Digital Africa sendemo

Understanding
STARTUP
SUPPORT IN AFRICA

Foreword

At Digital Africa, we believe that data-driven insights are crucial for shaping the future of entrepreneurship in Africa. This collaboration with Sendemo is a testament to our commitment to equipping African startups and the organizations that support them with the knowledge they need to thrive.

Through this study, we aim to provide actionable intelligence that strengthens startup support organizations (SSOs), enhances their impact, and ultimately fosters a more resilient and dynamic entrepreneurial ecosystem. We are proud to have partnered with Sendemo in this endeavor and look forward to seeing these insights drive meaningful change.

Grégoire De Padirac, CEO at Digital Africa
Pénélope Terranova, Head of Programs at Digital Africa

"This study produced in collaboration with Digital Africa perfectly illustrates our mission at Sendemo to shape stronger, more resilient entrepreneurial ecosystems in Africa through data-driven research and our ability to translate it into practical solutions to implement and deploy with organizations that matter.

We are very proud of this collaboration and hope that the insights we uncovered will help shape stronger, more resilient SSOs for the benefit of our ecosystems and their founders.

Many thanks to all the contributors, Timothy Motthe and Tarek Chelaifa, and our partner Afrilabs for the genuine collaboration."

Abderrahmane Chaoui, CEO at Sendemo

I

Introduction

Who we are

What this report is about

Why we release it

Who we are • Digital Africa

Dedicated to foster innovation and entrepreneurship in Africa's most underserved ecosystems

Digital Africa supports African tech entrepreneurs through strategic financing, targeted coaching and strong partnerships, to catalyze innovation in underserved ecosystems.

With 18 priority countries, we are a VC with a comprehensive offer that focuses on ecosystems on the margin of the continent's main tech hubs. Our support is structured around two axes:

- Investment: We invest up to 100k in 20+ startups per year.
- Support: We provide each entrepreneur with a range of dedicated services: experts, tools, opportunities

Digital Africa

Our mission is to provide the keys to success for African tech entrepreneurs in underserved ecosystems.

4

Who we are • Sendemo

An organization dedicated to foster inclusive development in Africa through innovation and entrepreneurship

sendemo

By 2050, Africa will be home to an additional 1.3 billion people. At Sendemo we believe entrepreneurship is the key to unlocking Africa's potential and shaping a future of enduring growth and opportunity.

Our goal is to ensure that entrepreneurship and technology are not just buzzwords but catalysts for transformative change in our economies.

To achieve this, we work closely with highly respected institutions and organizations around three pillars:

research, advisory and advocacy.

We are dedicated to building the african entrepreneurial knowledge stack — a foundation of insights, tools, and strategies that will shape ecosystems capable of creating lasting value for our communities, our nations and the world.

MIT · SciencesPo · 54COLLECTIVE · Digital Africa · ORGANISATION INTERNATIONALE DE la francophonie

Why do we release this report

For Digital Africa, relying on a strong network a hubs is critical in delivering our mission

- This study was first intended to nourish and support our new strategy as Digital Africa.
- Releasing it with Sendemo and AfriLabs seemed rooted in our mission for 3 main reasons:

Dedicated to enhancing research in our ecosystems

- We operate as a pioneer VC in uncharted territories.

- We are continuously learning from our efforts on the ground.

- We need to rely on ground-research to be effective, and we share it.

Dedicated to remain open, by design

- We are a small organization tackling complex challenges in a huge continent

- We understand the necessity of partnership and sharing with like-minded organizations

- Everything we do is designed in collaboration with local partners, to add value to the whole

Dedicated to support hubs

- We count 60+ hubs as **partners**, not just simple relays

- We understand the importance of hubs and their challenges

- We are dedicated to helping them bring a sustainable value to founders

Why do we release this report

SSOs are a vital part of our ecosystems, if they are fragile, the whole ecosystem gets fragilized

SSOs are ubiquitous in African entrepreneurial ecosystems

They are fragilized by an inherent business model challenge

That tends to divert them from their core mandatory mission

1200

Organizations working on:

System-level improvements

Hands-on support to entrepreneurs

95%

are **independent** businesses

30% generate **profits**

70% **depend** on donors

65%

generate revenues through at least **3 activities**, with limited resources :

5 **people on average**, 3 years

71% are now **consultants**

7

II

Methodology

Insights straight from the ground

A combined quantitative and qualitative approach to dig into specific models and put things in perspective

Hours of benchmark, interviews and survey analysis that built up on previous Sendemo's research

One quantitative survey
- 60 respondents from Afrilabs community
- North, West, Central, East and Southern Africa represented

Benchmarks (international, pan-african)

50+ qualitative interviews (45mn) with key stakeholders
- 25 Startup Support Organizations
- 20 founders
- 5+ DFIs and donor organizations

Comparison and analysis of models internationally, at a panafrican level and regionally

Previous Sendemo's research

- 250+ Startup support organizations mapped and interviewed
- 200+ founders interviewed
- 100+ GPs and business angels interviewed
- 20+ universities
- 10+ government agencies

What you fill find in this study

This study is aimed at any type of organization involved in the value chain of startup support, at any level

There are three core values to this study.

01

Putting words and figures to the challenges faced by these organizations.

02

Break down the SSO models and decipher inspiring ways to address these challenges in each aspect of their model.

03

Offer concrete tools and frameworks to better understand and serve the needs of entrepreneurs and ecosystems.

01

Incubation around the world

How have startup support organizations evolved to what we know now and how could it guide African countries at different levels of advancements?

How they are structured today and what lessons we can learn from them?

Business incubators were always a tool to adapt to macroeconomic shifts.

They constantly evolved and refocused along with the evolution of their broader environment

From 70s to 2000s, incubators were a public response tool to major economic shifts

The 70s **energy crisis pushed the US government towards diversification and SME development**:
- birth of business incubators on a simple cost-sharing model for infrastructure and operations

In the 80s, the **industry crisis** in Europe and US **pushed governments towards innovation** to save the industry:
- switch from infrastructure to knowledge-based services (managerial skills, methodologies, tools)

In the 90s, the market becomes **more competitive requiring new knowledge and faster time-to-markets:**
- switch to networked services, BIs providing access to customers, technology partners and investors...

During the 2000s, incubators became tools to generate fast growth and high valuations

The .com era induced a whole new paradigm where incubators became a way to make profits. In the US, for-profit incubators rose from <50 in 1998 to 400+ in 2000.

