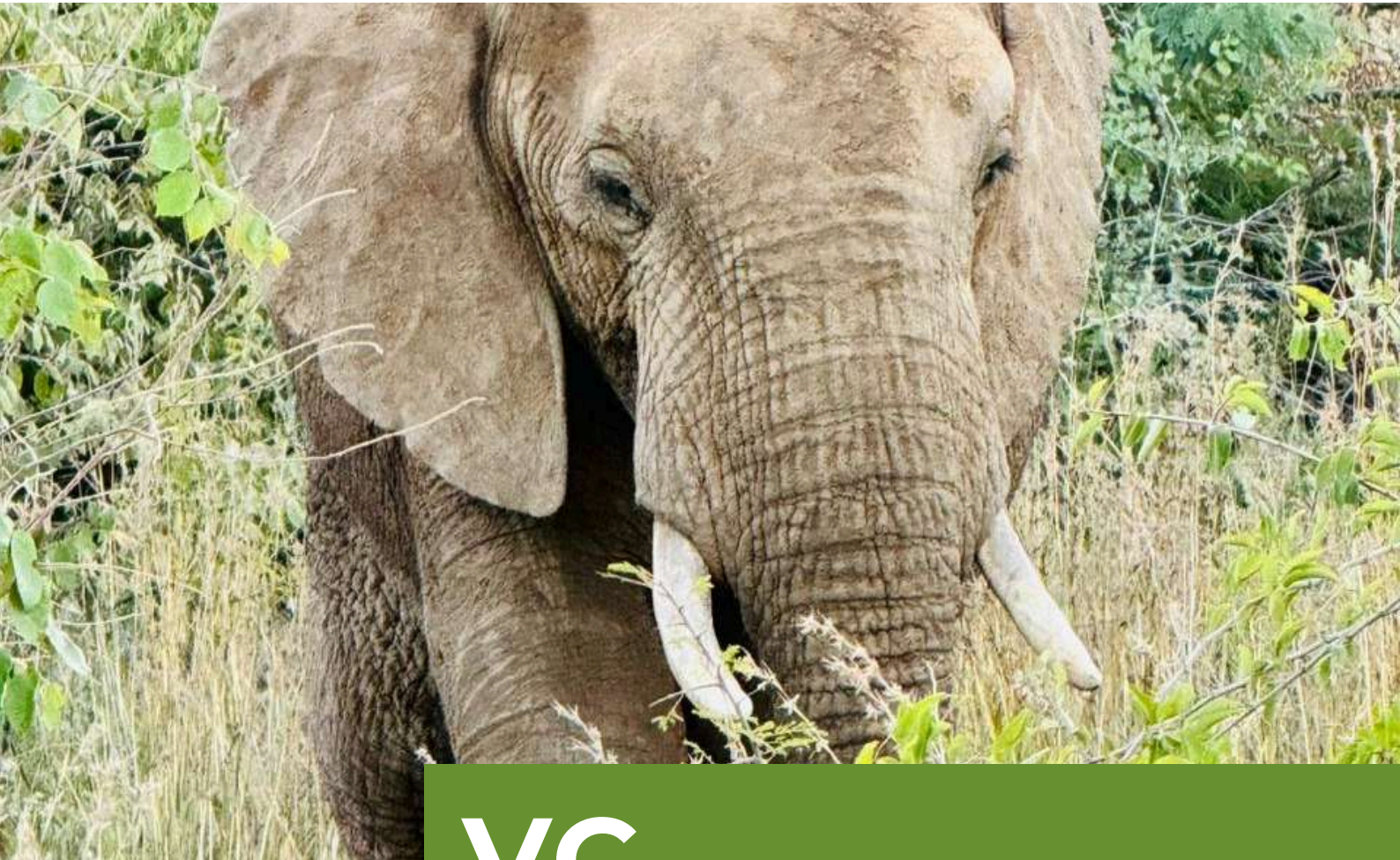




**DIGITAL
COLLECTIVE
AFRICA**

**April
2024**



VC Unconference Johannesburg 2024

Digital Collective Africa |  <https://www.digitalcollective.africa/>

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Digital Collective Africa (DCA)



About Digital Collective Africa

Digital Collective Africa is a collective of African investors, incubators, accelerators, and founders who aim to support early-stage startups.

