

Startups can establish roots in Africa with the GIIG Africa Fund

While 2020 was a record year for investment into the African tech startup ecosystem, with more startups raising more money from more investors than ever before - critics and commentators alike have often claimed that Silicon Valley-style investment frameworks are ill-suited to the continent's diversity and nuanced need for funding. With investment into African startups considered key to the continent's ability to leapfrog its socioeconomic development, Africa demands a new investment framework.



Source: www.pexels.com

This was the focus of a recent webinar hosted by Global Innovation Initiative Group (GIIG), the Global Startup Awards (GSA) Africa and Loudhailer, titled 'A New Funding Model for African Innovation'.

Unpacking the state of investments into African startups and why international investment frameworks are ill-suited for African startups was Secretary-General of the Egyptian Fintech Association and vice president of the Africa FinTech Network, Noha Shaker.

She shared that, although startups on the continent have received significant funding, they are still not as well funded as other startups in other parts of the world such as Latin America and India. "And when you look at where the investments go, they only go to four African markets, leaving the rest of the 51 unserved. There are opportunities outside of Egypt, Kenya, Nigeria, and South Africa and those opportunities are worth investment."

Kenneth Legesi, the CEO/chief investment officer at Ortus Africa Capital further stated that this year, Africa is on track to achieve about 338% growth on 2020 but there are certain sectors and biases getting in the way of how this capital is allocated. “Whether due to race, gender, education, networks or exposure, African entrepreneurs are not getting access. I think what's important to recognise is that yes, we need more capital but more importantly, we need models that work for Africa. We tend to rely on models that work in ecosystems that are more mature, where entrepreneurs have a better grasp of what their funding needs are, where they can easily find investors and where there's a relative abundance of investors.

“As a continent, we need startups that are going to give an economic return, but we must also focus on startups that will create jobs at scale, deliver on the Sustainable Development Goals, and be inclusive in their business model. We also need funding that will create a lot of winners by backing them early at the pre-seed or seed stage.”

Establishing roots in Africa

Looking at why international organisations are establishing roots in the African market and how startups can position themselves for funding was Ify Umunna the cofounder and co-CEO of Nourishing Africa. In terms of what successful startups are doing to access funding, she noted that these businesses are demand-driven, have measurable value addition and incorporates tech and innovation. “We've also seen that these businesses are able to adapt to change rapidly in areas such as Covid-19 and climate change. Additionally, their branding and communication strategies are on point – they understand what they're selling, who they're selling to, why people buy from them, and how much people are willing to pay. Lastly, they incorporate gender and youth into their business model and operations.”

“What fund managers want to see is that a startup is intentional in their style of doing business,” added Victor Uche Obioma, chairman of Vicfaus Integrated Solutions Limited.

Dr. Peter Ayim, founder of the Pan-African Youth Chamber of Commerce, Industry, Trade and Tourism weighed in on the significance of African innovation towards achieving the United Nation's Sustainable Development Goals and the African Union's Agenda for 2063. “These development frameworks speak to the diverse and complex development challenges that we have in Africa and that require innovative solutions.”

GIIG Africa Fund

Bringing the event to a close, GIIG founding partner, Mahyar Makhzani announced the launch of the GIIG Africa Fund, a Curaçao-based private investment fund, which will invest annually in the winners' pool from the African region of the Global Startup Awards. “To eliminate the issue of funding only going into very specific areas of the continent and being skewed towards certain sectors, the Fund will invest in the winners drawn from all 55 African Union member states across 12 categories. Not only will we invest in every single winner but also other candidates who have shown great promise in moving their ideas forward. Over and above funding, they will receive support. We will be working with universities around the continent to analyse the winners, where they are at today, and where they could be tomorrow, not only in their country, but on the continent and globally too.”

Startups only have until the end of September to enter GSA Africa and be eligible for the GIIG Africa Fund.

For more, go to <https://www.globalstartupawards.com/africanstartupawards>.

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