This is when **the concept of startup accelerator was born, with the likes of Y-Combinator, Techstars, 500 startups** opening shops.

The startup support landscape is now structured around three main models.

Models that target entrepreneurs at different stages of their lifecycle, with different offerings.

They provide a portfolio of services designed to help founders overcome the obstacles they face at different moments of their journey. They are articulated around a few common thematics, but differ from each other by various degrees of expertise and hands-on involvement.

Incubators

Structures that come very early in the support of founders and offer basic derisking mechanisms: shared costs, basic training, exposure to investors and partners, access to expertise (fiscal, legal...)

Accelerators

Structures that offer a seed investment and a specific business support designed to accelerate growth. They come in at a later stage of development and the services they offer vary from very hands-on support to a lighter platform model.

Venture builders

Structures that build concepts and recruit founders to develop them, while ensuring a non-stop hands-on support. They provide the required capital, knowledge and skills to maximize the chances of success.

Seedcamp · START-UP CHILE · EDHEC BUSINESS SCHOOL

Y Combinator · techstars · 500

ANTLER · efounders · betaworks

[Focus] Three organizations that are emblematic of these models.

World-renowned organizations, each providing different value to founders.

These three models are considered very successful by founders and observers alike. They offer programs with clear targets, measurable objectives and clear perks, all adapted to founders needs at a specific stage.

Startup Chile use case

What: Initiative led/financed by the Chilean Development Bank (CORFO) to incubate and accelerate startups in Chile.

How: 3 separate program (Build, Ignite, Grow) adapted to different startup development stages.

Secret sauce: Equity-free funding and focus on attracting international founders.

Y Combinator use case

What: A privately-funded startup accelerator widely recognized as the world's most prestigious.

How: 3-months program, accompanied by $500K for 7% of the company.

Secret sauce: Excellent early cohorts (YC1 included Reddit/Twitch), consolidating brand name and now attracting the world's best founders.

Efounders use case

What: Paris-based venture studio picking startup ideas and finding founders to execute them.

How: 12-18 months in-house incubation, eFounders' team provides on-hands startup support and pays founders' salaries.

Secret sauce: Sectorial focus, high financial/time commitment to small number of quality founders.

Later, private stakeholders got in the dance, attracted by the profitability potential of marketable   innovations

Applying subtle variations to the existing models, resulting in different visions and missions.

Different stakeholders use these set-ups to serve different objectives: from de-risking investments to accelerating time to market. Different stakeholder following different objectives creates, again, different positionings and service offerings.

Corporate-backed

Provides a clear mandate and focus (industry, technology...), as well as a certain sustainability.

Potential partnerships are a great value to startups.

May create misalignment in time frames and objectives.

VC-backed

A clear objective of derisking investments and building its dealflow.

Providing capital and hands-on investment is attractive to founders.

Potential conflict of interest when fundraising.

University-backed

A brand building objective, positioning the university as a center of tech entrepreneurship.

Also a good way to mobilize/engage the school's alumni network, another commercial selling point for prospective students.

15

[Focus] Three organizations with different levels of stakeholder engagement.

Engaging a stakeholder provides focus and sustainability.

These three models are considered successful. Stakeholders are engaged in different fashion, but the structure has clear objectives, aligned with the stakeholder's mission.

Corporate: Plug & Play tech center

What: A clear mandate to connect corporations to the most promising, industry-relevant tech startups.

How: Building/running various corporate-relevant a programs and connecting corporates to relevant alumni/portfolio startups.

Major pros & cons: Strong corporate network for startups but potentially differing accelerator quality

VC: The Surge accelerator

What: Sequoia's India acceleration program launched and owned by an existing Singaporean VC.

How: 4-month acceleration program, with a potential investment at the end of it.

Major pros & cons: Early support of an institutional VC but potentially locking in startups with that sole VC.

University: EDHEC incubator

What: EDHEC-run 3, geographically separate incubator programs

How: Traditional incubator programs complemented by access to EDHEC's network

Major pros & cons: Support from the school's resources but dubious founder quality and commitment.

PLUGANDPLAY

SURGE ·>>

EDHEC
BUSINESS SCHOOL

16

In their heterogeneous positionings, SSOs have key differentiating elements.

These elements provide insights on the SSO's financial sustainability, its alignment to the founder's success, the way it runs operations...

Key differentiating elements we considered

Takes equity	No equity
Service fees	No service fees
Attached to a stakeholder	Independent
Private funding	Public funding
Single program	Multiple programs
< 6 months	>9 months
For profit	Non profit

Different positionings and models that provide us with key insights.

Lessons related to strategic alignment, business model and program design.

In their diversity of models, a few SSOs demonstrate steady results, leveraging a specific aspect in their model to remain relevant to founders over time.

Equity creates alignment

SSOs taking equity are financially incentivized on their startups' success, **creating alignment by design.**

Those who don't don't make money from their founders' success, and can become of dubious use.

Being stakeholder-attached sets a strategic course

Stakeholder-attached SSOs aren't in it for the money but **for a specific strategic objective.**

This **guarantees adapted resources** to reach the objective mentioned above. However, the objective can be uncorrelated to founder success (CSR, branding...).

Independent structures must remain relevant by design

In less donor-funded environments such as western markets, the market power law still applies and if an organization fails to prove its value to founders, it dies.

Independent for-profit or non-profit structures, who don't take equity, are still incentivized to their founders' success, **as a matter of survival.**

02

A Picture of African SSOs

What is the landscape of African SSOs, who do they target, what do they actually do, what value do they provide and what challenges do they face?

Africa is far from monolithic.

SSOs have constantly evolved and refocused along with the evolution of their broader environment

The country's openness to private sector development, to international trade and investments, the tonality of its regulation framework, its education level... are all the result of the political and economic choices that have been made post-independence.

Access to capital is the most visible inequality among African countries

Since 2019, **80%+ of funding** is attracted by 4 countries only.

Central Africa counts for **<1% of deals*** for 15% of the population.

Different regulation frameworks and lack of infrastructure

Regulation complexity, lack of transport and business infrastructure still limit the potential for intra-african trade and expansions.

Regulatory heterogeneity is also an obstacle for investors, corporates and other stakeholders wanting to get involved.

Market sophistication and availability of existing supply chains

"We ended up building every part of the supply-chain in-house, because it didn't exist.

VCs, focused on tech and scalability, fail to see these costs as essential."

Birame Sock, founder, Kwely

African countries aren't equally conducive to high growth entrepreneurs.

