Founder's Guide to Fundraising

Tanzania

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DEUTSCHE ZUSAMMENARBEIT

Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Make-IT in Africa

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Partners

Make-IT in Africa believes in the catalytic power of African innovation and digital technologies for green and sustainable development. In close collaboration with digital visionaries like start-ups, innovation enablers and political partners, we empower African innovation ecosystems. Together, we aim to strengthen an environment in which the full potential of African digital innovation can unfold. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH implements this project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

Briter Bridges is a fast-growing market intelligence and research firm focused on emerging economies. Briter has built the largest collection of visual publications on Africa and underserved markets and regularly provides data and insights to corporates, development finance institutions, governments, and investors. Briter's proprietary business data platform, Intelligence, is regularly used by thousands of public and private organisations ranging from the World Bank to Amazon and governments.

Sahara Ventures is a group of companies consisting of three companies; Sahara Consulting, a management consulting firm adopting innovation, technology and entrepreneurial approaches. Sahara Accelerator, a corporate-sponsored and venture-backed startup and SMEs accelerator, and Sahara Sparks a conference and marketplace for innovation and technology stakeholders.

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Foreword

Make-IT in Africa

Startups are a key driver of economic growth and digital transformation in Africa. Investment into Africa's startup founders is on the rise. Disclosed funding is on its way to $4bn in 2022. While the headlines often focus on a few big markets such as Egypt, Kenya, Nigeria, and South Africa, many other markets are also making strides. Tanzania is one such market. Since 2015, 27 startups have raised more than $58m in disclosed funding. More than 5 startups have raised more than $1m.

Despite this growth, funding remains out of reach for a large portion of startups. This is a particular issue for early-stage startups who are balancing the competing needs of building and funding the business. What we hear from these founders is that they have limited time and resources and they need some guidance in navigating their local ecosystems to access the right financial and technical support to grow their businesses. The challenge with the existing support offering is that oftentimes information can be missing, scattered or not anchored in the realities of the local ecosystem.

The GIZ project Make-IT in Africa partnered with Briter Bridges and Sahara Ventures to address this information and knowledge gap. This Founder's Guide to Fundraising in Tanzania is part of a broader initiative set out to gather local knowledge and offer appropriate tools for founders on their fundraising journey.

By building knowledge and tools with the ecosystem for the ecosystem we believe we can upgrade the offering provided to startups, in turn strengthening their role in driving economic growth and digital transformation, as well as the innovation ecosystems that support them.

Matthias Rehfeld
Head of Programme
Make-IT in Africa

Briter Bridges

Strengthening the knowledge and tools that entrepreneurial ecosystems have to support investment into startups in Africa is at the heart of our mission at Briter Bridges. Since our establishment in 2018, we have been working with local ecosystem stakeholders to map, understand, and make sense of entrepreneurial ecosystems in Africa for investors, development finance institutions, governments, and most importantly, founders. We understand that by working with local ecosystem stakeholders like Sahara Ventures, we can produce knowledge and information that best reflect the realities on the ground. Their CEO, Jumanne Mtambalike, has been a key driver of the Tanzania ecosystem and understands the important difference between it and other ecosystems in Africa.

This partnership with the GIZ project Make-IT in Africa to develop Founder's Guides to Fundraising has further reinforced this understanding. The difference in the contexts of the ecosystems across the countries presents varying funding and technical support options for founders. Founders need this local and contextualised knowledge and information to ensure they don't waste valuable time and resources. For example, while Tanzania is right next to Kenya, the investment landscape is very different. Designing knowledge and information for these different contexts is critical to ensure we give founders the best chance to be successful.

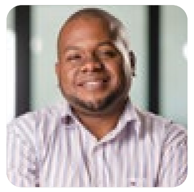
Dario Giuliani
Founder
Briter Bridges

Sahara Ventures

Tanzania's innovation and startup ecosystem is on the rise. In 2011, Dar es Salaam had fewer than five tech hubs and co-working spaces. In 2021, it had nearly 50. Tanzania is also unique in that its ecosystem is not limited to Dar Es Salaam. Today, Tanzania's innovation ecosystem is among the most inclusive in the continent with data labs, arts spaces, living labs, community spaces, makerspaces, creative spaces, incubators, accelerators and technology hubs distributed across the country, even in the most remote parts. Government agencies like the Commission for Science and Technology have played a key role in this.

Yet, despite this support and growth, early-stage founders struggle to raise funding. While many startups have raised funding, many more have not. I continuously get asked how to help these startups get in front of the right investors and how to pitch when they get there. While there is no one way to approach this in Tanzania, there are some common ingredients emerging.

In partnership with the GIZ project Make-IT in Africa and Briter Bridges I worked with over 20 stakeholders in the ecosystem to identify these common ingredients and share them in this Founder's Guide to Fundraising in Tanzania. The guide strengthens the knowledge and guidance that support organisations like Sahara Ventures in Tanzania can offer, in turn building a more resilient and impactful ecosystem in Tanzania where startups can flourish.



Jumanne Mtambalike
Chief Executive Officer
Sahara Ventures

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Introduction to the guide

Startup ecosystems across Africa are at very different stages of maturity. Some startup ecosystems are home to a robust local investor and ecosystem support landscape, while others rely on international support. Navigating these different ecosystems and the different financing and support options within them can be time consuming, particularly for startup founders who are busy running and growing a business.

This guide is designed to help early stage startup founders, saving you time by consolidating the financing and support options available to you, so you can more easily get on with running your startup and realising your goals. We start by taking you through a fundraising 101 recap to reflect on whether now is the right time for you to start fundraising, what you need to know before you start, what to expect while you are raising, and what happens after you've closed the deal. It also includes a **glossary** of common terms to ensure language is not a barrier to your success.

Armed with the information contained in this guide, you will be equipped to tackle the Tanzania startup ecosystem landscape. You will find information on:

- Trends in funding for startups
- Features and offerings of relevant ecosystem support organisations, including links to local and global acceleration programmes
- Funding options for startups, their use cases, tradeoffs and how to access them
- Learnings from founders that offer further guidance and tips for you on your journey
- Legal and regulatory considerations when starting and fundraising for your business
- Helpful links to legal and government resources.

Navigating the guide

1 FUNDRAISING 101

Learn more about the basics and processes of raising funding, from getting started to closing the deal.

2 COUNTRY OVERVIEW

Get familiar with the ins and outs of your ecosystem, learn from other startups, and understand your market.

3 INVESTOR CATALOGUE

Ready to start raising? Get an overview of some of the key investors in your space.

4 RESOURCES

Not sure where to begin? We've put together a list of useful resources for you to get started!

Making your way through the guide

This guide has 4 key chapters. Use the navigation tabs at the top to move easily move between them. Each section of the guide is broken down by key questions to ask yourself, material to prepare ahead of your raise, context about your country, and an overview of resources that could be helpful. Check the glossary at the end of the document for an overview of important terms and definitions.

Top tip: keep an eye out for hyperlinks directing you to useful sources!

Reading the signs:

To help you navigate this guide, we've added some visual cues to look out for:

Getting there
This is a summary of how you will get to the goal in each section.

Destination
This is the goal for each section. It should be clear from the destination what we want you to be able to do after each section.

Binoculars
These are deep dives featuring lessons learned from founders who have been through this fundraising journey in Africa.

Compass
These are additional resources that we have made available for you to support you at the different stages of your journey.

Signpost
These are tips to keep you on course while working through the different sections in the guides.

A few things to note about the data

1. The funding data presented leverages Briter Intelligence and considers deals between January 2015 and May 2022.
   a. Funding analysis is based on the primary African country office.
   b. Figures are based on disclosed deal values.

3. We have used both local currencies as well as US$ throughout the guide. We use US$ when analysing Briter data and for global and foreign investor data. We use the local currency when presenting information on local funding opportunities or information related to the cost of registering or incorporate your business.

CHAPTER 1

Fundraising 101

1

3 things to know about fundraising in Tanzania

1 **The innovation and startup ecosystem has been growing fast, but remains reliant on donors and global investors.**

Startup founders in Tanzania mostly rely on grants as a source of funding at the early-stage and private equity funds at later stages. To raise grants, founders need to be alert to different opportunities emerging from the ecosystem, especially from development partner programmes for early-stage entrepreneurs and innovators.

To raise later stage financing, founders need to build strong regional and global networks since the private equity and venture capital landscape in the country is still at a very nascent stage. One way to do that is by attending regional and global startup and investor meetups. These platforms provide unique opportunities to meet with key ecosystem movers and shakers.

Founders also gain exposure by working with founders from other countries, attracting strategic partnerships.

2 **There is an increasing degree of specialisation amongst ESOs working with donors and public local funds to support different SDGs.**

Depending on the sector you work in, as a founder, it is essential to understand different programmes implemented by ESOs and donors to support startups and early-stage businesses in Tanzania. For example, the Amua Accelerator targets solutions in the sexual reproductive health (SRH) sector where as the Lishe Startup Accelerator targets nutrition-sensitive and food-tech solutions.

There are also different funds to support grassroots innovators and entrepreneurs across multiple sectors championed by development agencies in partnership with public institutions, e.g. UNDP Funguo or the government's MAKISATU.

3 **There are no specific regulations targeting startups or investors, but several existing regulations impact on fundraising.**

Founders should familiarise themselves with regulations that govern international investors, if looking to raise capital from regional and global investors outside the country.

It is also useful to review existing Fair Competition Commission, immigration, and capital gain tax regulations since they directly influence the chances of raising capital.

Also, issues around IP and patenting for high-tech solutions need to be considered. The IP and patent ecosystem are not yet mature; hence there is a need to engage lawyers and experts in the area, especially if looking to capitalise on regional and global markets.

Fundraising 101 cycle

Fundraising is a big part of every founder's startup journey. It often includes multiple rounds and can range from pre-seed all the way to Series A and beyond. Often the closing of one round is the trigger to begin the next one.

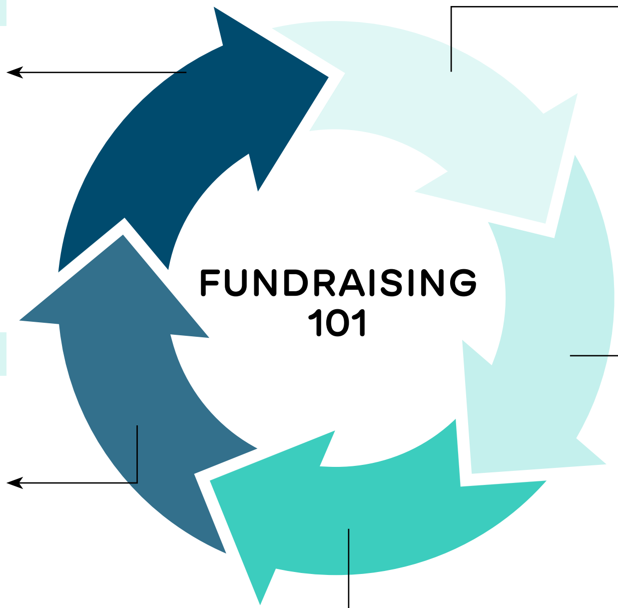
Before each fundraising round it is important for you to step back and determine if and when you should raise. If it is the right time to raise, it's important to get the basics in the place before starting to raise. When you begin to start raising you want to be focused on what the best funding option for your current needs is, how much you need, where to get it and how to get to yes with funders. After a successful pitch you need to be ready to close the deal. It's important to remember that this is a very important stage and it shouldn't be rushed as the agreements you make at this stage will have big implications for your business. Once you've closed the deal it's not over. It's important to manage your investor expectations and keep good relations with them as they will be your starting point when you kick off the next fundraising round which you will already need to start planning for. This creates a fundraising cycle as can be seen in the diagram below:

After the close:

- Managing expectations
- Investor relations
- Getting prepared for the next round

To raise or not to raise:

- Where am I on my startup journey?
- Why would I raise?
- Why is now the right time to raise?



Closing the deal:

- How should I negotiate with the investors?
- When do I say no?
- Agreeing on the term sheet
- Moving to due diligence

Before you raise:

- What terms should I be aware of?
- Is my startup registered and incorporated for fundraising?
- Do I have basic governance in place?
- Do I have the systems in place to start fundraising?

Starting to raise:

- What are my funding options?
- How do I value my business?
- How much do I ask for?
- How do I get in front of the right investors?
- What do I pitch?
- How do I get to yes?

To raise or not to raise?

Destination: Deciding whether to fundraise or not.

Getting there: Don't waste time and energy on fundraising if it's not necessary for your startup. To help you decide, you'll need to ask yourself a few key questions:

Where are you on your startup journey?

The starting point for determining whether it is the right time for you to raise funds is to assess where you are on your startup journey. The best way to do this is by comparing your startup to the different investment stages (glossary) and associated investor requirements and expectations, as mapped out below.

Requirements	Pre-Seed	Seed	Series A	Series B [1]
Early team	✓	✓	✓	✓
Idea	✓	✓	✓	✓
Market need	✓	✓	✓	✓
Prototype	✓	✓	✓	✓
Business plan	✓	✓	✓	✓
Beta and user testing	✓	✓	✓	✓
MVP		✓	✓	✓
Revenue model		✓	✓	✓
Product-market-fit		✓	✓	✓
Revenue generation		✓	✓	✓
Growth, marketing		✓	✓	✓
Assets & valuation			✓	✓
In-house tech & engineering			✓	✓
Product expansion			✓	✓
New markets			✓	✓
Team expansion			✓	✓
Profits				✓
Boost revenues				✓
Structuring for M&A				✓

As you can see from the comparison table, investor requirements and/or expectations are associated with different startup milestones. In the first funding rounds, the pre-seed milestones include having developed a clear idea, having assessed the market opportunity for the idea, and having established an early founding team. In most cases it also includes having a prototype of the product or services, a business plan and evidence of some testing and feedback on market demand. Funding at this stage typically comes from family and friends, grants from accelerators and incubators, low-interest loans, or equity from angel investors. This is very different from the later growth stage of funding, such as Series A and beyond. There, expectations from investors are often much higher, reflecting the size and growth of the company, and the larger funding sums typically required.

Where you are on your startup journey will determine (1) if you are ready to start fundraising and (2) what stage of funding you should be targeting.

Checking the compass: Where are you on your startup journey?

» Learn more about investment stages in the glossary.

Why would you raise?

So you've determined that your startup is at a stage where you can consider fundraising. The next step in the process is to determine why you want to raise. It's important to remember that it's not a requirement for startups to raise external funding. You may have enough funding from your existing revenues to fund your growth, or may deliberately choose to avoid sharing equity with external parties or taking on debt.

Similar to determining where you are on your startup journey, why you want to fundraise is often associated with specific milestones you want to achieve for your startup. These milestones differ depending on where you are at in your startup journey and drive the purpose for your fundraising. Some of the common milestones associated with different stages are noted below:

For **early stage companies,** fundraising can unlock resources for you to:

- Build runway
- Develop a product or service
- Research the market
- Test assumptions
- Build a skillful team
- Launch a product or service to the market

At the **growth-stage,** fundraising can help you:

- Strengthen different branches of the business, such as sales or marketing
- Expand to new markets
- Scale business operations
- Develop new products or services
- Gain credibility in the market
- Build strategic partnerships and networks

If your startup is ready to start fundraising and you are clear on why, external financing can be an excellent way to build or grow your business. Funding can help fast track your development, remove financial limitations, and help you secure your footing in the market. Aside from financing, fundraising can also include technical assistance and support from experienced stakeholders in the space you are operating in, and can be pivotal to understanding how to build a viable business.

