BRIDGING GAPS: Addressing Challenges in Gender-Lens Angel Investing in Africa

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INTRODUCTION

Gender-lens angel networks are largely under-researched. Understanding their unique barriers is crucial to closing the gender funding gap.

In a capital landscape ripe for transformation, angel networks emerge as pivotal catalysts within Africa's burgeoning markets. This report, sponsored by the GIZ Make-IT in Africa[1] program focuses on the role of angel networks in bridging the 'pioneer gap'—the early, vulnerable phase before a startup becomes appealing to larger, more risk-averse investors. A few angel networks are uniquely turning towards gender lens investing (GLI) - taking into consideration gender-based factors across the investment process to make better-informed investment decisions and advance gender equity. With deep local ties and inclusive mandates, these networks promote more capital into female-led enterprises and actively recruit more women investors to shape Africa's economic narrative.

Yet, these networks are largely under-researched, and the broader investment community poorly understands the barriers they face – such as entrenched biases, a shortage of financial and human resources, and a lack of right-fit business and operational models. Gender-lens investors attract a diverse cross-section of individuals. This report, based on research with women in Africa who are actively building and participating in gender-lens angel networks, showcases the distinct challenges that they are grappling with as they apply a GLI lens and mandate in their work. It outlines a series of opportunities for developing institutions and other actors to support them; points to areas for additional research and action to make the case that increasing investment, partnerships, and innovative programs that bolster GLI angel networks is critical to bolstering the success of the underserved entrepreneurs they fund.

CONTENTS

THE STATE OF FUNDING FOR WOMEN-LED STARTUPS IN AFRICA

In 2023, after years of unprecedented growth, African startups saw a decline in funding flows due to the global economic downturn. Total Venture Capital (VC) funding in Africa reached $3.5 billion, a 46% drop from 2022, while equity investment in start-ups decreased by 54% to an estimated $2.3 billion.[2] This spurred more capital providers to seek new frontiers and opportunities. Although the traditional "big four" countries — Nigeria, Egypt, Kenya, and South Africa — retained their status as top investment destinations, some investors increasingly turned towards new markets, like Francophone Africa. They also explored sectors beyond fintech, such as Artificial Intelligence (AI) and healthcare, hinting at early signs of growing diversification and growth.[2] At the same time, there was an increase in debt deals as startups sought to secure alternative funding in response to a contracting equity market.[3]

Despite shifts in investment patterns, funding for female-founded and female-forward businesses remained disproportionately low. This enduring disparity highlights a significant and stubborn gender gap in resource distribution.

GENDER LENS INVESTING: AN INTRO

The term Gender Lens Investing (GLI) was coined in 2009. Although the practice of using investment to advance gender equality dates back to the 1970s, GLI is a strategic approach to investing that considers gender-based factors across the investment process to increase gender equality. At its core, GLI seeks to close the "gender gap," which is defined as the "difference between women and men as reflected in social, political, intellectual, cultural, or economic attainments or attitudes."[4]

2X Global, a global membership and field-building organization advocating for GLI, defines it as integrating gender analysis into a new or existing investment process for better social and financial outcomes. "Gender finance" is the field of finance viewed from the perspective of gender lens and gender-smart investing.[5]

Although initially GLI was about investing in female-founded and owned businesses, today, the definition has expanded to include women's share in leadership, employment, and whether the business's outputs drive gender equity.

THE NEW FACE OF AFRICAN TECH: WOMEN ENTREPRENEURS ON THE RISE

Women constitute a significant portion of the entrepreneurial force in Africa. According to the African Development Bank (ADB), the continent boasts the highest percentage of women entrepreneurs globally, with 25.9% of women engaged in entrepreneurship activities across sub-Saharan Africa—and this number is only growing.[6] The 2023 African Tech Startup Funding Report finds that out of 406 startups funded in 2023, 107 (26.3%) included at least one female cofounder.[7] This represents a jump from 2022, where only 20.2% of ventures had female cofounders. Gender dynamics differ across African countries. In Nigeria, for instance, 22.6% of all funded start-ups had at least one female cofounder, while 15.3% were led by a female CEO. Conversely, Kenya boasts an even stronger performance in gender diversity, with almost 42% of start-ups having at least one female cofounder and 22.6% led by a female CEO.[7]

Yet, these statistics are only part of the picture. In 2023, start-ups with a solo female founder or an all-female founding team raised just 2.3% of the total funding in Africa, and just 15% of the capital went to a founding team with at least one woman.[8] Funding challenges persist, but some success stories are emerging in sectors like health tech, demonstrating the potential for more equity in funding.

A SUCCESS STORY IN HEALTH[9]

Women-founded companies in African health technology secured $52 million in funding in 2023, marking a 2,000% increase from the previous year and accounting for 31% of the total investments in the sector compared to 2022's 1.4%.

Large funding rounds drove this surge for a few women-founded companies like Kasha, Dawi Clinics, Maisha Meds, and Chefaa, which collectively accounted for 75% of the total funding raised by women founders in the African health sector.

This growth reflects a significant shift toward recognizing and supporting the potential of women-led initiatives within the health-tech sector.

