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SUMMARY

Grégory Clemente

Chief executive officer, Proparco

For several years now, the dynamics and performance of the private sector have been Africa's main driving force for growth. New ecosystems of innovation are allowing technological start-ups to structure their companies and develop inclusive digital services tailored to the needs of local people. Their solutions are often economical and facilitate access to essential services. This helps make up for the lack of infrastructure and contributes to creating sustainable cities for the benefit of everyone.

New dynamics means new business opportunities. While African companies have real potential for job creation and development impacts, Africa is also a promising market for investors from all horizons. France has undeniable strengths when it comes to supporting these entrepreneurial dynamics and creating new partnerships. This is the purpose of the Africa-France summit organized in Montpellier in October 2021, which aims to renew connections with Africa.

Africa's entrepreneurship ecosystem needs to be supported now more than ever before. The health crisis we are experiencing serves as a powerful reminder. If private sector players were to be left out of recovery plans and support measures, there would be a major risk of slowing down or even stopping these new entrepreneurial dynamics. It is for this reason that PROPARCO added a new component, Resilience, to the Choose Africa initiative at the end of 2020 with an additional budget of EUR 1bn. This mechanism mobilizes national and European funds and comprises tools for loans, guarantees, equity investments and assistance tailored to the crisis situation. This support plan for African MSMEs has brought in other development finance institutions to raise the financing required to address the scale of the challenges. Twenty DFIs have mobilized a total of USD 4bn for Africa's private sector, including the fifteen European development finance institutions that are members of the EDFI association.

Beyond this mobilization to address the crisis, the challenge lies in maintaining our support to companies over the long term. We need to continue to take risks, invest alongside project initiators, help them build their capacities via technical assistance programs and provide guarantees to the banks that finance them. This is the task that PROPARCO has set itself through the Choose Africa initiative, by combining financing, resources and expertise to assist African entrepreneurs and support their entrepreneurship ecosystem.

Caroline Boudergue
Managing director, Women in Africa

Caroline Boudergue is managing director of the international Women in Africa (WIA) platform. She graduated from ESCP Europe and began her career as a financial analyst at Stern Stewart in London, before joining CIC's corporate banking sector in the USA. Caroline Boudergue joined the Women's Forum in 2007 and has since been working on the potential of women in business and the economy.

Ninon Duval
Director, Bond'innov

Ninon Duval has been director of Bond'innov since 2011. This association is hosted in the IRD Île-de-France centre and fosters innovation projects in France and throughout Europe. Ninon previously worked as an independent innovation management consultant between 2004 and 2011 and she launched and ran the Paris Mentor programme until the end of 2011. She has also helped set up and develop a number of start-ups, including Vegetal Fabric, which was nominated for the *Grand Prix de l'innovation de Paris* in 2011.

Matthew Gamser
CEO, SME Finance Forum (IFC)

Dr. Matthew Gamser is CEO of the SME Finance Forum. He has over 40 years' experience in private enterprise and financial sector development. He has worked for IFC for 14 years in various positions from Washington, DC, and Hong Kong, where he has focused on SME finance and on financial sector development. Prior to that, he spent 25 years in management consulting and in senior leadership in an international NGO. He holds A.B. and A.M. degrees from Harvard University, and M.Sc. and D.Phil degrees from Sussex University (UK).

Jonathan Lange
Senior consultant, African Development Bank (AfDB)

Jonathan Lange was the AfDB's Africa SME Programme coordinator, until May 2019. This program aims to increase access to finance for micro, small, and medium-sized businesses across Africa. Before joining the AfDB, Jonathan spent several years in Tunisia, where he worked as director of an American development NGO and as a professor of accounting and finance. Jonathan holds Bachelors and Masters degrees from the University of Chicago and an MBA from the University of Texas at Austin. He is also a Chartered Financial Analyst and a Certified Public Accountant.

Jean-Michel Severino
Chairman, Investisseurs & Partenaires

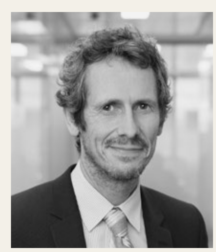
Jean Michel Severino has been chairman of Investisseurs & Partenaires – which manages a number of impact funds dedicated to Sub-Saharan African micro businesses and SMEs – since 2011. He is also a senior fellow at the Foundation for the Study and Research of International Development *(FERDI)* and a member of the French Academy of Technologies *(Académie des technologies)*. Jean Michel has worked as director of development at the office of the French Minister for Cooperation, vice-president for East Asia at the World Bank (1996-2000) and chief executive officer of Agence Française de Développement (AFD) from 2001 to 2010.

Marion de Maleville
Senior partnership officer – attached to the executive committee, Proparco

Marion de Maleville joined Agence Française de Développement (AFD) in 2013 as deputy director of the Guarantees Division. She was subsequently responsible for relations with the United Nations and philanthropic foundations. Marion previously worked at General Electric (GE) in Europe and the USA for 15 years. She is currently on a mission at Proparco, where she is supporting the implementation of the Choose Africa Resilience guarantee and contributing to the preparation of the program of the Choose Africa Forum at the Africa-France Summit in Montpellier.

Amélie Thomas
Head of SME business, Africa-Mediterranean-French overseas territories (AFMO), Société Générale

After beginning her career in the telecoms sector, Amélie Thomas joined Société Générale in 2006. She held various marketing positions in the French retail banking network before moving to the division that looks after businesses in the Africa-Mediterranean-French overseas territories region (AFMO), where she heads up the SME business market.



Jean-Marc Liger
Director of strategy, Proparco

Jean-Marc Liger has a career spanning over 25 years in AFD Group, both at headquarters and in several regional offices. He has been director of AFD's office in Mexico City and Santo Domingo and director of Proparco's office in Casablanca. He has also been posted in Libreville, where he was responsible for operations with the private sector, and has conducted a number of banking operations in Proparco's Banks and Financial Markets Division in Paris. He holds a Master's Degree in Development Economics from CERDI (University of Auvergne).

From required scale to scaling up

Jean-Michel Severino, Chairman, Investisseurs & Partenaires

Jean-Michel Severino, Chairman of Investisseurs & Partenaires (I&P), believes that the priority remains investing in support of the formal African enterprise sector, which is best placed to resolve the Continent's structural problems. Enormous challenges remain to deliver jobs and a proper future to the burgeoning young African population. In addition to existing support measures and their impacts, the head of I&P stresses the importance of the public subsidies and private funds needed for incubation and acceleration programmes to scale-up African businesses and start-ups.

AN ARTICLE BY
JEAN-MICHEL SEVERINO

Chairman, Investisseurs & Partenaires

Jean Michel Severino has been chairman of Investisseurs & Partenaires – which manages a number of impact funds dedicated to Sub-Saharan African micro businesses and SMEs – since 2011. He is also a senior fellow at the Foundation for the Study and Research of International Development *(FERDI)* and a member of the French Academy of Technologies *(Académie des technologies)*. Jean Michel has worked as director of development at the office of the French Minister for Cooperation, vice-president for East Asia at the World Bank (1996-2000) and chief executive officer of Agence Française de Développement (AFD) from 2001 to 2010.

In 2012, Investisseurs & Partenaires (I&P) injected a few hundred thousand euros into a fairly old Ivorian business that had radically rethought its skills base and ambitions. The company now known as Conergies-Group was founded in 1977 by Idrissa Sanankoua, originally from Mali but living in Côte d'Ivoire. It began life installing and maintaining refrigeration systems at the port of Abidjan for a number of tuna-exporting firms.

Idrissa's son, Mamadou Sanankoua, a graduate of École polytechnique de Montréal and ESCP Business School, drawing on successful experiences working for major European groups (Schneider Electric, Daikin, etc.), decided to take the reins of the – still relatively small – family business in 2011. With the help of his brother, Cheick, who has an MBA from Harvard, he now heads up the board of a major African group and is managing partner for a major African investment fund. They harnessed all of their energy to turning Conergies into a dynamic and innovative business specialised in the design, engineering, installation and maintenance of industrial refrigeration and air conditioning systems. In just five years, revenue soared to €8 million, mainly thanks to contracts with big industrial firms, and Conergies now employs 150 people in Mali and Côte d'Ivoire.

> **"Greater political and social stability, buy-in to the economic fabric, provision of employment, access to essential goods and development of domestic public resources are just some of the potential impacts of partnering African businesses."**

In 2019, Investisseurs & Partenaires was able to sell its stake to the EDF Group at a handsome profit. The Ivorian business continues its phenomenal growth, underpinned by its close partnership with Dalkia Froid Solutions, and managed with not inconsiderable talent by the Sanankoua family.

Over the 20 years since its creation, I&P has partnered many similar business adventures. The story of Conergies and its ties with an impact fund supported by Proparco *inter alia*, illustrates – more effectively than any long-winded theoretical speech – the win-win nature of a strategy designed to support formal African enterprise. Investing in this sector is the most effective means of getting to grips with the Continent's structural problems.

While African businesses export and import relatively little, they provide often essential goods and services for the benefit of Africans themselves, or for other companies when their customers are big industrial firms. They create local value chains which can generate spectacular results in certain sectors such as agriculture. Obviously, they also create jobs and, when these are in the formal sector, they do a lot more than merely generate revenue.

> **"*Supporting formal African enterprise is the most effective means of getting to grips with the Continent's structural problems.*"**

This means that the direct impacts on the African public are quite considerable. These businesses also pay taxes that help build African states, helping them pay for public security, education, health and infrastructure. True, not everyone is able to find foreign partners but some of them are. So, when the opportunity arises, the possibility of forging a relationship with these businesses is a chance for major French groups or mid-caps to develop a foothold in Africa that would otherwise be a very long and difficult process. The impacts are amplified by imports and exports as well as by the human and financial ties consolidated over time.

Greater political and social stability, buy-in to the economic fabric, provision of employment and access to essential goods, development of domestic public resources and beneficial integration into the globalisation process are just some of the potential impacts of partnering African businesses.

OFFERING A REAL FUTURE TO AFRICAN YOUTH

African business needs to be supported. The issue is neither its absence nor its unimpressive performance but the fact that it is hard to measure due to the dearth of data and the frequent overlap between the formal and informal sectors. However, regardless of whether you take the digital sector where the effervescence is palpable, or traditional sectors (although applying the term "traditional" to African business is problematic), new projects are popping up everywhere and inundating support networks almost as soon as these become available. Start-up competitions are emerging all over the continent and it is unusual to come across a small business that does not have an expansion programme primed and ready to roll.

The Covid-19 pandemic has not halted this dynamic although small businesses were often severely affected – especially in cash flow terms – by a combination of the health measures and the economic crisis, in a context in which government support was much more limited than in the big industrial economies. →

> ***"The economic and social benefits derived from developing this industrial fabric more than outweigh the limited financial returns on the investment instruments, but this is exactly what impact investing is all about."***

But Africa is still caught up in a race against time due to its demographic boom. The figure of 450 million young people arriving on the African jobs market between now and 2050 advanced by the World Bank is now generally accepted. Meeting the professional expectations of these young people means providing them with proper qualifications, hence the crucial imperative of professional training in addition to the jobs on offer for them.

Hence also the need to ramp up the number of start-ups in all sectors, to reduce the rate of business failure during the growth phase and to support existing SMEs and enable them to scale up.

The resources needed to support businesses are well known and are already being deployed on a small scale. Nascent companies need incubator networks, acceleration programmes and business angels that can help turn their projects into reality, flesh out their skills and give them the wherewithal to get up and running quickly. We also need to remove the barrier of insufficient access to finance faced by small businesses and start-ups. Equity capital is crucial to developing micro businesses and SMEs, especially by providing them with access to debt, which is already a problem for numerous reasons such as the lack of a sufficiently formal business structure and land base.

This need for support continues until these companies are big enough to be able to deal with traditional investment or debt players and start generating returns that are in line with market expectations.

And herein lies one of the key problems with this entire process. Until they have reached a phase of maturity that provides yields that are in line with those of the mainstream investment market, supporting such businesses – even the very profitable ones – is relatively unprofitable. Loss ratios, which increase significantly in the poorest countries where the economic fabric is fragile, business support and market access costs, and FX losses when international investors are involved, all make it difficult to achieve a market yield for those wishing to commit to African entrepreneurs.

This is why public subsidies and private donations are needed for incubation and acceleration programmes. "Patient" capital that will happily accept moderate performances is also a must for equity investments in start-ups and SMEs, unless yield-enhancement instruments such as first loss guarantees can be used to attract higher levels of private equity into the sector.

The economic and social benefits derived from developing this industrial fabric more than outweigh the limited financial returns on the investment instruments but, this is exactly what impact investing is all about.

> ***"Equity capital is crucial to developing micro businesses and SMEs, especially by providing them with access to debt, which is already a problem for numerous reasons such as the lack of a sufficiently formal business structure and land base."***

MEETING THE MAJOR CHALLENGE OF SCALING UP

All this is beginning to be known and accepted: African entrepreneurs need help to "scale up" and yield-enhancement instruments have been clearly identified. The intermediaries working with African entrepreneurs – incubators, accelerators, business angels, investment funds, etc. – are increasingly numerous and professional. The innovation and pilot-testing phase is nearing an end and it is nearly time to “scale up”. This requires formal recognition by both public and private decision-makers of the importance of this issue and of the need to include it as a priority on the development agenda. It will also allow for increased recourse, both from a financial and human perspective, to development agencies, public agencies specialising in private sector funding, foundations, “family offices” and private companies operating in Africa as banks and investment funds.

The Africa-France summit in October 2021 will doubtless be an important step in placing this approach firmly on the development agenda and AFD Group has been a pioneer in this domain. It has continued to innovative with programmes that cover the entire range of needs, such as SIBC or the Creative Africa acceleration programme, interest-free loans for tech businesses, and of course the FISEA+ fund – part of the Choose Africa initiative that provides really excellent impact investing support. The latter programme will also tackle the challenge of professionalising and scaling up, while accepting the indispensable accountability in terms of ambitious public policy objectives that should hopefully lead to a massive influx of investment.