Mapping the conduciveness of different African markets based on universally available data

Countries possess disparate levels of success ingredients, increasing or decreasing local founders' chances of success.

We have focused on six different elements...

- The quality of the infrastructure

- The ease of doing business

- The availability of capital

- The B2B market sophistication

- The market depth

- The level of education and availability of talent

Producing a country mapping based on a selected set of data from the Global Innovation Index 2023, GSMA Intelligence and WB fintech database 2021

	A	B	C	D	E	F	G	H
1	Indicator type	Indicator	South Africa	Egypt	Nigeria	Kenya	Tunisie	Ghana
3	Business Sophistication	High-tech imports (% total trade)	2.7	7.4	6.5	8.5	8.7	2.8
4	Business Sophistication	ICT services exports (% total trade)	0.7	1.7	0.2	0.4	0.4	0.6
5	Business Sophistication	Production and exports complexity	49.4	50.6	16.2	41.6	62.1	31.1
6	Capital	VC received as % of GDP	0.0009	0.0012	0.0008	0.0054	0.0002	0.0015
7	Capital	FDI net inflows (% of GDP)	4	1.9	0.6	0.4	1.5	3.9
8	Capital	Loans from microfinance (% of GDP)	1.2	0.4	0.5	0.3	1.1	0.1
9	Demand	Software spending (% of GDP)	0.3	0.2	0.1	0.1	0.3	0.013
10	Demand	GDP/Capita ($)	15.556	15,958	5,884	6,122	12,490	6,780.30
11	Doing Business	Policies for doing business	35.3	53.7	27.6	45.8	26.5	56.8
12	Doing Business	Operational stability for businesses	38.9	38.9	16.7	36.8	37.5	45.8
13	Doing Business	Entrepreneurship policies/culture	12.8	28.7	n/a	n/a	10.6	n/a
14	Infra	ICT use	62.6	55.1	29.4	35.2	67.4	53.6
15	Infra	Electricity output (GWh/mn pop)	3997	1875	157	215.9	1830	634.3
16	Infra	Logistics performance	72.7	45.5	22.7	n/a	n/a	18.2
17	Infra	Domestic industry diversification	81.2	95.8	n/a	66.1	88.3	88
18	Infra	Rural Population (% of total population)	32	57	46	71	30	41
19	Infra	Account ownership in a financial insitution or MoMo service provider (% of total population)	85.38	27.44	45.32	79.2	36.85	68.23
20	Infra	Individuals using the internet (% of total population)	72	72	55	29	79	68
21	Talent	Scientific and technical articles/bn PPP$	15.8	15.7	4.8	9.4	36.8	13.1
22	Talent	Total expenditure on education (% of GDP)	6.6	3.9	n/a	5.1	6.2	3.89
23	Talent	Graduates in science and engineering (% of graduates)	17.4	11.2	n/a	n/a	37.9	16.72

Disclaimer: Some data is missing, especially among the countries of interest to Digital Africa (Sudan, DRC, Algeria, Zimbabwe...)

23

A balanced combination of these elements enables startups to generate high growth.

African countries are heterogeneous, but they all present critical gaps that need to be filled externally.

Country ranking and grouping of a selected set of countries, representative of different ecosystem maturity levels

	Countries	Talent Level	Infrastructure Level	Capital Access Level	Market Depth	Market sophistication	Doing business
2	South Africa	Very Good	Very Good	Very Good	Good	Very Good	Good
3	Nigeria	Moderate	Poor	Very Good	Good	Moderate	Very Poor
4	Egypte	Very Good	Good	Very Good	Very Good	Very Good	Good
5	Kenya	Moderate	Poor	Very Good	Moderate	Very Good	Very Good
6	Ghana	Very Good	Moderate	Good	Moderate	Good	Very Good
7	Cameroon	Moderate	Poor	Poor	Poor	Poor	Good
8	RDC	Poor	Very Poor	Very Poor	Very Poor	Very Poor	Very Poor
9	Bénin	Good	Good	Poor	Very Poor	Poor	Very Good
10	Ethiopia	Moderate	Poor	Very Poor	Moderate	Good	Very Poor
11	Angola	Poor	Poor	Very Poor	Poor	Very Poor	Poor
12	Sudan	Very Poor	Very Poor	Very Poor	Very Poor	Very Poor	Very Poor
13	Tanzania	Moderate	Moderate	Good	Moderate	Good	Very Poor
14	Togo	Moderate	Moderate	Poor	Very Poor	Poor	Good
15	Senegal	Moderate	Good	Moderate	Poor	Good	Good
16	Morocco	Good	Very Good	Good	Good	Very Good	Poor
17	Tunisia	Very Good	Good	Moderate	Poor	Good	Poor
18	Côte d'Ivoire	Very Poor	Good	Good	Moderate	Moderate	Good
19	Rwanda	Very Poor	Poor	Very Poor	Very Poor	Moderate	Very Good
20	Algeria	Very Good	Good	Very Poor	Good	Very Poor	Poor
21	Zambia	Good	Poor	Moderate	Poor	Poor	Poor
22	Zimbabwe	Very Good	Poor	Poor	Very Poor	Good	Very Poor
23	Uganda	Moderate	Very Poor	Good	Poor	Poor	Good

What it tells us...

The more mature an ecosystem is, **the more varied stakeholders are involved, making it more balanced.**

Support programs can have a palliative effect on some of the ecosystem's shortcomings, but **curative measures require the combined action of other stakeholders, such as universities and corporates.**

Money follows money. Access to capital is mostly influenced by the size of the demand. **Market expansion and softlanding programs could unlock capital in small underserved markets.**

As ecosystems mature, the average local founder persona will also mature, resulting in a need for **more specific and business-oriented support.**

Talent is unevenly distributed, **requiring more expertise and depth as the ecosystem evolves.**

When assessed on their conduciveness to high growth ventures, 4 groups of countries appear

4 paradigms in which SSOs could be useful tools to ignite economic change, if rightfully adapted.

Countries	Talent Level	Infrastructure Level	Capital Access Level	Market Depth	Market sophistication	Doing business
South Africa						
Egypte						
Morocco						
Tunisia						
Kenya						
Ghana						
Bénin						
Algeria						
Côte d'Ivoire						
Tanzania						
Senegal						
Uganda						
Nigeria						
Cameroon						
Zambia						
Ethiopia						
Togo						
Rwanda						
Zimbabwe						
Angola						
RDC						
Sudan						

Environments in which entrepreneurship does not have the same impact.

Implying various degrees of specialization and expertise in the support provided to founders.

