

Connecting Africa's Entrepreneurs An IFC Study

Highlights of the Study

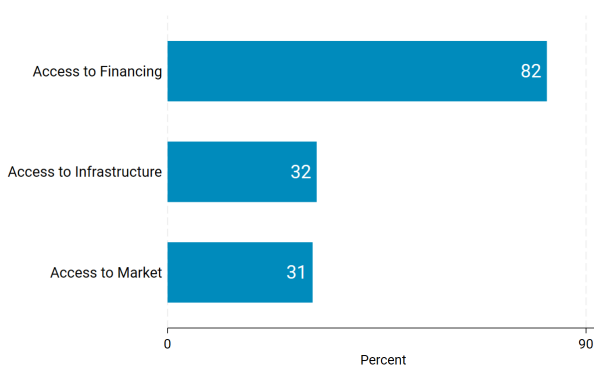
BACKGROUND

The *Connecting Africa's Entrepreneurs* is a comprehensive study aimed at establishing stronger connections between African entrepreneurs and investors, accelerators, and incubators. We address the challenges that both sides face: investors, accelerators, and incubators often struggle to build a strong pipeline of high-growth entrepreneurs, while entrepreneurs face difficulties in securing the capital and support needed to scale. Our participants include thousands of startups from various sectors and regions across Africa, alongside investors, accelerators, and incubators worldwide.

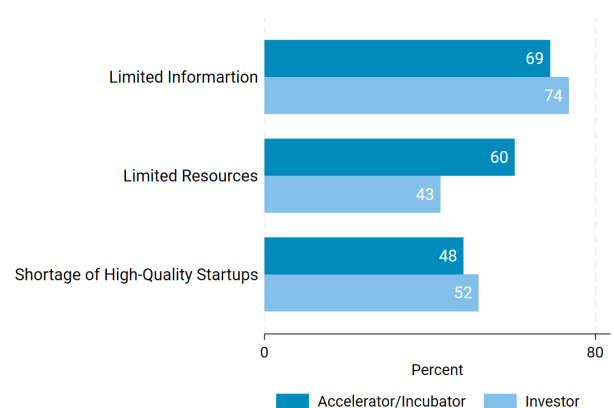
KEY CHALLENGES

The biggest challenge startups face when trying to grow is access to financing. For investors and accelerators, the main barriers are limited information, resource constraints, and a shortage of high-quality startups.

Top 3 Challenges for Startups Seeking to Grow



Top 3 Challenges for Investors, Accelerators, and Incubators in Finding High-Quality Startups

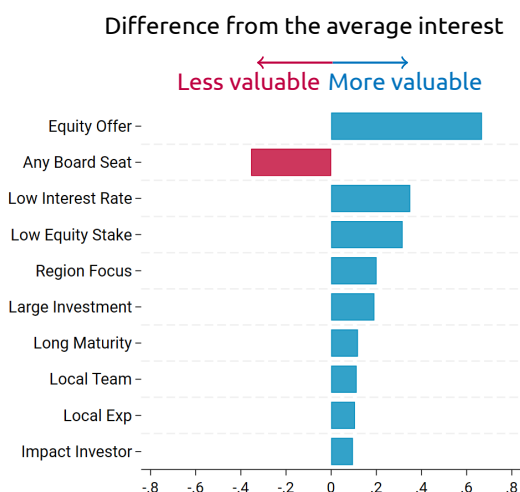


Results

Find out which investment traits matter most to startups like yours

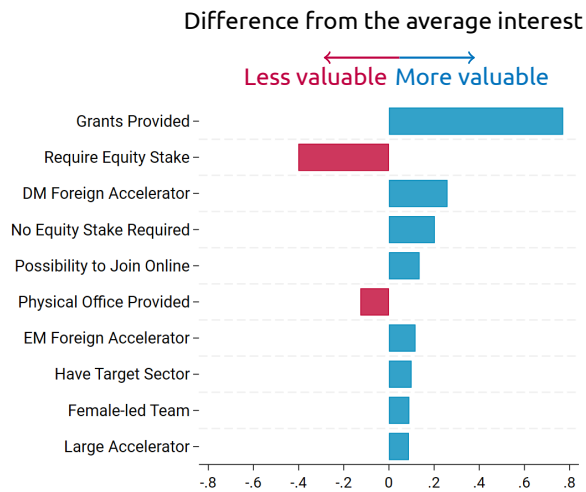
Top 10 Investment Characteristics Most Valued by Startups in Eastern Africa

INVESTOR AND DEALS



- Entrepreneurs prioritize deal terms over investor characteristics.
- There is a strong preference for equity investments while maintaining ownership and control of the company.
- Entrepreneurs value investors with expertise in their region.