Obviously, African governments must continue the efforts undertaken over the past two decades to improve the business environment, spurred on by the World Bank's Doing Business rankings, and everyone with influence needs to keep things moving in this direction. Working in Africa remains very difficult for everyone – especially entrepreneurs – in the face of still cumbersome public administration requirements and the reality of omnipresent corruption. But if we accept the importance of strengthening the productive sector and the entrepreneurial environment in resolving the issue of employment, then continuing to focus exclusively on the business environment is just like building a football stadium with a beautiful pitch in the hope that this will enable teams to emerge and a match to be played – i.e., essential, but not enough. And we should also add that it’s not just about one match – we need many teams to participate in a successful cup of nations for employment. ■

> ***“The innovation and pilot-testing phase is nearing an end and it is nearly time to “scale up”. This requires formal recognition by both public and private decision-makers of the importance of this issue and of the need to include it as a priority on the development agenda.”***

FOCUS
INVESTISSEURS & PARTENAIRES

Since its foundation in 2002, Investisseurs & Partenaires (I&P) has been promoting responsible African SMEs with high local value added that are capable of developing sustainable and profitable businesses. I&P has developed various approaches that combine funding and support designed to meet the needs of African SMEs based on their maturity, size and financing requirements. I&P currently has around 100 consultants based in eight African offices (Burkina Faso, Cameroon, Côte d’Ivoire, Ghana, Kenya, Madagascar, Niger and Senegal) as well as in Paris and Washington DC.

How to successfully build women's entrepreneurship

Caroline Boudergue, Managing director, Women in Africa

Women's entrepreneurship boosts Africa's economy. Assisting it means supporting growth and employment. Yet there are many barriers to its development. While some are due to social or cultural factors and will take time to overcome, it is possible to overcome others with solutions that are relatively simple to implement. But they require will, work and financial resources.

AN ARTICLE BY
CAROLINE BOUDERGUE

Managing director, Women in Africa

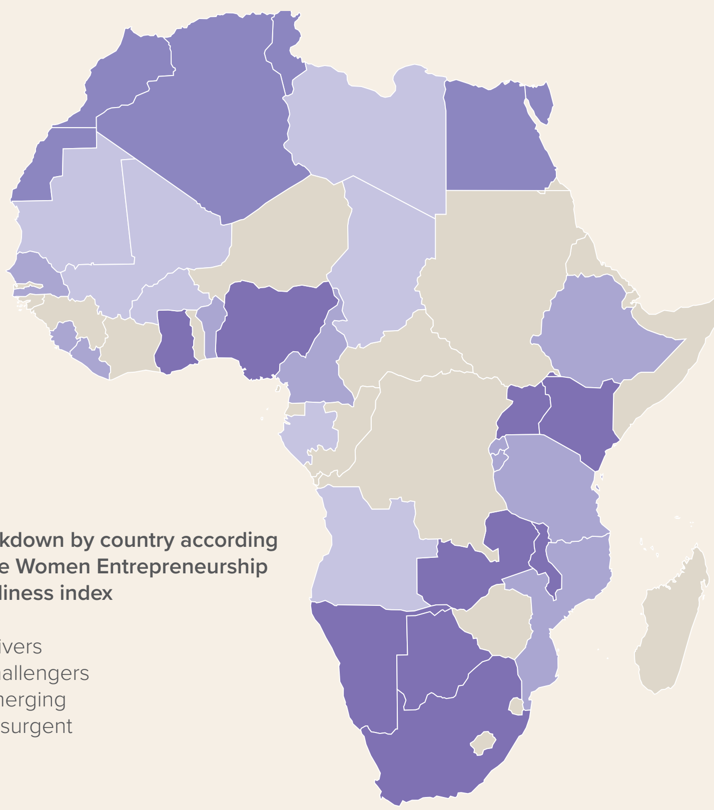
Caroline Boudergue is managing director of the international Women in Africa (WIA) platform. She graduated from ESCP Europe and began her career as a financial analyst at Stern Stewart in London, before joining CIC's corporate banking sector in the USA.
Caroline Boudergue joined the Women's Forum in 2007 and has since been working on the potential of women in business and the economy.

Women have become the backbone of Africa's economy.[1] They particularly play a key role in entrepreneurship. Despite this considerable economic contribution, women's entrepreneurship in Africa is most often tantamount to an obstacle course. Access to financing is one of the main barriers to its development, while the cultural, social and legal norms necessary to set up a business contribute to maintaining women in situations of vulnerability. Supporting women entrepreneurs in Africa therefore means supporting the economy and employment. And in a situation where Africa's working age population is expected to reach a billion people by 2030,[2] this is essential for both Africa and Europe. To effectively achieve this, and notwithstanding specific local situations, improving conditions to access financing remains a necessary, but insufficient, part of the solution. Financing must be combined with quite customized training programs, including both hard skills, especially technological tools, and soft skills (relational intelligence, communication skills, interpersonal skills, etc.). African women entrepreneurs who take part in a mentorship program, while being integrated into local, regional or international networks, are unquestionably better equipped to succeed.

> **"*African women entrepreneurs who take part in a mentorship program, while being integrated into local, regional or international networks, are unquestionably better equipped to succeed.*"**

1 Roland Berger, WIA – Women Entrepreneurship in Africa: A Path to Empowerment, 2018 – 24% of African women have set out on the entrepreneurial adventure, thereby largely dominating the world rankings. In addition to this figure, estimates show that this women's entrepreneurship accounts for 7 to 9% of Africa's GDP, i.e. a total of between USD 150bn and USD 200bn.
2 Africa's working age population is expected to increase from 705 million people in 2018 to almost a billion by 2030. At the current labor-force growth rate, Africa must create about 12 million new jobs every year to contain the increase in unemployment. Source: "African Economic Outlook 2019", African Development Bank (AfDB).

Women's entrepreneurship in Africa: multiple realities on the continent



The engines (9 countries). These English-speaking countries have a lasting political stability and some of the highest levels of gender equality in Africa.

The challengers (4 countries). These countries have low levels of female entrepreneurship (between 10 and 13%).

The next emerging countries (12 countries). In these countries, the main challenges of women's entrepreneurship are related to limited access to financing and the persistently high level of gender inequality.

The re-emerging countries (7 countries). This group of countries is characterized by limited economic development, significant gender inequality and high levels of political instability.

Source: Women in Africa - Roland Berger, November 2020

ACCESS TO FINANCE: THE KEY TO ENTREPRENEURIAL SUCCESS

In most cases, African women become entrepreneurs out of necessity, meaning for their livelihoods. Indeed, they do not really have any other option due to the still limited access to education, persistent cultural barriers and restrictive legislation.[3] By its nature, subsistence enterprise results in small companies, with modest financing needs for which microfinance provides a relatively good response. However, subsistence enterprise is not sufficient to economically and socially empower women.

For women entrepreneurs whose activity requires more capital to develop, the solutions still have shortcomings. Access to financing is limited[4] during all the phases (seed, start-up and growth) of the entrepreneurial project. All African countries are concerned, even those with the most mature financial systems. While larger companies manage to have recourse to traditional banks, financial service providers show little interest in MSMEs. This results in African women entrepreneurs often being discouraged

FOCUS
WOMEN IN AFRICA

Women in Africa (WIA) was set up in 2017 and is the leading international platform for the economic development and support of African women entrepreneurs. WIA operates in 54 African countries via training, mentorship and networking programs. The WIA Foundation has developed two flagship programs for women: WIA54, to support the most promising African start-ups, and WIA Code, to train young women in computer coding activities and help them find their first work experience.

3 ‣ These structural barriers can be seen by analysing the "Women Entrepreneurship Readiness" index. This index evaluates the prerequisites for the emergence of women's entrepreneurship.
4 ‣ Roland Berger, WIA – "Accelerating Women's Entrepreneurial Dynamics in Africa", 2020.

> ***"Centralizing the support for MSMEs by reducing the number of people and institutions to contact would contribute to accelerating the development of women's entrepreneurship in Africa."***

by the formalities, for both psychological and cultural reasons, but also due to a real need for technical assistance.

Supporting women entrepreneurs in Africa therefore requires looking into the range of financing offered to them, as well as the programs that will allow them to acquire the technical skills for understanding and requesting this financing. Another priority is to strengthen the "psycho-cultural" assistance available for women entrepreneurs, so that they feel legitimate and supported by the community to set up businesses on a larger scale.

In terms of the range of financing, several major projects need to be carried out at the same time. They are closely linked to the education and cultural policies that need to be implemented. This firstly involves improving access to the banking system for women, which is currently limited.[5] It should be noted that having an account in a financial institution depends on access to education and that the countries with the highest rates of access to the banking system are the most advanced in terms of their education system.

Other priority projects include the development of banks loans and a specific range of services for women entrepreneurs, given that only 5% of them currently obtain loans. To this end, it seems essential to provide women with services tailored to their needs, for example, offer training in the steps necessary for the allocation of a loan. It is also essential to tailor the range of services to the profile of these women entrepreneurs who generally do not own real estate due to the legislation in force in most African countries.

Another key project to support women's entrepreneurship in Africa is to develop meso-finance, which aims to bridge the missing link in financial services between microcredit and more traditional bank loans. And for all these responses to be implemented, there remains an urgent need to simplify the formalities.

To complete these measures, it is necessary to work on the legal aspect in order to introduce more equal provisions on owning assets, which will ultimately strengthen the solvency of women. Discussions with Central Banks in each country would also be useful to encourage them to develop an enabling environment for MSMEs, such as extending the type of guarantees accepted or financing national databases on these companies to facilitate risk analysis procedures by financing institutions and thereby making the loan allocation process more transparent and efficient.

Similarly, centralizing the support for MSMEs by reducing the number of people and institutions to contact would contribute to accelerating the development of women's entrepreneurship in Africa.

5 ‣ 34% of African women have access to banking services on average, against 47% of the male population. All African countries, whatever their group, reflect this difference, which ranges between 11 and 18 points. Roland Berger WIA – "Accelerating Women's Entrepreneurial Dynamics in Africa", 2020.

PROGRAMS THAT PROMOTE THE EMPOWERMENT OF WOMEN ENTREPRENEURS

To give business projects led by women the means to realize their full potential and encourage women entrepreneurs to think bigger, it is essential to support communication, education and training programs, as well as mentorship and networking programs.

In practical terms, communication programs aim to raise awareness of women entrepreneurs, their history and their background. Their objective is to encourage and stimulate new career interests and also fight against phenomena of self-exclusion.

> *“Communication programs aim to raise awareness of women entrepreneurs, their history and their background. Their objective is to encourage and stimulate new career interests and also fight against phenomena of self-exclusion.”*

Education policies, for their part, concern all levels, from literacy to higher education, to allow women entrepreneurs to develop digital businesses, whereas they are generally lagging behind in terms of technology as most of them do not deploy high-tech solutions.[6]

Targeted “technical” training programs offer women the opportunity of acquiring relatively quickly the skills required to develop their structure (learn how to prepare a financing application, pitch their project, etc.).

“Soft skills” training programs are also essential to boost women's entrepreneurship. They will allow women to appreciate their own value and dare to believe in their project. Basically, simply to give them “self-confidence”.

Mentorship and networking programs offer women the opportunity of developing their skills and finding responses to the problems they face. They also allow them to come out of their isolation, rely on a network and thereby be psychologically “stronger”.

The solutions that need to be implemented to develop women's entrepreneurship in Africa are relatively simple and could have a major impact on growth and employment on the continent. ■

6 ‣ “Women Entrepreneurship in Africa: At the Heart of a Promising Hive of Activity”, Roland Berger, WIA, 2019.

Addressing the challenge of SME Finance by optimizing risk management

Jonathan Lange, Senior consultant, African Development Bank (AfDB)

African SMEs have the potential to provide jobs for working-age youth. Yet there are key impediments – access, risk, regulation and acumen – to them receiving financing. Addressing the perceived high risk of lending to SMEs has evoked considerable interest. Two potential solutions are cash flow-based lending and portfolio guarantees. Beyond this, offering opportunities – especially by developing skills – to the millions caught in poverty will require engagement.

This article was initially published in issue number 32 "SME Finance in Africa: What's New?", released in September 2019.

Supporting small and medium enterprises (SMEs) has become a hot topic in the international development community. The reason is that they produce much of developing countries' GDPs and have the potential to provide employment for their working-age youth. For example, SMEs account for 95% of African businesses, 80% of employment, and 33% of GDP. Yet there are challenges for SME financing in emerging markets. Most SMEs have trouble accessing the finance they need to grow, despite governments' and international development organizations' awareness of their key role in economic growth, and these bodies' efforts to meet the challenges.

BANKS ARE RELUCTANT TO ALLOCATE LONG-TERM FINANCING

For most people in developing countries, access to finance is a given. Africa is a different story – for most, access to finance is very limited. Where long-term loans exist, they are often reserved for banks' top customers, have high interest rates, and may be made in hard currency to avoid local currency risk. Thus SMEs looking to finance property or equipment are rarely able to secure a loan to match the estimated life of the capital expenditure concerned, and must instead rely on short-term financing, with much higher – and often unaffordable – monthly repayments, causing cash flow problems. African banks limit long-term financing because they must carefully

> "Most SMEs have trouble accessing the finance they need to grow, despite governments' and international development organizations' awareness of their key role in economic growth."

manage the term structure of their assets and liabilities. Without active local bond markets and long-term interbank lending, they have to rely on customer deposits for financing. To remedy this, many DFIs are actively lending to the financial sector at long tenors, frequently stipulating that the funds be on-lent to SMEs. However, for risk reasons, DFIs still want to lend in hard currency.

Another obstacle for SMEs in obtaining finance is their perceived riskiness. For example, one bank in Guinea reports requiring 80% collateral to lend to SMEs. This limits the pool of would-be entrepreneurs able to get credit and does not help solve poverty. The perceived high risk of SMEs is more acute for women and young people. To resolve this, DFIs provide technical assistance to FIs, to help them gauge risk and offer risk-reduction schemes targeted at encouraging SME lending.

“Another obstacle for SMEs in obtaining finance is their perceived riskiness. For example, one bank in Guinea reports requiring 80% collateral to lend to SMEs. This limits the pool of would-be entrepreneurs able to get credit.”

REFORMING REGULATIONS AND ENABLING SKILLS

Another factor limiting finance to SMEs is regulation. Governments, central banks, and regional monetary authorities are tasked with establishing and implementing the rules to ensure a healthy financial system. In doing so, they must strike a balance in the supply of credit. Some African countries have restrictive rules that make it difficult for banks to lend to SMEs; for example, a bank in Mauritania reports that borrowers are normally required to have a 120% guarantee in real estate to back up a loan. In these countries, the restrictive regulations are harmful, and reform is needed to spur SME growth.