We work together on projects to limit friction and offer more transparency within the ecosystems.

We believe in the power of the collective to leverage individuals' talents.

 <https://www.digitalcollective.africa/>



ATTENDEES

Over 10 participants, from 3 continents, representing over 10 countries were present over 2 days at the Johannesburg VC Unconference which took place at Kwa Maritane Bush Lodge.

ECOSYSTEM

AWS, Briter Bridges, ENRICH in Africa Center, London Africa Network Ventures 54

ACCELERATORS

Dream VC, Digital Africa, Founders Factory Africa, Grindstone XL, Startupbootcamp AfriTech

INVESTORS

E4E Africa, Grindstone Ventures, Holocene Ventures Fund, Knife Capital, Partech, Savant Venture Fund

ENABLERS

AVCA, DCA, FMO, London Stock Exchange Group





- Introduction to Digital Collective Africa Purpose
- Exploring the Funding Landscape of Africa's Tech Innovation Support Ecosystem
- FLOATS (Funding and Liquidity Option for African Startups) Workgroup
- VC Fundraising in Winter Time, Exploring Alternative Funding Vehicles like Technical Assistance

KEY DISCUSSION AREAS



Introduction to Digital Collective Africa Purpose

Presented by Christophe Viarnaud, AfricArena

Born in 2019, the Digital Collective Africa (DCA) is teamwork with a mission to **create open-source tools for investment facilitation** between founders and investors. On-going projects under current working groups include the following:



Governance Tool Kit
for best practices.



Standardized Documentation
e.g. standardised term sheets.



Due Diligence Checklist
for various markets.



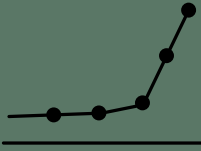
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Policy Advocacy

around Startup Acts and other regulations.



Valuation Fundamentals

for high growth startups.

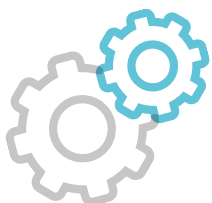


Building Ecosystem Bridges

of innovation between different ecosystems.

Digital Collective Africa has 258 active contributors to its Digital Factory

Contributions from all who use tools - from investors and investment organisations to Founders' Organisations and ESOs.



e.g. 19 startups were trained using DCA material for GIZ's Scaling Digital Agricultural Innovations through StartUps (SAIS) program; with results showing that it helps facilitate effective fundraising.

Exploring the Funding Landscape of Africa's Tech Innovation Support Ecosystem

Session Led by ENRICH in Africa Center and Briter Bridges



THE FUNDING LANDSCAPE REPORT

The “Exploring the Funding Landscape of Africa’s Tech Innovation Support Ecosystem” Report was officially launched in an in-person event, the ENRICH in Africa Night event that took place on 22 April 2024. Conducted in collaboration with Briter Bridges, a UK-based organization, the purpose of

this report is to provide a closer look at the donor funding in Africa and how it influences the continent’s investment and procurement landscape. For this report, data was used from publicly available funding information between 2020 -2023 from a sample of nine global funders. These nine global funders who have made their funding information public are: Agence Française de Développement (AFD), the African Development Bank (AfDB), Bill & Melinda Gates Foundation (BMGF), Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung (BMZ), the Canadian International Development Agency (CIDA), the European Commission, Kreditanstalt für Wiederaufbau (KfW DEF), Mastercard Foundation and the United Nations Development Programme (UNDP). Data used in the report represents a sample of global funders in the African tech innovation ecosystem.