In countries from...		Entrepreneurship occurs in... - and consists in...	Implying various support approaches
Group 1	———	Competitive markets - Innovation and cluster development - Updating and maximizing existing value chains	Expert and specific support, very focused. Creating champions.
Group 2	———	Small markets, long-lasting incumbents - Economic diversification and cluster development - Bridging incomplete value chains, updating existing ones	
Group 3	———	Complex markets, huge opportunities - Economic diversification and productivity, economic development - Bridging and building incomplete value chains, creating industry standards	
Group 4	———	Unexisting markets, everything is to build - Economic development - Creating new markets, building industries and value-chains...	Hands-on support spans several basic topics. Igniting the dynamics.

In addition, there is widespread confusion in Africa's early stage 'startup' landscape.

Leading startup support organizations to struggle to define and stick to one target.

African young ecosystems are very heterogeneous, mixing founders of different sorts (SMEs, startups, micro-enterprises and informal entrepreneurs alike), with investors of different sorts (donors, NGOs, foundations, governments, impact investors, VCs, private equity, business angels...)...

The early stage landscape in Africa is heterogeneous

Founders: micro-enterprises, SMEs and even informal workers often fall in the same group.

Investors: donors, foundations and impact investors proportional importance have created taxonomy misalignment.

Leading early stage focused SSOs to target companies of different sorts...

85% Of surveyed SSOs target SMEs along with high growth potential startups

51% Of surveyed SSOs target micro-enterprises or informal entrepreneurs, **and startups**

Resulting in SSOs executing various mandates, blurring the value they are supposed to provide.

Very distinct mandates that would require distinct set-ups, resources and business models.

Because they operate in environments that require a different action, because they're funded by various partners with different visions or because they have no choice, SSOs in Africa often end-up engaged in many different activities armed with limited resources.

70% of surveyed SSOs say they accompany both SMEs and startups… these are radically different activities.
52% of surveyed SSOs are engaged in all four of these activities.

Building ecosystems	**Providing business education**	**Supporting SMEs and VSBs**	**Supporting high growth ventures**
Instilling a culture, bringing ecosystem players together, creating momentum.	Offering the basic entrepreneurial training that local business schools fail to provide.	Providing basic business support to SMEs, micro-enterprises or informal businesses.	Creating the deal flow for VC-investable businesses with high growth potential and ambition.
Ex:	Ex:	Ex:	Ex:

Leading to a very fragmented and diverse SSO landscape in Africa.

Their models are strongly influenced by their funding partners and fragile business model.

For profit structures seems to be the most efficient in supporting high growth startups but they are far from the majority. In Africa, survival SSOs represent over 60% of the mix.

Private, incentivized organizations

- **The venture builders**: Develop business theses and bet big on a few, select founders to carry them out (ex: Mstudio)

- **The brand names:** Developing a reputation as good accelerator executioners, enabling them to sell that expertise to partners such as government or DFIs (ex: Flat6Labs)

- **The seeker heads:** Agile structures adapting to the needs of the entire ecosystem, crafting relevant products for each (ex: OST).

- **The corporate backed:** A corporate initiative to increase brand visibility, tech exposure and potential M&A pipeline (ex: Visa Accelerator)

Major part of donor / public funding

- **The public incubators**: Government-backed and sponsored incubator aimed at kickstarting the local deal-flow (ex: Falak startups)

- **The ecosystem builders**: Physical spaces aimed at becoming the value exchange platform for a young ecosystem actors (ex: The Dot, Norrsken House)

- **The philanthropists**: Foundation backed support organizations providing basic programs for early stage ventures (ex: Westerwelle Foundation, Orange corners, INCO...)

- **The survival SSOs:** Teaching the basics of entrepreneurship to young local founders, often reliant on a fragile business model (ex: O'batama...)

For some of these organizations, supporting startups isn't their core mission anymore.

While following different objectives, they engage in various activities with different targets.

Most startup support organizations in Africa **are wrongly defined by this label.**
Their scope of activity is not restricted to business support services only and startups are far from being their only focus.

They do more than providing business support

Defining success in terms of impact and ecosystem achievements more than business achievements for the supported startup

88% Of surveyed SSOs track more than 2 very distinct objectives

81% Of surveyed SSOs have more than one source of income.

80% Of surveyed SSOs generate revenues from consulting services

Startups are not always the primary target for their services

Supporting all types of businesses, all at once, in a programmatic fashion, to comply with the donors' requests

89% Of surveyed SSOs support more than 1 target in their programs

48% Of surveyed SSOs support informal entrepreneurs or micro entreprises.

With most of them being not truly designed to support high growth startups...

They way they are structured and strategically positioned led most of them to lose their purpose.

The number of startup support organizations has kept increasing over the years.
They capture a larger chunk of the funding destined to supporting entrepreneurs(hip) every year.
Yet, almost none of the "successful" founders of Africa has come out of these structures.

A loss of purpose

67% of SSOs are not financially profitable and **70%** receive donor funding.

⇒ **80%** make revenue from consulting and end up diverting from startup support.

A lack of strategic alignment

SSOs are not incentivized to the startup's success:
• Short-termed programmatic approaches (**49%** say they run 5 or more programs a year)
• Donor's agenda and KPIs
• Too many activities and objectives

A lack of business-orientation

Only **22%** engage with VC firms, compared to **63%** with NGOs/DFIs

90%+ founders estimate that SSOs brought no value in terms of business connections and networks.

Nor do they seem equipped for it...

Most SSOs simply don't / can't have what it takes to support the successful founder persona.

The chronic lack of financial sustainability SSOs face considerably limits their resources.
At the same time, program-based fundings force most of them into the execution of many programs.
Limited resources spread between different activities and programs make their ability to assist high growth ventures dubious.

Limited financial resources

250K per founder for the M-studio
5-10K per founder for a low-end SSO

67% declare they would improve / diversify their programs in priority with more money.

To the question: How much money per year would you need ideally to deliver programs of value as you intend (in USD)? **Average need per year from surveyed SSO is 400k** ; **median need per year is 150k.**

Inadequate human resources

On average,
4 people teams design and execute
5+ programs a year
3 years employee retention on average
Cost of talent and **brand attractivity** restrict their ability to fight for talents

>95%

of SSOs are not designed, nor equipped, to support early stage high growth potential ventures

[USE CASE] **Anonymized SSO in Central Africa**

A well-meaning initiative lacking sustainability and founder-centricity.