Another problem in developing countries is a lack of business acumen among small business owners and employees. A lack of understanding of basic accounting methods is common across Africa, hence problems with financial management, including presenting financial statements and business plans to potential lenders. DFIs and NGOs offer support, but demand far outstrips supply. This problem, a skills gap, would be best addressed by coordinated national education policies that make basic business skills a part of the school curriculum and encourage an entrepreneurial mindset.

Of the four challenges – access, risk, regulation and acumen – for SME financing in developing countries, addressing the perceived high risk of lending to SMEs has evoked the most interest. Two potential solutions are cash flow-based lending and portfolio guarantees. →

AN ARTICLE BY
JONATHAN LANGE
Senior consultant, African Development Bank (AfDB)
Jonathan Lange was the AfDB's Africa SME Programme coordinator, until May 2019. This program aims to increase access to finance for micro, small, and medium-sized businesses across Africa. Before joining the AfDB, Jonathan spent several years in Tunisia, where he worked as director of an American development NGO and as a professor of accounting and finance. Jonathan holds Bachelors and Masters degrees from the University of Chicago and an MBA from the University of Texas at Austin. He is also a Chartered Financial Analyst and a Certified Public Accountant.

ENGAGED LENDING LIMITS LIABILITY

With traditional lending, the loan is based on collateral; the implication of default is repossession of the pledged asset. Yet this method does not encourage economic growth, because of the limited number of aspiring business owners who have assets to pledge, an alternative is to base lending on predicted cash flow. This necessitates loan officers taking a hands-on approach with entrepreneurs to understand their businesses and to prepare financial statements that indicate estimated future cash flows[1]. In the process, lenders develop a clearer idea of borrowers' ability to repay, as well as their true needs for financing. It also results in a closer relationship between the two parties. Furthermore, loan officers are privy to the early warning signs of payment problems, and they can then offer remedies. While some collateral will still be required, the clearer picture of risk allows banks to demand less than with the traditional collateral-focused method. Because most defaults are due to inability – rather than unwillingness – to repay, taking less collateral does not necessarily encourage default. And the relationship that is formed by engaging with entrepreneurs usually reduces any unwillingness to pay.

> *"With traditional lending, the loan is based on collateral; the implication of default is repossession of the pledged asset. Yet this method does not encourage economic growth,"*

Another tool for dealing with risk is partial portfolio guarantees for SME loans, usually by DFIs. Under these guarantees, the DFI offers to absorb a certain amount (commonly 50%) of any eventual losses by financial institutions for loans to SMEs. The FI pays a guarantee fee, like an insurance premium, but it is usually subsidized, to encourage using the guarantee to attain development goals. Proparco currently offers the ARIZ guarantee and the European Commission has launched an extensive EFSD guarantee program, which provides risk mitigation products through a number of DFIs, including the AfDB's Africa SME Program.

ENVISIONING AFRICA'S GROWTH: A MULTIPARTY PARTNERSHIP

Portfolio guarantees take the form of either first-loss or second-loss coverage. With a first-loss guarantee, the DFI absorbs a portion of SME loan defaults as soon as they occur, usually with a cap. With the latter, the bank that made the SME loans absorbs the defaults up to a specified amount, at which point the DFI steps in to reimburse further losses. Both mechanisms are useful, but for different purposes.

Every lender expects not to be repaid on some portion of the loans it makes. This is referred to as the expected loss; it varies by country, economic environment, types of borrowers, etc. Many banks are reluctant to lend to SMEs because they predict that SMEs are riskier and will increase their expected loss. So, for example, where a bank's loss may increase from 6% to 8% of the amount it lends out because of expanding

1 This is an approach espoused by Frankfurt School of Finance & Management, which has provided a wealth of training to emerging market financial institutions, including under the Africa SME Program

> *"Financing SMEs is key to developing poor countries' economies and creating jobs for their expanding youth populations. Yet, the challenges involved in getting the financing to SMEs in a practical and sustainable way are significant."*

its SME lending or lending to higher credit-risk groups, a DFI could provide a first-loss guarantee to cover the additional 2%, leaving the lending bank's expected loss at 6%. This is a good tool for encouraging additional SME lending, which otherwise would not happen.

A second-loss guarantee is more akin to disaster risk insurance. The guarantee fee is usually less expensive, and the DFI is less likely to have to pay anything out. Using the example above, the guarantee would kick in when losses reach, say 10% – an *unexpected* loss. The lending bank still increases its expected loss to 8%, but it will get some relief if its risk calculations were wrong or if something disastrous happens, forcing losses over 10%. This sort of guarantee could be useful in situations where there is potential political risk, severe natural disaster risk, overexposure of an economy to a particular commodity's price, etc., but it is unlikely to encourage lending institutions to increase their overall SME financing activities.

FOCUS
AFDB

The African Development Bank (AfDB) has 80 member countries – 54 African and 26 non-African countries. The AfDB is the leading development finance institution in Africa. By providing policy advice and technical assistance, it promotes investment on the continent to encourage sustainable economic development and social progress.

SME FINANCING AND SKILLS: KEYS TO GROWTH

Financing SMEs is key to developing poor countries' economies and creating jobs for their expanding youth populations. Yet, the challenges involved in getting the financing to SMEs in a practical and sustainable way are significant.

However, there are several tools that can help overcome the obstacles. A well-thought-out approach providing liquidity, risk mitigation, regulatory reform, and support for education and skills building would help address the challenges to building the private sector in developing countries, thus offering opportunities for millions caught in poverty.

Overview of new solutions to support small business

Amélie Thomas, Head of SME business, Africa-Mediterranean-French overseas territories (*AFMO*), Société Générale

In Africa, SMEs account for 90% of private companies and provide jobs for 70% of the rural population. They play a key role in job creation and in the continent's economic development, however, when they wish to invest and grow, they face numerous obstacles. Existing measures need to be adapted in order to partner them more effectively.

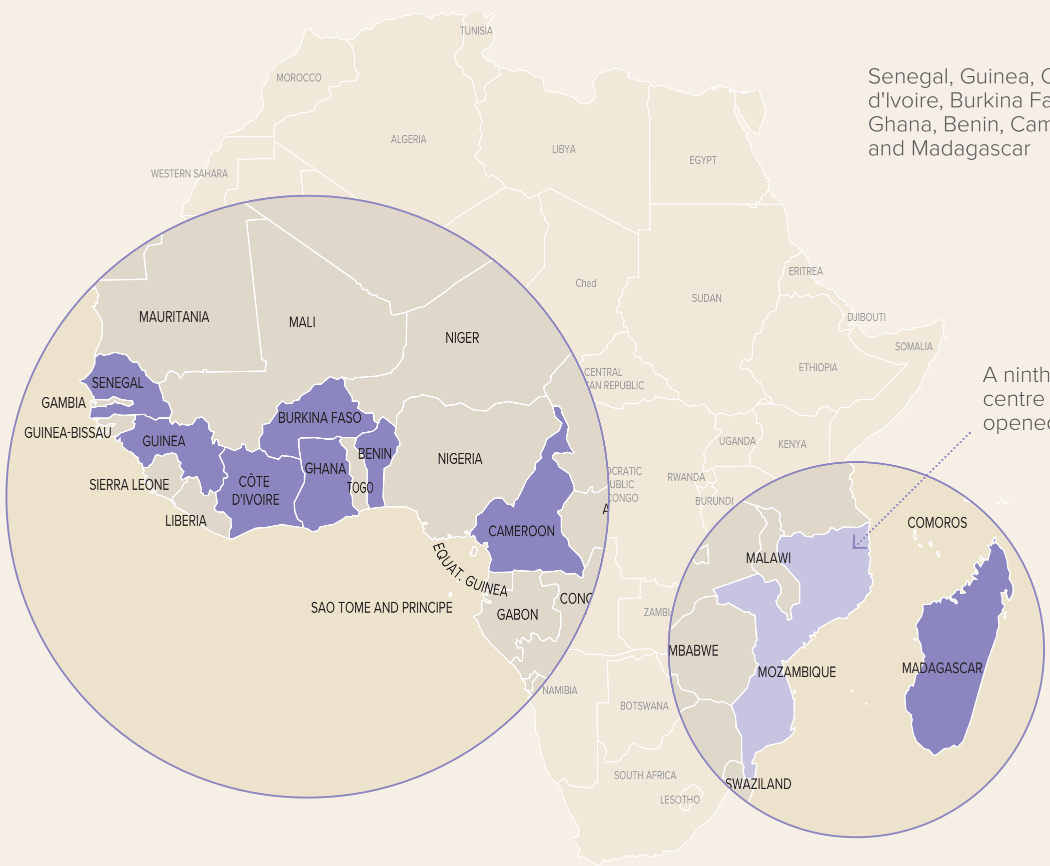
AN ARTICLE BY
AMÉLIE THOMAS
Head of SME business, Africa-Mediterranean-French overseas territories (AFMO), Société Générale
After beginning her career in the telecoms sector, Amélie Thomas joined Société Générale in 2006. She held various marketing positions in the French retail banking network before moving to the division that looks after businesses in the Africa-Mediterranean-French overseas territories region (AFMO), where she heads up the SME business market.

As a bank that is fully committed to sustainable development in Africa, Société Générale has made small business development a major strategic focus as part of its Grow with Africa initiative. It has done this in terms of financing, by increasing its African SME loanbook by 60% in five years, but also by helping business projects to structure more effectively. The informal nature of African businesses can make lenders such as banks reluctant to provide financing (absence of a legal entity or a set of financial statements, for example). Structuring SMEs so they are able to submit solid loan applications is a key part of this whole process.

As Aissatou Rassoul Gueye, Head of SME operations in Société Générale Senegal explains, "many support structures participate in the business ecosystem. We are convinced that a multidimensional financial and non-financial approach, in liaison with international players and local business development experts, helps to remove the main obstacles to creating and growing businesses." He adds that "Société Générale Group has also set up structures tasked with providing just such support to SMEs, regardless of whether they are customers or not. These structures are known as "*Maisons de la PME*" (SME centres). This concept is a concrete step in monitoring and financing SMEs. As well as international partnerships (with AFD Group,

> ***"We are convinced that a multidimensional financial and non-financial approach, in liaison with international players and local business development experts, helps to remove the main obstacles to creating and growing businesses."***

Creation of 8 SME support centres on the African continent



Senegal, Guinea, Côte d'Ivoire, Burkina Faso, Ghana, Benin, Cameroon and Madagascar

A ninth SME support centre will soon be opened in **Mozambique**

Bpifrance, Investisseurs & Partenaires, Réseau Entreprendre, etc.), local partnerships (with ADEPME, APIX, Bureau de mise à niveau [local standards office], etc.) are also being forged. These provide accounting and technical know-how (business plans, HR, digitisation, etc.) and legal expertise through advice, training and monitoring. At the same time, Société Générale teams analyse the most appropriate financing solutions for the businesses it partners through all stages in their development. So far, eight *Maisons de la PME* are up and running in Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Guinea, Madagascar and Senegal and a ninth is due to open soon in Mozambique.

SMEs wishing to invest and grow need smooth simple loan application processes and quick replies. Banks must help business people to clearly formulate their requests and demonstrate how the investment will boost their business's development. They must also adapt to the SME's everyday reality and come up with alternative ways of measuring credit risk. →

> **“ *SMEs wishing to invest and grow need smooth simple loan application processes and quick replies. Banks must help business people to clearly demonstrate how the investment will boost their business's development.* ”**

ADAPTING THE CURRENT FINANCIAL SYSTEM TO THE EVERDAY REALITIES OF SME'S

> *“Alongside standard products and services, there are other lesser-known solutions that meet more specific financing needs, such as financing mechanisms for leasing, factoring and reverse factoring.”*

FOCUS
SOCIÉTÉ GÉNÉRALE

Société Générale is one of Europe's leading financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth. With a footprint in 19 African countries, Société Générale Group is uniquely positioned in the region, providing the expertise and know-how of an international bank and the close customer relations of a local bank. In Africa, Société Générale serves the local economy, with 4.1 million customers, including 175,000 businesses.

Financing requirements can be dealt with by traditional products and services. Short-term facilities may be used to cover occasional liquidity shortages and medium- and long-term borrowings for bigger investments.

But other, lesser-known solutions such as leasing may be availed of for more specific needs. Lease arrangements exist for most types of professional equipment (transportation vehicles, industrial equipment, earthmoving machinery, office equipment, etc.). Factoring is another solution that may be used both for pre-financing receivables as soon as they are billed and for securing payment (guarantee against bad debts). We should also mention reverse factoring, which can be used by companies seeking low-interest, pre-financing arrangements and more effective receivables management, as well as various different tailored products and services.

Adapting the existing financial system to the realities of SMEs is absolutely essential. It is all about providing financing solutions that are not based solely on the company's balance sheet, but on a transactional financing approach, coupled with an analysis of the company's business environment and performance risk. As Marc Giugni, Deputy CEO of Société Générale Côte d'Ivoire (SGCI) explains, “SGCI has adopted this approach by developing a dedicated financing "Product Program". The programme currently has four transactional financing products covering operating requirements and it will soon be adapted to include investment-related needs.”

Whenever possible, the provision of a guarantee is an important element for backing up a loan application. Marc Giugni adds that, “our desire to scale up financing of SMEs is also driven by partnerships with development finance institutions (DFIs) as a means of benefiting from risk sharing guarantees”. AFD Group partners many businesses through guarantees provided by Proparco. Indeed, for over ten years, Société Générale has been one of the chief beneficiaries of the ARIZ risk-sharing arrangement to develop corporate financing in Africa and, against the backdrop of the Covid-19 pandemic, we were the first bank to roll out Proparco's Résilience guarantee.

> *“AFD Group partners many businesses through guarantees provided by Proparco. Against the backdrop of the Covid-19 pandemic, Société Générale was the first bank to roll out Proparco's Résilience guarantee.”*

PARTNERING SMES WITH EFFECTIVE AND INNOVATIVE SOLUTIONS

One feature of African businesses is their low equity base. It would therefore seem expedient to forge more partnerships with Panafrican or national public investment funds to enable small businesses with ambitious expansion plans to deploy these plans using equity financing.

