INVICTAE

WHITE PAPER

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The world simply doesn't know their names. They are barely known in Africa. Yet these female industrialists have accomplished wonders for themselves and for business in Africa. More importantly they can shape the continent's growth, steer its destiny, influence global decisions by sitting at the international business table and leave a trail for generations to come. Africa cannot afford to see their influence silenced or limited.

This white paper examines the global context of capital finance on the continent, identifies the landscape facing female industrialists, prioritises where and how to intervene and identifies new ways of attracting investment and private-sector participation to deliver major women-led projects, businesses, and services critical to the continent in 2022.

1.
The context

Africa has garnered global attention for its many achievements and its dynamism, while its substantial challenges also receive much of the spotlight. Positive developments have been uneven in Africa, but so too for the rest of the world.

Given the paucity of external development assistance, and low commodity prices for its goods and services, Africa has awakened to the fact that it must rely on its own financial resources to sustain its development.

A leading pan-African body, the United Nations Economic Commission for Africa (ECA), says infrastructure development in Africa has the potential to raise gross domestic product (GDP) by 2% and develop the backbone for rapid industrialisation, which in turn could boost the capacity of the continent to generate more domestic resources.

In its Innovative Financing for the Economic Transformation of Africa report, published in March 2015, ECA reports that Africa's current infrastructure stands at a staggering $93 billion USD annually, out of which only $45 billion is mobilised, leaving an annual deficit of almost $50 billion.

Thus, as Côte d'Ivoire's President Alassane Ouattara aptly put it, Africa's greatest challenge is ensuring that its transformation is bolstered by sufficient and innovative sources of funding.

"One solution would be to speed up the development of our financial markets with a view to sparking the transformation of African economies," President Ouattara told the Ninth African Development Forum in Morocco 2014. "To do so, we must come up with innovative financial products and set up effective national and regional financial institutions and services."

It is here, where Invictae can deliver the greatest impact.

While Africa is fully cognisant of the significant strides it has made since the Monterrey Consensus in March 2002, in mobilising financial and technical resources for development, it recognises that there is a huge gap.

Current policy, financing and investment patterns are not delivering the future we want since:

600 million people

in Sub-Saharan Africa do not have access to electricity (World Bank)

910 million people

in Africa live without access to clean cooking facilities (World Bank)

$170 billion

Africa's infrastructure financing gap stands at 170 billion USD per year (AFDB)

"There are enormous unmet financing needs, essential for sustainable development. Estimates vary due to the complexities of quantifying needs, but consistently point to a significant financing shortfall," African heads of state and governments affirmed in a zero draft of the outcome document of the Third Financing for Development (FfD) Conference, which was in Addis Ababa, Ethiopia, in July 2015.

2.

Africa's female captains of industry are unacknowledged

Africa has the highest percentage of women entrepreneurs in the world. According to the Global Entrepreneurship Monitor (GEM) 2016/17 Women's Report the female entrepreneurship rate in sub-Saharan Africa is 25.9% of the female adult population, meaning that one in four women starts or manages a business. Since women typically reinvest up to 90% of their income into the education, health and nutrition of their family and community - compared to up to 40% for men - investing in women's businesses can transform societies.

And yet, only a fraction of the world's billionaires are female: 11, 9%.

Of these:

16,9% are self-made

0,4% come from Africa

0% women on Forbes' list of African 2021 billionaires

24% of attendees at Davos 2020 forum were female, female African attendees were even smaller

40% of Africa's SMEs are run by women, but they receive only 1% of venture capital funding (Forbes)

Undoubtedly, many initiatives are working to close the gap. The African Development Bank's Affirmative Finance Action for Women in Africa (AFAWA), a pan-African initiative launched in 2016 to bridge the $42 billion financing gap encountered by female-owned enterprises across the continent. The IFC's Banking on Women Global Trade Finance Program (BOW-GTFP) Initiative aims to close the trade finance gap by empowering banks to increase trade finance to women importers and exporters. Additionally, organisations such as Women's World Banking partake in gender lens investing, with their own women-focused and women-managed inclusive finance equity fund.

There are also many notable country-level organisations dedicated to supporting female entrepreneurs in the long-run, including SME.NG in Nigeria, the Women's Investment Club in Senegal, and Women's World Banking Ghana as well as pan-African funds such as the Graça Machel Trust.

