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**Discussion Paper 2021-2023**

**Introduction**

According to the Africa Economic Outlook report 2020 published by the African Development Bank, Africa’s economic growth has stabilized at 3.4% in 2019 and is expected to pick up to 3.9% in 2020 and 4.1% in 2021. Though the COVID 19 pandemic could reverse the many gains made on the continent, Africa remains a continent with great economic opportunities and prospects. Growth fundamentals has improved with a gradual shift from private consumption towards investments and exports. The COVID 19 pandemic has brought some challenges but has also presented great opportunities for young startups to start, scale and thrive.

The African Union (AU) Agenda 2063 places high hopes on small and medium enterprises as an engine for inclusive growth, job creation and addressing Africa’s developmental challenges. The continent boasts some of the globe’s fastest growing regions, supported by strong population growth, technological innovation and infrastructure deficit. Africa’s population is expected to increase exponentially over the next two decades. It is home to the world’s youngest population with 500 million people ranging between 15 – 35 years of age. By 2050, the youth population will be close to one billion. The continent presents untapped potential amongst its youth.

Africa is well positioned to leapfrog into the digital era, where technology is enabling new innovations, new industries and disrupting business as usual across many sectors. Startups have a critical role to play in ensuring that Africa leapfrogs and achieves its developmental goals. The continent is abuzz with millions of startups spanning across formal and informal sectors. However, enabling their growth is a multifaceted challenge, it necessitates first that potential and existing entrepreneurs have the requisite skills, aptitudes, information and financial resources to identify and act on market opportunities, and second that they operate within an enabling environment in which regulations and infrastructure render starting up and growth feasible and attractive. The speed at which startups access funding opportunities and go to market will help in ensuring that African startups pivot and are able to compete with their peers in other regions. In the World Economic Forum (2019) report on Global Competitiveness, no African country featured in the top 50 of most competitive nations globally. The World Economic Forum applies these four metrics when evaluating a country’s competitiveness. These metrics are: Enabling Environment, Human Capital, Markets and Innovation Ecosystem. The work of Digital Africa in supporting the startup ecosystem needs to incorporate these four metrics. Doing so will help increase the Global competitiveness of various African nations.

**Digital Africa’s Vision and Mission**

This discussion paper is built on the following premise:

*Our Vision*

Foster inclusive development through ‘Made in Africa’ digital innovation

*Our Mission*

To equip African tech entrepreneurs with means to enable their market readiness and ability to scale-up.

**Proposed Interventions**

The key focus areas aligned to DA’s vision and mission are therefore as follows:

1. Assisting High Impact Digitally Enabled Startups
2. Sourcing African and Global finance to scale up projects
3. Supporting Policies advancing innovative digital entrepreneurship across Africa

Digital Africa aims to tap into the transformative power and collective intelligence of already existing ecosystem role players to accelerate Pan-African and Global Programmes that will support the emergence of high impact digitally enabled startups.

**Focus Area One**: **Assisting High Impact Digitally Enabled Startups**

The African ecosystem boasts several support programmes for African startups. According to research conducted by The World Bank and 22 ON SLOANE (2018) startup campus, there is a need for financial and non-financial support for startups operating within the pre-seed and seed stages of development. Given that these stages are the most difficult part of development because of high chance of failure, many financial products tend to focus less on pre-seed and seed and venture into the early and growth stage startups. Digital Africa ensures that the support for high impact startups gears towards addressing at scale the need of startups in pre-seed and seed stages of their development. In order to be able to support digital-enabled startups, Digital Africa works on contributing to a stronger and broader ‘entrepreneurial pipe’ by;(a) scaling qualified pre-seed and seed support programmes and (b) accompanying high impact startups towards pre-serie A rounds. Support for high impact startups in pre-seed and seed stages until their first round of investment (Serie A) will help improve the human capital and innovation ecosystem of various African nations (\*refer to metrics on global competitiveness of WEF\*)

**Defining a Pre-Seed Startup**: A pre-seed startup is a young startup with an idea developed as far as prototype stage. This startup does not necessarily churn revenue. The key metric used for a pre-seed startup will be the strength of the concept and the founding team members.

**Defining a Seed Startup**: A seed startup is a young startup that has been churning some revenue, has some market adoption from consumers but may need to strengthen its value proposition and bring its operation to speed and scale.

**Defining an Early Growth Champion**: An Early Growth Champion is a pre-serie A and pre-serie B startup with a high potential for impact, that is currently proving capacity to scale and ramp up internationally, across different geographies in Africa and beyond.