The digitisation of flows also plays a key role in business development and has assumed even greater importance during the current pandemic. Banks need to be able to provide customers with effective and innovative solutions for managing their accounts, making inward and outward payments and paying salaries remotely. Remote banking applications are automating certain operations and making businesses more autonomous, reactive and efficient. Mohamed Nazim Bessaih, Head of Société Générale Algeria's business enterprise network, explains that, "to take customer-supplier relations to the next level, we have launched a new B2B payment solution. Businesses can use a mobile app to manage transactions with their partner distributors securely and in real time." At the same time, in certain African countries, YUP, a Group subsidiary, allows businesses to pay its suppliers and employees – regardless of whether they have bank accounts – using mobile money.

An increasing portion of business is now conducted internationally and this requires solutions for safeguarding international cash flows. For example, as Mohamed Nazim Bessaih points out, "the Algerian market is booming and this creates new possibilities for SMEs. Therefore, in 2020, we began providing forward currency contracts that help insulate import-export businesses against FX risk."

Lastly, African women are among the world's most enterprising: almost a quarter set up their own businesses and they produce nearly 65% of the continent's goods. However, only a small minority have access to the financial services they need to grow their projects. It is therefore essential to support these women and help African small businesses to take off. This is why we have chosen to support female entrepreneur programmes such as WIA 54 sponsored by the Women in Africa foundation. So, are women the future of African enterprise?

> ***"The digitisation of flows also plays a key role in business development. Remote banking applications are automating certain operations and making businesses more autonomous, reactive and efficient."***

Entrepreneurs from the diaspora are ramping up innovation-led development in Africa

Ninon Duval, Director, Bond'innov

The African diaspora is a unique resource that must be harnessed. Aside from channelling financial flows back to their countries of origin, thanks to experience acquired abroad and familiarity with the local cultural environment, it helps the Continent's economic growth by creating businesses and stimulating innovation. Media, fintech, sustainable development, services, etc.
Ninon Duval, head of Bond'innov, is helping to showcase the young guns who are blazing an entrepreneurial trail between France and Africa.

AN ARTICLE BY
NINON DUVAL
Director, Bond'innov
Ninon Duval has been director of Bond'innov since 2011. This association is hosted in the IRD Île-de-France centre and fosters innovation projects in France and throughout Europe. Ninon previously worked as an independent innovation management consultant between 2004 and 2011 and she launched and ran the Paris Mentor programme until the end of 2011. She has also helped set up and develop a number of start-ups, including Vegetal Fabric, which was nominated for the *Grand Prix de l'innovation de Paris* in 2011.

Although the African diaspora covers a multitude of realities, like most incubators, Bond'innov looks for a typical entrepreneurial profile for the projects it partners: namely men in their thirties, with a degree and initial high-level professional experience. Thanks to its solid financial foundations and extensive network, it is in a position to take calculated risks in its specialist sphere of innovation. These high-tech entrepreneurs from the diaspora play a key role in providing fresh momentum and changing the image both of the neighbourhoods we work in (knock-on effects and showcasing cosmopolitan neighbourhoods like Bondy where we are based) and of Africa itself. This means that the innovative diaspora – whether in France or in Africa or working between the two – are a major focus for the *Conseil présidentiel pour l'Afrique* (CPA) which was created in August 2017. In a speech he made a few months later in Ouagadougou, French President Emmanuel Macron reiterated his support for entrepreneurs from the diaspora who would "reinvent relations between France and Africa".

> ***"In a speech he made in 2017 in Ouagadougou, French President Emmanuel Macron reiterated his support for entrepreneurs from the diaspora who would "reinvent relations between France and Africa."***

THE AFRICAN DIASPORA INVESTS IN FINTECH

Six million people from the African diaspora live in France, a market that offers multiple business opportunities across many different sectors. For example, online media providing content, films and series to people of African origin is just one of the new sectors in which diaspora entrepreneurs are investing. **Upendo**, a French-based creative media agency with an extensive network of producers in French-speaking African countries, distributes content aimed at millennials from the diaspora. Just one year after launching, this platform has a community of 10,000 subscribers and has clocked up 700,000 views. Another example, **Marodi.TV**, a film production company from the Seine-Saint-Denis department just north of Paris, set up operations in Senegal in 2016 where it produces soap operas such as "*Maîtresse d'un homme marié*" (mistress of a married man) that are a big hit in Sahel countries as well as among the African diaspora.

The fintech sector is also booming and young companies are beginning to provide innovative, high-value added services to the diaspora. These include **Izikare** which allows people living all over the world to take out healthcare insurance for loved ones living in Africa. **Wizodia** helps people from the diaspora to invest in African real estate. Since it set up in 2017 in La Courneuve (Seine-Saint-Denis département) after being incubated at La Miel, it has partnered around a hundred projects, mostly in Côte d'Ivoire. In 2020, its revenue jumped by over 100% to €500,000 in spite of the pandemic and thanks in particular to a venture capital loan from Bond'innov.

With annual remittances totalling nearly US$90 billion a year, the African diaspora is the continent's main economic driver and French-based fintechs, such as the crowdfunding platform **Afrikwity**, use new technologies to channel this investment into productive and innovative projects. This start-up has forged a community of over 5,000 members since it was set up in 2017, partnering the development strategies of more than 30 businesses and helping them access some €10 million in funding. While exchange rate and transfer fees charged by the major networks such as Western Union or Money Gram represent between 10% and 15% of sums transferred between Europe and Africa, a number of start-ups are trying to come up with alternative solutions. For example, the Ugandan neobank **Eversend**, which arrived in France in 2017, claims to provide a service "seven times cheaper and 1,000 times faster" than traditional banks. The **Taptap Send** money transfer app, which is now available in seven European and eleven African countries, has already attracted 100,000 customers since it launched in 2018. Meanwhile the **Particeep** fintech, created in 2013 by Franco-Cameroonian Steve Fogue, is also seeking to harness the digital transformation revolution in the banking sector. This tech platform provides banks, insurers, management companies and their distribution networks with turnkey, own-brand solutions for marketing their financial products and services online.

> ***"The high-tech entrepreneurs from the diaspora play a key role in providing fresh momentum and changing the image both of the neighbourhoods [in France] and of Africa itself."***

TACKLING SUSTAINABLE DEVELOPMENT CHALLENGES WITH INNOVATION

French-speaking countries, with 300 million people throughout the continent of Africa, represent another major opportunity for entrepreneurs from the North and West African diasporas. The Ivorian entrepreneur Youssouf Ballo teamed up with the French legal services platform Legal-Start in 2018 when he founded **Legafrik** to provide low-cost, on-line legal assistance and formalities. As the business start-up market is particularly buoyant in certain French-speaking African countries, with annual growth in excess of 30%, Legafrik targeted 17 member countries of the Organization for the Harmonization of Business Law in Africa (OHADA).

The Cameroonian entrepreneur Duplex Éric Kamgang has targeted the market providing bank guarantees for French-speaking students wishing to obtain a visa to study in France. **Studely**, the start-up he launched in 2016 in Puteaux (Hauts-de-Seine), quickly grew into a firm that employs over 100 people (including 80 in Africa), with operations in 15 African countries, annual revenues of €1.3 million and €50 million under management. In just three years, Studely helped some 7,000 African students to come to study in France. This helps tackle a key French government priority, especially after France fell from third to fourth place in 2015 on the list of most attractive countries for foreign students.

Many entrepreneurs of African origin are also focusing on impact projects that offer new solutions to sustainable development challenges in the fields of healthcare, job creation, agriculture or education.

One of the most successful of these is the **Maison Château Rouge** label created in 2015 in Paris' "African village". Youssouf Fofana, its founder, wanted to procure work for his friends but he was able to surf on the wave of European enthusiasm for African fabrics and motifs to successfully make the transition into fashion design, producing fashion accessories in his native region in Senegal and selling them both online and in prestigious European stores.

The Franco-Burkinabè company, **Tôtô Riibo**, founded by Geogina Dansou, was awarded the 2020 Prix Orange for social entrepreneurship in Africa and the Middle East (POESAM). It provides an online ordering and delivery service for meals prepared by women in the informal sector for businesses around Ouagadougou, thus helping with the economic emancipation of these local women. In less than three years, the start-up has brought together a number of partner restaurants, delivered over 3,000 meals to four businesses in the Burkina Faso capital and generated dozens of local jobs.

FOCUS
BOND'INNOV

Bond'innov has been partnering entrepreneur acceleration programmes for the past ten years. The association has also developed tools that help promising start-ups in France and Africa to get off the ground using free and inclusive financial arrangements. Bond'innov liaises with African incubators and innovation ecosystems that place the African diaspora at the heart of projects.

> *“Many entrepreneurs of African origin are also focusing on impact projects that offer new solutions to sustainable development challenges in the fields of healthcare, job creation, agriculture or education.”*

In the agriculture sector, the collaborative **Reverdir le monde** programme, an initiative of Saiffallah Ben-Youness' French-based company **Biomanity**, markets water retaining agents for use in agricultural cycles. This project tackles sustainable development challenges related to access to resources and improving the incomes of African farmers. Reverdir is trying to bring together farmers organisations to provide these resources to 100 million farmers by 2030. Claude Arsène Savadogo provides us with another example in the agricultural sector. This agronomy research graduate who studied in Montpellier has set up **Bioprotect** in Burkina Faso along with a French partner to produce and market organic fertilizers and give advice on the use bio-chemicals to farmers in the Sahel region.

However, while each of these start-ups illustrates one of the many facets of the dynamism of the African diaspora in developing innovation-based products and services, they remain fragile initiatives, dependent on both the French and African business environments. Therefore, enterprise support programmes such as the Meet Africa and Pass Africa public initiatives, together with capacity building and financing programmes remain of crucial importance as these start-ups are highly risky ventures in terms of creation, innovation and internationalisation. Additional support measures could include increased participation from the diaspora in enterprise governance for decision-makers and public donors. Commitments similar to those enshrined in the American Small Business Act, but reserved for diaspora businesses to encourage Franco-African firms to bid for public procurement contracts that provide innovative solutions would also be an effective means of strengthening these small businesses. Lastly, developing mobility programmes and partnering ecosystems to support innovation between Africa and the Old Continent would provide this international enterprise network with both fluidity and continuity.

> ***"Enterprise support programmes such as the Meet Africa and Pass Africa public initiatives, together with capacity building and financing programmes remain of crucial importance as these start-ups are highly risky ventures."***

SMEs: engines for the recovery in Africa

At the heart of Africa's economic fabric

African MSMEs play a key role in job creation and economic growth.

IN AFRICA **90%** OF COMPANIES ARE MSMES

They account for **60%** of employment

and contribute **40%** of GDP

In Europe

SMEs

65% of companies

In the USA

SMEs

53% of companies

Source: LSEG Africa Advisory Group, "The Challenges and Opportunities of SME Financing in Africa", 2018

MSMEs: pillars of professional integration

African MSMEs are essential for ensuring sustainable growth and providing employment for the 450 million young people who will enter the labor force over the next 30 years.

BY 2050

+450 million *young Africans* ON THE LABOR MARKET

Source: Source: World Bank, 2017

African start-ups: a booming ecosystem

There are a growing number of African start-ups in all sectors, with impressive amounts of funds raised.

According to Partech International, in 2019, before the health crisis, over USD 2bn had been raised, in particular in Nigeria, Kenya, Egypt and South Africa.

Financial inclusion and education are among the most dynamic sectors.

USD 2bn RAISED IN 2019

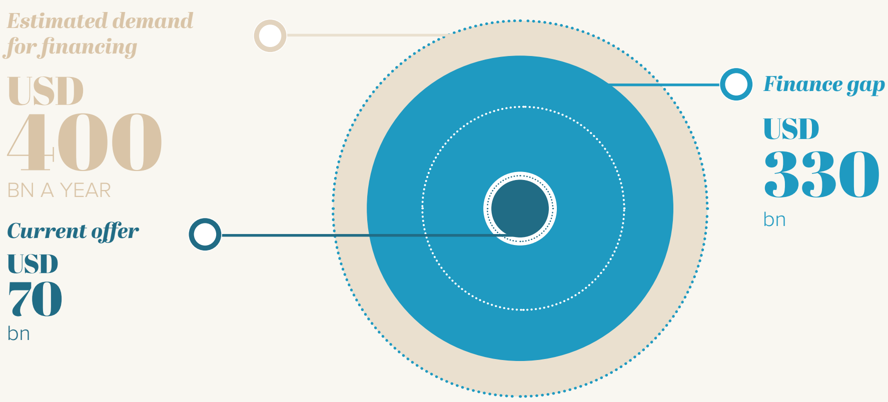
+74% COMPARED TO 2018

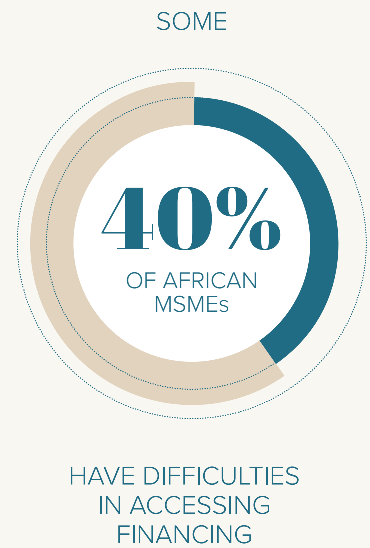
Source: Partech Africa Annual Report, 2020

Access to financing: the weak link in entrepreneurial success

According to estimates by the International Finance Corporation (IFC), small and medium-sized enterprises in Sub-Saharan Africa face a financing shortfall of some USD 330bn a year.

According to a study conducted by Investisseurs & Partenaires, some 40% of African MSMEs say that accessing finance is a "major constraint to their growth".