The report gives insight into the following:

- **An analysis of grant funding data to innovation ecosystem support organizations (ESOs) and activities from the 9 biggest funders who are currently active in Africa;**
- **Impact funding activities have on ESOs;**
- **Analysis of the data;**
- **How we can bridge gap between funders and recipients;**
- **How funding impacts local ESOs and their business models;**
- **How funders are increasingly seeing innovation ecosystems as a tool to deliver wider socio-economic outcomes focusing on support to high-impact sectors and underrepresented groups.**



The Importance of Technical Assistance



Technical Assistance Definition



“Technical assistance, form of aid given to less-developed countries by international organizations such as the United Nations (UN) and its agencies, individual governments, foundations, and philanthropic institutions. Its object is to provide those countries with the expertise needed to promote development.” (Britannica Money)



Mapping Out Data Points to Help Integrate Family Offices, DFI Communities and VC Funds

During the session, participants spoke about the importance of understanding Family Offices, and how to assess the government DFI funding community and correlate the two to the VC landscape and begin to understand which approaches we can use to seamlessly integrate the very different worlds of Family Offices, DFI funding communities and VC in a powerful, dynamic way as each entity want to achieve the same thing. It was the general consensus that mapping out specific data points will help us achieve this goal of bringing Family Offices, DFI Communities and VC Funds together for a common cause, that of building high quality relationships and unlocking high return investments.





Blended Finance Definition



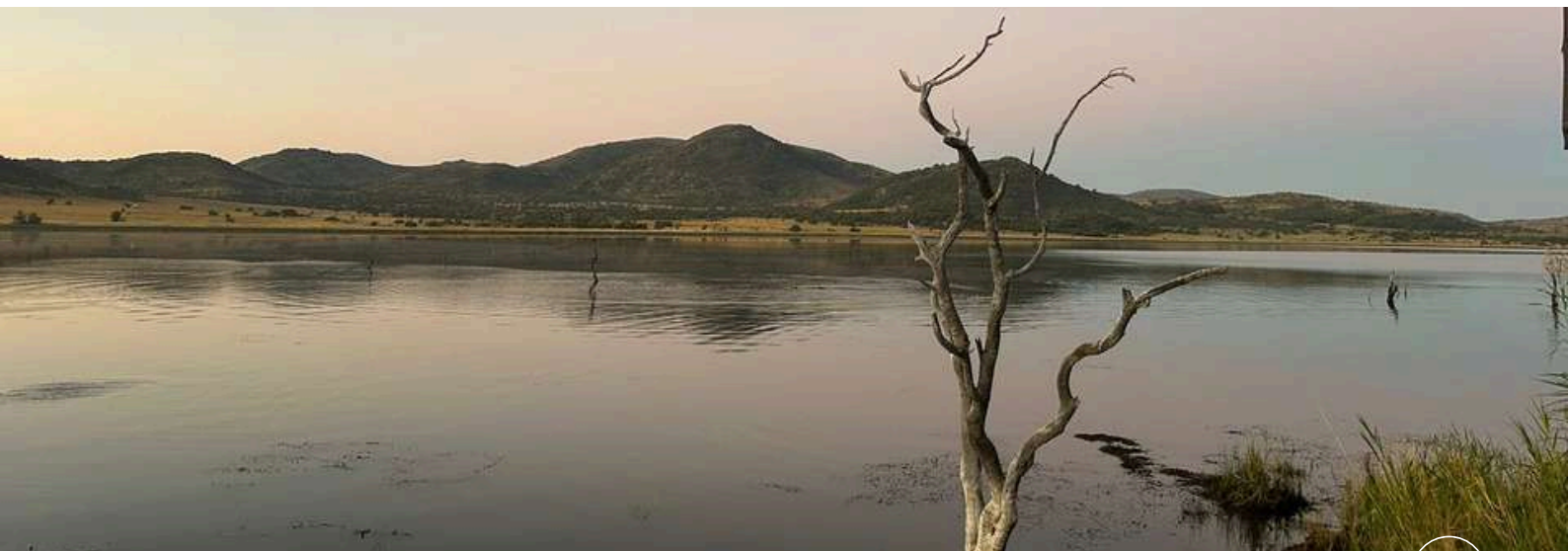
“Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.” (OECD)



Using a Blended Finance Approach to Procure Technical Assistance

It is important for VC funds to look at how to leverage opportunities such as applying for technical assistance grants through entities such as Mastercard and USAID or grants that specialize in providing technical assistance and strategically pairing these grants together in a way that sees funds using other people’s money to invest in capacity-building processes aimed at developing, training, upskilling, and strengthening key components within Africa’s tech and investment ecosystem at the following levels:

- Individual Level - capacity building through developing adequate skills, knowledge, competencies and attitudes.
- Organizational Level - capacity building through establishing efficient structures, processes and procedures.
- Institutional and Policy Environment Level - capacity building through establishing adequate institutions, laws and regulations.





