

CHOOSE AFRICA

The French Initiative to
**ACCELERATE
THE GROWTH OF MSMES AND
ENTREPRENEURSHIP IN AFRICA**

PRESS KIT





FRANCE, PARTNERING WITH AFRICAN START-UPS AND MSMES

Africa is alive with entrepreneurial spirit! **Almost 450 million young people will enter the African labour market by 2050**, which represents both a challenge and an opportunity for the African continent, as well as the global community. **Africa is the continent with the highest proportion of entrepreneurs** with 20% of these young businesses offering new products or services.

Start-ups, micro- and small and medium-sized enterprises play a crucial role in job creation, economic growth and innovation. **In developing and emerging countries, SMEs account for 90% of formal businesses, create 60% of jobs and contribute to around 40% of GDP.**

Despite this dynamism and the crucial role that these small businesses play, a lack of adequate and suitable financing remains their number one obstacle, and one that hinders entrepreneurs' ambition and curbs development potential. **At present, only 20% of African MSMEs have access to bank loans and 87% of start-ups do not have access to any funding.** To enable these small businesses to get off the ground, to develop and to thrive, it is essential that they are given access to diverse financing solutions tailored to their specific needs, and at all phases of their development.

In November 2017 in Ouagadougou, the President of the French Republic, Emmanuel Macron, announced **France's commitment to become a key partner in supporting African MSMEs and start-ups.**



"France will step up to the plate by devoting more than €1 billion to support African SMEs."
Emmanuel Macron

The AFD Group launches **Choose Africa**, an accelerator for SME growth in Africa

The French initiative, **Choose Africa**, fulfils the ambition of President Macron's Ouagadougou declaration. With this initiative, all the instruments of the AFD Group (Agence Française de Développement and its private sector financing-arm, Proparco) will be mobilised in order to accompany MSMEs and entrepreneurs at all stages of their development, from early-stage to maturity.

Choose Africa is the gateway towards a full range of financing solutions and support services offered by AFD and Proparco, including:



Financing and investment

With **Choose Africa**, an entrepreneur will be able to identify the type of financing suited to their needs and stage of development, and either be directed to the AFD Group or towards the local financial intermediaries supported by the AFD Group.

Proparco and AFD offer a comprehensive range of financing solutions tailored to meet the diverse needs of small businesses. For example, the AFD Group can provide private equity financing or promote access to credit through loans earmarked for SME lending, granted to financial institutions in Africa, or guarantees to banks to share the associated SME risk.



Strategic and technical support

In addition to financing, entrepreneurs and financial partners also seek to be advised and supported in their development projects. This is the second component of **Choose Africa**.

Local financial partners, as well as start-up and MSME beneficiaries, can benefit from expertise on strategy, operations, improved environmental, social and governance practices, and access to training and local and global networks. The AFD Group also supports the development of local incubator and accelerator structures, for example through the programme Afric'innov.



Supporting local entrepreneurial ecosystems

Choose Africa also aims to support the development of ecosystems favourable to entrepreneurship and innovation, in order to promote local economic development and SME competitiveness.

CHOOSE AFRICA IN FIGURES

€2.5Bn +
has been earmarked for
financing MSMEs by 2022

**€1.5 billion in credit
lines to local financial
institutions**, dedicated
to SME financing, or
guarantees to banks to
share the risk on SME
lending

**€1 billion in private
equity**, either through
direct investments in
companies or indirectly,
via private equity
SME-focused funds

10,000
African businesses
will be supported
by 2022

CHOOSE AFRICA SOLUTIONS TO SUPPORT THE DEVELOPMENT OF MSMEs AND ENTREPRENEURSHIP IN AFRICA



SUPPORTING START-UPS

Equity investment into innovative high-potential start-ups, through direct investment and investment funds, ranging from seed capital to Series C.

The French initiative **Choose Africa** is the response to France's commitment to support the African entrepreneurial impetus. With **Choose Africa**, the **AFD Group** aims to accompany MSMEs and entrepreneurs at all stages of their development, via a wide range of financing and support solutions.

EARLY STAGE INVESTMENT

SMALL BUSINESSES AND START-UPS PLAY A KEY ROLE IN ACHIEVING SUSTAINABLE AND INCLUSIVE GROWTH IN AFRICA.

AFD Group offers solutions in financing and support, tailored to meet local needs and contexts, across the entire value chain and at all stages of growth of African companies.

Through this support, our ambition is to strengthen the performance of these small businesses so that they continue to play their fundamental role in creating jobs, boosting economic growth and innovation.

SUPPORT AND CAPACITY DEVELOPMENT

Incubators, Accelerators, Investment Readiness Programme



SUPPORTING AN ECOSYSTEM FAVOURABLE TO



FACILITATING ACCESS TO CREDIT AND FINANCIAL SERVICES FOR MSMES

Long term financing (credit lines) and advisory support provided to local financial institutions (banks, leasing and insurance companies, microfinance institutions) looking to develop or establish their MSME activities.



PRIVATE EQUITY INVESTMENT FOR SMES

Equity investments into high-growth SMEs, through direct investment or through private equity SME-focused funds.

**PARTNERING
WITH LOCAL
FINANCIAL
INSTITUTIONS THAT
FOCUS ON MSME
LENDING**

PRIVATE EQUITY

CAPACITY DEVELOPMENT AND ADVISORY SOLUTIONS

Technical and strategic support provided to financial institutions, investment fund managers and MSME beneficiaries

ENTREPRENEURSHIP AND SME COMPETITIVENESS



Choose Africa will enable AFD Group to provide support for:



INNOVATIVE START-UPS LIKE JUMO

Through a \$3 million investment in **JUMO**, **Proparco** is supporting an innovative South African fintech that contributes to financial inclusion in sub-Saharan Africa.

