



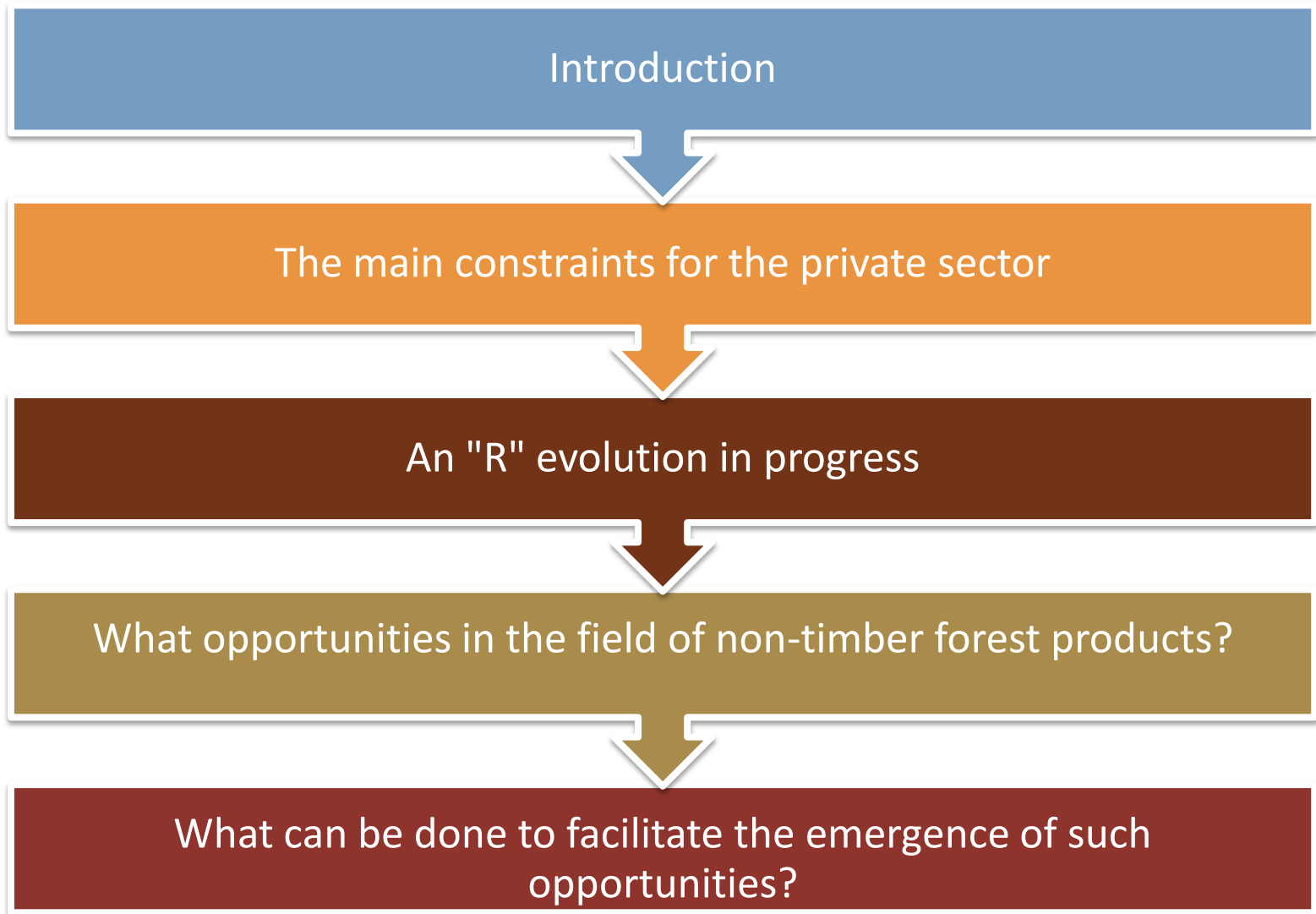
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# **CONSTRAINTS AND OPPORTUNITIES FOR THE EMERGENCE OF THE PRIVATE SECTOR IN THE FIELD OF NTFP**

