

Impact investment: promoting transformative entrepreneurship for development



FONDATION POUR LES ÉTUDES ET RECHERCHES
SUR LE DÉVELOPPEMENT INTERNATIONAL

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Investisseurs et Partenaires (I&P)

Formal entrepreneurs transform structurally, deeply and fast, LDCs' economies

- They create jobs
- They provide goods and services to people
- They finance governments
- They structure value chains
- They bring hard currencies to countries
- They build the financial system
- They generate new technologies for all
- They protect environment
- They transform societies by promoting women and middle-class



Let's look at some of them among the 280 and more I&P has supported and funded!



AFRIKREA, RCI



ZEEPAY, GHANA



AGROSERV, BURKINA FASO



AERIAL METRICS, MADAGASCAR



PALODÉ, BURKINA FASO



MALISHI, MALI



PHARMIVOIRE, RCI



HERI, MADAGASCAR

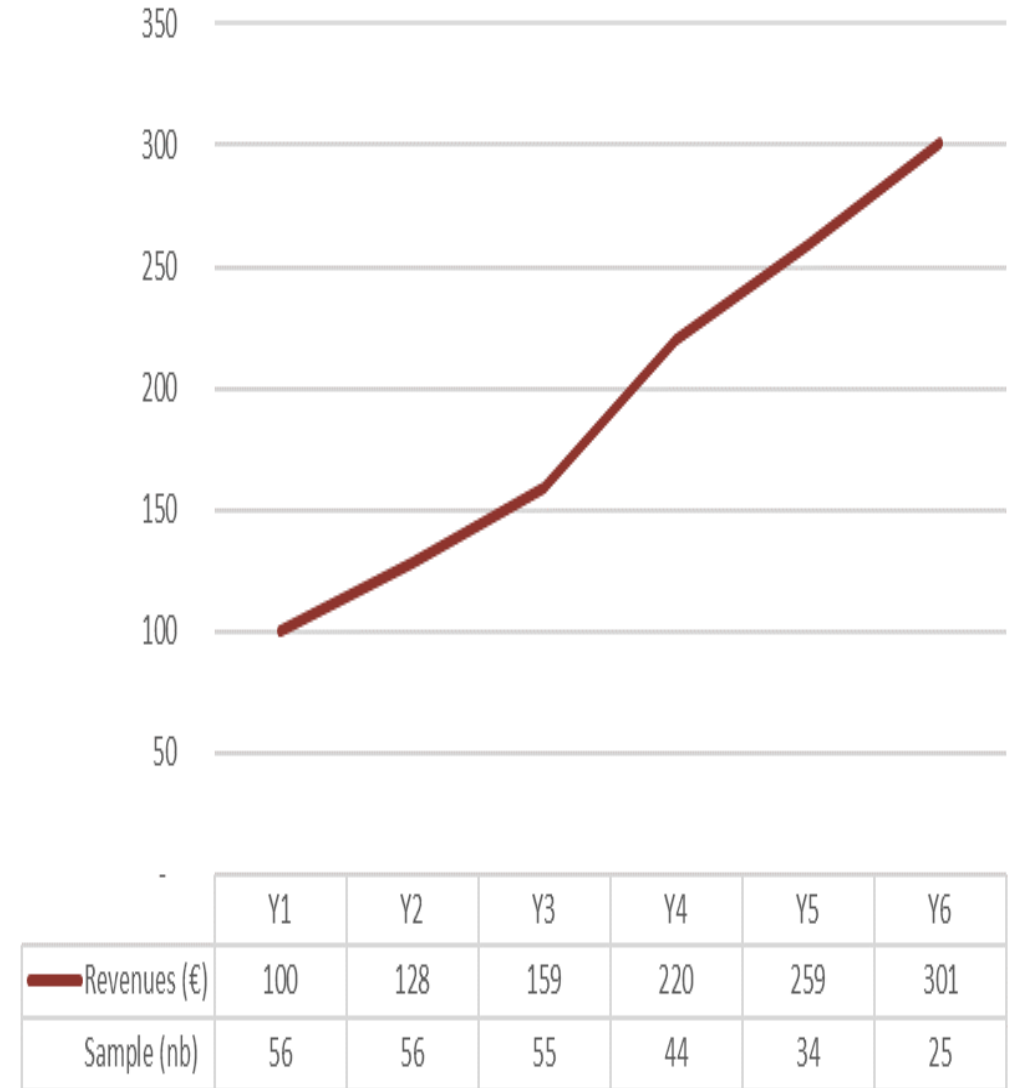


NJ PRESTATION, NIGER

Average performance of SMEs/SGBs supported in LDCs is outstanding by all standards



