4.5
	Senegal	Solar Energy	3.2
* 	Nigeria/USA	EdTech	40

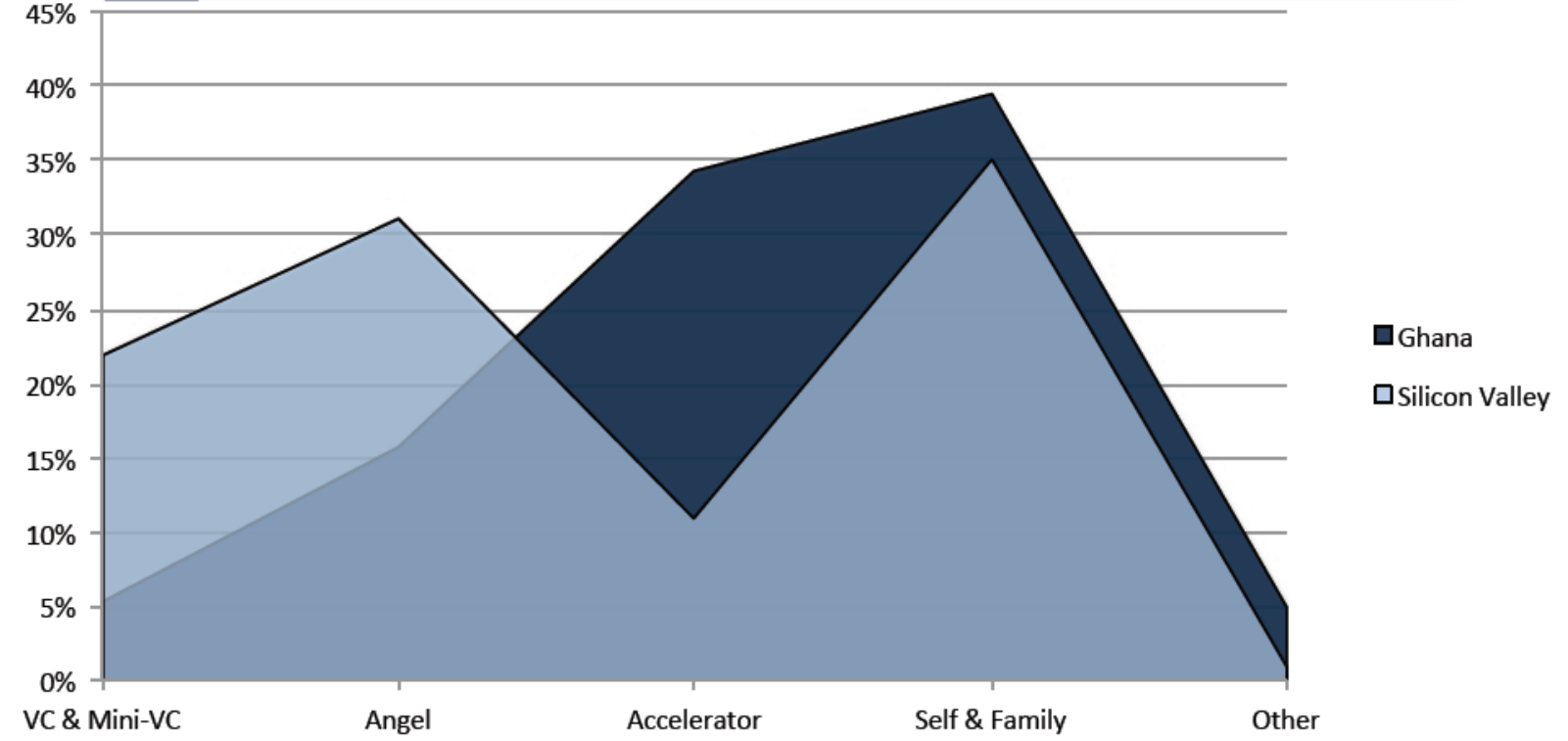
The continued growth of Venture Capital and Private Equity..