In relation to COVID-19, the Women Entrepreneurs Finance Initiative (We-Fi) has issued over $16 million to the World Bank Group for a digital access to finance and markets program for female-owned enterprises in the Sahel and an early-stage finance program for women entrepreneurs across regions. They also issued over $11 million to the Islamic Development Bank for its program supporting West African female entrepreneurs in the rice value chain.

However, The Invictae Club's remit extends beyond these initiatives.

3. Role of the private sector in project financing in Africa

Development analysts say Africa has realised that traditional sources of development finance, such as official development assistance and foreign direct investment, which have buoyed the continent's development efforts over the years, are not sustainable and cannot be relied upon as its main sources of funding, as was shown during the 2007–2008 global financial crisis.

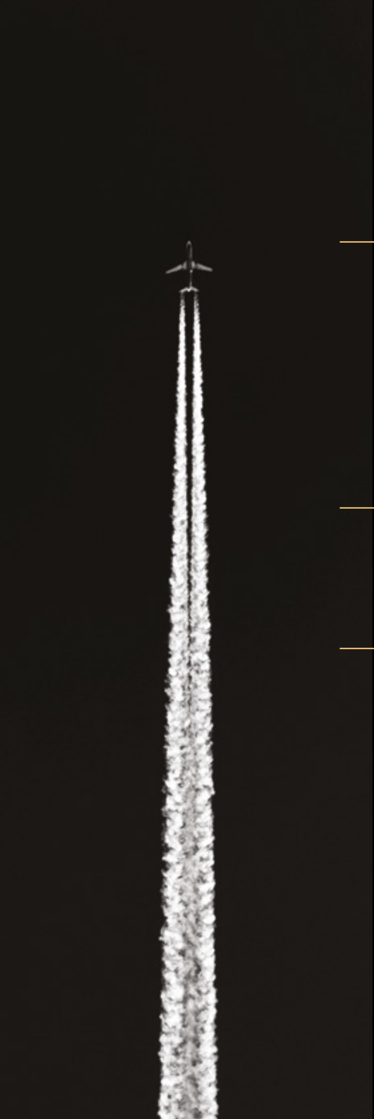
Oswell Binha, president of the Association of SADC (Southern African Development Community) Chambers of Commerce and Industry, says Africa can create a $2 trillion dollar economy if it can simplify the rules that govern trade and domestic investment. "When you look at the thread of World Trade Organisation and economic partnership discussions around the continent, Africa has realised that intra-Africa trade is a serious opportunity from which to raise internal resources," Binha told Africa Renewal.

Mateus Magala, African Development Bank (AfDB) resident representative in Zimbabwe, says Africa has the greatest investment potential of all frontier markets globally.

"These include sovereign wealth funds, pension funds, foreign reserves and remittances, among others. In addition, the continent has substantial natural resources and countries with extractive industries that can tap into this important source of revenue," Magala said in an interview with Africa Renewal.

He noted that with political determination and leadership to create appropriate governance mechanisms, Africa's extractive revenues could drive the continent's transformation by enabling it to invest in competitiveness, diversification, and the efficient and sustainable use of resources.

Africa's governments have the power to navigate today's headwinds and steer the continent towards continued rapid growth and social development. However, to achieve inclusive growth in Africa: "We must hand over the reins to the private sector," says Papa N'Diaye, Head of the Regional Studies Division in the Africa Department of the IMF. https://ideas4development.org/en/inclusive-growth-handover-reins-private-sector/



What are the options?

To bolster large firms, governments can consider two approaches. First, in a few situations, countries may designate certain sectors as "strategic" and develop support packages — potentially including loans and debt-to-equity swaps. In Nigeria, for example, the government has designated key agricultural value chains and the cement industry as strategic; these sectors have a broader economic relevance, as they are particularly important to the country's drive to substitute imports.

New tactics and strategies also need to be articulated to attract large scale private sector investment which include, amongst others, leveraging the phenomenal potential of African Female industrialists.

Developing strong regional value chains offers a fertile ground too: "For example, Mozambique and Malawi are building upon recent regional infrastructure developments by working on reducing trade costs and improving their competitiveness. The project's support for developing regional value chains could drive the creation of jobs and more incomes for communities," said Ms. Deborah Wetzel, World Bank Director of Regional Integration for Sub-Saharan Africa, the Middle East, and Northern Africa.

https://www.worldbank.org/en/news/press-release/2021/04/27/southern-africa-taps-380-million-in-world-bank-financing-to-facilitate-regional-trade-and-investment-for-more-inclusive

4.