THE NEW FACE OF AFRICAN TECH: WOMEN ENTREPRENEURS ON THE RISE

For women founders change remains slow. They continue to battle the same biases and barriers they have faced for decades. From feeling "over-mentored but underfunded" to facing higher scrutiny from investors, female entrepreneurs experience ongoing frustration and exhaustion. Compared to men, female founders are much less likely to raise VC funding, and when they do, they have lower valuations and fewer exits.[11]

Yanmo Omorogbe, the Cofounder and COO of the Nigerian investment platform Bamboo, articulates: “We need more than just female founders starting the journey, [we need more] female founders across the value chain…in Nigeria, there are fewer than five female-founded companies that [have] raised a Series A… and, maybe, we have ten across Africa."[10] This highlights a critical aspect of the gendered entrepreneurial ecosystem in Africa—there need to be more female founders in later-stage funding rounds and more support for women founders in the growth and scaling phases of their businesses.

> *There is a lot of work that needs to be done in actually getting cash in the hands of women, either from the lens of getting more female founders on the table and getting more women starting companies to getting these female founders funded.*[10]

Yanmo Omorogbe
COO, Bamboo

The Critical Role of Angel Investors and Networks

WHY ANGEL INVESTORS MATTER IN GROWING ENTREPRENEURIAL ECOSYSTEMS

Angel investors are crucial in closing the funding gap for startups, especially in regions like Africa, where traditional financing is scarce. Mason and Harrison (2008) define business angels as “high net worth individuals, acting alone or in a formal or informal association, who invest their own money directly in a startup business with no family connection and who usually takes an active part in the business after the investment has been made."[12]

Forming networks allows angel investors to pool resources, expertise, and capital, streamlining the process for startups seeking funds and for investors scouting promising ventures. These networks primarily focus on making early-stage investments, often stepping in where other funders hesitate due to risk. They serve as a vital link between the initial "friends and family" round and larger venture capital investments. In addition to financial support, angel networks provide mentorship, networking opportunities, and strategic guidance, playing a pivotal role in the startup ecosystem. Successful angel networks are characterized by an active investor base, access to quality startups, and a wealth of resources to support entrepreneurial success.

Despite only contributing 1% of total global funding, angel investors issue 16 times more checks than venture capitalists.[13] Quantifying the exact size of the angel investment market in Africa is challenging given the private nature of these transactions, which often bypass regulatory disclosure. However, 2023 data from the ABAN Angel Investment Survey highlights approximately 2,000 angel investors deploying around USD 22 million across nearly 400 deals, with an average investment of about USD 55,000 per startup.[14]

