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Scale Up!

Entrepreneurs’ Guide to Investment in Rwanda

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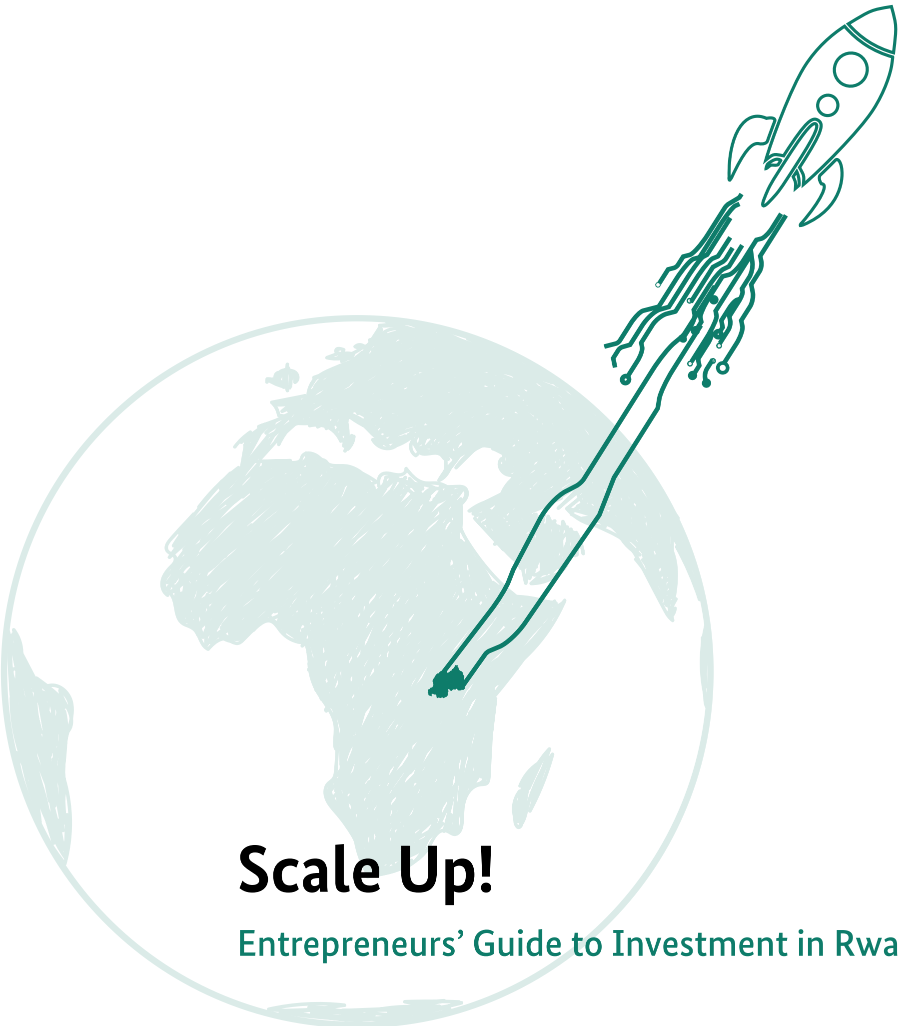


Scale Up!

Entrepreneurs’ Guide to Investment in Rwanda

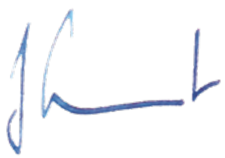
Foreword

Once dubbed the "land of a thousand hills", today's Rwanda has become the "land of a thousand solutions" with one of the fastest growing economies in Africa. Following the 1994 genocide against the Tutsi that tore the country apart, Rwanda implemented significant social and economic reforms that have helped make it into one of the easiest places to start a business in Africa. Located in the central eastern part of Africa, it is a strategic gateway for businesses looking to enter different regional markets across the continent. Its economy used to be based completely on agriculture, and the sector still engages 70% of the population. However, the country's current focus is on industry and the service sectors. Since entrepreneurship and innovation are one of the country's key priorities, there is a surging number of start-ups with new products and services, predominantly in Kigali. As such, the Rwandan entrepreneurship ecosystem is well positioned on the continent.

Most entrepreneurs suffer from a lack of business-related advice, as well as limited access to talent, markets, and capital. These difficulties are magnified for those who are young, female, or who live outside of the capital city of Kigali. One of the key challenges for start-ups, Small and Medium Enterprises (SMEs), and Small and Growing Businesses (SGBs) is to find the right financing options, and then to work on the specific due diligence requirements of these instruments. Companies lack the necessary information, the capacity to assess themselves, and knowledge of internal processes that need to be in place in order to meet the requirements of investing parties. That's why it's crucial to provide guidance and information to those companies so that they can assess the current stage of these business and learn what financing and support options are available on the market. This guide aims to help these companies to understand and navigate the variety of financing options in the Rwandan market.

The financing options discussed in this guide include diverse mechanisms, such as grants, seed funds, angel investment, impact-oriented venture capital, debt, and more. Furthermore, the guide outlines requirements, investor expectations, as well as investor types in an easily accessible format, and offers practical support to entrepreneurs to help them ask the right questions when approaching an investor. In order to create a comprehensive overview, we reached out to more than 25 local, regional and international financing partners to provide information on their portfolio and requirements, all of which we compiled in this guidebook.

This Rwandan Investment Guide was created on behalf of the GIZ programme "Make-IT in Africa", which has developed similar guides for Ghana, Côte d'Ivoire, Ethiopia, Kenya and Nigeria. A print version will be available, as well as an interactive online version under www.investment-guide-africa.org. With a quick self-assessment tool, the online version will guide entrepreneurs to the most appropriate financing mechanisms and identify potential financing partners. We will frequently update the guide to include new financing partners, and we'll continuously improve the methodology based on your feedback. So, please, don't hesitate to contact us via *make-it@giz.de*.



Dr. Jan Schwaab
Head of Programme
Tech Entrepreneurship Initiative **Make-IT in Africa** (GIZ)

Contents

Foreword **4**
Contents **6**
Glossary **8**
Introduction **12**

Chapter

I Funding Instrument Overview **16**
Grant 20
Debt 22
Equity 24
Mezzanine 26
Revenue Based Financing 28
SAFE 30

II Investor Overview **32**
Incubators and Accelerators 36
Angel Investor Networks 37
Foundations 38
Public/Semi-Public Funders 39
Banks 40
Impact Investors 41
Gender Lens Investors *42*
Corporates 43
Venture Capital Firms 44
Private Equity Firms 46
Considering Local vs. International Investors *47*

III Raising Capital 50
The Start-up Lifecycle 53
Stages of Start-ups and Typical Funding Needs at Each Stage 54
Start-ups 101: How to Raise Funding 55
When to Fundraise 59
Typical Negotiating Process With Investors 60
Your Guide to Pitching 61
Pitch Deck 62
Pitching Effectively 64
Pitching to Impact Investors 66
Valuation Matters! 68
Valuation Models for Your Start-up 69
Valuation Continued 70
Assembling a Board of Directors 71
What Makes a Start-up Appealing to Investors? 72

IV Rwanda's Investment Scene 74
A Strong Drive Towards Digitalisation 77
Rwanda Key Business Sectors 79
Rwanda's Enabling Entrepreneurship Ecosystem 81

V Investor Directory 92

VI Conclusion 114
Final Word 116
Key Takeaways 117
Useful Start-up Resources to Learn More 118
Acknowledgement 120

Imprint 164

Glossary

Accelerator | A programme that takes in relatively early-stage start-ups, helps them develop their product, providing mentoring and teaching, and access to a network of potential investors or partners; at the end of the programme, the accelerators typically put on a pitch day during which companies can pitch their services to investors. As a key difference from incubators, accelerators usually have a set timeframe from a few weeks to a few months.

Angel investors | High net worth individuals with disposable income who like to invest part of their portfolio in start-ups. Usually they would invest their cash, time for coaching and mentoring and make business introductions.

Business plan | A detailed outline of your business, including the problem it is solving, the strategy for growth, revenue projections, marketing strategy, team profiles, and more.

B2B – Business to business | Business that aims to sell products and services to other businesses.

B2C – Business to consumer | Business that aims to sell products and services to consumers.

CAPEX – Capital expenditure | The funding needed to invest in assets that your business needs to get off the ground (e.g. computers, stock, machinery), or improving these assets

Capitalisation table | Also referred to as the cap table. This is a simple breakdown of who owns how many shares in the business, and the ownership percentage that corresponds to.

Collateral | An asset (machinery, vehicle, etc.) used as a security when taking out a loan.

Convertible note/debt | Short-term debt that may or may not convert to equity in a future financing round. Commonly used to defer the valuation discussion to when an early-stage company has historical financials to guide the valuation process.

Crowdfunding | Raising (typically) small amounts from a large group of people.

Debt financing | Effectively a synonym for a loan, debt financing means accepting capital with the promise of repaying the principal and interest.

Due diligence | The homework that investors conduct on a business before they invest; this can include reference checks, a deeper dive into your business model and financials, and studying the market you are in.

Equity | Ownership stake in a company.

Exit | A way for existing company shareholders to realise their returns; typically, this is done via an acquisition (trade sale), an initial public offering on the stock exchange (rare in Rwanda), or secondary sale of shares.

Grant | Type of funding that typically does not obligate the recipient to repay the funds; usually, the money can only be used in the way agreed to prior to disbursement.

Incubator | Similar to an accelerator, an incubator takes in early-stage companies and helps them to narrow down their business idea and connects them to a network of partners and funders; incubators focus on very early stage start-ups, however, helping them build on an idea, instead of coming in when a start-up already has a product or service.

IPO | Stands for 'initial public offering' and it basically means that a company starts floating on the stock market, selling a significant number of their shares in the process of institutional and non-institutional investors. These large companies are what Venture Capitals dream of, as they often provide large sums of capital to all parties involved (founders, early employees and investors).

IRR – Internal rate of return | A measure, expressed as a percentage, used to evaluate the profitability of an investment.

Mezzanine | Type of financing that has both equity and debt features.

OPEX – Operating expenditure | Ongoing expenditure needed to run your businesses (e.g. salary, subscriptions to cloud services, office rent).

Pitch deck | A slide presentation that gives a breakdown of your solution, the market opportunity, your team, and your financials.

