

Capital Follows Confidence

How Governance, Risk Management and ESG Support Business Growth in Africa

A strong growth story opens conversations with investors and lenders. It rarely closes the transaction.

Across African markets, businesses can demonstrate unmet demand, expanding customer bases and opportunities to enter new markets. Yet commercial potential alone does not secure funding. Management must also show that the business can use additional capital effectively, withstand setbacks and deliver on its commitments.

That requires evidence. Investors and lenders need reliable accounts, clear accountability and a realistic understanding of what could affect performance. They need to see how decisions are made and whether management acts when problems emerge.

Governance, risk management, compliance and environmental, social and governance (ESG) considerations help establish that evidence. When embedded in daily operations, they give capital providers a firmer basis for assessing the business and deciding how to finance its growth.

THE QUESTION BEHIND THE FUNDING DECISION

Can the business demonstrate how it will use capital, manage setbacks and remain accountable for the results?

01 / EVIDENCE & OVERSIGHT

Making the business easier to assess

Financing conditions differ substantially across African countries and sectors. Currency exposure, infrastructure reliability, regulation and the availability of domestic funding can all affect a transaction. A business cannot remove these constraints through better reporting. It can help financiers understand precisely how they affect its operations.

An agricultural processor may have strong orders but face seasonal supply shortages and substantial working-capital needs. A manufacturer may depend on imported equipment while earning revenue in local currency. A services company expanding across borders may encounter different licensing, tax and data-protection obligations in each market.

Broad assumptions about a country or sector tell only part of the story.

Reliable information allows management to explain the rest: where revenues come from, how cash moves through the business, which exposures are significant and what protections are in place. Gaps or inconsistencies leave financiers with unresolved questions that can delay a decision, prompt additional conditions or prevent funding altogether.

The task is to make the business's performance and risks sufficiently clear for a capital provider to assess them.

Governance makes growth credible beyond the founder

Many businesses begin with decisions concentrated in a founder or small leadership team. As operations expand, that arrangement can become strained. More employees, larger contracts and greater financial commitments require authority to be shared and decisions to be subject to appropriate review.

An equity investor needs confidence that the interests of all shareholders, including minority shareholders, will be respected and conflicts disclosed. A lender needs assurance that borrowing will be used for its agreed purpose, capital repaid on time and any emerging difficulties reported promptly.

Clear approval limits, effective board oversight, reliable financial reporting and controls over related-party transactions help provide that assurance. They establish who can commit the business, which decisions require challenge and who is responsible when results fall short.

Their usefulness extends to everyday operations. A disciplined investment process helps management compare expansion opportunities. Regular financial reviews can expose deteriorating margins or overdue receivables. Succession planning reduces the disruption that follows when a key individual leaves.

These arrangements should suit the company's size, ownership and complexity. A growing family business may need clearer boundaries between family and company finances, documented decisions and independent advice before it needs an elaborate committee structure.

What matters is whether oversight works. Board minutes recording a serious challenge to an expansion proposal can be more informative than a governance policy that has never influenced a decision.

02 / RISK & FINANCING

Risk management shapes the financing decision

Risk management becomes useful when it informs management decisions.

A forecast may show that a business can service debt under expected conditions. Stress-testing should examine what happens if customers pay late, input costs rise or a major contract is lost. It can reveal how quickly cash reserves would be depleted and which responses are realistic.

That understanding should shape financing choices.

A business earning local-currency revenue may struggle to service foreign-currency debt even while sales grow. A company investing in assets that take several years to generate cash may need a longer repayment period. An expansion with uncertain demand may warrant phased investment or a different balance of debt and equity.

The same analysis can reveal how much funding the organisation can responsibly absorb. A large capital injection brings demands on procurement, staffing, financial controls and delivery. Raising more than the business can deploy effectively can weaken performance and increase repayment pressure.

For businesses across sectors, the practical question is which combination of currency, maturity, repayment schedule and risk protection fits their cash flows.

That understanding should shape financing choices.

