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# STATE OF THE SMALL AND GROWING BUSINESS SECTOR IN SOUTH AFRICA

February 2024



ASPEN NETWORK  
OF DEVELOPMENT  
ENTREPRENEURS

 aspen institute

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ANDE is grateful to the entrepreneur support organisation and entrepreneurs who generously shared their time and insights through interviews and the Southern African chapter team for guiding the engagement. This research would not have been possible without their contributions.

This report has been generously supported by a grant from the **Walmart Foundation** to the Aspen Institute. The findings, conclusions, and any recommendations presented in this report are those of the Aspen Institute alone and do not necessarily reflect the opinions of the Walmart Foundation.

## ABOUT ANDE

**The Aspen Network of Development Entrepreneurs (ANDE)** is a global network of organisations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful yet underleveraged tool in addressing social and environmental challenges. Since 2009, ANDE has grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilises resources, undertakes ecosystem support projects, and connects the institutions that support the small business entrepreneurs who build inclusive prosperity in the developing world. ANDE is part of the Aspen Institute, a global non-profit organisation committed to realising a free, just, and equitable society.

ANDE's Southern Africa chapter was established in 2010. It is headquartered in Johannesburg and serves members across the Southern Africa region. The chapter has over 80 members working across the Southern Africa, including capacity development providers, investors, and academic institutions to name but a few. ANDE Southern Africa aims to create a thriving entrepreneurial ecosystem in the region through six programmatic focus areas: knowledge sharing and networking; funding opportunities; research, impact measurement and management; training and talent development; advocacy and education.

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# INTRODUCTION

Since its founding in 2009, the Aspen Network of Development Entrepreneurs (ANDE) has tracked the state of the small and growing business (SGB) sector globally through its bi-annual State of the Sector reports. After pausing to cover trends related to the COVID-19 pandemic's effects on small businesses worldwide, ANDE has returned to regular examinations of key sector trends. One of the most dynamic markets for small business growth is South Africa, and this report examines the current state of the entrepreneurial ecosystem in the country.

South Africa is a hot spot for business activity, with the third largest GDP in Africa<sup>1</sup> and well-established financial markets. According to Startup Genome, Cape Town and Johannesburg are two of the five entrepreneurial hubs with the most worth in Africa.<sup>2</sup> Cape Town further earned recognition as one of the top 100 emerging ecosystems worldwide, underscoring the nation's burgeoning potential, particularly in the fintech sector.<sup>3</sup>

Despite South Africa's promising prospects for growth, the nation grapples with intricate economic challenges, with persistently high unemployment rates hovering around 30%<sup>4</sup> and consequential social unrest. In light of these challenges, policymakers are actively exploring entrepreneurship as a viable solution to widespread unemployment, and more and more South Africans are viewing it as a good career choice (80% in 2021 compared to 70% in 2017), according to Global Entrepreneurship Monitor.<sup>5</sup> Nevertheless, the percentage of businesses discontinuing their operations increased from 5% in 2019 to 14% in 2021, and the rate of entrepreneurs who do not anticipate creating new jobs nearly doubled in 2021 (42%) compared to 2019 (23%).<sup>6</sup> While the COVID-19 pandemic undoubtedly affected this statistic, analysts were pointing to economic declines in 2019 well before the pandemic struck.<sup>7</sup>

The South African entrepreneurial ecosystem requires innovative solutions to increase the available finance, improve access to markets, reduce bureaucratic burdens, and strengthen the capacity of small businesses and start-ups.<sup>8</sup> This report examines the state of the SGB sector in South Africa as of 2023 by assessing the amount and type of financial support available to enterprises, the type of capacity development offered, and trends in the policy landscape that affect the entrepreneurial ecosystem. The report concludes by highlighting the activity of ANDE and its members active in the country.

1 [World Economic and Financial Surveys: World Economic Outlook Database](#). 2023. International Monetary Fund.

2 [The Global Startup Ecosystem Report GSER 2021](#). 2021. Startup Genome.

3 Ibid.

4 [South Africa Unemployment Rate](#). 2023. Trading Economics.






5 [New GEM South Africa National Report: Early-Stage Entrepreneurs Are Growing into Established Businesses](#). 2022. Global Entrepreneurship Monitor.

6 Ibid.

7 Naidoo, P. "S. Africa Business Confidence Fell to Three-Decade Low in 2019." 9 January 2020. Bloomberg.

8 [South Africa: Entrepreneurship Strategy Review](#). 2023. United Nations Conference on Trade and Development.

# KEY FINDINGS






-  **There are at least 197 active funding sources that offer financing to South African entrepreneurs, including those in the SGB range (USD \$20,000 – \$2 million).** Private investors and capacity development programmes are the most common sources of funding, providing predominantly loans (43%) and equity (41%). Fewer than 10% offer quasi-equity or guarantees.
-  **The funding landscape is dominated by local players, and many are looking beyond Cape Town and Johannesburg.** Over 75% of finance providers that offer investment and grants to South African entrepreneurs are based in the country. While most finance providers do not specify focus regions or provinces, secondary sources and ANDE funding data show increasing entrepreneurial activities and investment interests across different towns and provinces in South Africa, including Pretoria, Stellenbosch, and the Eastern and Western Capes.
-  **Advancements in technology are opening new pathways for competitiveness.** Innovations such as Yoco Neo Touch are expanding the use of mobile payments among small businesses, and social media is beginning to expand market access for entrepreneurs previously cut off from larger social networks. Meanwhile, Microsoft South Africa and Youth Employment Service are partnering to educate 300,000 South African youth in Artificial Intelligence (AI) skills to increase the employability of the next generation in key technologies.<sup>9</sup>
-  **The number of capacity development providers in the country is sufficient, but there is room for quality improvement.** South African entrepreneurs need more support to improve their financial and digital literacy, as well as more mentors and advisors who can speak to their specific business models and cultural backgrounds (particularly in the case of township and black entrepreneurs). Additionally, there is a lack of specialisation among programmes, creating confusion for entrepreneurs unsure of which programme will best meet their needs.
-  **Support for youth, township, and women entrepreneurs continues to grow.** South Africa continues to increase its commitment to entrepreneurs from disadvantaged backgrounds. ANDE identified more than 150 organisations supporting entrepreneurship in the townships in South Africa. Meanwhile, in Cape Town, WomHub, a coworking space founded by and for women innovators in STEM, launched in 2023, and local accelerator FNB Youth Start-up Accelerator increased its applicants from 4,000 in 2022 to more than 10,700 in 2023.<sup>10</sup>

9 Mutisi, T. M. "Microsoft South Africa partners with YES to equip 300 000 youth with AI skills." 31 October 2023. Innovation Village.

10 "A dismal future for youth or an empowered alternative: Lessons from South Africa's young entrepreneurs." 14 August 2023. Fetola.

# KEY CONCEPTS AND ABBREVIATIONS

The following are key concepts used throughout this report.

-  **Business development services (BDSs)** refers to services that aim to improve the performance of businesses through enhancing managerial and technical skills and increasing access to markets, new or improved technologies, and appropriate financing mechanisms.<sup>11</sup>
-  **Development finance institutions (DFIs)** are defined by the Organization for Economic Cooperation and Development (OECD) as specialised development banks or subsidiaries established to foster the development of the private sector in developing countries.<sup>12</sup> They include bilateral institutions, based in a single country, and multilateral institutions, which have been established by more than one country.
-  **Entrepreneur support organisations (ESOs)** is a broad term used to describe entities that support entrepreneurs to establish and/or grow their businesses through training, mentorship, and in some cases funding.<sup>13</sup> Such institutions encompass different organisation types including accelerators, incubators, academic institutions, and government agencies.
-  **Impact measurement and management (IMM)**, according to the Global Impact Investing Network, “includes identifying and considering the positive and negative effects one’s business actions have on people and the planet, and then figuring out ways to mitigate the negative and maximise the positive in alignment with one’s goals.”<sup>14</sup>
-  **Small and Growing Businesses (SGBs)** are defined by ANDE as commercially viable businesses with five to 250 employees that have significant potential and ambition for growth. Typically, SGBs seek growth capital from USD \$20,000 to \$2 million. SGBs differ from the more traditional characterisation of small and medium-sized enterprises (SMEs) in two fundamental ways. First, SGBs are different from livelihood-sustaining small businesses, which start small and are designed to stay that way. Second, unlike many medium-sized companies, SGBs often lack access to the financial and knowledge resources required for growth.<sup>15</sup>

11 [Business Development Services for SMEs and Entrepreneurship](#). 2018. The Organization for Economic Cooperation and Development (OECD). Accessed 25 January 2024.

12 [Development Finance Institutions and Private Sector Development](#). The Organization for Economic Cooperation and Development (OECD). Accessed 26 January 2024

13 Self, N. 2019. [Currents: A Love Letter to Entrepreneurship Support Organizations](#). Ewing Marion Kauffman Foundation.

14 [Getting Started with Impact Measurement and Management](#). Global Impact Investing Network. Accessed 24 January 2024

15 Learn more at <https://andeglobal.org/why-sgbs>.

# METHODOLOGY

To understand the state of the SGB sector in South Africa, this report utilises mixed methods by collecting original quantitative and qualitative data. The primary data collected for this report consist of a publicly sourced funding database, ANDE member data, and interviews with ESO representatives and entrepreneurs.

## FUNDING DATA

ANDE identified and collected information about 197 initiatives, programmes, or funds offering financial support to entrepreneurs in South Africa, operated by 120 unique organisations. The dataset is inclusive of both return-seeking and non-return-seeking funding mechanisms (i.e., grants). The data were collected from June 2023 to January 2024 through public sources, typically from organisations' websites.

The dataset includes all identified vehicles that offer investments in the small and growing business range, defined by ANDE as between USD \$20,000 – 2 million, as well as vehicles with a much broader offering than this. Funders included in the dataset either made investments into South African enterprises according to their publicly available current investment portfolio or had a regional investment focus in Africa or Sub-Saharan Africa, indicating that their investment covers the majority of the countries in the region. In most cases, Global North-based organisations that invest globally without disclosing their investment portfolio information on their website are not included.

There are several limitations to note regarding the data. Not only did some funders not indicate countries in which they invest, but also several funding sources did not indicate minimum or maximum ticket sizes. Given the private nature of this information, ANDE acknowledges that information gaps exist; therefore, this assessment is meant to gauge the financing available in the sector rather than serve as a comprehensive market sizing assessment.

## ANDE MEMBERSHIP DATA

As a membership-based organisation, ANDE has maintained records of its members since its establishment in 2009. The membership encompasses a diverse range of international and local entities, including capacity development providers, investors, DFIs, and government agencies, among others. Through an annual Impact Survey, ANDE collects information about the services offered by these organisations, as well as their location, sector focus, and more. Of ANDE's 232 member organisations, 88 support the entrepreneurial ecosystem in South Africa. This information is used in the report to assess the capacity development landscape.

## INTERVIEWS WITH ENTREPRENEURS AND ESOs

This report also utilises semi-structured interviews with ESOs and entrepreneurs. The interviews with ESOs were conducted from April to November 2024. Out of eighteen total interviews, twelve were carried out in person in Johannesburg, South Africa, and six were conducted using a video call.

