Stumbling Blocks for OVO-supported projects - Lessons (to be) learned

An internal evaluation (Identifying Stumbling Blocks for OVO-supported Projects) conducted in 2023-2024 of OVO's investment portfolio (around 60 investments) has highlighted various challenges impacting the success of investments and repayment capacity. OVO-supported entrepreneurs in Uganda, Rwanda, Senegal, and Benin face several obstacles hindering their success. These challenges are categorized into six main areas:

Operational Stumbling Blocks

Operational obstacles, such as technical issues and low efficiency, affect approximately 20% of the projects. Additionally, challenges with permits—such as in healthcare—and a lack of product differentiation limit competitiveness. Many businesses also face financial management issues due to the absence of proper accounting systems or insufficient training. The business models of these companies often pose challenges, as many enterprises in the early stages of the ST4A program were still start-ups.

To address these issues, OVO has introduced an Expertise Cell and strengthened its collaboration with organizations such as Humasol and Engineers Without Borders. OVO has also implemented stricter compliance guidelines and shifted its focus to financial coaching and more rigorous selection criteria, requiring businesses to have been operational for at least two years to participate. To further professionalize financial management, OVO plans to expand its training programs by partnering with tools like ODOO, an online accounting system that helps businesses better organize their finances and around which we can organize training sessions. In the future, it will be essential to optimize the matching of projects with experts and train coaches to work within sector-specific contexts.

Managerial Stumbling Blocks

The individuals or teams responsible for shaping and implementing the business model are just as crucial as the business itself. However, approximately 40% of the projects are overly dependent on a single person, which can lead to poor decision-making and insufficient planning. In the case of a "one-man show," the success of the project hinges entirely on the entrepreneur. This poses additional risks, especially when some entrepreneurs lack entrepreneurial drive or display an uncooperative attitude. Furthermore, personal health issues of these entrepreneurs can jeopardize the continuity of the projects. This highlights the need for stronger leadership qualities and a culture of collaboration within teams.

To identify and address these challenges, OVO has strengthened its pre-assessment procedure and introduced an entrepreneurship assessment to assess entrepreneurship and leadership skills. For further improvement, there is a need for additional support in HR expertise and organizational management. Moreover, OVO aims to shift its focus from solely the entrepreneur to the broader management team to reduce reliance on one individual and enhance the resilience of projects.

Communicational Stumbling Blocks

In nearly 50% of the projects, there is a lack of transparent communication, which has undermined trust between OVO and the entrepreneurs. This has led to ineffective collaboration and insufficient support. To address this issue, OVO, in collaboration with local partners, has developed a closer follow-up procedure. New protocols have been established to ensure transparent communication between OVO and the entrepreneurs. Regular check-ins and reporting mechanisms have been implemented to monitor progress.

Going forward, it will be essential to strengthen the relationship between OVO and the entrepreneurs, positioning them as partners rather than debtor/creditor. Increasing on-site follow-ups, fostering transparency, and ensuring clear communication channels are crucial for the success of the projects.

Market segment-specific Stumbling Blocks

OVO maintains a sector-neutral approach, which means our credit portfolio includes projects active in various markets. However, specific characteristics of certain sectors can pose significant challenges that impact the viability and growth prospects of projects. For example, two projects in Uganda within the mobile applications sector faced regulatory obstacles and intense competition, requiring innovative approaches to effectively address these market issues. Unfortunately, one of these Ugandan companies was unable to overcome these challenges, resulting in bankruptcy.

Addressing such sector-specific obstacles requires tailored strategies, in-depth market analysis, and strategic positioning to enhance project resilience and capitalize on emerging opportunities. The experience and expertise of our local teams, business coaches, and experts are essential in navigating these challenges and developing effective solutions.

To provide sector-specific support, OVO has established an Expertise Cell. Additionally, the newly formed Compliance Cell ensures that every project undergoes a detailed market analysis. Future initiatives should focus on developing customized strategies to tackle these challenges effectively.