We do not intend to put the blame on X specifically, and do not question their sincere intentions.
But we believe that X is representative of nearly 50% of active SSOs on the continent.

Description of their model

Who they are: An SSO in Central Africa founded initially by a group of diaspora that wanted to help entrepreneurs back home.

What they do: They run incubator cohorts mixing both group teaching and individual coaching. The founder persona accepted into the program is very loose.

How they do it: Since the incubator activity is far from profitable, they have to complete it with alternative revenue sources such as:

(i) co-working spaces they rent out
(ii) writing/designing incubation programs for others
(iii) organizing events for third-parties
(iv) responding and executing a bunch of RFPs from different funders

Problems this creates

Misalignment: X doesn't make money from their founders' financial success

Unadapted resources: Due to its fragile business model, X has a hard time recruiting adequate internal talent and top-notch experts, which reflects on the quality of support it provides to founders

Lack of founder centricity: X's revenue streams are so stretched across different areas that focus on the founders themselves can risk becoming an afterthought

Undelivered promises: X's understaffing and underfunding might create frustration for founders who end up dissatisfied with the quality of the support they receive.

03

Anatomy of African SSOs

Detailed analysis of the challenges faced by most SSOs in Africa, and identified best practices.
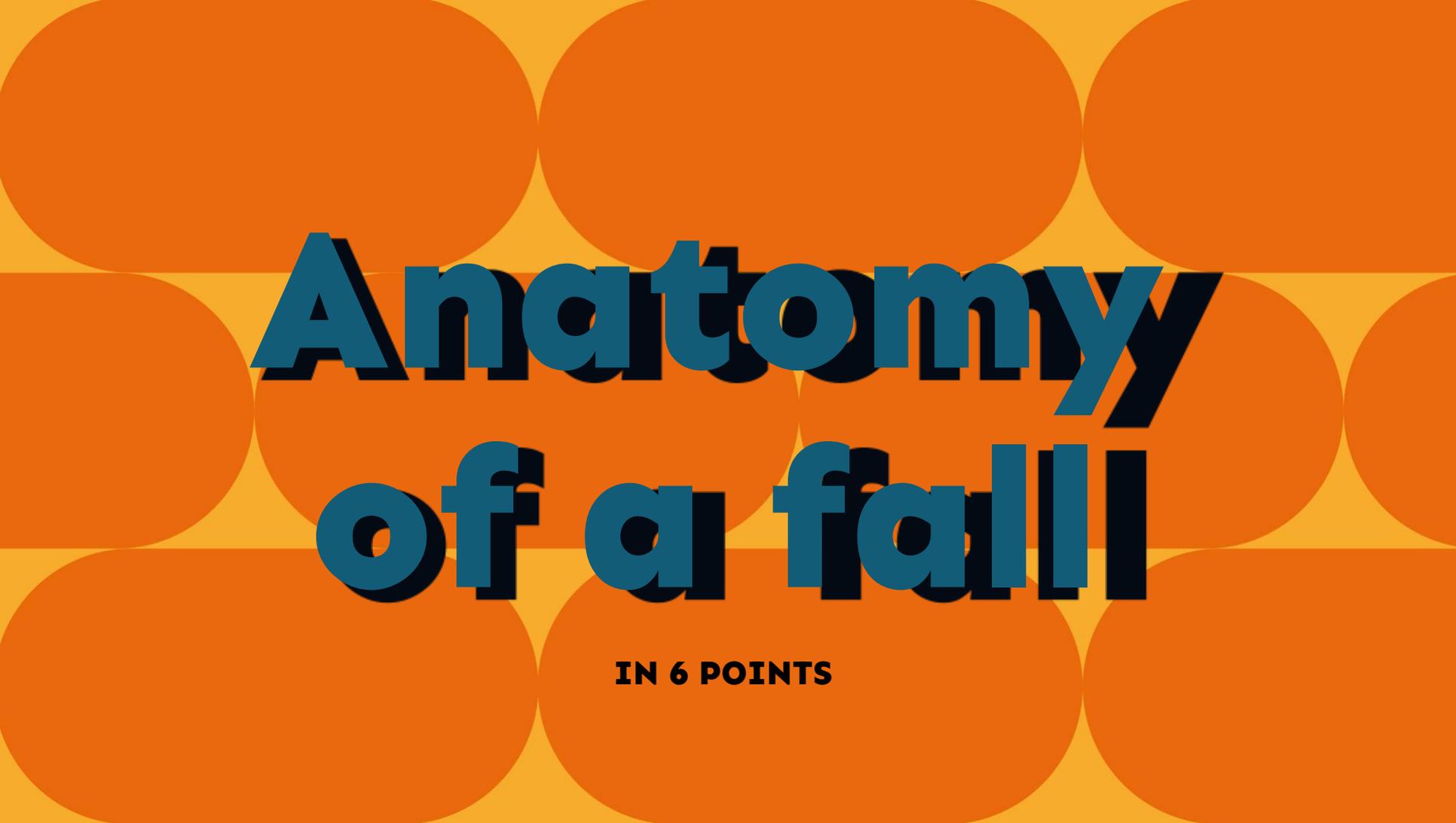
Anatomy of a falll

IN 6 POINTS

Most African SSOs have been maintained alive artificially, losing their value over time.

With donors flawing the market power law and offering a survival sustainability that doesn't allow for change.

Most SSOs in Africa face an initial business model challenge and lack of financial sustainability, that then reflects in various aspects of their model, resulting in a severe lack of efficiency.

Business model challenge

Shift in mission with limited / diverted resources

Programmatic approach and unadapted KPIs

Standardized programs and random cohort filling

Unadapted theoretical content lacking localized expertise

Leading to an important dissatisfaction from founders and funders...
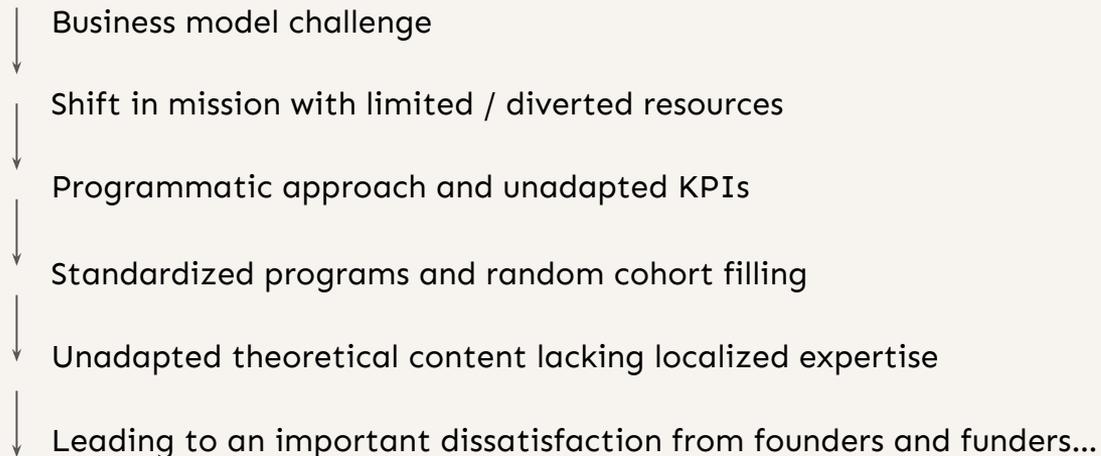
01. A business model challenge and structural lack of financial sustainability.