Looking through the binoculars: Bootstrapping your business with Inyad in Morocco

Inyad is a startup offering a range of applications for the digitalisation of small businesses. Its main products are Konnash, an application to record and follow up customer debt; Mahaal, a point-of-sale application; and Takam, an application to manage staff and payroll. Inyad has raised over $8m from five fundraising rounds. But funding was tricky to start with. Inyad's founder, Moncer Chlouchi, bootstrapped his business in 2018, knowing he would not be able to raise funds without demonstrating traction. Rather than focusing on fundraising at this early stage, Moncer put all his savings and energy into building and adapting a product that could solve real problems for small businesses in Morocco. He capitalised on all his existing resources and relied on incremental support from the people around him. Today, Inyad's applications have reached 5 million downloads and created a community of 800,000 active users across the MENA region. Its Konnash application has so far tracked and recorded an impressive $20 billion in customer debt.

Checking the compass: Where are you on your startup journey?

- Tips to know when it's the right time to raise

Why is now the right time to raise?

Now that you've assessed where your startup is on its journey and why you want to raise, as well as the specific milestones you want to raise for, you can think about timing! The right time to raise is driven by external and internal factors. These includes:

- **When funds are disbursed.** Nearly a third of venture capital rounds are in January and March[2]. This is often linked to the internal processes of venture capital firms. Other funders like development financial institutions, accelerators and incubators, and governments have similar cycles related to internal processes. It's important to understand these cycles to best align your fundraising with them.
- **Your runway.** Your runway is the amount of time (typically measured in months) until you run out of money. Calculating your runway is one of the most important determinants of when you need to fundraise. You can calculate your business runway by taking your current cash balance and dividing it by your net burn rate.
- **Average time it takes to raise.** The average time for fundraising differs across rounds and is usually associated with the size of funding required. For example, a pre-seed round can take 6 months while later stage rounds such as Series A to Series C can take anywhere from a year to a year and a half.

Reading the signpost: Ultimately the timing of when you raise should be aligned with the investment cycles of the funders you are targeting, your financial runway and the average amount of time it takes to raise for the round. A simple way to think about it is that your timing to fundraise should be when your remaining financial runway is less than the funding you need to achieve your next growth milestone.

Checking the compass: Where are you on your startup journey?

- How to calculate your startup funding runway?
- 5 factors to consider when calculating your startup funding runway
- How much time should you set aside for fundraising?

Before your raise

Destination: Getting the basics in place to fundraise.

Getting there: Preparing yourself to be investor-ready before you start raising greatly increases your chances and helps to manage the demands of the process. This includes familiarising yourself with the investor lingo as well as getting basic governance and operations in place. While not all the governance requirements in this section will be relevant to you now, it's good to be aware of what will be expected of you on your startup journey.

What terms should you be aware of?

Investors tend to have their own lingo when it comes to describing operations and opportunities. We've developed an investor lingo cheat sheet to equip you with the basics before you kick-off fundraising.

Checking the compass: What terms should you be aware of?

» Investor lingo cheat sheet

Is your startup registered and incorporated for fundraising?

Top of the checklist is basic business hygiene, which includes registering and incorporating your business. Registering your business often comes with compliance requirements and runs against the ethos of many startups to "move fast and break things". It's important not to fall into this trap and understand that your funders are also liable for your business. Choosing the location to incorporate your company is one of the most important decisions a business makes. Some jurisdictions have restrictions on foreign investment which restricts companies from accessing foreign funding, which is a major issue in Africa where the majority of VC funding is international. The location a company incorporates can also increase or reduce investor confidence. Some jurisdictions have better investor ratings as they are deemed to have better institutional and regulatory frameworks to govern companies and investments. This includes protection of minority shareholders, clear disclosure requirements, limited government capital and intellectual property controls, amongst others.

Looking through the binoculars: Overcoming exchange controls as a barrier for investment in Tanzania

Many countries in Africa have exchange controls. Exchange controls present one of the biggest barriers for startups in Africa trying to attract funding, given the reliance on international funding. Simply put, exchange control regulations prohibit transactions where capital or the right to capital is directly or indirectly exported from the country, without permission from the government. In some cases, like in South Africa, this also extends to IP as it can be quantified financially. IP generates revenue and therefore tax must be paid in the jurisdiction where the IP is owned. For international investors, this means getting their money or assets out of a country after they've made an investment is either not possible or subject to government permission. This often discourages international investment and forces startups to look to locate offshore when raising from international investors.

In Tanzania, there are major restrictions on trading major assets and exchange controls. The Fair Competition Act requires companies to file with the Fair Competition Commission (FCC) which can be very costly for early stage businesses. The cost is between TZS 25-100 million. Most startups work around this by registering a completely separate business offshore in a more favourable jurisdiction with limited exchange controls. The IP is then licensed to the offshore entity and the entity puts in place investments to develop and own new IP. Over time the business is less reliant on the previous IP and they pay diminishing taxes on it over time. It is advisable for startups looking to raise foreign capital to consult and engage founders who have raised capital in their jurisdiction before or engage the help of an investment advisory firm.

Do you have basic governance in place?

Founders’ agreement

A founders’ agreement is a baseline for how your co-founder relationships will work in the future, how your company is structured, and what each owner brings to the business. It is important no matter what type of business entity structure you have, and whilst it is optional in most cases, there are several reasons why having a founders’ agreement is useful for an early stage startup:

- Clarifies each owner’s role in the business
- Provides a structure for resolving disputes among founders
- Provides clarity if and when a partner wants to enter or exit the business
- Protects minority owners
- Signals to investors that you have a serious business

Reading the signpost: Remember, building a business can become uncomfortable if the people in charge begin diverging and conflicting. If this were to happen, having clear, agreed-upon guidelines can be critical for business survival.

Shareholders agreement

Unlike a term sheet, which is a non-binding set of basic terms and conditions for a business agreement, a shareholders' agreement is entered into following the due diligence process and is a legally binding document. It should largely reflect the provisions of the term sheet, except where issues have arisen in the due diligence process which need to be dealt with specifically in the shareholders' agreement.

A shareholders' agreement will typically be entered into between an investor, the existing shareholders in the company (usually the founders), and the company itself. The document is neutral and should not favour any one party in particular. The agreement documents the relationship between each party and sets out the specifics of the investment in terms of the number and class of shares that the investor will receive or 'subscribe for', and the amount that they will pay for these shares.

Capitalisation table

A capitalisation table (or “cap table”) provides investors with a clear picture of company ownership. Through the cap table, an investor will be able to determine equity distribution among founders, investors and employees. Each equity percentage reveals who ultimately has control over your startup. Considering that most startups require voting agreement among both common and preferred shares, the cap table provides valuable insight as to how important decisions will be made. Cap tables will become increasingly important to you as your company continues to grow, and equity dilutes. Keep in mind that creating your first cap table doesn't have to be complicated. A simple Excel spreadsheet with minimal data points will suffice.

Reading the signpost: This is mainly relevant for the startups who have raised funds in the past.

ESOP

Depending on where you are as a business, you may want to consider an employee share ownership plan (ESOP) as a way to incentivise your team to remain committed to your journey and benefit from your growth and fundraising. There are four different ESOP structures from direct shareholding to option-based shareholding, and trust-based to phantom schemes. They all work differently and the most common ESOP is a standard direct shareholding agreement. In many cases, an ESOP will be implemented throughout the fundraising journey of a company, but it will be good to be aware of it as you go through this process yourself, so you keep enough equity to offer it.

Reading the signpost: Not all countries allow for ESOP. For example, in Tunisia the law does not allow founders to put ESOP in place.

Board of directors and advisors

The board of directors is a group of individuals, typically a combination of executive members from the business and large shareholders. They are responsible for governance, overseeing management, and the strategic direction of the organisation. Unlike the advisory board, the board of directors have the ultimate say and formal liabilities on decisions made for the business. An advisory board is a structure of individuals that provide advice and assistance to the business. The members of an advisory board are typically highly experienced professionals from outside of the business that can offer insight on a broad range of topics, from sales and marketing to team management. While the advisory board can help support the growth of a company, their advice is not binding and they have no legal authority to make decisions on behalf of the management or company.

Checking the compass: Governance

- Understanding corporate governance
- Founder agreement template
- Shareholder agreement template
- Different types of ESOPs and key considerations
- Early stage founder cap table template by Founder Institute
- Cap tables explained (video)

What do you need to start preparing your data room?

If and when you are successful in attracting interest from funders, the next step is typically due diligence. During the due diligence process you will be asked by investors to share your company documents and other documents related to your business in order for them to proceed. A practical way to answer this request is by setting up a "data room" where you will centralise important documents in a secure online space, in order to ensure effective communication with potential investors. It is crucial to provide just enough information to spark interest and demonstrate expertise, but not to flood the data room with too many details. When deciding what documents to include, remember that the primary purpose of an investor data room is to simplify and speed up the fundraising process. An investor data room typically includes five categories of data, highlighted in the table, alongside examples of the minimum documents we recommend you include under each category.

Category	Documents
Financials	» Profit and loss statements » Financial projections » Audits (including accounts) » Cap table » All information about previous raises » Pro-forma statements for next year » Management accounts
Company documents	» Pitch deck » Voting agreements » Articles of incorporation (including amended and restated) » Investor rights agreements » Partnership agreements » First refusal and co-sale agreements » Customer contracts » Meeting minutes (the most important are the Board » meetings) » Board consents and actions » Board of directors' materials » Shareholder agreements » Market research » Competitive analysis » Sales process » Marketing materials » Business plan (preferably one page) » Branding guidelines » Office lease » Legal disputes
Intellectual property	» Patents (granted and filed) » IP strategy » Software licence details (and any open-source software that you use) » Domain name ownership
Employees	» All employee contracts, past and present, with titles, salaries and records » List of current employees, salaries and titles » All intern contracts, past and present » All consultant contracts, past and present
Technology	» System architecture diagram » API documentation » Product backlog export » Existing products (for safety, you can use screenshots) » Integrations

Reading the signpost: It is never too early to start setting up your data room. Preparing and organising your data room to be able to respond to requests from funders during your fundraising process is critical to increasing your likelihood of success, as well as managing the demands on the team during the fundraising period. It also helps to prepare for the due diligence stage if and when you begin the process of closing the deal with investors. These data rooms include sensitive material so it's important that you manage access and security settings so it's only accessible to those that should have their eyes on it.

Looking through the binoculars: Getting your financials in order with Tanko Food in Togo

Tanko Food is an agri-food company specialising in tomato processing. Founded in 2016 by Ismaël Mamadou-Tanko, the company offers a solution to shortages and soaring prices of tomatoes in dry seasons, and their wastage in rainy seasons. Unlike the majority of products on the market, Tanko Food products are additive-free. According to the founder, Ismaël, Togolese entrepreneurs are not yet aware of the importance of mastering the financial aspects of their business and keeping their accounts in a very rigorous and regular way, instead focusing on profitability and production/sales indicators. He highlights that profitability is the indicator that matters most for banks and investors. Thus, keeping accounts and financial statements on track and up-to-date from the start is crucial to accessing funding and growing your business in the future. Ismaël recommends monitoring financial metrics quarterly or even monthly, and reaching out to accountants and financial experts for support.

Checking the compass: Getting your data room in order

» How to run an investor data room for your startup

Starting to raise

Destination: Attracting the right funding for your startup.

Getting there: To give yourself the best chance of securing the right funding for your startup, you need to understand what funding options you have, what you're asking for, who you want to ask, and how best to pitch to them.

What are your funding options?

There are many funding options for startups beyond equity. Different types of funding are associated with different types of investors (see the investment types and investor types glossary for an overview) and often have different attributes that can inform what is the right type of funding for you. When considering funding options you should keep the following attributes in mind:

- **Availability:** Is this funding option available in your market?
- **Accessibility:** How easy is this funding option to access?
- **Cost of capital:** What do you have to give up to obtain this investment?
- **Flexibility:** Will your business be able to make consistent, scheduled payments?
- **Control:** Does this investment affect your ability to run your business?
- **Collateral/guarantees:** Can investors seize assets, or do you have to pay them back personally if the company can't repay them?
- **Dilution:** How much of your company will you have to give up for the investment?

In the forthcoming table, we map these attributes against the common funding options found across Africa and provide tips on how and when to pursue the different options.

Reading the signpost: Early stage founders should be aware of the options, but most importantly you should know you have options. It's at this stage where early stage founders need to think most about how to match their funding needs with the right type of investor and funding.

Checking the compass: What are my funding options?

- Investment types
- Investor types
- Learning about SAFEs (simple agreements for future equity)

Option	Why use	Pros	Cons	Tips
Equity	» Investing in the team or product necessary to build revenues without needing to set aside funds for recurring payments. » Scaling up business through building out additional products or markets.	» **Availability:** Equity for startups in Africa has grown significantly over the last decade in most markets. » **Flexibility:** Equity often comes with giving up some ownership to shareholders who may have different incentives, such as maximising returns to investors. » **Guarantees:** Risks (and profits) are shared with the investor. Assets will not be seized and you won't have to repay if the company fails.	» **Cost of capital:** Equity requires you to give up ownership (and future profits) of your business. From pre-seed to seed, this is generally between 10% to 25%. » **Accessibility:** Equity oftens requires valuation which may be tricky for early stage companies that don't yet have predictable revenue streams or assets. » **Dilution:** As the company grows and raises multiple rounds of funding, the shares owned by the founding team dilutes. As a rule of thumb, each round of equity financing will dilute the company 10-20%.	» Equity should be reserved for when a founder is looking to trade long-term value for long-term investments. Many founders regret giving up equity too early. » At an early stage it is strategic to work with angels that provide friendly terms. » Consider convertible notes and blended finance as good alternative options to minimise the amount of equity that is given up. » Where available, SAFEs are emerging as an option for early stage founders as they do not require a valuation.
Debt	» Financing operational activities such as a new marketing campaign for your product. » Asset financing. » Can act to raise cash quickly to help hit milestones during equity rounds or until you're in a position to gain more favourable terms.	» **Accessibility / cost of capital:** Debt is cheaper than equity and is often quicker to access. The exception is revenue financing which can get costly if revenues grow quickly. » **Dilution / ownership:** No dilution is required with debt. Founders don't have to give ownership and funders can get a share in revenues of a good business, without having to worry about an exit strategy or the next fundraising stage. » **Flexibility:** In the case of revenue financing, repayment only happens if the business earns a profit. This feature can help companies survive periods of reduced revenue.	» **Availability:** Debt has often been out of reach for startups in Africa. This is changing through the introduction of options such as revenue financing, venture debt and government-sponsored debt initiatives. » **Flexibility:** Debt doesn't come with a change in ownership structure, but it does come with the requirement to be able to make recurring debt repayments. » **Guarantees:** Debt often requires you to have existing recurring revenues to evidence your ability to repay, or assets that the financing can be secured against.	» Debt is often a better option than equity for financing operational activities, such as a new marketing campaign for your product. » Many banks and government agencies offer a range of loans, credit, or debt programmes and initiatives to small and medium businesses as a more accessible form of financing. » Emerging trends like revenue financing and venture debt are an increasingly popular tool for startups.
Grants	» Building and testing a minimum viable product (MVP) before commercialisation. » Commercialisation of MVP.	» **Availability:** Many grant programmes in Africa targeting early stage startups. They are often distributed through accelerator programmes and competitions. » **Cost of capital:** Cheapest option for founders as they don't require loan repayments or to give up ownership. » **Dilution/ ownership:** Retain full ownership of the company. » **Guarantees:** Assets will not be seized and you will not have to repay if the company fails.	» **Accessibility:** Grant application process is difficult to navigate. » **Cost of capital:** Hidden costs associated with complex eligibility criteria and reporting requirements. » **Flexibility:** Eligibility and grant spending requirements may steer the company in an unexpected or unplanned direction.	» Grants are a great way for very early stage startups to build out their initial product offerings or test them in the market. » Be prepared to spend time reporting on the grants or investing in people who can.
Mezzanine	» Building and testing a minimum viable product (MVP) before commercialisation. » Commercialisation of MVP.	» **Cost of capital:** Mitigates risk for investors, meaning better funding terms than straight equity. Is less expensive than equity in terms of the overall cost of capital. » **Flexibility:** It offers considerably more flexibility to structure coupon, amortisation and covenants to accommodate the specific cash flow requirements of the business. » **Dilution / ownership:** For founders it is less diluting of the company's share value. For funders it increases the value of stock held by existing shareholders, even though they will not have as great an ownership stake.	» **Accessibility / cost of capital:** Can be overly complex and expensive to arrange, and often carries a higher interest rate than a bank loan. » **Dilution / ownership:** Lenders of mezzanine funds will have a vote on the company's board of directors and significant abilities to take decisive action if the company does not meet its financial projections. » **Flexibility:** Entrepreneurs may need to make regular payments to funders, meaning capital needs to be put aside. Further, entrepreneurs may be forced to accept restrictions on how they spend their money in certain areas.	» If you can confidently anticipate your startup will quickly grow in value, you can plan to restructure expensive mezzanine financing loans into one senior loan at a lower interest rate, saving on interest costs in the long term.

