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# INVESTING IN AFRICA

Deep Dive Africa

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# Foreward

Over the last decade, there has been the emergence of a new wave of entrepreneurs and investors committed to be catalysts of economical and societal progress across Africa. However, this new generation of entrepreneurs and investors face a variety of problems which hinder their progress.

In response to one of such fundamental challenges, **Impact Hub** initiated **Deep Dive Africa** (**DDA**) which made its successful debut in 2019. The purpose of the original **DDA** was to explore the potential impact of a carefully curated investor-startup engagement with the main focus of driving investor interest from Europe and preparing startups to receive capital. Six months after **DDA** 2019, the initiative had helped raise 500,000 Euros for startups. As a result of this, a second edition of **DDA** is being executed with a more expansive set of activities, over a longer timeline to achieve an even broader impact. Due to the effects of the COVID-19 global pandemic there will be a reinvention of the execution of **DDA** 2021 which will deliver the program mainly in a virtual format.

Between 2021 and 2022, **DDA** II is being delivered across four key markets; Nigeria, Kenya, Ghana and Rwanda. Ahead of the selection of 40 startups to join the 2022 Cohort, this report's release is meant to provide a deep dive of the 4 key markets to interested investors considering an African entry strategy. The format of the report follows the key issues in each market to provide the reader with relevant insight whilst also spotlighting key trends developing in these markets. Clearly, each market provides its own unique opportunities for investors and we hope the insights generated provide enough context for investors and other interested stakeholders as they embark on a journey of discovering new growth opportunities in these markets.

It is our hope that in 2022 will mark the trajectory of growth of African startups 2022 leading to a phenomenal year for the sector as global economic recovery continues. We look forward to welcoming a growing community of investors to the thriving African game.

December 2021

## Methodology

This report was generated with a basic framework developed to help provide broad insight into the state of each of the four startup ecosystems and to set benchmarks for Deep Dive Africa II. The goal was to identify focus areas, emerging themes and signals with a primary focus to better understand the investment landscape. The approach focused on garnering insights on four key themes: State of the Startup Ecosystem, Local Investor Landscape, General Local Economic Overview, Stakeholder Mapping.

The key insights from this report are culled from secondary data (reports and policy documents) supported by a mix of in-depth interviews with investors. In some of the markets, some primary qualitative data was collected through focus group discussions. Given that the central goal was to help set key benchmarks for each market and guide the program's direction in each of those markets, these were the main guiding questions we sought to answer:

What is the state of early-stage investment in the country over the past 2 years with a clear indication of the key stakeholders in the funding/financing ecosystem and how they have been carrying out their work. Who are the key players in early-stage investment?

Which types of investors are most active and what is the trend in growth of each investor category (i.e. Angel Investors, Venture Capitalists, Impact Investors, Private Equity Funds, etc. )

Which sectors/industries have the most investor interest and what are the drivers?

What is the risk profile of each country and how are those risks perceived by investors?

What are the barriers, opportunities, and support needs of early-stage investors in closing investment deals?

What are the key government policies in either implementation or draft mode which are likely to affect the trends in early stage investment.

## Executive summary

*Key Findings*

**Significant Shifts in Policy Environment**

Across all markets, there appears to be a fundamental shift in government interest in improving the general investment environment to allow for more capital flow to innovative startups. The range of policies seek to attract international investors, provide better regulatory environment, build local investor buy-in and increase capital flow to some key sectors. Investors in Rwanda for example have in the past reported challenges in the process of domiciliation and registration in Rwanda. Moreover, taxes on capital gains have been relatively high and were considered a barrier for entry. The government's recently published investment law has however addressed these challenges in a bid to improve the overall policy environment. The government of Ghana on the other hand, just overhauled its business support environment by providing a broad mandate to the Ghana Enterprise Agency to build the structural foundations to energize the growing grassroots early stage business community.

**Increasing Local Involvement**

With startups all across the continent showing promise, governments seem to have taken note. There is increasing interest in encouraging investments from government and quasi-government funds to invest in local startups. Kenya for example is implementing new rules which encourage pension funds to set aside 5% of their investments for the local tech startup ecosystem. Kenya has already allowed private equity and venture capital firms to raise funds from pension schemes after amending the Retirements Benefits Authority Act in 2015. Since then, this has allowed pension schemes to invest up to 10 per cent of their assets in private equity and venture capital firms.

In Nigeria, the Nigerian Sovereign Investment Authority (NSIA) recently introduced Venture Capital investment as part of its new strategy, investing in local VC funds. In Ghana, the government's Venture Capital Trust Fund is meant to stimulate new investments in local innovation with a mandate to develop a Venture Capital Industry in Ghana.

On the issue of building more local involvement as ecosystems grow, Kenya sought to fix one its peculiar challenges of having a disproportionate number of foreign-owned startups, by instituting a rule under its new ICT policy that attempts to reserve 30% of ownership in every company registered to do tech-related business in Kenya. By the terms of the new rules, only companies with at least 30% substantive Kenyan ownership, whether corporate or individual, will be licensed to provide tech related services. In other words, foreign companies doing any tech-related businesses in Kenya would have to give at least 30% of their ownership stake to Kenyans.

**Investment Trends & Sector Distribution**

Across the board, all four markets continue to see increased investment in startups with Nigeria leading the pack, followed by Kenya, Ghana and Rwanda. In Kenya for example, startups raised a record amount of funding in 2020, securing a combined total of US$191,381,000, accounting for 27.3 % of the continent's total startup investments. The 2020 total investment raised is up by 28.3 per cent on the previous year's result of US$149,145,000; similarly, the number of startups raising funding increased by 31.1 percent.

In the case of Ghana, a 2020 Partech analysis, lists it as one of top 5 countries for VC investment. Within this period, Ghana gained $111m in startup investments with Ghanaian their investment ecosystem continuing to evolve. Companies like PEG and mPharma in Ghana have raised rounds of $50M+.

Whilst the bulk of VC capital continues to go to later stage rounds, the number of early-stage startups raising less than a million dollars has been on the rise for years across all the markets. In Kenya for example, this trend is as a result of a number of factors such as the ever-developing angel investment community, the increase in the number of hubs and accelerators supporting ventures and Government intervention to spur the start-up ecosystem via a US$50 million Project dubbed Kenya Entrepreneurship and Innovation project.

In 2020, in the midst of the pandemic, Nigerian startups raised $249M, demonstrating strong dealflow and taking its position as the biggest startup ecosystems on the continent! On a sector view, Fintech continues to dominate but other sectors also saw increased deal-flow and investments including Agritech, Transport & Logistics Retail-tech, e-commerce, e-health and SaaS. One noteworthy feature in a key market like Nigeria is the emergence of a new market segment; auto-tech with some very interesting new models seeking to consolidate services and retail in the market.

**Barriers & Challenges**

Despite the progress made across markets to improve the policy environment, there are still some unfavorable government regulations and policies in some markets. Nigerian entrepreneurs and investors in fintech have had to contend with some strong regulations from the central bank which in some cases have led to complete slowdown in momentum as startups grow. Same has happened to transportation businesses in Lagos dealing with arbitrary regulation leading to sometimes a complete shutdown of these businesses.

Talent remains a huge issue across all the markets with no real coherent plan in place to rapidly develop talent outside of pockets of private initiatives. In some markets, foreign exchange restrictions pose unique threats to business sustainability.

In the case of Rwanda its unique challenge stems from its small market size which limits growth potential of startups. Startups looking to show scale are forced to build models with the potential to be scalable to other markets in the region.

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# Kenya

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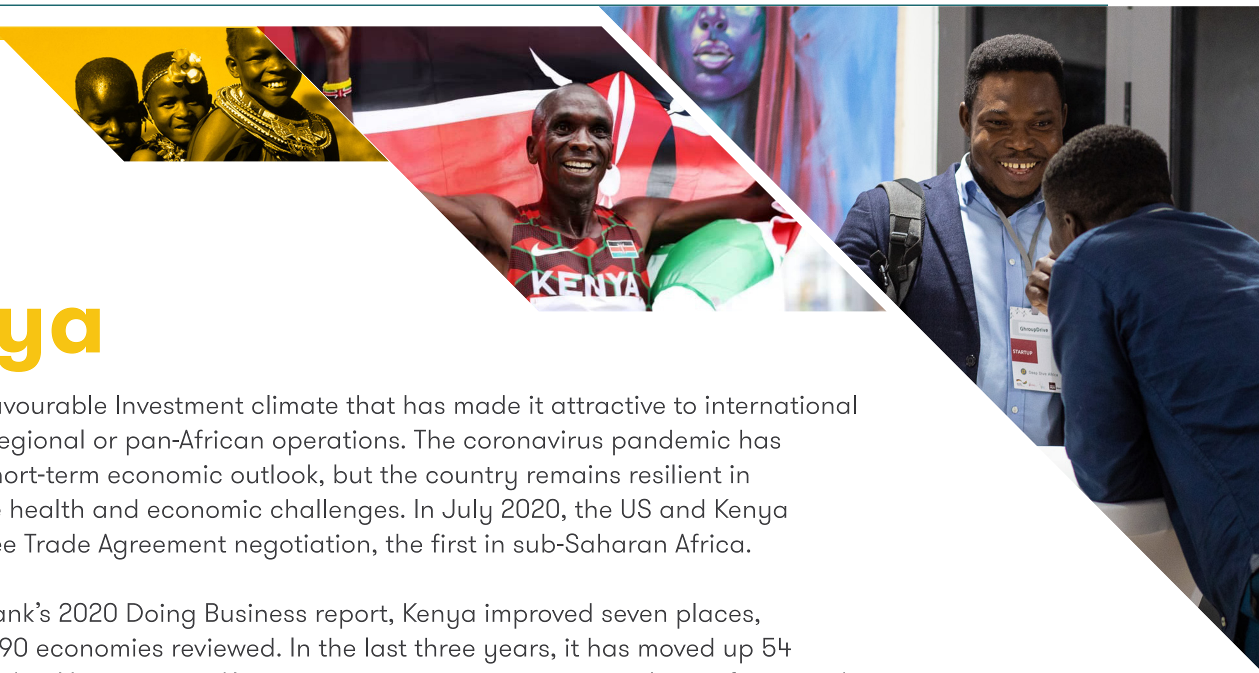


# Kenya

Kenya has a favourable Investment climate that has made it attractive to international firms seeking regional or pan-African operations. The coronavirus pandemic has affected the short-term economic outlook, but the country remains resilient in addressing the health and economic challenges. In July 2020, the US and Kenya launched a Free Trade Agreement negotiation, the first in sub-Saharan Africa.

In the World Bank's 2020 Doing Business report, Kenya improved seven places, ranking 56 of 190 economies reviewed. In the last three years, it has moved up 54 spots on this index. Year on year, Kenya continues to improve its regulatory framework and attractiveness as a destination for foreign direct investment. Kenya has vital telecommunications infrastructure, a robust financial sector, a developed logistics hub, and extensive aviation connections throughout Africa, Europe, and Asia. In 2018, Kenya Airways initiated direct flights to New York City in the United States. Mombasa Port is the gateway for most of the East African trade. Kenya's East African Community (EAC), the Africa Continental Free Trade Area (AfCFTA), and other regional trade blocs provide growing access to larger regional markets.