Principle | The original loan amount, without interest.

Profit | This is the company's bottom line, which is all the money made from sales of its product or service, minus expenses, taxes, depreciation, and operating costs.

Revenue | This is the company's top line, which means it is the money generated from all activities of the company in a given time period.

Revenue-based financing | A type of funding where a percentage of revenue is returned to investors until they reached a predetermined figure.

SAFE | A safe is a simple agreement for future equity. An investor makes a cash investment in a company, but gets company stock at a later date, in connection with a specific event. A safe is not a debt instrument, but is intended to be an alternative to convertible notes that is beneficial for both companies and investors.

Secondary sale of shares | A way for existing investors to realise their returns; this is different from a primary sale, in which a start-up issues new shares to an investor.

SME – Small and medium-sized enterprise | Company classification defined differently by different countries; in Rwanda, the Ministry of Trade and Industry, 2005, defined small enterprises as having 11 to 35 employees; any larger enterprise with less than 100 employees, an annual turnover below RWF 50 million and a net investment capital below RWF 75 million is medium-sized.

Start-up | A company or project initiated by an entrepreneur to seek, effectively develop, and validate a scalable business model.

Tenor | The amount of time until a loan is due to be repaid.

Term sheet | The document investors present to a company they are interested in funding; this will include details of what form of investment the investor wants to make and the terms of such an investment. Term sheets can be issued for convertible notes, equity investments and other forms of investments.

Unit economics | The costs and revenue made per product or service sold; this is important for businesses to understand and project how per unit costs and revenues will change as the business grows and acquires more customers.

Valuation | The value of your company before (pre-money) or after (post-money) a funder invests in your business.

Venture capital | A type of private equity that investors offer to finance start-ups with exceptional growth potential.

The glossary provides clear distinctions between start-ups, SMEs, entrepreneurs and business owners. It is important for these terms to be defined as each one has different needs, requires a different approach, and attracts different types of support and financing. To put this into context, a business owner in Rwanda could be selling IT equipment or providing services, such as repairing computers, phones or laptops or selling software whereas an entrepreneur is typically focused on developing a solution to solve a problem where the market may not be clearly defined and therefore success is most times not guaranteed.

There are few instruments available for tech start-ups in Rwanda. However, Rwanda is being recognised as an interesting investment destination for many regional and international early stage funds. It is also important to mention that some start-ups may qualify for sources of funding developed for SMEs dependent on the business model.

Introduction

Around the world, entrepreneurship is increasingly being recognised as a key driver of job creation and economic growth. Successful entrepreneurs are celebrated as luminaries, and the entrepreneurial mantra of accepting and learning from failure is being adopted by organisations of all sizes. In other words: it is a great time to be an entrepreneur.

This Entrepreneur's Guide is designed to provide early to mid-stage entrepreneurs in the technology sector with the information they need to navigate Rwanda's entrepreneurial ecosystem. It is a comprehensive, accessible, and informative tool that can be useful for entrepreneurs in all stages of business.

The aim is to help Rwanda's rising technology entrepreneurs to navigate the nebulous and suboptimal financing landscape.

We divide our approach into several chapters:

Chapter I provides an overview of funding instruments, highlighting the advantages and disadvantages of each.

Chapter II breaks down the different types of investors covered in the guide. We examine 9 types of funders, and present extra information about them, including typical funding amounts, as well as services that each offers in addition to funding.

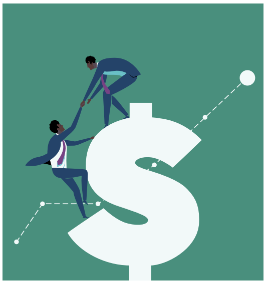
Chapter III continues on this to discuss, in more specifics, what happens when entrepreneurs approach various types of investors. This includes an overview of the documents that different types of funders will expect, the typical phase at which to approach each type of investor, and what to expect from interactions with the investors.

Chapter IV shares Rwanda-specific insights based on our conversations, research, and data analysis. This chapter will give entrepreneurs a better understanding of the entrepreneurial ecosystem of their country. It will highlight potential perils to look out for, and opportunities to leverage.

Chapter V is the Investor Directory – a look at 18 of Rwanda's investors actively funding the country's emerging tech start-ups. In addition to providing basic information about who they are, the chapter explains how long they have been around for, and the types of companies they invest in. We also show more unique and insightful information, including average investment size, type of funding offered, and any post-funding benefits they may provide.

Chapter VI concludes by providing an overview of the guide and further sources of information. In other words, the first part of the guide is meant to answer the how of fundraising, while the directory is meant to answer the who. Although this is a comprehensive guide we have also listed some additional resources that will provide all of the information needed to embark on an entrepreneurial journey.

Having introduced the purpose and the methodology, the rest of the guide is structured as follows:



Chapter I

- Overview of funding instruments
- Advantages and disadvantages of each funding instrument

See pages 16–31

Chapter II

- Overview of 9 types of investors
- Typical amounts of funding
- Typical instruments of funding
- Non-financial benefits

See pages 32–49

Chapter III

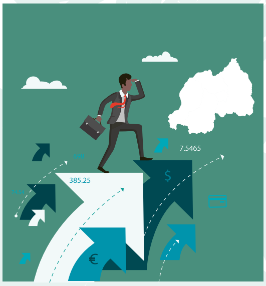
- Raising capital overview
- What makes an appealing start-up
- Strategies to pitching
- When to approach investors

See pages 50–73

Chapter IV

- Rwanda’s tech start-up overview
- Insights into entrepreneurship in Rwanda
- Entrepreneurship education in Rwanda
- Identifying market opportunities

See pages 74–91



Chapter V

- Directory of 18 capital providers in Rwanda

See pages 92–113

Chapter VI

- Key takeaways
- Useful start-up resources

See pages 114–119

Chapter
Funding Instrument Overview

Chapter I:
Funding Instrument Overview

One of the first and most important decisions that entrepreneurs will need to make when raising money is deciding the type of capital they need. In this guide, we cover four types of capital: grant, debt (loans), equity, and mezzanine (a mix of debt and equity). One or a mix of these four types of funding will apply to most entrepreneurs in Rwanda, as well as other countries.

GRANT

Funding that typically does not obligate the recipient to repay the funds

See page 20

DEBT

Funding that founders or entrepreneurs borrow and need to repay, usually with interest

See page 22

EQUITY

Funding that founders receive by giving up a portion of their company

See page 24

MEZZANINE

Funding that combines debt and equity features

See page 26

REVENUE-BASED FINANCING

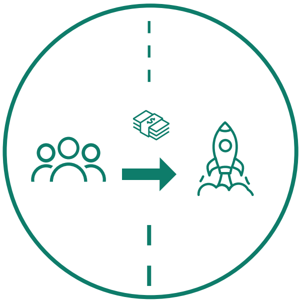
Funding where a percentage of revenue is returned to investors

See page 28

SAFE

Funding where a simple agreement for future equity is made

See page 30



GRANT

A **grant** refers to a type of funding that typically does not obligate the recipient to repay the funds. Nor does it make any financial claim on a business in return for providing the funds. This includes everything from grants offered by national and international organisations or foundations, as well as prizes and awards offered through competitions, along with donation-based crowdfunding campaigns. Grants are typically the most straightforward form of funding.

The amounts that organisations grant to businesses vary widely from thousands to millions of dollars. The most common grants, however, tend to be on the smaller side, typically under RWF 47m ($50k). This makes them the most appropriate for early-stage start-ups and entrepreneurs, or more established entrepreneurs seeking capital to ease cash flow constraints.

Typically, organisations making the grant will put out a call for applications, inviting interested start-ups to pitch their ideas. Applicants will need to show how their business or idea is relevant to the grant. A judging panel selects finalists and the winner or winners are identified from the pool.

While organisations that fund grants typically do not expect any sort of financial return (i.e. a stake in the business, or a promise of repayment), they will thoroughly check grantees to ensure the money is being used for the intended purpose – both when the grant has been disbursed and afterwards. Some organisations release grant payments in phases/stages to ensure the company is working towards its stated goals.

ADVANTAGES

- → *no requirement to pay back*
- → *funders have little influence in the day-to-day business operations*

DISADVANTAGES

- → *hard to grow networks or access targeted mentorship*
- → *time-consuming, post-funding reporting can be extensive*
- → *providers of grants can be inflexible in accommodating start-ups that need to pivot from one business strategy to another*

DEBT

Debt financing is one of the most common ways to get funding in Rwanda and in other countries. In simple terms, debt financing means an entrepreneur takes out a loan from a financial institution, which he or she promises to repay within a predetermined period, and it is subject to an agreed interest rate.

Debt funding can come from various types of funders, including banks, online and mobile lenders, peer-to-peer crowdfunding, impact investors, development finance institutions, microfinance institutions, and others.

As entrepreneurs need to pay interest on their loans, typically in monthly instalments, debt financing is best suited to more mature start-ups with stable cash flows. The amount of funding that an entrepreneur can expect to borrow depends on two factors: first, on the organisation he or she is turning to – a bank or impact investor will be able to offer a larger loan than a microfinance institution (MFI) or mobile lender platform; second, the size of the loan will depend on how much debt the start-up will realistically be able to take on. Early stage start-ups with no product and no customers, for example, usually cannot (and should not) borrow much, while more established companies with stable cash flows can tap into larger pools of credit.

In order to apply for a loan, start-ups will need to show a business plan and financial projections; these are meant to explain how the borrower plans to repay the debt.

When taking out a loan, borrowers typically focus on two key aspects of the financing structure: the interest rate and the tenor (the time until the entire loan must be repaid). The interest rates are seen to be correlated with the riskiness of the borrower – the less likely he or she is to pay back, the higher the interest rate a lender is going to charge, as a premium for taking on extra risk. The rates are also determined by the central bank's prevailing interest rates in the country.

In case of default, lenders get first claim on any assets owned by the business. As such, this is typically seen as a 'safe' financing structure from the lender's point of view, when compared to equity investment.