How do you value your business?

A startup valuation is what the startup is worth in the market. Before fundraising, it is important to value your business as it will help you decide the share of the company to give away to an investor in exchange for funding. The higher the valuation of your company, the less you will need to give to an investor in terms of shares and equity, or the more money your company is likely to receive.

A high startup valuation is based on the startup being able to show or possess the following parameters:

Parameter	Description
Business model	A clear understanding of the business model should include the company's primary source of revenue and how you plan to grow its market share.
Business strategy	The business strategy should identify how the company plans to achieve its goals and what actions you will take to reach them.
Unique selling proposition (USP)	The USP is what sets your startup apart from its competitors, and should be carefully evaluated in order for investors and customers to understand why they should choose your startup over a competitor's products or services.
Financial analysis	Financial analysis should provide an overview of your startup's current financial status and future prospects.
Market potential	Market potential can be assessed by looking at factors such as population size, economic conditions, customer needs and trends.
Competitive landscape	The competitive landscape can be analysed by identifying which companies currently dominate your particular market space and how your startup plans to compete against them.

Reading the signpost: The valuation of startups change in every funding round and whenever the startup achieves a milestone. Make sure you have a realistic valuation before approaching investors. If you overvalue your business, the funding won't happen. If you undervalue your startup, you will be giving up too much equity for too little funding, undervaluing what you have worked hard to build so far.

The valuation method you use depends on the stage and achievements of your startup.

To pick the method that is best suited to you, you first need to determine which stage you are in.

Here is a list of some of the valuation methods you can use:

1. **VC method (VCM):** Often used by pre-revenue startups.

The investor sets an anticipated exit valuation based on the current state and the projections, then sets a targeted ROI thus reaching a post-money valuation (post money valuation = exit value / ROI). The pre-money valuation can then be easily calculated: Pre-money valuation = post money valuation – invested capital

Example: An investor values your startup at a terminal value of $1 million and he wants a 20x return on his $10,000 investment. In this case, your post-money valuation would be: $1m / 20 = $50,000.
Thus, your pre-money valuation would be: $50,000 – $10,000 = $40,000

2. **Berkus method (scorecard):** This method is used to value pre-revenue startups because it doesn't rely on the revenue generated, but rather on five factors related to the business. This method was explicitly created to find a starting point without relying on the founder's financial forecasts and indicates a value from zero to $500,000 for each factor, adding up to a total potential value of $2.5 million.

Example: The Berkus method's five crucial factors of a startup are:

- **Sound idea:** Your company has an exciting and viable business idea = up to $500,000.
- **Quality management team:** Your company has assembled an excellent management team = up to $500,000.
- **Prototype:** Your company has a solid product or prototype that attracts customers = up to $500,000.
- **Strategic relationships:** Your company has powerful strategic alliances, partners and a burgeoning customer base = up to $500,000
- **Product rollout or sales:** Your company has signs of revenue growth and a pathway to profitability = up to $500,000.

The sum of all the values designated against each factor results in the pre-money valuation for the startup.

3. **Cost to duplicate approach:** This method can be applied to both pre-revenue and post-revenue startups, but requires some heavy due diligence. Its goal is to determine how much it would cost to duplicate your same business from scratch, including both tangible and intangible assets. The approach is realistic since it assesses the competitive advantages of a startup. If the cost of duplicating the startup is very low, then its value is low. In turn, if it is costly and complex to replicate the business model, then the value of the startup will increase as the difficulty increases.

4 **Comparables method:** Suitable for all startups, especially early stage pre-revenue startups, this valuation is reached through comparing the startup with other startups with similar business models, industry and stage.

Example: A similar app to the one you've developed was recently valued by a venture capital firm at $5 million and the app had 100,000 active subscribers/users. This means that the company was valued at $50 per user. An investor could therefore use this benchmark to value your app with 3,000 users at $150,000.

5 **Discounted cash flow method (DCF):** Applicable to startups with historical cash flow, this method relies on estimating the future cash flow and applying a certain discount to obtain a present value. When using the DCF method, the valuation of your startup won't be affected by market trends and size as it purely relies on financial data based on assumptions.

Example: What the DCF method in action in this video.

6 **Valuation by multiples method:** Applicable for post-revenue, profitable startups, this is one of the most widely employed methods. A powerful and simple valuation method for more mature startups, this takes into account the industry you are in, your competition, your management team, and other qualitative aspects.

Example: Your startup is generating an EBITDA of $250,000. Depending on the industry you are in, your competition, your management team, and some other qualitative aspects, an investor could tell you that he's valuing your business at say 5x, 10x or 15x your current EBITDA.

Reading the signpost: The valuation of the startup also depends on geography. Startups in Silicon Valley, for example, are higher valued than startups in the rest of the world. Reasons include the requirement of higher costs to hire staff and develop a product. So when evaluating your startup, make sure you take your geography into account, and consider that the value of your startup can be lower or higher than the value of a startup offering a similar product or service operating from a different market.

Checking the compass: How do you value your business?

» Metrics used by VCs to evaluate startups (video)

Looking through the binoculars: Sweating the right stuff with SweepSouth in South Africa

SweepSouth is a cleaning service company operating in South Africa, Egypt, Kenya and Nigeria, that connects clients to on-demand domestic cleaners through an online booking platform. Established in 2014, SweepSouth has raised over $6 million disclosed funding since 2015 through seven rounds. Their first funding round was led by Newton Partners, a local seed fund established by Vinny Lingham and Llew Claasen, and included Pule Taukobong from African Angels Network (AAN) and Polo Leteka Radebe's Identity Development Fund (IDF).

Reflecting on their fundraising journey, founders Aisha R. Pandor and Alen Ribic in South Africa noted that valuations don't matter as much as you think at the pre-seed stage. It's more important to raise capital to start building a viable product and market fit and get investors that are willing to be part of your growth and development journey. What is really valuable at early stages is to work with investors who are entrepreneurs themselves and who have entrepreneurial mindsets. They also recommend founders don't raise too much too early, as it's more important that founders retain their ownership as much as possible.

Defining the ask

You've considered your funding options, you've done your homework on the value of your business and now you are ready to start reaching out to potential funders. What should you ask for?

This often surprises founders who expect funders will dictate the terms of how much funding they offer, but in reality, funders are expecting you to define what you want and put it on the table upfront. The starting point to define your "ask" is your fundraising stage. Funders typically provide funding along different stages associated with the growth and maturity of a company. These stages are associated with different milestones and your "ask" should be aligned with how much funding you need to progress through these different milestones. Options include developing the product, building out the team, expanding to new markets and/or strengthening sales and marketing. These milestones are associated with certain revenue and profitability drivers. Founders will consider if you have also thought beyond the current funding round, your startup journey so far, and at which point you will need follow-on funding to continue to grow and mature. A high startup valuation is based on the startup being able to show or possess the following parameters:

Reading the signpost: Expect to define what you're asking for, and ensure you've carefully calculated funding to cover the costs of maturing or scaling operations to a planned level over a set time period.

Checking the compass: Defining the ask

» Calculating how much your startup needs to raise
» How to determine the amount to raise in your round

Finding and getting in front of the right investor

Finding the right investor

Fundraising is hard. One of the hardest parts is approaching and putting your "ask" in front of investors. To increase your chances of success and optimise your search, it's important you find investors that best match with what your startup has to offer. The investor catalogue in this guide provides you with more information on the most active investors in your market, including the fundraising rounds they invest in, the sectors they invest in, portfolio companies they have already invested in and their contact details and social media handles. This information is intended to help you narrow down your search to identify the best possible match. You should then do your own research to understand how this information matches with their funding hypothesis.

Reading the signpost: Most of this can be found online, but it's also helpful to reach out to existing investees of funders that you think match with your offer to get inside information on the investment hypothesis. Further, following investors on social media will give you a good sense of their portfolio, interests and activities within the space.

Looking through the binoculars: Investing in female founders and products with the Africa Trust Group in Southern Africa

Investors increasingly have an investment thesis that defines their investments. For example, global names like SoftBanks, Tiger Global and Andreessen Horowitz all hold the belief that software and technology is going to further disrupt everything from business to governance. They invest in companies with large disruptive potential. We also find that many investors anchor their investments in beliefs. For example, the Africa Trust Group is a group of investors focused on addressing the funding gap for female founders, and targets seed stages. They manage two funds focusing on female founders: The Enygma Ventures fund focuses on investing in early-stage majority women-owned businesses in Southern Africa; the second, Empress Fund, is an angel syndicate fund focused on innovation financing solutions for women-owned and women-enabling businesses in Southern Africa in the agri-processing, energy and climate sectors. Startups that can match this offer will stand a much better chance of engaging with them than those that don't.

Checking the compass: Finding and getting in front of the right investor

» Find examples of key investors in your country here.

Getting in front of the right investor

Getting in front of the right investor is getting harder, and easier. There is much more competition to get in front of the right investor, but also many more investors and ways to get in front of them. Options include direct virtual and in-person meetings, accelerator programmes, social media, networking events and competitions. In scoping out potential investors, think about:

- **Hubs and coworking spaces:** Hubs and coworkings spaces often host startup competitions and networking events, many of which are announced through press releases or through the organiser's social media platforms. Competitions provide a platform for you to showcase your startup. Networking events provide an opportunity for you to build relationships with investors and other funders.
- **Accelerator programmes:** Accelerator programmes are geared towards getting you "investor ready". This includes providing you with access to a network of investors or funders. In some cases these investors or funders may be sponsors of the programme.
- **Social media:** Many investors, ecosystem support organisations (ESOs) and startups are active on social media. Investors often use social media to raise awareness about a call for applications or newly opened funding rounds. ESOs use social media to promote events as well as other funding opportunities in the ecosystem. Startups can also use it to reach out directly to investors and other funders when looking to raise.
- **Connecting with other startups:** Many of the startup ecosystems in Africa have a pay-it-forward attitude to helping other startups. They often help by making connections with investors, offering mentorship and advice and, in some cases, making investments themselves. Building relationships with other startups can be a great way to leverage their networks and get in front of the right investors.

Reading the signpost: Investors don't always accept unsolicited applications and submissions, so building relationships, connections and networks are essential to get your foot in the door.

Looking through the binoculars: Using accelerators to get your pitch investor-ready with Wattnow in Tunisia

Wattnow stresses the importance of expanding your network and participating in entrepreneur support programmes, to not only optimise your business model, but also gain visibility, particularly with investors. Participating in key events where a startup can connect with investors is a very effective way to build relationships with potential investors. Wattnow founder, Issam Smaali, remembers that participating in the Founder Institute Tunisia programme allowed him to connect with his first business angel and secured his participation in the 1st cohort of Flat6Labs Tunis from where he received his first seed funding round and was able to connect with other VCs and business angels. Participating in investment-readiness programmes is also crucial. Wattnow has joined several programmes including Endeavor Catalyst, Plug&Play in Morocco and the Katapult Africa Accelerator.

What do you pitch?

You've chosen your funding option, valued your business, defined your "ask", found the right investors and you've secured an opportunity to get in front of them. Now the real work begins.

Pitching sessions or meetings are the conventional way to give investors a clear overview of your business idea. First impressions are important, and the presentation of your pitch should be visual, factual, targeted and to the point. Use your pitch to tell the story of how your business idea was born and get investors excited about it.

Clarity is key. Although each pitch deck is different, the convention tends to include a number of core slides:

- The problem you are addressing
- The solution you are offering
- The target market
- Competitors
- Traction
- Growth strategy
- Team
- Financials
- Impact
- Risks
- Funds needed and their use

We've unpacked these elements in a table for you, along with tips for preparing the right pitch to investors:

Elements	What to include	Tips for your pitch
The problem	» What problem are you addressing? » What is the need for your business solution?	» Introduce the pain points your potential customers are experiencing and why this has not been addressed yet.
The solution	» How does your business solve the problem you've identified? » Are you inventing something entirely new?	» Outline the key details of your solution in as few words as possible. Include what your solution adds that will make the product more accessible, affordable, efficient, or appealing.
The target market	» Who are you trying to reach with your solution? » Is the business targeting local, regional or international markets? » Are you building a product that can be scaled globally?	» Market sizing helps establish the potential market share your product could attain within the total market. Three key metrics related to the market sizing that you may want to include: TAM (total addressable market), SAM (serviceable available market), and SOM (serviceable obtainable market). Use data to showcase the potential market, and calculate the value of the available market if reached.
The competition	» Who are you competing with? » What is your unique selling proposition and competitive advantage?	» Do your homework on the competition. Emphasise your competitive advantage and what makes consumers choose your product over your competitors' products.
Your current growth and market traction	» Has the business gained traction and interest from customers? » If you have introduced a product into the market, what is the current take-up and churn rate? » Do you have existing channels (e.g. social media) where you can market your product?	» Demonstrate that you have a credible growth trajectory and clearly communicate what the growth levers of your business are, and importantly, how you can profitably scale them. » Show how well your product is doing and give investors a sense of how much interest the product could gain with additional support.
Your growth strategy	» How are you planning to reach new customers? » What is the pricing model? » How are you planning engage customers?	» Provide an overview of how you will scale up your sales process and partners to achieve your new revenue target. Be specific, investors want to see goals, KPIs, sales processes, pricing options, potential partners, amongst others.
Team	» How many people are in your team? » Who is shaping the concepts behind your product? Who is selling it? » Who is in management?	» Present the team behind the solution, their skill level and experience, and how the team will be structured to deliver on your milestones.
Financials	» In what ways can you demonstrate the potential growth and revenues of the business? » If costs are high, how can these be reduced?	» Think of your financial model as evidence that your business is, or has the potential to become, profitable. Calculate your projected costs, acquisitions, sales, revenues and profit margins, and define your growth rates. The standard financial model is a three statement model (profit & loss statement, balance sheet and cash flow statement), capturing all the critical numbers in your business and enabling investors to review and benchmark them. The model is also useful to explain the use of funds and demonstrate financial growth.
Impact	» Does your solution offer more than financial returns for investors? » Can you align your solution around ESG or SDG trends?	» Increasingly, investors are integrating impact considerations into their mandate. Present the benefits of your solution including social, economic, and environmental impact, as well as generating financial returns.
Risks	» What can undermine the potential of your solution? » Are there any risks to the market you are operating in or targetting?	» Be upfront about any risks in your pitch. Some sectors and industries are considered higher risk, often due to things like price variability and external shocks, or the local context, including political stability and regulations.
Funds needed and their use	» What will you be using the funding for? » How long should resources last? What is the timeframe for your investment agenda? » When do you expect the investment to yield results?	» Present multiple scenarios and funding allocation alternatives to ensure the most robust plan for the investment. » Suggest a timeline for how long it will take to turn the funds invested into profits. » Consider and share when you might need follow-on funding to scale.