In 2017 and 2018, Kenya instituted broad reforms to improve its business environment, including the passage of the Tax Laws (amended) Bill (2018) and the Finance Act (2018). These reforms aimed to establish new procedures and provisions relating to taxes, simplify registration procedures for small businesses, reduce the cost of construction permits, ease the payment of taxes through the iTax platform, and establish a single-window system to speed the movement of goods across borders.



However, the Finance Act 2019 introduced taxes to non-resident ship owners and the Finance Act 2020 enacted a 1.5 per cent Digital Service Tax (DST), which will be implemented in January 2021. The oscillation between business reforms and conflicting taxation policies has raised uncertainty over the Government of Kenya's (GOK) long-term plans to improve the investment climate. Kenya's macroeconomic fundamentals remain among the strongest in Africa, with five to six per cent GDP growth over the past five years, six to eight per cent inflation, improving infrastructure, and strong consumer demand from a growing middle class. However, GDP growth is projected to slow to 1.5-2.0 per cent in 2020 due to COVID-19. The GOK has responded by loosening fiscal policies like corporate income tax and other measures to cushion companies and individuals.

International companies continue to show strong interest to establish or expand their business presence and engagement in Kenya. Sectors offering the most opportunities for investors include agro-processing, financial services, energy, extractives, transportation, infrastructure, retail, restaurants, technology, health care, and mobile banking.
As a way around heavy capital investments, and the local market understanding, early-stage investors are crowding in for scalable ventures that would provide conduits for localisation of their opportunities. Kenya's strong growth prospects are supported by an emerging middle class and an increasing appetite for high-value goods and services.

The table below gives a snapshot of Kenya as a country

| | |
|---|---|
| Official Name | Republic Of Kenya |
| Form of State | Unitary State with Multi-Party Democracy |
| Area | 580,367 Sq. Km |
| Population | 53.8 million (2020) |
| Density | 94.8 People Per Sq. Km |
| Official Language | English & Kiswahili |
| Religion | Christian, Muslim, Indigenous African, and Others |
| Administration | Central Government And 47 County Governments |
| Time Zone | GMT + 3 |

| Key Economic Indicators | |
|---|---|
| Total GDP | USD 98.8 Billion (2020) |
| GDP Per Capita | USD 1,838.2 (2020) |
| GDP Growth | -0.3% (2020) |
| Current account balance (% of GDP) | -5.8% (2019) |
| Debt-to-GDP ratio | 65.5% (2020) |
| Average Annual Consumer Price Index | 200.2 (2020) |

| Ease of Doing Business | |
|---|---|
| Doing business ranking - Global | 56 |
| Doing business ranking - Sub-Saharan Africa | 3 |
| Doing business score | 73.2 |

| Central Bank of Kenya (CBK) Indicative Rates | |
|---|---|
| Central Bank Rate as of Sep-21 | 7.00% |
| Inter-Bank Rate as at Oct-21 | 4.99% |
| CBK Discount Window as at Sep-21 | 13.00% |
| 91-Day T-Bill as of Oct-21 | 7.02% |
| REPO as at Oct-21 | 6.78% |
| Inflation Rate as at Sep-21 | 6.91% |
| Lending Rate as of Aug-21 | 12.12% |
| Savings Rates as of Aug-21 | 2.64% |
| Deposit Rate as of Aug-21 | 6.30% |
| Kenya Banks Reference Rate (KBRR) as of Sep-21 | 8.90% |
| US Dollar | KES 111.06 |
| STG Pound | KES 153.32 |
| EURO | KES 129.32 |

The central bank of Kenya left its benchmark interest rate unchanged at 7% during its September 2021 meeting, as widely expected, to continue supporting the ongoing economic recovery and firm up private sector credit growth. Policymakers noted that inflation accelerated to an 18-month high of 6.6% in August as inflationary pressures rose domestically and internationally, but inflation expectations remained anchored within the targeted medium-term range of 2.5%-7.5%. Meanwhile, the economy is rebounding in 2021, supported by the continued reopening of the services sectors, recovery in manufacturing, and more robust global demand.

When comparing levels of innovation to economic development, Kenya stands out for outperforming on innovation relative to GDP for the ninth consecutive year—a record. Scoring 31.3 on the Global Innovation Index 2019.

## Startup Policy Environment

For startups in Kenya, the government's newly launched National Information, Communications and Technology (ICT) Policy spells out a new set of policy guidelines intended to spur further development and maturation of the startup ecosystem. Against the backdrop of increasing foreign participation in the Kenyan startup ecosystem, which has also seen more foreign-owned startups in Kenya funded than locally owned ones, the new ICT policy attempts to reserve 30% of an ownership stake in every company registered to do ICT-related businesses in Kenya.

By the terms of the new rules, only companies with at least 30% substantive Kenyan ownership, whether corporate or individual, will be licensed to provide ICT services. In other words, foreign companies doing any ICT-related businesses in Kenya would have to give at least 30% of their ownership stakes to Kenyans. This applies immediately to foreign newcomers to the Kenyan tech startup landscape. However, existing wholly owned foreign ICT companies in the country will have until three years from now to meet the local equity ownership threshold. Once the three-year (until 2023) expires, they may have to apply to Kenya's Cabinet Secretary for Information, Communications & Technology for a one-year extension with appropriately acceptable justifications.

The regulations further state that all ICT companies without majority Kenyan ownership will not be considered Kenyan. Consequently, they may not be calculated as part of the 30% Kenyan ownership calculus because Kenyans do not own them. All foreign-owned ICT firms must, in the future, meet the 30% equity participation requirement. For ICT companies listed or to be listed on the Nairobi Stock Exchange, their equity participation or distribution will be governed by the extant rules of the Capital Markets Authority of Kenya. This means that even though all foreign-owned startups in Kenya will have to comply with the new 30% rule, once they desire to make IPOs (Initial Public Offering) or list in any way in Kenya, the initial 30% rule will be jettisoned in favour of the prevailing regulations of the Capital Markets Authority of Kenya.

This is a big deal, which, if properly implemented, will unlock funding for startups in Kenya. The new rules encourage pension funds in Kenya to set aside 5% of their investments for the local ICT startup ecosystem. Although the language of this rule is not compelling, this will most definitely be the right push for pension funds in Kenya willing to invest in early startups.

However, Kenya has already allowed private equity and venture capital firms to raise funds from pension schemes after amending the Retirements Benefits Authority (RBA) Act in 2015. Since then, this has allowed pension schemes to invest up to 10 per cent of their assets in private equity and venture capital firms (firms which, most times, invest in startups and SMEs). However, the new 5% rule under the new policy will encourage pension funds to invest directly in startups or venture capital firms investing in early stage startups, out of the permitted 10%.

Apart from the 5% rule, other funding plans are considered under the policy, such as a proposed "anchor fund" that will invest in qualifying Kenyan ventures for a proportionate equity consideration on a first-loss basis, motivating co-founders to commit significant capital to qualified entities. Also, to be created is "a rotating venture capital fund" to be chaired by a person to be determined by the Cabinet Secretary for ICT with the membership of a representative of the Kenya Sovereign Fund; the Kenya Private Sector Alliance; the CEOs of the three most significant private-sector pension funds at any one time; and four other members with ICT expertise as the Cabinet Secretary for ICT may from time to time determine

Startups in Kenya seem to have a go-ahead order to crowdfund. Under the new ICT policy, startups in Kenya are encouraged to crowdfund and build or participate in mentoring networks. This will be a significant boost for a startup ecosystem still dependent on foreign-owned venture capital firms.

There are other steps to make funding easily accessible to startups under the new policy. The government encourages early Initial Public Offerings in the Growth Enterprise Market Segment (GEMS) of the Nairobi Stock Exchange and support for the growth of Permanent Listed Vehicles that build a bridge between investors and businesses that need investment to grow. However, until there is in execution, they remain inoperative wishes.

Under the new ICT policy, one other remarkable incentive is that all innovation hubs and maker labs in Kenya will now be provided with grants to acquire additive manufacturing capabilities. The new rule also makes room for protecting physibles (data objects capable of being manufactured as physical objects using additive manufacturing processes) as intellectual property. Again, all designated ICT incubation centres in each county in Kenya will now be duty-free zones under the new rules. Initially, the Kenyan government will establish 290 constituency innovation hubs, providing work and maker spaces for the local host community.

## Country Level Startup Ecosystem Development

The Kenya Industry and Entrepreneurship Project (KIEP)7 is a US$50 million project that will be implemented by the Ministry of Industry, Trade and Cooperatives (MoITC), with support from the World Bank Group over the next six years between 2019-2024. KIEP aims to increase innovation and productivity in select private  sector firms in Kenya by strengthening the private sector (including startups, SMEs, incubators, accelerators,  technology boot camp providers, through financial grants and technical assistance.  The Project consists of three components. Component 1 seeks to strengthen Kenya's innovation and  entrepreneurship ecosystem by building the capacity of incubators, accelerators, and rapid technology skills  providers (collectively called 'intermediaries'). It also seeks to connect the Kenyan ecosystem to international  talent and support infrastructure networks, and foster links between startups and traditional industry. In  addition, this component aims to bridge the technical skills gaps in the market by linking young talent and  academia to the private sector. Component 2 strives to increase productivity at the firm level by supporting. Small and Medium Enterprises (SMEs) in improving their managerial and technical skills and their use and  access to technology. Component 3 provides support for communications, M&E, and implementation of the Project.



Nairobi as a city has a growing startup ecosystem with a promising future. In the Middle East and Africa's Startup Friendliness Index (SFI), Nairobi is ranked seventh out of the 16 cities assessed in this region. SFI Score: 47,12 out of 100,00 Startup Friendliness Index scores are determined by examining 80 indicators in six domains: Human Capital, access to Finance, the liveliness of the Startup Scene, Infrastructure quality, Macro framework (describing the political and legal system), and Market conditions (such as trade balance and capacity utilisation). Overall, Nairobi's start-up ecosystem is well-positioned relative to the region. The city performs average or above in all areas, with the notable exception of the Market domain.

## Kenya Startup Ecosystem Investment Trends

### *Startup Investment Overview*

Kenyan startups raised a record amount of funding in 2020, securing a combined total of US$191,381,000. Accounting for 27.3 percent of the continent's total investment, this is the most significant amount of funding ever achieved by a single country. The

record was previously also held by Kenya when in 2019, the country's startups netted US$149,145,000. However, this outstanding amount of funding was raised by relatively "few" ventures - with 59 Kenyan startups responsible for the investment total—the amount of funding raised and the number of startups raising continues to grow annually in Kenya.
The 2020 total investment raised is up 28.3 per cent on the previous year's result of US$149,145,000; similarly, the number of startups raising funding (59) is an increase of 31.1 percent on the 45 to bag funding in 2019 even with the pandemic and mitigation countermeasures. Twenty-seven (27) Kenyan startups raised less than US$1 million, meaning that 45.7 percent of the country's raised early-stage rounds. The number of early-stage startups raising less than a million dollars has been on the rise for years in Kenya due to the ever- developing angel investment community, the increase in the number of hubs and accelerators supporting ventures and Government intervention to spur the start-up ecosystem via the US$50 million Project dubbed Kenya Entrepreneurship and Innovation project.