ADVANTAGE

→ *no need to give up ownership in company*

DISADVANTAGES

→ *often lenders will ask for collateral (in Rwanda only possible with real estate)*
→ *repayments can be difficult to make for cash-strapped start-ups*

Debt financing can come in two forms: secured and unsecured loans. Secured loans are a financing instrument in which the entrepreneur offers some asset as collateral, making the loan less risky for the lender. This could, for instance, be a car or a debenture over assets that the lender will be entitled to take if the borrower defaults on the loan, offsetting some of the risk for the lender and thereby reducing interest rates. Unsecured loans do not have such protections for the lender, and therefore have higher interest rates.

EQUITY

Equity financing means an investor puts money into a start-up in exchange for a portion of the company's shares. This means the investor becomes a part owner of the business.

Equity investment varies in amount, depending on the entrepreneur's needs. It includes everything from relatively small (less than RWF 47m or $50k injections of capital from family members or angel investors, to large deals financed by private equity firms that can amount to millions of dollars.

Prior to making an investment, equity investors go through a detailed screening process, commonly referred to as due diligence. At this stage, they look at the potential of a start-up to grow into a highly profitable business. Most equity investors understand that the majority of start-ups fail; therefore, they look for growth potential rather than steady cash flows. Equity investors like to back tech start-ups because of their ability to scale with relatively low capital requirements compared to traditional brick and mortar businesses.

In order to receive equity investment, entrepreneurs will typically need to have an extensive business plan, with strong financial models showing growth projections, competitor analysis, proposed approach to marketing, and more.

Equity is the riskiest type of financing for investors, as the funders stand to lose their entire investment should a company fail.

ADVANTAGES

- → *patient capital without the need for instant repayment*
- → *investors have an incentive to be as helpful as possible by providing mentorship, advice, and connections*

DISADVANTAGES

- → *misaligned time horizons: start-ups building for the long term while investors want to exit quickly*
- → *control mechanisms can mean entrepreneurs are no longer the sole decision makers*

Note that SMEs are also eligible for equity funding, depending on the scalability of their business model. Investors base their decision on whether SMEs can grow into large enterprises and become a market leader in their segment.

MEZZANINE

Mezzanine is a hybrid instrument and refers to financing that sits between equity and debt (hence the name) and combines aspects of both types. It is popular in some places or countries because it shields investors from certain risk associated with pure equity investment, while still providing an upside if a business becomes highly successful.

To raise mezzanine finance, a company must have a credible track record in the industry, consistent profitability, and a feasible plan for expansion through an initial public offering (IPO) or acquisition.

Thus, mezzanine finance is used by companies that have a positive cash flow. There are several reasons why investors and entrepreneurs may want to issue convertible notes instead of debt or equity. For investors, it provides a level of protection in case the money is used in a fraudulent way – they have the right to pursue the debt issued (typically this is at a 0% rate, so they will attempt to recoup their investment).

For entrepreneurs, who expect their company's equity to be worth more in the future, issuing a convertible note likely minimises their share dilution. Both investors and entrepreneurs are also likely to benefit from postponing the valuation to a later point when an institutional investor comes in. While convertible notes can be difficult to understand, the key thing to keep in mind is that the amount an investor puts in as debt will be converted to equity at a later point, as defined in the contract. The share price will determine how many shares that funding injection will be converted to.

To give a very brief example: a founder and an investor agree to a RWF 47m ($50k) convertible debt at a discount of 20%. This means that when the company raises money in the next round, the early investor is able to purchase shares at 80% of what they are worth. If, for instance, the shares are priced at RWF 900 ($1) each in the next round, the investor will be able to purchase them for RWF 750 ($0.80). That means instead of buying 47m (50,000) at RWF 900 ($1) each for the RWF 47m ($50k) leant in the convertible note, the early investors will actually be able to purchase 62,500 shares ($50k/$0.80). There are other considerations and clauses that can be agreed upon, including a valuation cap.

An in-depth overview of convertible notes is outside the scope of this guide, but there are plenty of online resources, books, and individuals who will be able to walk entrepreneurs through the complexities.

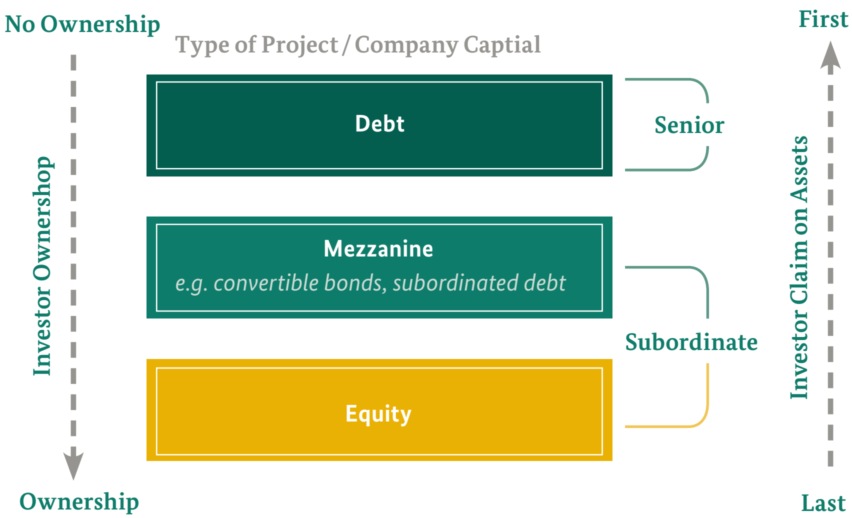
ADVANTAGES

- → *mitigates risk for investors, meaning better funding terms than straight equity*
- → *can delay valuation of start-up which is imprecise in early stage companies*

DISADVANTAGES

- → *entrepreneurs may need to make regular payments to funders*
- → *can be overly complex and expensive to arrange*

This graph shows how mezzanine funding relates to equity and debt. It is riskier than debt but gives investors more protections than equity financing – it sits between the two, hence the name.



Source: http://pdf.wri.org/glossary_of_financing_instruments.pdf

REVENUE-BASED FINANCING

Revenue-based financing is a type of capital-raising method in which investors agree to provide upfront capital to a company in exchange for a certain percentage of the company's ongoing total gross revenues. It is an alternative investment model that sits between equity and debt. Revenue-based financing is an attractive method of raising capital for companies and is becoming increasingly popular. Your monthly repayments will be attached to the performance of your business making the financing a variable cost rather than a fixed cost to the business. Furthermore, relative to debt and equity financing, revenue-based financing is a much easier process that requires less documentation. Three parameters are usually agreed upfront besides the sum to be provided: the total amount to be repaid over time, the percentage of revenue shared with the provider of financing, and the payment frequency. Usually monthly, weekly or daily.

Revenue-based financing seems similar to debt financing because investors are entitled to regular repayments. However, revenue-based funding does not involve interest payments. In a revenue-based financing investment, investors receive a regular share of the businesses income until a predetermined amount has been paid. Typically, this predetermined amount is a multiple of the principal investment and usually ranges between three to five times the original amounts invested. Also, in revenue-based financing, a company is not required to provide collateral to investors. In addition, there may not be a requirement from the investor for a board seat.

ADVANTAGES

- → no requirement for collateral
- → no transfer of ownership stake to investors
- → easier process, less documentation

DISADVANTAGES

- → you will need to be generating revenue on a monthly basis to qualify
- → you will also need to plan for a consistent reduction in your monthly revenue

SAFE

A safe is a simple agreement for future equity (**SAFE**). An investor makes a cash investment in a company, but gets company stock at a later date, in connection with a specific event. A safe is not a debt instrument, but is intended to be an alternative to convertible notes that is beneficial for both companies and investors.

The safe was created by seed accelerator "Y Combinator" and has been adopted by early stage investors across the board. The following description has been adopted from Y Combinator. Most start-ups need to raise money soon after formation in order to fund operations, and the safe can be a vehicle for investors to fund companies at that very early stage. Unlike the sale of equity in traditional priced rounds of financing, a company can issue a safe quickly and efficiently, without multiple documents and the necessity of a charter amendment. As a flexible, one-document security, without numerous terms to negotiate, the safe should save companies and investors money and time.

The investor and the company agree on the valuation cap, mutually date and sign a safe and the investor sends the company the investment amount. After that, nothing happens until the occurrence of one of the specific events described in a safe. In the meantime, an outstanding safe would be referenced on the company's cap table like any other convertible security (such as a warrant or an option).

ADVANTAGES

→ *easier process, simple and standardised term-sheets readily available online*
→ *cost effective, less resources required and legal fees*
→ *no maturity date, able to raise cash without setting a new deadline*

DISADVANTAGE

→ *typically only used by experienced early stage investors*

Chapter II.
Investor Overview

Chapter II: Investor Overview

There are various types of investors across Rwanda. The table below provides a brief description of each type of funder, including typical funding amounts and non-financial benefits that you can expect from each type of funder before providing a more detailed overview of each.

INCUBATORS AND ACCELERATORS

Work with early-stage start-ups to help them refine their idea/product, and coach them on how to realise their vision

See page 36

ANGEL INVESTOR NETWORKS

Member organisations that recruit individuals with spare cash who are interested in investing in small businesses

See page 37

FOUNDATIONS

Organisations that fund projects or companies that are within their sector of focus; typically, philanthropic in nature

See page 38

PUBLIC / SEMI-PUBLIC FUNDERS

Local, federal, and international organisations that have a mandate to promote entrepreneurship or fund small businesses

See page 39

BANKS

Well-known financing entities that are typically wary of investing in small companies; some, however, are looking to lend to more small businesses

See page 40

IMPACT INVESTORS

Varied group of funders that look for social/environmental returns in addition to/instead of financial returns on their investment; includes "gender lens investors"

See page 41

CORPORATES

Companies that fund small businesses as part of their corporate social responsibility drive, or who set up their own venture funds

See page 43

VENTURE CAPITAL FIRMS

Companies that raise outside capital to invest in small businesses and start-ups

See page 44

PRIVATE EQUITY FIRMS

Companies that raise outside capital to invest in later-stage businesses, often funding deals of millions of dollars

See page 46

INCUBATORS AND ACCELERATORS

Incubators and Accelerators nurture start-ups at a crucial stage in their lifecycle by providing them with an environment conducive to growing their business. Though both accelerators and incubators often focus on technology start-ups, there are some differences between the two.