## DESK RESEARCH

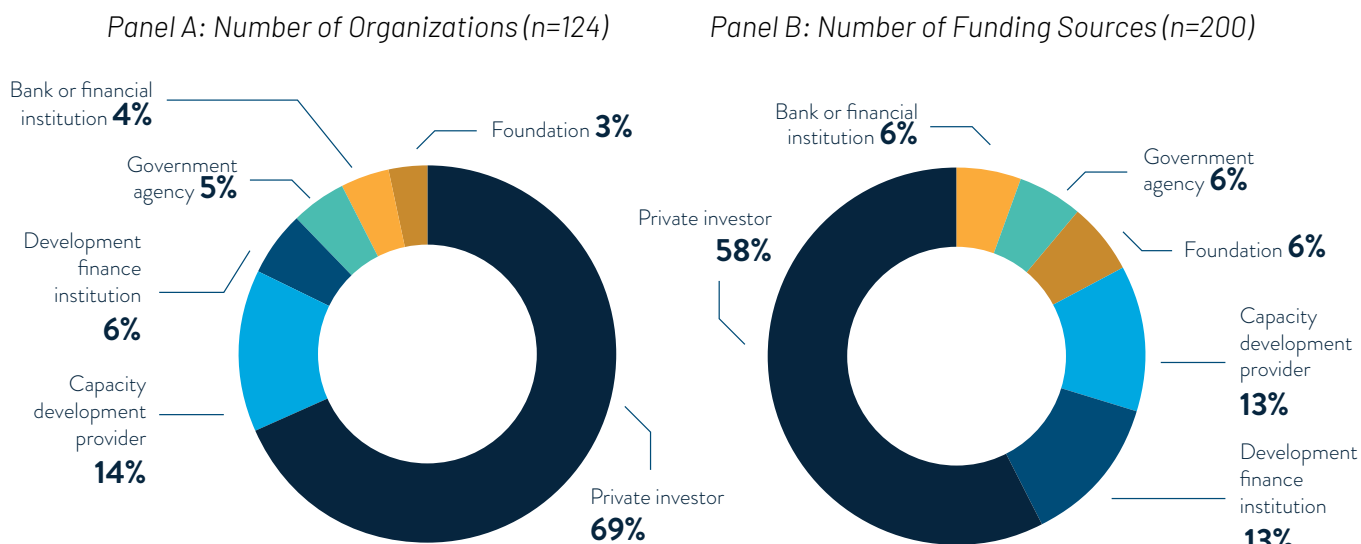
Secondary sources complement the above-mentioned primary data. The literature review of relevant reports, academic papers, and news contributes to portraying a more comprehensive picture of the entrepreneurial ecosystem in South Africa.

# FINANCIAL SUPPORT LANDSCAPE

Access to finance plays a pivotal role in business development by providing essential funds for inception, day-to-day operations, and expansion. However, the disparity in financial accessibility between larger and smaller enterprises is evident. Medium-sized businesses in South Africa boast an 85% formal credit access rate, while small and micro enterprises lag behind at 74% and 26%, respectively.<sup>16</sup>

Using ANDE's funding dataset of entities providing financing to entrepreneurs within the SGB range (USD \$20,000 – \$2 million), Figure 1 delineates the number of *organisations* offering investment (Panel A) and the number of *funding sources* offered by organisation type (Panel B). Within the South African entrepreneurial landscape, private investors emerge as the most common provider of SGB-inclusive financial support, followed by capacity development providers. While only a small number of DFIs support entrepreneurship in South Africa, they offer the most funding sources per organisation (an average of 3.7) so make up 13% of the funding sources in the dataset. Government agencies also play a meaningful role in the landscape, with examples being the Black Business Supplier Development Programme and the Youth Challenge Fund overseen by the Department of Small Business Development.

**Figure 1: Types of Organizations Offering Financial Support**



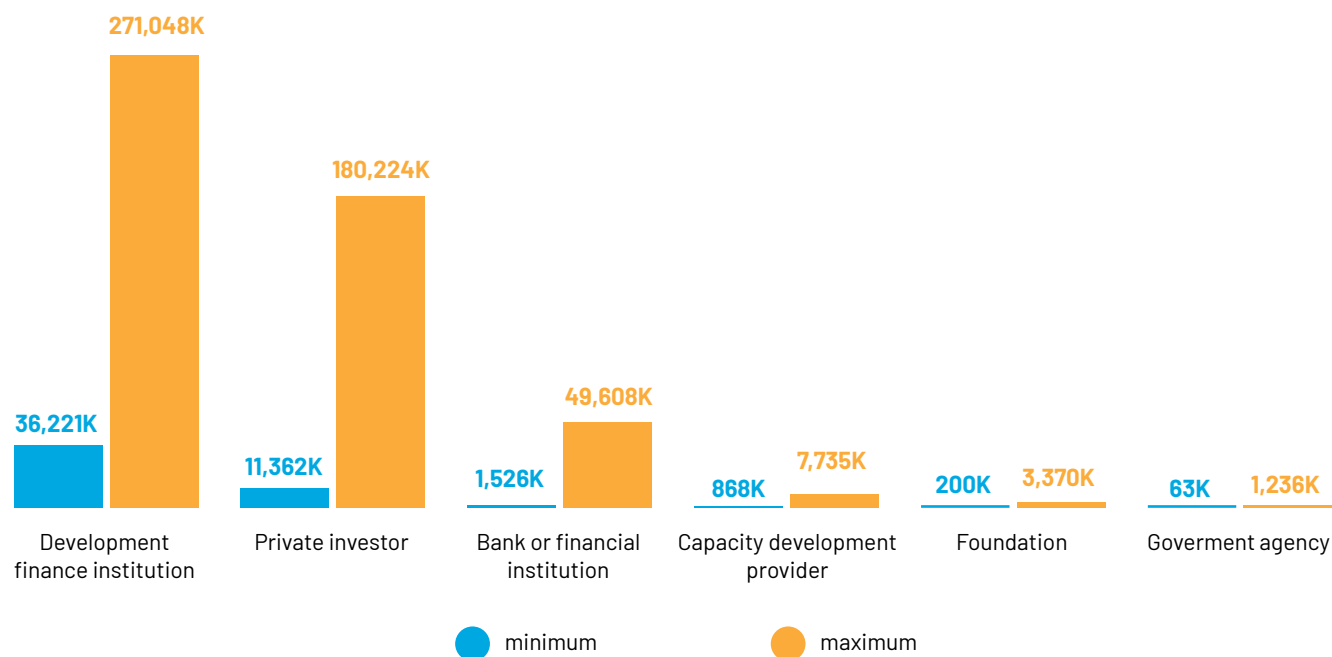
Source: ANDE Funding Dataset

Note: Three funding sources were jointly initiated by DFIs and private investors and counted in both categories in the above graphs.



Ticket size varies considerably by type of funder. Figure 2 shows minimum and maximum investment amounts by different organisation types, using data pulled from the organisations' websites. According to ANDE's funding data, DFIs provide the largest ticket sizes to businesses. For example, the Industrial Development Corporation applies a minimum threshold of ZAR 6 million (USD \$317,263)<sup>17</sup> and a maximum of ZAR 210 million (USD \$11 million). These larger ticket sizes, however, are often too large for entrepreneurs, underscoring the preference for large businesses and risk-averse investment among DFIs.

**Figure 2: Average Funding Range by Organization Type** (in ZAR thousands)



Source: ANDE Funding Data

(60 organisations provided minimum and 86 provided maximum)

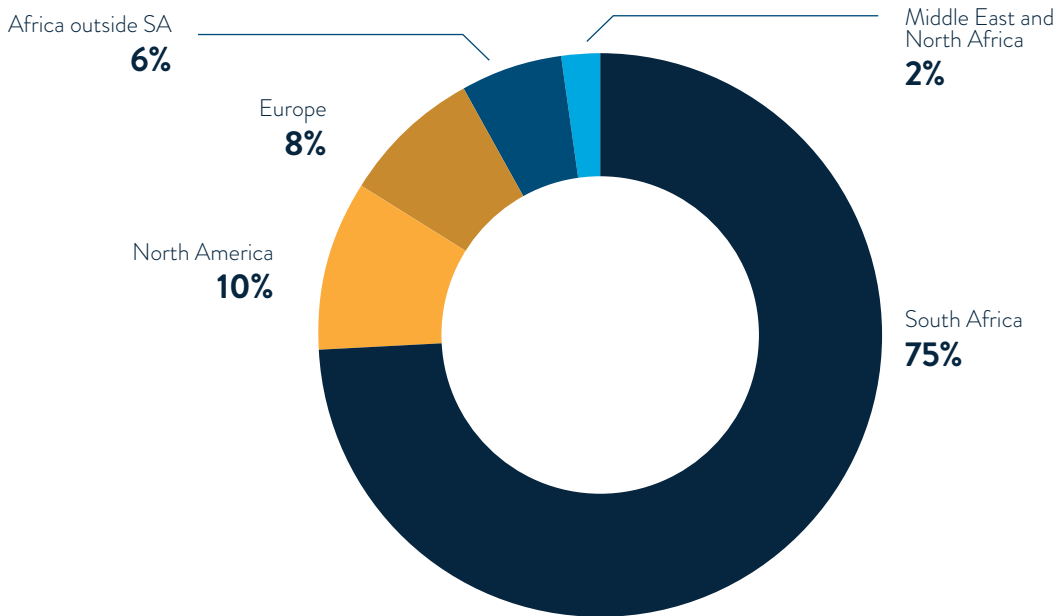
Local entities predominantly shape the funding terrain for South African entrepreneurs, with 75% of funding sources operated by entities headquartered within the country (Figure 3). Examples of recently launched local-led funds include E4E Africa, a South African venture capital fund focused on scalable tech innovations in Africa, which recently closed its second fund for ZAR 567 million (USD \$30 million).<sup>18</sup> BP Southern Africa also announced a partnership with the Small Enterprise Finance Agency to provide investment to black-owned businesses seeking to purchase and develop service stations; this could be a significant opportunity for South Africa, where the forecourt retail market is worth an estimated ZAR 40 billion (USD \$2.1 billion) annually.<sup>19</sup>

<sup>17</sup> The exchange rate used throughout the report utilises the exchange rate of 23 October 2023 (1 USD = 18.91 ZAR)

<sup>18</sup> Jackson, T. "SA-based E4E Africa announces 1st close of US\$30m Fund II." 15 December 2023. Disrupt Africa.

<sup>19</sup> "BP Southern Africa invests R58m to help Black-owned SMEs." 4 August 2023. BizCommunity.

**Figure 3: Headquarters of Organisations Offering Investment**



Source: ANDE Funding Data (N=197)

Examining the domestic geographical spread, entrepreneurial activity and support organisations are expanding beyond the major urban centres in South Africa. While Cape Town and Johannesburg stand out as the leading entrepreneurial hubs, with the two cities ranking among the top five hubs in Africa,<sup>20</sup> promising start-up activities are also observed in Pretoria, Stellenbosch, and Durban.<sup>21</sup> Moreover, while most financial providers do not indicate focus regions or provinces within the country, several funders in the ANDE funding data indicate the Eastern or Western Cape as their geographic focus.<sup>22</sup>

Among private investors, venture capitalists are the most common. The value of venture capital in South Africa increased from around ZAR 1.2 billion (USD \$63 million) in 2019 to ZAR 1.4 billion (USD \$ 74 million) in 2020, as reported by the Southern African Venture Capital and Private Equity Association.<sup>23</sup> However, as noted in interviews with several venture capitalists, the amount of seed capital is shrinking, reflecting a reduction in venture capital activity continent-wide.<sup>24</sup> Reflective of this trend, the OECD reported in 2022 that venture capitalists invested the most in growth-stage businesses (38%),<sup>25</sup> with top industries including software, fintech-specific products and services, and business goods and services.<sup>26</sup>

20 [The Global Startup Ecosystem Report GSER 2021](#). 2021. Startup Genome.