CONERGIES, MALI



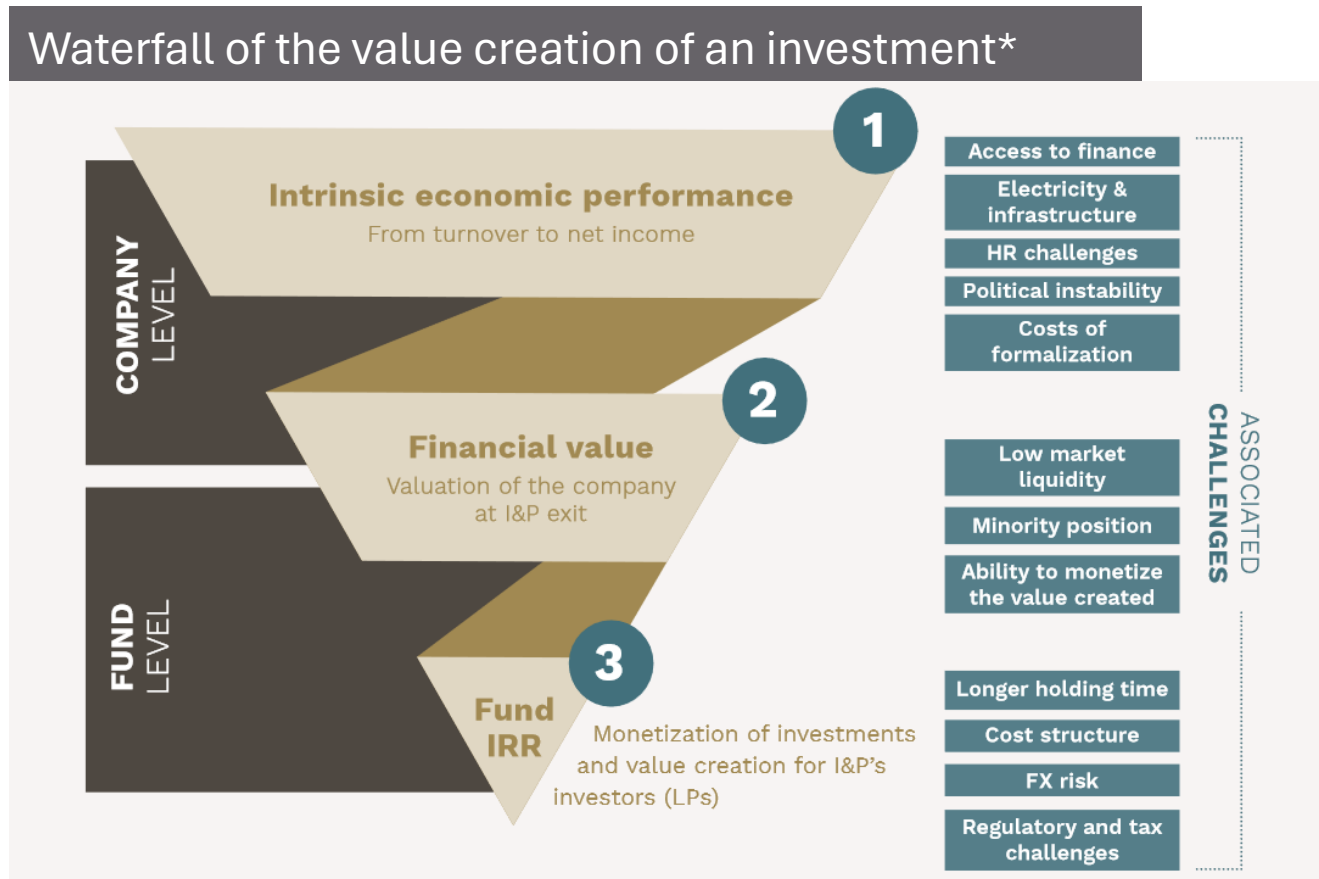
Revenue growth of I&P's normalized portfolio in LDCs

Yet, entrepreneurs in LDCs face huge challenges and lack capacities...



- According to the World Bank Enterprise Survey tool (2023), the main obstacles to private sector operations are similar in Sub-Saharan Africa than in the rest of poor countries. **“Access to finance”** (24,5% of the surveyed Sub-Saharan enterprises) and **“Electricity”** (14%) are the most important obstacles, followed by **“Practices of competitors in the informal sector”** (11%), **“Political instabilities”** (10%), and **“Tax rates”** (10%)
- Entrepreneurs and SMEs **face huge capacity barriers**: internal capacities, access to external capacities, business tissue
- **Logistical challenges** are huge and generate financial fragility: customs, infra...

...While financing Entrepreneurs and SMEs/SGBs in LDCs is very difficult for private investors, and most of them report negative financial return, even when economic returns are large!



Funds comparable to I&P funds take 15 years to break even a net positive IRR**

PE funds : 5,1 years
SME funds: 14,6 years

For SME funds, on average it takes

- ▶ Between 10 and 14 years to reach a positive gross IRR
- ▶ Between 15 and 20 years to reach a net IRR

Sources

* Using Catalytic Capital to Foster African Entrepreneurs in Underserved Markets, I&P, 2023
 **Insights on SME funds performances, Shell, Omidyar Network, Deloitte (2019); Across the Returns Continuum, Omidyar Network (2020)

Supporting entrepreneurship emergence and SMEs in LDCs requires a political mobilization for a holistic approach but impact investment is critical

- Legal and institutional environment
- Right fiscal and monetary/budgetary policy
- Right payment behavior by governments
- Active structural support to nascent businesses through accelerators and incubators
- Access to national, regional, continental and international markets
- **Blended finance for impact funds dedicated to venture, entrepreneurs and SMEs**
- **National laws to allow and support impact funds**



Economic and fiscal return of financial support to African entrepreneurs is huge and more and more acknowledged

- ➔ A FERDI research shows that **investing around €420 million more per year in business creation in Africa** would structurally increase Africa's GDP by one percentage point in 10 years and generate €103 billion in added value over the period(*)
- ➔ The value of this investment is beginning to be recognized by **major international and African initiatives**



Africa Growth Fund



(*) Source: Millions for Billions, Accelerating Africa's Entrepreneurial Emergence for Accelerated, Sustainable and Job-Rich Growth, FERDI Working Paper, P325, 2023

Let's go for African entrepreneurs!



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