5 tips for nailing your pitch

Most investors complain about the quality of pitches that startups put forward. They want to see professional business plans and businesses with the right documentation, systems and processes that are ready for funding. Founders that can demonstrate these attributes therefore have an immediate advantage.

1. **Set yourself apart through the quality of your financial assumptions and projections.** Early stage founders need to put as much time into projections as their story, and leave time for potential investors to rigorously test assumptions in presentations and discussions. Later stage investors, such as venture capital firms, often want to see some level of product market fit for startups.

2. **The story is important.** Investors are looking for founders who have a connection to the problem they are trying to solve and who are obsessed with making sure their solution can solve it. Demonstrating you understand the market you are operating in and the customers you are trying to reach is critical. This is particularly relevant at the pre-seed stages. Building a business is hard and investors want to see you have a passion for it.

3. **Be clear on how the business will scale.** Many startups in Africa look to scale abroad. Being clear about this plan and how you will offshore your IP and business operations to overcome exchange controls in many countries across Africa, is critical to allay concerns for potential investors.

4. **Be professional.** This goes beyond a slick slide deck and includes how you engage investors. First impressions are critical in fundraising and it is important that startups do their homework on investors, accelerators and hubs. Further, basics like having a well-formatted and written business plan, having all the right legal documentation, like a tax clearance certificate, go a long way to inspiring confidence in investors.

5. **Be aware.** It's important founders are aware of their own limitations and constraints and build a team around them with the right expertise and experience. No one founder has everything, and in most cases founders fall into two buckets. A polished capital raiser who can speak eloquently and convincingly recall the numbers. These founders often think well on their feet and are well-received by funders. While they have lots of vision, they are often loose on the details and lack the focus of their counterparts, "operators". Operators are not always the best fundraisers. They can come across clumsy and do not have the corporate presenter's polish. But they know their business inside out and are obsessed with making it work for customers. Both profiles work. What's important is that you know where your strengths lie and you are confident you have the right partner to complement your strengths. Further, it is always good to have someone on your team or as an advisor, with previous experience in running a business or scaling up business operations. This is particularly important when investors are looking for experienced industry professionals within teams that can ensure teams can implement their plans.

Reading the signpost: Sharing the deck with investors after the pitch can also help them reflect on your idea before making a decision. Having an abridged deck (excluding sensitive information) in your arsenal is also a useful tool to help sell your products or service to potential clients.

Checking the compass: Nailing your pitch

» The most successful fundraising pitches you need to know

Getting to 'yes'

The stage between pitching and closing can be frustrating. More often than not, you're not going to be given detailed reasons for being turned down by investors, and in many cases you may not even hear back from investors at all. If you are unsuccessful with your fundraising efforts, talk to colleagues, other startups and investors to understand what you might be missing in your presentation, or what you could do to improve your pitch. If nothing else, feedback from presenting your business plan can provide you with new ideas to build a stronger business model. The fundraising process can take time and be a tedious process, so it's important to be patient. It can take a founder dozens, if not hundreds of conversations before attracting an investment.

Reading the signpost: Although patience is needed, avoid spending so much time on the fundraising that the rest of the business suffers. Structuring the team in a way that can accommodate the founder's absence in daily operations can be crucial to ensure the sustainability of the business.

Checking the compass: Getting to yes

» Critical steps to take after nailing your pitch

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Closing the deal

Destination: Closing the best deal for you and your investors.

Getting there: Closing the best deal is a mix of art and science. There are common instruments used to facilitate the process between investors and startups including due diligence and terms. Be transparent and open, and remember you are trying to find the best deal for both of you. You have the right to say no!

How should you negotiate with investors?

Great news. After a few pitches, some investors are expressing interest in your startup and are ready to join your funding round. Now it's time to negotiate. Negotiating is about creating a long-term business partnership between investors and entrepreneurs, and it can often reveal a lot about the way people approach business. Keep this list in mind as you negotiate with investors. It will help you understand what they're thinking.

» **Keep an open mind:** Being too firm on your terms can slow or stall negotiations. You don't need to fold on every issue, but you should be looking for opportunities to listen or reach a middle ground. If there's something you absolutely cannot budge on, consider why that's the case and if there's a way to get the same outcome in a more agreeable way.

» **Negotiation should come from a place of trust:** To negotiate well, you also have to establish trust. Your attitude towards your investor will affect the outcome of the negotiation. Be open about what you want and your reasons, and invite the same from your investor – you may be able to find solutions to each other's problems.

» **Get on the same page early and often:** At the end of a discussion, summarise the key terms negotiated and decisions made. Ask if you're aligned or if you misunderstood anything. Better to confirm you're on the same page from the beginning and consistently throughout the process than at the end, when misunderstandings could create obstacles.

Checking the compass: Negotiating with investors

» What percentage of your company should investors get

When do you say no?

If the specific investor or the conditions offered in the term sheet are not a good match, you might risk committing to giving up more control of the company than you originally planned. Raising funding is a two-sided deal, and you need to make sure that the people gaining a stake in the company understand and support your vision. If the idea is good and the business model is solid, your focus should be on finding the right investor for you, to help build the business, and not hinder its growth. This might mean that timelines are shifted, but it can be the best decision for your business in the long run.

Looking through the binoculars: Not accepting funds at all cost with Kaba Delivery in Togo

Kaba Delivery has been bootstrapping since its launch. From the start, the co-founders were committed to remaining self-sufficient and not opening the capital to external investors. Their goal was to understand their business model in depth and test its profitability. Despite being approached by investors interested in their business, the Kaba Delivery team opted to decline the offers until they had a full understanding of the profitability and the value of the company.

Co-founder and CEO, Ruphin Tiou Tagba Alit, highlights that it's important for an entrepreneur to position themselves into a win-win situation when speaking with investors and not accept funding at all costs.

She adds that it's important to understand the investor's vision and investment strategy since a US investor won't have the same investment approach as an Africa-focused investor. And it's prudent to only carry out due diligence with investors who are aligned with your vision.

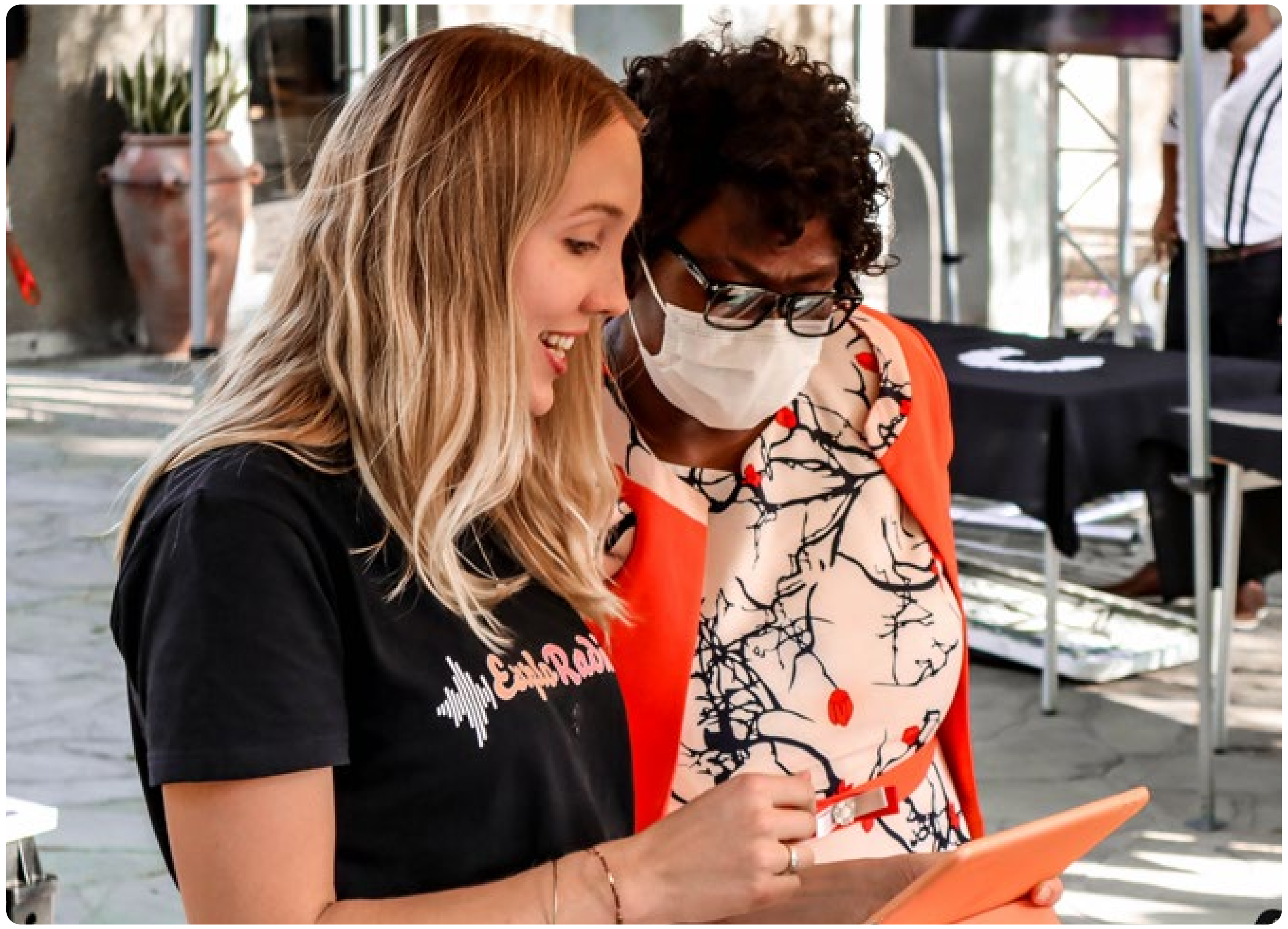
Agreeing on the term sheet

When you're closing the deal, you will need a term sheet. A term sheet is a nonbinding agreement that shows the basic terms and conditions of an investment. The intention of the term sheet is to facilitate discussions, negotiations and agreements in principle of key terms. If agreements are reached, the investors and entrepreneur formalise legally binding obligations through definitive agreements.

The term sheet lays the groundwork for ensuring that the parties involved in a business transaction agree on most major aspects. Some of the items spelled out in the term sheets include the company valuation, investment amount, percentage, voting rights, liquidation preferences, anti-dilution provisions and investor commitments.

Checking the compass: Agreeing on the term sheet

» How to read a startup term sheet
» Term sheet template from Corporate Finance Institute
» Standard Series A term sheet



Moving to due diligence

After signing a term sheet, be prepared for due diligence. Due diligence is the process of reviewing all the different elements of the business. Investors carry out due diligence to ensure target companies are in order, their documentation organised, and current assets and liabilities are known. Knowing what the investors might ask for will help you prepare your documentation.

Financial due diligence: An assessment of the financial health of a company. It includes scrutinising a company's historical and current performance by reviewing financial statements, assets, debts, cash flow and projections.

Legal due diligence: A risk assessment to investigate any potential liability of the target company that could impact the transaction. It typically includes the examination of all the material contracts, including management and ownership of the business, partnership agreement, licensing agreement, guarantees, and loan financing information.

Operational due diligence: An assessment of a company's operational risks and opportunities. It includes investigating the business model and operations of their target to evaluate the operational processes and facilities in place.

IP due diligence: An assessment of the quantity and quality of a target company's intellectual property assets. While these assets are intangible, they are often an important contributor to the company's overall value and something that can set them apart from their competition.

Checking the compass: Moving to due diligence

» Due diligence checklist for startups

What do you do after you close?

Destination: Keeping your investors happy and preparing for your next round.

Getting there: You've closed the deal. It's time to focus on delivering the milestones you've raised for. It's important to keep your investors updated on how this is going and to avoid surprises. It's also time to start thinking about your next fundraising round and ensure you start planning early to avoid a last-minute rush.

Managing expectations

Although the importance of proper communication between investors and founders seems obvious, expectations are not always met, and the effects can hinder both parties. Whether you are a founder or an investor, it's critical that you maintain an honest and transparent relationship from the start. Communications should include:

- Regular discussions about the business in general. Investors don't want to be surprised. Even if there are no specific challenges the startup is currently facing, regular communication ensures that everyone is on the same page and that opportunities are seized. Share regular emails listing your current top priorities, current account balances, key points regarding your latest KPIs, and other updates in terms of challenges and press.
- Founders are expected to ask for help from investors, especially in early stages when dedicated teams are not defined and founders have to take care of aspects of the business such as accounting, human resources, operations, and admin, which may not be their natural strength. From pricing to product direction, market segmentation to customer acquisition, this is a critical period and it's an opportunity to crowd-in advice and support from your investors.

Investor relations

Regardless of company size, the importance of investor relations cannot be overstated. Even the youngest companies should communicate regularly with existing and potential stakeholders. Investors need to understand the performance, wins and challenges that your company is facing so that they can make sound decisions on whether to continue investing or supporting your company.

A detailed investor relations plan should build the confidence of current and potential investors, reassuring them that your business is both well-managed and confident about future success. It should also help establish a good working relationship with investors that you can rely on. Beyond the benefits for investors, effective investor relations publications can also reassure existing internal teams that they are working for a company that has growth potential.

Some of the information to include in an investor relation statement include:

- **Financial status:** Turnover, sales, profit and costs compared with the same period the previous year, plus investment secured since your last announcement. Include information such as the amount of cash or cash-equivalent funds available to you, which should demonstrate that you would be able to at least cover your liabilities should the worst happen.
- **Operational status:** Number of employees and employee growth, expansion of premises and projected growth.
- **New developments:** Recent customer orders and pipeline, relevant senior appointments, introduction of new products and significant partnerships.

Reading the signpost: There are certainly further best practices to master investor relations. Many experienced investors also have their own perspective on how to collaborate with founders. Some investors don't want to get involved as frequently as others. Above all, you should ask your investors for their expectations.