- A wholly owned subsidiary of First Bank of Nigeria, [First funds](#) is focused on providing risk capital to small and medium scale enterprises.
- [Adlevo Capital](#): This Mauritius-based private equity fund manager was founded on the belief that meaningful development in sub-Saharan Africa will be driven by the application of technology to business processes across all sectors. A load of the investments it has made have been in major West Africa tech players such as Rancard, Paga and Interswitch.
- **Gold Venture**: Born out the Venture Capital Trust Fund initiative in Ghana, its basic objective is to design and execute distinctive and innovative approaches to assist clients in meeting the challenges of the complex and ever-changing business environment.
- **Sanaga Venture**: actively invests in and supports new and emerging ventures across the African continent. It offers finance and coaching to assist in building the capacity of our partners to the stage where they can achieve financial sustainability and critical mass in their operations.
- **Jacana Partners**: is a pan-African private equity company that invests in entrepreneurs, builds successful small-to-medium sized enterprises (SMEs) and delivers sustainable financial and social returns.

VC Funding is critical

- The West African startup landscape is growing
- Nairobi - Africa's Silicon Savannah
- Accra - The buzzing African scene
- Cape Town - The Arising Silicon Cape

Funding Lifecycle



The funding lifecycle is key to the success of any startup ecosystem. Ghana's startup ecosystem is not as mature as that of Silicon Valley, as evidenced by lower Angel and Venture funding vis-a-vis Accelerators and Individuals (Self and Family). As previously mentioned, government initiatives such as the Venture Capital Trust Fund and Ghana Angel Investment Network continue to push funding into these investment vehicles.

Some winners though ...

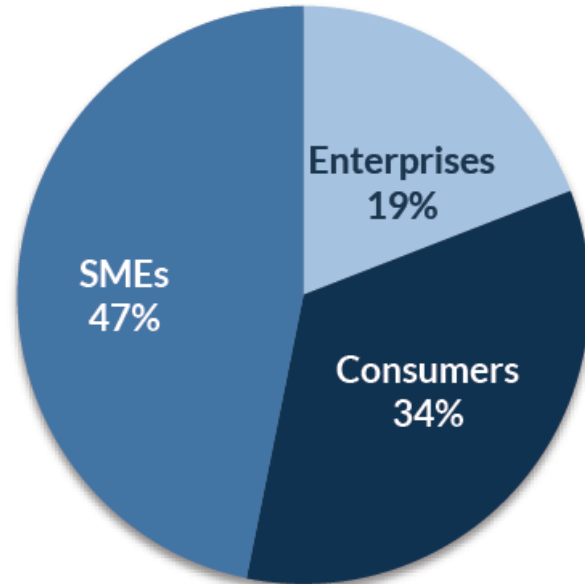
- South Africa and Malawi-based tech startup, [Yellow](#), has secured \$3.3-million in a Series A Equity Financing Round.
- The funding was received in a Series A Round to from [Platform Investment Partners \(PIP\)](#) invested, [Ruby Rock Investment](#) and LBOS.
- The funding was secured in May 2020 and has enabled the innovative tech startup to scale-up its footprint to supplying its pay-as-you-go solar-power devices to over 100 000 customers in Malawi and Uganda.



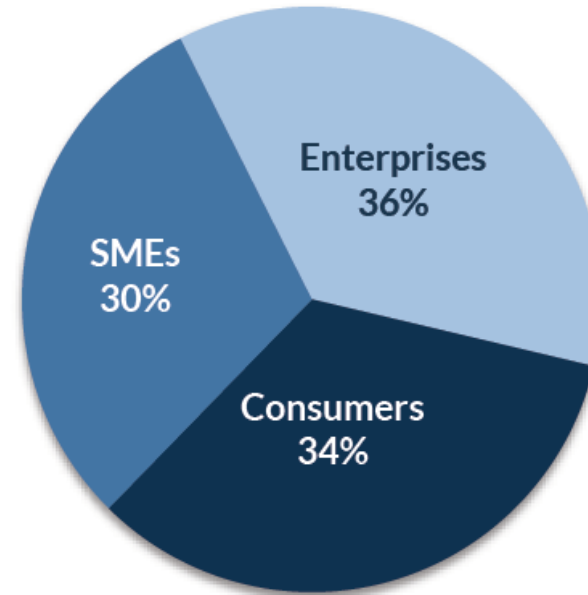
How do we create Scale for African
Startups ?