African SSOs lack options to generate revenues, leading to fragile models lacking sustainability.

African SSOs are mostly independent businesses, meant to be sustainable and live on their own:
• Yet, **30% only** are financially profitable,
• **70% are maintained alive** by donor funding

Around the world, SSOs usually have 2 ways of reaching financial sustainability: taking service fees or equity shares, or being financially attached by one stakeholder (corporate, university, VC...)

Service fees
• In Africa, **only 53% of SSOs take service fees**
• Most of them support unsolvable beneficiaries

Equity shares
• In Africa, only **30% of SSOs take equity shares**

Being funded by one stakeholder
• In Africa, less than **10% of SSOs are attached to a specific stakeholder**

As independent structures, SSOs face **a contradictory double injunction**:

→ Keep investing time and resources in **non-profitable activities** to **non-solvable targets** (their mission)

→ Generate revenues and grow autonomously (their duty)

02. Creating a shift in their mission with limited, diverted resources.

This economic paradox leads them to follow the money, and adapt to the donor's requests.

An initial **business model challenge that reflects in their mission** and strategic framework:

- **48%** target **informal entrepreneurs** and **micro-enterprises**
- **82%** measure their success partly or totally in terms of **impact achievements**

But also in the diversification of their activities

- **71%** provide basic consulting services, 7% do only that
- **65%** are engaged in at least 3 revenue-generating activities
- **Only 30%** generate revenues out of their portfolio startups

While both their human and financial resources are limited:

- **83%** believe cost of talent is the main obstacle to hiring
- **4 people** in average make the teams of SSOs
- **50%** of SSOs manage to retain their people no more than 4 years

Their thirst for revenue generation - to support startups - leads to two trends that **paradoxically divert them from effectively supporting startups:**

→ Answering their **donor's requests that often divert from the business requirements their founders face**

→ **Spreading their limited resources** over different activities, pushing their talents to their limits and losing value to founders.

03. Leading to a programmatic approach and unadapted KPIs.

Revenues become dependent of the programs' execution, more than true business achievements.

If SSOs are independent businesses, then **the product they sell is their ability to design and execute business support programs** in specific regions:

• **80%** of SSOs make money from implementing programs for partners (DFIs, Donors, corporates...)
• **50%** say they run 5 or more programs a year
• **46%** track business achievement KPIs for their programs

While effectively supporting early stage founders in Africa, and assessing their performance, takes time...

• The M-Studio support to build high growth ventures takes 12 months
• **Only 1** surveyed SSO does post-program assessments to truly track progress and business achievements with most programs lasting < 3 months.

Because they are forced to design and implement as many programs as possible to generate revenues, SSOs end up facing another paradox:

→ Their **need to close as many programs as possible** in a year, **with quickly measurable KPIs.**

→ While their founders need to **be supported and evaluated on the long-run to be able to demonstrate results.**

04. Forcing SSOs into standardized programs and random cohort filling.

Leading most of them to lose founders-centricity in the design and execution of their programs.

Running several programs with limited resources inexorably leads to **running standardized programs lacking adaptation**...

To the founders' needs
• **90%** of surveyed founders felt the cohorts were not suitably built for their specific business requirements or needs
• SSOs target various founders profiles: **30% have no previous work experience** while about **30% again have 5+ years** of experience.

To the environment they're in:
• Most of the content is sourced from international partners or open source literature coming from western markets
• **69%** of SSOs hire experts coming both from domestic and international markets

A lack of resources added to a programmatic approach leads SSOs to favor a one-size fits all approach:

→ With **diverse cohorts** bringing together **founders of different level and businesses of different nature** in the same program

→ With a **Western-inspired and sourced content** that often **lacks local contextualization and adaptation** to the complex reality that founders are facing

05. Resulting in an inability to demonstrate results and a dissatisfaction from founders.

From an African early stage founder's perspective, SSOs have failed to prove their value.

While their number and share of funding gets larger everyday, SSOs - barring a few exceptions - have failed to demonstrate results and gain the founders' trust.

Leading us to a situation where...

• The best founder profiles do not find the minimum expertise they need in SSOs and end up avoiding them, **leaving them with even less chances to demonstrate results**.

• By pursuing too many activities with limited resources, SSOs end up **losing their value in all of them** (**education**, **business support, ecosystem building...**)

• Confusion in their models and their mission have led funding partners to wrongly assess their value and **maintain them alive, but not in a position to transform**.

• Funding scarcity creates competition among these organizations, **while more collaboration and knowledge sharing** would bring huge benefits to their ecosystem.

"If you have at least a bachelor's degree, you won't learn anything and you'll spend a lot of time there... The incubators I went through were either 6 months lost but a small prize at the end, or 6 months lost altogether."

Anonymous founder in Cote d'Ivoire

Good practices to learn from

In reality, <2% of African SSOs are truly equipped to support high growth ventures.

Most SSOs simply don't / can't have what it takes to support the successful founder persona.

Based on their track record in their years of existence, **no more than 20 SSOs** operating in Africa have demonstrated their **ability to support a high growth startup**.

• The 20-ish organizations are located **in the same 9 countries** (SA, Nigeria, Egypt, Kenya, Tunisia, Morocco, Ghana, Senegal, Cote d'Ivoire)

• They often fight for the same profiles. They have identified **clear founder persona to target**, that often share very similar characteristics.

• In the diversity of their offers and positionings, providing access to **some of capital (grants, debt, equity investment...)** is a key part of their value proposition. Most of those who do not yet provide it are planning to do so in the next 2 years.