Generally, incubators are focused on providing a physical coworking space and access to their networks for very early stage start-ups, which are idea-based and possibly pre-revenue at the time of application. Some incubators provide funding for start-ups in the incubation programme which is usually in the range of RWF 9 – 29 million ($10,000 – $30,000) either in the form of a grant or equity, in which case the incubator will own shares in your company. Accelerators are also aimed at early stage companies, but ideally at those who have got some traction and are ready to grow and scale their business. Typically, that means the businesses are already making revenue. Accelerators generally take equity in the business in exchange for access to their programme, their facilities, and their mentor network, which often includes investors and experienced business managers. Both incubators and accelerators usually have a set timeframe, from a few weeks to a few months. Accelerators and incubators typically have a selective application process and start-ups need to prove themselves in order to be granted access. The application process examines the start-up's business model, its financial performance to date, projections for the future, and the quality of the team. While they are typically well run and help entrepreneurs to refine their business, one downside of accelerators and incubators is that they often require entrepreneurs to spend valuable time away from their businesses. There are a few accelerators and incubators in Rwanda, the vast majority of which are based in Kigali. An alternative option for an entrepreneur that is not successful at gaining access to an incubation or acceleration programme is joining an entrepreneurial community through one of the various hubs and co-working spaces across the country. Entrepreneurship can be a lonely journey and there are many benefits to be gained from interacting with other entrepreneurs.

i

Typical funding instrument: *Grants + Equity*

Typical funding amounts: $10,000 – $30,000

Non-financial benefits: *office space, mentoring and training, networking events, facilitating connections with potential partners and investors, peer to peer learning opportunities*

ANGEL INVESTOR NETWORKS

An angel investor network is a group of individuals (called business angels) who inject capital into a business in exchange for equity. The network is made up of experienced professionals or entrepreneurs who have knowledge and contacts in the industry in which they invest.

Business angels invest in companies with high growth potential. Business angels typically step in to provide funding for companies that have exhausted any friends and family investments or personal savings they may have been able to access before they receive any investment from VCs. While most business angels are engaged and helpful, it is important to manage the amount of control relinquished early on.

As an entrepreneur, it is important to listen to their feedback, but not to follow their advice blindly. Angel investors often opt for an equity stake in the business which means that they will own a share of your business; however, nothing prevents an angel investor from providing debt. It is, however, unlikely that at that stage the business will be generating sufficient revenue to be able to service debt. This is where convertible notes and safes often come into play.

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Typical funding instrument:
Equity + Mezzanine

Typical funding amounts:
$20k – $250k

Non-financial benefits:
Mentoring, access to network to sell product – develop partnerships, deep industry insights, access to potential follow on funders

FOUNDATIONS

Typical funding instrument:
Grant

Typical funding amounts:
$5,000 – $3m

Non-financial benefits:
Capacity building, access to the foundation's network

Foundations are non-profit charitable organisations that are founded on an initial endowment, typically made by an individual or business. They tend to have a specific goal or sector of interest and fund other charities, NGOs, projects, and companies that work towards that goal or in that sector. Alternatively, foundations may also operate projects in their sectors of interest, if they have the capacity to do so. The amount of funding foundations make available varies drastically depending on their endowment. Large foundations can fund millions of dollars' worth of projects, although the vast majority are much smaller. In order to get funding from foundations, companies will need to go through an application process. Some foundations only accept applications from companies and projects they have invited to participate so it is important to know whom to approach within the foundation to get an invitation. Foundations will typically look at how closely a company's mission and activities match with the desired outcomes they want to achieve. For this reason, when approaching foundations, it is important to focus on the impact of your business.

PUBLIC / SEMI-PUBLIC FUNDERS

Public or semi-public capital refers to funding providers where part or all of their funding is received from government sources. The government may place certain restrictions on how the company operates and invests.

This is a broad group that includes a wide range of capital providers including fully or partially publicly funded organisations that work in various sectors to promote access to capital and technical assistance. These may include annual government funded start-up and/or innovation competitions, industry consortiums and development banks, multilateral aid organisations, credit guarantee schemes, development finance institutions (DFIs), etc.

Because they are backed by the government, public and semi-public funders enjoy trust among entrepreneurs and project owners and can be the first port of call when looking for capital.

Typical funding instrument:
Grants, Equity + Debt

Typical funding amounts:
$6,000 – $500,000 (approx.)

Non-financial benefits:
Mentorship, access to new investors, publicity

BANKS

Typical funding instrument:
Debt

Typical funding amounts:
Varies (cash flow and collateral determines the amount)

Non-financial benefits:
Training and capacity building

Banks are licensed financial institutions that are able to make loans and take deposits, among other services. In developed economies, banks often step in to provide capital to start-ups and SMEs. In emerging markets, however, commercial banks tend to shy away from the SME sector, seeing it as risky and costly. Although, some banks have developed products for SMEs in Rwanda, the practice has not yet been fully extended to start-ups.

Banks that work with SMEs offer various financial products, including asset financing and invoice factoring. Like other funders, they want to see a comprehensive breakdown of how the funding will be used, several years' financial history (specifically, consistent cash flows), and they will ask for collateral. This is used to estimate the credit-worthiness of the business, how long to lend the money, and at what interest rate.

Banks can be an efficient source of capital, but most will charge high interest rates given the risk associated with SMEs. Make sure you calculate how much you will need to pay every month and consider carefully whether that is something your company can afford. It is important to foster a relationship with the allocated relationship manager in order for them to understand the business early on so you do not wait until there is a pressing need.

IMPACT INVESTORS

Impact investors provide funds with the intention of creating a positive, measurable, social or environmental impact alongside a financial return. The expected range of returns for these investments is often below the market rate, or the return is measured by a different metric, e.g. social change or impact measurement.

Impact investors include high net worth individuals (HNWIs), family offices, foundations, banks, pension funds, impact-focused venture capital firms, private equity firms, angel investor networks, and development finance institutions (DFIs). Some impact investors are organised in a network, such as the Global Impact Investing Network (GIIN).

Impact investors can also provide a level of expertise to entrepreneurs and project owners in emerging markets, especially when it comes to making sustainable decisions. However, their expertise is likely to be limited, because they tend to be global institutions that focus on impact as well as financial gain. For example, many of GIIN's members are based in the developed world and therefore may not have the appropriate expertise on the ground. Furthermore, they must spend resources on examining impact, which means potentially fewer resources towards providing entrepreneurs and project owners with technical expertise. Since social and environmental impact is key for these funders, it is important to show not only how your company will work towards achieving these aims, but also how you will measure and prove the impact you want to achieve. One of the downsides of accepting impact investment is that the measuring of impact can be highly demanding.

Typical funding instrument:
Equity, Mezzanine, Blended finance

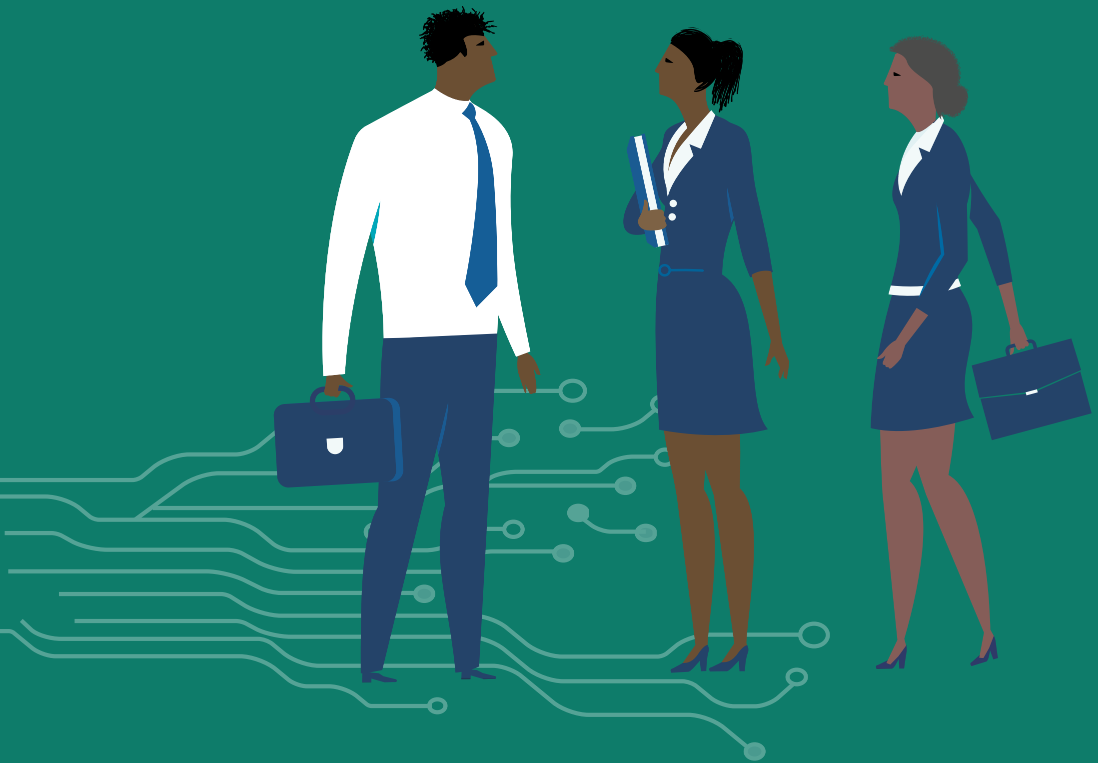
Typical funding amounts:
$25,000 – $bn's

Non-financial benefits:
Mentorship, business connections, access to network, deep industry knowledge, impact measurement tools, branding and communications support

Gender Lens Investors

Another sub-sector of impact investing is gender lens investing. Gender lens investing is the practice of investing for financial return while also considering the benefits to women, by improving economic opportunities and social wellbeing. In evaluating their investments, gender lens investors focus on how their investments advance women in leadership, increase women's access to capital and support the development of products and services beneficial to women and girls.

Furthermore, gender lens investors seek to secure gender equity in the workplace, address urgent gender justice and equality issues such as gender-based harassment and violence and improve women's health.