21 [The South African Startup Ecosystem Report](#). 2022. Disrupt Africa.

22 The majority of funding sources (97%) do not specify geographical focus on their websites.

23 [Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard](#). 2022. OECD.

24 Modise, E. [South Africa's VC landscape: challenges and opportunities | TechCabal](#). 14 April 2023. TechCabal.

25 [Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard](#). 2022. OECD.

26 [South Africa: Entrepreneurship Strategy Review](#). 2023. United Nations Conference on Trade and Development.

Loans are the most prevalent financial instrument, accounting for 43% of the funding sources identified for this study, followed by equity (41%), grants (16%), quasi-equity (7%), and guarantees (5%). While loans are the most commonly offered financing instrument for micro, small, and medium-sized enterprises in South Africa, loans often adhere to stringent underwriting standards, posing substantial hurdles for smaller businesses grappling with issues such as limited collateral and financial records.<sup>27</sup> Consequently, the majority of bank credit tends to flow towards larger and more established enterprises; over the past decade, the loans acquired by SMEs in South Africa have remained relatively constant, while the total outstanding business loans in the country have displayed a consistent upward trend, indicating that the increased volume of loans was geared towards large businesses.<sup>28</sup> Given the restrictions with loans, grants are especially appreciated by businesses in their earliest stages.

**Table 1: Financial Instruments by Organization Type**

Instrument	Organisation type	Percentage	Number of funding sources
Debt/loan	Private investor	50%	84
	Development finance institution	20%	
	Banks or financial institution	10%	
	Capacity development provider	7%	
	Government agency	6%	
	Foundation	5%	
Equity	Private investor	75%	81
	Development finance institution	17%	
	Banks or financial institution	6%	
	Capacity development provider	2%	
	Foundation	1%	
Grant	Capacity development provider	35%	31
	Private investor	29%	
	Foundation	19%	
	Development finance institution	10%	
	Government agency	6%	
Quasi-equity	Private investor	57%	14
	Development finance institution	43%	
Guarantee	Development finance Institution	70%	10
	Private investor	20%	
	Banks or financial institution	10%	

Source: ANDE Funding Data (N=197)

<sup>27</sup> South Africa: Entrepreneurship Strategy Review. 2023. United Nations Conference on Trade and Development.

<sup>28</sup> Ibid.



**Investment looking forward:** The South African SGB sector boasts a strong local players' presence and expansion in geographic dispersion beyond Cape Town and Johannesburg. Diverse funding sources are available to SGBs. However, financing for companies in the earlier stages of growth is still lacking. Venture capital financing for seed-stage companies is predicted to continue shrinking in 2024, and loans, the most prevalent financial instrument, are still inaccessible to many entrepreneurs. This underscores a significant gap in funding tailored to the specific needs of small businesses in South Africa. A potential solution lies in blended finance combining loans and grants, a strategy that could diversify risk and provide a stepping stone for sustainable financing solutions.

Despite these challenges, South Africa still stands out as having a strong investment climate with many investible enterprises. A notable upcoming opportunity is the Sony Innovation Fund: Africa, which will invest ZAR 189 million (USD \$10 million) in early-stage African entertainment ventures, explicitly looking at music, film, and gaming.<sup>29</sup> South Africa dominates the African gaming market with 24 million gamers (40% of its population).<sup>30</sup> There is also a push for the government to pass a start-up act, as many other African nations have done in the past five years, which could incentivize increased entrepreneurial activity through eased visa restrictions for skilled workers, lower taxes for qualifying startups, and other measures.<sup>31</sup>

29 Kene-Okafor, T. "Sony Ventures earmarks \$10M to invest in African entertainment startups." 11 October 2023. TechCrunch.

30 Onyango, C. "Why Africa will be the world's fastest growing video game market." 15 February 2022. Quartz.

31 Modise, E. and Adeyemi, D. "Can a Startup Act resurrect South Africa's tech startup ecosystem?" 1 March 2023. TechCabal.

# GLOBAL IMPACT MEASUREMENT TRENDS IN 2023

Impact measurement and management (IMM) approaches in the SGB sector continue to evolve. Many industry actors are calling for consolidation of impact measurement standards, such as unified metrics lists and best practices. However, tension continues to exist between the need for standardisation and comparability versus tools that allow for flexibility and the generation of contextually relevant data. Most ecosystem actors are aware of standard-setting organisations, such as the Global Impact Investing Network's IRIS+, the Sustainable Development Goals, or the Impact Management Platform, but may encounter challenges when seeking to apply these broad frameworks to their specific projects.

As consolidation and standardisation continue, IMM practices are also continually being adopted by actors outside the traditional non-profit ecosystem, including corporations. The environmental, social, and governance (ESG) movement has become common in the business world, but evaluating companies on ESG practices is not yet standardised. While external firms issue ESG ratings for many companies, these ratings are not comparable and are subject to different levels of bias.<sup>32</sup>

Based on feedback from and conversations with attendees of ANDE's annual *Metrics from the Ground Up* conference, IMM experts are interested in the evolving role of AI in measurement. ChatGPT is already being used with success to streamline qualitative data analysis, and machine learning or natural language processing tools are increasingly being used to help with evaluation.

Finally, IMM specialists understand the evolving role of complexity in their projects. As programmes and organisations take on increasingly tricky problems, ecosystem actors accept the need to account for complexity and systemic change, especially as intersecting issues are better understood, such as gender and climate change. These complex problems and solutions necessitate different methods for evaluating and tracking impact, and ANDE is seeing more interest in evaluation methods for complexity, such as outcome mapping.<sup>33</sup>

Authored by Mallory St. Claire, Impact Manager, ANDE

To learn more and access IMM resources, visit ANDE's new Impact Measurement Resource Hub at <https://imm.andeglobal.org>.

32 Doyle, M. "Ratings that Don't Rate: The Subjective World of ESG Ratings Agencies." 7 August 2018. Harvard Law School Forum on Corporate Governance.

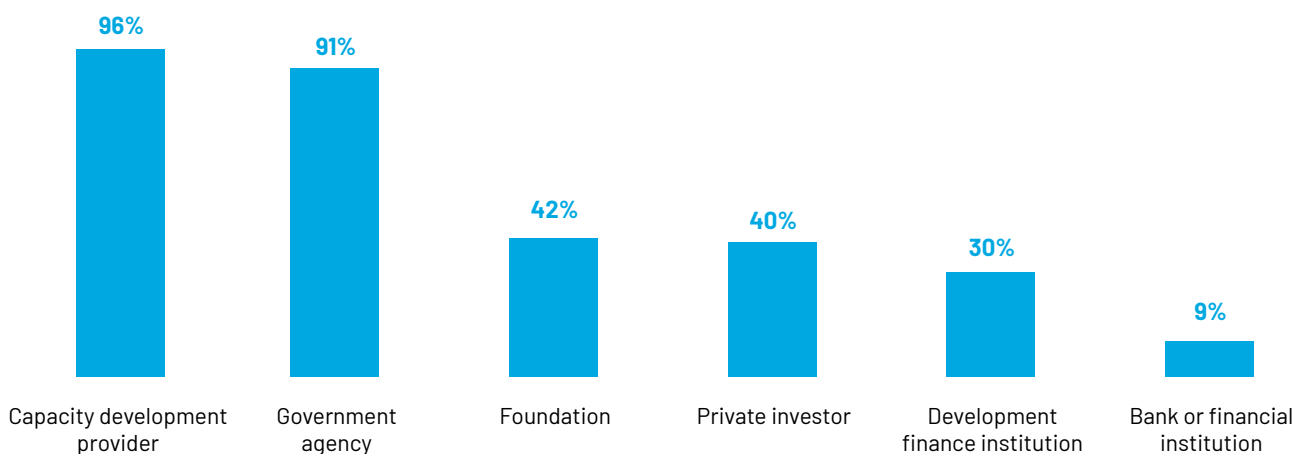
33 Outcome Mapping Practitioner Guide. Outcome Mapping Learning Community. Accessed 1 November 2023.

# CAPACITY DEVELOPMENT LANDSCAPE

Capacity development plays an essential role in helping entrepreneurs move their businesses from an idea to an established enterprise with a clear value proposition and, eventually, strong market traction. Services such as business mentorship and training play a particularly important role in South Africa as the level of business education tends to be low. The tertiary attainment of the country falls behind most OECD and partner countries, with the majority of the population holding an upper secondary or post-secondary non-tertiary qualification as their highest educational achievement, as opposed to tertiary education.<sup>34</sup>

Outside of formal education and training, South Africa has a robust capacity development landscape, with a variety of business development support (BDS) providers and government entities as well as finance providers such as foundations, private investors, and DFIs offering non-financial business support. Notably, approximately half of the funding sources identified in ANDE's data (47%, 93 out of 197) deliver non-financial support alongside investments. Figure 4 illustrates the percentages of funding sources from each organisation type that offer non-financial support services. Over 90% of funding sources from both government agencies and capacity development providers include non-financial support in conjunction with financial support. Government entities, like the Technology Innovation Agency, operating under the Department of Science and Technology, offer support by fostering technology development and commercialization. Local governments, including provincial governments in Gauteng and the Western Cape, also contribute by empowering small businesses and idea-stage start-ups through incubation programmes.<sup>35</sup>

**Figure 4: Share of Funding Sources Offering Non-financial Support by Organization Type**



Source: ANDE Funding Data (N=197)

<sup>34</sup> Education at a Glance: OECD Indicators. 2019. OECD

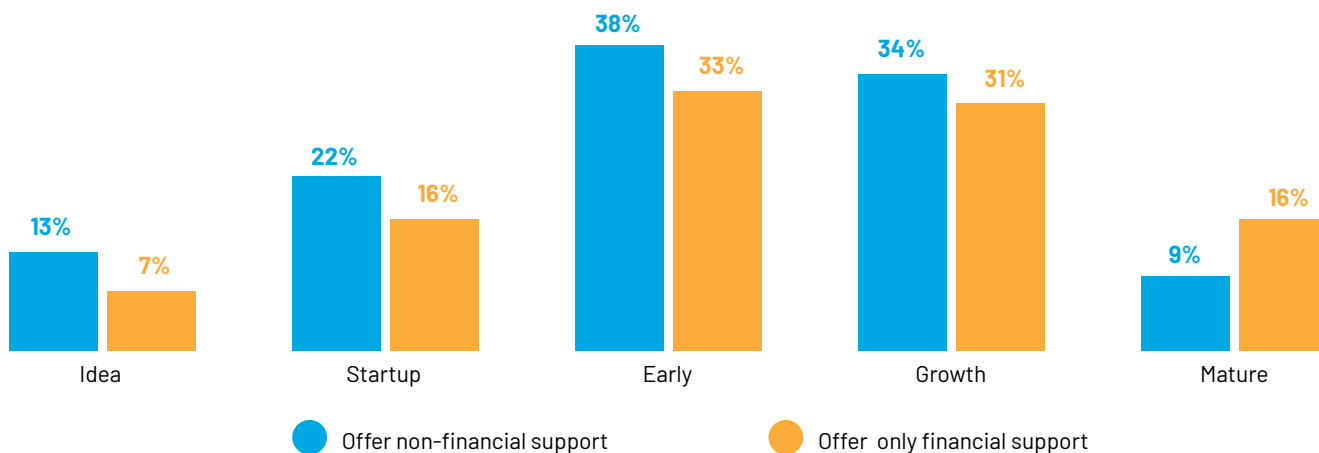
<sup>35</sup> The South African Startup Ecosystem Report. 2022. Disrupt Africa.