*Objective*

Assisting high impact startups within the context of DA’s vision and mission will aim to achieve one objective:

1. Help High Impact Digitally Enabled African Startups to successfully go to market

*Proposed Activities*

The activities proposed are based on industry reports and experiences. It is believed that these activities will complement the vision and mission of Digital Africa and more especially align to the strategic objectives while making the most impact needed in Africa’s startup ecosystem.

| **Activity** | **Description** | **Impact** | **Proposed Champion** |
| --- | --- | --- | --- |
| **Help High Impact Digitally Enabled African Startups to successfully go to market** | |  |  |
| Catalytic Programme  (BRL/TRL) | The Catalytic programme will be very tailored and will have a strict selection criterion. It is aimed at selecting, supporting and scaling high impact digitally enabled startups across Africa. Each year, 27 high impact startups in pre-seed and seed will be selected across Africa to join a 12-month Catalytic Programme. In Q1, Startups are required to participate virtually from their home countries. In Q2, Startups are physically located at an incubator, then spend 2-3 weeks in Paris. In Q3 & Q4 Startups are back in their home country, implementing, launching and scaling. The key metric that will be used to select startups will be: strength of the value proposition, founding team members and the project’s ability to scale in future and potentially become a unicorn  Flights, accommodation and other logistics to be covered by Digital Africa. Each startup qualifies to receive 50,000 euros seed grant upon being selected to join the programme. This conditional grant is based on achieving certain milestones in the programme. | No of startups commercialised  No of markets accessed or tangible networks created  Strong MVP  Potential for Job creation  Financial returns (potential unicorns) | A high impact incubator in Africa to champion the entire programme  One incubator in Paris for the exchange programme |
| Social Enterprise Programme | The Social Enterprise Programme is aimed at selecting and supporting innovative ideas that have social impact as its primary objective. This programme is aimed at improving the lives of communities and ensuring sustainable environment for our future. The projects developed by entrepreneurs in this programme should be technology enabled or have a potential to use technology for scale.  Each year, one social entrepreneur will be selected from each African country which will make it a total 55 entrepreneurs per year. They will go through a virtual incubation programme which will look at their business model and sustainability. Post their virtual incubation, these entrepreneurs will be invited to travel to Paris for a week to meet other social entrepreneurs for a knowledge programme, meet industry players in their field, network and connect with their peers. The 55 entrepreneurs could potentially act as Ambassadors for Digital Africa in their home countries – Digital Africa Connectors.  Flights, accommodation and logistics to be covered by Digital Africa. Each entrepreneur will qualify to receive 10,000 euros seed grant to continue building their business and changing their communities while improving the global competitiveness of their nations. | Number of Social enterprises supported  Number of direct/indirect beneficiaries in their communities  Social Returns (jobs, etc)  Alignment to the United Nations Sustainable Development Goals  Creating a Network of Digital Africa Connectors and Ambassadors | A Social Enterprise Incubator in Africa  Global network of social businesses  One Social Enterprise Incubator in France for the exchange programmes |
| Digital Africa Online Campus | A virtual platform where young startups will be able to access resources that will equip them with skills to start, launch and scale their business. It needs to help startups with a proven framework on how to build a digitally-enabled business. It needs to have relevant knowledge content, master classes, regular updates, case studies and even help startups track their progress and improvements. | Participation in the Digital Africa Campus  Free online platform or knowledge repository which any African startup can access. | Knowledge Partners that can provide content and avail resources of experts for skills development |
| Data for Digital Africa | An open data infrastructure to enable entrepreneurs and tech solution creators to test their models with open source data. The platform will be available to startups in Africa and will aid in pipeline development for Digital Africa. | Number of startups that use the platform & test their prototype or products  Number of startups that have tested their products with Corporate/Big Firms  Ability of Startups to trust in the platform and share their IP | Partners with deep data knowledge.  Partners that have a strong Corporate network which will help with Big Business/Startup Collaboration on the platform |

**Focus Area Two**: **Sourcing African and Global Finance to Scale up Projects**

Strong and enabling ecosystems unleash the entrepreneurial energy that benefits startups. Several factors determine whether a business will grow at a sustainable rate and survive over the long term. Access to Capital is one of the key factors that determine a long-term sustainability of a business. African startup’s ability to access capital has grown over the past few years but there is still a need to target the under-served market on the continent and ensure that startups in seed and early stages have access to finance that will help them scale. It is important to better coordinate the various financial players towards creating cohesive platforms where resources are pooled for greater impact. Sourcing African and Global Finance to Scale up projects will help improve access to market and access to capital. (\*refer to metrics on global competitiveness of WEF\*)

*Objectives*

Sourcing African and Global Finance to Scale up Projects will aim to achieve one key objective:

1. Increase pool of funds available to support African tech innovations

*Proposed Activities*

The activities proposed are based on industry reports and experiences.