CORPORATES

There is a growing interest from larger corporates to engage with innovative start-ups that operate within specific sectors as most large firms are not able to innovate quickly enough to meet the ever-changing demands of their customers. SMEs who are operating in the value or supply chain of larger corporates can also try and approach those companies, as there are opportunities for outsourcing and the development of strong business relationships. Corporates support start-ups or SMEs through corporate social responsibility and integration into supply chains.

The fundraising process and amounts will vary depending on the type of funding that corporates provide. When companies are funding other companies and projects via their CSR initiatives, they will often act like impact investors. This means that they are not only asking for a business plan, but also a way to monitor how the money is being used, and whether it is meeting its stated social and environmental goals. Otherwise, corporates will look at how the business they invest in could grow and how this growth may fit into the company's long-term plans.

While corporates can be a great partner for your start-up, make sure you protect your intellectual property (IP) before opening up any business secrets.

Typical funding instrument:
Grants + Equity

Typical funding amounts:
Varies

Non-financial benefits:
Office space, mentoring and training sessions, business development advisory

VENTURE CAPITAL FIRMS

Typical funding instrument:
Equity

Typical funding amounts:
$25,000 to $3m

Non-financial benefits:
Mentorship, team building and recruitment, support with restructuring, governance and business processes, access to partnerships, business development support

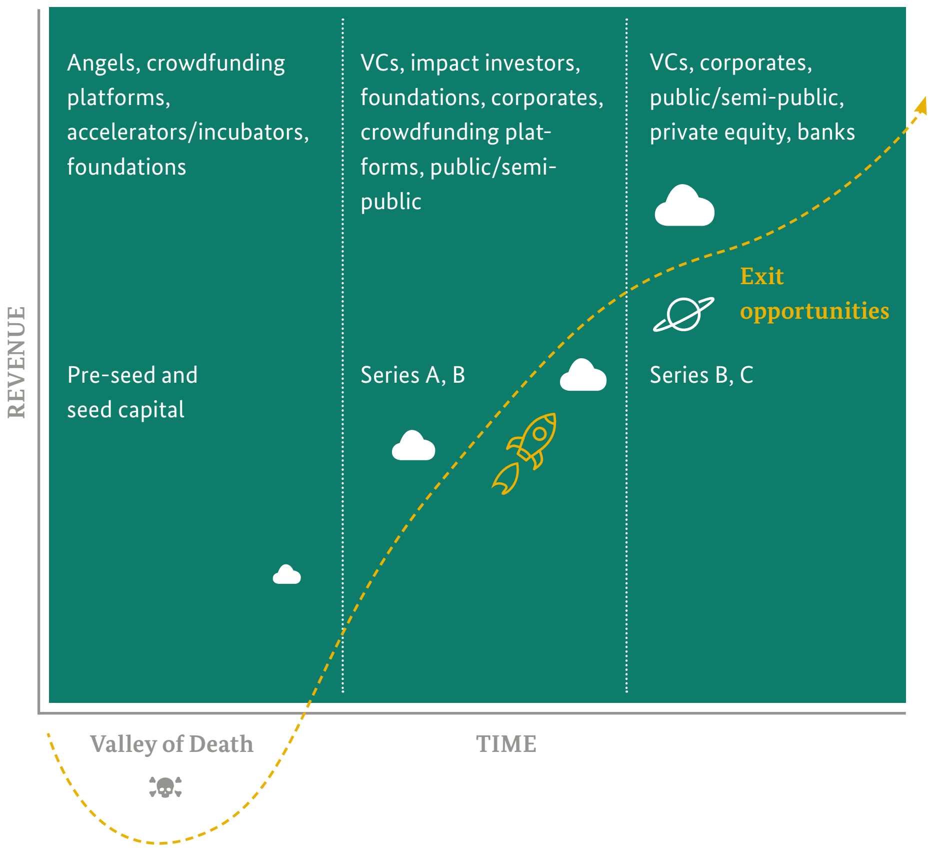
Venture capital (VC) is a type of private equity and refers to investments made in exchange for equity in early-stage businesses. VCs are focused on funding, developing, and expanding early-stage businesses.

VCs tend to invest in adolescent stage start-ups which have the potential to grow rapidly and earn the investors 10 times to 30 times return on their capital over a fairly short time period of three to seven years (in Rwanda, as well as many other developing countries, that time horizon is often closer to seven and up to ten years, and return on investment is closer to 3 – 5 times). Typically, VCs look to invest in companies within sectors in which they operate, which enables them to have the capacity to tap into economies of scale and expand rapidly.

VCs provide several services in addition to providing capital. They play an important role in formulating and implementing the business strategy, aid in appointing the management team and in guiding the company through the later rounds of raising capital. However, given their influence on an early stage business, a VC will expect you to provide frequent reports and to occupy a seat on the board, participating in management decisions.

Take note that different VC firms invest in different stages. This ranges from very early stages of $25,000 – $50,000 to multiple million dollar rounds. Some VCs only invest in certain stages while others invest across the range and might do several rounds of investment in a company. It would be advisable to identify a VC firm that has the ability to do several rounds as follow on funding remains a challenge for most early stage businesses and it comes at a cost.

This table shows the typical funding progression for a company, as its revenues increase over its lifecycle. The 'valley of death' is where many start-ups die: unable to generate revenues and investor interest, they fizzle out before their ideas take off.



PRIVATE EQUITY FIRMS

Typical funding instrument:
Equity + Mezzanine

Typical funding amounts:
$2m – $15m

Non-financial benefits: *Mentorship, business connections, business development advisory*

Private equity (PE) firms invest directly in private companies. In more developed markets there are quite clear distinctions between Venture Capital and Private Equity however on the continent the lines are not as clearly defined.

They tend to focus on companies that are more mature than those in VCs' remit. PE firms are often structured as a limited partnership, with institutional investors and/or HNWIs providing funds for partners to manage. As PE firms invest in more mature companies, and sometimes acquire a 100% stake in these companies, they tend to invest much larger amounts than VCs ($2 million and above). That makes them an imperfect fit for smaller firms/companies.

Private equity is a catch-all term that captures many types of firms; venture capital, for example, is a subset of PE. As PE funds tend to make large equity investments, they typically get fairly involved in the management of the companies. They usually focus on larger, more established companies that they feel can improve operations and become more profitable.

Considering Local vs. International Investors

As the start-up scene continues to grow in Rwanda, it is attracting growing interest from both local and international investors. This has generally been a good thing: greater competition among investors and increased capital flows mean better opportunities for start-ups. But, generally speaking, there are differences between what local and international funders offer to start-ups. Here are a few things that we have observed:

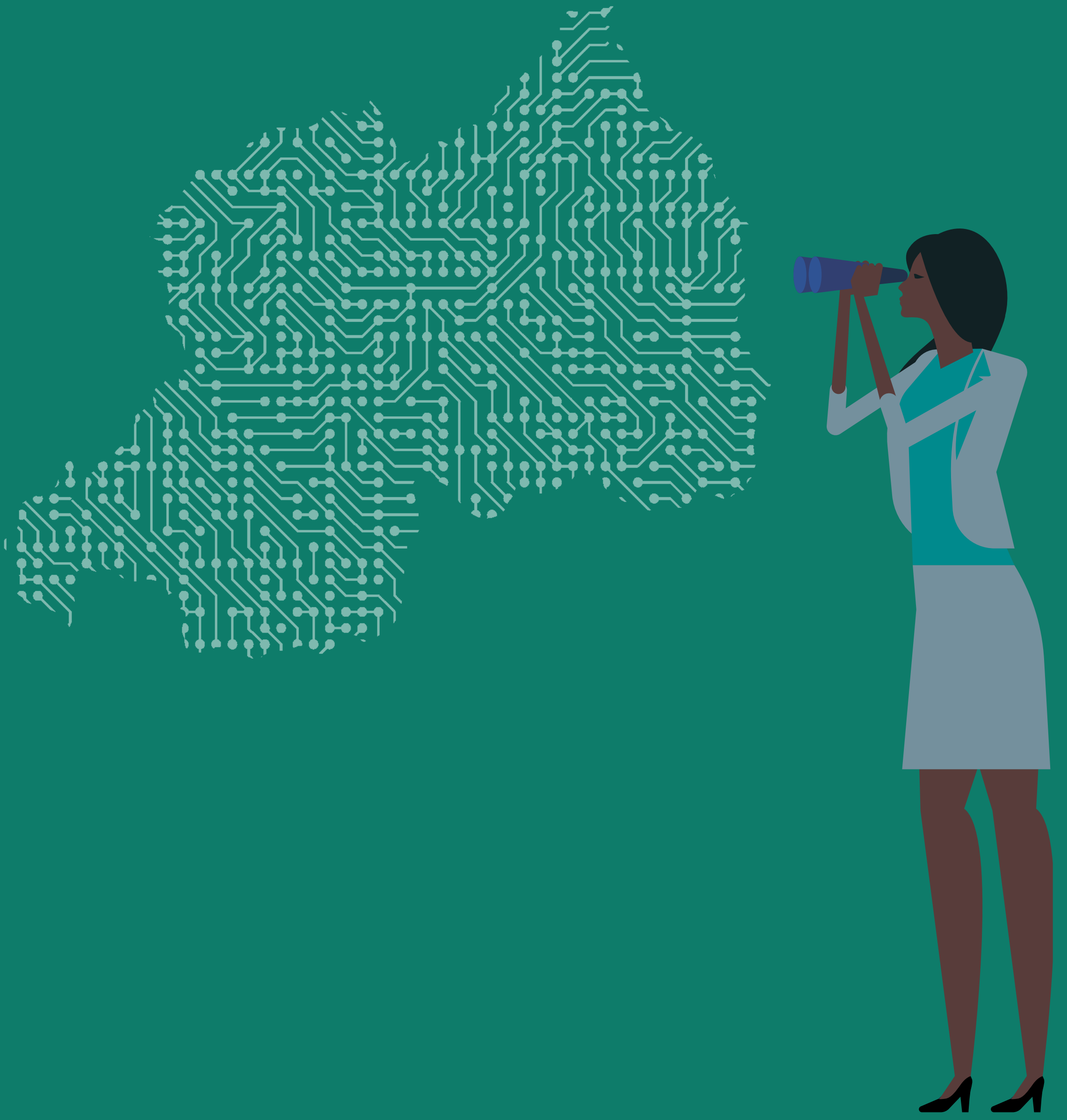
→ **International investors are more founder-friendly.** They typically take a smaller equity share and are more comfortable investing in the potential of the idea, rather than the current market share or traction to date. They may also be more comfortable with waiting longer for an exit opportunity. This often stems from having a deeper insight into the nuances of tech investing and more experience of coming in early and working with founders to build a business.