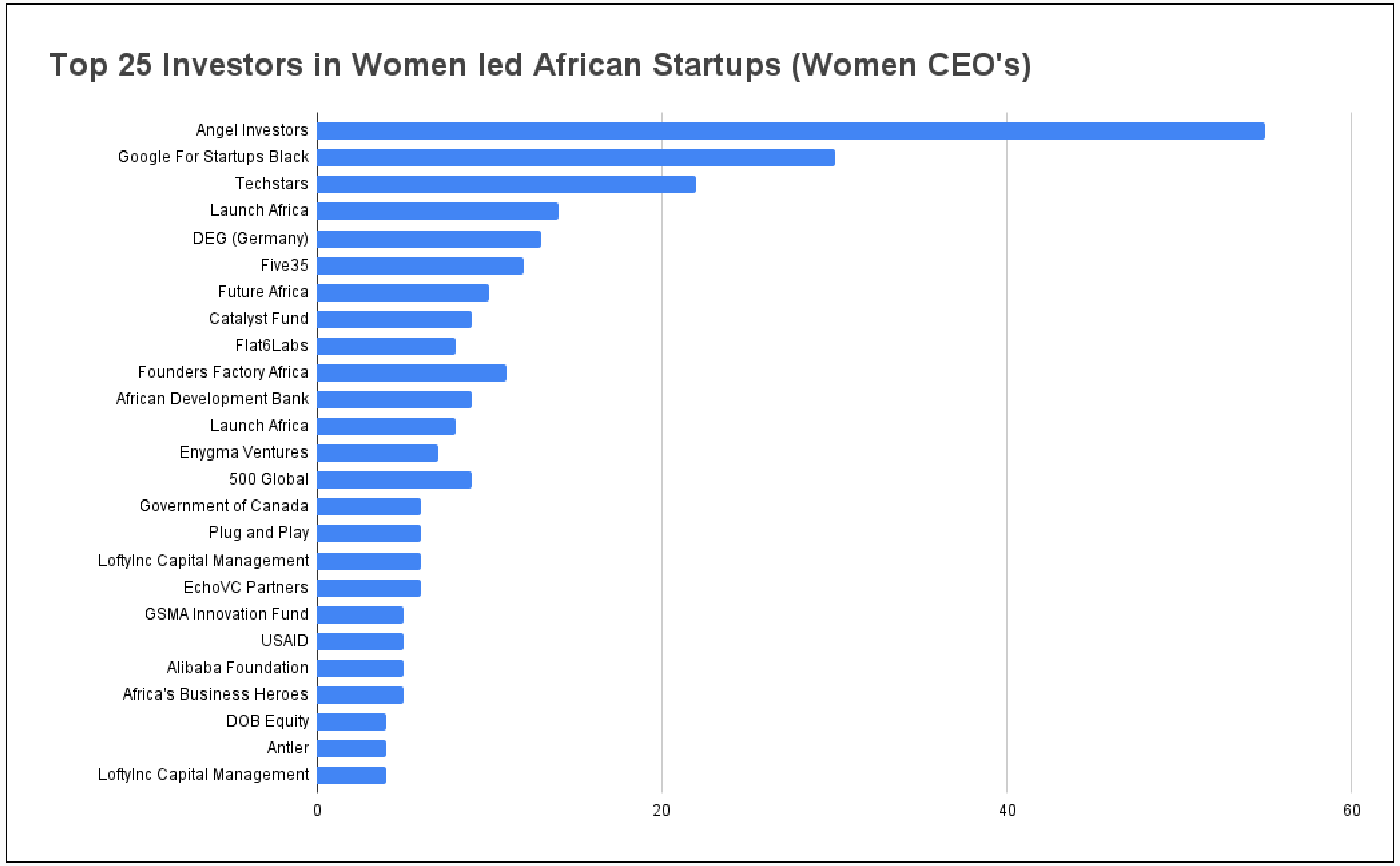
THE CRITICAL ROLE OF ANGEL NETWORKS IN GENDER-LENS INVESTING

Angels issue 16x more checks than venture capitalists—playing a critical role in strengthening entrepreneurial ecosystems.

GLI angel networks offer additional benefits, such as fostering innovation, equity, and economic growth. Women angel investors bring unique experiences and perspectives to the ecosystem, having been increasingly frustrated by the disproportionately low amount of venture capital directed toward women-led startups. By democratizing access to capital, they help dismantle traditional barriers, promoting a more inclusive and diverse entrepreneurial landscape. Therefore, GLI angel networks bolster early-stage businesses, significantly enhance diversity, and close gender gaps within the entrepreneurial and investment ecosystem.

Research shows that startups funded by angels are up to 23% more likely to survive in the subsequent three years compared to their peers; they grow their employment by 40% and have a 10% to 17% higher probability of a successful exit.[15]

THE CRITICAL ROLE OF ANGEL NETWORKS IN GENDER-LENS INVESTING



Source: Who Funds Women-Led Startups in Africa?[16]

Angel investors are a small but critical node in diversifying funding flows to reach women-led startups in Africa. They are not only more likely to fund more female-founded businesses impacting the gender funding gap, but they are also more likely to fund businesses that create new products and solutions that meet the needs of women, thereby positively affecting overall gender gaps. This marks them as critical to the growth of the ecosystem because male investors frequently overlook or underestimate products and services designed for and by women.

Between 2019 and 2024, most deals to women founders came from angel investors. In addition to capital, having access to networks with a strong presence of successful women investors and mentors can be especially beneficial for women founders, offering role models and advocates within the investment community.

THE CRITICAL ROLE OF ANGEL NETWORKS IN GENDER-LENS INVESTING

> *A lot of the traditional funds or even just investors that are male didn't understand the market size, weren't excited by it, they couldn't even relate to the problem.*[10]

Sneha Mehta
CEO, Uncover

DO WOMEN INVEST DIFFERENTLY?[17]

Comprehensive data on the specific behaviors and impacts of women angel investors compared to male investors in Africa remains sparse. This research gap underlines the need for targeted studies across different African regions to better understand investment trends. Yet global research points us to specific patterns that offer some initial insights into the dynamics of gendered investing on the continent.

Women angel investors often display unique characteristics and behaviors that differentiate them from their male counterparts, impacting their investment strategies, risk profiles, and sectoral preferences. Typically, women investors demonstrate a more conservative risk tolerance, engaging in extensive due diligence before finalizing investments.

Women more frequently initiate smaller checks but place a substantial emphasis on fostering mentorship-driven relationships with their portfolio companies. This approach underscores a dual focus on social and financial returns.

Furthermore, women angel investors usually prefer to invest in sectors where they have prior experience and can provide more than just capital. Popular sectors include healthcare, education, environmental sustainability, and consumer goods. These preferences suggest that women investors may be more likely to contribute to areas with the potential for broader social impact.

Gender-lens Angel Investing in Africa

> *[It is] harder for women to join 'regular' angel networks [which are pretty often] boys' clubs. Additionally, many angel networks are created and run on personal relationships and connections.*
>
> Angel Investor & Founding Principal at a leading angel network in Africa

Globally, the number of women angel investors grew from 33% in 2021 to almost 40% in 2022.[18] The shift is seen as a result of women growing their wealth and increasing their ability to leverage their professional networks and resources. Women have also been increasingly drawn to angel investing with the advent of more innovative funding structures and decreased minimum investment required, making it more accessible for them to participate.

Yet, there is a long way to go. While the ABAN angel survey reported that 28% of angel investors on the continent are women,[19] a study by Disrupt Africa that examined investments made by 148 angels during 2022-2023 found that only 6.1% of the investors were female.[20] Disrupt Africa reports that more likely, the proportion of female members in angel networks stands more commonly at around ~20%. However, women's participation dips as low as 5% of the total membership base in some networks.