Looking through the binoculars: Managing investor relationships with Wattnow in Tunisia

Wattnow addresses companies' energy waste problem by providing them with a solution to optimise their consumption and/or their energy production. Wattnow's solution has a hardware component to capture data, and a software component to transform the collected data into actionable information. The solution targets companies operating in a wide range of sectors, it is cost-effective and easily deployable thanks to its "user experience". Throughout his fundraising journey, Issam Smaali, founder and CEO of Wattnow, has been able to raise more than $1.5 million through different rounds, from many investors. From his experience, maintaining a strong communication with investors is key and founders shouldn't neglect this aspect after receiving their money and insists on the importance of keeping your investors up-to-date on what you're building, your business metrics and milestone achivements. Issam regularly sends newsletters to his investors.

Checking the compass: Investor Relations

» How to maintain good investor relations

Getting prepared for your next round

You figured it out, it's a cycle! After closing a funding round, you're most likely to start preparing for the next one. You'll be following the same process, starting with answering the questions: Do you need to raise or not? If so, why and how much?

CHAPTER 2

Country Overview

2

5 things to know about doing business in Tanzania

1 **Tanzania has one of the youngest populations globally and a rapidly growing urban population.**

» Tanzanian citizens are among the youngest in the world, with a median age of 18 years old. More than a third of Tanzania's total population live in urban areas and cities. Dar es Salaam is one of the fastest growing cities in the world, projected to attain megacity status[3] by 2030 with more than 10 million people living in the city. Tanzania's urban population is projected to grow to over 60 million by mid-century.

2 **Historically, entrepreneurship was not encouraged, so starting from a low base.**

» Post independence, entrepreneurship was discouraged since the country was a socialistic state[4]. However, in addressing employment challenges for graduates from tertiary education, the government and its partners have more recently encouraged the formation of entrepreneurship programmes, on-campus innovation hubs and entrepreneurship centres throughout the country. The initiative is championed by the commission for science and technology under the Ministry of Education, Science and Technology.

3 **The country is getting wealthier and has a growing middle class.**

» In July 2020, Tanzania reached a critical milestone, graduating from a low-income to lower-middle-income country[5]. According to data collected from the Tanzania Revenue Authority (TRA) and national pension funds, the size of the Tanzanian middle-class is estimated to be 1.5 million people[6]. Leading sectors in the Tanzanian economy include; tourism, mining, construction, agriculture and manufacturing. According to the National Bureau of Statistics, the service sector takes the lion's share of GDP at 40%, followed by industry and construction (31.1%) and agriculture, forestry and fishing (28.9%).

4 **There is a growing mobile economy.**

» The mobile market in Tanzania has expanded at a steady pace, with the number of unique subscribers growing from 12 million in 2010 to 25 million in 2020. In 2020, there were more than 85 mobile subscriptions registered for every 100 people. This is supported by the affordability of data. Tanzania has the lowest internet cost in the East African region. You can, at the time of publishing, access one gigabyte of data for only $0.75.

5 **Tanzania's startup ecosystem is on the rise, but the ease of doing business and competitiveness is lagging.**

» Tanzania's startup ecosystem is growing fast. Currently the country is among “tier-2 countries”[7] in the African startup ecosystem, behind Nigeria, Kenya, Egypt, Ghana and South Africa, and the Global Innovation Index (GII) ranks Tanzania 5th among the 27 economies in sub-Saharan Africa. However, it lags behind competitiveness.
In the latest World Economic Forum Global Competitiveness Index (GCI) from 2019 ranked Tanzania 117 out of 140 countries. The Tanzanian government has been working to improve this. Particularly for startups. Most recently, the Zanzibar Ministry of Investment & Economic Development launched Silicon Zanzibar alongside leading African tech companies to attract and relocate tech companies and workers from across Africa and beyond to the island of Zanzibar.

Get to know the ecosystem

Tanzania's ecosystem journey

2011-2013: First phase

In the early days of the ecosystem, projects such as TANZICT and HDIF played an Important role. Also, private sector hubs such as Kinu Hub and Mara Space by Mara Foundation contributed to the culture of Coworking and cocreation hubs.

2013-2016: Second phase

Different communities and events started to emerge Including Bits and Bytes. The Innovation Week and Sahara Sparks. During this time, the corporate sector engaged with the ecosystem to run hackathons, meet-ups and competitions. Some products, such as Tigo Backup, Vodacom Mpaper and Airtel V-Somo emerged.

2016-2020: Third phase

The number of hubs increased tenfold, in Dar es Salaam as well as in secondary cities such as Iringa, Arusha and Mwanza. Development partners started to engage with the ecosystem by launching different innovation programmes to support innovators and entrepreneurship in partnership with local innovation hubs. These included WFP Innovation Challenge, Botnar Challenge and HDIF Mawazo Challenge, among others. The emergence of new innovation hubs and innovation support programmes created a generation of early stage founders.

2020-present Fourth phase

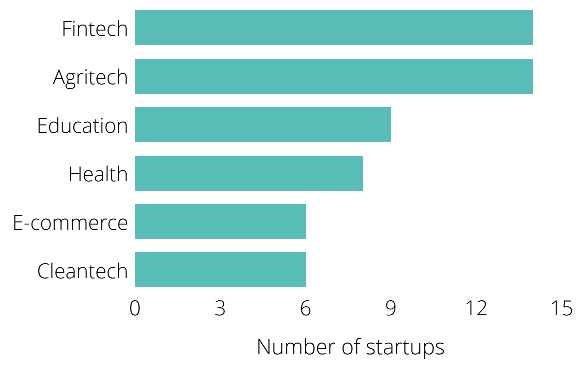
This phase focused primarily on nurturing talent, unlocking regulatory challenges and access to capital for early stage businesses. It involves the formation of associations such as the Tanzania Startup Association and Hubs Network, among others, to address ecosystem challenges. This period also sees the formation of investor networks, meetup events and marketplaces addressing funding challenges for early stage businesses. We also see more mature startup founders compared to previous. The government has also continued it's support to startups. Particularly in Zanzibar where, most recently, the Zanzibar Ministry of Investment & Economic Development alongside leading Africa tech companies launched Silicon Zanzibar, a public-private initiative to attract and relocate tech companies and workers from across Africa and beyond to the island of Zanzibar.

Funding trends

89+ startups
29 sectors
102 products

$58m+ in disclosed funding between 2015-2022
5 startups each raised $1m+

Top Sectors

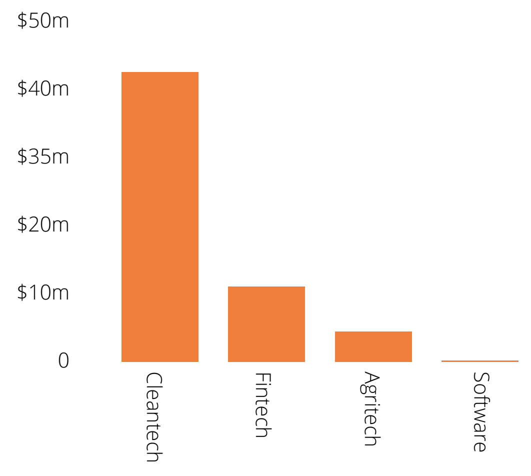


Top Funded

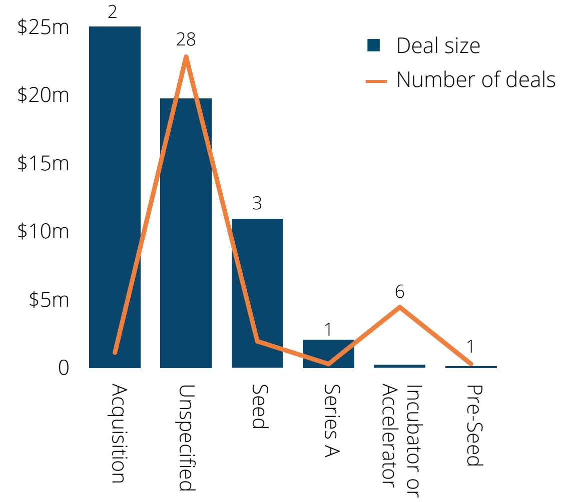
KOPAGAS
nala
Jamii
YYZ
ramani

Investment trends

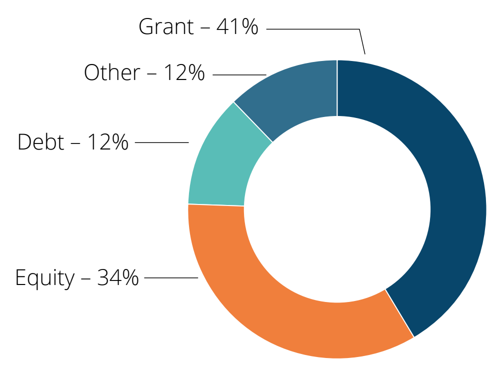
Funding by Sector



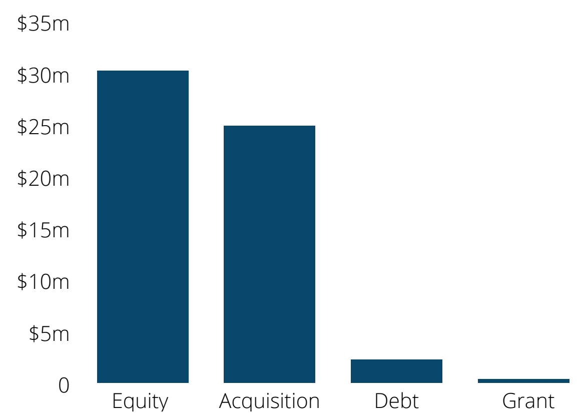
Funding by Deal Stage



Share of Deals by Deal Type



Funding by Deal Type



These figures leverage Briter Intelligence data, which tracks the startup ecosystem and deals in the space. Please see "**notes about the data**" for more information.

What ecosystem support is available to you?

On the next page we provide an overview of the different types of support ecosystems, what they offer, what startup founders use them for and notable examples to help you on your fundraising journey.

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Type	Description	Use case	Examples
Hubs	Innovation and entrepreneurship support organisations working with early stage businesses at different stages of the growth curve, offering mentoring and technical support, and sometimes seed funding.	» Access co-working spaces. » Get industry exposure. » Plug into local events. » Participate in training programmes.	Buni Innovation Hub, Robotech Lab, SmartLab, Seedspace (Africaworks), BongoTech Lab
Accelerators	Industry-focused, time-bound commercial or for-impact programmes working with innovators and entrepreneurs to accelerate their growth towards a minimum viable product (MVP) and finding product-market fit (PMF).	» Technical assistance on product development, sales & marketing and strategy. » Investor readiness when fundraising . » Access to networks of investors.	Vodacom Digital Accelerator, Sahara Accelerator, AMUA Accelerator, PesaTech Accelerator
Nonprofits and associations	Non-governmental and nonprofit organisations working with innovators and entrepreneurs at different stages of their growth, addressing specific needs, skills, networks, capital and markets. Networks of founders or business people designed to represent interest of the private sector, influencing policy and regulations as well as conducive business environments.	» Participate in ecosystem-wide initiatives » Connect with other ecosystem organisations » Participate in free training » Access free resources	SheCodesForChange, Ndoto Hub, Shefound Africa, Tanzania AI Lab, Tanzania Startup Association, Hubs Network, Tanzania Private Sector Foundation (TPSF), Tanzania CEO Roundtable
Universities	Academic institutions at tertiary level with programmes and initiatives to nurture on-campus innovation and entrepreneurship culture through different technology transfer and commercialisation programmes.	» Commercialising IP generated in Universities	University of Dar es Salaam, Dar es Salaam Institute of Technology (DIT), Nelson Mandela African Institute (NMAIST), Iringa University, Karume Institute of Science and Technology
Law firms	Firms and legal companies that are actively involved in the ecosystem.	» Advice on setup and registration. » Advice on offshore IP.	Clyde and Co., Breakthrough Attorneys
Government agencies	Ministries and government agencies involved in the innovation, tech and entrepreneurship ecosystem.	» Access incubation support. » Access affordable, low cost financing.	Commission for Science and Technology, TCRA, NEEC, MoEST, MICT, Information and Communication Technologies Commission (ICTC)
Platforms	Digital platforms showing different ecosystem players in Tanzania.	» Summary of information of actors and their roles in the ecosystem. » Services and value exchange mapping.	Silicon Dar, Innovation Tanzania

Hubs

Like in many other African countries, Tanzania has seen noticeable growth in the startup ecosystem in urban areas. In 2011, Dar es Salaam had fewer than five tech hubs and co-working spaces. In 2021, it had 46[8]. A new technology district is emerging along a slight stretch of Ali Hassan Mwinyi Road, the road leading to the historical town of Bagamoyo. The technology district, Silicon Dar[9], is home to all major telecom operators. There are also public institutions that deal with technology, research and innovation; innovation hubs, financial institutions and the College of ICT of the University of Dar es Salaam. All the major innovation hubs in Dar es Salaam are located in this area including Seedspace Dar es Salaam, Sahara Accelerator, Buni Innovation Hub, Dar Teknohama Business Incubator (DTBi), Tanzania Data Lab (dLab), amongst others. The leading actor in the ecosystem is the Commission for Science and Technology (COSTECH), a public agency mandated with overseeing research, technology, science and innovation. Today, Tanzania's innovation ecosystem is among the most inclusive in the continent with data labs, arts spaces, living labs, community spaces, makerspaces, creative spaces, incubators, accelerators and technology hubs distributed across the country, even in the most remote parts.

Organisation	Description	Link
Resources		
Anza Entrepreneurs	An organisation supporting entrepreneurs growth through a coworking space and investor readiness programmes.	
Westerwelle Startup Haus (WSH)	A startup house offering coworking space and business support services for entrepreneurs.	

Tanzania hosts several innovations and tech-entrepreneurship related events and meetups, which are accelerating the growth of the ecosystem. They bring together communities of innovators, entrepreneurs and technology enthusiasts in formal and informal engagements, building a solid tribe of innovators working to create solutions and opportunities for themselves and others around them. Key events have included Google Startup Grind, FinDisrupt, Bits & Bytes, COSTECH STI Conference, Innovation Week Tanzania, Data Tamasha and Sahara Sparks. More events are also emerging in the ecosystem, such as Digital Tanzania Awards.

Tanzania also hosts several women entrepreneurs and enterprise support programmes. Key players in that area include Ndoto Hub and SafeSpaceco. They offer support to women to hone and develop skills, build confidence and, most importantly, explore opportunities. Existing players, such as She Codes For Change and Apps and Girls, continue to inspire young women in tech and leadership. Apps and Girls work closely with Niwezeshe Lab, another space in Dar es Salaam. The latest addition in this space is SheFound, an initiative to support women founders and women-led enterprises.

Accelerators

There are a number of local and global accelerators operating in Tanzania, often with specific sectors or products in mind. The table explains more about the accelerators in Tanzania and how to apply to participate in one of the programmes.