Customer Segment

Ghana

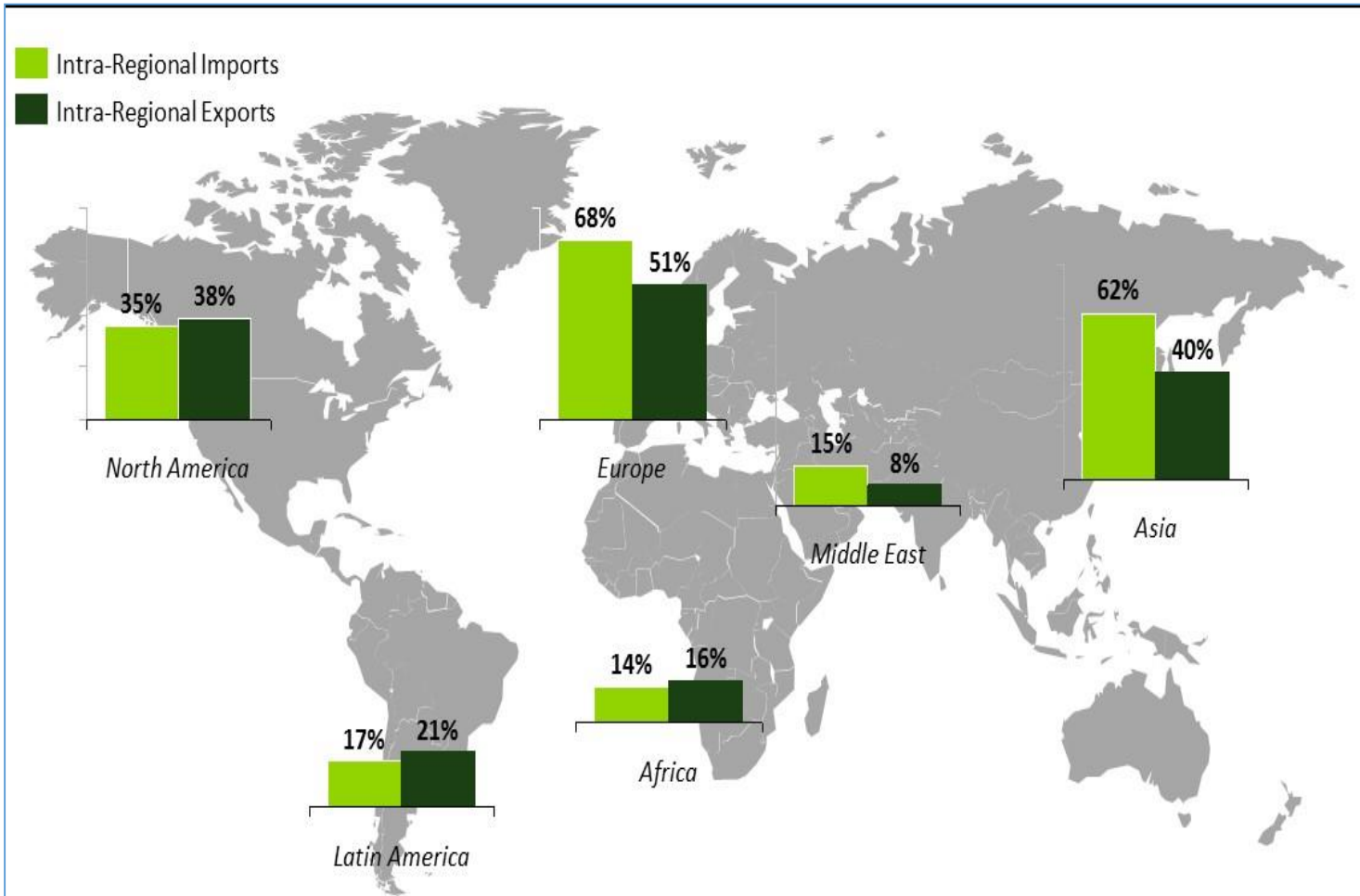


Silicon Valley



Ghanaian startups have a much stronger focus on SMEs and consumers, compared to Silicon Valley startups. This is explained by the fact that the majority of businesses in Ghana are small and medium enterprises.

The Case for Change - Lesson from the recent past

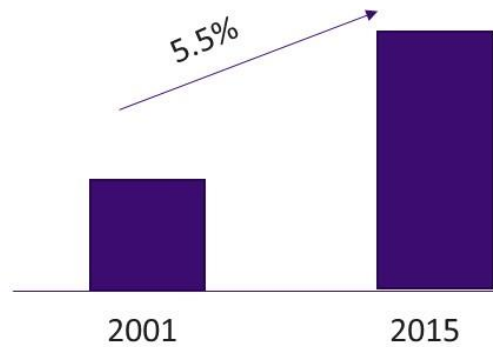


- **Intra-African trade has remained at 15% for the last 6 years**
- **Very few countries contribute to intra-African trade, top four are:**
 - 1) South Africa with a total of 25% at US\$ 32 billion
 - 2) Namibia with 5.9% and a value of US\$7,6 billion
 - 3) Nigeria comes in at third place with 5.5% at US\$7.1 billion
 - 4) Zambia constitutes 5.3% with a value of US\$6.7 billion

*Note: If we strip out oil exports, mainly to South Africa, then Nigeria's share of intra-African trade falls below 1.9%.