→ **Local investors know the market better**. Although this is quite obvious, it is overlooked at times when doing an assessment of value add. If you are creating a product exclusively for the local market, most international investors will be limited in the amount of support they can provide in relation to making local connections or local industry expertise. This is especially true for B2B start-ups, where getting the right contract can pay the bills for a long time. Often, it is better to take less money at worse terms and get the right investors' connections, than to be lured by a large cheque.

→ **International investors may not understand the country context.** When pitching to them, you will need to explain not only your idea, but also the market structure and how your idea can be developed into a profitable product. Furthermore, you may need to explain macroeconomic developments when presenting your progress.

→ **International investments mean you are exposed to currency risk.** The Rwandan franc performance against the dollar, pound and euro has fluctuated dramatically over the last 5 years. These fluctuations can either enhance or reduce returns. Investors are often cautious of this which is why typically their interest lies in later stage businesses with significant growth potential. What does this mean for you? The depreciation of the Rwandan franc against foreign currency can mean that, although your business may be growing and performing well, your gains may not be reflected in returns against the dollar.

While the number of investors is growing, the demand for money still outstrips supply, meaning investors have more negotiating power and generally get to shop around before they find a start-up in which they want to invest. That has led some entrepreneurs to chase investors that may not be a good fit. This can be detrimental to a company. Ideal investors should be able to offer a start-up time and access in addition to money. If an investor has never been active in a start-up's market, he or she is unlikely to be able to provide the type of mentorship support that a start-up may need, and therefore you will also need to provide them with some guidance on how they can support you better. And if the investor doesn't know anything about your market, the advice he or she provides will be limited in value. This has made accelerator and incubator programmes more important, and it has meant a big role for angel investors to fill the gap.



Chapter
Raising Capital

III.

Chapter III: Raising Capital

STAGES OF START-UPS AND TYPICAL FUNDING NEEDS AT EACH STAGE

We break down the stages of a start-up's lifecycle, typical funding needs at each stage, and who to approach for capital

See page 54

START-UPS 101: HOW TO RAISE FUNDING

Here, we discuss what makes start-ups appealing to investors, which will allow you to better understand what funders look for when evaluating companies

See page 55

WHEN TO FUNDRAISE

When should you approach potential investors? In this section, we help entrepreneurs think about the timing of raising capital

See page 59

WHAT YOU'LL NEED IN YOUR PITCH DECK

Every entrepreneur needs to put together a pitch deck to present to investors; we highlight the most important components to include

See page 61

MIND THE VALUATION

Valuating a start-up is one of the hardest and most contentious aspects of fundraising; we introduce the concept and examine several valuation methods

See page 68

The Start-up Lifecycle

The decision on when and how to raise capital differs for every entrepreneur. Some entrepreneurs will be able to bootstrap their start-up for a significant period of time and achieve adequate growth before needing to turn to an investor for additional capital. However, this often depends on your sector and business models; others may need to tap into the friends and family round in order to get their idea off the ground.

As an entrepreneur introducing innovation or disrupting a market, you can often be met with intense competition and therefore one of the surest ways to beat your competitors is rapid growth, which is usually achieved using external financing.

Every founder's (and therefore, every company's) financial situation is different. That means each start-up's financing needs and journey will be different, too. There are, however, things that every company, project, or organisation should know when raising money; these are the fundamentals that will apply to most cases of fundraising. This guide has been designed to act as a toolkit for the fundraising journey providing you with an insight into what may be required at different stages of the process. For more tailored advice, start-ups can consult experts, or join incubator or accelerator programmes (like GIZ's Make-IT).

Recommended Reading

→ Venture Deals – Brad Feld, Jason Mendelson

Stages of Start-ups and Typical Funding Needs at Each Stage

STAGE	IDEATION	BUILDING	PROTOTYPE	PROOF OF CONCEPT	GROWTH
Descrip-tion	Pre-product and revenue, only idea	Working on developing a product or service, hiring team	Finished proto-type in users' hands, getting feedback	Refining prod-uct, reaching larger audience	Early market success, expansion and growth to new geogra-phies or new products
Approxi-mate Funding Needs	RWF 0 - RWF 19m ($0 – $20k)	RWF 19m – RWF47m ($20k – 50k)	RWF 47m – RWF 142m ($50k – 150k)	RWF 95m – RWF 474m ($100k – 500k)	RWF 474m – RWF 1.9B ($500k – 2m+)
Potential Investors	Angel investor networks, incubators, friends/family members, grant-making foundations	Accelerators, angel investor networks, crowdfunding platforms, public/semi-public grants, foundations	Seed-stage venture capital firms, impact investors, crowdfunding platforms, corporates, public/semi-public grants	Seed-stage venture capital firms, corporates, crowdfunding platforms, impact investors	Venture capital firms, private equity firms, banks, impact investors, public/semi-public funders, family offices,

This chart breaks down start-up stages, the typical funding amounts that each stage requires, and potential types of investors to approach at each stage.

Start-ups 101: How to Raise Funding

As starting a business involves costs, entrepreneurs often search for capital to get their business off the ground. Some lucky entrepreneurs can rely on their own savings or have wealthy friends or family members who can afford to inject capital. Most business owners, however, need to go out of their way to raise funds from outside sources. One of the first questions a potential funder will ask – at any stage of your business development – is how you plan to utilise the money. This leads you to the most important question of business planning: what is my immediate business objective and what resources do I need to make it happen?

Money can definitely help you get started. In the beginning stages, however, there are other ways to get support or resources for free. The more you are able to grow your business in this way and convince others to support you, the more appealing it will be to investors or funders in the future. If you are not able to obtain funding from outside sources, you may also consider alternatives on how to grow your business in a lean way. This is known as bootstrapping. The lean model is often used to start a business, because there are a number of things every entrepreneur needs to do before he or she looks into fundraising.

These steps will vary depending on the business sector, location, etc., but in general, the process prior to finding investors looks like this:

1. Generate a great idea | As an entrepreneur, you should identify a problem that exists for businesses or consumers, determine a solution, and think about how to turn that solution into a product or service. This often starts with problems that you have a personal insight to. SMEs on the other hand often follow a business model that already exists, but to which they have found a new market or approach – a unique selling point – which refers to what they are doing differently or better than other businesses in their sector.

2. Conduct a feasibility study | Asses the market size, revenue generation models and potential customer segments. A lot of first time entrepreneurs skip this section and jump straight into ideation mode. Carrying out some basic feasibility studies can save you a lot of time and potentially financial resources in the future. It will allow you to make some assumptions about your potential customer and the market size.

3. Begin researching and networking | It is now time to get some more sector insights by talking to potential partners, financiers or support organisations. Not only will this help you later down the line with fundraising and finding customers, but it will also ensure you get a good understanding of the market, and what has or has not been tried before. The earlier you can begin making connections, the better.

4. Build your team | If you already have co-founders to start your business, great! But it is also important to have diverse skill sets in your team, since running a business requires many different skills besides those needed to develop your product. You can start reaching out to experienced people to find a mentor who can guide you in the right direction, support you in networking, and help you assemble the right team for your business. It is important that when you enter into a mentor/mentee relationship that you have clear objectives that are guided by expectations from both sides. It is necessary to set timelines and "codes of conduct" that will allow the relationship to flourish whilst remaining professional. This can be as simple as mentee informing their mentor as to what you hope to achieve (objective) and the mentor provides the mentee with allocated time slots for engagement throughout the period (code of conduct).

5. Create an early version of your product | While having a great idea is important, it does not always translate into a successful business. An important step is to get feedback early about your product. This might be about how and when they use it and how much they are willing to pay for it. This is the first step to determining what is known as product/market fit (how well your product is suited to the market). In order to find out if this is the case, create an early version or a prototype of your product. Try to get some feedback from friends and family and more importantly potential customers. Ask if it is really solving their problem, if it is more convenient than another solution, or if there are any features missing. There are many more questions, but it is important not to spend too much time perfecting a product that nobody wants to use; rather pivot or start with a new idea. The lean start-up methodology can be useful here.

6. Consider a business incubation programme | There are different organisations in Rwanda that support start-ups. You can find an overview in Chapter 5 and request more information directly from them in order to find out whether they are a good fit for you. This depends on the kind of support the incubation programmes are providing and if these organisations have the right expertise in your sector. Often, however, incubators provide access to networks and mentorship (and sometimes funding), which can be very useful to entrepreneurs. Some of these organisations have relationships with investors or financial institutions and can support your business in meeting their criteria. Note that it is not essential to have gone through an accelerator/incubator programme for you to be a successful entrepreneur.

7. Gain traction | Gaining traction means demonstrating that customers are willing to pay for your product, but your company does not need to be profitable at this stage. Usually described as a Minimum Viable Product (MVP), it is used for the first commercial transactions with customers and it is proof that your product has a market. This demonstration is one of the most important indicators for investors or other financiers before making their decision on funding your business. Typically, investors in the Rwandan market recognise traction as a clear route to revenue generation if you have not yet generated any revenue, and if you are currently generating revenue then the route to profitability should be defined.

8. Do your homework | After your experience with your first customers, you are ready to develop a financial model that includes the amount of funds you want to raise and from where. When negotiating with funders it is important to prepare a comprehensive documentation about your business. This includes key financial data, a short business plan, a capitalisation table (who has shares in your company) and a convincing presentation, which is often referred to as pitch deck. Some funders will provide you with a pre due diligence checklist that lists the required documents. Make sure you walk into a meeting with a potential funder well prepared, as professionalism is one of the main criteria for judging investment readiness.