## *Startup Investment Trends*

On a sector view, Kenya investor activity is evenly spread. Fintech investments led the pack where there were no less than 13 investments done, with an average investment value of US $ 548,461. Other sectors also saw increased deal-flow and investments, with Transport & Logistics taking the lead followed closely by Retail-tech, e-commerce, and e-health. However, the average amount of funds invested in these sectors was six (6) times more than fintech. We also see increased activity in new areas such as Artificial Intelligence, Business Processes'., HR and Procurement, Connectivity and Skills development, i.e., coding. The data below is a snapshot of 2020.



| Industries | Investment Value | # Ventures | Average Investment Value |
|---|---|---|---|
| Fintech | $7,130,000.00 | 13 | $548,461.54 |
| Transport & Logistics | $22,966,000.00 | 8 | $2,870,750.00 |
| Retail-tech | $14,750,000.00 | 7 | $2,107,142.86 |
| e-commerce | $5,545,000.00 | 5 | $1,109,000.00 |
| e-health | $4,850,000.00 | 5 | $970,000.00 |
| Energy | $37,500,000.00 | 5 | $7,500,000.00 |
| Agri-tech | $35,620,000.00 | 4 | $8,905,000.00 |
| HR | $4,060,000.00 | 3 | $1,353,333.33 |
| Entertainment | $6,400,000.00 | 2 | $3,200,000.00 |
| Waste management | Undisclosed | 1 | $ - |
| Construction | Undisclosed | 1 | $ - |
| Artificial Intelligence | $100,000.00 | 1 | $100,000.00 |
| Coding | Undisclosed | 1 | $ - |
| Conservation | $28,000,000.00 | 1 | $28,000,000.00 |
| Connectivity | Undisclosed | 1 | $ - |
| Procurement | Undisclosed | 1 | $ - |
| **Grand Total** | **$166,921,000.00** | **59** | **$2,829,169.49** |

Kenya remains a vibrant community of entrepreneurs working across sectors and developing genuinely innovative solutions. However, in funding terms, Investors are attracted to Kenyan opportunities. They are willing to back the solid, proven companies active in the region by clubbing together on a good investment, albeit with minimal ticket sizes per investor to hedge, having that the local market opportunities may be small and thus a place for proof of value for future expansion.

## *Investment Structure Snapshot*

The key players in the Kenyan start-up ecosystem include commercial and impact investors, hubs, and accelerators.

Most non-DFI impact investors in Kenya focus on early-stage businesses with some track record and operational structures. DFIs are the primary sources of early-stage capital through hubs and accelerator programs. This then is followed by Venture and Debt capital from VC Firms, Bank and Non-Bank Financial Institutions. Finally, there is capital from Angels; however, the Kenya Angel Investor base is still nascent.

Most structures we see at play are Convertible notes and other structured debt instruments. There is relatively low usage of mezzanine investment structures which are limited to deals larger than US$ 1Million. Historical Industry data from CrunchBase sample shows the distribution of investment deals and funding types as below.

| Funding Structure | Sum of Total Funding Amount | Count of Total Funding Amount |
|---|---|---|
| Venture - Series | $107,633,166.00 | 21 |
| Seed | $29,886,403.00 | 67 |
| Debt Financing | $14,383,927.00 | 10 |
| Grant | $10,089,056.00 | 41 |
| Non-equity Assistance | $4,800,958.00 | 6 |
| Private Equity | $2,500,000.00 | 1 |
| Pre-Seed | $2,359,000.00 | 11 |
| Angel | $1,610,000.00 | 4 |
| Corporate Round | $995,000.00 | 1 |
| Equity Crowdfunding | $796,027.00 | 2 |
| Convertible Note | $652,000.00 | 4 |
| **Grand Total** | **$176,475,537.00** | **168** |

## *Investor Profiles*

Some of the major investors in the Kenyan start-up ecosystem include Accion Venture Lab that provides flexible financial and post-investment support. They invest $300,000-$500,000 in seed-stage start-ups. Acumen Fund Kenya is a non-profit venture fund launched in 2001 that uses entrepreneurial problems to solve global poverty. It funds companies that provide solar energy, anti-malaria bed nets and agricultural inputs. It has invested over $28m in East African companies.

Africa Tech Ventures invests in high growth startups that increase access to essential goods and services. Its ticket size is usually $100,000 to $5m and takes a significant minority equity stake and the ability to participate in the follow-on financing rounds. Bamboo Capital Partners is a commercial private equity firm that is an expert in energy, healthcare, and financial services. It has offices in Luxembourg, Geneva, Bogota, Nairobi, and Singapore. Founded in 2007, it has close to $400m under management with a portfolio of companies in over 30 countries.

DOB Equity is an investment firm that invests in innovative, scalable, and impactful startups in East Africa. Grassroots Business Fund is both a fund and a non-profit that provides capital and support for long term investment in businesses that provide opportunities in underserved communities. It has an $11m fund for African startups and has invested in BrazAfric, Soko and Wamu in Kenya. GroFin is a private development finance institution specialising in financing and supporting small and growing startups and businesses. It has made over 700 investments that sustain about 90,000 jobs across several sectors and industries, while Safaricom Spark Venture Fund is a venture fund launched by Safaricom in 2014 to support startups that use M-Pesa mobile money technologies as an enabler. Safaricom invests between $55,000 to $200,000. Savannah Fund is a seed capital fund specialising in making investments between $25,000 to $500,000 in early-stage high growth technology startups.

Other investors are TBL Mirror Fund, a private equity fund based in Nairobi that invests in East African small businesses and TLCom Capital Partners, which is based in Nairobi but have other offices in Lagos and London and has been investing in startups in telecom, media and technology in Europe, Israel, and Sub-Saharan Africa since 199

## *Highlights of Funded Startups*

Based on Digest Africa,9 twelve (12) companies we deem as Kenyan as the most funded have collectively raised funding amounting to $293M across 32 rounds.

### *Cellulant ($55M)*

This digital payments platform is among Africa's' 10 Most Funded Fintech startups. Cellulant recently launched its multi-function consumer super app Tingg, which solves the fragmentation in the African digital payments space by merging payment, commerce, and financial services into a single platform. The company was also named the recipient of the Schwab Foundation Social Entrepreneur of the Year Award for building a platform that allows critical sectors like Agriculture and Retail Distribution to access financial services at the very point where they need them. Since 2004, Cellulant has raised $55M across three rounds with Rise Fund as a notable investor.

### *CarePay ($45M)*

Another of fintech's most funded in Africa is Nairobi-headquartered CarePay, an e-health enterprise with an ambition to drive healthcare inclusion across Africa. From a Series A round, the company raised $45M with PharmAccess Group and ELMA Investments as notable investors. To improve the M-TIBA platform, the company is looking into implementing blockchain, AI and Machine Learning technologies. Carepay was launched in 2015.

### *Twiga Foods ($44M)*

Twiga Foods is a mobile-based food delivery firm that links farmers and vendors to fair, trusted, modern markets. Across three rounds, the firm raised $44.6M with International Finance Corporation (IFC), TLCom Capital, Google Launchpad Accelerator and Wamda, among the notable investors. Since 2014 by Grant Brooke, Twiga has worked with 17,000 farmers daily and is looking to expand within and outside Kenya.

### *Powerhive ($41.3M)*

Earlier this year Powerhive raised $9.3M in a Series B round led by Toyota Tsusho Corporation; this brings the total funding raised by this energy solutions start-up to $41.3M across two rounds. Since it was founded in 2011 by Chris Hornor, it has powered millions of households with clean energy.

### *M-Kopa ($38M)*

Despite raising the highest of the group in total funding ($152M), M-Kopa has $38M in venture capital from 3 rounds. CDC Group, Generation Investment Management, DOB Equity and LGT Venture Philanthropy as some of its notable investors. This clean-energy startup has used its PAYG platform to provide low-income homes with affordable asset financing for connected solar technology and other life-changing products and services. For nine years since its inception, M-Kopa has also unlocked nearly a quarter a billion dollars in micro-loans for low-income customers across East Africa.

*WeFarm ($19.6M)*

Acclaimed as the world's largest farmer-to-farmer digital network, WeFarm connects small scale farmers to solve problems, share ideas and spread innovation without needing to access the internet. Since the company was started in 2015 by founder Kenny Ewan, it has grown to have 1.9 million farmers using the platform who share more than 1.5 million Qs and as in a month alone. Across three rounds, the company has raised $19.6M with True Ventures, Local Globe, Norrsken Foundation and Wayra as some of the notable investors.

*Aza Group ($15M)*

AZA Group (formerly BitPesa) has raised $15M across five rounds with Greycroft, Draper Associates and Sompo Holdings as some of its notable investors. Elizabeth Rossellio founded this fintech in 2013, the first blockchain company to be licensed by UK's Financial Conduct Authority. This digital foreign exchange and payment platform leverage blockchain to significantly lower the cost and increase the speed of business payments to and from frontier markets and the rest of the world.

*Lori Systems ($14.9M)*

According to SEC Filing, with the latest being a Series A $8.7M investment, Lori Systems has raised venture funding to the tune of $14.9M across a total of 2 rounds, with FJ Labs as one of their notable investors. Lori enables logistics space to operate at an order of magnitude and more efficiently to drive costs down. It has been in operation since 2016.

*Sendy ($12M)*

Sendy was launched in 2014 and has built partnerships and unlocked opportunities for Kenyans through its delivery platform that connects businesses and drivers of all vehicle types for deliveries. Across four rounds, this e-logistics platform has raised a total of $12M in funding, the latest being a Series B a few days ago. DOB Equity, Safaricom and Goodwell Investments are some of its notable investors.

*Africa's Talking ($8.6M)*

Co-founders Sam Gikandi and Eston Kimani started Africa's Talking in 2010, a go-to platform that simplifies access to telco infrastructure that allows developers to use their SMS, USSD, Voice, Airtime and Payments APIs to bring their ideas to life. In Seed and Series, A rounds, the company has raised funding amounting to $8.6M with IFC, Orange Digital Ventures, Social Capital, and Better Ventures as their investors.

*Kopo Kopo ($6.3M)*

Incorporated in Delaware, USA, Kopo Kopo is a world-class platform that enables small and medium businesses to accept mobile payments and build relationships with their customers. The company was launched in 2012 and has partnered with several companies, including Safaricom and other aggregators and mobile money partners, with the goal to help businesses leverage payments. So far, the company has raised $5.5M across three rounds with Javelin Venture Partners, Accion Venture Lab, Khosla Impact and First Light Ventures as some of its notable investors.

*Capia Global ($6M)*

Nairobi-headquartered Copia has raised $6M across two rounds with DOB Equity as their lead investor. With a team led by founder Tracy Turner, the company provides a "state-of-the-art" shopping experience that brings goods and services to your doorstep, all with advanced levels of customer service.

# Ghana

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INVESTING IN AFRICA


# Ghana

Since the 14th century Ghana, formerly known as the Gold Coast has been identified as a global trade hub particularly due to its wealth of resources. Located in the Western part of Africa, Ghana is a country currently made of 30.42 million people and it is also one of Africa's top three fastest growing economies in 2021. The country boasts of an annual growth rate of 6.5% and has a GDP of $73bn.

In addition, according to the World Bank's most recent Ease of Doing Business Ranking, Ghana is third place out of the fifty-four countries in Africa which has made Ghana an attractive business destination. Some of the key factors shaping Ghana's unique positioning include:

## Natural Resources

Ghana is known as the largest producer of gold globally, a prominent member of countries which produce oil and gas, and the producer of 60% of the world's cocoa output. Furthermore, opportunities in the Tourism sector have steadily grown in recent years.