Capacity Building Definition

There are many definitions of capacity building and what it entails. These two definitions of capacity building best capture the essence of what it is all about, particularly in the context of building bridges of understanding between nations and serving as a catalyst for building knowledge for facilitating high quality funding, capital raising and and deal flow strategy and management.



“Capacity building is defined as a process of one country helping the other country to solve problems, achieve joint goals, develop human and institutional resources, through training and transfer of technology. This helps to develop and strengthen the abilities, skills, knowledge, research, and development, of its citizens and country, to survive, adapt, thrive, and transform in the dynamic environment with the other from climate change, military dominance, global financial and economic crisis, and threat from pandemic viruses such as SARS and Coronavirus.”

Excerpt from *Evaluating Trade and Economic Relations Between India and Southeast Asia*, Anita Medhekar, Harpreet Kaur. 2021.



Capacity-building is defined as the process of developing and strengthening the skills, instincts, abilities, processes and resources that organizations and communities need to survive, adapt, and thrive in a fast-changing world. An essential ingredient in capacity-building is transformation that is generated and sustained over time from within; transformation of this kind goes beyond performing tasks to changing mindsets and attitudes. (United Nations)



Mapping Data Points



Examples of What Mapping Data Points Look Like To Unlock Technical Assistance Funds

Mapping Data

- The purpose of mapping data points is to give us an assessment of where VCs are deploying most of their efforts;
- Map out data points within the life cycle of VCs (first round, second round)
- Look at how much time and funding are going toward technical assistance;
- Map out the value connection to what technical assistance related grants are available from DFI community or grant community;
- Include additional sharepoints with what ENRICH in Africa Center is doing with opportunities for ENRICH in Africa Center champions;
- Translate the data into information for sharing with VCs to inform them about which technical assistance funds are available and to identify areas of expertise and gaps;



- ENRICH in Africa Center comes in the picture at an ecosystem level and an organization level. ENRICH in Africa is the bridge between Family Offices, the VC community, the DFI community and government.

We are essentially mapping it all together. What we're trying to do is to position ENRICH in Africa Center as an aggregator not only of the different entities, but the center is also an aggregator of data.

Solutions to Bridging the Technical Assistance Gap



Technical Gap Analysis Helps Us Reach Our Goals

The beauty of technical assistance, together with a well researched, thought out and curated technical gap analysis is that technical assistance is ultimately aimed at increasing and fostering local economic opportunities, job creation and public-private dialogues.

In a nutshell, technical gap analysis helps us determine the current state of an institution, company or project and chart a path in how we will cover the gap between where we are now and our desired future state or outcome. In this instance, we want to bridge the gap between VC funds, DFI, Family Offices and government. The various ways in which conducting a technical gap analysis can help us map out the way forward include, but are not limited to the following:

- **Transforming ENRICH in Africa Center into an aggregator of the different entities and data whereby the center can help harness the information and share it within the VC community, DFI, Family Offices and government; thus serving as a bridge between the VC community and DFI, Family Offices and government.**
- **Leverage relationship building efforts to partner with like-minded funds, ecosystem support organizations, networks and agencies to apply for and secure technical assistance grants that will help us in our purpose to strengthen and build Africa's tech and investment ecosystem.**
- **Use technical assistance grants to employ new graduates and consultants through subsidized internships and externships that last from six months to on average two years. Through these internships and externships, interns and consultants receive capacity building training, develop essential skills, gain practical experience, build their network and develop an edge within the market.**
- **Demystify wrong perceptions between VC funds, DFI and the grant community through engaging storytelling frameworks to open doors for more support with technical assistance.**
- **Document best practices for technical assistance.**