Organisation	Description	Link
Local accelerator programmes		
AMUA Accelerator	An impact-centered startup accelerator supporting solutions in the sexual reproductive health (SRH) sector.	
Vodacom Digital Accelerator	An accelerator supporting early and growth-stage technology startups with disruptive products and services.	
PesaTech Accelerator	A fintech startup accelerator programme providing technical, business and seed funding support.	
Silicon Dar Startup School	A programme designed to nurture and support an entrepreneurial culture in universities by capacitating the next generation of founders.	
Lishe Startup Accelerator	A nutrition-sensitive and food-tech accelerator programme targeting SMEs and startups in Tanzania.	
Anza Accelerator	An investment readiness programme supporting startups and SMEs in helping to solve social and innovation challenges.	
SheFound Accelerator	An accelerator targeting early and growth stage women-led enterprises offering business development support.	
UNDP Funguo Innovation	An impact-centre startup programme supporting startups and scalable SMEs in Tanzania with a focus on women-led ventures.	
Global accelerator programmes		
Y-Combinator	A technology startup accelerator offering mentorship, funding and technical support.	
Seedstars	Seedstars runs various accelerators and growth programmes and has a particular interest in progressing technology and entrepreneurship in emerging markets.	
Tony Elumelu Foundation Entrepreneurship Programme	Founded by an African investor and philanthropist, the foundation supports entrepreneurs and entrepreneurship initiatives across the continent.	
Google Startup Accelerator	Google for Startups Accelerator: Africa is a three-month virtual accelerator programme for seed to Series A tech startups.	

Universities

The concept of on-campus incubators is not new in Tanzania. Academic institutions are actively engaged in establishing on-campus innovation hubs and incubators, and most universities have hosted business incubators since the early 2010s. These incubators work directly with educational institutions, which bring about better collaboration between academia and the ecosystem. Notable examples include:

- Data Lab (dLab) at the University of Dar es Salaam which focuses on data and how it's used to create impact.
- Kiota Hub at Tumaini University which helps transform students' ideas into early-stage businesses.
- AMCET Hub at Al Maktoum College of Engineering and Technology helps build students' capacity by equipping them with in-demand skills.
- CREATES-FNS initiative at the Nelson Mandela African Institution of Science and Technology (NM-AIST) are championing the movement towards the Third Generation Universities (3GU) unswe.
- The World Bank's RAFIC initiative at the Dar es Salaam Institute of Technology (DIT) is pushing digital transformation in technical institutions in Africa with a vision to establish digital labs for emerging technologies.

Nonprofits and associations

Startups in Tanzania have made a strategic step by launching an umbrella organisation, Tanzania Startup Association (TSA), that works closely with the government to address some of the startup challenges. TSA has been actively engaged in building capacity for policymakers to better understand startups and the ecosystems, thus unlocking legal and regulatory hurdles facing them. TSA is an open community and anyone can register via the organisation website[10].

Government

Organisation	Description	Link
Government support		
Buni Innovation Hub	Public-owned coworking space supporting other innovation spaces and entrepreneurs.	
MAKISATU	A national competition and support programme for innovators, researchers and entrepreneurs with innovative solutions offering technical and financial support through partners.	
NEEC	National Economic Empowerment Council (NEEC) is a public mandated entity responsible for empowering citizens economically. They oversee public funds to support youths and women groups, primarily grassroots entrepreneurs.	
Information and Communication Technologies Commission (ICTC)	The ICTC is a government agency responsible for promoting ICT in Tanzania. They host awards to recognize and appreciate the contribution of startups in their effort to transform the face of ICT in Tanzania.	

Other support organisations

Civil Society Organisations (CSOs)

CSOs have played their part in the innovation ecosystem, for example, Tanzania Bora and Mulika Tanzania play a crucial role in youth and arts, governance, leadership and journalism. Making culture is also growing in Tanzania, with several maker spaces and fabrication labs established. These spaces have grown from one maker space, Bongo Tech & Research Labs (formerly STICLab), to many more, such as Robotech Lab, Projekt Inspire, Jenga Hub, UpStudio Africa and Buni Mini Makerspace. Youngsters are increasingly joining these programmes, inspiring a new generation of makers and scientists.

Corporates

Companies are also supporting the ecosystem, and some go as far as starting their own innovation spaces to nurture new ideas. A recent example is Smart Lab, created by Smartcodes, which has partnered with Vodacom to operate the first cohort of the Vodacom Digital Accelerator in Tanzania. Telecom companies have been engaging with the ecosystem by working with entrepreneurs and innovation spaces, co-implementing programmes and activities. Products such as Tigo Backup, Twende, Jamii Micro-Health Insurance, Visomo and Mpaper are the results of collaboration between startups and corporate entities in Tanzania. The banks have also recently started to engage with the ecosystem by launching sandboxes, for example NMB Sandbox, and financing innovation programmes.

Donors

UN agencies are also playing a key role in addressing the mentoring and financing challenges for early stage startups through impact-centred accelerator programmes such as UNCDF's PesaTech Accelerator, UNFPA's AMUA Accelerators and UNDP's Funguo Innovation Programme in which they are running with local ecosystem partners. UNCDF also offers growth capital for qualified businesses.

Organisation	Description	Link
Resources		
Sahara Ventures	A company focusing on building innovation and entrepreneurship ecosystems.	
Smart Lab	An innovation platform that links learning institutions with corporate partners to empower groundbreaking solutions.	
Ennovate Ventures	A company focusing on providing 360 degree support to entrepreneurs and ecosystem stakeholders.	

What funding options are available to you?

The starting point to determining what funding options are available to you is to determine which stage of fundraising you are at. Below we provide a breakdown of the stages of funding, the key characteristics of startups in these phases in Tanzania, the deal range, notable startups, instruments and funders. Armed with this information you can then assess the instrument and appropriate funders.

Stage	Key characteristics	Deal range	Notable startups	Instrument	Funder
Pre-seed	Proof of concept	$10k - $300k	Kikoba, MedPack, Kilimo Fresh, Mipango	Grants, equity	Accelerators, public funds[11], donors
Seed	MVP testing	$1m - $5m	Jamii	Equity	Early stage investor, donors
Series A	Expansion to new markets	$2m - $20m	East Africa Fruits, Nala	Equity, debt	Venture capital
Merger or acquisition	Expansion to new markets	$30m - $100m	KopaGas, ENGIE Mobisol	Equity, debt	Corporates

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Instruments

1 Equity

Equity is the largest contributor to Tanzania's investment landscape. Equity funding accounted for 52% of the disclosed funding raised by startups since 2017. Regional and global VC firms offer equity financing primarily during the post-seed stage. There are no public or donor funds that adopt equity as an instrument to disburse funds. There have been talks to establish one, but the discussions have struggled to result in a working fund providing equity as an instrument.

2 Debt

Debt financing is primarily offered by microfinance institutions and banks. Pre-revenue startups are unlikely to access debt financing due to lack of collateral and past financial records. Organisations, such as UNCDF through platforms such as the BRIDGE Facility[12], plays a vital role in addressing this challenge.

3 Grants

Grants are the most common type of financing available for startup founders in Tanzania. Currently, UNDP's Funguo Innovation Programme and COSTECH's MAKISATU funds are the main grant sources available for startup founders locally. Founders with networks and exposure also apply for regional and global grants targeting their specific sectors.

Below is an overview of the funding provided and notable examples for reference.

Type	Examples	Number of deals	Total amount raised*
Incubator or accelerators	Norrsken Impact Accelerator, GSMA Ecosystem Accelerator, UNDP Funguo Innovation Programme	2	$125k
Government	TANZICT	5	$19.1k
Development finance institution	USAID, GSMA Mobile for Utilities	2	$190k
Corporates	Microsoft	1	Undisclosed
Funds	UNICEF Innovation Fund	1	Undisclosed
Challenges	Wazo Challenge Tanzania, GoGettaz Agripreneur Prize	4	$15k

* Includes disclosed funding only.

Funders

Accelerators

Some of the accelerator and entrepreneur support programmes offer pre-seed grants to startups through impact-centred accelerator programmes. In partnership with development partners or corporate companies, startup founders are provided with funding after completing an innovation challenge or accelerator programme. Some of the accelerators and ESOs offering seed funds include Sahara Accelerator, Ennovate Hub, Seedstar, Buni Hub and Smart Lab.

Angels

There are existing angel initiatives by private investors such as SSC Capital's Tanzania Angel Investors Network (TAIN) and Serengeti Angel Investors Network which are offering early stage financing.

Venture capital firms

Some VC firms have a developed interest in the Tanzanian startup ecosystem, including; Acumen, DOB Equity, and AECF. There are no local VC firms operating in Tanzania. Global and regional VC firms with offices in Nairobi, Kenya occasionally look for deals in Tanzania. Proactive founders engage with investors through regional events and meetups, as well as contacts established through past experience and exposure.

Donors

Most of the early stage capital available for startups is from donors and development partners. The main instrument is grants. These grants are provided through a range of foundations and accelerators. Notable foundations include Segal Foundation and Foundation Botnar who have been actively working with local incubators and innovation champions to support and invest in startups. Donors and development partners such as UNICEF, GSMA, Norrsken and USAID have also set up funds, often designed to address specific thematic areas. The UNDP recently set up the Funguo Fund focusing on startups with solutions with social impact that aligns with the UN's Sustainable Development Goals (SDGs). Amongst these SDGs and thematic areas, health stands out. It is among the most funded sectors at an early stage, with most impact funds having health as one of the areas of interest, such as DLI, HDIF, Botnar and AMUA Accelerator.

What funding options specifically target female founders?

In Tanzania, organisations have been established to specifically support women entrepreneurs, including Ndoto Hub and SheFound. Neither initiative provides capital to businesses, instead they work with ecosystem partners to ensure female-led businesses and enterprises access capital.

ndoto hub
Innovation begins with a dream

Ndoto Hub

An initiative to support women and women-led enterprises providing an opportunity to network and grow the business.

shefound

SheFound

Provides educational, technical and resource support to female founders, and a platform for female-led enterprises to be showcased and explore new potential partnerships and investments.

What can you learn from other startups?

KopaGas

KopaGas is a technology company that designs, manufactures, and distributes environment-friendly cooking fuel. The company was co-founded in 2014 by Andron Mendes and Francisco Rodriquez Sanchez in Dar es Salaam. It focuses on creating software and hardware solutions that enable direct-to-customer business models for the next generation of liquified petroleum gas (LPG) retail operations. With a vision to accelerate access to clean cooking solutions, KopaGas was able to attract support from different partners and investors.

Initial funding for KopaGas was through grants from GSMA, FCDO (formerly DFID) and MIT D-Lab in 2018. KopaGas used this funding to build out their initial product: smart meter technology that enables customers to pay for as much cooking fuel as they can afford through mobile money. Later in 2018, following the proof of their initial product, but still at an early stage, KopasGas raised funding from Acumen.

In January 2020, Circle Gas Limited acquired KopaGas's technology in a $25-million transaction, the largest-ever pure private equity investment in the clean cooking sector, which also marked the exit of Acumen. The COO of KopaGas shared the story of KopaGas and its fundraising journey in an interview[13] with Jumanne Mtambalike, CEO of Sahara Ventures.

Fundraising journey

Below is an overview of their fundraising journey:

Amount	Timeline	Stage	Type	Investors
$190k	2015	Pre-seed	Grant	GSMA Digital Utilities Innovation Fund
Undisclosed	2018	Pre-seed	Grant	GSMA, FCDO and MIT D-Lab
Undisclosed	2018	Seed		Acumen
$25m	2020	Acquisition	Equity	Circle Gas Limited

Lessons learned

- To raise capital from investors you need to solve a big problem with potential markets.
- To avoid dilution early on, capitalise on grants and strategic financing for growth.
- Patented technologies and intangible assets increase the value of your company and attractiveness to investors.
- KopaGas raised significant capital from impact investors through their solution.
- Capitalise on the ecosystem around you to increase your chances of attracting significant capital.

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Silabu

Silabu, formerly known as SmartClass, was co-founded in 2019 by Salvatory Kessy, Adam Duma and Seraphine Kimario, to create digital solutions for teachers and students. The company connects more than 8,000 learners with over 5,000 qualified and affordable tutors/experts.

Silabu was one of the winners of Seedstars in Tanzania and has participated in the Google Startups Accelerator Africa. Silabu has applied twice into Y-Combinator unsuccessfully. The company understands the importance of regional and global networks for its growth. They are planning to apply again.

In 2019, the company received a pre-seed grant of $5,000 from Tony Elumelu's entrepreneur support programme. Recently, Acumen announced an undisclosed investment in Silabu, and why they decided to invest in the company in an article[14], which helps explain how impact investors work.

Fundraising journey

Below is overview of Silabu's fundraising journey:

Amount	Timeline	Stage	Type	Investors
$5k	2019	Pre-seed	Grant	Tony Elumelu Foundation
Undisclosed	2022	Unspecified	Equity	Acumen

Lessons learned

- Silabu solves a real problem with the potential to scale the solution across the continent.
- Silabu founders capitalised on local startup competitions to raise their pre-seed financing.
- Silabu founders have constantly improved their product to meet customers' demands.
- Silabu founders actively participate in entrepreneurial programmes for technical support and to improve their networks.
- Attending programmes such as the Tony Elumelu Entrepreneurship Programme, Seedstars, and Google Startup Accelerator Africa increases Silabu's chances of raising follow-on capital.

East Africa Fruits

East Africa Fruits was founded in 2013 by Elia Timotheo. The company focuses on tackling post-harvest losses through aggregation and improving the overall cold chain distribution, processing and warehousing infrastructure. East Africa Fruits participated in the Lishe Accelerator programme by Global Alliance for Improved Nutrition (GAIN) and Sahara Accelerator, an investor readiness programme for nutrition-sensitive businesses.

East Africa Fruits has raised $3.1 million in funding over four rounds. Multiple investors have funded East Africa Fruits, including Yale Africa Startup Review, FINCA Ventures, MCE Social Capital, elea Foundation, Goodwell Investments and Fledge. In 2017, East Africa Fruits raised $125,000 from Africa Eats and Beyond Capital. In 2020, they raised $3.1 million for their Series A stage, with a mix of equity and debt by Goodwell Investments, FINCA Ventures and elea, and debt financing from MCE Social Capital. Their latest funding was raised in March 2021 from a non-equity assistance round from Yale Africa Startup Review.

Fundraising journey

Below is overview of East Africa Fruit's fundraising journey:

Amount	Timeline	Stage	Type	Investors
$125k	2017	Pre-seed	Equity	Africa Eats and Beyond Capital
$3.1m	2020	Series A	Equity / debt	Goodwell Investments, FINCA Ventures and elea Foundation, MCE Social Capital
Undisclosed	2021	Unspecified	Non-equity assistance	Yale Africa Startup Review

Lessons learned

- The fundraising journey can be long and tough, so having resilience is key for founders.
- It's important to understand the ecosystem (sub-sector) you are operating in.
- It's important to participate in different accelerator and investor readiness programmes.
- You can raise using multiple funding instruments in a single round.

What regulations impact you as a startup?

How do you register your startup?

In Tanzania, founders can use the following approaches to establish a business:

- Sole proprietorship
- Company limited by shares (limited liability company)
- Company limited by guarantee
- Cooperatives

The preferred form of business registration for startups in Tanzania is a company limited by shares. It is also a preferred structure by most investors, as the legal entity of the business is separate from shareholders, and thus the corporation is not dissolved on the death of one of the shareholders or directors. There is a requirement to set up witha minimum of two shareholders and two directors. Three key authorities are responsible for registering a company in Tanzania including Business Registration and Licencing Agency (BRELA), Tanzania Revenue Authority (TRA), and the local municipal office where your business operates. BRELA is responsible for issuing a certificate of incorporation, TRA for a tax certificate, and the municipal office for business licence. All three documents are required to operate a business in Tanzania.