External Stumbling Blocks

The COVID-19 pandemic has had a significant impact on OVO-supported projects, with a disproportionate effect on Africa compared to Europe, in line with global trends. A large portion of the projects in our portfolio experienced major disruptions, with some being forced to completely halt their activities. Many projects continue to struggle with hindered growth and ongoing consequences. To alleviate the pressure, OVO has agreed on new repayment plans with many investees (see ‘3.1 Loan Management’).

External factors, such as natural disasters (e.g., tornadoes), can also disrupt project infrastructure in certain countries. To mitigate such risks, OVO emphasizes the importance of insurance and risk management to ensure the sustainability of projects. Additionally, the political situation in a country can affect project performance; for example, upcoming elections may impact financial markets and hinder economic growth, which in turn affects project operations in the region.

Currency fluctuations can have a significant impact on the loans OVO facilitates. Loans are provided in euros and converted to the local currency, exposing entrepreneurs to exchange rate risks. OVO is aware that it needs to explore solutions to offer loans in local currencies.

OVO-related Stumbling Blocks

Within OVO, there are challenges regarding the involvement of business coaches. Insufficient guidelines for coaches and inconsistencies in their engagement can lead to miscommunication and a loss of expertise. It is essential that coaches do not impose overly ambitious goals and respect the autonomy of entrepreneurs. Additionally, it is important that OVO clearly emphasizes its mission to both business coaches and entrepreneurs: the primary goal is to grow the business and promote sustainable entrepreneurship, not simply to secure a loan. This aspect is sometimes overlooked, which can cloud the focus of the guidance.

To improve communication and engagement, clear role descriptions and onboarding facilitators have been introduced. Additionally, efforts are underway to refine the code of conduct for volunteers, with violations of this code needing to be effectively addressed. By implementing these measures and developing additional initiatives, OVO aims to effectively tackle the obstacles faced by OVO-supported projects and improve their performance for sustainable growth.

Annex: Overview Lessons (to be) learned

Stumbling Blocks for OVO-supported projects – Lessons (to be) learned		
Operational Stumbling Blocks		
Stumbling Block	**Implemented measures**	**Initiatives needed**
1.1. Production problems - Technical issues - Low efficiency	**M1:** Introduction of Expertise Cell **M2:** Collaboration with Humasol, AFD, Engineers without Borders, Exchange Expertise, PUM (but we have to be careful that the collaboration is beneficial for the entrepreneur)	**I1:** Improve project-expert matchmaking to better leverage expertise in management and specialized external knowledge. **I2:** Train coaches in relevant sectors to enhance contextual understanding (e.g., construction differences between Uganda and Belgium) and promote mutual learning. **I3:** Investigate underlying causes of low efficiency (e.g., cash flow issues, power outages) **I4 :** Anticipate production issues by conducting pre-implementation field visits, proof-of-concept testing, and engaging technical and industry organizations (e.g., universities, Chambers of Commerce). However, acknowledge that not all production issues can be foreseen.
1.2. Set-up problems - Licensing issues	**M1:** Introduction of stricter Compliance guidelines and put the focus on this during Coaching	
1.3. Financial Structure - Spending prioritization issue - Lack of an accounting system	**M1:** Financial training sessions in Uganda, including packages that foster close engagement with entrepreneurs. **M2:** Implementation of ODOO **M3:** Stricter selection criteria at start of ST4A Grow Program **M4:** Train-the-trainer sessions **M5:** Involved local teams more closely to quickly identify and address issues	**I1:** Expand financial training programs (e.g., Seed-program ER) to all countries, ensuring clarity on OVO and partner offerings for each project. Establish partnerships for training sessions and adapt training programs as necessary. Consider organizing group sessions on specific topics (e.g., financial, legal) to address varying project levels, diversifying content based on the specific needs of entrepreneurs post-Bootcamp. Strengthen strategic partnerships to support these sessions.
1.4. Product specifications - Lack of product differentiation		**I1:** Create awareness on contextual differences. Diversification is more common in Africa than in Europe