Examining the distribution of support across different business stages in the South African entrepreneurial ecosystem reveals a predominant focus on early-stage businesses (see Table 2 for how each stage is defined). This observation is consistent with ANDE’s research examining entrepreneurial ecosystem snapshot data from other economies.<sup>36</sup> However, there is an interesting nuance to the findings depending on the types of support that organisations offer. Figure 5 illustrates that investors offering both financial and non-financial support outnumber those exclusively providing financial support across all stages, excluding the mature stage. At the idea stage, investors solely offering financial support constitute a mere 7%. Only in the mature stage does the number of investors exclusively providing financial support surpass those offering both financial and non-financial support, implying that non-financial support at this later stage may be deemed unnecessary.

**Table 2: Description of Venture Stages**

STAGE	DESCRIPTION
Idea	Entrepreneurs have little more than an unproven idea, so the focus is on testing the idea and identifying a product-market fit
Start-up	The company is in the process of being set up
Early	May have initial market traction but requires further funding and will likely not yet be generating profits
Growth	Demonstrates steady growth or scaling and likely profitability
Mature	The company has likely reached stable profits; growth may have slowed

**Figure 5: Stage Focus by Type of Support**



Source: ANDE Funding Data (N=110)

(N=59 offering non-financial support alongside financial support; N=51 offering only financial support)

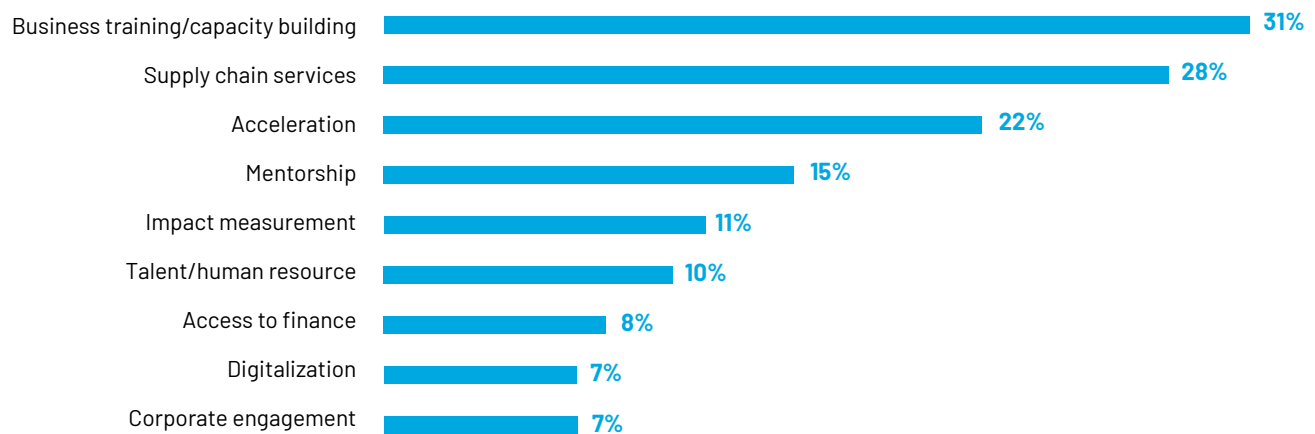
36

For instance, see Yong, S., Kwenin, C. and Ingabo, C. 2021. *Financial Constraints to Entrepreneurs in Ghana*. Aspen Network of Development Entrepreneurs.

The advancement of the capacity development landscape in South Africa is exemplified by The Innovation Hub (TIH). TIH, a subsidiary of the Gauteng Growth and Development Agency, received a globally esteemed Startup Ecosystem Stars Award from Mind the Bridge and the International Chamber of Commerce on 7 December 2023. TIH fosters innovation and entrepreneurship to promote economic development and competitiveness in the Gauteng province through its incubation programmes in bioeconomy, smart industries and green economy, along with enterprise development, skills development and innovation-enabling initiatives.<sup>37</sup>

Figure 6 depicts the types of business development services that ANDE members provide to South African entrepreneurs, a reflection of the entrepreneurial ecosystem globally and locally. Among them, business training and capacity building emerge at the top of the list (31%), followed by support to connect entrepreneurs with supply chains (28%). Programming designed to support access to finance, digitalization, and corporate engagement is relatively scarce despite being identified as a crucial form of support by ESOs and entrepreneur interviewees.

**Figure 6: Type of BDS Support Offered by ANDE Members**



Source: ANDE Member Data (N=88)

One of the key opportunities in the South African entrepreneurial ecosystem lies in investing in the right equipment and technology (e.g., software and digital tools). According to Sage’s survey of 11,986 small and medium-sized business leaders across nine countries, including South Africa, 78% of businesses reported their satisfaction with productivity in 2023 – a 10% increase from 2022.<sup>38</sup> Small business leaders also reported the largest increase in productivity is attributable to investment in equipment and adopting new technology.<sup>39</sup> However, South African businesses, especially those in the start-up stage, lag in the adoption of digital technology for sales, with only 52% of them planning to utilise digital technology to sell their goods and services.<sup>40</sup>

37 [Welcome to The Innovation Hub](#). The Innovation Hub. Accessed 18 January 2024.

38 [Small Business, Big Opportunity](#). 2023. Sage.

39 Ibid.

40 [New GEM South Africa National Report: Early-Stage Entrepreneurs Are Growing into Established Businesses](#). 2022. Global Entrepreneurship Monitor.



An illustrative example of technology adoption is found in the development of the Yoco Neo Touch range, a point-of-sale (POS) terminal machine by Yoco and MediaTek.<sup>41</sup> At a relatively low cost of ZAR 899 (USD \$48), this POS terminal machine enables small businesses to join the formal payment infrastructure by processing tap, chip, pin, and mobile payments. Access to such technology can empower small businesses in South Africa to compete with large retailers, and capacity development providers can play a vital role in supporting entrepreneurs by co-developing or subsidising the use of such technologies.

Another promising opportunity lies in social commerce, a subset of e-commerce utilising social media platforms for promotion and sales. South Africa's social commerce industry is poised for remarkable growth, with an expected annual growth rate of 48% between 2023 and 2028, reaching an estimated value of ZAR 186 billion (USD \$9.86 billion) by 2028.<sup>42</sup> South Africans' social media usage grew steadily over the decade, with approximately 38.2 million people engaging with social media in 2022.<sup>43</sup> This trend is also reflected in the increasing use of WhatsApp and Instagram by small businesses. Over 60% of businesses utilised social commerce in 2023.<sup>44</sup> However, small businesses, particularly in townships and rural areas, lag in adopting digital tools compared to their counterparts in cities or suburbs,<sup>45</sup> which calls for further capacity development interventions focused on digital tools for townships, informal areas, and rural locations.

In 2023, South Africa also actively improved its licensing requirements. Bureaucratic hurdles have been a long-standing concern in the entrepreneurial ecosystem, as noted in President Ramaphosa's speech about "Ease of Doing Business" at the World Economic Forum in 2019.<sup>46</sup> Various reports and articles also pointed out that bureaucratic procedures and licensing hampers entrepreneurship in the country.<sup>47</sup> After a long wait, the cabinet approved the draft National Business Licensing Policy for public comments in December 2023.<sup>48</sup> The proposed smart and effective licensing arrangements aim to reduce regulatory and compliance burdens, empower previously marginalised communities, and facilitate ease of doing business.

In 2023, mentorship appeared as a cornerstone of non-financial support activities within the South African entrepreneurial ecosystem. This aligns with a global trend, highlighted in ANDE's State of the Small and Growing Business Sector 2019 report, where mentorship stood out as one of the most prevalent support mechanisms.<sup>49</sup> ANDE's funding data underscores this trend, revealing that almost half of the funding sources that offer non-financial support include mentorship (Figure 7). A recent study emphasizes the pivotal role mentors play in advising entrepreneurs to pursue a broad range of growth objectives, moving beyond a narrow focus on a single sustainable business model.<sup>50</sup>

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41 [Yoco and MediaTek Partner for Payment Solutions for African Entrepreneurs](#). 2023. BizCommunity.

42 [South Africa Social Commerce Market](#). 2023. Research and Markets.

43 Cowling, N. 2023. [Total Number of Active Social Media Users in South Africa from 2014 to 2022 \(in millions\)](#). Statista; Hartzenburg, M. and Huson, E. 2022. [The Rise in Social Commerce; A Focus on the South African Market](#). Incubeta.

44 [South Africa's Small Businesses Are Struggling in Digital Progression, Report Finds](#). 2023. BizCommunity.

45 Ibid.

46 [President Cyril Ramaphosa: Ease of Doing Business Seminar](#). 2019. South African Government: Official Information and Services.

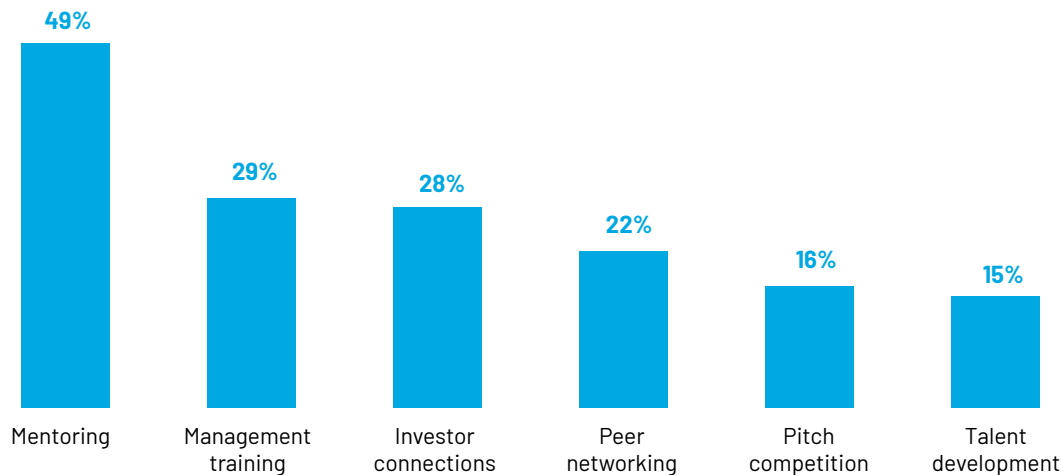
47 Lewis, C. and Gasealahwe, B. 2017. [Lowering Barriers to Entrepreneurship and Promoting Small Business Growth in South Africa](#). OECD; Opperman, I. [Negative Impact of Licensing Requirements on Small Business](#). 22 October 2022. The Citizen.

48 [Business Licensing Policy up for Public Comment](#). 2023. South African Government News Agency.

49 Hume, V., Davidson, A. and Guttentag, M. 2020. [State of the Small & Growing Business Sector 2019](#). Aspen Network of Development Entrepreneurs.

50 Robinson, M. 2022. [Factors Impacting Entrepreneurial Success in Accelerators: Revealed Preferences of Sophisticated Mentors](#). Review of Corporate Finance.

**Figure 7: Types of Non-financial Support Activities**



Source: ANDE Funding Data (N=93)

Other primary needs that can be met through technical assistance include enhancing the financial and digital literacy of entrepreneurs, as revealed in interviews with ESOs and entrepreneurs.<sup>51</sup> In terms of market access, the South African entrepreneurial ecosystem grapples with challenges arising from a lack of necessary knowledge and skills and competition with large firms.<sup>52</sup> The knowledge gap often impedes accurate market assessment, entry planning, and effective expansion, emphasising the need for market research. A report from the United Nations Conference on Trade and Development particularly highlights several areas for improvement in government-run business support programmes. These include offering generic business support services without in-depth consultations with start-ups, a lack of implementation guidelines, and insufficient awareness about government support programmes among entrepreneurs.<sup>53</sup> This critique extends beyond government-run BDS programmes; capacity development providers in the ecosystem must actively listen to the concerns of entrepreneurs and address the existing gaps, such as financial and digital literacy.