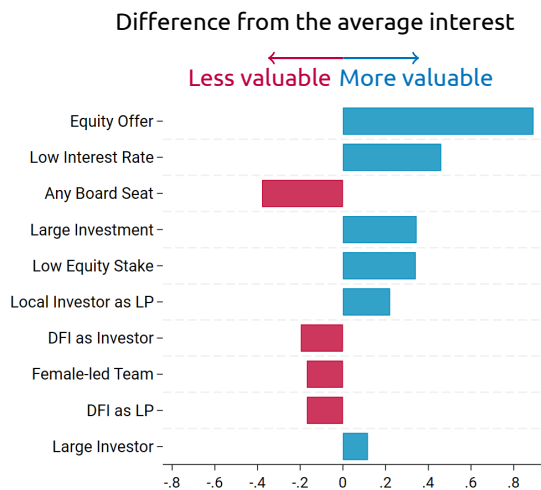
ACCELERATOR/INCUBATOR AND PROGRAMS



- Entrepreneurs prioritize the financial benefits of accelerator programs.
- There is a strong preference for programs offering grants, especially those that allow them to retain full ownership and control of their companies.
- International accelerators are particularly attractive.

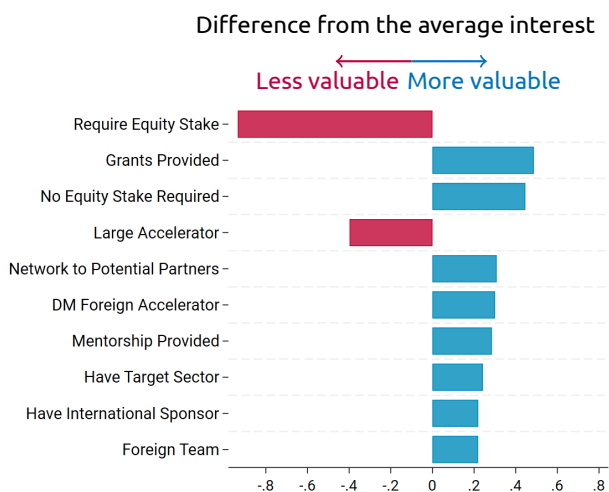
Top 10 Investment Characteristics Most Valued by Startups in Finance/FinTech Sector

INVESTOR AND DEALS



- Entrepreneurs prioritize deal terms over investor characteristics.
- There is a strong preference for equity investments while maintaining ownership and control of the company.
- There is a preference for having local investors as limited partners.

