

Silicon Valley for Africa's agricultural start-ups

The project “Scaling digital agriculture innovations through start-ups” (SAIS) supports Africans going into business in the agricultural and food sector in scaling their digital innovations and thus reaching out to a larger number of users. The scaling potential of the innovations and their positive impact on income are important criteria in selecting the start-ups.

By Michel Bernhardt

The agricultural and food sector holds the potential to become the driving force behind Africa's economic development. In order to harness this potential, innovations are needed that can kick-start production and productivity in the agricultural sector, multiply value added and thus generate both jobs and income. In Africa, it is digital innovations in particular that drive agriculture, which is currently still often performed at subsistence level. Despite steadily growing venture capital investments in the continent, start-ups frequently lack capital in their early stages of development. However, this is an important basic prerequisite for taking businesses and innovations to scale. Acquiring sufficient capital is difficult for many young start-ups, with 80 per cent of them already failing after the launch of their first product.

It is in this potential “valley of death” where the project “Scaling digital agriculture innovations through start-ups” (SAIS) sets in. With tailored company development measures implemented by international venture builders, the investment readiness of the start-ups – i.e. their capacity to understand and meet the specific needs and expectations of investors – is

improved. This raises the prospects of success for the start-ups being able to obtain the capital needed for scaling or to tap further markets with the aid of new business partners. Here, SAIS adapts processes of existing innovation systems and appropriately applies them to the African context.

By supporting a targeted 30+ start-ups, digital innovations are to directly reach the true target group of the project, the rural population linked to agriculture and food value chains. By the end of the project period, at least 100,000 additional users are to have been gained and earned more income. In this manner, SAIS contributes to Sustainable Development Goals (1) reducing poverty, (2) combating hunger, (8) decent employment and economic growth and (9) industry, innovation and infrastructure.

The project comprises three action areas and covers a term of five years (2019–2023). The German Federal Ministry for Economic Cooperation and Development (BMZ) has commissioned Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to implement SAIS.

Crossing the valley of death in three steps

Step 1: Choosing start-ups. The initial step is to identify, assess and select start-ups in Africa. The start-ups are chosen according to a catalogue of criteria in a selection process comprising several phases. Start-ups are eligible if they are in the post-seed or second stage: they have already successfully set up a business, introduced a digital innovation on the market and attracted their first customers. In addition, with regard to the size of the market and the target group, they have to bear a high scaling potential and generate a positive income effect among their users. In its second year of implementation, SAIS has already recorded more than 250 applications from founders, representing a plus of just below 20 per cent, which speaks for a good standing of the project in Africa's start-up ecosystem.

Step 2: Investment Readiness Programme. In the second step, which forms the core of SAIS, the start-ups join a nine-month Investment Readiness Programme (IRP) with tailored business development measures.

With the aid of the Ugandan platform Bringgo Fresh, farmers can sell their goods in spite of contact restrictions. Customers are able to order food directly via the app.

Photo: Bringgo Fresh



START-UP APPLICATION AREAS SUITABLE FOR SUPPORT

- E-Commerce for farmers (e. g. selling produce, inputs)
- Information & consulting services (know-how, consulting, weather data)
- Fintech for farmers (financing, credit services, crowd funding)
- Farm supply chain management (farm management, transport, warehousing)
- New technologies (Internet of things, artificial intelligence, etc.)

First of all, needs assessments of the individual start-ups are made. Their potential for optimisation is defined, and individual development plans are drawn up with the founders. Building on this, the start-ups are then provided with advice on the further development of their business. Here, depending on respective needs, topics such as strategic development, specifying the business model, improving marketing, finance management, acquisition of new groups of customers or technology consulting are addressed. In addition, the pitch decks – brief presentations of the start-ups for potential investors – are optimised, customs in communicating with investors are imparted, and basic aspects of business appraisal are explained. In 2021, 16 start-ups are being supported in this manner.

Step 3: Networking. The third step involves networking the start-ups with potential business partners and investors. In order to better integrate the selected start-ups in their local ecosystems before and during company development, SAIS is working with a network of local innovation hubs. This network forms an important basis for the recruitment of investors and the formation of strategic partnerships. These may be both financiers such as business angels, venture capital funds or impact investors and business partners or development cooperation projects. Initial contacts are already established during the company development phase. In a check-in after the first half of the programme, the start-ups are acquainted with potential investors and business partners and informed about further financing options. On the Demo-Day at the end of the IRP, the contacts with investors and potential business partners are intensified with the aim of establishing concrete partnerships and business relationships. Especially promising start-ups can join the SAIS Masterclass, which addresses matchmaking with potential investors and partners in detail.

SAIS START-UPS IN THE CORONA CRISIS

The corona pandemic is causing considerable problems for African agriculture since central markets have shut down and travelling to the commercial centres is hardly possible. As a consequence, farmers are losing income, while food supplies for the population are becoming tight. Some of the African start-ups supported by SAIS are addressing these challenges with digital solutions. With the aid of the Ugandan platform Bringo Fresh, farmers can sell their goods in spite of restrictions. Customers need not go to the markets but can order food directly via the app. Orders are freshly packed and immediately delivered by moped. During the corona crisis, Bringo Fresh has succeeded in more than doubling its turnover compared to the previous year. In contrast, the Zambian company eMsika is a virtual marketplace for agricultural input. Seed, fertiliser and state-of-the-art technologies such as solar-powered water pumps can be ordered online and delivered to remote areas. Around 2,100 Zambian farmers are being provided with input by eMsika.

Both start-ups are already planning their next steps. Bringo Fresh is working on its expansion to Kenya, and eMsika is developing an online academy in which farmers are trained in improved cultivation methods.



The first cohort of start-ups at the Kick-off Event in Nairobi, Kenya.

Photo: GIZ

Outlook

The SAIS project has established itself as an important partner for Ag- and FoodTech start-ups in African ecosystems. Africa's start-up landscape is clearly heading for growth. Young people are seeking solutions to existing challenges with technology, with the desire to contribute to the continent's economic development. Despite strong growth in the AgTech sector, many developments are still in their infancy. In particular, available investment in the field of venture capital is still at a comparatively low level, complicating scaling for start-ups with good ideas and good teams. Less than one per cent of venture capital worldwide (at approximately 220 billion US dollars in 2019) is currently invested in Africa. While investments roughly double from year to year, they are still too low for the challenges and opportunities which the continent faces, leaving

valuable potential lying fallow. SAIS seeks to generate additional capital options for African start-ups through matchmaking and to also make the market attractive for investors from Germany and Europe. Here, the SAIS team have opted for various channels such as business clubs, investor data banks and contacts they have established themselves as well as renowned foundations.

Despite existing challenges such as the “val-

ley of death”, a paucity of investment and the corona pandemic, African start-ups and SAIS are optimistic about the future. Start-ups offer a clear potential to make important contributions to achieving the SDG agenda if they aim at social impact, too. This is why SAIS has started to focus also on the Francophone region, where it seeks to raise start-up potentials and offer tailored support measures for start-ups in the programme. Furthermore, SAIS will extend its efforts in the promotion of female founders with awards tailored to female-led start-ups and increased attention on network building for female founders throughout the programme.

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