Consultation Régionale FEM 07 du Bassin du Congo

January 17 and 18, 2019

# Executive Summary



# 1



INTRODUCTION

THE MAIN CONSTRAINTS

AN "R" EVOLUTION IN PROGRESS

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CONCLUSION

## OUR VISION

WE BELIEVE THAT THE DEVELOPMENT OF SUB-SAHARAN AFRICA REQUIRES **A STRONG AND RESPONSIBLE PRIVATE SECTOR CARRIED BY ENTREPRENEURS AND SMALL ENTERPRISES**, ABLE TO PROVIDE ACCESS TO ESSENTIAL GOODS AND SERVICES **AND CONCERNED BY ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES.**





# Importance of an endogenous entrepreneurship

## INCLUSIVE ENDOGENOUS SECTOR AND VALUE CREATION

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Creation of quality, stable and decent employment opportunities

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Creation of services, products which meet a local need and at an affordable price

→ Safety, well-being and comfort

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Creation of local value chains

→ better territorial coverage

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Tax payment

→ value creation in a territory

# The development challenge for an African company goes beyond its growth:

## Social issues

staff, customers, stakeholders

## Environmental issues

resource economy, renewable energies, waste and pollution management, circular economy

## Construction

of the industrial sector, of company networks, of sector

## Training

Employees, partners, suppliers, shareholders...

**The company must be involved at many levels outside its own field of action ...**



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# The main constraints for the private sector

## ➤ *Lack of infrastructure, logistics*

In Africa, the infrastructure deficit reduces business productivity by 40% (UNCTAD, 2017). Lack of roads, ports, energy (electricity) and fluid networks (water; sanitation).

## ➤ *The informal sector, a weak SME network*

The existence of large sectors dominated by the informal economy prevents industries from competing in these markets. When they are not informal, most companies in Africa are relatively small and often poorly connected to each other.

## ➤ *Weakness of value chains or industrial sectors*

**Many SMIs are forced to import intermediate industrial goods or inputs** (extra cost grafting the cost of production) due to subcontractors and industrial goods that are often missing (import).



# The main constraints for the private sector

## ➤ *Lack of appropriate funding*

New financing for the company is needed; especially long-term financing to consolidate capital and cash flow. Banks are not suitable for this type of financing (still risky). At this stage, it is a matter of convincing capital investors, who are dedicated to innovation or the "scale up" phase; and in some cases, strategic industrial partners.

We can also mention the frequent difficulty for agro-industries to find suitable campaign credits.

## ➤ *Lack of appropriate training, lack of innovation centres*

The development of a responsible company requires the integration of talents and "managers" into the company, skills that are not necessarily highlighted / available in training in Africa. Research centres/laboratories are poorly developed and have few resources.

# De nombreux obstacles sur la région

## **TRAINING AND/OR EDUCATION**

The entrepreneurial culture in some countries can be strengthened in others

Lack of creativity, lack of innovation capacity

## **FORMALIZATION**

Creation procedures cost

Some one-stop shops facilitate procedures, but the creation process is complex

Information on procedures / legal knowledge

## **ACCESS TO FINANCING**

Lack of funding adapted to small amounts (<800 00 euros)

Little funding at the time of creation, start-up

## **THE BUSINESS CLIMATE IN GENERAL**

Difficult payment to public customers / arbitrary or non-existent justice

Tax pressure / corruption

Poor / absent infrastructure



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# However, an "R"evolution is in progress...

**A new generation of entrepreneurs:** Many African start-ups or start-ups led by expatriates (return from the diaspora) are emerging across the continent, particularly in East Africa.

**It should be observed that significant technological innovations have emerged** in the wake of information technology.

**“Mobile money” has emerged as the first African technology revolution**, creating services that are unique in the world and adapted to the needs of Africans, the most spectacular of which is in the energy sector, with the introduction of domestic solar kits managed in pay-as-you-go.

On the other hand, without technological innovation, the African private sector invests in **social sectors**, primarily **health** and essential services such as **energy and water**.