1.5. Sales Model - Insufficient sales revenue - Unclear target market focus - Market penetration challenges - Difficulty collecting payments from clients	**M1:** Legal assistance for collecting payments (Uganda) **M2:** Focus on strength management club (implementation sales personnel)	**I1:** Ensure ongoing follow-up throughout the Business Growth Plan. **I2:** Enhance sales support to improve revenue generation. **I3:** Enforce stricter compliance checks to confirm sales activity, aiming for more consistent revenue beyond a few large contracts. Track sales growth through financial records, especially for new product launches. Focus more on sales & marketing during coaching
1.6. Business model - Start-up - Dependence on big contracts - Dependence on grants - Dependence on suppliers - Seasonal dependence - Scaling-up strategy challenges - Innovation branch inefficacy	**M1:** Stricter selection criteria (companies have to exist at least 2 years)	

Managerial Stumbling Blocks

Stumbling Block	Implemented measures	Initiatives needed
2.1. Entrepreneurial management - One-man show - Weak management skills - Non-sufficient financial knowledge - Non-sufficient market knowledge - Poor governance practices - No boots on the ground - Bureaucratic structure	**M1:** Pre-assessment of the entrepreneur **M2:** Introduced an entrepreneurship assessment process	**I1:** Provide additional support in HR and organizational management. **I2:** Shift focus from solely the entrepreneur to include the entire management team. **I3:** Encourage formation of founding teams rather than solo founders, with co-founders to enhance skill diversity and resilience. **I4**: Strengthen governance by ensuring clear task distribution, reflected in the selection criteria. Evidence of shared responsibilities is important for sustainability. **I5:** Ensure the coaching process empowers both the entrepreneur and management team, bridging gaps in companies entering the program.

2.2. Personality of the entrepreneur - Low involvement entrepreneur - Lack of entrepreneurial spirit - Shifting focus - Entrepreneur disappearance - Non-collaborative attitude	**M1:** Pre-assessment of the entrepreneur **M2:** Introduced an entrepreneurship assessment process	
Communicational Stumbling Blocks		
Stumbling Block	**Implemented measures**	**Initiatives needed**
3.1. Communication issues - Non-transparent communication - Poor reporting practices	**M1:** Introduction of local teams for closer follow-up	**I1:** Shift the OVO-entrepreneur relationship to a partnership model rather than a debtor/lender dynamic. **I2:** Increase on-the-ground follow-up to enhance communication and accountability.
Market segment-specific Stumbling Blocks		
Stumbling Block	**Implemented measures**	**Initiatives needed**
4.1. Sector Challenges - Operating in challenging market - Competitive market	**M1:** Introduction of Expertise Cell	**I1:** Access more in-depth market research through local partners
External Stumbling Blocks		
Stumbling Block	**Implemented measures**	**Initiatives needed**
5.1. Health - Personal health issues	**M1:** More emphasis on insurance policies through Compliance guidelines	**I1:** Shift focus towards management team and not entrepreneur

5.2. External factors	**M1:** More emphasis on insurance policies through Compliance guidelines **M2**: Debt settlements	
- Covid		
- Forces of nature		
OVO-related Stumbling Blocks		
Stumbling Block	**Implemented measures**	**Initiatives needed**
6.1. Business coach	**M1:** Role Description Business Coach **M2:** Introduction Onboarding Facilitator (mediator role) **M3:** Cooperation Charter to be signed before Coaching	**I1:** Development clear Code of Conduct & ethical charter for volunteers
- Stopped involvement of business coach		
- Too close involvement of business coach		
6.2. Loan specifications	**M1:** Introduction independent IC **M2:** Stricter selection criteria around working capital	
- Working capital loan		
- Discrepancy loan amount and repayment period		
- Difficult loan structure		