Other documents depend on specific sector regulators, depending on the company's nature. For example, a cleantech startup involved in renewable energy requires the founder to understand the Energy and Water Regulatory Authority (EWURA) regulations and other relevant agencies and ministries. Founders are also responsible for staying compliant with other regulations, such as social security and workers protection funds and pay as you earn taxes as soon as staff are onboarded.

Tanzania Startup Association (TSA) is a good starting point for startups operating in unregulated sectors looking to access sandboxing facilities to test their new solutions. The registration process is easy if you engage a lawyer.

What do you need to know when fundraising?

There are several notable regulations that impact startups when fundraising. These include more general regulations around capital gains tax, fair competition and immigration laws that all founders should familiarise themselves with. Outside of these, the two important regulations to understand are the Income Tax Act and the Fair Competition Act. The Income Tax Law has restrictions of trading major assets and exchange controls which creates barriers for investors. The Fair Competition Act[15] requires companies to file with the Fair Competition Commission (FCC) which can be very costly for early stage business. The cost is between TZS 25 - 100 Million. It is advised for startups looking to raise foreign capital to consult and engage founders who have raised capital before or investment advisory firms.

Are there tax incentives for startups?

Currently, there are no any tax incentives for startup companies in Tanzania even though Tanzania Startup Association (TSA) is working with the government through the Ministry of Industry and Trade and the Ministry of Communication and ICT to create policies and regulations that favours startups and investors. Some of the ongoing initiatives include development of ICT Sandbox, startup policy and review of different charges and taxes facing early stage businesses in the country.

Recently, TSA in partnership with the Commission and Science Technology Tanzania (COSTECH) and Tanzania Communication Regulatory Authority (TCRA) have worked together to review USSD charges facing startups in the country. Currently, startups in Tanzania when registered with COSTECH are not required to pay for the USSD charges.

CHAPTER 3

Investor Catalogue

This catalogue presents some of the notable investors investing in startups in Tanzania. Note that it is not an exhaustive list. The investors included are based on known investments in the selected countries. Similarly, the stages reflect deals investors have disclosed as well as the stages of interest noted on the investor website.

3

500

500 Global is an early-stage venture fund and seed accelerator.

Founding date	2010
Headquarter	United States of America
Investors type	Venture Capital
Sector Focus	Big Data & Analytics, BioTech, Cyber Security, E-commerce, Education, Entertainment, Events, FinTech & DFS, FoodTech, Health, Internet of Things, Jobs, Logistics, Manufacturing, Marketing, Mobility, On-Demand Services, PropTech, Real Estate, Sport, Telecommunications, Travel
Stages	Pre-seed, Pre-Series A, Seed,Incubator or Accelerator

Contact

@500Startups
@500-startups
500.co

Global investor

Chandaria Capital

Chandaria Capital is a Nairobi-based Venture Capital Fund, it is the professional investment vehicle for the Chandaria Group, one of the largest privately owned business groups in Africa.

Founding date	2016
Headquarter	Kenya
investors type	Venture Capital
Sector Focus	Big Data & Analytics, E-commerce, Education, Entertainment, FinTech & DFS, Food & Beverage, FoodTech, Health, Logistics, Software, Travel, Utilities
Stages	Series A, Pre-Seed, Seed, Pre-Series A

Contact

@ChandCapitalKE
@chandaria-capital
info@chandariacapital.com
chandariacapital.com

Global investor

Endeavor Catalyst

Endeavor Catalyst is an innovative co-investment vehicle that operates globally, designed by Endeavor Entrepreneurs to contribute to his long-term sustainability.

Founding date	1997
Headquarter	United States of America
investors type	Venture Capital
Sector Focus	Agriculture & AgTech, Big Data & Analytics, CleanTech, Digital Financial Services, E-commerce, FinTech & DFS, Health, Logistics, Mobility, Software, Waste Management
Stages	Series A, Series C, Series B

Contact

@endeavor_global
@endeavor_2
contact@endeavor.org
www.endeavor.org

Global investor

Future Africa

FUND FOR AFRICA'S FUTURE

Future Africa is a platform that provides capital and coaching to African's innovators.

Founding date	2019
Headquarter	Nigeria
investors type	Venture Capital
Sector Focus	Agriculture & AgTech, Big Data & Analytics, E-commerce, Education, FinTech & DFS, Food & Beverage, FoodTech, Health, Insurance, Internet, Jobs, LegalTech, Logistics, Marketing, Media, Mobility, On-Demand Services, PropTech, Real Estate, Software
Stages	Pre-Seed, Seed, Pre-Series A, Series A

Contact

@anafricanfuture
@anafricanfuture
hello@future.africa
www.future.africa

Global investor

GLOBAL INNOVATION FUND

The **Global Innovation Fund** invests in social innovations that aim to improve the lives and opportunities of millions of people in the developing world.

Founding date	2014
Headquarter	United Kingdom
investors type	Impact
Sector Focus	Agriculture & AgTech, Big Data & Analytics, CleanTech, Digital Financial Services, E-commerce, FinTech & DFS, Logistics, Mobility, Sanitation, Telecommunications, Utilities, Waste Management
Stages	Series B, Series A

Contact

@globalinnovfund
@global-innovation-fund
hello@anstriconfuture.com
www.globalinnovation.fund

Global investor

Google for Startups

Google for Startups Accelerator Africa is a three-month accelerator program for Seed to Series A technology startups across the African continent.

Founding date	2011
Headquarter	United States of America
investors type	Accelerator
Sector Focus	Agriculture & AgTech, Big Data & Analytics, CleanTech, E-commerce, Education, Entertainment, Events, FinTech & DFS, Green Economy, Health, HR Tech, Insurance, Logistics, Mobility, On-Demand Services, Professional Services, Software, Travel, Waste Management
Stages	Series B, Series A

Contact

@googlestartups
startup.google.com/accelerator/africa/

Global investor

Kepple African Ventures is an early stage venture capital fund that invests across Africa.

Founding date	2019
Headquarter	Japan
investors type	Corporate Venture Arm
Sector Focus	Agriculture & AgTech, CleanTech, Digital Financial Services, E-commerce, FinTech & DFS, Health, HR Tech, Jobs, Logistics, Manufacturing, Marketing, Professional Services, PropTech, Real Estate, Sanitation, Software, Utilities, Waste Management
Stages	Pre-seed, Seed, Pre-Series A, Pre-Seed, Series B, Series A

Contact

@keppleafrica
admin@kepple-fund.org
kepple-africa-ventures.com

Global investor

Launch Africa Ventures is a Pan-African niche Seed Fund investing specifically in B2B and B2B2C driven early-stage tech startups.

Founding date	2019
Headquarter	Mauritius
investors type	Venture Capital
Sector Focus	AgTech, Big Data & Analytics, CleanTech, Digital Financial Services, E-commerce, Education, FinTech & DFS, Food & Beverage, FoodTech, Health, HR Tech, Insurance, Internet of Things, Jobs, Logistics, Marketing, Media, Mobility, On-Demand Services, Professional Services, Renewables, Software, Utilities
Stages	Pre-seed, Pre-Series A, Seed, Series A

Contact

@launch-africa
info@launchafrica.vc
www.launchafrica.vc

Global investor

Microtraction is a venture fund that invests in Africa's most in early stage growth-driven technology startups.

Founding date	2016
Headquarter	Nigeria
investors type	Venture Capital
Sector Focus	Big Data & Analytics, E-commerce, Education, FinTech & DFS, FoodTech, LegalTech, Marketing, Mobility, Software
Stages	Pre-seed, Pre-Series A, Seed, Series A

Contact

@microtraction
@microtraction
www.microtraction.com

Global investor

Village Capital supports impact-driven, seed-stage startups.

Founding date	2009
Headquarter	United States of America
investors type	Private Equity
Sector Focus	Agriculture & AgTech, CleanTech, Digital Financial Services, E-commerce, Education, FinTech & DFS, Food & Beverage, FoodTech, HR Tech, Jobs, Logistics, Media, On-Demand Services, Professional Services
Stages	Incubator or Accelerator, Seed

Contact

@villagecapital
@village-capital
dahler.battle@vilcap.com
vilcap.com

Global investor

Y Combinator is an American seed money startup accelerator operating globally.

Founding date	2005
Headquarter	United States of America
investors type	Accelerator, Venture Capital
Sector Focus	Agriculture & AgTech, BioTech, CleanTech, Cyber Security, E-commerce, Education, Fashion, FinTech & DFS, FMCG, FoodTech, Health, HR Tech, Insurance, Internet, Logistics, Manufacturing, Marketing, Media, Mobility, PropTech, Real Estate, Renewables, Software
Stages	Incubator or Accelerator, Seed

Contact

@ycombinator
yclegal@ycombinator.com
www.ycombinator.com

Global investor

Acumen is a non-profit impact investment fund with over 15 years experience in investing in social enterprises that serve low-income communities in developing countries.

Founding date	2001
Headquarter	United States of America
investors type	Impact
Sector Focus	Agriculture & AgTech, Big Data & Analytics, CleanTech, Education, FinTech & DFS, Health, Internet of Things, Manufacturing, Renewables, Research, Sanitation, Utilities, Waste Management
Stages	Series A, Series B Seed C

Contact

@acumen
@acumen-fund
JordanDesk@usaid.gov
acumen.org

Local investor

elea

As an active philanthropic impact investor, **elea** aims at fighting absolute poverty with entrepreneurial means.

Founding date	2006
Headquarter	Switzerland
investors type	Impact
Sector Focus	Agriculture & AgTech, E-commerce, Education, FoodTech, Jobs, Logistics, Manufacturing
Stages	Series A, Series B

Contact

@eleafoundation
@elea-foundation-for-ethics-in-globalization
info@elea.org
www.elea.org

Local investor

FINCA

FINCA Ventures is an initiative of FINCA Internationa to support to high-impact, early-stage social enterprises.

Founding date	2018
Headquarter	United States of America
investors type	Venture Capital
Sector Focus	Agriculture & AgTech, Big Data & Analytics, Education, FinTech & DFS, Health, Sanitation
Stages	Pre-Seed, Series A, Seed

Contact

@FINCA
@finca-international
www.fincaventures.com

Local investor

finnfund

Finnfund invests in profitable business projects when they advance sustainable development and are implemented by responsible businesses operating or being established in developing countries.

Founding date	1980
Headquarter	Finland
investors type	DFI
Sector Focus	Agnostic
Stages	Series A, Series C

Contact

@finnfund
@finnfund
www.finnfund.fi

Local investor

Lateral Capital LLC
Micro Venture Capital For Early Stage Companies

Lateral Capital is a venture capital fund who invests in early and growth stage opportunities in Africa.

Founding date	2018
Headquarter	United States of America
investors type	Venture Capital
Sector Focus	Big Data & Analytics, CleanTech, E-commerce, Education, Entertainment, FinTech & DFS, Health, HR Tech, Internet of Things, Jobs, On-Demand Services, Research, Software, Utilities
Stages	Seed, Pre-Seed, Series A

Contact

@lateralcap
@lateral-capital
info@latcap.co
lateralvc.xyz

Local investor

mest

MEST is a non-profit program established by Meltwater with the goal of equipping high potential young Africans with the skills required to launch globally successful software companies, enabling them to create jobs and wealth locally to stimulate economic growth across the African economy.

Founding date	2008
Headquarter	Ghana
investors type	Incubator, Accelerator
Sector Focus	Agnostic
Stages	Incubator or Accelerator, Seed

Contact

@mestAfrica
@mestafrica
info@meltwater.org
meltwater.org

Local investor

Safaricom

Safaricom Spark Fund is a venture fund that invest in late seed to early growth stage support start-ups that use mobile technology as an enabler.

Founding date	2014
Headquarter	Kenya
investors type	Venture Capital
Sector Focus	Agriculture & AgTech, Big Data & Analytics, E-commerce, Education, FinTech & DFS, Information Technology, Jobs, Logistics, On-Demand Services
Stages	Seed, Pre-Series A, Series A

Contact

@SafaricomPLC
spark@tblmirrorfund.com
www.safaricom.co.ke

Local investor

Startup Réseau

Contact

@startup_reseau
@startup-réseau
info@startupreseau.com
www.startupreseau.com

Local investor

Startup Réseau is enabling startups with our a network of enterprise, capital, markets and services.

Founding date	
Headquarter	India
investors type	Hub, Venture Capital
Sector Focus	Agnostic
Stages	Pre-seed, Seed, Accelerator or incubator

USAID
FROM THE AMERICAN PEOPLE

Contact

@usaid
@usaid
www.usaid.gov/jordan

Local investor

The United States Agency for International Development (USAID) is an independent agency of the United States federal government that is primarily responsible for administering civilian foreign aid and development assistance.

Founding date	1995
Headquarter	United States of America
investors type	Development Finance
Sector Focus	Agriculture & AgTech, CleanTech, E-commerce, Education, FinTech & DFS, Food & Beverage, FoodTech, Health, Logistics, Manufacturing, Renewables, Sanitation, Utilities, Waste Management
Stages	Series B

WAZO CHALLENGE TANZANIA

Contact

jagruti@startupreseau.com
www.wazochallenge.co.tz

Local investor

Wazo Challenge Tanzania is aimed at 18 - 30 year old Tanzanians, who have an idea to solve a local business / social problem, using technology.

Founding date	2004
Headquarter	Tanzania
investors type	Impact
Sector Focus	Agnostic
Stages	Pre-Seed, Seed

CHAPTER 4

Resources

4

Resource list: Tanzania

Local accelerator programmes

- AMUA Accelerator
- Vodacom Digital Accelerator
- PesaTech Accelerator
- Silicon Dar Startup School
- Anza Accelerator
- Lishe Startup Accelerator
- Funguo Innovation Programme

Government support

- Buni Innovation Hub
- MAKISATU
- National Economic Empowerment Council (NEEC)

Support for female entrepreneurs

- Ndoto Hub
- SheFound Accelerator

Starting a business in Tanzania:

- Tanzania Revenue Authority

Other resources from the ecosystem:

- Tanzania Startup Association
- Sahara Ventures
- Smart Lab
- Ennovate Ventures

Glossary

Investor lingo

Investors tend to have their own lingo when it comes to describing operations and opportunities. This cheat sheet equips you with the basics, so you'll know the lingo when you start interacting with investors:

Average Customer Value (ACV)	How much revenue the average customer brings to the business over a set time.
Annual Recurring Revenue (ARR)	Refers to revenue that a company expects to receive from its customers for providing them with products or services. The measure is primarily used by businesses operating on a subscription-based model. $\text{Annual recurring Revenue} = \text{Monthly recurring revenue} \times 12$
Bottom line	The net income of a company, including earnings, profits and earnings per share (EPS). It's called the bottom line as it references the last line of a financial statement, showing net profit or loss over a period of time.
Burn rate	The rate at which a company spends its cash over time, also known as negative cash flow. The cash can come from both revenue and investments and indicates the period of time when spending on operations exceeds cash coming in. $\text{Burn rate} = \frac{\text{Start cash balance} - \text{End cash balance}}{\text{Number of months}}$
Cap table	A spreadsheet that breaks down who owns what percentage of equity in a startup.
Carried Interest	The percentage of profits that will be paid to the manager or general partner as compensation for managing a fund.
Cash flow	The money coming in and out of a business.
Churn rate	The rate at which individuals depart from the collective group. This can also be the rate at which customers stop buying or cancel subscriptions of products or services. $\text{Churn rate} = \frac{\text{Lost customers}}{\text{Total customers at the start}} \times 100$

Common Business models	The core operations, business structure and framework of a company, including how it delivers and captures value.