HOMOPHILY BREEDS HOMOGENEITY: A PRIMER

People's social networks are often homogeneous with regard to demographic, behavioral, and intrapersonal characteristics.[21] In the world of investing, the phenomenon known as homophily describes the tendency of angels to gravitate towards and associate with others who share similar attributes, beliefs, and backgrounds.

This can result in investment echo chambers, where diversity of thought, experience, and background is muffled. Homophily leads to homogeneity, and one compound compounds the other. When angel networks are comprised mainly of men, they also confine their access to a limited set of viewpoints, experiences, and ideas, and they may unintentionally limit their recruitment to a narrow slice of the entrepreneurial spectrum.

Founders outside the traditional networks, such as women, find it challenging to secure funding — not due to a lack of potential or skill, but because they deviate from the normative baseline of investors' homogeneous and often closed networks.

A few mixed networks that stand out with a high female representation are South Africa's JoziHub (25%), the Cameroon Angel Network, the Lagos Angels Network, and Viktoria Business Angels Network (20%).[20] Women who join established, mixed-gender angel networks often find themselves in the minority and leave because these networks overlook their needs.

Despite these challenges, gender representation in angel networks is starting to shift. Alexandra Fraser, director of innovation agency Viridian, founding member at ABAN, and cofounder of GLI angel network Dazzle Angels, states, "In new networks, we're seeing more gender diversity. Some male angels are starting to see the benefits of diversity and are enjoying having more women participate in the network. They see them as a competitive advantage because many startups are attracted."

A SNAPSHOT OF GENDER-LENS INVESTING NETWORKS OPERATING IN AFRICA

Each of these pioneer networks plays a vital role in promoting gender lens investing in Africa, but each offers a different approach and focal areas.

RISING TIDE AFRICA

Nigeria, Pan-African focus

A part of the global Rising Tide program, this network aims to increase women's participation in angel investing. It focuses on investing in high-growth African startups with female founders or businesses that significantly impact women's lives. Rising Tide Africa is instrumental in empowering women both as investors and entrepreneurs across the continent. Rising Tide Africa is distinctive in its Pan-African reach and focuses on creating a diverse portfolio that includes a variety of sectors. What sets Rising Tide Africa apart is its emphasis on educating women about angel investing, thus providing capital to female-led businesses and increasing the number of active female angel investors across the continent.

FIRST CHECK AFRICA

Pan-African focus

Founded in 2021, this angel network specifically targets female tech entrepreneurs in Africa, providing early-stage funding of $15,000 to $25,000. It aims to bridge the access-to-capital gap for female founders, supporting them from the ideation stage to significant pre-seed rounds within 12 months. FirstCheck Africa is open to investing in mixed cofounder teams but vets founders to assess that women hold leadership and decision-making roles before investing. This network is unique in its female-centric investment approach, emphasizing women's empowerment as true partners and decision-makers within their startups.

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WOMEN'S INVESTMENT CLUB SENEGAL

Senegal, West Africa focus

WIC Senegal is a platform that empowers women as investors. It targets female-led startups and businesses that promote gender equality or substantially impact women's economic empowerment. WIC Senegal combines financial investment with mentorship and networking to support women entrepreneurs in the region. WIC is uniquely positioned within the Francophone West African region, offering support tailored to the cultural and economic contexts of the area, making it pivotal for entrepreneurs who operate within this locale.

CAIRO ANGELS

Egypt, MENA focus with interest in Africa

While not exclusively focused on gender lens investing, Cairo Angels has been pivotal in Egypt's tech renaissance, funding over 36 startups across various sectors since its inception in 2012. The network invests in startups across multiple sectors, emphasizing backing businesses with potential positive social impact on women. Their involvement demonstrates the potential impact of the broader angel investment network on gender-diverse startups as part of their portfolio. As one of the leading angel networks in the MENA region with an openness to African startups, Cairo Angels bridges geographical and cultural gaps, offering a gateway for female-led startups in North Africa seeking broader MENA and African market access.

DAZZLE ANGELS

South Africa, Pan-African interest

Dazzle Angels was established in 2019 and is South Africa's first female-focused angel investment networks. It aims to address the gender gap in funding by investing in South African startups with at least one female cofounder. The network also has a broader interest in Pan-African opportunities, focusing on startups that either support women's issues or are led by women. This angel fund prioritizes equality for and empowering women, integrating it into its investment philosophy.

Barriers for Women & Gender-Lens Angel Investors & Networks

The GIZ-funded 'ScaleX Project: Co-designing Solutions to Close the Gender Fundraising Gap in Africa' conducted research with women in Africa building and participating in angel networks to shed light on critical barriers faced by women angel investors and networks. Although not an exhaustive list, the insights listed aim to generate conversations about how to create more women-centric angel networks that understand and meet the needs of members.