Many young or early-stage entrepreneurs in South Africa lack connections with successful role models who can guide them throughout their entrepreneurial journey.<sup>54</sup> Meanwhile, many existing business advisors and mentors lack firsthand experience running a business.<sup>55</sup> Therefore, several interviewees from ESOs stress the importance of leveraging black entrepreneurs and corporate executives who can relate to and share first-hand experiences with other emerging black entrepreneurs in South Africa.

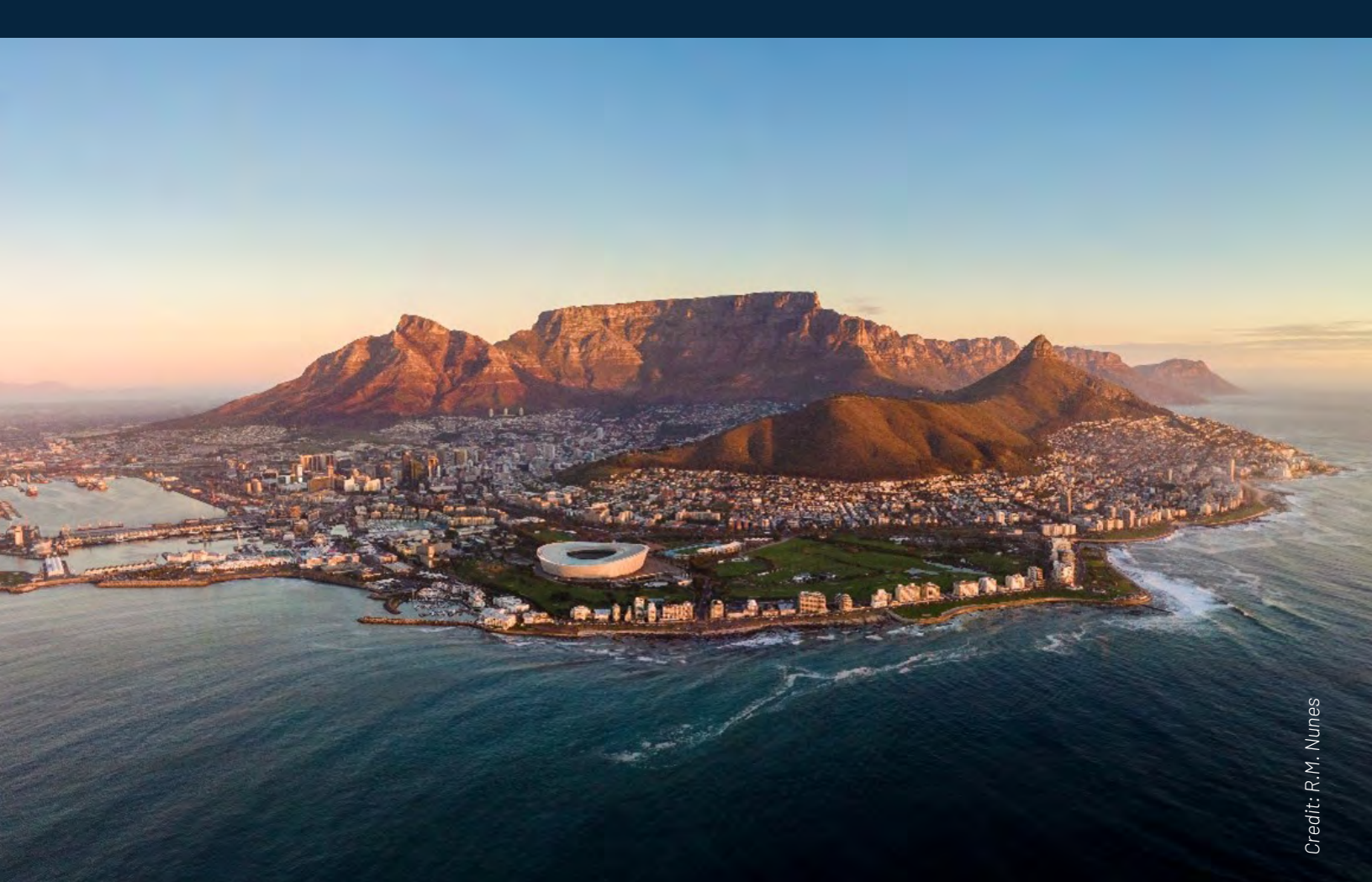
51 Kim, S. 2024. Challenges of South African Township Entrepreneurial Ecosystem and Recommendations for the Path Forward. Aspen Network of Development Entrepreneurs. [\[add link once published\]](#)

52 [The Entrepreneurial Ecosystem of South Africa: A strategy for global leadership](#). 2017. SAB Foundation and Allan Gray Orbis Foundation.

53 [South Africa: Entrepreneurship Strategy Review](#). 2023. United Nations Conference on Trade and Development.

54 Herrington, M., Kew, P. and Mwanga, A. 2018. [South Africa Report 2016/2017 Can Small Businesses Survive in South Africa?](#). Global Entrepreneurship Monitor.

55 Ibid.



Credit: R.M. Nunes

**Capacity development looking forward:** While it is evident that there is a wide variety of stakeholders offering capacity development to South African SGBs, that does not necessarily mean these offerings are sufficient and effectively preparing them to grow and secure necessary investment for scale. Specifically, the ecosystem still needs to address several pain points, most notably ensuring the services offered match the needs of entrepreneurs on the ground. For example, service providers need to apply greater discernment to the types of mentors who will meaningfully help entrepreneurs address their challenges, drawing on the wealth of guidance and expertise on this topic.<sup>56</sup> The ecosystem calls for a concerted effort towards greater inclusivity. Leveraging the experiences of black entrepreneurs and executives will be critical in overcoming barriers and ensuring that support programmes resonate with the diverse entrepreneurial landscape in South Africa.

An increasing number of businesses are embracing digital tools and technologies to enhance their performance, including marketing their goods and services through social media. However, capacity development programmes still need to do more to actively educate and prepare small businesses to adopt these tools, particularly in marginalised communities where these technologies have the power to open new market access. Consequently, capacity development providers should prioritise addressing the specific needs of those communities and actively engage in outreach efforts to ensure their inclusion in the digital transformation landscape.

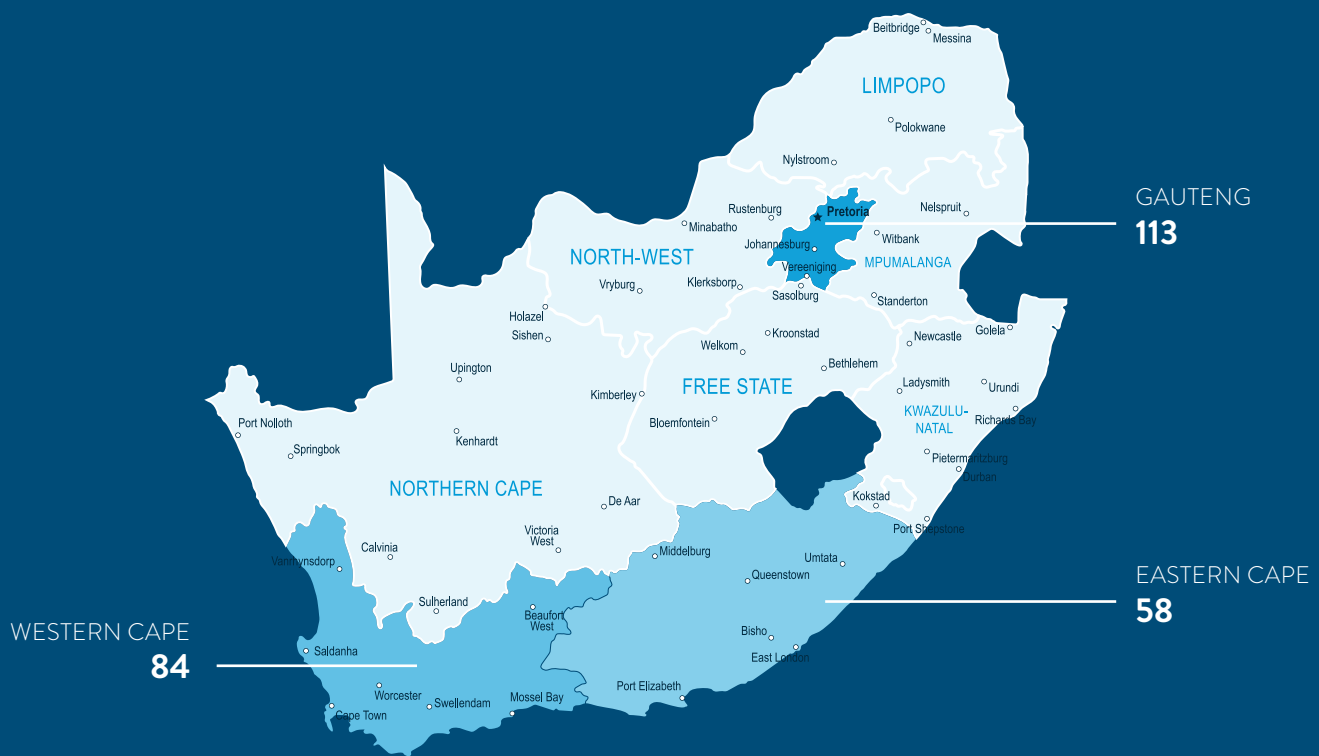
56

For example, The Human Edge recently released a book titled "[Mentoring Entrepreneurs – the Insider's Guide to Shaping Success](#)" in October 2023.

# ENTREPRENEURSHIP IN SOUTH AFRICA'S TOWNSHIPS

In 2021, ANDE mapped more than 150 organisations supporting entrepreneurship in townships in Eastern Cape, Gauteng, and Western Cape provinces.<sup>57</sup> Despite being the smallest province in terms of land area, Gauteng is the most densely populated and contains four of the top five townships in regard to entrepreneur support activities, with the highest being Soweto, followed by Khayelitsha in Western Cape.

**Figure 8: Number of Organizations that Support Township Entrepreneurs, by Province**



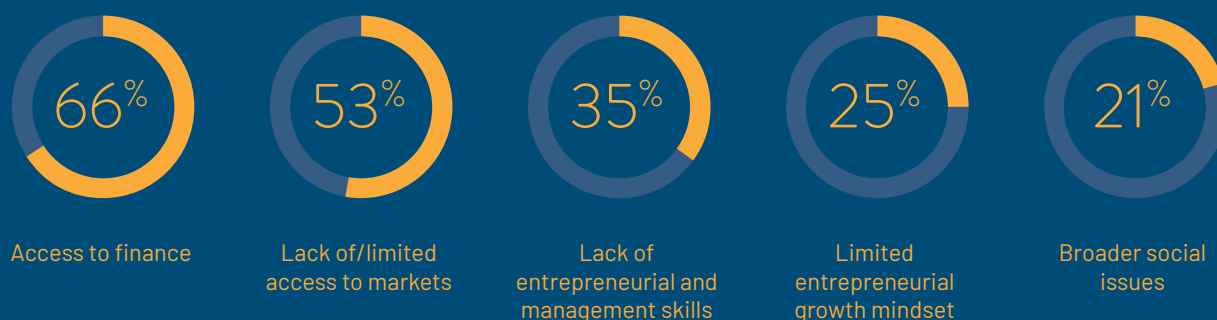
Source: ANDE Ecosystem Snapshot on Township Economies in South Africa (N=151)

The majority of these organisations are classified as capacity development providers or government actors, with only 2% being investors or financial institutions. This support is predominantly in the form of technical assistance, news/media outlets, events, and research, and the most common source of funding for township enterprises is grants.