Harnessing The Power of Technical Assistance



KEY ACTION ITEMS

- ENRICH in Africa Center to aggregate key data points for ecosystem organization support level for relationship building exercises between VC funds, DFIs, Family Offices and government.
- DCA Working Group to develop technical gap analysis reports that will help pave the way forward for applying for technical assistance grants geared at capacity building, including addressing gender diversity.
- ENRICH in Africa Center and DCA FLOATS Working Group to conduct an insights report to understand what LPs want in terms of internships and externships to gather the right kind of expertise more effectively.
- DCA members to consider the use of effective storytelling to support positive narratives about Africa's tech and investment landscape that will unlock technical assistance funds that are deployed through donor funds, aid agencies, grants, programmes, tenders and blended finance vehicles.
- ENRICH in Africa Center and DCA to observe how organizations such as Chapter54 which focuses on capacitating the African tech ecosystem through bringing European scale ups to Africa obtain technical assistance
 - Collaborate with like-minded VC funds and ecosystem support organizations in coalitions to secure technical assistant grants.

Shared Takeaway:

Knowledge is a valuable product in the world and we should work in partnership to distribute it.

Understanding The Dynamics of Family Offices



Family Office Operations

Family Offices are emerging as the new asset managers, and there is a need to understand the comprehensive dynamics with the global family office landscape as it is estimated that there are over 9,000 family offices worldwide.

Individuals participating within family offices often do not want to be seen or known in any large quantities and this is the result of various factors including, but not limited to the family office's mandate, where the family office's wealth comes from and a desire to not be overwhelmed with people intruding on their privacy.

It must be noted that building relationships with family offices often take time, and become deep-rooted, long-standing relationships based on trust.

There is no one single profile of a family office as they are all different in terms of, but not limited to the following factors:

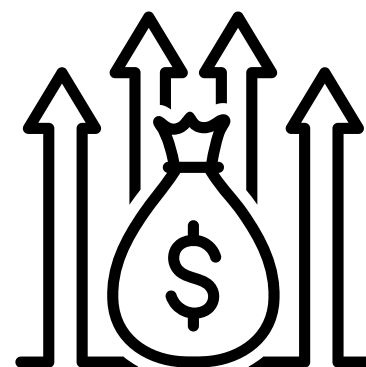
- Mandate structure;
- Personalities within the organization;
- How they like to interact with the world.



Family Office Definition

A family office is a private wealth management advisory firm that serves ultra-high-net-worth individuals (HNWI).

Family offices are different from traditional wealth management shops in that they offer a total solution to managing the financial and investment needs of an affluent individual or family.



Raising Capital From Family Offices



The Trust Factor

Family offices work purely based on who they know, who they trust and who they are willing to work with. Given this context, it is important to know who the gatekeepers and pathfinders are within this landscape in order to build key relationships that help individuals, companies, organizations, networks and communities access and unlock much needed funds for capacity building.

It is noteworthy to mention that in light of understanding how each family office operates differently, with different sets of criteria, it is important to understand who, within the VC Fund and investment landscape have solid relationships with these family offices as these people know the sectors which they operate in and understand what family offices want and are able to guide them concerning specific investment decisions and connect them with key stakeholders.



Gatekeeper Definition

According to Investopedia, “Gatekeepers are necessary in many industries. They're people or policies that act as go-betweens, controlling access from one point to another. They may refuse, control, or delay access to services or they may be used to oversee how work is being done and whether it meets certain standards.” (Investopedia)



Pathfinder Definition

According to The Britannica Dictionary, a pathfinder is:

1. A person who goes ahead of a group and finds the best way to travel through an unknown area.
2. A person or group that is the first to do something and that makes it possible for others to do the same thing.



Raising Capital Processes

Understanding each family office's investment criteria is critical for successful capital raising endeavours, and when seeking to raise capital from family offices, it is important to be mindful that it is much more than a simple transaction - it is about building a relationship, transparency, accountability, and maintaining the relationship.