# Tools and solutions are emerging

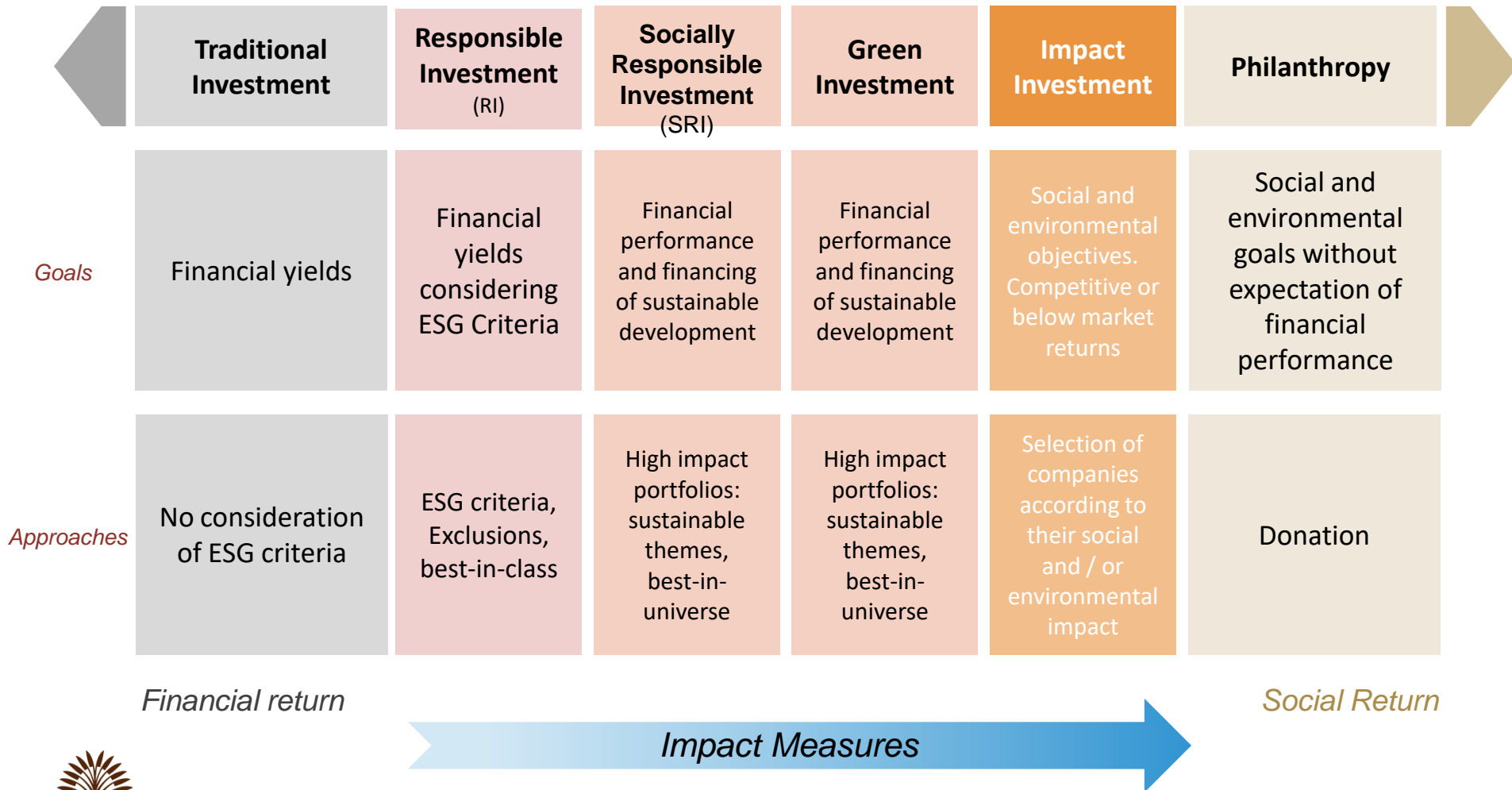
- ➔ **An African AVERAGE CLASS** in growing cities that expects quality / standardized products. The market is moving towards quality.
- ➔ **An ECOSYSTEM that focuses on entrepreneurship and innovation:** Many incubators (including those dedicated to innovation) are implemented. Acceleration programmes support entrepreneurs in the creation and development of their businesses.
- ➔ **PUBLIC POLICIES in favour of local industries:** Business incubators, agro-poles, clusters are emerging in different countries.
- ➔ **COLLABORATION** between companies & entrepreneurs increased with the creation of peer networks, the development of a collaborative economy in certain sectors. **Disruptive opportunities** with new climate and environmental challenges (support green energy, circular economy, smart city, digitalization of the economy). **New business models to be invented.**
- ➔ **NEW FINANCIAL TOOLS:** the emergence of investment fund, impact investors and crowd-funding, allows companies to find **financial solutions**. **African investors are now active.**

# FOCUS ON IMPACT INVESTORS



- Spectrum of approaches and impact initiatives
- How to define impact investing?
- Several categories of investors
- " Impact investing " overview
- Impact investing, a useful financing tool for development?