57 Hume, V. et al. 2021. *Entrepreneurial Ecosystem Snapshot: Township Economies in South Africa*. Aspen Network of Development Entrepreneurs.

Not surprisingly, access to finance was the most commonly cited challenge among entrepreneurial ecosystem actors, which is not just a reflection of the small number of investors focusing on townships but also the difficulty in obtaining loans due to high levels of informality, poor recordkeeping and financial literacy, and lack of collateral. Access to markets was another common challenge as townships are, by historical design, isolated from the main urban areas and thus need support from BDS providers to expand to more formalised markets.

**Figure 9: Top 5 Challenges for the Township Entrepreneurial Ecosystems**



Source: ANDE Ecosystem Snapshot on Township Economies in South Africa

With an understanding of these challenges, ANDE undertook an additional research study to better illuminate some of the success cases of township entrepreneurship, identifying what factors have allowed some entrepreneurs to see significant growth.<sup>58</sup> Those high-performing entrepreneurs tended to be those who were able to obtain tertiary education (though in some cases this was complemented or replaced by BDS offerings) and had strong support networks and entrepreneurial mindsets. Notably, many interviewees for the study mentioned that the aggregation of small businesses can allow for better competitiveness as has been the case amongst groups of immigrants.

One of the key takeaways from both studies was that the number of ESOs extending support to township enterprises is sufficient; however, the quality is inconsistent. Support organisations can improve their effectiveness in the townships by identifying their specialisation and clearly communicating their unique value add, bringing programming into the townships and offering content in local languages, and improving collaboration and referral systems among ESOs to help entrepreneurs navigate the ecosystem more effectively.

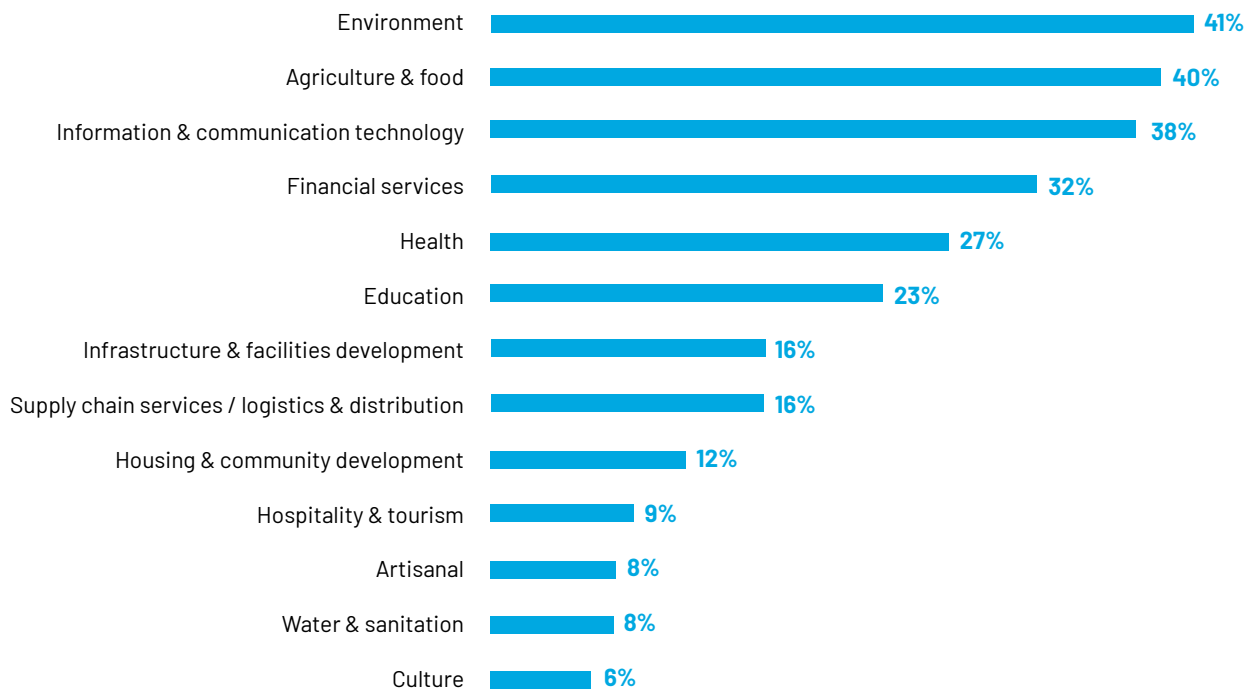
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Kim, S. 2024. Entrepreneurship in the South African Townships: Ecosystem Challenges and Recommendations for the Path Forward from the Voice of Entrepreneurs and Business Development Providers. [\[forthcoming\]](#)

# PRIORITY SECTORS, TARGET DEMOGRAPHICS, AND IMPACT AREAS

As shown in Figure 10, agriculture ranks among the top three priorities for investors, second only to the environment sector. Although agriculture constitutes only 2% of small, medium and micro enterprise (SMME) activities in South Africa and contributes just 1% of the economy’s GDP,<sup>59</sup> the South African government places a significant emphasis on the sector. The 2020–2025 strategic plan from the Department of Small Business Development underscores the strategic importance of agriculture by setting it as one of the two primary sectors of the economy.<sup>60 61</sup>

**Figure 10: Sector Focus of Funding Sources**



Source: ANDE Funding Data (N=128)

Note: 69 funding sources did not indicate any sector focus.

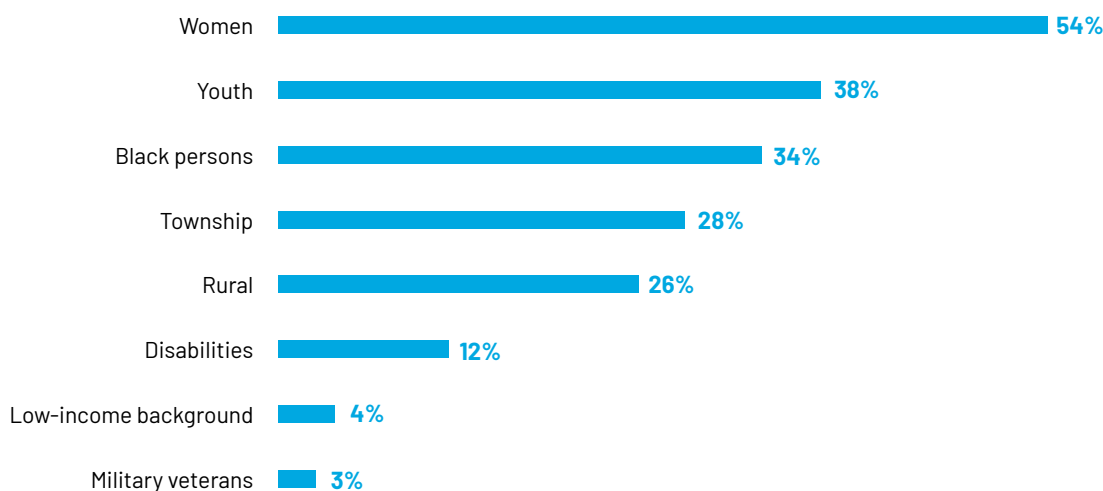
59 2020 - 2025 Strategic Plan (Revised). 2020. Department of Small Business Development, Republic of South Africa.

60 Ibid.

61 The primary sectors include agriculture and mining, with manufacturing, electricity/gas/water, and construction as secondary sectors and trade, transport, finance, personal services, and the government as tertiary sectors.

Analysing the key demographics targeted by available support in the South African entrepreneurial ecosystem shows that the primary targets include women (54%), youth (38%), black persons (34%), and township (28%) and rural entrepreneurs (26%)(see Figure 11). This strategic focus is aligned with the Co-operatives Policy (2004), which mandates the promotion of greater participation among black individuals, particularly those in rural areas, women, persons with disabilities, and youth in the formation and management of co-operatives.<sup>62</sup> The government also established the Broad-Based Black Economic Empowerment Act, 2003 (B-BBEE) to promote the economic empowerment of black people, and the Preferential Procurement Policy Framework Act, 2000 to ensure that the government’s preferential procurement procedures are aligned with the B-BBEE codes. On gender, youth, and disability, the Medium Term Strategic Framework (2019-2024) specifically set a minimum 40% target for women, 30% for youth, and 7% for persons with disabilities in the SMMEs and cooperatives sector.<sup>63</sup>

**Figure 11: Target Populations**



Source: ANDE Funding Data (N=74)

The focus on township and rural entrepreneurs is found across different government-led funds and programmes. The South African government has set itself a minimum threshold of procuring 30% of goods and services from small enterprises, with preference for those based in townships and villages.<sup>64</sup> Through the Township and Rural Entrepreneurship Programme, the Department of Small Business Development plans to facilitate an increase in small businesses in township economies and rural development. Their SMME key priority sectors include agro-processing, gas and chemicals, tourism, automotive, steel, ICT and software. The department also laid out its plan to finalise and implement the Township Entrepreneurship Fund, which will be utilised to establish 270 incubation centres/digital hubs in townships and rural areas and support 100,000 township and rural enterprises.<sup>65</sup>

62 2020 - 2025 Strategic Plan (Revised). 2020. Department of Small Business Development, Republic of South Africa.

63 Ibid.

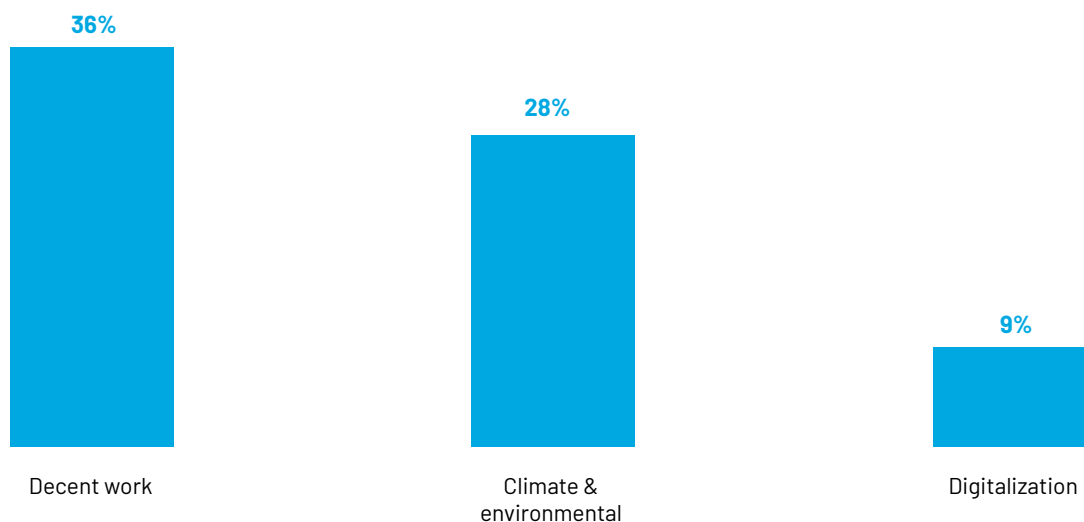
64 Ibid.