## Vibrant Democracy and Stable Political System

According to the Global Peace Index 2021 Ghana ranked 38th Globally and was second to Mauritius on the African continent. Seven elections have been successfully executed which in turn has strengthened key national institutions effectiveness, solidified investor confidence and created a conducive environment for positive social and business growth. In addition the government of Ghana is consciously making efforts to maintain its position as the most stable political environment in West Africa (Africa Benchmark Country Report, 2020), and maintain what many consider one of the best judicial systems in the region.

## A Dynamic Economy

Ghana is known to have a great working force which includes highly skilled personnel and highly trainable working class. This has without a doubt made it the most competitive economy in the West African sub region (World Economic Forum Global Competitiveness Index 2018). Furthermore, it offers the most competitive minimum wage within the West African sub region at an average.

## Economic Overview

Judging from growth trends, Ghana's economy continues to grow in a positive trajectory. In 2019 according to the International Monetary Fund (IMF) Ghana's economy growth rate was 8.8% making it the fastest growing economy in the world. Furthermore, Ghana's ability to have seven peaceful elections and its low ranking as 75 out of 180 on Transparency International's 2019 Corruption index further solidifies it as a very attractive country for investments. One recent evidence of this attractiveness is Twitter's choice to locate its Africa headquarters in Accra.

With continuous economic advancement, focus on tech development has been prioritized by the Ghanaian government. These advancements include the introduction of universal

QR code in 2019 to make Ghana a cashless society which will improve the consolidation of trade processes. In August 2021, this concept was further materialized when the Bank of Ghana made a press release to introduce the E-cedi which is meant to serve as an alternative to physical cash.

Some key sectors continue to shape the Ghanaian economy, with the service sector being number one representing 43% of Ghana's GDP and employing 48% of the country's population. Other sectors making strides have been the manufacturing, general trading and the construction sector bringing in Foreign Direct Investment (FDI) values of $98m+, $41m+ and $22m+ respectively. These FDI spurts have been attributed to high financial inclusion (58%) and mobile penetration rates (88.8%). According to the GIPC, with operations of these sectors at full capacity, they have the potential to provide 8,931 jobs.

Employment statistics when it comes to Labour Force Participation, over the past 20 years have ranged between the 65 to 75 percentile on average. However rates dropped to an all time record low of 66.2% in December 2020 attributing to the increase of 4.5% to Ghana's unemployment rate in the same month. All hope is not lost as the steady growth of entrepreneurship amongst the youth has increased human capital potential, and new sources of employment and income. To facilitate this the government has initiatives such as the National Entrepreneurship and Innovation Plan (NEIP) injecting $10m into the ecosystem training over 7000 entrepreneurs across 10 regions nationwide, and allocated seed funding and grants to 500 of those entrepreneurs. Additionally, these 500 entrepreneurs benefit from tax breaks based on the number of people their business employs. Investor confidence in Ghana's economy is still fortified as track records from GIPC within the first two quarters of 2021 have shown a total 27 fully owned by Ghanaian companies having an estimated value of $669.64m and whilst other companies made a total addition of $11.56m in cash and goods equity.



The Covid-19 pandemic significantly negatively affected global economies, and Ghana was not exempted but was resilient. Real GDP growth was forecasted to decelerate to 1.7% in 2020 low global economic activity but by the first two quarters of 2021 Ghana attained $800m+ in investments from private, public and government investors both locally and internationally. These investments include FDI's. To mitigate the negative effects of the pandemic included the enforcement of the Ghana Covid 19 Alleviation and Revitalization of Enterprises (CARES) Program to attract investments to assure economic recovery and streamlined benefits for various economic sectors. Asides this, there is also a $20m fund launched by the government for startups in 2019 and the Coronavirus Alleviation Programme Business Support Scheme (CAPBuSS) to give support to SMEs to overcome the economic and financial challenges as a result of the pandemic.

These are clear indications that the government is positioning Ghana's economy to be propelled dominantly by entrepreneurship.

## Local Startup Ecosystem Investment Trends

This section of the report aims at highlighting the ways in which Ghana is taking steps in mitigating ecosystem challenges and positively influencing it. The following factors have highly influenced the consistent growth of Ghana's startup ecosystem:

### *Decentralized Ecosystem*

In Ghana there are quite a number of incubators and accelerators with the majority of them operating within the capital city of Accra (i.e **Impact Hub** Accra, iSpace, MEST Africa, Ghana Tech Labs, Founder Institute Ghana etc. ). Unlike other African counterparts, Ghana's incubator and accelerators are decentralised with other major hubs based within other cities such as Kumasi (Kumasi), Takoradi (iCode), Tamale (HopIn Academy), Cape

Coast (CodeCoast) , Ho (Ho Node), and Koforidua (Eastern Tech Hub). Decentralisation of these hubs have resulted in not only the facilitation of easy access to support but with increased advancement in technology, it provides the alternative solution for individuals to be a part of a larger network of the country's entrepreneurial ecosystem.

## *Corporate Ghana Engagement*

With the influx of a new generation of entrepreneurs within Ghana, increased participation from corporates within the local ecosystem has experienced an all time peak. Corporations now either have their own inhouse incubators which provide startups with business education and training support services and facilitate ecosystem collaboration events . Examples of such corporations include the Kosmos Innovation Center and the Stanbic Bank Incubator. Some of the corporations take their participation in support to the entrepreneurial ecosystem a notch higher by facilitating and hosting business challenges such as the MTN App challenge and ultimately offering grants or investments. These activities have become necessary to the growth of the Ghanaian entrepreneurial ecosystem especially industry specific cases due to the

## *Increase of Support Services*

With the increase of support services which include hubs offering workshops, local and international companies providing consultation , coaching and training there hasn't been a better time to function as an entrepreneur or investor in Ghana. Ghana's decentralised startup ecosystem has enabled easy access to these facilities. In addition to the growing youth population, university students and the youth in general are being pivoted to accept entrepreneurship as a viable career path and not a backup plan. In October 2021 Ghana's minister of Finance, Ken Ofori-Atta stated that the youth should take charge of their future through entrepreneurship and pursue opportunities within the private sector. Ofori Atta further stated the government will support budding entrepreneurs and offer credit to them in order for them to build businesses and create more jobs. There are public and academic institutions (local and international) who are also providing platforms and good entrepreneurship training to nurture skill attainment, innovation and collaboration. As a result this will increase the availability of quality mentorship, adequate research mapping and tracking , increased venture diversity, and even more in depth investor training for aspiring investors to further understand the various models and tools within the Ghanaian ecosystem to allocate capital successfully.



## *Government Intervention*

The Ghanaian government has purposefully identified itself as a business friendly one and has been consistent in making Ghana a conducive environment for business operations and entrepreneurship for both locals and foreigners. The government of Ghana has been tactical in developing initiatives to support businesses from the ground up to make sure the country's economy is being benefited by innovation. Over the years the government has established the following to promote entrepreneurship:

Digitalising address systems which in turn has promoted the growth of delivery and hail and e-commerce services locally and internationally (Glovo , Bolt, Jumia*)

- *Mobile money services have also boosted trade and commerce (i.e Zeepay*) The provision of tax breaks for business to reinvest earnings and grow*
- *Digitization of registration services critical to the ease of doing business such as passports and permit acquisition.*

- *The government has also developed bodies such as the Ministry of Education, Science Technology and Innovation (MESTI) to support business development, finance and the delivery of the National Entrepreneurship and Innovation plan (NEIP). The*

*NEIP operates as a flagship policy initiative with the main aim of providing integrated funding and business support for startups. With heavy participation from the President of Ghana himself these efforts from the government prove beneficial as they enable streamlining of policies, a better understanding of the Ghanaian ecosystem, an open floor for SMEs to compete for government contracts and ultimately raising awareness and increasing investment attractiveness.*

## Growing Community of Successful Entrepreneurs

Ghana boasts of a maturing ecosystem based on scales of specialisation due to industry and innovation diversifications. From an investors point of view this means an open basket of various opportunities meaning multiple ways of potentially achieving business bottom line or social impact depending on their motives. In Ghana's case it is evident that tech startups have received the most traction through opportunities discovered hence many investors focusing on this sector.

The success in the investments this sector has received can be attributed to ensuring these startups have adequate growth capital in order to scale and become industry success stories. An example of a Ghanaian tech startup success story is M-pharma. The company's case study is highlighted below.

**Spotlight: M-Pharma**

Co-founded in 2013 by Ghanaian entrepreneur Gregory Rockson, M-pharma is a heath tech company which provides a prescription drug inventory platform to its users and improves the effectiveness of pharmaceutical supply chains within African countries. M-pharma currently operates in Ghana , Nigeria , Kenya, Zambia, and Zimbabwe. M-pharma so far has raised 5 rounds of financing with its largest being $17M USD in investments in 2020. With regards to its initial development as a startup M-pharma went through an accelerator program . They participated in the Class X cohort of the Alchemist in April 2015 and were able to raise USD 11m+. M-pharma's success is definitely a testament to the benefits that come from support from eco-system builders. With regards to investor series, M-pharma has experienced a series A, B and C and also have been recipients of grants. Lastly due to its success the M-pharma brand has morphed into gaining acquisitions and partnerships with other pharmaceutical companies within Africa.

| | | |
|---|---|---|
| PEG Africa | Solar Energy | $56.54m |
| MPharma | Healthcare and Pharma | $42.1m |
| Jetstream | Logistics | $3m |
| Esoko | Agri Tech | $2.118m |
| AgroCenta | Agri Tech | $1.94m |
| RedBird Health Tech | Health Tech | $1.79m |
| OZÉ | FinTech | $1.425m |
| Moringa Connect | Agriculture | $1.395m |
| Complete Farmer | Agri Tech | $1.1m |
| Zeepay | FinTech | $940k |
| Redavia | Solar Energy | $898k |

Peer to peer (P2P) networks have been key to and have provided a platform to various ecosystem builders to learn and exchange knowledge from one another. However these platforms do have various focus points, for example Kumasi Hive is known for hardware, Soronko

Academy for training and MEST Africa for incubation and acceleration just to name a few. Also tech hubs in particular support one another through the Ghana Tech and Business Hubs Network (TBHNG) which aids in creating innovation clusters nationwide. The most successful ones are Meltwater Entrepreneurship School of Technology (MEST), iSpace, **Impact Hub** Accra, GiZ, Stanford SEED, Kosmos Innovation Centre, Ghana Tech Lab, and Hacklab Foundation. Although these peer networks complement each other there is a lack of synergy when it comes to the services they offer. According to the VC4A 2018 entrepreneurial ecosystem report these ecosystem players seem to have a mind of their own and push their personal agendas. Asides from this there is not enough streamlining on long term deliverables causing misalignments in the relationship between human, intellectual, financial and social capital. This can prove to be a disadvantage to investors because based on presentation they may be biased towards one sector against another and not have a holistic scope and understanding of the investment opportunities Ghana has to offer.