| **Activity** | **Description** | **Impact** | **Proposed Champion** |
| --- | --- | --- | --- |
| **Increase pool of funds available to support African Tech Innovations** | | | |
| Packaging Investment Opportunities out of Digital Africa’s pool of entrepreneurs | Leverage the Catalytic programme and other Digital Africa programmes by selecting investable deals in seed and pre-serie A that will bring great financial returns. | Number of startups in seed and pre-series A funded | Incubator/Accelerator contracted to do the Catalytic programme and other DA programmes |
| Digital Africa Funds  (Africa Next Round) | Digital Africa Early Stage Funds will focus on sourcing of best impactful projects amongst existing pipelines and other pipelines. Digital Africa together with AFD/Proparco and the existing VCs selected as part of the Digital Africa funding would propose a new Fund focusing on startups in seed, pre-series A and pre-series B stages. An investment committee with DA, AFD and Proparco would meet regularly, evaluate deals and fund these, or sit at existing DA investment committees and (1) source the pipe of startup or (2) bring a small portion of the pipe.  Mobilise African business and investor communities towards supporting African tech startups. Through this, there is an opportunity to co-invest in projects, attract a bigger pipeline of startups and investor community. | Launch a Fund or participate in already existing funds in AFD/Proparco  Support in strengthening the Investor network in various local ecosystems  Number of projects co-invested | VCs/Angel Investors/DFIs |
| Strengthen relationships between startups and larger firm | There needs to be better collaboration between startups and big firms. This collaboration helps big firms to remain agile, better understand disruptions in their industry while partnering with startups to bring new innovations to life. Integrating African startups into new value chains that offer access to markets and access to capital will help in growth and sustainability of African startups. | Number of Startups servicing, working or collaborating with big firms (supply chains)  Number of Startups that has raised funding with Corporate/Big Firms | Partners with a strong Corporate network  Leverage AFD/Proparco network of Corporates |

**Focus Area Three**: **Supporting Policies advancing innovative digital entrepreneurship across Africa**

Policies are a deliberate system of principles aimed to guide decisions and achieve a rational outcome. Policies are designed to enable. Many African countries boast of policies aimed to enable economic growth but lack key instruments that promote entrepreneurship and innovation. Unbeknown to some policymakers, many of the policies they make hinder the development of startups which derails economic growth in their countries.

In an effort to boost entrepreneurial activity on the continent, relevant governments need to take the appropriate steps to minimise the cost of starting a new business and the cumbersome administrative red tape in order to foster a climate more conducive to business, and in so doing motivate prospective opportunities for entrepreneurs to thrive. Supporting Policies that advance innovative digital entrepreneurship will help create an enabling environment which is needed for the ecosystem to thrive (\*refer to the metric on global competitiveness WEF\*)

*Objectives*

Support Policies advancing innovative digital entrepreneurship across Africa will aim to achieve one key objective:

1. Help to address substantial regulatory gaps in African markets by supporting local stakeholders lobbying efforts towards their policymakers and regional institutions.

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| --- | --- | --- | --- |
| **Support Policies advancing innovative digital entrepreneurship across Africa** | |  |  |
| Africa’s Startup Ecosystem Competitiveness Report | Publish an annual report focusing on performance of various ecosystems across Africa with metrics such as: enabling environment, human capital, markets and innovation ecosystem. | Annual Report that will rank various local ecosystem across Africa and help each ecosystem improve | Partners/Organisations that are in the policy field. |
| Capacity Building on Open Data Policies and Digital Aspects of the Africa Continental Free Trade Area | Support a programme on capacity building on open data and data sovereignty  Explore policies that will shape the digital aspects of the AFCFTA | A support network of policy makers across Africa  Contribute to knowledge policies that will shape the digital aspects of the AFCTA | Partners/Organisations in the Policy field |

In summary, this document aligns the four metrics that helps in determining and improving the global competitiveness of nations:

* Enabling Environment (Focus area three – Supporting Policies)
* Human Capital – Skills (Focus area one – Assisting High Impact Digitally Enabled Startups)
* Markets and Capital (Focus area one/two – Sourcing African and Global finance to scale up projects)
* Innovation Ecosystem (Focus area one – Assisting High Impact Digitally Enabled Startups)

**Supplementary**: ‘Umbrella Activities/Enablers

*Objectives:* To support the vision and mission of Digital Africa and act as enablers for the three key focus areas

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| **Umbrella Activities/Enablers** | |  |  |
| Create an Africa Presence | Creating an Africa presence is very important. Digital Africa should be and seen as an African project championed by Africans. This will help ensure it maintains credibility amongst ecosystem stakeholders and institutions.  Consider locating Digital Africa:   * Operations/Communications offices in one or two cities in Africa * Maintain the Executive office in Paris. | Strengthen Digital Africa presence in Africa through a physical infrastructure  Understand the ecosystem better | Partners with physical presence on the continent |
| Digital Africa Summit | Host an annual summit aimed at bringing together Africa’s digital ecosystem. The summit will not only be a platform to bring ecosystem players but will also showcase Africa’s digital startups, drive access to markets and capital and support in strengthening the ecosystem. Each year, the summit would be hosted in a selected African city. | Database & Pipeline Development  Advocacy, Branding & Exposure  Build actors/players within the ecosystem  Access to markets/capital for startups | All partners/members of Digital Africa |
| Other existing platforms | Should resources permit, fund selected high impact incubators across Africa. Consideration should also be given to existing high impact event platforms across the continent. | Branding and Advocacy  Build actors/players within the ecosystem  Pipeline Development | All partners/members of Digital Africa |