65 Ibid.

There are also notable changes in the support available to women entrepreneurs. For example, in Cape Town, WomHub, a coworking space founded by and for women innovators in STEM, launched in 2023, and local accelerator FNB Youth Startup Accelerator increased its applicants from 4,000 in 2022 to more than 10,700 in 2023.<sup>66</sup> The ecosystem also provides funding and support services tailored to women entrepreneurs. The National Empowerment Fund offers the Women Empowerment Fund to fund businesses owned by black women.<sup>67</sup> Graça Machel Trust launched their flagship entrepreneurship program to support women entrepreneurs build confidence, skills, and networks to grow their businesses.<sup>68</sup>

Figure 12 shows that the impact areas that receive the most emphasis include decent work (36%), climate (28%), and digitalization (9%).<sup>69</sup> The concept of decent work in this context entails the existence of employment opportunities for anyone willing and able to work.<sup>70</sup> An important metric for decent work is the degree to which a country’s population is employed, measured either in the employment-to-population ratio or the unemployment rate.<sup>71</sup> With the South African economy grappling with an unemployment rate exceeding 30%,<sup>72</sup> the government’s National Development Plan underscores the critical role that supporting small businesses plays in addressing that problem.<sup>73</sup>

**Figure 12: Impact Focus**



Source: ANDE Funding Data (N=163)

66 “A dismal future for youth or an empowered alternative: Lessons from South Africa’s young entrepreneurs.” 14 August 2023. Fetola.

67 Women Empowerment Fund (WEF). National Empowerment Fund. Accessed 26 January 2024.

68 Women Creating Wealth. Graca Machel Trust. Accessed 26 January 2024.

69 Please note that the list of impact areas in Figure 11 are designed in the presented way to avoid an overlap with Figure 10. For instance, gender equality is not included in the impact areas list because organisations that consider gender equality in supporting entrepreneurs will also indicate their focus on supporting women entrepreneurs.

70 Cohen, T. and Moodley, L. 2012. Achieving “decent Work” in South Africa?. Potchefstroom Electronic Law Journal.

71 Anker, R. et al. 2002. Measuring Decent Work with Statistical Indicators. International Labour Office.

72 Menon, S. Townships are poised to become major job creators, government says. 14 March 2018. BusinessLIVE.

73 National Development Plan 2030: Our future – make it work. 2012. National Planning Commission, Republic of South Africa.



Although climate and environmental action does not garner as much support as decent work within the entrepreneurial ecosystem, key government policies and initiatives on climate and environmental action engaging entrepreneurs and small business owners deserve recognition. The South African government's commitment to a green economy is manifested in its National Climate Change Response Policy<sup>74</sup> and 3rd Biennial Update Report to The United Nations Framework Convention on Climate Change.<sup>75</sup> These documents emphasise the imperative to foster and facilitate environmental and climate action, highlighting the significance of collaboration between the public and private sectors and the utilisation of blended finance. The Green Economy Accord in South Africa also serves as a testament to the government's commitment to promoting a green economy by fostering collaboration between the government, businesses, and communities. While not exclusively focused on small businesses, the accord encourages the inclusion of various stakeholders, including SMEs, in the transition to a green economy.<sup>76</sup> The Department of Small Business Development also offers programmes with a focus on climate and environmental action, like the Small Enterprise Manufacturing Support Programme, which supports green technology.<sup>77</sup>

In terms of the private sector's support for green entrepreneurship, Nedbank, one of the top five banks in South Africa by assets,<sup>78</sup> launched the Green Economy Fund in December 2023 with an initial capital of ZAR 10 million (USD \$539,000). The fund aims to provide funding to up to 100 start-ups in the waste, water, energy, and agricultural sectors. Anzisha Prize also announced a new funding cycle in 2023 which will provide grants of up to US \$60,000 to green entrepreneurs aged 15-22.<sup>79</sup> Funds like this from the private sector are crucial for entrepreneurs in the green economy who face challenges accessing conventional funding models, as many green business models require high upfront investment with long-term return schemes.<sup>80</sup>

**Priority sectors, target demographics, and impact areas looking forward:** Recognizing and addressing the diverse needs of entrepreneurs is of utmost importance. Each business, regardless of its orientation towards survival or growth, requires bespoke support. Employing a one-size-fits-all approach, while convenient, often falls short of meeting the intricate requirements of varied sectors and business sizes.<sup>81</sup>

South Africa is poised to extend sustained support to entrepreneurs with a social minority background, encompassing women, youth, black, and township and rural entrepreneurs. Entrepreneurial support must consider the intricate intersection between entrepreneurs' backgrounds and their challenges. For instance, interviews with entrepreneurs underscore the imperative to bridge the racial gap in financing. White South Africans are more likely to receive funding for their businesses in their idea stage, while such opportunities are markedly limited for black South Africans. Women, youth, township and rural entrepreneurs also face similar challenges. The existing bias and stigma associated with social minorities may disproportionately limit opportunities for entrepreneurs who have the greatest need for such essential support.

74 [National Climate Change Response White Paper](#). 2011. Republic of South Africa.

75 [South Africa's 3rd Biennial Update Report to the United Nations Framework Convention on Climate Change](#). 2019. Department of Environmental Affairs, Republic of South Africa.

76 [New Growth Path: Accord 4. Green Economy Accord](#). 2011. Economic Development Department, Republic of South Africa.

77 [Localisation as the Driver of Economic Recovery](#). 2019. Department of Small Business Development, Republic of South Africa.

78 Cowling, N. 2023. [Leading Banks in South Africa as of 2023, by Assets](#). Statista.

79 ["Anzisha Prize Invites SA's Green Entrepreneurs To Apply For Funding."](#) 2 December 2023. iAfrica.

80 See for example the green business models covered in ANDE's reports on green entrepreneurship in [Kenya](#) and [India](#).

81 Herrington, M., Kew, P. and Mwanga, A. 2018. [South Africa Report 2016/2017 Can Small Businesses Survive in South Africa?](#) Global Entrepreneurship Monitor.

# NEW EVIDENCE ON ACCELERATING WOMEN-LED VENTURES

There is a plethora of evidence that women business owners face unique barriers to starting and growing a business, particularly in regard to securing investment.<sup>82</sup> The International Finance Corporation (IFC) estimates a financing gap for female entrepreneurs in formal sector small and medium enterprises in developing economies of ZAR 6,052 billion (USD \$320 billion). Similarly, data from the Global Accelerator Learning Initiative (GALI) show that, on average, start-ups led by all-women founding teams in developing economies raise approximately one-quarter of the equity financing raised by men.<sup>83</sup>

Business accelerators – fast-paced, intensive training and mentorship programmes designed to help entrepreneurs “accelerate” to their next stage of growth – advertise the ability to help ventures secure investment. However, this is often not the case for women. A study from Village Capital, IFC, and We-Fi found that women who participate in accelerators grow their investment at a slower rate compared to men participants, suggesting that on average accelerators exacerbate, rather than close, the gender financing gap.<sup>84</sup> These challenges are evident in the South African context as well. A Catalyst for Growth and GALI study in 2020 found that similar proportions of women and men who participated in accelerator programmes applied for post-programme funding, yet men were more likely to secure funding, particularly when looking at amounts above ZAR 250,000 (USD \$13,219).<sup>85</sup>

ANDE has published several new studies in the past few years that have examined and contributed to a more comprehensive understanding of both the challenges and potential solutions to gender inequalities in the acceleration process. Their key findings are summarised below.

82 Gender Equality in the SGB Sector. 2019. Aspen Network of Development Entrepreneurs.

83 Kipnis, H. 2017. *Women Entrepreneurs Are Essential for Private Sector Development in Emerging Markets*. International Finance Corporation.

84 See “Accelerating Women-led Startups”. 2020. Aspen Network of Development Entrepreneurs and “Venture Capital and the Gender Financing Gap: The Role of Accelerators”. 2020. Women’s Entrepreneurial Finance Initiative (We-fi), Village Capital, and the International Finance Corporation.

85 Harris, L. et al. 2020. *Accelerating Women-led Startups: A South African Perspective*. Aspen Network of Development Entrepreneurs.

### **KEY FINDING 1 – Accelerators are not gender biased in their marketing or selection, pointing to other factors that likely dissuade women from applying.**

Globally, women-led ventures make up less than 15% of accelerator applicant pools.<sup>86</sup> While a common hypothesis was that these programmes were marketed more towards men, a recent study that examined more than 200 accelerators globally found a fairly equal use of stereotypically “male” and “female” wording in calls for applications.<sup>87</sup> Another study found that while application rates are lower among women versus men, accelerators in many cases have higher acceptance rates for women.<sup>88</sup> These findings point to the conclusion that the gender imbalance in accelerators cannot be resolved through surface-level adjustments but requires a more nuanced understanding of women’s specific needs, such as the availability of childcare, the timing of programme events, and the representation of women in programme management and as mentors. As a 2020 study by the IFC and Village Capital concluded, “Effective interventions will need to be more holistic, reaching beyond addressing start-up behaviors and focusing on influencing the behavior of investors... to more effectively address the gender gap, accelerators have a role to play in helping mitigate investors’ bias and risk perception.”<sup>89</sup>

### **KEY FINDING 2 – Mentors and coaches are key to accelerator programme value, and women need support from both genders.**

A study by the South African research group Entrepreneurship to the Point found that women prioritise mentorship as one of the key benefits when applying to an accelerator and value the different experiences and connections held by men and women mentors.<sup>90</sup> The unique value-add of both men and women mentors is reflected in various other studies. For example, research by GALI found that accelerators with more female mentors are associated with significantly more gender-balanced applicant pools,<sup>91</sup> while a World Bank report concluded that male mentors serve as important entryways to networks and strategic introductions for female entrepreneurs operating in traditionally male-dominated sectors.<sup>92</sup>

### **KEY FINDING 3 – Gender bias can be mitigated in financing decisions by guiding investors to ask more balanced questions.**

Studies have shown that investors exhibit gender bias in the questions they ask entrepreneurs, more commonly directing promotion-focused questions (e.g., “How do you plan to acquire customers?”) towards men and prevention-focused questions (e.g., “How many active users do you have?”) towards women.<sup>93</sup> This leads to investors evaluating the risks of businesses led by women versus the potential of those led by men. Village Capital and a team of researchers ran an experiment with investors to test whether a systematic evaluation framework with a balance of promotion and prevention questions could reduce gender bias in investor decision-making. They found that this simple intervention was surprisingly effective, with investors rating women significantly higher (and often above the men) compared to a control group of investors without this guidance.<sup>94</sup> Village Capital has produced investor and accelerator implementation guides at <https://vilcap.com/smarter-systems>.

86 Davidson, A. and Hume, V. 2020. *Accelerating Women-led Startups*. Aspen Network of Development Entrepreneurs.

87 Bustamante, C. et al. 2022. *Grammar of Inclusion: Languages of Accelerators and Women Entrepreneurship*. Aspen Network of Development Entrepreneurs.

88 Schmutzler, J. et al. 2022. *In Search of What Is Behind the Gender Finance Gap: A Case Study of Four Latin American Countries*. Aspen Network of Development Entrepreneurs.

89 *Venture Capital and the Gender Financing Gap: The Role of Accelerators*. 2020. Women’s Entrepreneurial Finance Initiative (We-fi), Village Capital, and the International Finance Corporation.

90 Sipula, M. et al. 2022. *Accelerating Women-owned Businesses in Male-dominated Sectors: a South African Case Study*. Entrepreneurship to the Point.