# SPECTRUM OF IMPACT APPROACHES



# How to define Impact investment

*"Investments made in companies, funds, organizations with the intention of generating a social and environmental impact while having a positive financial return. »*

The GIIN (Global Impact Investing Network) defines impact investments by the following

## 4 core characteristics:

### 1. INTENTIONALITY

An investor's intention to have a **positive social or environmental impact** through investments is essential to **impact investing**.

### 2. INVESTMENT WITH RETURN EXPECTATIONS

Impact investments are expected to **generate a financial return** on capital or, at minimum, a **return of capital**.

### 3. IMPACT MEASUREMENT

Commitment to **measure and report the social and environmental performance** and progress of underlying investments, **ensuring transparency and accountability**.

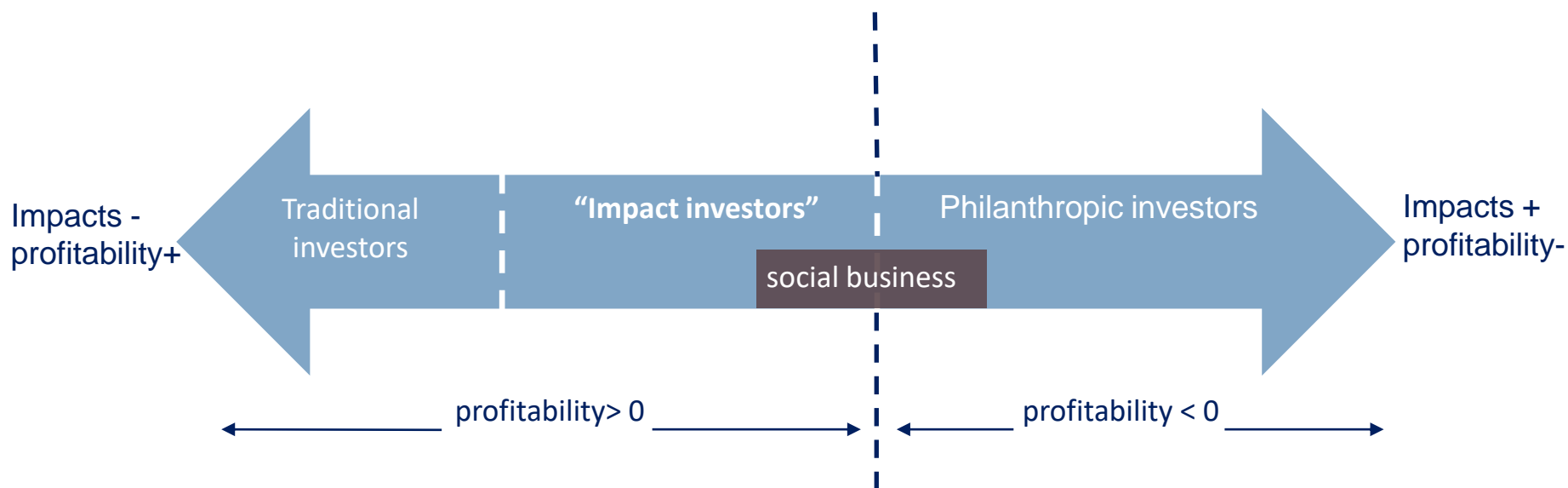
### 4. RANGE OF RETURN EXPECTATIONS AND ASSET CLASSES

Impact investments **target financial returns** that range from **below market to risk-adjusted market rate**, and can be made across asset classes.