Given this, there are few people who have a relationship with 100 family offices, so the question is:



How do we get family offices to come to the table to discuss investment in a series of funds when it is a very nuanced, extremely specific landscape in a way that will deepen connections and add value to these multi-layered relationships?



Curated, Intimate Gatherings



Producing and orchestrating carefully curated, intimate events aimed at inviting family offices to attend is one way to get several family offices who are actively looking to write checks with people actively looking to raise funds in the same room so introductions and connections can be made to facilitate deal flow.

When it comes to Africa's tech and investment landscape, there are three categories of family offices, we are looking at and they are as follows:

- **Family offices who are not investing in Africa right now;**
- **Family offices who are investing in Africa, but not in the venture category;**
- **Family offices who could be doing more.**

Building Bridges With Family Offices



KEY ACTION ITEMS

A recommendation to align actions with key organisations:

- ENRICH in Africa Center and DCA FLOATS Working Group to develop a report chronicling the Family Office landscape from a global, local and African perspective to help Africa’s tech and investment ecosystem better understand Family Offices, the size of the Family Office market, how many Family Offices are Africa-focused and how to build fruitful, long-standing relationships within that specific landscape.
- ENRICH In Africa Center to produce curated, intimate events aimed at getting Family Offices who are actively looking to write checks with fund seekers who are actively raising funds (GPs, VCs, ecosystem support organizations).
- DCA FLOATS Working Group to develop guidelines or a playbook on capital raising from Family Offices and how to build relationships with Family Offices who are not investing in Africa-focused VC funds.

Shared Takeaway:

It is important for us to understand the Family Office landscape to effectively increase effective engagement and strengthen bridges between Africa and other continents.

- ENRICH in Africa Center and DCA FLOATS Working Group to develop a customer discovery approach and process for identifying Family Offices, building relationships with them, and providing them with inspiration to know more about investing in Africa-focused VC funds.
- DCA members to understand how to address Family Offices pain points and why they are not investing in Africa or in a certain asset class.



FLOATS (Funding and Liquidity Option for African Startups) Workgroup

Session Led by Philip Kiracofe, Startupbootcamp AfriTech and Anthony William Catt, Ventures 54 & London Africa Network



In this session the group participated in the second VC Unconference FLOATS Workgroup where newcomers were introduced to what FLOATS is about. The first FLOATS Workgroup took place at the 2023 VC Cape Town Unconference. During this workgroup, participants continued with the discussion of how to scale it into an African context.



AIM OF WORKGROUP

- To capture workgroup's views and sector views on exit and liquidity, capture in a broader context.
- To capture insights on LPs.
- For **investors to understand** how FLOATS is driving a pilot to attract investment into the African continent through understanding the startup journey and the decisions they make regarding whether to do an IPO or not and if it is the right decision.
- For **Other Stakeholders** (funds, governments, etc) **to really understand how to adopt best practices** in supporting the governance of venture capital and startups.

The Ecosystem Wide Moonshot Project



Startupbootcamp AfriTech is driving an ecosystem wide pilot called the “Moonshot Project” which is aimed at achieving the following goals:

- **Revolutionizing startup funding** in Africa by bringing big money in through private equity funds, pension funds and institutional traders into vehicles that will enable us to fund startups.
- **Decoupling investors’ liquidity in startups** through decoupling their liquidity opportunities from the journey or pathway of the underlying startup so the startup itself can scale and become a full enterprise without having to think about how to ensure investors get their money back.

The Moonshot Project, according to Startupbootcamp AfriTech CEO Philip Kiracofe, “is an overview of the general lifecycle of an investment, kind of from the earliest stage all the way through to publicly traded companies.”

However, there are some startups who do not want to become an IPO, and there are some startups who wonder if IPO is the right choice for them.

The “Moonshot Project” which has been running as a pilot for three years, is project running on an Amsterdam-based stock exchange, Nxchange is an initiative through which investors can invest in several cohorts of startups, and startups in turn can determine if an IPO is for them or not.