Business-to-Consumer (B2C)	Businesses that sell products and services directly to consumers. Example: E-commerce platform Jumia, sells products online to customers across Africa
Business-to-Business (B2B)	Businesses that sell products and services to other businesses. Example: Fintech company Paystack provides businesses with various payments solutions to pay and get paid.
Business-to-Business-to-Consumer (B2B2C)	A combination of the B2B and B2C model, where a business provides products to another business, such as an e-commerce website, who in turn sells these products to consumers. Example: Online marketplace Famunera connects suppliers and farmers of agricultural products and inputs to customers and farmers.
B2B B2C (Business-to-Business and Business-to-Consumer)	A company that sells products and services to both businesses and consumers. Example: Solar energy company Lumos Solar provides solar homes systems and clean power solutions to individuals and businesses.
B2G (Business to Government)	A business selling products and services to government,federal agencies and ministries. Example: UrbanLogiq integrates and visualises data to provide fast insights for governments.
C2C (Consumer-to-Consumer)	A model where consumers trade and transact with each other using a third-party platform, such as a digital marketplace for the sale and purchase of household items. Example: Online platform AirGiftr connects shoppers to travellers to buy and send purchases.

Cliff	The vesting schedule of employee stock options, or the minimum amount of time an employee is required to work at a company to earn the right to buy shares.
Customer Acquisition Cost (CAC)	The cost associated with acquiring a new customer, including sales and marketing, amongst other expenses.
Customer Lifetime Value (CLV)	An estimation of the total revenue generated from a single customer, from first to last purchase. CLV is also used in the calculation of net profit contributed.
Deck	A deck is a collection of slides which showcases key information about the company, including an overview of core operations, the products and services, past clients and credentials, and team structure.
Dilution	The decrease in share of ownership, when a company issues new shares, or employees exercise their stock options, which decreases the ownership share of existing stocks.

Dividends	The sum of money paid to a company's shareholders out of its reserves or profits. All stakeholders that have ownership in a company are entitled to receive a share of the company's profits.
Exit strategy	An investor or founder's plan to sell their shares of (or exit) a company.
Founder's agreement	A contract between the founders of the company that outlines the roles, responsibilities, obligations and structure of the company.
Key Performance Indicator (KPI)	A set of measurable objectives that help businesses and individuals set targets, track progress and gain insights into productive and non-productive activities.
Liquidation	The point at which a business is closed, and the assets and inventory are sold.
Management Fee	A payment made to an individual or business for managing a fund. The fee usually ranges from 2% to 2.5% of committed capital and is typically charged every year the fund is in operation.
Monthly Recurring Revenue (MRR)	All of your recurring revenue normalised to a monthly amount. This is a metric typically used by subscription and SaaS companies. $\text{Monthly recurring revenue} = \text{Total number of active customers} \times \text{Average billed amount}$
Minimum Viable Product (MVP)	A stage of product development where the product has the basic features needed to be introduced into the market, but is subject to alterations and modifications to improve it at a later stage.
Net dollar retention (NDR)	A calculation of how much revenue has grown or diminished over time. It's a metric often used to measure performance over time, including both new and recurring customers. $\text{Net dollar retention} = \frac{\text{Starting MRR} + \text{Expansion MRR} - \text{Contraction MRR} - \text{Churn MRR}}{\text{Starting MRR}} \times 100$
Payback period	The time taken for an investor to recoup the cost of an investment, also known as the breakeven point.
Patient Capital	An investment offering a longer period of time before expecting financial returns or profits, often with the expectation of larger returns in the future.
Profit Margin	A measure of the relative profitability of a company, accounting for the costs of all business activities. $\text{Profit margin} = \frac{\text{Sales} - \text{Expenses}}{\text{Revenue}}$
Proof of Concept	A demonstration that a business idea or concept is feasible, based on testing and verification.
Priced round	An equity investment that has been based on an agreed valuation and the price per share.
Pivot	A change in direction, business model or strategy.
Portfolio	A collection of investments made by an investor.
Product-market fit	The extent to which a product is meeting market needs and demand.
Term sheet	A nonbinding agreement that shows the basic terms and conditions of an investment.

Traction	This indicates that a company, industry, or geographical area is gaining interest and attention from local and/or international stakeholders, including investors, customers and media.
Revenue Run Rate (Annualised Run Rate)	A method used to make projections about the financial performance and revenues of a company for the year or period ahead. $\text{Revenue run rate} = \dfrac{\text{Revenue in a period} \times \text{Days in a year}}{\text{Days in a period}}$
Round	This refers to each time a company raises funding. A round can also be described through the use of stages, such as Series A.
Return on Investment (ROI)	A measure of the performance and profitability of an investment. $\text{Return on investment} = \dfrac{\text{Gains from investment} - \text{Cost of investment}}{\text{Cost of investment}} \times 100$
Runway	Refers to the amount of time (typically measured in months) a company is solvent and can keep operating without the injection of additional funds, either from revenue or investments.
Unicorn	A startup that has surpassed a $1 billion valuation.
Unique selling proposition (USP)	The element of your product or service that gives you an advantage over your competitors to meet market needs and demand.
Valuation	A quantitative assessment of a company's total worth, including considerations for all aspects of the business, such as revenues and customer base. $\text{Pre-money valuation} = \dfrac{\text{Investment sum}}{\text{\% equity taken}} - \text{Investment sum}$ $\text{Post-money valuation} = \dfrac{\text{Investment sum}}{\text{\% Equity taken}}$
Vested interest	A special concern or interest in something, typically used to rationalise a personal reason for undertaking a role or making an investment.
Virtual data room	A software, platform or repository that is used to securely store and distribute important documents, and is often used to facilitate investments and transactions during the due diligence process.

Investment stages

The fundraising process is typically structured to correspond more or less to the defined 'investment stages', which refer to the development of the startup and a set of associated milestones (e.g. having a business plan, a product, being revenue generating, scaling to new markets, structuring for a merger or an acquisition, etc.). These milestones are particularly relevant for venture capital.

It might be useful to think of the investment stages as levels, where you need to complete one level before you can 'unlock' the next. Investment stages are not necessarily associated with specific funding amounts, but can provide you with signposts on where you are on your growth journey based on a range of expected milestones. Each stage has different requirements and expectations for the amounts of capital to be injected, so it's important to understand where your business stands and what type of financing you are looking for. Due to the underlying assumption that startups will need a capital injection at numerous points of its journey, these 'disbursements' are referred to as 'funding rounds'.

The following table provides an overview of some of the most commonly used terminology for investment stages:

Angel	A round where the business receives funding in return for equity from individuals unrelated to structured funds.
Accelerator/ Incubator	Early stage round often accompanied with trained, mentorship, in-kind support, and small tickets of grant or equity funding.
Pre-seed	One of the very first rounds of fundraising for a business, sometimes even before there is anything more than an idea in place.
Seed	Refers to one of the first injections of capital to help your startup grow. It is often the first equity funding raised and provides capital to develop a product or prototype, carry out market research, and onboard or ensure financial sustainability of the early startup team.
Series A	This funding stage is somewhere in between early and growth stage funding. Companies look to raise a Series A round once they have gained initial traction and are reaching certain performance indicators, such as building a customer base or generating revenue.
Series B-F+	After Series A, the subsequent Series B, C and beyond is associated with the growth of a company, such as growing your product suite or expanding your team or offices to new markets.
Acquisition	When one company acquires the majority or all of the shares of another company. An acquired company might be merged with the acquirer, or dissolved to remove them as a player in the market, with the assets, products and customers transferred to the acquirer.
Merger	Two or more companies coming together to form one company, thus enabling the new merger to offer better products and/or increase their market share.
Initial Public Offering (IPO)	A process where a company becomes publicly listed, offering shares or stocks of the company available for purchase to the public.
Undisclosed	If you're following startup and tech media, you might notice that a lot of the press releases don't mention the stage of funding. This is referred to as an 'undisclosed' round, meaning that the involved stakeholders (company and investor) do not wish to share the details of the investment. There are many possible reasons for this, such as not wanting to divulge financial information or existing investors with competitors.

There are also rounds that can happen in between the different stages identified above. For example, you may have a pre-Series A, B or C, or a bridge round, which are interim rounds of funding. Given the vast range of deal sizes in these different stages, they are often referred to in much broader terms associated with different phases of the company's growth:

Ideation stage	At the ideation stage, the company exists primarily as an idea or a concept, with the plan for the product still being developed. At the ideation stage, the business model is still subject to change, and it involves a process of defining and refining what the business will be and how it will work.
Early stage	An early stage company is still developing the different elements of the business, from the product to the team, and the strategies of the business model. The company is just starting to gain traction, is in the process of building a user base, and is starting to generate revenue.
Growth stage	The growth stage is when a company has finished the primary development of the product, has an established customer base. It has raised at least a Series A round, and/or is generating revenue.
Scale stage	The scaling stage is the point where a company is hoping to expand different elements of the business. For example, looking to introduce new products, enter new markets and/or further grow the team.
Maturity stage	The maturity stage typically refers to when a company has reached a level of growth and scale, and is no longer considered a startup. This may also be the point at which they are considering going public through an IPO.

Investment types

Investors leverage a range of investment types or vehicles. Depending on your business model and plans, you may have a preference for one type or another.

Acquisition	The purchase or sale of most or all of a company's shares and/or assets by another.
Blended Finance	An approach to structuring investments that allows multiple stakeholders to co-invest, even if their underlying objectives are different.
Bootstrapping	A business that is funded without external sources injecting capital. There are typically two ways to avoid resorting to external investment: 1) using personal funds to finance operations; or 2) generating enough revenue from sales to sustain the cost of running the business.
Convertible Note	A type of short-term debt that can be converted into equity at a later date.
Crowdfunding	A fundraising practice, usually based on the presence of a digital platform, that allows individuals and businesses to source capital from many individuals who can contribute their preferred amount.
Debt	The capital raised through the sale of a debt instrument or a fixed income item. A key difference with equity funding lies in the fact that debt needs to be paid back and counts as a liability on the company's balance sheet.
Equity	Funds that are invested into a company in exchange for a share of the company.
Grant	A sum of money, often awarded for a particular purpose, that does not need to be repaid.
Guarantee	A formal assurance that a loan will be repaid to the lender, even if the borrowing party defaults.
Leveraged buyout	This occurs when one company acquires a controlling share in another, publicly-traded company. Leveraged buyouts are typically financed with high levels of debt and borrowed money.
Merger	The combination of two or more companies. A merger can occur through an acquisition and the two terms are often referred to together as mergers and acquisitions (M&A).
Mezzanine Finance	An investment vehicle that sits between debt and equity. Lenders of mezzanine finance can convert debt to equity.
Non-Equity Assistance	Refers to support that is provided without requiring equity in return.
SAFE	An agreement between an investor and a company that allows an investment to take place without the price of the share in advance and instead ensures that the investor has the rights to equity in the company in future funding rounds or in the event of liquidation.
Securities	A fungible and tradeable financial asset, including equity, debt, or a combination of the two, as well as derivatives, which can be bought, sold, and traded.
Trade Finance	Any form of transaction domestically or internationally that provides financing for trade flows, including both imports and exports.
Venture Capital	A type of loan provided to venture-backed firms experiencing fast growth, typically raised from specialised banks.
Venture Debt	A type of loan provided to venture-backed firms experiencing fast growth, typically raised from specialised banks.

Investor types

Funding can come from a wide range of sources. Understanding the type and stage of funding you're looking for can help you decide which investor type is best suited to you.

Angel	An individual that provides early stage funding for startups through personal funds, typically in return for equity or, in the case of non-priced rounds, convertible notes or SAFEs. Angels sometimes work within syndicates or rolling funds to distribute funds, meaning that they collaborate or partner with a network of angel investors to find interesting opportunities.
Bank	A financial institution that offers a breadth of financial services, such as loans, deposits, wealth management, banking and currency exchange. Banks are often considered a traditional form of company financing, though it can be difficult to access funds as banks often require some sort of collateral for receiving a loan. Banks are not necessarily structured to lend to high risk targets, but several banks have in recent years set up corporate venture arms to support startups.
Corporate Venture Arm	A branch of a corporation that provides venture capital to businesses in exchange for equity.
Debt Providers	Any form of financial institution that commits to providing capital in return for set payments that are repaid through agreed-upon terms.
Development Finance Institution (DFI)	An institute, typically owned by national governments or representing regional and international banks, that provides patient and risk capital for public and private sector projects with overarching social, economic and environmental objectives, which are prioritised over financial returns.
Donor	A person, institution or organisation that donates capital to an individual, company, project or government. Donor funding can be particularly important for development-focused projects and initiatives that have large impact potential, and where traditional financing would not be accessible due to low financial returns and viability.
Family Office	A private firm that manages the wealth and assets of a high-net-worth individual or family.
Friends & Family	Gifts, equity finance and loans provided through close relationships in the very early stages of funding to get a business up and running.
Fund	A pool of collective investments that are managed and invested by a firm.
Impact Investor/ Fund	Investment firms and individuals that target high-impact sectors and industries, with positive and measurable social, economic and environmental development objectives alongside financial returns.
Micro VC	Similar to a traditional venture capital firm, but that focuses on smaller investments.
Pension fund	A scheme that provides pension payments to individuals when they retire. Pension funds typically invest money to increase the pool of money in the fund.
Private Equity	A company where accredited and institutional investors and funds join forces to invest directly into companies or engage in acquisitions.
Venture Capital (VC) Firm	An investor organisation that provides funding to high-potential and high-growth companies, typically in return for equity.

Endnotes

1 https://static1.squarespace.com/static/5ab2a4d655b02c29746fc58c/t/5f9965075821db030309fb48/1603888430592/FFA_28102020.pdf
2 https://about.crunchbase.com/blog/when-to-raise-money-startup
3 https://www.nationalgeographic.com/environment/article/tanzanian-city-may-soon-be-one-of-the-worlds-most-populous
4 https://unitanzania.com/the-history-of-entrepreneurship-in-tanzania
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6 www.thecitizen.co.tz/tanzania/magazines/defining-middle-class-in-tanzania-is-difficult-2494380
7 https://thebigdeal.substack.com/p/dont-we-all-love-a-good-map
8 http://info.undp.org/docs/pdc/Documents/TZA/Funguo%20ProDoc_submitted%20to%20Program%20Board%20Jan%202021.pdf
9 www.bbc.co.uk/programmes/p07fgpt1
10 https://tsa.co.tz
11 The government offers grants to early stage innovators through a programme called MAKISATU, National Competition in Science, Technology and Innovation.
12 www.uncdf.org/article/7015/the-bridge-facility-a-dedicated-financing-facility-for-the-ldcs
13 www.youtube.com/watch?v=o2bE-H9J7M0
14 www.linkedin.com/pulse/smartclass-why-we-invested-gathu-chege
15 www.mit.go.tz/uploads/documents/sw-1618818548-fca_no_8-2003.pdf

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