# Two main categories of investors:

- **"Finance first"**: maximisation of impact objectives under the guise of reaching a minimum profitability threshold
- **"Impact first"**: maximization of financial profitability under the guise of having achieved its impact objectives



# In which fields do Impact Investors usually invest ?

AgDevCo<sup>o</sup>

## 1 FOOD AND AGRICULTURE

## 2 EDUCATION

## 3 FINANCE

## 4 GREEN PROJECTS



AFRICAN AGRICULTURAL TECHNOLOGY FOUNDATION

alphamundi



1 FOOD AND AGRICULTURE



2 EDUCATION



3 FINANCE



4 GREEN PROJECTS



1 FOOD AND AGRICULTURE

**ACCION**  
Venture Lab

2 EDUCATION



**alphamundi**

3 **FINANCE**

**actiam**  
THE RESPONSIBLE INVESTOR

 **ceniarth**

4 GREEN PROJECTS

**C>PRICORN**  
INVESTMENTGROUP

  
**GroFin**  
Support beyond finance



1 FOOD AND AGRICULTURE



2 EDUCATION



2VALORISE

alphamundi

3 FINANCE



ceniarth

4 GREEN PROJECTS

C>PRICORN  
INVESTMENTGROUP





## FOCUS INJARO

injaro

AGRICULTURAL CAPITAL HOLDINGS



Injaro Agricultural Capital Holdings Ltd. (Injaro) has been established with the aim of carrying out investment activities for advancing the social objectives of alleviating poverty and revitalizing distressed regions in West Africa.

Injaro makes investments in debt, quasi-equity, and equity in small-and medium-sized enterprises along the agricultural value chain in designated countries of West Africa. The agriculture value chain encompasses the full range of activities and participants involved in moving agricultural products from input suppliers to farmers\' fields, and ultimately, to consumers\' tables.

Focus countries : Burkina Faso, Côte d'Ivoire, Ghana, ....

<http://www.iachl.com>



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# Sectors - some examples

Eco tourism, Cultural  
industry, Arts and  
crafts

Decentralized energy

Knowledge industry,  
publication and  
popularization of  
science and pedagogy

Health /  
Pharmacopoeia,  
Cosmetics

Agroforestry,  
permaculture

Social and  
communitarian  
enterprise

Application TECH

Schools / Research  
and Learning Centre





## Case study - AQUACULTURE



# Innovation in Aquaculture in Madagascar - The example of IOT aquaculture in Madagascar

**Indian Ocean Trepang (IOT) is an SME specializing in industrial sea cucumber aquaculture. It associates isolated fishing villages with its activity, enabling it to create additional income for them and thus fighting against overfishing and the extinction of marine fauna.**

**IOT is an innovative company, committed to protecting the environment and bringing sustainable development to southern Madagascar.**

Its activity is therefore the first industrial aquaculture of sea cucumbers based on a new breeding technology developed in Madagascar by a scientific team.

After a phase of pond growth, one third of the juvenile animals are transferred to fishermen in isolated villages, following their growth in the lagoons and selling them at a good price to IOT once they have reached maturity. Sea cucumbers are then dried and exported internationally (particularly to China, where demand is high).

- **Cooperation between the private sector, a research centre and NGOs for a high environmental impact.**



## Case study - ENERGY

# In Mauritania, water and electricity services

**Founded in 1980, CDS is a socially responsible company working to ensure that all Mauritians have access to water and electricity services, particularly in rural areas where basic services are the most inaccessible. The company holds a leading position in the renewable energy sector.**

CDS is engaged in three complementary activities:

1. Public service delegations (PSDs) for water and electricity in partnership with the State or local authorities.
  2. The execution and monitoring of electromechanical works (drinking water supply, installation of solar or hybrid power plants, installation of water treatment units, network extension, etc.).
  3. The supply of equipment for water and electricity access (solar water heater, solar refrigerator, solar mini-kit, wind turbines, submersible pumps, etc.).
- **The availability of water and energy in rural areas reduces the pressure on natural resources**





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# What opportunities for the emergence of a high-impact private sector for the environment?

**Break down the barriers** of research centres, NGOs and the private sector

Set up specific **entrepreneurial ecosystems**

**Professional training** in environmental professions

**Development of specific funding** (calls for projects, impact funds)

**Regulatory framework** and rigorous control





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