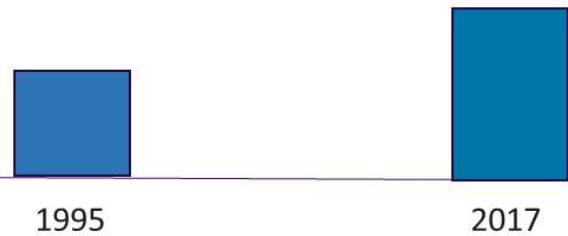
Africa's growth projections

Past – 2001 to 2015

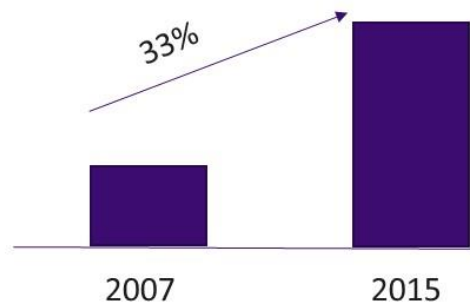


- Average economic growth of 5.5% between 2001 and 2015

- Influx of international funds



- Intra-African trade increase from 10% in 1995 to 17% in 2017



- 33% increase in intra-African investments 2007 to 2015

Future – 2020 - 2040

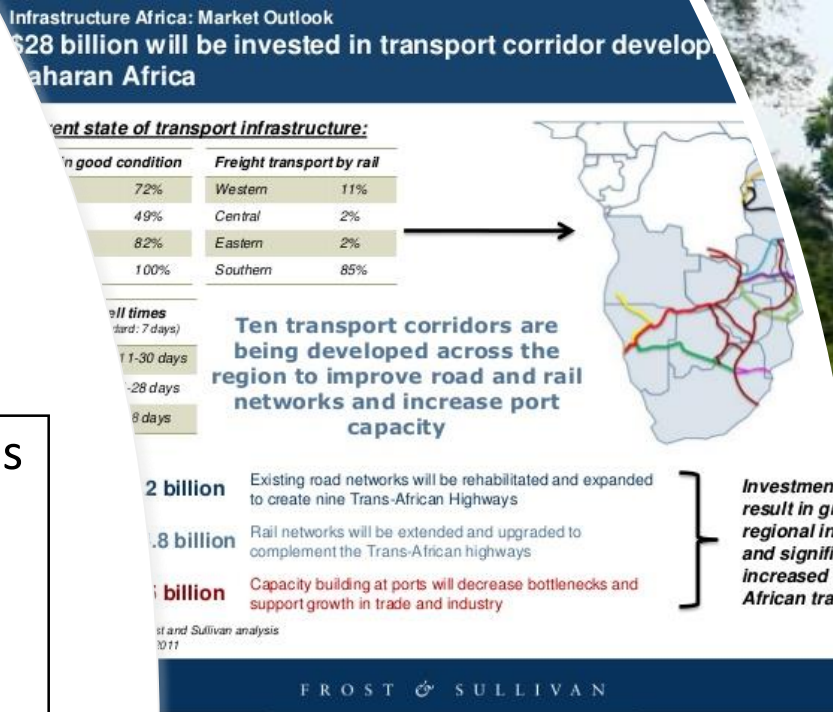


Total Population (2010)	Total Population Projected (2040)
1 billion	1.9 billion



CONSTRAINTS OR OPPORTUNITIES TO INTRA- AFRICAN TRADE