9. Raise funding for scaling | Select your funders carefully by understanding in which sectors they invest, at which stage of business development, and how they support the businesses in which they have invested. After all, investors and other funders are assessing your investment proposal by balancing risks against returns. You need to demonstrate that your product has a market with growth potential and that money for scaling is the only challenge. Most importantly, funders invest in your team and not in an idea, which means that you have to convince them that you have the right people in your team to make it happen

When to Fundraise

Quite often entrepreneurs will ask when do we start the fundraising process? The answer is very simple, when you have exhausted every other avenue for internally generated funds and the only other option is to raise external capital. That being said, let's put that statement into context: it is imperative that you are forecasting and planning for the future needs of your business and anticipating when you may need an injection of cash. Each business has different financial needs, so you cannot put a timeline to the need to raise capital; but if you are managing your business effectively and have become a student of your revenue flows, you will know when you have reached that point.

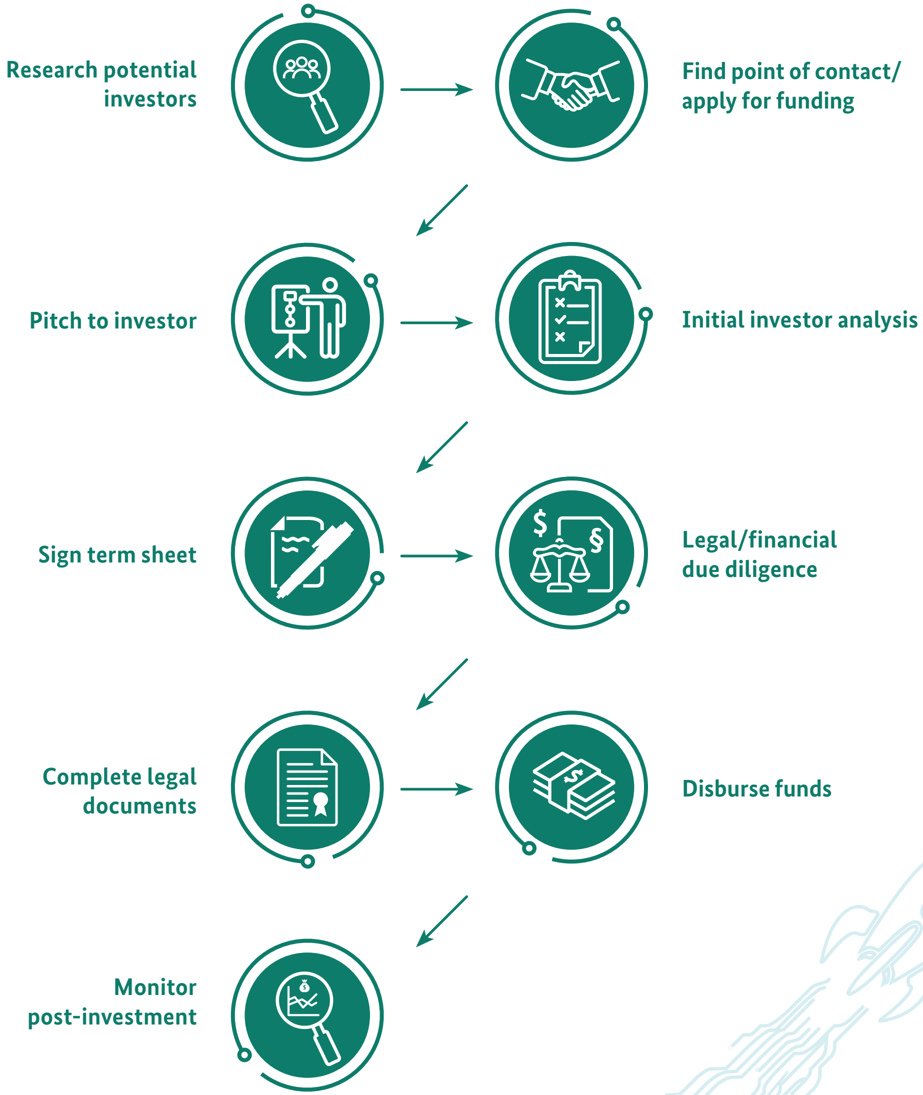
In the international tech start-up community, many mentors, advisors and consultants advise start-ups not to take on investment too early. Echoing our sentiments that you should focus on generating revenues from business activity however, there is an overflow of capital to start-ups in more developed markets and they are often bombarded with offers of investment too soon. In Rwanda, the percentage of money flowing to early stage tech companies is limited. Therefore, when the same advice is given, it has a different context. Early stage tech companies in Rwanda are required to demonstrate that they have a clear path to revenue or, in some cases, they must demonstrate profitability to even attract the attention of an investor.

So the question of when to fundraise for the Rwandan entrepreneur really comes down to the following three things:

1. Have you exhausted every possible option for raising funds internally?
2. Have you mapped out the use of funds?
3. Can you clearly identify how the use of funds will lead to growth within the business?

Insight: Financial planning is crucial in order for your business to operate effectively and meet the needs of your customers without having lapses in either your service or delivery.

Typical Negotiating Process with Investors



Your Guide to Pitching

What You Need in Your Pitch Deck

The documents required will depend on the stage of funding you are in, and who you are pitching to. If you are looking to raise money from a grant-making institution or an angel investor, you are likely to get away with a one-pager articulating your idea and why it is important, as well as a pitch deck. If you are going to a private equity firm or a bank, you are likely to need a detailed business plan, financial projections, etc.

As this guide is geared more toward early stage start-ups and first-time entrepreneurs, we will focus on the documents they will need when approaching investors.

Generally, they will want to see a comprehensive *one pager* that outlines a business idea and how the company plans to build a compelling product around this idea, outlining current and future challenges, and how to get around them. Entrepreneurs should also include a pitch deck – a set of slides that they can use to showcase their ideas, traction, and market opportunity to potential investors.

Brief 'One-Pager' or Investment Teaser

The one pager is an important document that every entrepreneur should spend time to get just right. This should be a mini-business plan, and should include a succinct overview of what the business is, what problem it is solving, and how you plan to turn your idea into an appealing product. Include charts, images (including your company logo), and graphs as much as possible; but, do not forget to clearly articulate, in writing, the purpose of your business and how you plan to execute it. This is a document you could leave behind, so make sure to balance substance with visual appeal.

This should plant the seed in the investors mind that you fit their profile, your business idea is interesting, viable and scalable. The general idea is to get a call back and an opportunity to pitch and present your deck.

Pitch Deck

The second document every entrepreneur will need to prepare is a pitch deck. Based on the Guy Kawasaki formula known as the 10-20-30 principle.

10 slides, delivered in 20 minutes with no font smaller than size 30. The key here is that the slides should support what you say, rather than have all the information.

The elements of the pitch deck

1. **Title**

2. **Problem/Opportunity**
   Describe the current challenge or opportunity that exists in the market

3. **Value proposition**
   How does your product solve that challenge and capitalise on the opportunity?

4. **Your unique selling point**
   Describe the technology, or process behind your product/ business model that gives you an advantage, what is unique about what you do?

5. **Business model**
   Explain how your business works and how you generate revenue

6. **Go to market plan**
   How will you acquire customers?

7. **Competitive analysis**
   Provide a complete view of the competitive landscape including alternative solutions

8. **Management team**
   Describe the makeup of the team, board of directors and board of advisors as well as any current investors.

9. **Financial projections**
   Ideally a three year forecast containing not only expected revenue but also key metrics such as number of customers and unit economics (e.g. profit margins, adoption rate, conversion rates are key)

10. **Current status accomplishments to date, timeline and use of funds.** Explain the current status of your product, what the near future looks lie and how you will use the money.

Make sure to present the context of your problem and opportunity, especially if the investor is not from Rwanda and may not be familiar with the local context. Also make sure you understand your investor and their motivation. Impact Investors, while they still care about the financials, will also want to understand the social impact and how it will be measured (e.g. number of children reached, number of women trained, number of youths employed, etc.).

Recommended Reading

→ Pitch Anything by Oren Klaff
→ Mastering the VC Game by Jeffrey Bussgan
→ The Art of the Pitch by Peter Coughter
→ The Art of the Start 2.0 by Guy Kawasaki

Pitching Effectively

Every entrepreneur has a different pitching style, and the start-up's business model/ maturity will affect what exactly the pitch looks like. Likewise, every investor will ask different questions. However, the points that investors will want you to cover will contain similarities:

❶ **Traction so far.** A good idea will typically not be enough to attract investment. They want to see what your start-up has achieved. *Has anyone parted with their money for your product or service?* is how one investor put it. If you are not there yet, get letters of interest from interested businesses. Or show how many active users you have. Simply put, investors want to see positive signals from the market that your product or service is in demand and solves a true need.

- *How many units have you sold?*
- *How many sign-ups do you have?*

❷ What makes your team special? Investors often look at the entrepreneur more closely than the businesses those entrepreneurs started. After all, investing in a company means forming a partnership that will last years. If an investor is not sold on your team, they will not invest in your business no matter how much potential the idea has.

- *Why is your team uniquely-positioned to solve this market problem?*
- *What is the team's experience in this field?*

❸ Understand your market. Investors will ask about your market, what opportunities and risks have you identified. You need to be able to answer their questions knowledgeably, backing up your assertions with hard data. Importantly, investors are looking not at just how well you know the market, but also how well you know how to make money in the market.

- *Has anyone else tried to solve this problem? How is your solution different?*
- *What are the challenges you foresee in the future, and how will you navigate around them?*

❹ Your track record. If you are a first-time entrepreneur, you will not be able to show what your previous companies have done. But you should be able to talk about what you have done since you graduated from school — how did you do, what companies have you worked for, what problems have you tried to solve? Investors will often do reference checks, so keep up with old contacts who may be asked to vouch for you.

- What have you done in this space already?
- Do you have people who will vouch for you?

❺ Your thinking process is important. Investors understand that as a start-up, projecting growth numbers is difficult; at best, it is an educated guess. While you should ground your financial projections in reality, the most important thing about the numbers is being able to clearly talk through them, and to explain your hypotheses.

- How do you justify your growth plans?
- How did you evaluate the size of the market?

Pitching to Impact Investors

Impact investors are funders who seek social or environmental impact in addition to a financial return. They vary widely in their emphasis on impact. Some will screen out investments that have the potential to have a negative impact and, in most cases, businesses that are operating in developing economies considered potential impact ventures. Taking this into consideration, the act of investing in Rwanda is likely to have direct and indirect positive effects, including job creation.