ACCELERATOR/INCUBATOR AND PROGRAMS

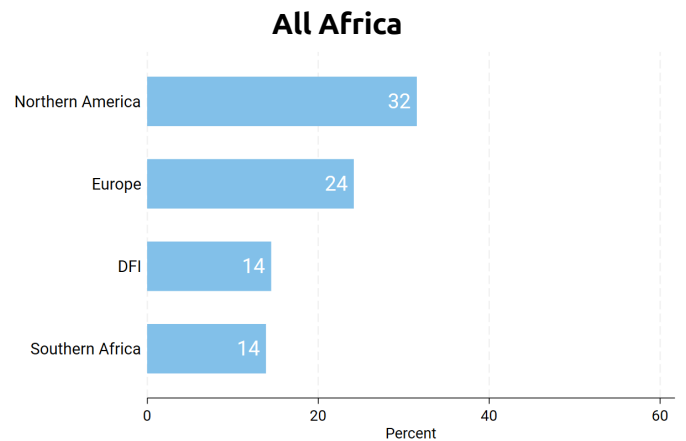
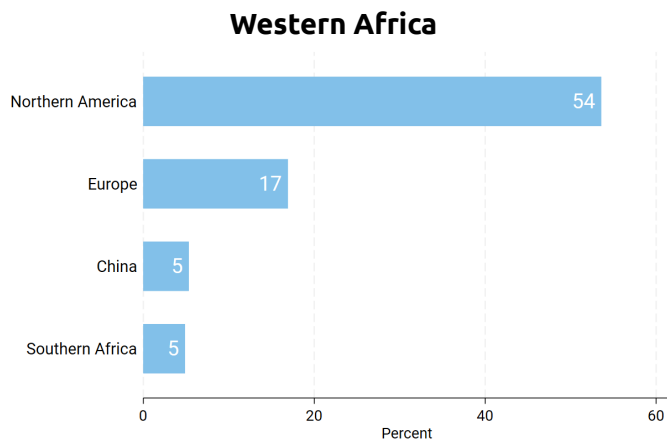
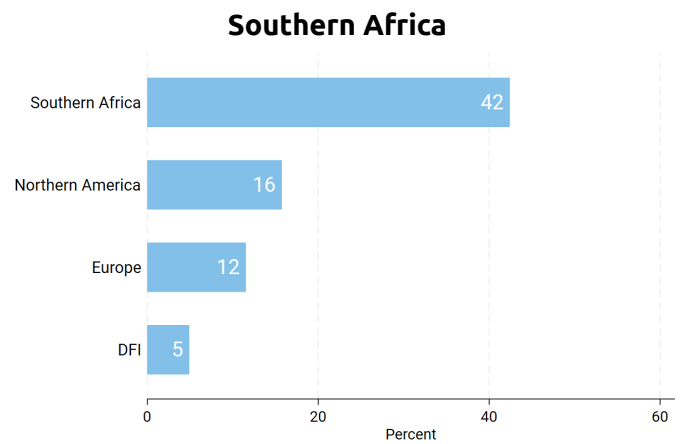
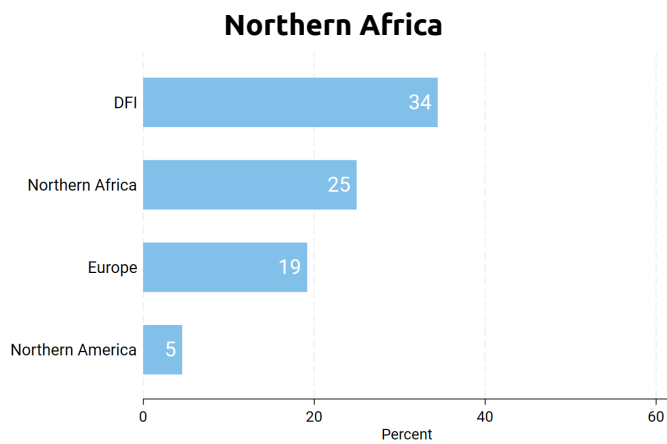
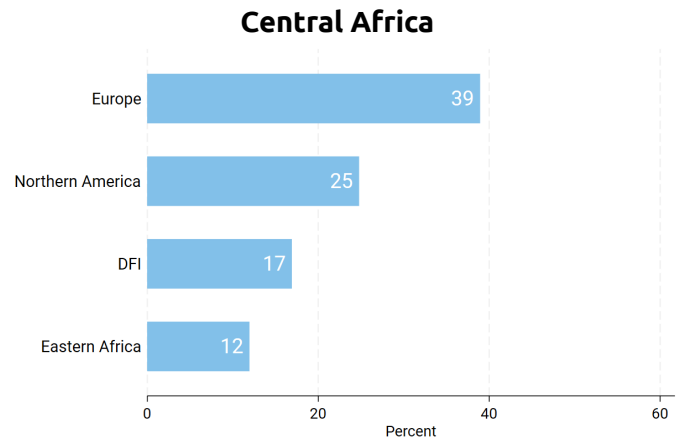
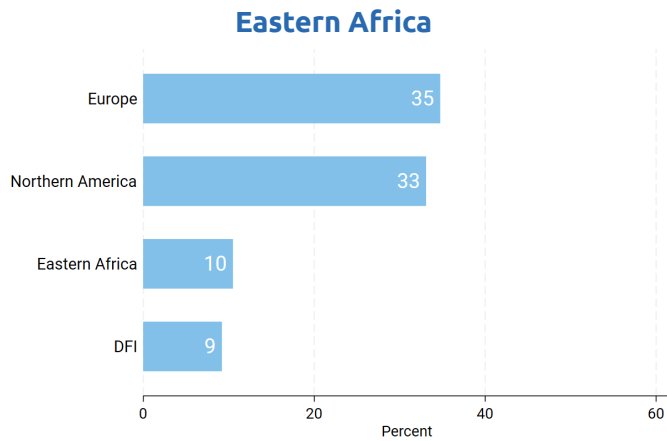


- There is a strong preference for programs that allow them to retain full ownership and control of their companies, especially those that also provide grants.
- Smaller programs are particularly attractive.
- Entrepreneurs value programs with networking opportunities and mentorship.

***For detailed information about the interpretation of the results, please refer to the "Data and Methodology" section.**

Capital Flows to Africa: Analyzing Investment Patterns and Sources

Most startups in Africa depend on foreign financing. Eastern, Central, and Western African regions are particularly reliant on investments from Europe and North America. In contrast, Northern Africa primarily receives funding from Development Finance Institutions (DFIs), while Southern Africa attracts the majority of its capital from within the region.