Generally ecosystem challenges are not limited to Ghana but the African continent over and they include :

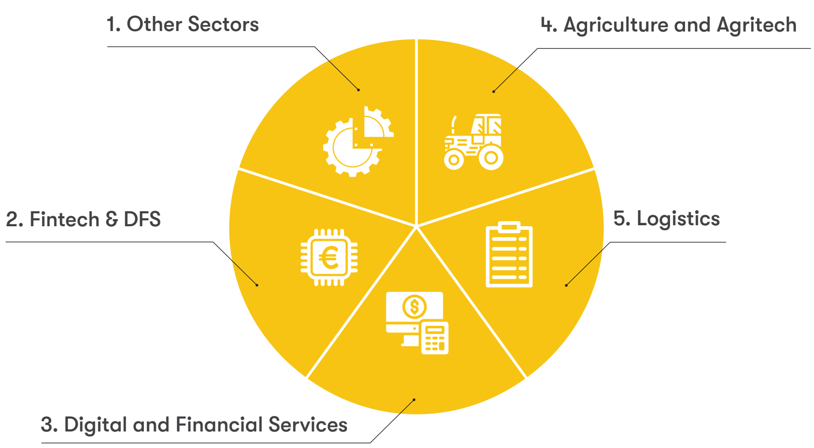
- Capital accessibility
- Limited but developing infrastructure
- An inexperienced labor market who are mostly young
- Corruption
- Cross - border influences
- Gender bias and related issues
- And lastly a limit in the streamlining of regulations and inadequate facilitation laws

Some of these bold steps taken to overcome these ecosystem challenges include female exclusivity, increased education, fine tuning due diligence requirements and providing guidance, information and support.



## Ghana's Investor Landscape

In Ghana's case all the above mentioned factors are relevant as they are relatable in the country's context. The fundamental factor for investments is based on the Ghanaian government's strong pro-business attitude. In 2020 Ghana was ranked 5th on Partech's analysis list of top countries for VC investment. Within this period, Ghana gained $111m in startup investments. Furthermore, Ghana has a solid reputation as the most attractive destination for Foreign Direct Investment raising FDI commitments over $3.5b+ in 2018.
Based on the growth of startups within the country investment trends have followed in a certain fashion:



However, as the Ghanaian investor ecosystem continues to evolve, investor types continue to evolve beyond the above mentioned list and these types of investors are categorized both locally and internationally. The table below highlights the funding and investor within the Ghanaian investor, with some of them being further elaborated by case studies on their effects so far on the Ghanaian investor ecosystem:

| Investor Type | Type/ Structure of Funding | Average Funding Range (USD) | Focus |
|---|---|---|---|
| Incubators & Accelerators | Grant + Equity | $10k - $30k | Equipping companies to be investor ready and injecting of capital into businesses in exchange for equity |
| Angel Investor Networks | Equity + Mezzanine | $20k - 250k | Injection of capital into businesses in exchange for equity (in some cases nothing at all) |
| Foundations | Grant | $5k - $3m | NGOs providing / charities providing impact investment funding |
| Public / Semi-public funders (backed by the government) | Grant , Equity +Debt | $6k - $500k | Capital or Loan provision particularly for startups and SMEs |
| 5) Banks | Debt | Varies | Capital or Loan provision |
| Impact Investors | Equity , Mezzanine Blended Finance | $25k - $3m | Positive social or environmental impact with possible ROI |
| Corporates | Grants + Equity | Varies | Supporting start-ups or SME's through CSR and supply chain integration |
| Venture Capital | Equity | $25k - $3m | Funding , developing and expanding of early - stage businesses (particularly within resonating sectors of operation of the VC) |
| Private Equity Firms | Equity + Mezzanine | $2m-$15m | Larger established companies to improve operations and profits. |

**Spotlight: Angel Investing in Ghana**

Angel investors within the Ghanaian context have traditionally been around informally as small businesses received capital injections from close family and friends. However, with the expansion of the entrepreneurship ecosystem and the infrastructure it came with, this basic context evolved into formal angel networks. These networks liaise with High Net Individuals (HNI's) and founders of businesses and provide a platform to educate both parties on opportunities , maneuvering infrastructure and system bottlenecks and lastly to participate in formal networking for portfolio expansion.

Following the slow down of activities of the Venture Capital Trust Fund-backed Ghana Angel Investors Network (GAIN), Nelson Amo founded the Accra Angels Network in 2019 to help fill the void. The Accra Angels Networks mandate is to provide a platform for business angels to invest funds and resources into Ghanaian startups who have a strong growth potential , Forecasted ROI , and has a cause which attributes to social and economic impact. In addition to being a network it also provides startups with resources to ensure their business operational capacities and sustainability.

Quick Angels, another Ghanaian founded angel network platform was birthed also within

2019 but with a twist as they plan to expand their expertise to other African countries with the aim of developing strategic partnerships and to promote innovative commercial angel investments. In an interview conducted by Modern Ghana, Richard Nii Armah Quaye, founder of Quick Angels had this to say -
"For how long will we allow young entrepreneurs to go through these challenges? How long will we allow what will otherwise be the next generation of champion entrepreneurs and businesses die at their early stages without intervening?"

With the annual increase of startups in Ghana there has also been increased interest shown by foreign angel investors however there are some regulatory factors which make their intentions short lived and it includes Ghana's investment law. This law requires a minimum
of $200k which exceeds the average amount most foreign investors are willing to pay especially due to their lack of knowledge and understanding in the Ghanaian ecosystem or potential investment inexperience. This amount is considered quite risky. Amidst the various investment type options in Ghana Quick Angels deem that platforms for formal angel investments as a concept in Ghana is rare and this can be attributed again to the high initial capital needed due to regulations and also Ghanaian investor attitudes.
In an academic paper written by Leticia Otubea Opoku, 2016, findings discovered that Ghanaian investors (either middle - high net individuals) react to the following

- Negative news which may include fraud or financial distress
- Popularity and societal perceptions of the start-up or company
- Forecasting of financial rewards

A company which fell within these categories was the infamous investment fund company, Menzgold Ghana. Ghanaians initially showed confidence and acted as "investors and angel investors" due to its popular nature and the promises of high ROI rates it promised its customers. Unfortunately this company turned out to be a ponzi pyramid scheme. The downfall of this company and its negative effects has definitely been etched in Ghanaian history and has potentially caused a taint on how local angel investors perceive startups and their willingness to invest. However this does not detract angel investors and startups looking for funding to practice due diligence and being patient to find the right investor startup match.

Considering investor behavior although there are streamlined similarities globally which include the common interest of some sort of ROI which may either be financial or impact based there are some definite differences when it comes to how local and international investors function. Research has shown that 53% of Ghanaian ventures receive funding locally and internationally. However, the participation of international investors is based on how much engagement they have received from international investors. This trend is vice versa also in the foreign investors.
Differences between local and foreign investors are highlighted in the table below.

The synergy between foreign and local investors is critical to ecosystem growth as each of their functions play major roles in grooming early stage ventures and promising access to new international markets beyond what is available locally.

## Local & International Investors

| | | |
|---|---|---|
| Accion Venture Lab | Lenatable | Global Partnerships / Eleos Social Venture Fund |
| 4DX | Lundin Foundation | Gold Venture Capital |
| Accion Venture Lab | Kepple Africa Ventures | Golden Palm Investments |

| | | |
|---|---|---|
| Accra Angel Investors Network | IFC Disruptive Technologies and Venture Capital | Goodwell Investments |
| Acuity Venture Partners | Injaro Investments | Venture Platforms |
| Acumen Fund | Ingressive Capital | Seedstars |
| Adlevo Capital | | Sem Capital Management |
| AfricInvest | Investisseurs & Partenaries I&P | Sherpa Ventures |
| Africa Enterprise Challenge Fund (AECF) | Kima Ventures | Blue Haven Initiative |
| Africa Tech Ventures | The Baobab Network | |
| | Mastercard Foundation | The Chrysalis Capital |
| Catalyst Fund | Medical Credit Fund | The Tony Elumelu Foundation |
| CDC Group | Meltwater Entrepreneurship School of Technology (MEST) Ghana | TLcom Capital LLP |
| Ceniarth | Mercy Corps Ventures | Total Energies |
| Chanzo Capital | Microsoft Afrika | UWAT (Unlocking Women and Technology) |
| CoLabs , Gray Matters Capital | Microtraction | V8 Capital Partners |
| Consonance Investment Managers | Newton Partners | Venture Capital Trust Fund |
| CRE Venture Capital | Norrsken Foundation | Singularity Investments |
| DFS Lab | Norvaster Ventures | Small Foundation |
| Endeavor South Africa | Oasis Capital Partners | Synergy Capital Managers |
| Energy Access Ventures | Omafa Capital Partners | GreenTec Capital Partners |
| Enza Capital | Orange Digital Ventures | Green Croft |
| eVentures Africa Fund | Orios Capital | Greenhouse Capital |
| EWB Ventures (Engineers without Borders Canada) | Outpost | Grey Matters Capital |
| Factor [e] | Partech Ventures (Partech Africa Fund) | Grofin |
| Founders Factory Africa | Persistent Energy Capital | KFW DEG |
| French Partners | Quona Capital | Afvest |
| Future Africa | Root Capital | AHL Venture Partners |
| Ghana Climate Innovation Centre | Savannah Fund | Allitheia IDF |
| Samata Capital | Vested World | Amaya Capital |
| Samata Capital | Wangara Green Ventures | Lateral Capital |



## Highlights of Business & Investment Policy Environment

To assure a higher deal flow rate for the execution of the second edition of **DDA**, it is important for investors to have knowledge of the ecosystem players they will source startups from , the policies they need to comply with and the general terrain and infrastructure of Ghana. It is also important to be aware of platforms which make their registration and stakeholder mapping experience more streamlined and accessible. In a hierarchical order these are the ecosystem players investors need to engage with before they can successfully be identified as investors in Ghana.

There are specific rules which foreign investors in Ghana need to adhere to and they are :
For companies which deal with non-traditional exports there is a reduced corporate tax available. For financial institutions a 20% rate is applied on incomes from loans provided to farms or leasing companies.
For 10 years Free Trade Zone companies are not liable when it comes to corporate tax payments. Subsequently after this grace period they are required to pay 15% on export

sales. For companies dealing in manufacturing and operating outside of Accra or Tema you are viable for a tax rebate. The rebates are as follows:

- Corporate Tax rate - 25% for regional capitals
- Elsewhere - 50% standard rate

For companies operating with the agriculture, waste processing , rural banking and VC space they pay corporate tax of 1% and gain tax holidays within period ranges of 5-10 years. On income generated for low-cost housing, a 1% corporate tax applies for 5 years.

Incentives for entrepreneurs aged 35 and below include for a 5 year corporate tax holiday and may gain rebates 5 years on and companies employing recent graduates qualify to receive an additional tax reduction  between 10%-50%.

Unlike most African countries foreign investors in Ghana can claim 100% ownership. However their interests should be in Ghana's best interest, aligned with Ghana's constitution and signatory to the World Bank's Multilateral Investment Guarantee Agency (MIGA) Convention. It is mandatory for all foreign investors to register with The Ghana Investment Promotion Centre (GIPC).