After three years in pilot, this “Moonshot Project” is ready for scale into the African marketplace.



Scaling the Moonshot Project into the African Continent



KEY ACTION ITEMS

A recommendation to align actions with key organisations:

- DCA FLOATS Working Group to look at capital recycling strategies as one of many solutions to help Africa's economic recovery through the lens of investment in Africa's tech and investment ecosystem, and build value for investors.
- Assess appetite for a marketplace for secondaries and facilitate meaningful conversations with startups to ensure they understand they took venture capital money and highlight the need for accountability and proper due diligence processes.
- Startupbootcamp AfriTech to look at how to scale out the Moonshot Project into the African continent through a startup stack, starting with a cohort of 30 startups to scale, with the aim of reaching \$1 billion AUM. This translates to 14, 240 startups and 475 stacks over a period of 10 years or more throughout the Pan-African marketplace.

Shared Takeaway:

When we want to go far and achieve incredible results, collaboration is key for taking Africa forward into the future

- DCA FLOATS Working Group to explore the protocols for the project operating within the African context and marketplace.
- DCA FLOATS Working Group to facilitate discussion on how to unlock opportunities for more exits in Africa, particularly within the corporate venture capital (CVC) landscape, using GITEX as a key opportunity for engaging corporate stakeholders. .
- DCA members to build relationships with CVCs to deepen, enrich and strengthen Africa's tech and investment landscape.

VC Fundraising in Winter Time, Exploring Alternative Funding Vehicles like Technical Assistance

Session Led by Anthony William Catt, Ventures 54 & London Africa Network

Building and maintaining strong relationships with Limited Partners (LPs) is important with the long-term play in mind. These relationships help fund managers, GPs, VC funds and fund seekers to unlock value and unearth funding opportunities in the midst of a funding winter. This means we need to create opportunities where VC funds and LPs are in the same room in order to get valuable feedback from LPs that will help investors, fund managers and GPs actualize solutions geared at successfully raising funds.

Based on data gleaned for ENRICH in Africa Center's "Exploring the Funding Landscape of Africa's Tech Innovation Support Ecosystem", during the 2020 - 2023 period, a total of \$1.4 billion with a median ticket size of \$2 million, was invested into Africa, primarily through government-funded NGOs, with most recipients being based in Kenya, Tunisia, Rwanda, Ghana and Egypt.

This shows that making use of alternative funding vehicles such as technical assistance, together with that is unlocked through grants is an interesting way to raise much-needed funds during a funding winter.

Furthermore, a fund's strong track record for successful grant applications increases the probability of a fund being awarded a grant.

Data points to 50% of technical assistance funds going to governments, whereas about 34% are channeled towards funds, primarily NGOs.

More money needs to flow into a vehicle such as ENRICH in Africa Center so the funds are distributed to ENRICH in Africa Center champions and subsequently to African-focused ecosystem support organizations and African champions so the value comes to and stays in Africa.



Capitalizing on Global Technical Assistance into the Innovation Ecosystem



KEY ACTION ITEMS

A recommendation to align actions with key organisations:

- DCA members to make use of ENRICH in Africa Center's database for investor - fund seeker matchmaking.
- ENRICH in Africa Center to build a database of LPs and observe who is being allocated to new managers so focus is on building relationships with LPs.
- ENRICH in Africa Center to conduct an analysis for understand LPs views on investing in Africa and their relationships with their current fund managers in order to understand how to incentivize LPs to actually engage with other managers or engage with Africa in the first case, or engage with an Africa-focused VC fund as a business.
- ENRICH in Africa Center to support the development of consortiums to apply for technical assistance grants and build relationships between grantor and grantees in Africa.
- ENRICH in Africa Center and DCA FLOATS Working Group to create a playbook on using technical assistance as an alternative way of fundraising.
- ENRICH in Africa Center to convene LP-focused events that bring LPs, GPs, fund managers and family offices together, with support from key DCA members that have a strong understanding of stakeholders convened.

Shared Takeaway:

Building strong relationships with LPs and key stakeholders help to unlock value, funds and opportunities.

Thank You



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