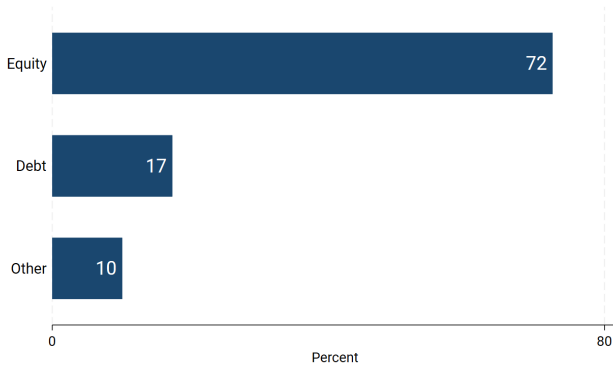


***For detailed information about the data used to track capital flows to Africa and the complete list of countries in each subregion, please refer to the "Data and Methodology" section.**

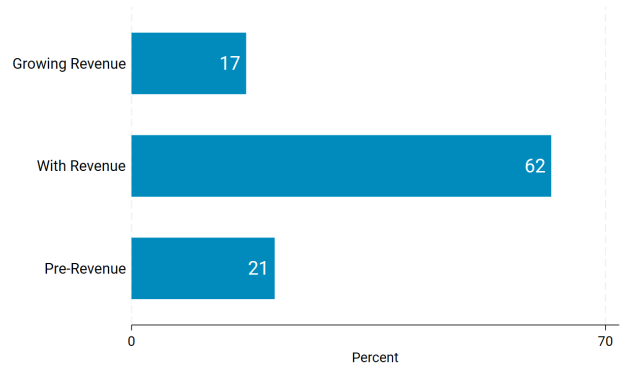
How Investment Partners Support African Startups

Investors

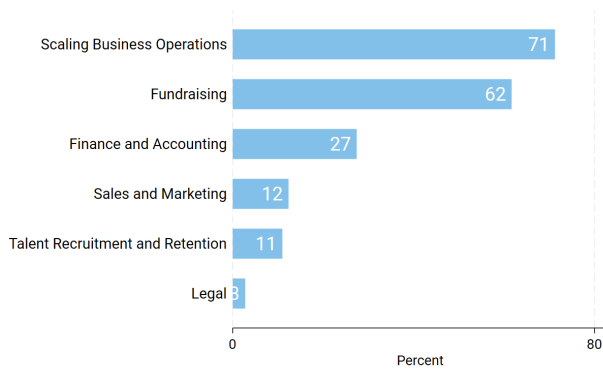
Primary Types of Investments



Revenue Stages Targeted by Investors



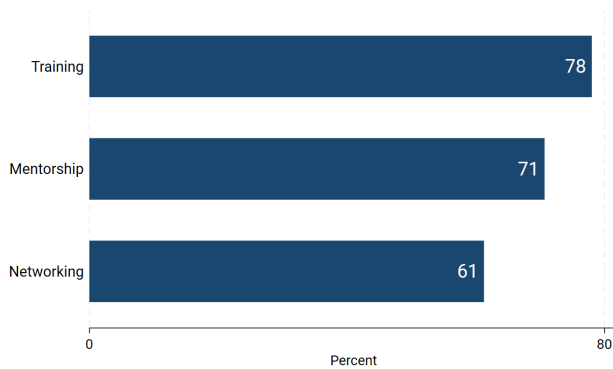
Key Support Areas Provided by Investors



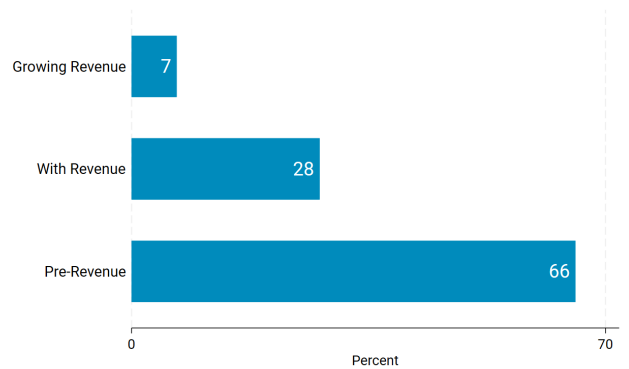
- Equity investments are the most favored type of financing among investors.
- Revenue-generating startups attract the majority of investment, but a significant number of investors are also open to backing pre-revenue ventures.
- Investors believe their role goes beyond just providing capital—most emphasize the need to help startups scale their operations and grow strategically.