1 LACK OF TYPICAL ANGEL INVESTOR BENEFITS

Angel investing earns little money[22] — and according to some, it is no better than gambling[23] — yet research suggests that individuals are drawn to participate in it because of the prestige, the status, and the interpersonal and social benefits it conveys to individual and group members.[24] One blogger notes: "From the outside, angel investing may look like it's motivated simply by money. But there's more to it than that. To insiders, it's more about your role and reputation within the community than the money. The real motivator isn't greed; it's social standing. Angel investing is how you stay relevant. It's how you keep getting invited to things. It's how you matter. Angel investing isn't about getting something; it's about being someone."[25]

However, these intangible benefits, such as increased social status and visibility among peers, are largely diminished for gender-lens angels and the communities they form. Several women angels we interviewed noted that traditional investors perceive GLI networks as glorified book clubs. Rather than being seen as true peers, these GLI angels are treated as hobbyists who are mostly investing as a casual engagement rather than a serious endeavor. Another woman interviewed noted that she and her GLI colleagues are perceived as 'do-gooders,' merely 'playing' at being investors without the commitment or impact typically associated with more traditional investment networks.

1 LACK OF TYPICAL ANGEL INVESTOR BENEFITS

This effect is particularly damaging because it may discourage male and female angels with investing and leadership experience from participating. After all, they may not perceive any social value in joining a more formal, visible GLI network.

The lack of prestige goes beyond investment into other aspects of being a gender lens angel investor. An ecosystem builder interviewed noted that gender-lens investors often still find themselves sidelined or pigeonholed at industry conferences despite their efforts and contributions. They are frequently relegated to "the gender" panels, which tend to attract fewer attendees and are often excluded from main-stage events and keynotes. She noted that this exclusion, combined with the lack of visibility, prompts a disheartening reflection among gender-lens investors: "Despite doing everything right, why does recognition remain elusive?"

2 LACK OF CREDIBILITY

Closely connected with the lack of prestige, gender-lens investments and women angels also experience a lack of credibility. Female angels believe that their value lies in exposing investment blind spots and in uncovering new, undervalued opportunities that generate positive financial and social returns. Yet, despite the growing evidence that investing in women leads to more innovation and better financial performance, the data has not been enough to motivate action.[26] This perspective highlights a challenge GLI networks face in being recognized for their potential to contribute to the investment landscape. It can also hurt the women-led businesses that receive funding from gender-lens investments and angel networks, making it harder for them to secure follow-on funding.

> *And the stats already show us that women's returns speak for themselves. So, it's also not charity investing. That's like the lens that I'm always mentioning that investing in women is in charity, but currently, a lot of the discourse sounds like this diversity and inclusion effort would be doing everyone a favor. It's not; women are getting the returns.*

Yanmo Omorogbe
COO, Bamboo

> *Our gender lens approach is backing women. That perception that investing in women is helping women - that doesn't mean good in business; that feels like charity. People think it's not a good investment or a good business. We must demonstrate that we make money when we invest in women.*

Gender-lens impact Investor & founder of a leading gender-lens investing fund in Africa

2 LACK OF CREDIBILITY

There is an ongoing gap between the rhetoric of inclusivity and the actual practices within financial communities, where GLI's transformative potential has yet to be fully embraced and actioned upon. Impact investor, founder of ATG Samata and Advancing Women in Investing, Lisa Thomas, says, "Generally, people think GLI is not serious or commercial and just about impact. We need a major mindset shift."

FOCUS ON AFRICAN CONTEXT-SPECIFIC DATA

Measuring the impact of investments is crucial for gender lens angel networks in Africa to showcase their successes and attract further investment. However, impact measurement in this context is still fraught with challenges and lagging behind.

The metrics of success for gender-focused investments can be multifaceted, including social impact, financial returns, and advancements in gender equality. Developing a standardized framework and specific case studies for measuring and reporting these varied outcomes remains challenging. With clear, compelling evidence of impact, convincing new investors to commit funds can be significantly easier.

3 TRADITIONAL ANGEL NETWORKS DESIGNED FOR MEN

Interviews highlighted that most angel networks, traditionally designed in male-centric environments to serve a primarily male membership, often fail to account for the needs and perspectives of women, reflecting a business culture and operational norms that may not support more diverse participation. Networks are typically made up of multiple independent investors, each with their own investment strategies and objectives, which presents a high level of organizational complexity. These networks often carry out all the typical functions of a venture capital fund, yet they lack the institutional resources available to a fund, such as dedicated teams and fee structure that supports deal sourcing, due diligence, and post-investment support. Additionally, they often lack a centralized decision-making body, which complicates communication and prolongs the evaluation and funding processes. The reliance on the collective efforts of individual members, who vary in expertise and availability, further complicates these processes. Moreover, the operational demands of managing a diverse portfolio of smaller investments exacerbate the difficulty of maintaining an inclusive environment.

Angel networks are thus inadvertently structured in ways that privilege the availability and resources of affluent men who can afford to allocate their time and capital. Conversely, systemic inequities and societal obligations disproportionately affect women, hindering their ability to engage fully with these

3 TRADITIONAL ANGEL NETWORKS DESIGNED FOR MEN

networks. The model is designed to extract significant time commitment and upfront unpaid labor that can be particularly challenging for women who typically face a double burden of professional and domestic responsibilities.