The paradox between excess savings in Europe and investment deficits in Africa and the barriers to major finance on the continent

Services draw 66% of the total FDI share, while the industrial sector draws 23%. (Ernst and Young)

It is hard to comprehend that there is:

- 450 billion USD in excess savings in Europe in 2020 (Allianz)
- 550 billion USD in potential FDI investment in Africa's infrastructure (McKinsey)

Why does this gaping hole exist in Africa's infrastructure gap year in and year out?
Because women entrepreneurs face multiple challenges to access finance, with an estimated $42 billion financing gap across business value chains, including $15.6 billion in agriculture alone.

Their challenges include:

a) Cost of capital

WACC (weighted average cost of capital) in Africa is several times higher than in Europe.
Lending to women is perceived as riskier and so they face prohibitive interest rates.
In addition, women often lack traditional collateral and guarantees. All of this occurs in a tough investment environment where Africa attracts only 2% of global foreign direct investment (World Bank).

b) Perceptions

Financial institutions lack the capacity to understand and respond appropriately to women entrepreneurs, who also often lack the financial and business experience to respond to the needs of financial institutions.
Data and research prove that there is a significant gender gap in venture capital funding. Even though women are underrepresented as entrepreneurs to begin with, they receive a disproportionately small share of VC funding.

c) Business environment

In many countries, legal and regulatory frameworks hinder women's full participation in private sector growth. Fundamental factors are market opportunities, capital provider's preference, risk, and inflation. Other factors include Federal Reserve policy, federal surplus and deficit, trade activity, foreign trade surpluses and deficits, country risk and exchange rate risk.

5.

Invictae's value proposition

Invictae exists to embolden, invigorate, and accelerate the structural transformation of Africa by dismantling all of the above challenges to Africa's female entrepreneurs by:

Identifying exceptional female industrialists across Africa.

Encouraging more females in male dominated sectors as women who crossover into male dominated sectors make 66% more in firm profits than women who work in traditionally female concentrated sectors (World Bank and OCDE).

Declustering Africa through the connection of regional tycoons to create synergies and open up a 1.3 billon market as opposed to 20 million.

Raising capital through global angel investors, venture capitalists, etc.

Bringing in turnkey investors with both the capital and expertise to succeed in hand projects.

Encouraging local Rating Agencies such as Bloomfield. The advantage of working with an African regional agency is that the rating will be much more precise. https://cemac-eco.finance/good-governance-a-pan-african-rating-agency-to-provide-assistance-to-congo/

Creating national champions by providing a female-friendly private-sector environment. For example, Emirates Airlines has networked together a global empire, earned consistently solid profits, and built a global brand that people love and respect without on-going state protection and support. https://www.london.edu/think/turning-national-champions-into-global-brands

Conclusion

In spite of the Top 10 key barriers to major financing in Africa: project bankability, currency risk, exit risk, corruption, policies, leadership, lack of data, ESG compliance (Environmental, social, and Governmental factors), lack of technical capabilities, weak country balance sheets, low implication of women in key sectors, Africa's economy is expected to grow by 3.8% in 2022 (IMF).

Nigeria

Growth in Nigeria - Africa's biggest economy - is expected at 2.7% in 2022 from 2.5% this year after a negative shock of almost 2% last year.

Kenya

Kenya - east Africa's biggest economy - will grow at 5.3% in 2022 from 5.1% this year. The International Monetary Fund reckons it probably shrank 0.3% last year.

Ghana

Ghana is expected to grow 4.1% in 2022.

It comes as no surprise to participants in the African investment market, that when the focus isn't on the substantial challenges faced by the continent, a dynamic, robust economy is revealed. The Invictae Club sees and was born inside this African paradox; following countless conversations with high-net-worth women who have succeeded in reaching the top of their industries, yet still find it difficult to access foreign direct investment.

"The problem is nobody knows that we have proven track-records, that we have built sustainable heavy-industries, or that we have been brave and savvy enough for 10 lifetimes to be where we are. But the biggest thing they don't know? We are far from done." This is Valerie Neim, founder of Invictae's message, as she continues to rally members and partners throughout the continent and Europe who consider the addressing of Africa's development needs, a matter of urgency.

LEARN MORE

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