Sources: Investisseurs & Partenaires (I&P), "Investing in Africa's Small and Growing Businesses, an Introduction to Equity Investment in Africa", 2015. SME Finance Forum, "MSME Finance Gap Database", 2018

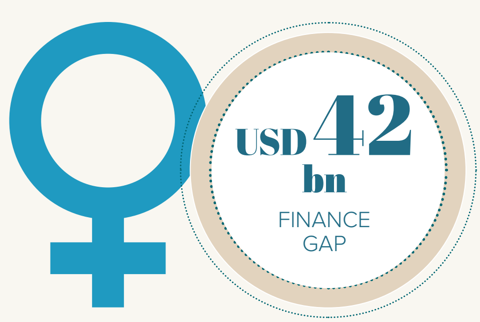
The size of African companies: the main factor for access to bank credit

Access to bank lending services	MICROENTERPRISES (less than 20 employees)	Medium-sized SMEs (between 20 and 99 employees)	Large SMEs (over 100 employees)
In Sub-Saharan Africa	20%	30%	40%
In Asia and Latin America	30%	50%	65%

Source: Agence Française de Développement (AFD), Why SMEs Default in Sub-Saharan Africa: The Example of ARIZ, Study Report, 2018

Obstacle course for women entrepreneurs

According to International Finance Corporation (IFC) data, SMEs run by women in Sub-Saharan Africa suffer from a financing shortfall of USD 42bn.



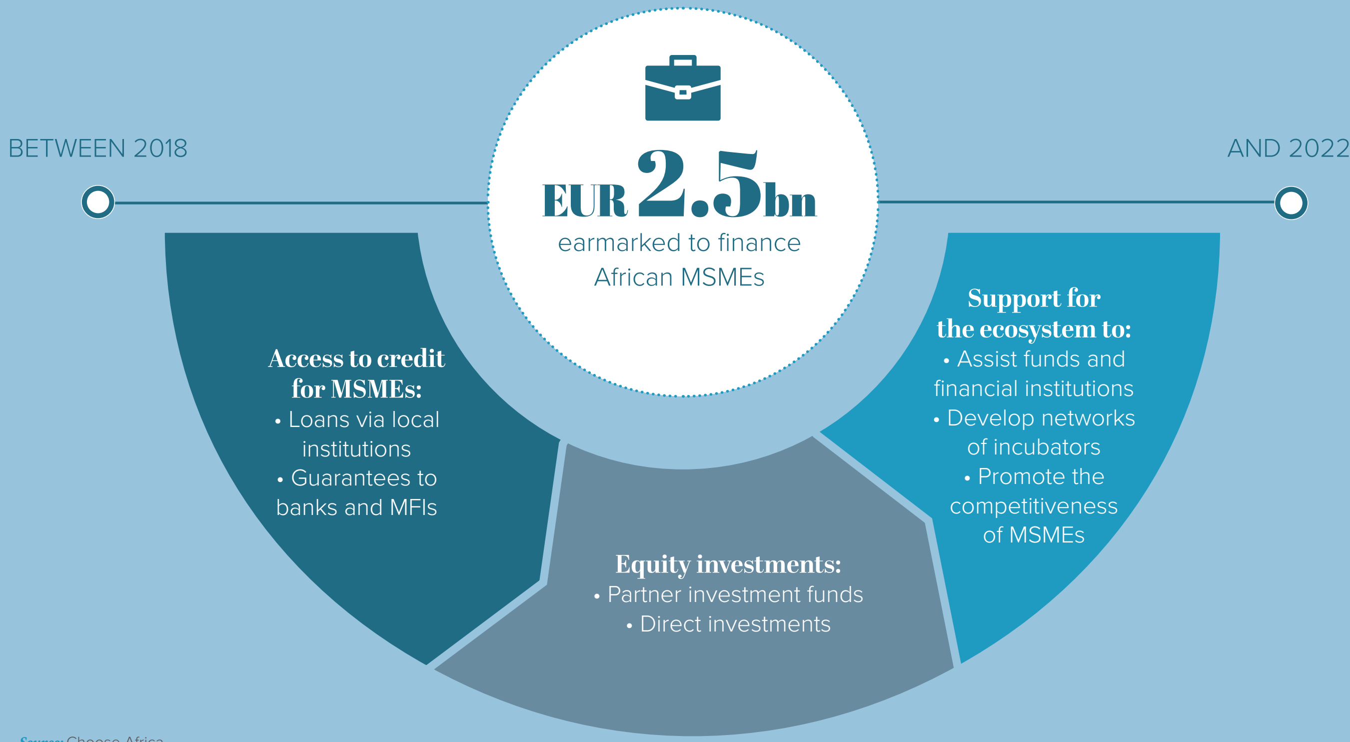
Source: IFC, "MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets", 2017

Choose Africa initiative supports African entrepreneurship

Since 2018, the Choose Africa initiative (AFD Group) has been accelerating the growth of MSMEs and start-ups

The Choose Africa initiative fulfils the commitment made in Ougadougou by the French President, Emmanuel Macron, to support the revolution in entrepreneurship and innovation in Africa.

Through AFD Group, France has committed EUR 2.5bn for 2018-2022 for African start-ups and MSMEs.



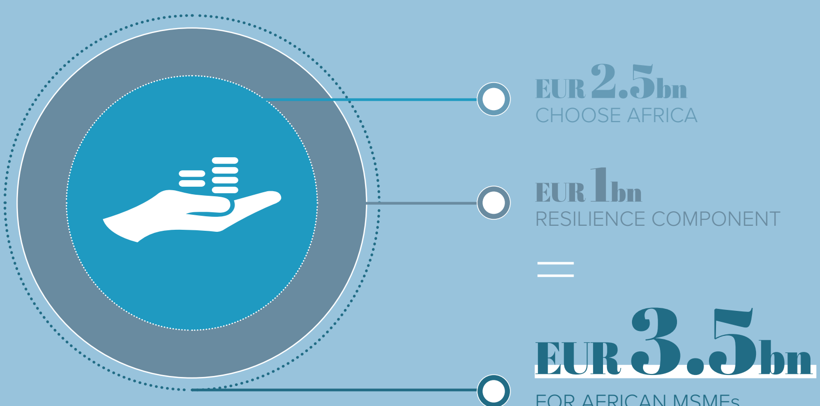
Source: Choose Africa

In response to the pandemic, the Choose Africa initiative has been developed with a "Resilience" component

African MSMEs have been hard hit by the economic consequences of the Covid-19 pandemic. This crisis is exacerbating the difficulties they have in accessing financing.

It is for this reason that AFD Group has added a new "Resilience" component to the Choose Africa initiative, with an additional budget of EUR 1bn.

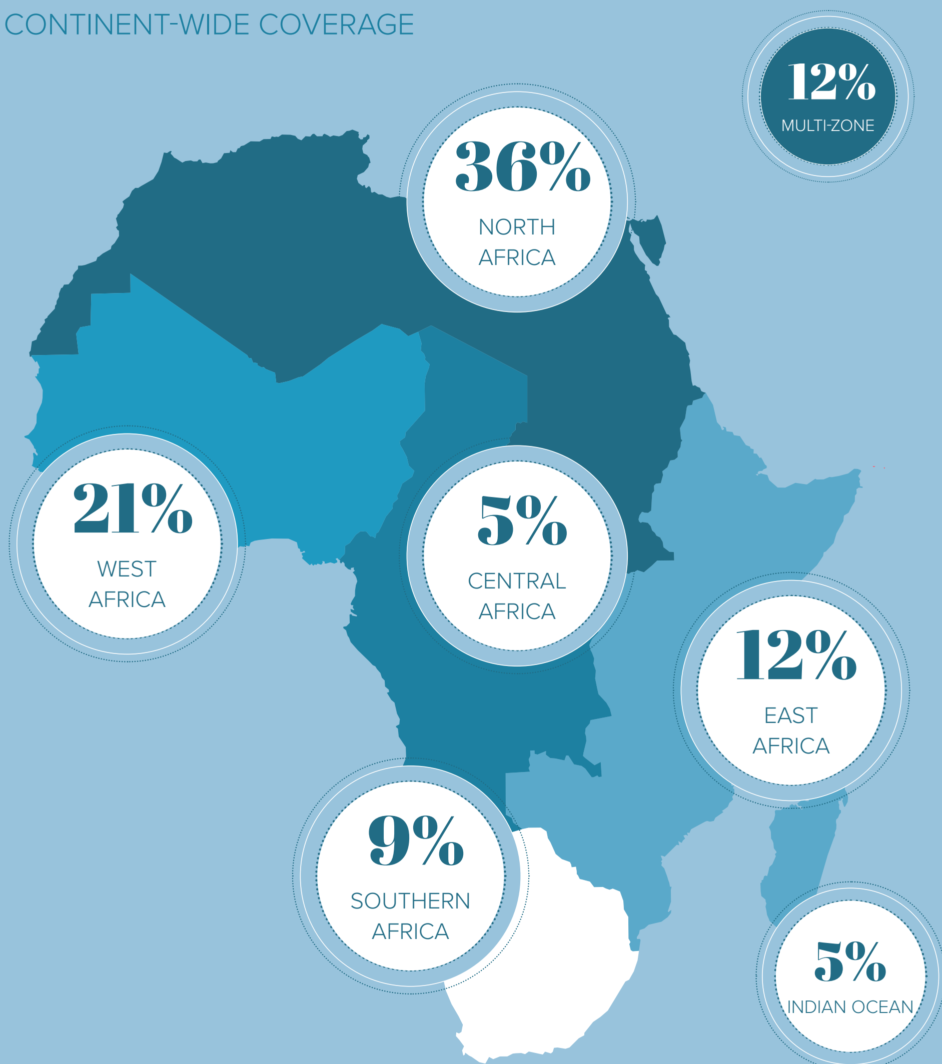
This new mechanism comprises tools for loans, guarantees, equity investments and technical assistance tailored to the crisis situation.



Source: Choose Africa

Achievements of the Choose Africa initiative at April 30, 2021

CONTINENT-WIDE COVERAGE



Source: Choose Africa

EUR 2.4bn
OF FINANCING COMMITTED:

- **EUR 2bn** for access to credit for MSMEs
- Some EUR **400m** of investments in start-ups and SMEs

For over **16,000 companies** and several tens of thousands of microentrepreneurs.

Source: Choose Africa

Choose Africa Resilience is stepping up its support to MSMEs

BETWEEN JULY 2020 AND JUNE 2021,

EUR 490m

OF FINANCING WAS COMMITTED UNDER THE **CHOOSE AFRICA RESILIENCE** INITIATIVE.

Source: Choose Africa

"The continent is beginning to create an enabling environment for technology innovation to thrive"

Interview by Proparco's Communication and Marketing Department

Nigeria's Co-creation Hub (CcHub) is one of the county's leading technology, innovation and preincubation spaces. It is a place for technologists, entrepreneurs, the Government, tech companies, and impact investors in and around Lagos – and beyond – to create new solutions for many countries in Africa. For CEO, Bosun Tijani, infrastructure and collaboration beyond geographical borders will catalyse the growth of Africa's technology ecosystem.

FOCUS
CCHUB
Co-creation Hub (CcHUB) is an innovation centre dedicated to accelerating the application of social capital and technology for economic prosperity. Located in Yaba, a district of Lagos, Nigeria, CcHub was founded in 2010 by Bosun Tijani and Femi Longe. It provides a platform where technology-oriented people share ideas on how to solve social problems. In 2019, CcHub – which has supported over 150 startups since its creation – announced the acquisition of iHub, their largest counterpart in East Africa.

PRIVATE SECTOR & DEVELOPMENT: WHAT IS YOUR INVESTMENT STRATEGY?

Bosun Tijani: Our vision is to create a robust platform that is capable of attracting the best resources, including partnership resources, to accelerate technology and innovation for economic prosperity across Africa. We forge sustainable partnerships with key stakeholders across numerous sectors and collaborate successfully with governments and global partners to build the innovation ecosystem in Nigeria and Africa, thus directly affecting millions of lives. We are constantly seeking out individuals and teams with extraordinary ideas that could solve challenges and local issues faced, and support them in building prototypes, which are tested in the market for relevance. This painstaking approach to nurturing ideas and mentoring their proponents ensures that we have a thorough vetting process for advancing ideas to seed stage ventures.

HOW DO YOU EVALUATE THE GROWTH POTENTIAL OF EACH STARTUP INCUBATED BY CO-CREATION HUB?

We have a founder and thesis-driven approach, and this helps us to select companies that tick the boxes of our investment criteria. We look at the team and ask pertinent questions about their experience, technical capacity, understanding of the problem they are looking to solve, and ability to iterate and evolve their approach if it is not working, essentially to pivot to something better.

In terms of thesis, we consider the market size of the opportunity, how scalable the solution is, and its possible network effect. We assess interest and customer validation. And we determine the unit economics of the industry and the potential of the company to improve on this through innovative value-added solutions. We provide support around four core pillars – people, product, distribution, and funding. These guide us in unlocking the potential of the companies that come into our programs.

WHAT ARE THE MOST PROMISING TECH SUBSECTORS IN AFRICA, PARTICULARLY IN NIGERIA?

I think the continent is beginning to consciously create an enabling environment for technology innovation to thrive. We have seen this from the commitment and support from local and international organizations. There has been significant attention from investors – in developed and emerging markets – around the world paid to Fintech startups particularly, which shows that Africa's tech scene is being taken seriously. However, there are sectors such as Transportation and Logistics, HealthTech, EdTech and AgriTech that are also steadily piquing local and global interest.

MANY AFRICAN STARTUPS OFTEN STRUGGLE TO ACCESS BANK FINANCING. DO YOU SHARE THIS OBSERVATION?

Yes, access to bank loans has been a challenge for businesses in the past, an occurrence that has been made worse by harsh economic realities and barriers such as a lack of transparency, poor financial reporting, absence of clear strategies by governments to support the development of startups, among others. This makes it difficult to secure funding. This has led to startups seeking funding and validation from Venture Capitalists in emerging markets.

THE TECHNOLOGICAL ECOSYSTEM IS STILL YOUNG IN AFRICA. IN YOUR OPINION, HOW CAN MOST INNOVATIVE STARTUPS BE SUPPORTED MORE EFFECTIVELY UNTIL THEY REACH MATURITY?

Infrastructure and collaboration beyond geographical borders will catalyse the growth of Africa's technology ecosystem. We need to pool our collective resources as individuals, institutions and groups to develop an innovative digital infrastructure across the continent. Doing so will enable us to build the Africa we all want to see. This was why we launched the CcHub Syndicate (see below). The CcHub, the CcHub Syndicate, and the Social Connectedness Index (SCI) Trade Opportunity Index all leverage the African Continental Free Trade Area (AfCFTA), an African Union initiative, launched in January 2021.

WHAT WILL THE MAIN BUSINESS OPPORTUNITIES BE FOR AFRICAN START-UPS IN THE COMING YEARS?