Addressing these challenges requires fundamentally rethinking engagement strategies for women coming together in angel collaboratives. Moving beyond the confines of traditional operational models that are designed for homogeneous demographics and lifestyles, there is an imperative for these networks to evolve and adopt more innovative, flexible, and women-centric approaches that recognize and accommodate the varied responsibilities and challenges women face, enabling them to participate fully and effectively in the world of angel investing and entrepreneurship.

4 LACK OF INVESTMENT VEHICLES TAILORED TO FEMALE-FOUNDED BUSINESSES CREATE HURDLES FOR GLI ANGEL NETWORKS

Typically, exit strategies and financial tools are designed with traditional business models in mind, and they often do not align with the unique paths and needs of women-led businesses. Because women-founded startups are more diverse and have different growth curves and business models, they often have necessitated longer exit timelines compared to more conventional equity-funded tech startups. This misalignment can make it difficult for GLI angel investors to demonstrate the quick, high returns that are attractive in typical exit scenarios, such as public offerings and acquisitions.

Investment holding periods for gender-lens angels are not only longer but also more risky because investing often happens at an early stage. When portfolio companies find it challenging to secure follow-on funding, it hampers the liquidity of the angel investments, which also puts the financial sustainability of the networks in peril. With more complicated paths to exit, GLI angels have to issue bridge loans and participate in follow-on funding rounds to keep their members engaged and to support their portfolio companies. This situation underscores the need for these networks to prepare their members for longer timelines

4 LACK OF INVESTMENT VEHICLES TAILORED TO FEMALE-FOUNDED BUSINESSES CREATE HURDLES FOR GLI ANGEL NETWORKS

while at the same time structuring new forms of deal and profit-sharing models while at the same time structuring new financial products to better meet their investment goals. Without more tailored financial instruments, GLI angel networks will continue to struggle to provide the capital efficiencies that attract new and retain existing members.

NEW FINANCIAL INSTRUMENTS ON THE RISE

An initiative providing some support at an experimental scale is Zeitec Invest[27], a newly incorporated company focusing on creating a secondary market to offer viable exit routes by facilitating the buyout of early investors. This approach not only supports startups in their growth trajectory but also addresses the liquidity needs of investors, ensuring that gender-lens angel networks can maintain their support for female-led enterprises while navigating the complexities of early-stage investing alongside extended holding periods, which are becoming increasingly more common.

5 THE SIZE & REGIONAL FOCUS OF GLI ANGEL NETWORKS LEAVES UNTAPPED OPPORTUNITIES ON THE TABLE

Angel networks in Africa, much like those in other regions, are geographically concentrated because of the need to leverage local ecosystems and understand local markets and pipelines. Proximity to a startup ecosystem is especially valuable for gender-lens angels because it allows them to offer financial capital and bespoke strategic advice tailored to local conditions.

Diverse regulatory environments, consumer behaviors, and varying levels of technological adoption among different African countries prevent networks across borders from growing together and harnessing the power of collaboration. Yet, if these networks stay local, they are more likely to struggle due to the relatively small economies giving them a more limited universe of prospective founder talent to invest in, fewer later-stage investors to provide follow-on funding, and fewer potential members to scale the networks.

There is an appetite for enhanced resource sharing among gender-lens angel groups so as to streamline efforts in critical areas such as investor training, fundraising, and co-investing. By expanding into pan-African networks, angels can facilitate cross-border investments, which can be crucial for women-led startups looking to scale beyond their home countries. Opportunities to expand from localized funding efforts

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towards a more expansive, regional, and continent-wide approach can lead to ecosystems that better meet women founders and investor needs across the continent.

AFRICAN ANGEL NETWORKS FACILITATING CROSS BORDER INVESTMENTS

Although without a gender lens, two networks that have started to facilitate cross-border investments are the African Business Angels Network (ABAN) and Cairo Angels Syndicate Fund. The most notable pan-African angel network, ABAN, is pivotal in connecting individual investors and local angel networks across the continent, facilitating knowledge exchange, and promoting angel investing in Africa. Cairo Angels, on the other hand, while initially regionally focused, has expanded its reach and represents an example of how angel networks are extending their influence across Africa.

6 TRADITIONAL BUSINESS MODELS FAIL GENDER-LENS ANGEL NETWORKS

As angel networks grow, they need to bring in consistent revenue streams to support various programmatic needs. Involving paid staff is often essential for long-term success because it brings a level of consistency and professionalism that early-stage volunteer-based management can not easily do. Most angel networks try to leverage volunteer labor with different sources of income to cover their fixed costs and the costs of the programs they run. Some networks deploy membership fee models, charging investors annual fees to access deal flow and network resources. Others use a transaction fee model, taking a cut from each investment deal facilitated through the network, aligning revenue with successful funding. Some networks adopt an equity-based model, accepting equity in startups as compensation, offering potential upside from successful ventures. Increasingly, some are using partnerships and grants as revenue sources, although these are more challenging to come by.