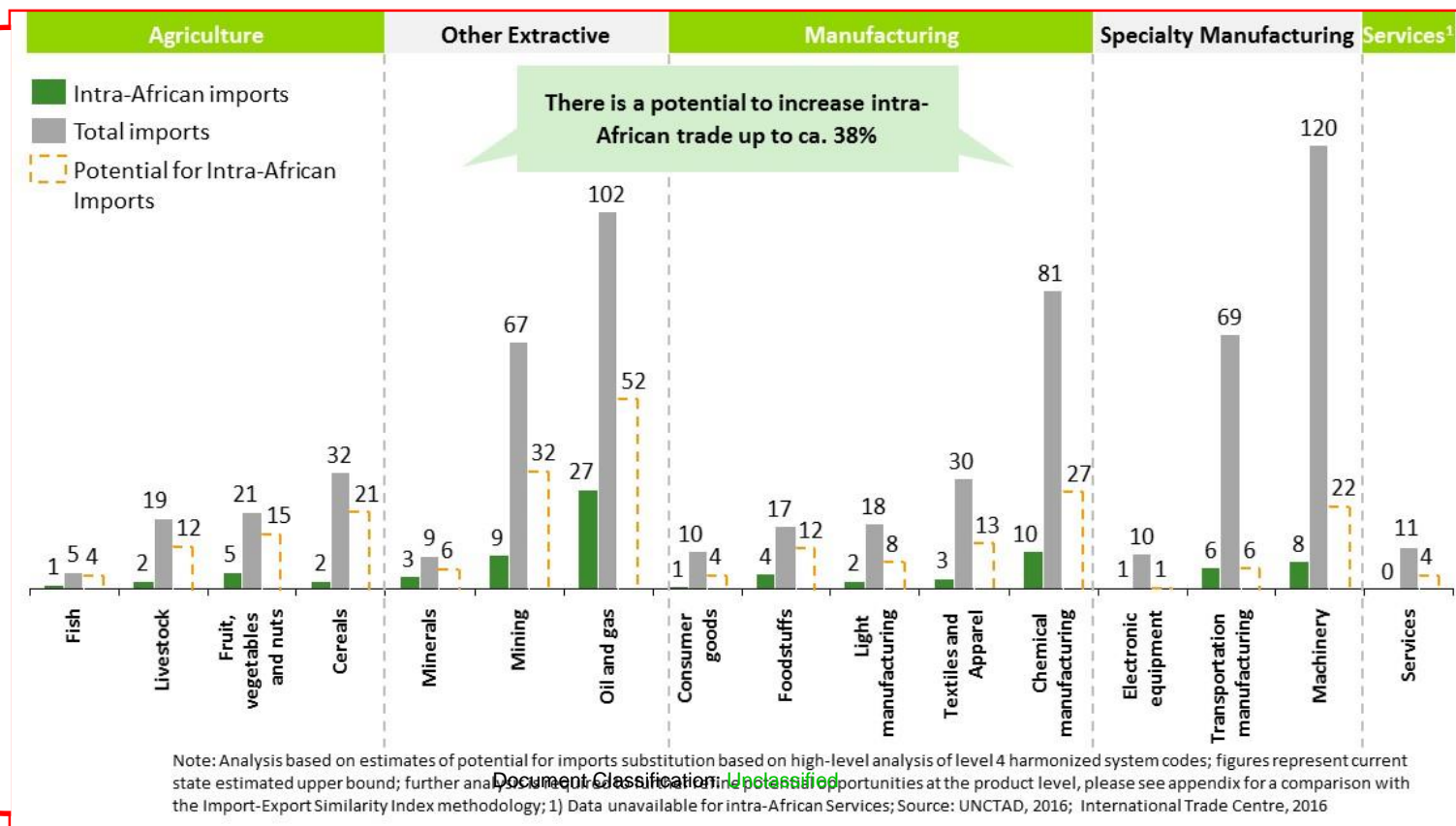
- We agree that the current infrastructure does present a challenge and must be addressed
- However, the current stock of infrastructure presently carries US\$ 1 trillion dollars' worth of total African trade
- This points to a bigger challenge, and that challenge (from our analysis) is the lack of access to trade and market information
- Research by AfDB points out that we require an Investment in Road/transport sector (air, rail, port) of US\$ 35bn to 47bn – 80% preservation; 20% development