## Conclusions & Key Takeaways

From findings from the report and general consensus' Ghana has proved to be an ideal destination for investors who are looking for a location with stability, infrastructure and optimized processes to reach achievement metrics on various scales. For entrepreneurs and venture founders opportunity and development prospects can be measured on the same scale for both foreign and local investors. There are also hubs, accelerators, incubators and government bodies specifically set up just to ensure entrepreneurs are equipped . Essentially these ecosystem players act as gatekeepers when it comes to investment growth in Ghana. They provide platforms for education, networking and collaboration between investors and ventures and due to their decentralised nature in Ghana they have a greater advantage when it comes to venture diversification and specialization.
The following recommendations should be considered by the investor and the "investee" within Ghana's ecosystem :

- The investor should have complete understanding of the human resources needs of the "investee" company in order to navigate the allocation of resources (i.e funds).

- With the intense growth of startups and ventures there is a rush for raising capital. Since angel investing is not as popular in Ghana there is a need for investors to do in depth research to avoid an investor - "investee" mismatch and this also applies to the "investee".

- Just as investors are eager to invest capital into the Ghanaian ecosystem they should be as eager to get involved with the education process of investing in Ghana and serve both as "student participants" and educators . They can do this by reaching out and interacting with hubs , accelerators , incubators , GIPC and even the government. This will enable investors to identify skill gaps, policy bottlenecks, registration,legal and policy navigation and niche sectors to focus. Furthermore by increasing their interaction it gives them a larger pool of investee candidates to select from.

# Nigeria

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# Nigeria

According to the Absa Africa Financial Markets Index 2021 Report, Nigeria remains the third most attractive destination for investments in Africa with only Mauritius and South Africa ahead. This ranking is based on six metrics;

- Market depth: the size and liquidity of the capital market
Access to foreign exchange: the ability for countries to managing volatility
- Transparency and regulation in the market: based on tax incentives, reporting standards and market transparency
- Capacity of local investors: the size of the pensions fund market and its ability to drive market activity
- Macroeconomic opportunity: suggesting the potential for growth
- Enforceability of international financial agreements: indicating risk mitigation

Nigeria was cited as having strong macroeconomic activity, transparent regulatory environment, an attractive market environment and being able to enforce contracts and continue transactions.

Lagos, Nigeria was ranked one of the top emerging ecosystems according to The Global Startup Ecosystem Report GSER 2020 with access to funding, the value of the ecosystem, the number of exits and how many startups succeed in the ecosystem being the main reasons. Even within the year of uncertainty, there was still some traction with companies raising funds in 2020. However, funds were prioritized to ventures that were already in portfolios of investors.

**Challenges of Investing in Nigeria**

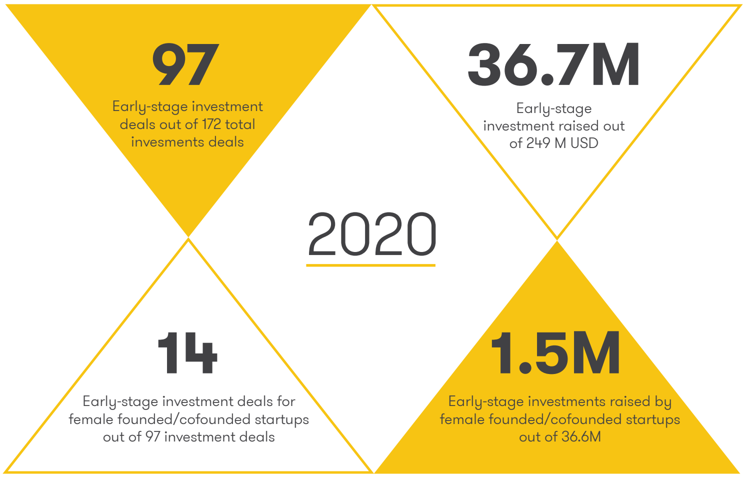
Although Lagos, Nigeria is highly ranked as a favourable destination for investments, and an emerging global ecosystem, there are challenges startups in Nigeria face especially early stage startups. They include;

- Investors taking a conservative approach to investing
- Lack of visibility and poor access to investors
- Inaccessible or unavailable essential data points that will aid in market sizing for example
- Government regulations and policies that act as towers and barriers to building scalable and sustainable processes
- Lack of skilled talent in specialized fields making it difficult to acquire and retain talent that is affordable at an early stage
- Unfavourable government regulations that are introduced randomly or those that arise as new industries are being formed
- Instability of the government as well as insecurity within the country as a whole
- Corruption that tends to delay process and cripple initiatives
- Foreign exchange restrictions causing
- Lack of intellectual property rights making it difficult to protect investors and their investment

## Startup Investment Landscape

**2020 Overview**

Home to the most funded startups and attracting the second largest amount of investment,

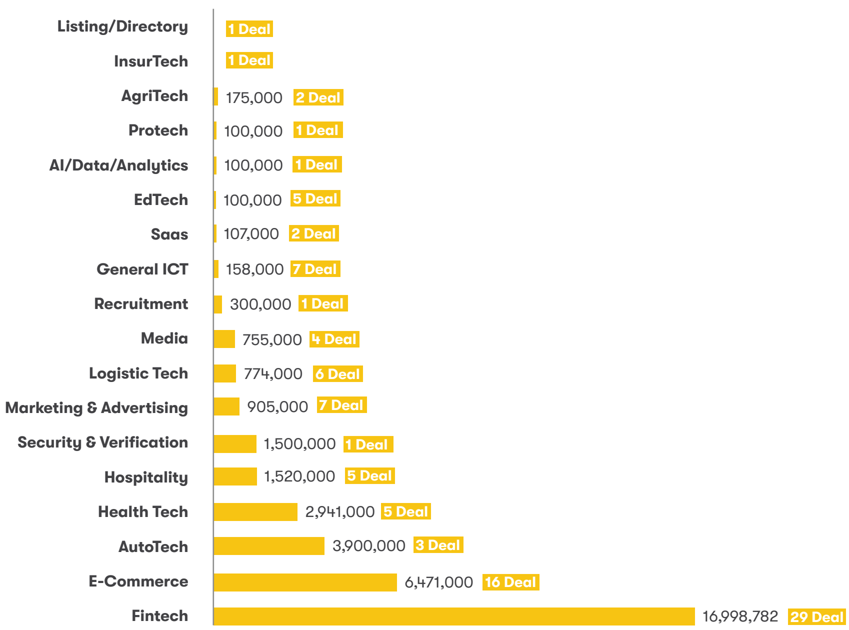


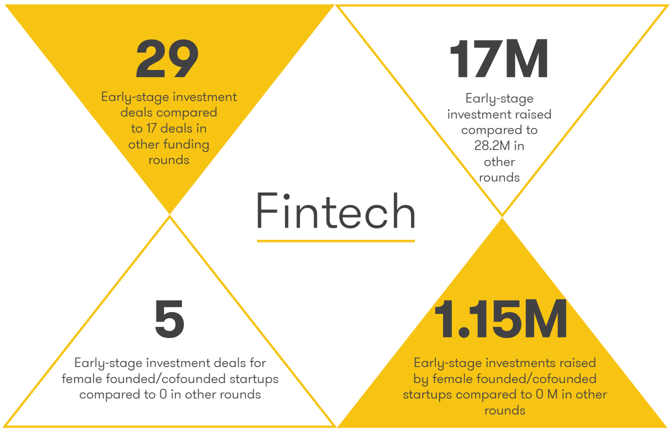

Crunchbase startups received funding in 2020 in Nigéria

Nigeria continues to be a startup powerhouse on the continent. According to Disrupt Africa, the growth in the number of startups securing funding was particularly remarkable in 2020, as the country saw a 77 percent increase on the previous year. In 2019, Nigeria ranked in third place for number of backed startups, so 2020 marks a big leap forward on this front.

In 2020, a large number of startups raised at smaller ticket sizes, which accounts for the slight decline in the country's average deal size to US$1,768,918 (from US$2,551,563 in 2019). Over the past six years, the trend in general in Nigeria has been a gradual slide in average ticket sizes - with more support for more startups raising at the lower end of the spectrum, interspersed with a few later-stage (Series A, occasional Series B), larger rounds.

For early stage deals, Fintech received the highest investment value in early-stage with about 17 Million USD raised across 29 deals. The E-Commerce sector raised about 6.5 Million USD across 16 deals while AutoTech raised 3.9 Million USD across 3 deals.



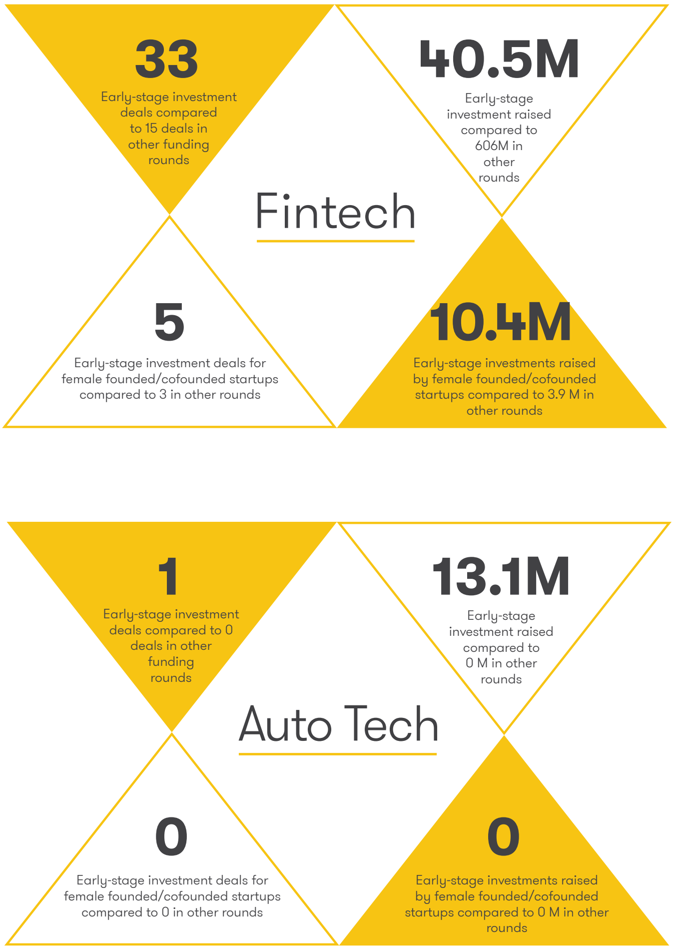






In 2020, Fintech ventures in the Early-stage received the most investment deals with 29 deals, worth 17 million USD; among these 29 deals, 5 deals were closed with ventures that are either female founded or co-founded. The e-commerce sector received the second highest number of deals with 16 deals worth 6.47 million USD. However, only one of these deals were closed by female founded or co-founded ventures.

| Catalyst Fund | Amount Raised (USD) | Most Funded Company |
|---|---|---|
| Fintech | 16,998,782 | Kuda |
| E-Commerce | 6,596,100 | Alerzo |
| AutoTech | 3,900,000 | Autochek |
| Health Tech | 2,941,000 | HealthLane |
| Hospitality | 1,520,000 | Ryravel |
| Security & Verification | 1,500,000 | YouVerify |
| Marketing & Advertising | 905,000 | RubiQube |
| Logistics Tech | 774,000 | Treepz (Plenty Waka) |
| Media | 755,000 | Stears |
| Recruitment | 300,000 | TalentQL |
| General ICT | 158,000 | Spurbuddy |
| SaaS | 107,000 | Blueloop |
| EdTech | 100,000 | Gradely.ng |
| AI/Data/Analytics | 100,000 | AirSmart Inc |
| Protech | 100,000 | Hutstack |
| AgriTech | 50,000 | ReelFruit |




Crunchbase startups received funding in 2020 in Nigéria

Fintech ventures in the early-stage received the most investment deals with 33 deals, worth 40.5 Million USD; among these 33 deals, 5 deals were closed with startups that are either female founded or co-founded. More deals were made for Fintech startups in the early-Stage than any other funding round. The Auto Tech sector received the second highest value of funding and interestingly this was raised by just one startup. Autochek is the only startup in the Auto Tech space that has received funding (so far) in 2021 regardless of funding round.

| Industries | Amount Raised (USD) | Most Funded Company |
|---|---|---|
| Fintech | 40,495,000 | Mono |
| E-Commerce | 13,100,000 | Autochek |
| AutoTech | 6,300,000 | Vendease |
| Health Tech | 5,100,000 | MDaaS Global & CribMD |
| E-Commerce | 3,588,000 | SendBox |
| General ICT | 3,007,000 | Omnibiz |
| Logistics Tech | 2,650,000 | Treepz (Plenty Waka) |
| Recruitment | 1,620,000 | Decagon |
| Marketing & Advertising | 1,410,000 | Termii |
| Hospitality | 1,400,000 | Eden Life |
| EdTech | 575,000 | Edves |
| InsurTech | 450,000 | Curacel |
| Security & Verification | 100,000 | Sety |

## Conclusion

Nigeria has been ranked as one of the top 3 most attractive destinations in Africa, according to the Absa Africa Financial Markets Index 2021 Report. And Lagos, Nigeria has been ranked one of the top emerging ecosystems according to The Global Startup Ecosystem Report GSER 2020.