• Their models differ in many aspects, from their positioning and revenue model to their program design and delivery. But they come closer together in their **business-orientation** and **strategic alignment** to the founder's success.

SSOs with a demonstrated track record of high growth ventures

International accelerators

Venture studios

Independent models

The successful models share a strong focus and alignment with their founders' interest.

Following different models and offerings, they provide standards for the industry to follow.

Most of these structures are pioneering a certain way and still trying to demonstrate its value over time. Yet, through different models, they already show promising results and a form of self-sustainability.

Strategic alignment - the brand names

Take equity through their fund, creating alignment and providing a clear thesis.

Helping them target clear founders persona and businesses that they can support and invest in.

Founder-centricity - the seeker heads

Very different models but a strong ability to craft effective programs for a specific target.

They evolve and adapt following the needs of their target, just as a startup would do.

One-stop-shops - the venture studios

They recruit specific founders for pre-identified successful businesses and maximize their chance of success through capital, detailed playbooks, tools and experimented in-house specialist profiles (CTO, CPO, CMO...).

Their business model entirely depends on the success of their ventures.

Use case Flat6labs

A strategic alignment that reflects in every aspect of the business

The ignition: providing a mission

sawari ventures
2011

→ Sawari Ventures, an early stage Egyptian VC bets that **providing technical assistance and capital** is more effective to support founders.

→ They rent the flat #6 next door to test an idea that became Flat6labs: **A cohort-based accelerator that filters and prepares founders for investment.**

The success: strategic alignment

A clear mission provides

A clear target
Target precise founders persona, know their needs and improvement areas

A clear focus
Design a specific program to answer these needs, with clear objectives and KPIs

Adapted resources
Understanding and ability to attract and retain the right people and tools for the job

Good results
Flat6 has managed to create an investable dealflow everywhere it operates. Founders expectations are met. **Flat6 became a brand.**

The scale: a strong brand

A strong brand provides

Attractivity
To the best founders but also to the best talents.

Ability to raise funds
From different partners: DFIs, corp., banks, government...

Ability to expand
Flat6 first built strong local partnerships before operating in its 7 locations.

63 cohorts and cycles
13K sessions delivered
$25m invested
59 investments in **Tunisia**

Use case Open Startup International

An agile organization driven by the evolving needs of its "customers"

OST was born in 2016 between New York and Tunis as a national startup competition, and has since kept evolving along the needs of its ecosystem, proving to be a very successful organization.

A clear mission - Defining the targets, and the scope
"Empower entrepreneurs globally and shape their journeys by developing skills, leveraging networks, and bridging ecosystems". A mission resolutely international, targeting both ecosystems and entrepreneurs at different stages of their development.

Founder centricity - Following the founders' needs
OST has kept developing programs along the value chain of startup support, following the evolving needs of a maturing ecosystem and founders.

Collaboration - Getting the required expertise where it is
OST has managed to build a comprehensive pool of high level partners, being the best experts in their domains, to bridge their startup needs (academic, financial, corporate, technology...).

Our impact in a glimpse

+1700	300	+380	+1500	+270
ALUMNI	COACHES TRAINED	SUPPORTED STARTUPS	TRAINING HOURS	JOBS CREATED

Ideation	POC to MVP	Accelaration	Capacity bulding
OSTX	BRAIN.	Paper Plane	TOT
Tunisia	Pan-African	Pan-African	Tunisia
Senegal			Senegal
Morocco			Morocco
	OST PROGRAM	GROW	
	Senegal	Pan-African	
	Tunisia		

"Just as a start-up would do, support structures must use methods centered on their beneficiaries and their needs. They must experiment and adapt with agility to evolving needs. A support structure has a duty to remain attentive to the services it offers, just as a startup would to its customers."

Houda Ghozzi, PhD
Founder Open Startup (Tunisia, Senegal, Morocco)

Use case 54 Collective (ex - Founders Factory Africa)

A one-stop-shop for founders to successfully build and scale their business

54 Collective (FFA) was born in 2018 in Jobourg as a corporate-backed venture builder, with a clear focus provided by its funding partners. Since then, the model has scaled, and evolved, to become a hybrid VC fund focused on ideation to pre-series A stages, with a very hands-on support.

Aiming for impact, by supporting **high growth startups**:
54 Co must generate high returns to its LPs and clearly target high growth potential ventures, that can operate impactful models in impactful industries, providing them with **a clear target founder persona.**

A comprehensive approach to supporting founders:
54 has identified the key areas of support that founders need the most, and **internalized that expertise with a team of 70+ people** working on venture design, growth, product, tech, partnerships, strategy, talent… covering all core function their portfolio will need to rely on to grow faster.

Providing **blended capital** along with technical assistance
54 Co provides two types of capital. A ticket that divides into an equity investment of $150K+ added to a $100K repayable "founder-friendly" debt serving as a non dilutive working capital.

Preparing the ground for tomorrow…
Through their programs Gen-F and Academy, 54 Co aims at widening the pipeline of investable founders through venture building and training to aspiring founders and SMEs.

In 5 years only…

#1 most active investor in Africa in 2024

70+ startups in portfolio

$18m invested directly

$100m+ follow-on capital raised by portfolio

$114m raised from Mastercard Foundation

04

Recommendations

System-level and strategic measures to help African SSOs
bring more value to the founders they support.

At an ecosystem level, a mix of palliative and curative measures is needed to bridge the gaps faced by founders.

While some gaps need to be filled, a few curative measures could bring more value to the ecosystem.

While a profound transformation of model is required for most SSOs in the continent, targeted initiatives at the ecosystem level could nonetheless demonstrate immediate benefits for founders operating in the continent.

Curative initiatives

Aggregate and share localized data and knowledge

Educate funding partners on startup support in Africa

Foster more collaboration, transparency and knowledge sharing among SSOs.

Educate and incentivize missing stakeholders (corporates, VCs...) to get involved.

Palliative initiatives

Need more localized, practical content / programs.

Need more business-oriented support, turned towards direct revenue generation.

Need more expert-level business knowledge, talent and support services.

Need more specialized programs adapted to the specific challenges of certain businesses (hardware, infra, SaaS, fintech...)

At SSO level, most organizations must go through a deep strategic and cultural change

A complete reset of most SSO's model is required, starting with a new strategic framework.