With the launch of the African Continental Free Trade Area (AfCFTA), there will be unlimited opportunities to accelerate and boost Africa's trade potential for companies across the continent. With trade commencing at the beginning of this year, AfCFTA is the largest of its kind in the world in terms of the number of participating countries, after the formation of the World Trade Organization. This is why we consolidated our effort by creating a platform called the Social Connectedness Index (SCI) Trade Opportunity Index, to help drive trade flows under AfCFTA. The aim was to support not just African startups, but also individuals looking to do business between countries in the years to come.

FOCUS
CCHUB SYNDICATE

In December 2020 the CcHub Syndicate was launched. This is an investment vehicle empowering investment firms and high net worth individuals (HNWIs) all over the world to co invest alongside the CcHub in the most innovative companies across Sub-Saharan Africa. It aims to accelerate the growth of early-stage ventures delivering value-adding services and products to the African market at scale. Across the continent, CcHub has a network of over 150 startups that can trace their roots to its various programmes and interventions, and the launch of the CcHub Syndicate aims to scale up this impact.

How the Mauritian CIEL Group is broadening its African horizon

By Proparco's Communication and Marketing Department

CIEL Group operates in a number of sectors, including financial services, health and textiles, and is one of the leading economic players in Mauritius. This performance is linked to its activities in a number of African countries where the family-controlled group is implementing a regional and sustainable development strategy, despite the impact of Covid-19. Here are a few explanations from Jean-Pierre Dalais, its Chief Executive Officer.

FOCUS
CIEL GROUP

CIEL is an investment group based in Mauritius with a history stretching back more than a century. With strong family values, it is continuing its development in Africa based on six strategic sectoral focuses: agriculture, textiles, financial services, the hotel industry, real estate and health services. Through its various subsidiaries and investments, CIEL has over 32,000 employees in Mauritius, Africa and Asia.

CIEL Group is more at home than ever in Africa, with a firmly established foothold in Mauritius, its country of origin, and another in Madagascar, Tanzania, Uganda, Kenya and Nigeria.

This international conglomerate thereby "spans" Africa, where it generates 80% of its turnover, which stood at some EUR 500m in 2020. "We employ about 25,000 people there",[1] says Jean-Pierre Dalais, its Chief Executive Officer, at the group's headquarters near Port-Louis. "Africa is one of our main markets. It's also our future. It's the part of the world that will experience the highest population growth between now and 2050."

CIEL IS CONTINUING ITS OFFENSIVE IN ITS HISTORICAL MARKETS

Young, resilient, innovative… The continent has many things to offer and an entrepreneurial ecosystem experiencing a boom. Africa is at the cutting edge in a number of technological and financial sectors, with new start-up incubators and accelerators emerging everywhere – see the interview of Bosun Tijani, co-founder of the Nigerian CcHub incubator, page XX. "This capacity for entrepreneurship will promote the emergence of innovative SMEs and start-ups which will create the Africa of tomorrow", says Jean-Pierre Dalais. "It's very stimulating. We're Mauritian and therefore African. This dynamic is one of the main drivers of our development strategy."

CIEL Group intends to support this momentum. To do so, it will continue its investments in its historical markets, especially in Madagascar, where it has been operating since 1989, and East Africa. Its new roadmap, which outlines the prospects for its activities in the coming years, also lays out plans to strengthen its local partnerships. For Jean-Pierre Dalais, this point is crucial. "Africa is multifaceted. Local specific conditions remain strong." Management culture, political context, public governance… There are often contrasting realities in the field. This means that each country and region has its own business environment. "It is therefore essential to be able to rely on a network of experienced

1 For its activities related to textile manufacturing, CIEL Group operates in India and Bangladesh, where it employs 7,000 people.

partners that can understand these realities", he says. The high volatility of local currencies and difficulty in accessing competitive loans due to the credit risk are other points that require vigilance.[2] "Financing is a real challenge, including for a group of our size", says its CEO, adding: "For example, interest rates remain very high in most emerging countries in East Africa."

HEALTH SERVICES: THE KEY GROWTH DRIVER FOR THE MAURITIAN GROUP

> *The rate of use of the banking system in Sub-Saharan Africa remains low at about 10%. For example, we have identified major needs in mobile banking.*

However, the entire continent does offer an increasingly stable and uniform business environment. Every year, it attracts some USD 45bn of foreign direct investments.[3] For CIEL Group there are still many opportunities to be seized. "Our strategy aims to promote inclusive short circuits so that we can reach as many local users as possible", says the manager. This is particularly the case in the financial services sector where CIEL is now a key player. "The rate of use of the banking system in Sub-Saharan Africa remains low at about 10%. For example, we have identified major needs in mobile banking", says Jean-Pierre Dalais. The CIEL FInance subsidiary is already the majority shareholder of BNI Madagascar, after the buyout of the shares of Crédit Agricole. The Group invests in private equity in a number of East African countries. CIEL Finance also has other subsidiaries, including IPRO and MITCO, which operate in Mauritius, Botswana and South Africa.

The Group also expects an increase in activity in the health sector. Its subsidiary CIEL Healthcare is a leader in the hospital market in Mauritius and Uganda and is gearing up for new operations when opportunities arise. "The Covid-19 pandemic has revealed the fragility and disparity of African public health systems", says Jean-Pierre Dalais. Yet in a number of African countries, it is the private sector that most often provides a response to the growth in demand for healthcare from people. "Africa's middle class now wants to have access to high-quality private healthcare. We are seeking to extend our range of services in growing markets, particularly in English-speaking Africa."

There is the same consolidation strategy in the Group's other sectors of activity. Agribusiness, textiles, tourism…: CIEL is active on all fronts despite the impact of the health crisis. "2020 was complicated. It was as if we had climbed Kilimanjaro several times. We had to be resilient", says the manager, before concluding: "But we're stronger today. In Mauritius, we are also fortunate to benefit from a Special Economic Zone (SEZ), as well as special agreements with certain African countries. This is extremely valuable."

2 ▸ See also "Credit Risk and Bank Competition in Sub-Saharan Africa", Bank of France (2018).
3 ▸ Source: "World Investment Report", UNCTAD (2020). This report does not take into account the impact of Covid-19 on these investments.

Index Up40: the network of French start-ups focusing on African markets

Interview by Proparco's Communication and Marketing Department

Launched in 2016 by Medef International, Index Up40 brings together French start-ups operating in Africa. It has become a key network that facilitates synergies and supports French entrepreneurship on African markets. Here is some analysis and feedback from the managers of three of its members: CityTaps, Baloon and LAFAAAC.

FOCUS
INDEX UP40

Index Up40 is a community of French start-ups operating in Africa, supported by Medef International. Their common points: a headquarters in France and a turnover of less than EUR 10m, with a third generated in Africa. The objective of this "index" is to provide project initiators with the tools they need to develop their business in Africa, as well as to benefit from Medef International's network. More than a dozen sectors of activity are represented in this community (renewable energies, fintechs, logistics, etc.) in some 30 African countries.

PRIVATE SECTOR & DEVELOPMENT: YOU ARE MEMBERS OF MEDEF INTERNATIONAL'S INDEX UP40, WHICH BRINGS TOGETHER FRENCH START-UPS SEEKING TO POSITION THEMSELVES ON THE VARIOUS AFRICAN MARKETS. WHAT ARE THE ADVANTAGES OF THIS NETWORK?

Grégoire Landel (CityTaps): This network makes it possible to benefit from Medef's services (conferences, meetings, business trips, etc.) which can be difficult to access for small structures like ours. It's also a customized program, designed and developed for us. It responds to our needs and time frames, which are not the same as for large groups. This really helps.

Bertrand Vialle (Baloon): Doing business in Africa is very specific. Index Up40 helps us share common issues on the logistical or administrative aspects that are further complicated by the health crisis. This network also facilitates the creation of synergies by allowing us to meet political leaders and major business leaders operating in Africa.

Olivier Pascal (LAFAAAC): With Index Up40, we have the opportunity to regularly meet large companies and international institutions. I also find that being able to discuss business opportunities and good practices is extremely positive… This is especially important because internationally, and especially in Africa, it's quite common to be faced with often unusual and specific difficulties.

WHAT IS YOUR OPERATIONAL STRATEGY IN AFRICA?

Bertrand Vialle (Baloon): As soon as we launched Baloon, in 2017, we wanted to operate in several African countries. So, we opened offices in Côte d'Ivoire, Senegal, Cameroon, Niger and Gabon. This rapidly allowed us to promote our experience as a pan-African digital broker. We're now planning to start operations in the Maghreb region and English-speaking Africa.

Olivier Pascal (LAFAAAC): We offer a solution for training in creative industries using a mobile application. One of the strong points of this digital solution is that it's suitable for distribution in a number of markets. However, we're fully aware of the marked cultural and economic differences in African countries. This is why in the short term, we're focusing on

developing in three West African countries: Côte d'Ivoire, Senegal and Nigeria.
Grégoire Landel (CityTaps): Our solution improves relations between subscribers to a water service and operators by allowing households, including the poorest, to pay as they consume running water. This solution is only developed for developing countries. Our entire business strategy therefore focuses on these countries, especially Niger and in East Africa.

> *"We're fully aware of the marked cultural and economic differences in African countries. This is why in the short term, we're focusing on developing in three West African countries: Côte d'Ivoire, Senegal and Nigeria."*
>
> Olivier Pascal (LAFAAAC)

ACCORDING TO THE LATEST EY FRENCH VENTURE CAPITAL SURVEY, FRENCH TECH HAD VERY GOOD RESULTS IN 2020 WITH A RECORD AMOUNT OF FUNDS RAISED. DO YOU BENEFIT FROM THESE DYNAMICS?

Olivier Pascal (LAFAAAC): It's even more true for the EdTech sector which we are in. It's proved its usefulness during the Covid-19 crisis. Many users have got to grips with new e-learning tools. These dynamics are demonstrated by the fact that we've joined the Alliance for Impact acceleration program supported by Aviva, La Ruche Développement and the Ventech fund. One of the key stages in this program is the fundraising drive we're launching this spring.[1]
Bertrand Vialle (Baloon): We've taken advantage of this interest in impact tech by investors by finalizing a EUR 1.8m fundraising drive in June 2020. We're also in the due diligence phase with several funds for an amount exceeding EUR 3m. This will make us the main digital insurance broker platform in Africa.
Grégoire Landel (CityTaps): The institutional impact investors we've convinced to support us (with an appetite for the objectively complex type of project we implement) are based abroad, in particular in the UK, Singapore and Monaco.

THE AFRICAN START-UP ECOSYSTEM IS HARD HIT BY THE COVID-19 CRISIS. HOW IS IT AFFECTING YOUR ACTIVITIES?

Grégoire Landel (CityTaps): Since the onset of the crisis, it's been very difficult for us to go into the field and our clients are themselves sometimes in lockdown (in Kenya, for example), which has an impact on our business activity. Furthermore, our clients – water operators – are in a critical financial situation. They no longer have the means to invest. But this crisis may also open up opportunities. We've identified Kenyan and Zambian banks that are interested in financing our solution through their lending activity.
Bertrand Vialle (Baloon): The Covid-19 pandemic would appear to be affecting African people less than we initially feared, which I'm very pleased about.
However, in the countries where we operate, it's had a real impact on the purchasing power of households, which have been hard hit by the restrictions imposed. But this has not affected the growth in our turnover. On the contrary, the crisis is increasing consumers' appetite for digital services and encouraging them to be better insured. →

1 ▸ This interview was conducted in April 2021.

FOCUS

BALOON

Baloon is an insurtech that facilitates access to insurance in French-speaking Africa. It uses a full online subscription platform that allows private individuals to take out insurance securely and transparently, with just a few clicks, using their mobile phone or a computer. Launched in Côte d'Ivoire in November 2017, Baloon now operates in four other Sub-Saharan African countries (Cameroon, Gabon, Niger and Senegal). It has 80 employees and 15,000 clients.

CITYTAPS

CityTaps reconnects disadvantaged populations with water operators, by offering a prepayment solution using mobile money. Subscribers can prepay their consumption using their phone, choosing the amount. It allows them to manage their budget for the consumption of high-quality water up to 100 times cheaper than alternative offers. CityTaps also offers water operators that are unable to bear the cost of the initial investment a leasing model with private investors, whose payments are secured by the digital fees paid by subscribers.

LAFAAAC

LAFAAAC is a digital training platform accessible via a mobile application. It offers vocational training courses tailored to needs in Africa. They are technically and financially directly accessible in the pockets of 300 million learners in Africa. This platform today targets professionals and entrepreneurs from creative industries in Africa.

WHAT ARE THE PROBLEMS WITH ACCESS TO AFRICAN MARKETS FOR A FRENCH START-UP?

Grégoire Landel (CityTaps): We're often faced with slow procurement procedures and a shortage of equity financing on the part of water operators. This can hamper our deployment in certain African countries.

> *"We're often faced with slow procurement procedures and a shortage of equity financing on the part of water operators. This can hamper our deployment in certain African countries."*
>
> Grégoire Landel (CityTaps)

Bertrand Vialle (Baloon): It's essential to have the right network, the right codes with the right people locally. This is one of the main aspects of the markets we're eyeing up. You have to be able to be supported by an African team and really take into account the specific aspects (which are often complex) of local recruitment.
Olivier Pascal (LAFAAC): For us, Africa is much more than a market. From the design to the production of our training courses, we want to include African experts in the objective of offering specific training, conducted with and for local people. It's a partnership-based and inclusive approach, which is essential for our development and the sustainability of our structure.

ARE YOU SENSITIVE TO LOCAL CURRENCY FLUCTUATIONS?

Grégoire Landel (CityTaps): Not in the CFA franc zone. But this is the case in other African countries where currencies are extremely vulnerable. I have Zambia and Malawi in mind, and even Kenya where I'm not aware of any Treasury instruments that would help companies protect themselves from exchange risks.
Olivier Pascal (LAFAAC): Yes, especially in Nigeria. Even if there's a risk on our revenue, we limit the impact by the fact that a significant proportion of our production costs for training content are generated on the spot, with all our training adapted to the local context or produced locally.
Bertrand Vialle (Baloon): The countries where we operate are all in the CFA franc zone and members of the Economic Community of West African States (ECOWAS) and Economic Community of Central African States (ECCAS), which ensure monetary stability in the Sub-Saharan region.