Lack of Trade and Market Information

- The lack of access to trade and market information is illustrated by a recent study by Afreximbank, UNCTAD, Commonwealth Secretariat;
- Reveals that **Mauritius and Nigeria globally import leather products** from **Italy and Belgium** at **much higher costs** when compared to what **South Africa and Botswana globally exports**.

Through Import substitutions Intra-African trade can go up to 38%



How do start ups plug into an ever growing ecosystem

Afreximbank's Intra-African trade strategy is based on two key areas:

Trade Finance instruments

- **Factoring**
- **Forfaiting**
- **Global Facility**
- **Interstate transit Guarantee**



Trade Facilitation

- **Intra – African Trade Fair every two years useful asset for networking**

How can startup plug into BIG networking opportunities

- To close the gap on access to trade and market information;
- To create a sustainable platform for connecting buyers and sellers across Africa;
- To ultimately play a vital role of increasing intra-African trade across the continent.

ON GOING INTRA-AFRICAN TRADE STRATEGIC INITIATIVES



PAYMENTS AND SETTLEMENT

Resolve the issue of cross border trade

- Roll out a local currency cross border payment platform (PAPSP)



PROMOTE STANDARDIZATION

Addressing the issue of Standards and quality of export goods

- Rolling out an International Standard Testing and Certification centres (TICCs)



FOCUS ON INDUSTRIALIZATION

Promote industrialisation and export manufacturing

- Expand financing towards the development of industrial parks and special economic zone



SUPPORT FOR THE AFRICAN CORPORATE

Strengthen the African Multinationals

- Holistic support for what we dub the Intra-African Trade Champions (INTRA-CHAMPS)

What technology tailwinds can they build off ?