Most of these revenue models are not sufficient to support professional paid staff, and this is especially true for smaller gender lens networks that don't yet have a critical mass of members. In addition, many women angels, especially in emerging African markets, are still reluctant and less able to pay membership fees for access to early-stage, high-risk

6 TRADITIONAL BUSINESS MODELS FAIL GENDER-LENS ANGEL NETWORKS

investments. The revenue streams of GLI networks are hard to maintain because women members are more likely to take gap years or have their money tied up in previous investments (often with more extended investment periods). A founder of a women's angel network notes, "We had a lot of new moms and more than ten babies in the last two years; we are not just working with retiree angels (40-50s); in fact, in our network only four women investors don't have children. Additionally, 60-70% still have running businesses running on the side. How do we find the time to work with our angels?"

RECRUITMENT STRATEGIES THAT WORK FOR WOMEN

Dazzle Angels employs a multifaceted and multi-channel approach to recruit and engage the right women in angel investing, leveraging various channels to ensure broad and effective outreach. One key strategy involves collaboration with Boardroom Africa, targeting women in their 40s and 50s who are poised to significantly impact the investment landscape. Additionally, Dazzle offers a 3-4 month program through the Institute of Directors in the UK, designed for professionals who are or aspire to be sitting on boards as non-executive directors. This program helps participants understand strategy from a board-level perspective, equipping them with the knowledge needed for effective angel investing. To further expand its network, Dazzle encourages current women angels to nominate and recommend other potential women investors, fostering a word-of-mouth community of mutual support and growth. Moreover, to amplify its reach and appeal, Dazzle role models women in its marketing materials, showcasing the diversity and strength of women investors.

6 TRADITIONAL BUSINESS MODELS FAIL GENDER-LENS ANGEL NETWORKS

In addition to low resourcing and unstable revenue streams, women angels also have to generate resources to fund educational programs to support training new members as well as the women founders they fund. Many GLI angel networks end up starting accelerator/mentoring programs to either fund or ensure that the content works for women entrepreneurs, further increasing their responsibility, costs, and work burdens.

> *There are gaps in supporting new angel networks to help drive sustainability because not all angels are active all the time, and they go through phases. Getting a network to be sustainable is tricky because you are in a chicken-egg problem: as the founder of a new angel network, you are trying to set up, recruit, and educate new angels, but you also need a critical number of paying membership fees.*

Alexandra Fraser
Co-Founder, Dazzle Angels

6 TRADITIONAL BUSINESS MODELS FAIL GENDER-LENS ANGEL NETWORKS

> *We have experienced some investors wanting to take a "gap year" from investing – it simply implies that they will also not pay a subscription for that year, and this affects our runway for the back office to run sufficiently.*

Yemi Keri
Co-founder, Rising Tide Africa

Not being able to maintain a stable critical mass of active members, a more significant investment of time required to coach female-founded startups, longer exit timelines of portfolio companies, and a lack of diverse financial instruments means that even though women have started their own angel networks to create solutions for themselves, these networks have yet to find business models and organizational structures that allow them to experience stability and growth. In some cases, this has resulted in 'category jumping' where some angels have tried to transition the network into a venture fund model, a shift that would enable a core group of leaders to secure management fees as compensation while also eliminating the unpaid time, effort, and the significant costs associated with cultivating and coordinating a network of gender lens angel investors.

Opportunities to support gender-lens angel investors and networks

1 FINANCIAL INSTRUMENTS TAILORED TO AFRICAN FEMALE INVESTORS

Innovative financial instruments that work with and for women's lived experiences as investors and entrepreneurs are a recurring thread in conversations about gender-lens investing. “Traditional finance [that has been] cut-copy-pasted from the West hurts African women and others in the emerging markets because it's made for an infrastructure that Africa doesn't have," says gender lens investor and principal at Africa Trust Group, Lelemba Phiri. There is a spectrum of potential in this space, from innovating completely new instruments to other opportunities that might redesign instruments with a women-centric lens. For instance, changing the requirement for collateral where such documentation is a burden for women can lower barriers to entry. Adjusting minimum investment criteria and facilitating cross-border transactions could also significantly increase access for women investors. Such tweaks can reshape the financial landscape into one that is more inclusive and accommodating, ensuring that investment opportunities are accessible to all, irrespective of gender.

2 CREATING SPACE TO FOCUS ON REAL GENDER LENS INVESTING CHALLENGES

The GIZ-funded ScaleX Project hosted a co-design summit in South Africa in early 2024, gathering 25 ecosystem actors for a four-day workshop. This summit was designed to support leaders from five Gender Lens Investing (GLI) organizations, including founders of GLI angel networks, to tackle their most critical challenges. The event provided a unique setting that offered participants the opportunity for in-depth reflection and creative problem-solving. It featured a combination of dedicated work time, an innovative environment, practical tools for breaking through barriers, access to a diverse team of experts for crafting comprehensive solutions, and networking opportunities to foster meaningful connections. Unlike typical gatherings where gender-lens investors advocate for their cause, this summit was tailored directly for the GLI leaders to concentrate on solving complex issues that often fall by the wayside due to their intricate nature and perceived lack of immediacy. Such approaches that focus on GLI leaders rather than only advocacy for the topic can enable the ecosystem actors to better navigate the challenges they face, promoting more effective and sustainable solutions in the realm of gender-lens investing.