Recent investments in funds such as **Energy Access Venture**, **Novastar** or **Tide Africa**, as well as directly in start-ups such as **JUMO**, **mSurvey** or **Afrimarket**, demonstrate **AFD Group**'s ability to adapt its offer to the needs of young and innovative companies. **AFD Group** is also involved in the development of an ecosystem that is favourable to start-ups, notably via its support (financing and expertise to) local incubators.



SME-FOCUSED INVESTMENT FUNDS, SUCH AS THE AFRICAN RIVERS FUND

Investment funds combine financing and ongoing support to promising companies. With its investment in the **African Rivers Fund** (ARF) through the **FISEA fund**, an investment and business support fund in Africa, held by AFD and advised by **Proparco**, the **AFD Group** supports MSMEs in the health and education sectors in Central Africa.

Proparco is also a long-standing partner of **Investisseurs et partenaires** (I&P), an impact investing group dedicated to the African continent. **Proparco** has invested in I&P's various pan-African impact funds to support the growth of responsible African SMEs with a high local value-add and who are capable of developing a profitable and sustainable business.



MSMEs

VIA DEDICATED CREDIT FACILITIES AND GUARANTEES PROVIDED TO LOCAL FINANCIAL INSTITUTIONS

Financial institutions (banks, microfinance institutions, leasing companies, etc.) are essential partners for small businesses seeking financing, and often have products and services well-adapted to MSME needs. In order to facilitate access to credit for local businesses, **Proparco** granted a \$15 million credit line to **DFCU Bank** in Uganda in 2018.

By sharing part of the risk associated with SME financing through structured guarantee schemes, such as **ARIZ**, the **AFD Group** also strengthens the capacity of financial institutions to meet the needs of more small businesses.

Support to regional institutions such as **Coop Bank**, **DTB**, **I&M Bank** or **Africa Guarantee Fund** represents a key activity for the **AFD Group** and one that the **Choose Africa** initiative will seek to strengthen and expand.



MICROFINANCE INSTITUTIONS

LIKE AL AMANA IN MOROCCO

By providing financial services to micro-enterprises and individuals traditionally excluded from the financial sector, microfinance organisations are a vital component of the African financial system.

To support these institutions and to help them get their businesses off the ground, **Proparco** recently granted a €3 million loan to **Al Amana Microfinance**, Morocco's leading microfinance specialist and a pioneer in social performance management.

Funding granted to **Enda Tamweel** in Tunisia and **Advans** in Côte d'Ivoire also illustrates **AFD Group**'s commitment to these institutions, which support micro-enterprises and contribute to the development of the local economic tissue, job creation and income generation.

CHOOSE AFRICA, A PLATFORM DEDICATED TO AFRICAN MSMES AND ENTREPRENEURS



www.choose-africa.com will enable MSMEs and start-ups to obtain information and find out more about the financing solutions and support made available by the **AFD Group** and its local partners.

For example, **a start up** with high impact potential could either contact **Proparco** directly for an investment, or contact one of **the Group's local venture-capital fund partners**.



MSMEs, in search of financing, will be able to go online and identify the solution most adapted to their needs and stages of development, as well as be directed towards local financial intermediaries (banks, leasing companies, investment funds etc.) with whom the **AFD Group** works.

A high-growth SME looking for an equity investment can either contact **Proparco** for a direct investment or be redirected towards one of **the Group's SME-focused private equity fund partners**, depending on its needs and sector of activity.

Local financial institutions and investment funds dedicated to SME development will also be able to use the platform to find out more about the **AFD Group's** solutions on offer, enabling them to expand their SME lending and investment activities.

**CHOOSE AFRICA,
A PLATFORM
DEDICATED TO
AFRICAN MSMES
AND ENTREPRENEURS**



CHOOSE AFRICA

A French initiative,
powered by the AFD
Group and coordinated
by Proparco – to support
African MSMEs and start-ups

10,000 African businesses
to be supported by 2022

An online platform
that provides detailed
information on the AFD
Group's offering and guides
entrepreneurs towards
appropriate financing
solutions and support



A unique spectrum
of solutions, combining financing
(equity, credit facilities, guarantees)
and advisory support, in addition
to supporting an entrepreneurial
ecosystem favourable to innovation
and the competitiveness of
small businesses

€2.5 billion
to be invested by 2022

Choose Africa – In brief

Why the name – Choose Africa?

Choose Africa is France's flagship initiative to support African MSMEs and start-ups. The name reflects France's willingness and commitment to becoming a key partner in Africa's sustainable development.

How is Choose Africa different from other initiatives?

The considerable proportion attributed to private equity investment is what makes AFD Group's approach stand out from other initiatives.

This proportion is much higher than what most bilateral development institutions tend to invest.

AFD and Proparco also benefit from a strong local presence, knowledge of local markets, and networks of African entrepreneurs that enable them to focus both on smaller ticket amounts (between €1 million and €3 million), often not covered by the private sector nor our partners, and in the least developed African countries, which do not have any access to international capital.

A special focus will also be placed on innovation and digital technology and €65 million will be set aside specifically for start-ups, notably via the AFD-sponsored Digital Africa initiative.

Choose Africa also integrates AFD's new Social and Inclusive Business initiative. A dedicated investment fund, FISEA+, held by AFD and advised by Proparco, will also be launched this year to specifically support African SMEs through dedicated financing and support solutions.

Who is this initiative for?

Choose Africa primarily focuses on African MSMEs and start-ups but it is also structured to address financial institutions based in Africa who are looking to consolidate or grow their MSME product or service offering.

The core intent of the initiative is thus not to support French SMEs who wish to develop their export activity in Africa, for example. However, a locally-registered subsidiary, operating in Africa, but owned by a French company, may be eligible for the Choose Africa initiative.