IN AFRICA, IT IS ESSENTIAL TO FIND A GOOD LOCAL PARTNER. IT IS OFTEN A KEY FACTOR FOR SUCCESS. DO YOU SHARE THIS VIEW?

Bertrand Vialle (Baloon): Especially for a French start-up! In Africa more than anywhere else, it's essential to find a local partner and it helps open doors. This is why we value our partnerships with the largest insurance companies on the market, as well as with Total, Orange, MTN and Jumia, which are completely integrated into the local environment. This reassures our clients. We also work with a number of local start-ups specialized in means of payment, logistics, etc., which we integrate into our ecosystem.

Grégoire Landel (CityTaps): I fully agree with this observation and I would extend it to other parts of the world without hesitation. In our countries of operation, we've identified operators, representatives and distributors. It's absolutely essential. A French entrepreneur arriving on these markets with the vision of a uniform Africa, without using these local intermediaries, would most likely be heading straight for disaster.

Olivier Pascal (LAFAAAC): It's especially true for us as we're seeking to adapt our content with local experts, with trusted partners with whom an "industrial" approach is therefore essential. And this, of course, facilitates our business development. For example, without our partner Wazobia in Nigeria, we wouldn't have been able to grow there so quickly. We were very lucky.

WHAT ADVICE WOULD YOU GIVE TO A FRENCH START-UP SEEKING TO OPERATE IN AFRICA?

Grégoire Landel (CityTaps): You must first ensure that the products on offer meet a real need on the ground and and become aware of the diversity of business and regulatory environments, etc. I also think it's wise to avoid any "pan-African" commercial policy. For example, a product that works in Egypt might not sell in Mali, Uganda or elsewhere.

Olivier Pascal (LAFAAAC): Africa offers extraordinary opportunities for those who know how to seize them. However, it's important to integrate certain characteristics that are specific to this continent where the perception of time isn't the same as in Europe. Finally, the notion of a win-win partnership is essential there.

Bertrand Vialle (Baloon): It's essential to draw on African experts, recruit local teams, be familiar with the infrastructure network and aware of certain recurring constraints (difficulty of access to electricity and the Internet network, political instability in certain countries, etc.). But it's an absolutely incredible human and entrepreneurial adventure!

> *"It's essential to have the right network, the right codes with the right people locally. You have to be able to be supported by an African team and really take into account the specific aspects (which are often complex) of local recruitment."*
>
> Bertrand Vialle (Baloon)

Ange Frédérick Balma highlights LiFi on both sides of the Mediterranean

By Proparco's Communication and Marketing Department

At the head of Lifi-Led start-ups in Abidjan and Sinilux in Aix-en-Provence, the Ivorian entrepreneur Ange Frédérick Balma uses LiFi technology to market light as a wireless communication service. In addition to lighting and connecting rural areas, his solution integrates a number of related services to contribute to the emergence of smart and sustainable cities.

FOCUS
LIFI TECHNOLOGY
When an electric current is applied to an LED bulb, a flow of light (photons) is emitted by the bulb and opens a bandwidth able to transmit all types of data compatible with smartphones and computers. LiFi (Light Fidelity) therefore refers to a light-based wireless communication technology.

Two for the price of one: lighting and connecting Africa using light. The start-up Lifi-Led Côte d'Ivoire, which was set up in 2014 in the free zone of Vitib in Grand-Bassam, is the first operator to market LiFi technology in Africa. Ange Frédérick Balma, its founder and CEO, has taken up the challenge of generating electricity in rural areas and connecting these remote territories to broadband Internet based on an eco-responsible approach. To do so, this electrical IT engineer (a graduate of the ESEO engineering school in Angers) has developed an LED lamp with LiFi technology powered by solar panels to transmit an Internet signal from a satellite connection. The system is completed by a local server that can also disseminate educational and agricultural content.

A GREEN, CHEAP AND HEALTHY SOLUTION SOLUTION

It is a crucial challenge: half of Africa's population still does not have access to energy, i.e. 620 million inhabitants, including almost 80% in rural areas. "With Lifi-Led, we are players in the Internet revolution through light," says Ange Frédérick Balma. "We have the ability to serve white areas both with electricity and connectivity, but also to transform urban areas into sustainable cities. Our plan is to offer solutions to market lighting as a wireless communication service." And, as the young 40-year-old points out, LiFi offers many advantages: "Our solution without an electromagnetic wave is a green technology that respects health and the environment. It is also cheap and ten times faster than WiFi." Another major advantage is that: "By installing a connectivity similar to what is found in cities, we are combating the exodus of young people which drains the workforce of rural areas and increases poverty in urban areas." If LiFi is increasingly standing out as a technological solution for the future, it is also

> *"By installing a connectivity similar to what is found in cities, we are combating the exodus of young people which drains the workforce of rural areas and increases poverty in urban areas."*

because it provides a response to sustainable development objectives. It is for this reason that AFD Group supported a village electrification project in Côte d'Ivoire in late 2018.

The adventure started in 2011 on a family-run cocoa plantation located in Toadji, over 400 km from Abidjan. Ange Frédérick Balma stayed in this village with no electricity or network for two weeks. "It made me aware of the difficulties of people in rural areas and the real problems they have on a daily basis," he says today. And this experience triggered something. Three years later, in October 2014, while he was Chairman of Groupe Alliance which he set up in 2008, he created the start-up Lifi-Led with three objectives: supply electricity and broadband connectivity, as well as educational and agricultural content in remote villages. After three years of R&D, a prototype for a pole was developed to supply energy and a broadband connection. Following a successful test using his own funds in 2017 in the Ivorian village of Drongouiné (5,000 inhabitants), Ange Frédérick Balma's company installed some 500 kits in remote villages in the country, with financing from the African Development Bank (AfDB) and United States Agency for International Development (USAID). At the same time, the entrepreneur strived to raise funds and conquer markets in West Africa and beyond. And this activism rapidly paid off. In addition to Côte d'Ivoire, Lifi-Led has already won contracts in some ten African countries: Senegal, Burkina Faso, Madagascar, Morocco, Central African Republic, Liberia, the Comoros and Gabon.

"In addition to Côte d'Ivoire, Lifi-Led has already won contracts in some ten African countries: Senegal, Burkina Faso, Madagascar, Morocco, Central African Republic, Liberia, the Comoros and Gabon."

THE START-UP WILL CONNECT 100,000 HOUSEHOLDS IN GABON

In Gabon, in late 2020, the start-up won a contract to connect 100,000 households living in rural areas. Due to the size of the contract, Ange Frédérick Balma is going to build a kit manufacturing plant in Gabon, which will allow him to be present throughout the value chain for his solution. The amount of the investment: EUR 12 m. At full capacity, the unit should produce 220,000 kits a year, 350,000 lamps and 500,000 solar kits. This planned ramp-up is taking place while the entrepreneur is finalising a fundraising drive. Once the site has been commissioned, Lifi-Led aims to prospect in the entire CEMAC (Central African Economic and Monetary Community) zone and supply other market players with its "Made in Africa" products, particularly in Rwanda and Nigeria. The company's economic model includes selling its solution to local authorities, which invest in the infrastructure. The final users have benefited from a low-cost subscription since the start-up established a partnership with Konnect Africa, the local subsidiary of the satellite operator Eutelsat. In 2020, despite the pandemic situation, Lifi-Led, which today has some 30 employees, equipped 216 villages, thereby improving the daily lives of over 430,000 people. It has also achieved a turnover of FCFA 360m (almost EUR 550,000), against FCFA 314m for the previous year.

FOCUS
#CI20

Five managers of Ivorian start-ups, including Ange Frédérick Balma, the CEO of Lifi-Led, teamed up in February 2021 to launch the Côte d'Ivoire Innovation 20 (#Ci2O) platform. This initiative aims to bring together and structure the entire Ivorian tech ecosystem to contribute to the emergence of national champions. Speaking with one voice, its promoters now aim to have their say in discussions with the authorities and donors. Their priorities include lobbying for the establishment of a regulatory framework in Côte d'Ivoire.

PROSPECTING THE SMART CITY MARKET IN EUROPE

Winner of a number of international awards, including the prestigious EDF Pulse Award in 2019, Ange Frédérick Balma has rapidly become a key figure in Ivorian and African tech. His innovation has drawn the attention of Business France which helped the entrepreneur set up his new company, Sinilux, in the Arbois Mediterranean Environment Technology Park, in Aix-en-Provence, in September 2019. From France, his objective is to prospect smart city markets by adding a set of sensors to his connected streetlights to provide, for example, a real-time analysis of pollution in urban areas. “We can collect data which help the decision-making of local authorities and improve living conditions and the quality of life in new African and international cities,” says the expert in big data and connected objects. Ange Frédérick Balma, who now wants to focus on data collection and processing, set up the Sinilab structure in the Angers French Tech cooperative last year. This laboratory’s mission is to disseminate the uses of LiFi and connected objects in our daily lives.

FROM FRANCE, SINILUX WINS CONTRACTS IN AFRICA

A founding member of the brand new Côte d’Ivoire Innovation 20 platform (#Ci2O, see opposite), Ange Frédérick Balma continues to witness first-hand the new business dynamics between Africa and Europe. The entrepreneur, who wants to surf on the many opportunities offered by the implementation of the energy transition on the Old Continent, is very pleased with the vitality of “French Tech”. He especially appreciates the quality of the partnerships established with the technology parks and the visibility this gives to his service, for which he has filed six patents. This presence in France also allows this tireless entrepreneur to win contracts in Africa, such as the recent deployment of sensors on 140 sites in Côte d’Ivoire for Météo France International. And if being identified as a European partner is a springboard for his activities, it is because of the internationally recognized certifications and standards that this involves. This allows the entrepreneur to be confident for the future. “In a few years, my activities will reach the size of a multinational company, strictly taking into account the environmental, social, economic and ethical issues of its activities. A company that will contribute to building African nations”, he says, dreaming aloud, as he bursts out laughing. ■

> *“We can collect data which help the decision-making of local authorities and improve living conditions and the quality of life in new African and international cities.”*

MedTrucks: smart mapping comes to the aid of medical deserts

By Proparco's Communication and Marketing Department

Between Morocco and France, the CEO of MedTrucks, Anass El Hilal, has only one obsession: bringing healthcare services to vulnerable people. To achieve this, he uses data to map medical deserts and optimize the deployment of e-health services within them. The start-up has just raised EUR 2m to scale up its solution.

Anass El Hilal, 33, has been developing innovative solutions in the health sector for almost a decade. In 2015, this biomedical engineer who graduated from Polytech Montpellier set up MedTrucks with two partners, Jamir Derrouiche and his sister Asmae El Hilal. Their objective: tackle the problem of medical deserts in Morocco using new technologies. The start-up is based in Casablanca at the social impact incubator Bidaya (Sprint network). It rapidly developed its solution which aims to supply Moroccan health players with medical trucks coupled with a mapping tool. MedTrucks, which was awarded the 2016 Orange Social Entrepreneur Prize, has developed a pilot mobile dialysis project for sick people in rural areas to make their daily lives easier. To increase the efficiency of its mobile medical unit service, it has combined it with a tool to map the health sector in Morocco. "By comparing a number of indicators and processing both geographical and statistical data, our solution identifies the need for access to healthcare of people, detects areas where there is a shortage of medical provision and thereby optimizes the organization of the rounds of our medical trucks", says Anass El Hilal. He adds: "Back in 2016, using the data we managed to collect from regional health centers, we were pioneers in health mapping. There was no similar tool in Morocco, or even in France for that matter."

While the concept of mobile mini health centers proved a big success in Morocco's rural areas, MedTrucks was unable to raise sufficient financing to deploy its solution on a larger scale. There was still too much resistance to innovation. In 2018, MedTrucks decided to put its trucks back in the garage, along with its Moroccan ambitions. But Anass El Hilal, who was in the Top 30 of the American magazine Forbes that year for "French-speaking personalities who shape Africa's future", had learned his lesson: the digital maturity of people and territories remains an essential condition to ensure the success of an innovation. And there was still limited interest in data up until a few years ago, in Morocco as elsewhere.

FOCUS
CASA NURSE

In 2020, Anass El Hilal reconnected with his Moroccan roots by co-founding CasaNurse in Casablanca with two partners, the Franco-Moroccan Laila Hamdouni and the German Maximilian Bock. The start-up, which has just obtained its first grant, deploys nurses that visit the homes of frail patients, after training and equipping them. The trio's project has allowed about twenty nurses to join the formal sector, as home care is very often provided in an informal manner in Morocco, with no traceability. But unlike the initial project of MedTrucks, Anass El Hilal, who sees himself first and foremost as "an engineer and social entrepreneur", is not using a high-tech solution this time. The reason for this is that digital maturity is still in its infancy in the Kingdom.

MEDTRUCKS REFOCUSES ITS SOLUTION ON FRANCE AND DATA

With a foothold in Montpellier, the other in Casablanca, Anass El Hilal, who was now alone at the helm of MedTrucks' operations, reflected on the expertise developed in Morocco. "With few resources, we acquired real expertise in collecting and analyzing geomatic data", he says. The young entrepreneur decided to refocus his solution on France and just on data. The start-up was incubated at IMT Mines Alès (for the tech part) and Alter'Incub (for the social part) and developed a new platform called MedMapping. This enhanced version is based on multiple sources to identify medical deserts, including the extensive open data of the Health Insurance Fund and regional and local authorities. The health mapping of the whole of France was very rapidly finalized. The MedMapping tool attracted the attention of the consortium leading the e-Meuse Santé project, which the start-up joined in late 2018 as a partner company.

In September 2019, e-Meuse Santé was selected by the Prime Minister's Office under a call for projects "Territories of Innovation". Its operations focus on the Meuse the Meuse Department, the Grand Est Region and Haute-Marne and Meurthe-et-Moselle Departments, along with 11 companies, including MedTrucks, and the main health players (Grand Est Regional Health Agency, Health Insurance Fund, etc.).

A total of over 50 partners are gathered in the same ecosystem. With a budget of EUR 24m, this experimental project, which has been scaled up since late 2020, is based on the innovative solutions of its partner companies. The objective is to facilitate access to healthcare in remote areas, while contributing to the development of an e-health sector in the Grand Est Region.