FOUR TERMS TO TEST AGAINST CASH FLOW

01 Currency

Match borrowing to revenue exposure.

02 Maturity

Allow time for assets to generate cash.

03 Repayment

Reflect the timing of collections.

04 Risk protection

Prepare for adverse conditions.

03 / RESPONSIBLE OPERATIONS

ESG connects responsible practice to business performance

ESG is most useful when it addresses issues that materially affect the business and the people and communities affected by its operations. Governance establishes responsibility and oversight. Environmental and social practices address how operations affect workers, customers, communities and natural resources.

For an agricultural business, material issues may include water availability, land rights and sourcing practices. For a manufacturer, they may include worker safety, waste and energy use. For a technology or financial services company, data protection, customer treatment and employee practices may be central.

A socially valuable business model does not, by itself, establish responsible business practice. A lender can expand access to credit while offering unsuitable products or using harmful collection practices. An energy business can improve access to electricity while neglecting worker safety or community concerns.

Such weaknesses can create financial consequences through customer losses, legal disputes, operational disruption and reputational damage. Managing them requires clear responsibility, practical controls and a process for identifying and resolving problems.

Effective complaints handling, for example, can reveal product weaknesses before they affect a wider customer base. Safety reviews can identify hazards before they cause injuries and interruptions. Supplier assessments can expose practices that threaten continuity or market access. Early engagement with communities can help identify concerns that might otherwise delay a project. These activities give management information it can use to protect performance.

They also matter in investment assessment. The IFC, for example, conducts corporate governance analysis on every investment transaction, while its Performance Standards define client responsibilities for managing environmental and social risks. Requirements vary by financier and transaction, but businesses seeking this capital should understand the applicable expectations early.

Businesses making claims about development outcomes need similar discipline. Whether the claim concerns jobs, support for small enterprises or access to essential services, the evidence should use consistent definitions and acknowledge limitations. Purpose strengthens an investment case when the business can demonstrate both responsible delivery and credible results.

04 / CAPITAL READINESS

Readiness can broaden access and improve funding fit

A business with reliable information and functioning controls is better prepared to engage with different capital providers.

Commercial banks can assess repayment capacity against clearer assumptions. Equity investors can examine management capability and shareholder protections. Development finance institutions and impact funds can evaluate commercial prospects alongside their environmental, social and development requirements.

Eligibility still depends on the provider's mandate and the transaction's economics. Positive development outcomes cannot compensate for an unviable business model, and a well-governed company may still face limited financing options.

Stronger evidence can, however, improve the basis for negotiation. Where information and controls reduce uncertainty, management may have a stronger case for longer repayment periods, larger commitments or conditions better suited to the business.

Lower pricing is not assured. Country risk, interest rates, currency, security and financier appetite remain relevant. The more valuable outcome may be a facility that avoids a currency mismatch, accommodates seasonal cash flows or gives an investment enough time to generate returns.

Build the evidence before fundraising begins

Financing readiness develops through repeated decisions and documented results.

A board challenges an acquisition because the business lacks the capacity to integrate it. Management changes credit terms after collections deteriorate. A customer complaint leads to a product correction. An investment is delayed because stress-testing reveals inadequate liquidity.

These actions provide evidence that systems work under real conditions. Building that evidence takes time, which is why financing readiness should begin well before a business needs to raise capital.

For leaders preparing to raise capital, the work should begin with the questions a financier is likely to ask: Are the accounts dependable? Who approves major commitments? Which risks could impair cash flow? Can the business demonstrate that its controls work?

At Noble Key Advisory, we help businesses across African markets connect their growth plans with the governance, risk management and ESG practices needed to support financing. This involves identifying gaps, establishing proportionate controls and helping management present evidence that investors and lenders can assess.

A compelling opportunity earns attention. Confidence grows when the business can demonstrate how it will use capital, manage setbacks and remain accountable for the results.

PLANNING YOUR NEXT STAGE OF GROWTH?

Start a conversation →