The startup ecosystem in Nigeria is very active – in 2020, in the midst of the pandemic, Nigerian startups raised 249 million USD over 172 deals. Although, most investors were still conservative, choosing to invest in startups that were already in their portfolio rather than expanding their portfolio. This was for various reasons including the uncertainty of the times but also their limitations in conducting due diligence. Sectors like Fintech and E-Commerce, the usual suspects for investments, received the most (in terms of value) investments in 2020. With early-stage startups, about 97 deals were closed with 36.7 million USD raised. About 56% of deals closed in 2020 were towards early stage startups. More and more investors are taking advantage of the agility of early-stage startups and the added value they can provide.
In 2021, it seems like investments are trying to catch up with missed opportunities in 2020.

The investment landscape is a lot more aggressive and diverse in the sectors funded. So far, 1.06 billion USD has been raised over 136 deals. The Fintech sector still received the most investments (in terms of value) but Auto Tech, Agritech and Health Tech are raising more than the usual suspects of E-Commerce. Although women are still getting smaller valuations, raising smaller investment values, and closing less deals, in 2021, 14 deals have been closed by female founded or co-founded startups worth 13.7 million USD.
For 2022, analysts are predicting more activity in Fintech as the reality is that the digital economy requires the financial activities which Fintechs provide. There will be more Fintech solutions particularly focused on providing infrastructures for other sectors.
There will be more 'born in Nigeria, raised abroad' startups - startups that originate from a need in Nigeria but will find more opportunities in foreign markets. There will be more collaborations between startups where they will work together to scale quicker.
Startups need more knowledge sharing from support organizations, access to peer mentorship, introductions and assistance in getting investment ready.



# Rwanda

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# Rwanda

## Background

In the past five years, Kigali has positioned itself as an important startup hub on the African continent, alongside cities such as Accra, Lagos and Johannesburg. The ease of doing business, the quality of the infrastructure and the overall efforts by the Government of Rwanda to promote entrepreneurship are some of the aspects that encourage local founders and attract international founders to establish themselves in Kigali and consider the city as their entry market. Unlike major startup hubs on the continent, the investment ecosystem has not grown significantly over the past few years, making it a major barrier for startups in Kigali.
The Covid-19 crisis had a tremendous impact on the startup ecosystem, causing major disruptions in sectors such as logistics, transport and hospitality. However, the pandemic also created new opportunities for startups in the tech industry. In the last 18 months, Entrepreneurs in sectors such as edutech and fintech witnessed significant growth in their revenues and volume of transactions.

## Startup Investment Landscape

The Rwandan early-stage investment landscape is dominated by the following types of organizations.

Accelerators/Incubators/ESOs
Several accelerators and incubators provide pre-seed funding to their top performing incubatees, generally after the completion of pre-defined milestones. These funds take the form of grants or loans at low interest rates. In addition to funding, the recipients generally obtain advisory support, mentoring and coaching.

ES Partners supports the top 3 performing startups of its 6-month Tourism Inc incubation program with $10,000-15,000 disbursed in the form of a grant. The iAccelerator program of the Imbuto Foundation rewards the 3 best startups of the program with a grant of $10,000 each. Dope Apps and Tantine App are among the startups which ranked among the best and obtained these funds in 2019 and 2020. Ondenemers voor Ondenemers, a Belgian ESO provides a 3-month coaching program that comprises a loan at 7% interest rates for its 3 top performing startups. The invested amounts vary between $5,000 and $50,000. Agri-tech startup Croptech obtained in 2020 a $12,000 loan from the OVO program. UmuravaWork and Smartclass are 2 of the best startups of the program in 2021 and are currently in the process of obtaining similar loans. The Jasiri Talent investor program also provides financing for its top performing startups (no detail provided on the amount). Unlike other programs, Tourism Inc. (ES Partners) and iAccelerator (Imbuto Foundation) do fund startups that are still at an ideation/prototyping phase.

The newly created Rwanda Fintech Hub is an acceleration program that provides grants of up to 15,000$ to fintech startups that have validated their business models and reached product-market fit. All the participants from the first cohort in 2020 received this amount, including Exxus, Benefactors, Raisin and Hepta Analytics.
Business Professionals Network (BPN) is an ESO that lends up to $20,000 to SMEs that

participate in their 4-year coaching program.
It is also worth mentioning that a number of ESOs finance startups that did not necessarily participate in their respective programs. African Entrepreneur Collective affiliated to Inkomoko provides loans to SMEs in Rwanda (amount depends on project size). The Segal Family Foundation also provides debt/equity funding of up to $100,000 to startups in Rwanda and the region with innovative, scalable models to address Africa's most pressing social and environmental challenges.

| Organization | Portfolio | Ticket Size | Type |
|---|---|---|---|
| **Imbuto Foundation (iAccelerator)** | Dope Apps, Tantine App | | Grant |
| **Ondenemers voor Any Ondenemers (OVO)** | Croptech | $5,000 - $50,000 | Debt |
| **Rwanda Fintech Hub** | Croptech | $5,000 - $50,000 | Debt |
| **Rwanda Fintech Hub** | Exxus, Benefactors, Raisin, Hepta Analytics | $15,000 | Grant |
| **Business Professionals Network (BPN)** | Uzury K&Y | Up tp $20,000 | Debt |

Examples - Accelerators/Incubators/ESOs providing funding

## Venture Capital / Angel Investors

Early-stage venture capital firms based in Rwanda provide pre-seed funding with ticket sizes that generally go up to $100,000 in the form of debt, equity or alternative models such as convertible notes. East African Investments Ltd represented by Joanna Nicholas invests between $10.000-50.000$ in early-stage startups. In 2021, East African Investments invested in Viebeg, a health tech company that, through an innovative procurement platform, provides high-quality medical and dental supplies as well as equipment in Central and East Africa. Before Covid-19, the investment firm invested in renowned startups Uplus, Kasha, GetIT, Winnaz and Uzury K&Y with successful exits.

Uncap is an impact investment firm that has invested between $10,000-50,000 in SMEs: Recycl'Africa, San Coffee, G5 Sky Growth, Real Green Gold, Sanit Wing.

The Business Angels Network Rwanda is a network of angel investors that co-invest in early stage startups taking equity stakes with ticket sizes of up to $50,000. The network is backed by Rwanda Finance Limited and Kigali Innovation City. It was launched early 2021 and has so far invested in Afia Pharmacy and Food Bundles.

RENEW Investment Advisors Ltd is a newly established impact investment firm that launched in Rwanda in April 2021 and plans to invest in early-stage startups. Several startups are currently in discussion for funding of up to $20,000

An important number of VC firms investing in Rwanda have offices in neighboring countries or elsewhere in the world. ARED, a solar kiosk company, raised $250,000 in May 2019 from GreenTech Capital, based in Germany. Prior to that in 2017, ARED received investments from Gray Matters Capital, while Vilcap Investments and VillageCapital both invested $50,000 in the company in 2016. Leapfrog Ventures from Japan was one of the first companies to invest in the fintech firm Exxus with $50,000 in 2018. VestedWorld with headquarters in Chicago invested in successful startups Kasha in 2018 and in GetIT in April 2020. NISK Capital was one of the early investors in fintech startup Benefactors ($150,000). DOB Equity invested in Sarura in 2018 an undisclosed amount.

In the agricultural space, Grofin Africa Fund invested an undisclosed amount in Agasaro Organic in 2019, a woman-owned business which processes pineapple, maracuja, strawberry, honey and other agricultural products to make organic juices and biscuits. Rwanda Trading Co. which is active in the coffee value chain received funding from the Eleos Social Venture Fund, while KZ Noir, also dealing with coffee farmers, obtained investment from Acumen.

| VC/Angels | Portfolio Examples | Ticket Size | Type | Sector |
|---|---|---|---|---|
| **GroFin Africa Fund** | Agasaro Organic | \$100k – \$1.5m | Quasi-equity (preferred), equity and debt | SME in education, healthcare, agri- processing, manufacturing and key services (water, energy and sanitation) |
| **Acumen** | KX Noir | \$750K | Equity, loans, and mezzanine | Financial inclusion, agriculture, education, energy, health, housing, water |
| **Global Partnerships/Eleos Social Venture Fund** | Rwanda Trading Co | \$100k seed, \$350k series A | Equity, convertible debt, revenue- based securities, demand dividend securities | Education, energy, health, livelihoods, sanitation and water |
| **GreenTec Capital Partners** | ARED | \$100k – \$500k | Equity | Agriculture, resources (energy, water), digital, ICT |
| **eVentures Africa Fund** | NA | \$100k – 1m | Equity and mezzanine | Internet, mobile apps, e-commerce |
| **Fanisi Venture Capital Fund** | Sophar Limited (2013), Prodev (2013) | \$500k – \$3m | Equity | Generalist, healthcare, education, retail & consumer |
| **Unconventional Capital** | Recycl'Africa, San Coffee, G5 Sky Growth, Real Green Gold, Sanit Wing | \$10k-\$50k | Revenue based equity | Any |
| **Business Angels Network Rwanda** | Afia Pharmacy, Food Bundles | up to \$50k | Equity | Any |
| **Gray Matters Capital** | ARED | \$50k - \$250k | Revenue share | Any |
| **VestedWorld** | GetIT, Kasha | NA | Equity | Any |
| **DOB Equity** | Sarura | NA | NA | Any |
| **Root Capital** | NA | \$200K - \$2M | Debt | Any |

Examples – VC/Angel investors

## Other Stakeholders

The Rwanda Green Fund invested in Ampersand more than \$180,000 prior to Covid-19 alongside USAID's Development Innovation Ventures, Shell Foundation, the UK FCDO's Frontier Technology Livestreaming fund, the New Zealand Government, and a loan from Blue Haven Initiative's Catalytic Fund.