91 Davidson, A. and Hume, V. 2020. *Accelerating Women-led Start-ups: A Knowledge Brief by the Global Accelerator Learning Initiative*. Aspen Network of Development Entrepreneurs.

92 *Breaking Barriers: Female Entrepreneurs Who Cross Over to Male-Dominated Sectors*. 2021. World Bank Group.

93 Kanze, D. et al. *Male and Female Entrepreneurs Get Asked Different Questions by VCs – and It Affects How Much Funding They Get*. 27 June 2017. Harvard Business Review.

94 Miller, A. et al. 2023. *Asking Better Questions: The Effect of Changing Investment Organizations’ Evaluation Practices on Gender Disparities in Funding Innovation*. World Bank Policy Research working paper.

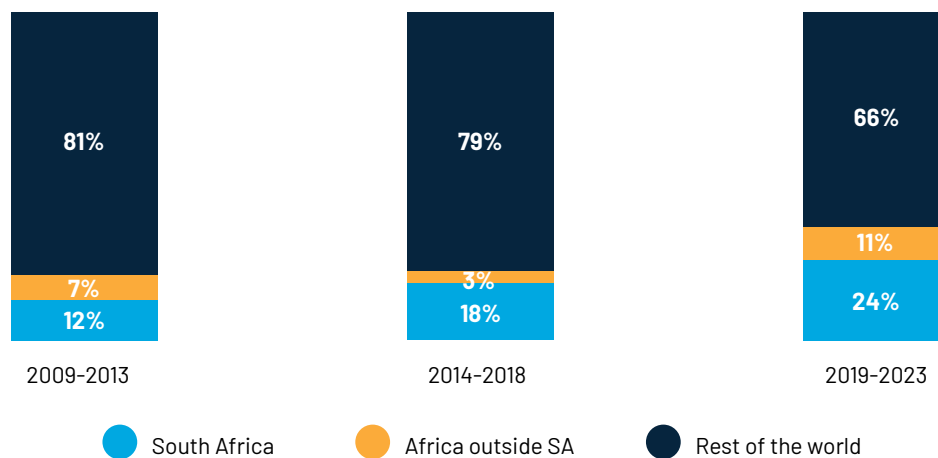
# ANDE HIGHLIGHTS IN SOUTH AFRICA

ANDE's Southern Africa chapter was initially established in 2010 as the South Africa chapter, headquartered in Johannesburg, with the primary objective of creating a platform supporting all stakeholders in the local SGB ecosystem. The focus was on providing training, facilitating knowledge sharing, and fostering introductions and collaboration. In 2023, the chapter expanded its reach to encompass other countries in Southern Africa, rebranding itself as the Southern Africa chapter. Boasting the largest network of members among ANDE chapters, the chapter currently maintains 87 members in South Africa and 115 across the broader region. This strategic transition aligns with ANDE's commitment to inclusivity and equitable access, built on three pillars: fostering collaborative networks within the local ecosystem, conducting diagnostics to identify intervention gaps, and empowering local organisations to better support entrepreneurs.

## ANDE MEMBERSHIP AND FOCUS AREAS

Current ANDE members supporting the South African entrepreneurial ecosystem are headquartered in diverse locations across the globe. When examining the headquarters of organisations that work in South Africa that joined or rejoined ANDE's membership each year, there is a notable shift in the proportion of locally headquartered members – based in South Africa or other African countries – increasing over time. This is an encouraging shift, as centralising marginalised entrepreneur voices and localising services were mentioned as common needs in entrepreneur and ESO interviews.

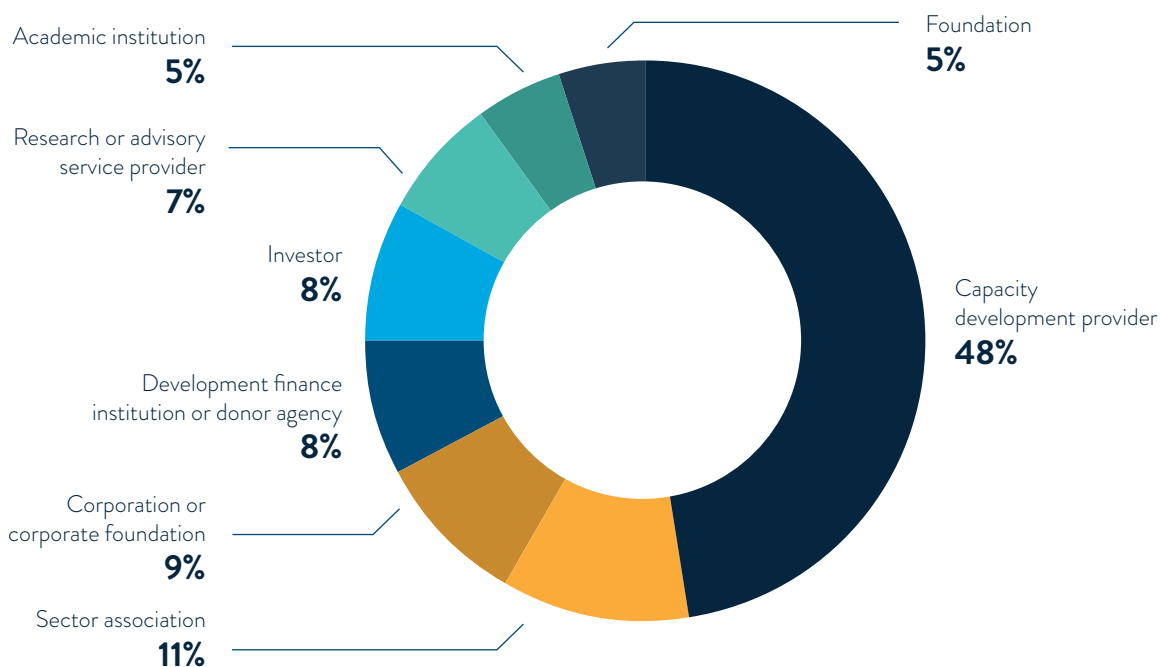
**Figure 13: Headquarters of ANDE Members Supporting South Africa**



Source: ANDE Member Data (N=88)

In terms of organisational makeup, nearly half of ANDE’s current members are categorised as capacity development providers. Other organisation types account for roughly equal shares in ANDE membership, ranging from 5 to 10%.

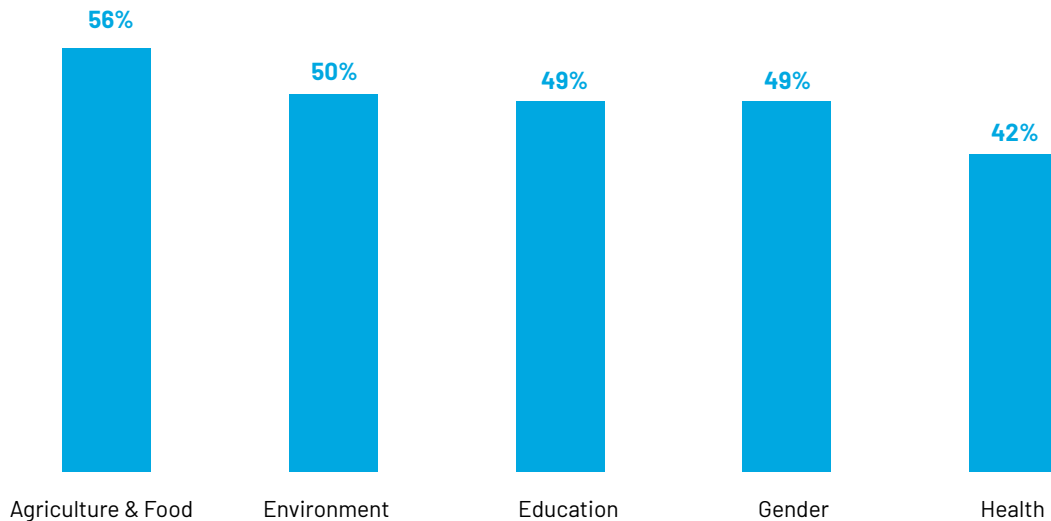
**Figure 14: Organisation Type of Current ANDE Members**



Source: ANDE Member Data (N=88)

Analysing focus areas, current ANDE members supporting the South African entrepreneurial ecosystem prioritise four sectors and one impact area. The top focus areas are agriculture & food (56%), environment (50%), education (49%), gender (49%), and health (42%). Two key takeaways emerge from this analysis. First, ANDE members supporting the South African entrepreneurial ecosystem place a great emphasis on gender equality, which puts them in alignment with investors’ priorities identified from the funding data (see Figure 15). Second, the data underscores the importance of two sectors - agriculture/food and environment - which also appeared among the top priority sectors according to the funding data (see Figure 10).

**Figure 15. Focus Areas of Current ANDE Members Supporting South Africa**




Source: ANDE Member Data (N=88)

### ANDE INITIATIVES IN SOUTH AFRICA

In 2023, the Southern Africa chapter directed its efforts towards supporting the entrepreneurial landscape in underserved communities, particularly townships. Noteworthy activities and achievements of the chapter include:

- ▶ **Learning Labs** - ANDE's Southern Africa hosted six learning labs in 2023 to encourage peer learning, increase knowledge and capacity, and gather valuable insights for research on effective entrepreneur support for township entrepreneurs and youth. Three learning labs in Western Cape, Eastern Cape, and Gauteng were generously supported by the Walmart Foundation, while three in Gauteng were supported by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
- ▶ **Research** - In addition to this report, ANDE Southern Africa will release three additional research reports between January 2023 and March 2024:
  - » **Building Equity in Skills, Opportunities and Funding for Women-led SGBs in South Africa:** In collaboration with the United States Agency for International Development and African Management Institute, [this knowledge brief](#) uncovers lessons learned from an accelerated access to finance programme targeting women-led SGBs in South Africa.

- » **Entrepreneurship in the South African Townships: Ecosystem Challenges and Recommendations for the Path Forward from the Voice of Entrepreneurs and Business Development Providers** [forthcoming]: With support from the Walmart Foundation, this report features voices of entrepreneurs and ESOs to vividly portray township entrepreneurs' challenges through in-depth interviews. The report also elucidates the factors that contributed to the success of exemplary township entrepreneurs and the strategies that ESOs can employ to guide more entrepreneurs to emulate those success stories.
  - » **Strengthening Youth Entrepreneurship in South African Townships** [forthcoming]: With support from GIZ, this knowledge brief aims to present the current state of the township youth entrepreneurial ecosystem and examine the specific challenges and common success factors associated with these entrepreneurs and the organisations that support them.
-  **Gender Inclusion Grants** - As part of the strategic partnership between ANDE, Criterion Institute, and 2X Global, funded by Global Affairs Canada, the Southern Africa chapter launched a research grant initiative focused on gender lens investing and conducted workshops globally. The chapter played a pivotal role in allocating the Advancing Research and Investment Standards for Gender Equity (ARISE) funding to the ecosystem stakeholders. Among the eight final global grant winners, three organisations in the Southern Africa region submitted successful proposals (see [here](#) for more information about the grant winners). Additionally, the Southern Africa chapter organised a Translation Workshop, designed to assist ESOs in exploring ways to use financial systems as tools to advance gender equality and social justice goals.

To learn more, visit <https://andeglobal.org/southern-africa>.



**ASPEN NETWORK  
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The research included in this report was made possible through funding by the Walmart Foundation. The findings, conclusions and recommendations presented in this report are those of ANDE alone, and do not necessarily reflect the opinions of the Walmart Foundation.