3 SHIFTING MINDSETS ABOUT GENDER MAINSTREAMING IN INVESTING

An underlying feeling among gender-lens investing ecosystem actors is that 'the mindset is not following the money'—that despite the countless studies showing that women-led businesses have better returns, that gender-lens investing is not just about "impact," the same gender biases against women-led businesses and women investors seem to be deeply ingrained. Shifting bias is a long-term, systemic, complex issue. However, there are small steps that can be taken to achieve this. A great example is the gender mainstreaming strategy from 2X Global, which encourages organizations to integrate gender across the initiatives rather than separate, stand-alone ones. "Not mainstreaming would be to say, let's have one technical assistance product that's all about gender, but leave the other business units alone. I think there's also a need to have innovative gender-first tools of capital and TA products that are innovative and have a gender lens, but it's very different from fully transforming an institution. And in a way, mainstreaming could be seen as easier because you take many different entry points and do it across your business, but it can also be more transformative because you're changing the way of doing business across the organization," says ecosystem builder and founder of 2X Global, Jessica Espinoza. Her reasoning to focus on mainstreaming to shift bias is to ensure that "investors keep the assets on their balance sheet, and they are looking at their entire business for an opportunity to make gender smart deals." This can help shift bias from the ground up because it's built on the foundation that gender-lens investing is not a side initiative but can be integrated across the board.

4 BUILDING WOMEN-CENTRIC ECOSYSTEMS

As the definition of gender-lens investing continues to expand, a question worth asking is: what does a women-centric ecosystem look like? Entrepreneurial ecosystems and network models are relics of a time when money was in the hands of a few select men. To invite women into the entrepreneurial ecosystem, specifically angel investing, we need to ask: what organizational structures can support both women investors and women-led businesses? What type of business models do gender-lens angel networks need to feel and be sustainable? How might traditional angel networks be redesigned to truly include women? For example, how might they support women's investment journeys given gender pay and wealth gaps; how might they appreciate the diversity of women-led businesses; how might networks take into account women's lived experiences?

Research into gender-lens design and women-centric design uncovers a few themes that must be incorporated to truly serve women. Some of these themes are relevant for creating more inclusive ecosystems, including trust, non-linearity, and the role of men. For example, it is worth having more profound knowledge of how an exclusive ecosystem might have bred mistrust with women. Understanding the non-linearity of women's lives – which often stems from biological differences and gendered responsibilities & norms – can offer insight into how the current structures exclude women. Carving out a role for men to ensure that gender equality is a burden shared by everyone, not just women, is another way to intervene in the system towards a more inclusive one.

5 SYNERGY WITH ECOSYSTEM PARTNERS AND POLICY ADVOCACY

Including angel networks to play a critical role in policy advocacy and shaping conducive regulatory environments can be highly beneficial for gender-lens early-stage investing. By forging alliances with similar funders and regulatory bodies, angel networks can help shape policies that can bridge the systemic barriers hindering women's entrepreneurial growth. By collaborating with local governments, like-minded funders, and regulatory bodies, angel networks can advocate for policies that promote entrepreneurial growth among women, such as tax incentives for women-led startups, simplified legal processes that consider the unique challenges faced by female entrepreneurs, and strengthened intellectual property protections to support women innovators. This proactive, gender-aware engagement can foster a more equitable business climate and support broader socio-economic gender equality.

6 INTEGRATING TECHNOLOGY TO STREAMLINE INVESTMENT PROCESSES

Another opportunity to leapfrog some of the challenges GLI angel networks face lies in leveraging the transformative potential of technology to streamline the investment process—especially for women. Blockchain technology, for instance, can ensure transparent and secure transactions, building trust among women who may face more significant financial barriers. Artificial intelligence (AI) tailored to perform due diligence and market analysis can be fine-tuned to include gender-specific insights, promoting investments in women-led startups. Angel networks, for example, can benefit from training AI systems with diverse, inclusive data sets and regularly updating the criteria and algorithms to reflect equitable evaluation standards. AI can also customize and facilitate time-intensive benchmarking processes and pattern recognition, aiding angels in comparing similar types of startups while controlling for more traditional metrics that might skew decisions toward male founders. AI can adjust for these disparities to provide a fair comparison of a startup's growth potential and risk. An example of this is the work being done by Fingerprint for Success,[28] which uses predictive modeling based on the founder's soft skills and venture success to eliminate investor bias. Finally, technology can also be used in the form of platforms that facilitate cross-border investments and serve as bridges, connecting women angel investors and entrepreneurs across Africa. Such strategic technology adoption could simplify the complexities associated with angel investing and attract a more diverse cohort of tech-savvy women to expand the investor base and strengthen these networks.

CONCLUSION

With their deep local ties and understanding, angel networks are uniquely positioned to recognize, nurture, and help scale inclusive entrepreneurship. By supporting them, we will move closer to bridging the gender and the pioneer gap in the African continent. This report offers a starting point to support women investors and the angel networks they are building. If we are genuinely committed to creating more inclusive and thriving ecosystems, however, we must have more profound knowledge and understanding of the unique challenges women face in their investing journeys. This approach can help us avoid falling prone to applying status-quo and existing models to GLI and uncover opportunity areas with the highest potential for impact.

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