amazon alexa



New technology will further streamline the payment experience

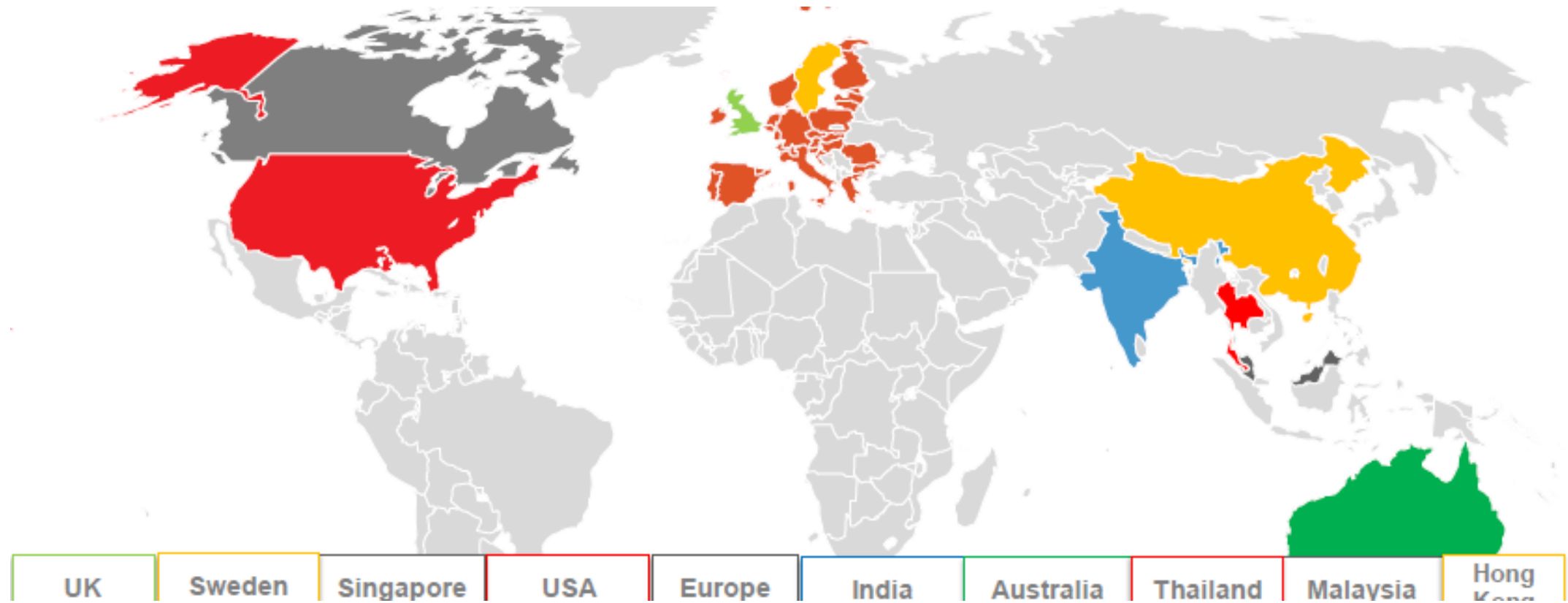
A.I. and machine learning

- Alexa is an intelligent personal assistant developed by Amazon
- Amazon wants to be a Bank – Bloomberg March 5th 2018

IoT will become more apparent as it changes the user experience and further integrates digital payments into our everyday lives



Internet of
Things (IoT)



Real-time payments

Real-time payments will continue to develop around the world with new value-added services on top of these new platforms

The Road ahead:

The African Blueprint for success..

Creating an African Startup Blueprint...

Policy intervention

VCs invest in companies that they are introduced to by a trusted party. Angels do the same and, to be honest, if you are a nobody that comes out of nowhere, chances of getting investment is hard no matter how brilliant your product is.