Lessons from the most successful SSOs worldwide and at African level shed light on the structural gaps, from their positioning and business model to program design, that separate them most SSOs operating on the continent. **Gaps that require a profound transformation of mindset… and model.**

From …	… To
A broad and **evasive vision…**	… A **clear mission with clear targets**
Various programs and objectives…	… A **clear value proposition** to founders
Dependency on external funding…	… **Self-sustainable** business model
Standard program execution…	… **Tailored** expertise and resources
Donor/Program-centricity…	… **Founder-centricity**
Program or impact-based KPIs…	… tracking the **founder lifetime value**

1 From a broad and evasive vision :

> Our Mission is to build economic prosperity in Africa by supporting mission-driven entrepreneurs, innovators, and practitioners who build market-creating solutions that provide access"

> Creating a favorable entrepreneurial ecosystem

> Make digital accessible to all; be a lever to boost digital and youth entrepreneurship in Africa"

80% of SSOs identify as incubators, accelerators, tech hubs and innovation centers at the same time

85% of SSOs support more than 1 target in their programs

? We don't understand who is the primary target of the organization
The mission is broad, very long-term and shared by many different organizations
We don't understand what they actually do and how

●●● To a clear mission with clear targets.

Inkomoko is a very good example on that point, and proves that it's ok to have different beneficiaries such as SMEs or informal entrepreneurs instead of high growth startups only. What matters is to be clear about it, and to design something relevant for your targets.

iNKO MOKO

Inkomoko targets the refugee populations in East Africa

$100M + raised from the Mastercard Foundation to scale its initiatives

> Inkomoko's vision is an Africa with thriving communities where young people and refugees are engaged, communities have access to relevant innovations for self-determination, and where African solutions are unleashed to solve African problems"

> Inkomoko's mission is to empower Micro and Small Entrepreneurs across Africa, including refugees, through capacity building, access to finance, market linkages, and advocacy.

sendemo Đigital Africa AfriLabs

sendemo Đigital Africa AfriLabs

2 From various programs and objectives...

88% track more than two very distinct objectives (ecosystem building, capacity building, supporting startups...)

80% make money from implementing programs for partners

71% provide consulting services as their main revenue stream

65% are engaged in at least 3 revenue generating activities

To a clear value proposition to founders

VC fund and venture builder with a unique model and approach in Africa.

54COLLECTIVE

1 clear value proposition
Designed to generate growth :

- **Deploys catalytic capital** + internalized support functions
- **Equity + debt capital**
- **Tailored support for growth** (50+ experts covering all functions)

3 specific programs

- Learning
- Launching
- Scaling

sendemo · Đigital Africa · AfriLabs

sendemo · Đigital Africa · AfriLabs

3 From a dependency on external funding ...

95% of organizations are indepentent businesses, supposed to live on their own.

70% are reliant on donor funding to survice.

70% of organizations are profitable.

30% of SSOs only take equity shares

53% only take service fees

sendemo   Digital Africa   AfriLabs

●●● To a self-sustainable business model.

Separating your different activities, as if they were different products, can also help in designing specific business models for each activity, or imagine different revenue streams for your different activitie

CONCREE

4 objetctives = 4 products
sold as products.

:: **Startup Ludo**
:: **Wekomkom**
:: **Adia, Komkombox**
:: **Lezgo**

AMI African Management Institute

Through education, with a business model designed and oriented around business education, AMI has supported:

:: **37K businesses**
:: **Learners from 39 countries**
:: **Creation of 97K jobs**
:: **directly or indirectly**

sendemo   Digital Africa   AfriLabs

4 From standard program execution

••• To tailored expertise and resources

SSOs
Startup Support Organization

For most SSOs, the revenues depend on the execution of the programs. This inevitably leads SSOs to adopt a programmatic approach that is decorrelated from the long-term interest of the founders they support.

The Mstudio is a data driven venture studio launched in early 2023 in Cote d'ivoire. The team has analyzed 400+ startups in details, from their business model to their UX to decipher and document every aspect of their success.

M STUDIO

It then hunts the perfect entrepreneur profile for the job, grants its seed funding and supports its growth during 1 year.

46%
only track business achievement KPIs

82%
follow, partly or totally, impact-oriented KPIs

90%
of surveyed founders found the program and the cohort unadapted to their profile

Business model analysis

Entrepreneur Selection

Investment and program deployment

sendemo   Đigital Africa   AfriLabs

sendemo   Đigital Africa   AfriLabs

5 From donor or program centricity ...

●●● To founder centricity

46%
only track business achievement KPIs

82%
follow, partly or totally, impacted-oriented KPIs

90%
feel they are competing against surrounding SSOs

Fighting for the same donors create an unhealthy competition spirit among SSOs. Most importantly this dependency tends to mess with the SSO's strategic compass and diverts them from supporting founders attentively.

Open startup is an organization that has constantly evolved with the needs of its founders and the ecosystems it operates in. OST now operates several programs from incubation to investment readiness and acceleration in Tunisia, Senegal and Morocco.

ØST

It is a perfect illustration of an SSO building relevant partnerships around the needs of the founders instead of looking for founders to honor partnerships

For its deeptech program, BRAIN, OST partners with MIT, Polytechnique, HEC and Instadeep...

For its flagship OSTX, OST partners with Columbia Business School, AfricInvest, Drosos foundation, la DER in Senegal and AfricaGrow...

For its OST Grow, OST partners with BPIFrance and GoVentures ...

sendemo   Đigital Africa   AfriLabs

sendemo   Đigital Africa   AfriLabs

From a short-term mandates to execute

Most SSOs are caught up in a frenzy of programming that prevents them from taking a long-term view of their founders

5 programs per year on average per SSO with a team of 4 people

81% design and execute the program themselves

<3 months per program

80% make money from the execution of programs for partners

6 Tracking the founder's lifetime value

Most FOUNDERS complain of being left alone after the program ends. The value provided to early stage founders can only be apprehended after a long period of time. It is critical to maintain a certain level of connexion and services after the program ends.

YC is what comes closer to this consideration. With its alumni benefitting from each other and from YC networks for ever.

Y Combinator

What if we could track the founder lifetime value, just as they're asked to track their customer lifetime value.

FLV = **(learnings + connections + funding facilitated + perks) x (company lifespan)**

sendemo Digital Africa

AfriLabs

The end.

We would love to hear your thoughts! If you have any questions, suggestions, or feedback on this study, visit our website at digital-africa.co and connect with us on social media to stay engaged with our latest insights and initiatives.

You can find the volume II on our Linkedin page or through Sendemo's website at www.sendemo.org. You can also reach out for any questions or inquiries at info@sendemo.org

Digital Africa   **Sendemo**