The Carnegie Mellon University Industry Innovation Lab provides \$10,000 \$ of credit and training from Amazon Web Services as well as employee salary fees for 12 months to its incubatees. The recipients of these funds include Hepta Analytics, Aurora Tech, Tabiri Analytics.

The Agritech startup Eza Neza received funds (undisclosed amount) from SNV to kickoff operations and build a greenhouse in 2019. The startup Digital Umuganda received funding after winning an ideation hackathon organized by Mozilla and the GIZ Innovation Fund to start collecting voice data to build a voice recognition tool in Kinyarwanda.

Grant organizations.
A large number of early-stage startups in Rwanda finance themselves through grants that usually come as a result of pitch competitions or hackathons both local and international. These grants can range from $1000 to $500,000. The organizations behind these grants are for the most part foundations, government agencies and more rarely corporations. The table below lists some of these organizations.

| Organization | Portfolio | Prize | Year |
|---|---|---|---|
| **Tony Elumelu Foundation** | CCE Buisness Group | $5K | 2018 |
| **Green Growth Innovation Award** | My Green Home | $5K | 2018 |
| **Commonwealth Innovation Award** | My Green Home | $3K | 2018 |
| **Hult Prize Seedstars** | Mago Farm | $30K | 2019 |
| **Partners in Acceleration from MakeIT** | Bag Innovation | $100K | 2020 |
| **Seedstars** | Benefactors | $150K | 2018 |
| **Google Black Funders Fund** | AC Group<br>Bongalo | $320k | 2021 |
| **GoGettaz Agripreneur** | Saint Wing | $50K | 2021 |
| **Jack Ma Foundation(Africa Netpreneur Initiative)** | Water Access<br>Uzury K&Y | $100K, $65K | 2019 |
| **Postcode Loterry Green Challenge** | Earth Enable | EUR 500K | 2017 |

Examples – Awards and Grants

## Bridge Funds

Several bridge funds were created to support SMEs during the Covid-19 crisis:

The Komeza program: financed by the Mastercard Foundation, implemented by ES Partners in partnership with Equity Bank Rwanda PLC. It provided financing of up to $50,000 to 60 SMEs that had been operating in the Tourism and Hospitality sector for at least one year and that could demonstrate that their operations had been seriously hit by the crisis.

The Corona Action Rwanda collective made of ESOs based in Kigali awarded $20,000 to the winner of a pitch competition that rewarded the most innovative enterprise that addressed the challenges raised by the pandemic.
The Bridge Fund by Digital Africa: Launched in Nov 2020, it was deployed by the French government agency Proparco and intends to support young innovative companies that were impacted by the Covid-19 crisis. Tickets range from $200,000 to $600,000

The GoR Economic Recovery Fund (ERF) – SME Window: The Government of Rwanda set up in 2020 a fund allowing SMEs to obtain loans of up to RWF75million. The interest rate for these loans is at eight percent (8.0%), tenor of five years (5) and grace period of one (1) year.

## Focus Industries

The majority of investors venturing in Rwanda are interested in the following sectors:

### Fintech

The Covid-19 crisis has accelerated the increase of digital payments in Rwanda and has created new opportunities for payment gateways and payment service providers. The expansion of Nigerian tech startups such as Flutterwave or Chippercash in Rwanda has also brought new dynamism to the local fintech landscape. The newly created

Rwanda Fintech Hub, an initiative of the Rwanda ICT Chamber and Kigali Innovation City helped raise the profile of existing startups: Benefactors, Exxus, HeptaPay, Raisin, but also create a new pipeline of entrepreneurs. Rwanda Finance Limited, the organization behind the Kigali International Financial Centre is actively working to attract international fintech founders to Rwanda and has advocated for better regulatory policies for fintech entrepreneurs.

**E-commerce**
Similar to Fintech, e-commerce platforms have seen their volume of transactions grow exponentially as the result of consecutive lockdowns. Food delivery, retail, procurement of seeds/inputs, a broad range of sectors are raising the interest of investors. A fundamental shift in the perception of ecommerce platforms by everyday Rwandans also took place as a result of the crisis, and this has triggered the creation of dozens of new ecommerce and delivery companies in 2020. In the middle of the crisis, Kasha and GetIT raised Series A funding and this raised the profile of Rwanda in the region in terms of e-commerce and logistics.

**Edutech**
Online learning platforms have experienced an exponential uptake during the Covid-19 crisis as they were mandatory in schools, while large telco companies such as MTN have provided zero-rate access to encourage Internet users to adopt these platforms. The Loop Accelerator was launched in 2020 to support new edutech companies. Smartclass, Mutware Education, Bag Innovation received several awards and grants in 2020 and 2021.

**Agritech/Agriculture**
Agritech is a growing sector of interest for investors in Rwanda. This rapid growth is due to the efforts deployed by the Government of Rwanda to digitize processes in agriculture: procurement of seeds, insurance and microloans for farmers, etc. Moreover, the growing importance of the horticulture sector requires tech solutions for irrigation, seed planting, etc. New practices such as aquaponics, hydronics and vertical farming are increasingly popular among young farmers.

**Green Growth**
The amount of affordable capital available for green growth has significantly increased globally and the progressive policies of the Government of Rwanda in terms of waste management, recycling and renewable energy have contributed to the growth of this sector.

Besteller Foundation has invested $50,000 in Umuti in July 2020, while MyGreenHome and Wastezon also raised money through grants in 2018 and 2019.

## Challenges

**Regulation & Taxes**
Investors in Rwanda have in the past reported challenges in the process of domiciliation and registration in Rwanda. Financial hubs such as Nairobi, London or Mauritius are generally preferred by investors for their favorable conditions. Moreover, taxes on capital gains have been relatively high and were considered a barrier for entry. The recently published investment law has however addressed these challenges.

**Pipeline**
The culture of entrepreneurship is relatively new in Rwanda and was not promoted by past governments before 1994. In addition to that, the notion of risk taking, individual thinking and innovation is not yet encouraged by the Rwandan education system, hence

limiting the number of entrepreneurs and innovators. Moreover, the first generation of start-up entrepreneurs (2012-2016) who were heavily publicized in the media, encountered numerous entry barriers due to the fact that the ecosystem was nascent. The failure of these entrepreneurs has largely contributed to the general perception that startup entrepreneurship is extremely risky. As a result, young entrepreneurs prefer to venture into more traditional SMEs that are not innovation-driven (import-export, retail, fashion, real estate).

**Investment-readiness**
Due to the limited size of the Rwandan market, investors are interested in startups that have scalable models that could reach the rest of the continent. The majority of African countries have markets that are generally unregulated and more competitive than Rwanda. Unfortunately, the majority of Rwandan entrepreneurs are either unaware of this reality or lack the skills to build such models. Similarly, Rwandan entrepreneurs tend to overlook issues such as insecurity, poor infrastructure and connectivity in the design of their products and business models.

In addition to that, very few Rwandan early-stage startups invest time in structuring their business from a legal and financial point of view. Most investors point out that these entrepreneurs have little to none financial records, are unaware of the taxes they are obliged to pay and lack basic financial management skills.

Most institutional Investors operating in Rwanda will:

- Source startups through their personal networks and by reaching out to innovation hubs
- Screen startups and initiate a first meeting (usually virtual) • Conduct due diligence activities and deep dive into the business
- Discuss details of the deal and finalize the paperwork
- Close the deal and start follow up on progress



## State of Startups in Rwanda

The majority of startups obtaining investment have between 1-3 years of existence, have found their product market fit and are for the most part post revenue (1-5million RWF a month). These startups are founded by fresh university graduates or young professionals with a university background in their late 20s or early 30s. One common trait seen among successful founders is that most of them have created at least one business before, or know the sector they operate in from past personal or family work experiences. Their teams have generally between 1-5 employees and know each other from university and friend circles.

Startups for the most part do not know where to find information about investors operating in Rwanda. There are little to none networking events designed for investors and entrepreneurs, no repositories or databases of investors available, apart from publications (Startup Guide Kigali, Make/IT Scale Up). Moreover, startups are generally not aware of the maturity stage they find themselves in and the type of funding and investors they should be looking for.

A good number of players investing in Rwanda are not based in the country and this makes it hard for entrepreneurs to enter in contact and stay in touch, making the overall process of dealmaking more cumbersome.
Startups registered in Rwanda are often required by investors to be registered in regions or cities with favorable tax regimes (e.g. Delaware). Startups have generally little understanding of the process and requirements needed to achieve this goal.

It is also worth noting that the cost of legal representation is considered by entrepreneurs to be very high in Rwanda and the number of lawyers who are specialized in the startup space is very low.

In most cases, international founders or Rwandan founders with international exposure make use of their networks and reach out to investors directly at conferences, networking events or through mutual contacts. Rwandan founders who have less international exposure on the other hand will reach out to local institutional investors at local pitching competitions, hackathons or through the hub/incubation program they are affiliated to. Investors whether foreign or local generally reach out to already successful startups, or to existing hubs and incubators for recommendations.

## Highlighting Success

**Kasha**
Kasha is a social enterprise that started in 2016 striving to improve access to health, menstrual care and personal care products as well as information for women of various socioeconomic status in urban and rural areas via an agent network in Rwanda and Kenya (Newtimes 2021). It was founded by Joanna Bichsel. The company was backed by early- stage VCs Vestedworld and East African Investments in 2018. Kasha expanded to Kenya in 2019 and raised $3million Series A funding from IFC and the Swedfund in 2020. In May 2021, the company raised an undisclosed amount from Mastercard.

**Get IT Rwanda**
Launched in 2014 by Lauren Nkuranga, GET IT combines food production, manufacturing, and distribution to build an integrated food ecosystem. The startup leads with domestic distribution to commercial kitchens and hospitality outlets, specializing in fresh fruits and vegetables, while it also offers a full in-stock portfolio of dry goods tailored to commercial kitchen needs (Disrupt Africa). In June 2020, GET IT raised Series A funding led by VestedWorld and Chandaria Capital ($1,5million). The round should help the company build a model of hospitality distribution, manufacturing partnerships, and primary horticultural production in Rwanda.

**ARED**
Launched in January 2013 by Henry Nyakarundi, ARED develops solar kiosks – known as Shiriki Hubs – that are run mostly by women and people with disabilities using a micro- franchise business model (Disrupt Africa). From 2019, ARED started expanding to neighboring countries and is now present in Ethiopia, Ivory Coast and Uganda. After raising seed funding from Gray Matters Capital and GreenTec Capital, ARED received a $1million investment in Feb 2021 from Darryl Finkton Jr.

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Nairobi, Growth Africa

## About Impact Hub & Growth Africa

**Impact Hub** is a global network focused on building communities for impact at scale. With 100+ communities of 16,500 change-driven entrepreneurs in more than 55 countries across five continents, Impact Hub is one of the world's largest communities and accelerators for positive change. We contribute to the development of social enterprise ecosystems to drive collaboration and innovation around the Sustainable Development Goals through locally rooted Impact Hubs, as well as with partners and allied networks.

**Growth Africa** based in Nairobi, Kenya, grows local and international ventures and businesses through acceleration, strategic advice and access to investments. It is an African accelerator and a growth partner for entrepreneurs leading ambitious and scalable ventures and growth SMEs.

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