Democratization of data

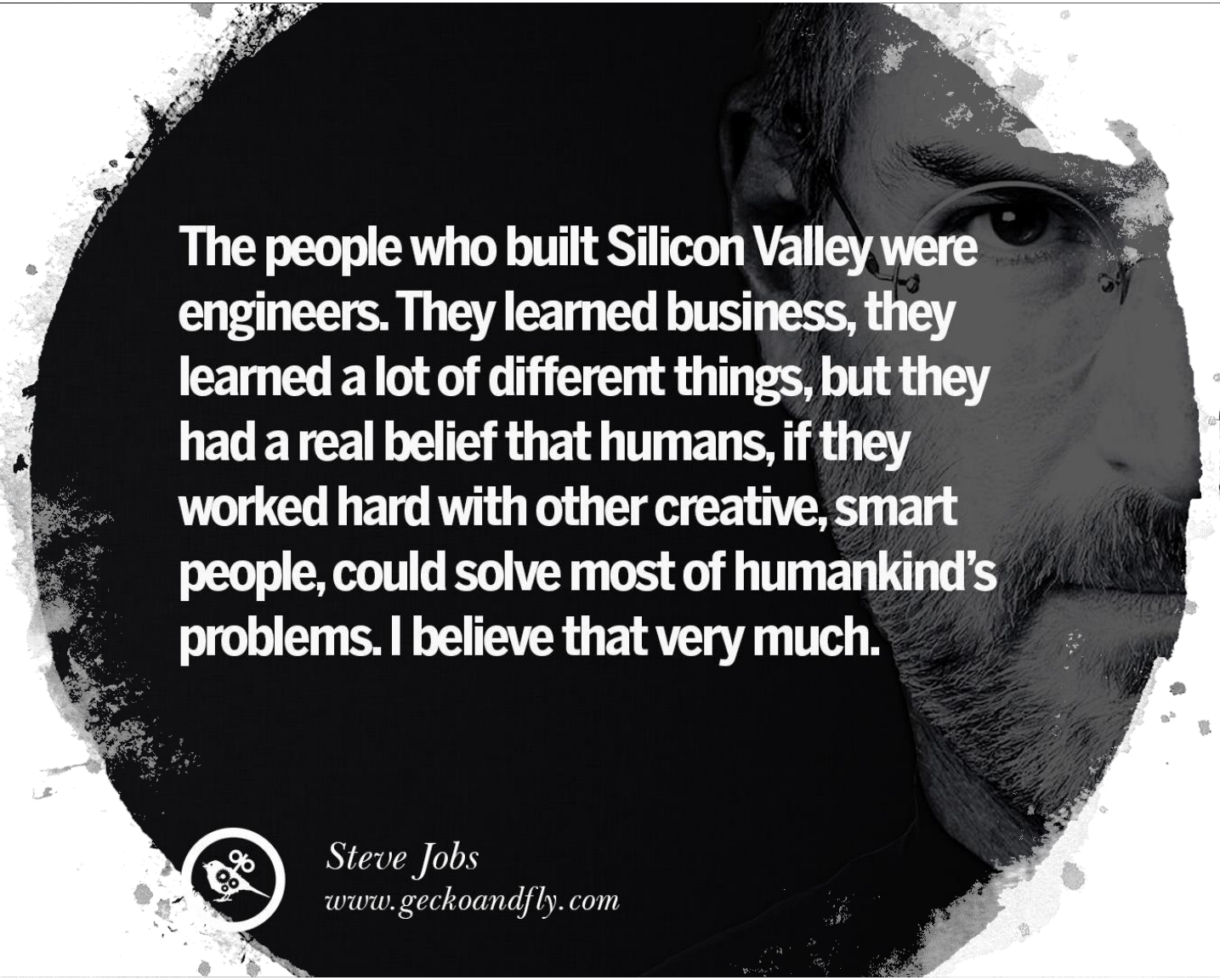
The average University graduate that requires knowledge has no idea that this startup ecosystem exists, nor do they have any context to its relevance to them.

Localise the approach

A lot of the information available on the web for aspiring entrepreneurs are Western-focused. I am yet to see a series of templates provided by VCs, Angel networks and startup organisation detailing how to create a great pitch deck for a South African investor or Nigeria or Kenya. The one that was written three years ago is irrelevant. Who is updating this? Who is reaching out to the universities.

Unlock the money

Develop VC and angel investor base



The people who built Silicon Valley were engineers. They learned business, they learned a lot of different things, but they had a real belief that humans, if they worked hard with other creative, smart people, could solve most of humankind's problems. I believe that very much.



Steve Jobs
www.geckoandfly.com