400 TELEMEDICINE SITES TO BE SET UP BY 2030

"In the end, the platform developed to manage trucks in Morocco is today used to manage health policies in France", says Anass El Hilal with a smile. In practical terms, it still involves mapping the territory to identify medical deserts. MedTrucks subsequently selects local health intermediaries (pharmacies, nursing homes…) in order to provide a telemedicine system with its consortium partners. To do so, and this is another innovation compared to the initial project in Morocco, the start-up also evaluates the digital (fiber, 4G) and organizational maturity of the site, as well as the relevant health professionals (equipment, connections, training, etc.). If all the indicators are green, the consortium installs a telemedicine space, while MedTrucks measures the impact of this new healthcare service. Alongside the e-Meuse Santé project, which is planned to last 10 years, 400 sites are to be deployed based on the roadmap of the Grand Est region.

"Today, there are many digital services available. But for them to be disseminated as close as possible to territories, especially in priority areas, there are many steps to take with essential prerequisites. And it's the mapping that makes it possible to complete this type of project", says the entrepreneur. "With the Covid-19 health crisis, we can see how important data is for managing an effective health policy." Indeed, the pandemic has given a boost to telemedicine and forced local authorities to take up the issue, which was until now the preserve of the State. The entrepreneur believes that burdensome regulation in the health sector in France with, for example, very strict medical confidentiality, is also a barrier to innovation. It is for this reason that the e-Meuse Santé project provides an alternative framework to experiment new solutions more freely. "As a partner of the French Government via the e-Meuse Santé consortium, our solution has become a strategic tool to build territorial health services", says Anass El Hilal.

Following a ramp-up in the Grand Est region in late 2020, the challenge for the Franco-Moroccan entrepreneur now lies in capitalizing on this experimentation to scale up his mapping platform. To this end, he is continuing discussions with the Ministry for Solidarity and Health, the Caisse des Dépôts et Consignations (CDC) and Banque des Territoires to make the MedMapping tool available to all regional and local authorities by this autumn. At the same time, in addition to a grant received as a partner of e-Meuse Santé, the start-up has just raised EUR 2m from the Banque des Territoires. The purpose of this first fundraising drive is to accelerate the growth of the start-up, which today employs four people. Alongside this project, MedMapping is positioned as a BtoB solution which, in additional to regional and local authorities, targets regional health agencies, as well as private players such as complementary health insurance companies and telemedicine companies by providing unlimited access to its platform in exchange for a subscription to an annual license.

> *"As a partner of the French Government via the e-Meuse Santé consortium, our solution has become a strategic tool to build territorial health services."*

In Morocco, Arma Casablanca is digitalizing waste management

In Casablanca, the economic capital of Morocco, population growth and urbanization generate an exponential increase in household waste (evaluated at a million tons a year). However, the city has managed to set up an increasingly structured waste management system by calling on private players. This is the case with Arma Casablanca, a subsidiary of the Moroccan group Arma, which recently won a contract for the management of the management of the urban sanitation and household waste collection service in part of the municipality. This delegated management contract aims to improve waste management by digitalizing collection operations and installing smart meters to geolocate the rolling stock and process the volumes of data collected on the bins (weight, number of collections, etc.). This first in Morocco will optimize the circuits and improve the real-time monitoring of services.

In early 2021, Arma Casablanca was allocated a loan to finance these strategic investments by three local banks (including BMCI, the Moroccan subsidiary of BNP Paribas Group), with a EUR 15m guarantee from PROPARCO. This operation will provide over 1.4 million residents with access to digitalized and innovative waste management (smart city technologies) and support over 2,400 direct jobs.

Digitisation in Africa: channelling funding to SMEs

Matthew Gamser, CEO, SME Finance Forum (IFC)

Could innovation emerge from near destruction? Would the digitisation that led to the global financial crisis preclude SMEs from obtaining the finance they needed to continue playing the crucial role that they play on the African continent and elsewhere? Matthew Gamser recalls the launch of Private Sector & Development magazine over ten years ago and recounts the route leading up to the digital information superhighways that are connecting SMEs in Africa to worldwide solutions, especially for funding.

This article was initially published in issue number 32 "SME Finance in Africa: What's New?", released in September 2019.

AN ARTICLE BY
MATTHEW GAMSER
CEO, SME Finance Forum (IFC)

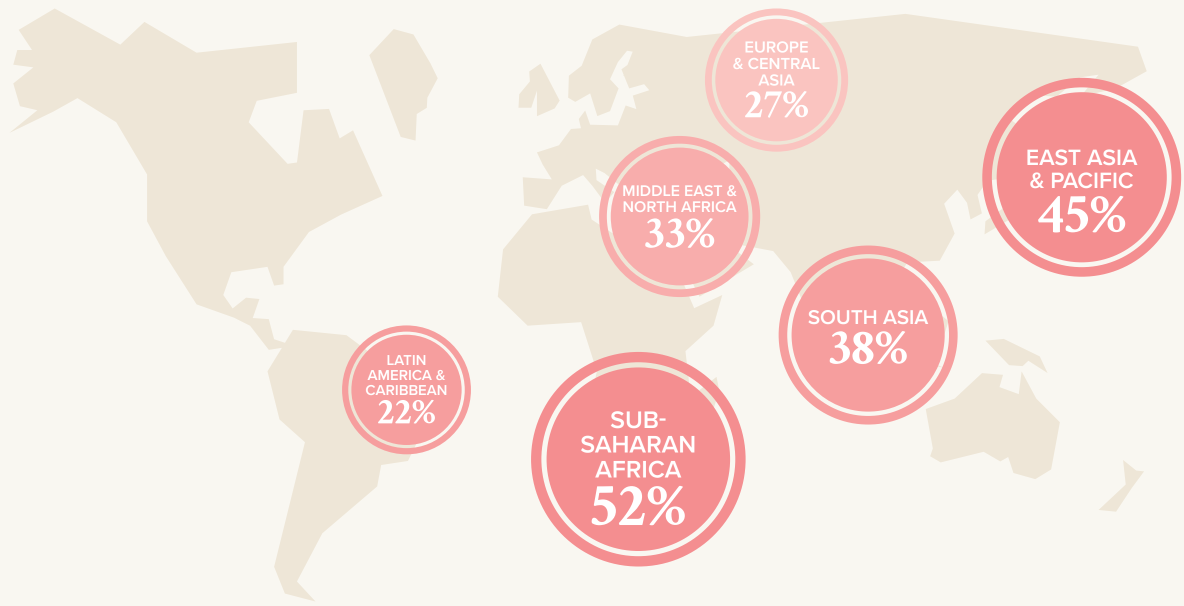
Dr. Matthew Gamser is CEO of the SME Finance Forum. He has over 40 years' experience in private enterprise and financial sector development. He has worked for IFC, the private sector arm of the World Bank Group, for 14 years in various positions from Washington, DC, and Hong Kong, where he has focused on SME finance and on financial sector development. Prior to that, he spent 25 years in management consulting and in senior leadership in an international NGO. He holds A.B. and A.M. degrees from Harvard University, and M.Sc. and D.Phil degrees from Sussex University (UK), where his work focused on the management of technological change.

It was fascinating reading again the first edition of Proparco's magazine *Private Sector & Development*, published just over 10 years ago. It kicked off with Paul Collier noting that *"African banks had just started to show interest in SMEs when the global crisis reversed the tide"*. The risk was that SMEs might be prevented from accessing much-needed long-term financing. The situation would improve, he said, only if there was better dissemination of information on sub-Saharan Africa's markets, which would make it easier for investors to identify high-quality SMEs. He concluded that the *"appropriate use of new information technologies should provide the solution"*.

Paul's words were prescient. We had watched digitalisation transform sub-prime housing loans in the US into toxic securities, nearly collapsing the global financial system. We had no idea that the same digitalisation could be a game changer for Africa's SMEs. Today we are starting to see the potential for digitalisation in Africa: in other markets, particularly China, we have seen how rapidly this can close financing gaps. The importance of SMEs to economic growth on the continent was well known. But there was disagreement about why SMEs weren't being financed. Julien Lefilleur, then an investment officer with Proparco, recommended that securitisations and loan guarantees could do much to compensate for information asymmetries and to expand bank financing for SMEs. Paul Derreumaux of Bank of Africa seconded this, additionally advocating specialised SME departments, alternative products such as leasing, and even group mutual guarantee loans to firms. Patrice Hoppenot of IPD urged greater attention to equity and technical assistance, to complement long-term finance.

Only Collier talked about IT, though. The others focused on human measures – specialisation and product innovations – reflecting the thinking at the time of the institutions pushing to close the SME financing gap in emerging markets.

Figure 1 – Share of financially constrained MSMEs in total MSMEs by region



Source: MSME Finance Gap Database (Updated Oct. 2018)

PEDDLING NEW PRODUCTS

We believed that if we could change the way bankers worked – getting them into markets to personally check out firms, providing performance-based incentives, and removing fears through guarantees and securitisations – that SMEs would become the darlings of the banks. In some cases in Africa, this worked – often without guarantees or securitisations. A number of banks and microfinance institutions scaled up their small business lending profitably. In other cases, largely due to a lack of buy-in from top management to the changes required, results were less impressive. Overall, though, we started to realise that this approach was not going to close the financing gap.

The latest World Bank Enterprise Survey data shows that over 50% of African formal microenterprises and SMEs report being credit constrained.[1] Sub-Saharan Africa has the highest proportion of under-financed MSMEs in the world (52%), followed by East Asia and the Pacific at 45% (see Figure 1). The total financing gap for formal micro, small and medium enterprises in sub-Saharan Africa exceeds $328 billion (see Figure 2), with formal women-owned enterprises making up 15% of this; 52% of women-owned MSMEs are credit constrained, again the highest share among the world's emerging market regions.[2] Adding the considerable informal sector to these totals would significantly increase them, and the gender gap.

1 ▸ These and other data come from the databases which can be found at www.smefinanceforum.org, in this case from the MSME Finance Gap database (Updated Oct. 2018).
2 ▸ MSME Finance Gap Database (Updated Oct. 2018)

FOCUS
SME FINANCE FORUM

The SME Finance Forum works to expand access to finance for small and medium businesses. The Forum operates a global membership network that brings together financial institutions, technology companies, and development finance institutions to share knowledge, spur innovation, and promote the growth of SMEs. The SME Finance Forum is managed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group. The SME Finance Forum has over 150 banks, fintech companies and development banks from more than 66 countries as its members and industry partners.

OBSERVATION AND SYNTHESIS EQUAL INNOVATION

We development bankers were so engaged in the technical assistance necessary for transformation that it took our African clients to show us that a different course should be taken. It was the bold and visionary leaders of these banks – the Equity Banks, CBAs, KCBs, in the East, and the Ecobanks, Diamond Banks, Afrilands, in the West – who decided to disrupt their own models, by focusing on an IT- and data-centered course to achieve and sustain growth. They did this after observing the mobile phone companies in their own markets and the alternative financiers in Europe, North America and, in particular, China.

They watched many of their specialised staff being poached with attractive offers. They saw the mobile phone industry in their countries growing, and network operators venturing ever deeper into their space. They also saw non-bank operators – such as vendors of decentralised solar power systems and large buyers of agricultural products – introducing financing through cellphones.

They responded – and rapid change is underway. Human-centric processes are being replaced by digital ones, and human delivery channels are being replaced by mobile phone-based channels. Several new brands, such as Jumo, Zoona, Kopo Kopo, Pula, Copia, Branch, and Tala have entered the market, starting with a digital approach and growing at a rate never witnessed before.

NEW NEEDS NECESSITATE NEW SOLUTIONS

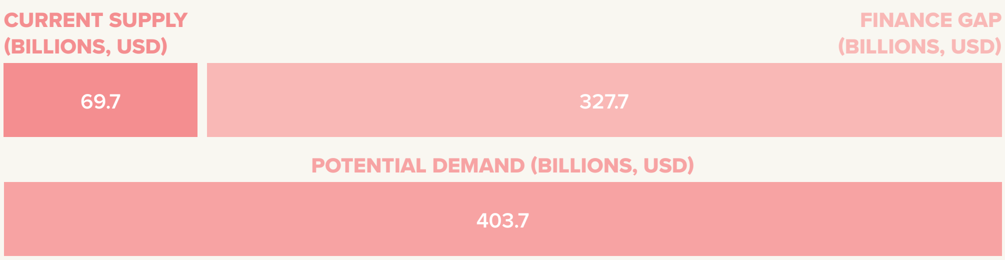
They demand different things from development bankers too. They need us less to train up their people than to ensure that they're connected to the best and the brightest ideas – and not just from Africa. They need support in building an open API and a flexible core structure so that they can interact with new technologies and partnerships, enabling them to keep on top not only of SME banking, but also of all types of retail services.

> *"They need us less to train up their people than to ensure that they're connected to the best and the brightest ideas – and not just from Africa."*

The globalisation of capital markets and investing, and improvements in the business environments in Africa are giving our clients more and more options for financing. Our funding may no longer be the number one priority for these institutions: it will remain attractive only as long as it's "smart financing", coupled with other ways of bringing value.

Our clients' stronger data infrastructure and approach may also finally enable instruments like guarantees and securitisations to realise their potential in the region. Just as they are finding it easier and cheaper to assess and manage their SME customers at scale through digital data connections and analytics, so we can more easily assess their digital portfolios and thus efficiently manage these structured-finance and

Figure 2 – MSME finance gap in sub-Saharan Africa



Source: MSME Finance Gap Database (Updated Oct. 2018)

risk-sharing operations. This may mean that we can start making significant reductions in the financing gap, just as millions of Africans have been given access to formal financial services in just a few years through new digital payment services. This presents hope for Africa's SMEs – provided policymakers don't counter this with (often well-meaning) measures such as interest rate caps, overly rigid interpretations of the Basel capital requirements, and restrictions on partnerships and agency relationships.

Ten years on, SMEs are the backbone of Africa's private sector, providing employment and essential goods and services – yet they remain a challenge for Africa's financial sector. Could the digitalisation that nearly broke the world's financial system ironically enable the provision of retail services, including SME financing, so that the majority of SMEs in Africa can report that they are receiving the financing they need, when they need it, at affordable rates.

"Ten years on, SMEs are the backbone of Africa's private sector, providing employment and essential goods and services – yet they remain a challenge for Africa's financial sector."

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