Accelerators/Incubators

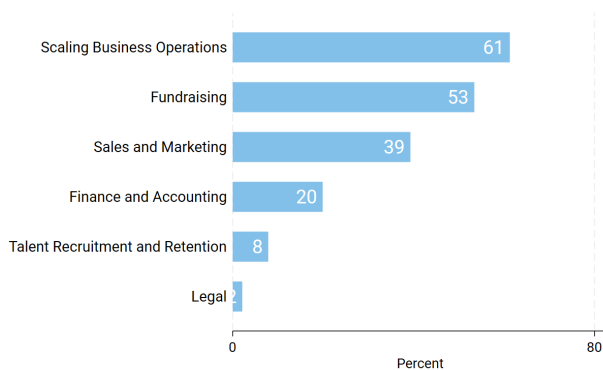
Key Services Offered by Accelerators/Incubators



Revenue Stages Targeted by Accelerators/Incubators



Key Support Areas Provided by Accelerators/Incubators



- Accelerators and incubators typically provide a comprehensive package, including training, mentorship, and networking opportunities.
- The majority of these programs focus on pre-revenue startups.
- Accelerators and incubators primarily focus their support on scaling startups' operations, fundraising, and marketing activities.

Data and Methodology

(1) Explaining the "Top 10 Investment Characteristics Most Valued by Startups"

These indicators were generated from data collected from thousands of startups across Africa. We aggregated the ratings from startup founders on synthetic profiles of investors, accelerators, and incubators to assess the level of interest associated with each investment characteristic featured in these profiles. The length of each bar in our analysis indicates the degree to which a particular investment characteristic increases or decreases interest. For instance, if the graph shows a value of 0.6 for equity investment, this indicates that investments in equity increase startup interest by approximately 0.6 points on a 1 to 7 rating scale. This interpretation also applies to investment characteristics that decrease interest.

Variable Description of "Top 10 Investment Characteristics" for Investor and Deals

- *Equity Offer*: Type of deal is equity investment (vs. debt).
- *Low Interest Rate*: Type of deal is a loan with an interest rate below 15%.
- *Any Board Seat*: Type of deal is equity and requires board seat participation.
- *Low Equity Stake*: Equity deal with a low share requirement (below the group median).
- *Large Investment*: Deal with a large investment size in USD (above the group median).
- *Region Focus*: Investor focuses on a specific region or country.
- *Long Maturity*: Type of deal is debt with a maturity over 3 years.
- *Local Team*: All key members of the investor are from Africa.
- *Local Exp*: Investor has experience in Africa.
- *Impact Investor*: Investor focuses on impact investments.
- *Local Investor as LP*: Limited Partner (LP) backing the investor is from Africa.
- *DFI as Investor*: Investor is a Development Finance Institution.
- *Female-led Team*: Investor is led by a woman.
- *DFI as LP*: Limited Partner (LP) backing the investor is a Development Finance Institution.
- *Large Investor*: Investor's Assets Under Management (AUM) are high (above the group median).

Variable Description of "Top 10 Investment Characteristics" for Accelerator/Incubator and Programs

- *Grants Provided*: Program also provides grants to participants.
- *Require Equity Stake*: Accelerator/incubator requests equity share as part of the participation.
- *DM Foreign Accelerator*: Accelerator/incubator is from a developed market (U.S. or Europe).
- *No Equity Stake Required*: Accelerator/incubator does not request equity share.
- *Have Target Sector*: Accelerator/incubator has an explicit focus on one or more sectors.
- *Large Accelerator*: Program has a large number of startups (above the median).
- *EM Foreign Accelerator*: Accelerator/incubator is from an emerging market (China, UAE, or Brazil).
- *Physical Office Provided*: Program provides office space to participants.
- *Possibility to Join Online*: Program offers online participation.
- *Female-led Team*: Accelerator/incubator is led by a woman.
- *Network to Potential Partners*: Program provides partner networking.
- *Mentorship Provided*: Program provides mentorship.
- *Have International Sponsor*: Accelerator/incubator is sponsored by an international company.
- *Foreign Team*: All key members of the accelerator/incubator are from Europe or North America.

(2) Explaining the "Capital Flows to Africa"

We leveraged data from Pitchbook and many other sources to identify investment flows from angels, VCs, and growth equity PE investors around the world and within Africa to startups in Africa. We only included deals that occurred between 2010 and 2022. You can find more information about Pitchbook [here](#). The geographical subregions we used follow the United Nations' geoscheme for Africa, and a complete list of countries in each subregion is available [here](#). If you are interested in the technical details and analyses conducted in this study, we will be publishing an academic article soon. Let us know at ifcsurveys@ifc.org if you would like to learn more about the study and its findings.

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