Others have a much more specific view on what counts as impact, and will ask entrepreneurs to report the impact metrics they agree upon. Some have the appetite to wait for extended periods of time to see potential financial returns as long as the company's social and environmental impact is high enough; others are not so patient.

Typically, when approaching impact investors, you will need to prepare the same documents as you would for other funders. Additionally, you will need to show how you plan to effect positive social or environmental change.

The first task will be to choose which metrics to track. Often, this will be a natural fit – if your company is involved in renewable energy, for example, tracking the number of households impacted and the amount of CO_2 emissions foregone makes sense.

Additionally, you should integrate impact into your financial model. Just as you make assumptions about annual customer growth, customer retention rate, etc. you can also estimate how much impact each additional customer or product will bring. Impact Investors want to see how your company affects the bottom of the pyramid (BOP) — the poorest citizens in a country.

Finally, you should include a separate spreadsheet in your model that makes it clear how you plan to measure the impact you are setting out to achieve. This should link to your financial model and your theory of change. Impact metrics should be easily attainable – do not promise to get in-depth survey responses from each of your customers if you are not sure each one will respond. Measuring outcomes should not get in the way of running your business, especially early on, so be reasonable about the claims you can make.

While these concepts may be foreign to many entrepreneurs, they do matter to a growing number of investors in Rwanda and East Africa in general. You should think carefully before you attempt to position your company as an impact investment. It may be a natural fit for some, but less so for others.

Valuation Matters!

Start-ups, Your Valuation Matters!

Valuating a company is a highly important part of the fundraising process, particularly when raising money through equity. It is also, however, imprecise and highly difficult. This is because many start-ups are in the ideation stage, and it is nearly impossible to valuate a company that has few assets besides an idea and the promise of commitment by a few eager co-founders. One way to avoid this question early on is to consider convertible debt, a form of mezzanine funding mentioned above. At some point, however, it will be necessary to determine your start-up's value.

Valuation and why it matters is important for every start-up to understand. This is because it affects not only the company's short-term prospects, because it can also have important ramifications down the line.

There are many online resources available to entrepreneurs that will help them to better understand how valuation works. *On the page on the right*, we provide a basic example to introduce the concept, and to explain why it is important.

Of course, one of the key questions is how does the investor obtain a certain valuation and, hence, the shareholding he or she accepts in the business. Many factors come into play to determine this, key among them being the cash flows a company expects to make, current performance, and even the number of investors interested in the deal.

There are various methodologies used to come up with a company valuation. The key ones include: discounted cash flow (DCF), along with multiples-based and assets-based methodologies.

Valuation Models for Your Start-up

Imagine a fictitious entrepreneur has an idea for an e-commerce company. He/she discusses it with a friend, and the two of them decide to set up a company around it: Widgets Limited. The two go about working on the company for a month, developing a clearer strategy and business plan, as well as a website design to show potential investors. Because they have committed the same amount of time on the idea, they decide that it is fair to split up ownership of the company in half. They issue 1,000 company shares, and take 500 shares each, meaning each one owns 50% of the company.

After spending some time to work on their idea and the pitch deck, they approach several angel investors, one of whom is interested. He/she decides to invest $10,000 in the company, to help the founders set up a functioning website and to begin building up a pipeline of products they want to sell on their site. In exchange, he gets 100 shares that the founders issue to the angel. So, he/she owns 100/1100 shares (9.1%), while the founders now own 500/1100 (45%) each. Because the angel's $10,000 investment bought him 9% of the company, the post-money valuation is $110,000. At this point, the price per share is $100 (= $110,000/1100).

After a couple of months go by, Widgets begins to attract media attention and customers. Things continue to go well, and several VCs become interested in investing in the company. The start-up's founders are feeling bullish about their prospects and decide they need to raise $100,000 to keep the company going for the next 6 months. They turn to an early-stage VC, who agrees to invest the money in exchange for 500 shares. That gets the VC 500/1600 shares (31.25%), and values the company at $320,000. The price per share after this investment rises to $200 (= $320,000/1600). That means if the angel investor wanted to (and was able to) cash out, he/she would have made 100% return in just a few months — that helps to explain why investing in start-ups can be so lucrative, and why it is attracting so much interest.

Valuation Continued

DCF (Discounted Cash Flow) Model

The DCF methodology computes the cash flows the start-up expects to make in the future and discounts this to the present. This means taking all the cash in the future and adjusting for inflation and risk to find out the value of these cash flows as at present. The discount rate is a highly debated variable, and it will be set by the funder when evaluating the investment. It is a good idea to create several scenarios with different discount rates and therefore different net present values; make sure you can explain the reasoning behind the different scenarios.

Multiples Model

The multiples approach compares similar start-ups to obtain the valuation. This would mean if one start-up — similar to yours in terms of sector, size, business model, etc. — with sales of $20K and valued at $100K, it implies a value to sales multiple in dollar terms $100K/$20K. If the start-up is truly like yours, you can use this multiple to value your start-up. Assuming your start-up had sales of $40K, its valuation would therefore be $40K x 5 = $200K in dollar terms.

Net Assets Model

The net assets valuation approach calculates the total value of the tangible assets it has. For start-ups, this would usually result in the lowest valuation, since most start-ups do not own a lot of assets — it is the intangible assets like the idea, the potential, and team talent that excite investors.

It is important for each entrepreneur to note that the final price in a deal is a combination of the valuation and negotiation between the investor and entrepreneur. Do not raise more than you can handle! Many investors we interviewed in Kigali warn against raising too much money too quickly. If your valuation is high early on in your company's lifecycle, investors will expect you to show similar (if not faster) growth when you raise money again in the future. If you cannot justify a rise in value, you may need to settle for a down-round — an investment that results in a lower company valuation than previous rounds. That not only leads to unhappy investors but can also seriously hurt employee morale.

Insights

- *Be open to feedback*
- *Focus on developing relationships and trust*
- *Your board can be your superpower, utilise it*

Assembling a Board of Directors

As stated throughout this guide, networking is crucial for businesses in Rwanda. One reason is that it can help you to identify people who you can select as your board of directors. The board is responsible for the overall direction of the company and will help you make important decisions. It is therefore key to get people who are engaged and have a good track record. The initial board of directors is likely to feature a founder and a representative from the investor. After this, you will be able to invite several other individuals to sit on the board — try to make this an odd number so there are no ties during voting. Here are some tips on putting together a board:

1. **Do your research** – Just as we recommend that you carry out due diligence on your investors, you also need to screen potential members of your board. Look out for what other businesses they are involved in, identify whether there are any potential conflicts of interest; if possible engage those businesses and get an unofficial recommendation or do some general fact finding and establish whether they see value in the board member. Some key questions to ask may be: Is he/she committed? Do they attend board meetings regularly? Do they make recommendations? Have they brought on any additional partners/clients? Have they made the effort to develop a relationship with the founders?
2. **Focus on the value-add** – Board members should bring a tangible value-add to your business. As one investor put it, board members should add value in one of two ways: deep industry experience in your sector, or deep functional experience in an area crucial to your business (e.g. sales, finance, or operations).
3. **Location, Location, Location** – Experienced and successful entrepreneurs/professionals will often have many demands on their time; take this into consideration when selecting your board. Will they be able to physically travel to board meetings ? If not, and if they are international, are they committed to allocating time across time zones to dial into meetings?
4. **Gender balance** – Gender balance is not only a trending topic, it's a critical tool for effective leadership and management practices. Diversity plays a large role in ensuring that companies are making decisions taking into consideration multiple perspectives that favour all stakeholder groups and has been proven to positively impact the bottom line.

For earlier stage businesses that have not received funding, a board of advisors could also play the role of the board. It pushes the founder to be accountable to external parties while giving much needed advice and guidance. The process of getting a board of advisors is similar to the one of getting a formal board.

What Makes a Start-up Appealing to Investors?

We have provided you with the information required to identify a viable business opportunity, and launch and build a team. We have also provided you with the tools to communicate your ideas and structure your business. Now, you should be well equipped to begin engaging possible partners and investors. We will round up this section by highlighting some of the key factors that investors look for in a team, business and market. Let's look at your business through the lens of an investor.

According to Sam Altman, a globally acknowledged start-up mentor, there are four essential components to a start-up: the idea, the product, the team, and the execution. This is a philosophy that we also follow, but we would further like to highlight the importance of timing.

Ideas

Ideas are the key to establishing a company's vision and to creating a compelling story. However, many companies may pivot as they develop their product and move away from the company's founding ideas. Nevertheless, it is important to create a unified vision, which is a good way to help everyone focus on a central mission.

Product

A successful company will be able to translate a good idea into a great product, and will listen earnestly to early users, taking into account their feedback and understanding how the product is being used (regardless of how it was intended to be used). Indeed, it's not just the product that investors are examining. They also consider the product-to-market fit: does the product satisfy a demonstrable need in the market and is there sufficient appetite to pay for it.

Team

One of the most important success factors for any start-up is hiring the right team. It is the team that will help create the products and services. To manage your finances, ensure that you are strategic about hiring – identifying a specific need tied to the company's growth. Make sure your first hires are those you can trust. First employees are usually given a large chunk of equity, as they will be the ones who will make the company succeed and take a lot of risk at a time when pay will still be low.

Execution

You have developed an idea, turned it into a product or service and now it's time to execute. How do you begin implementing your ideas to sell your product/service? What channels will you utilise? How many employees do you need to realise your vision? It also means setting clear, measurable goals so that progress and employee performance can be evaluated. Keeping these four components in mind is useful for all start-ups, and particularly those that are looking to raise money, because investors will organise their thinking around the same themes – is the idea any good? How about the product the company built around this idea? What about the team? And how focused and motivated is the company to execute its vision?

Timing

The timing of when you choose to introduce your idea to the world can be critical to your success. It might not be possible to identify the exact date to launch your company, but there should be industry/market indicators to help you predict the appetite for your product at any given time. When you look at the Rwandan landscape, ask yourself the following questions:

- *Is there a current need for my product?*
- *Would my customer be ready to part with their cash today to solve their problem?*
- *Do we have the infrastructure to allow for my product to thrive in the marketplace? Can it be easily integrated into an existing framework right now?*
- *What amount of behavioural change would need to take place for my product to be successful today, and how would we go about doing that? Is there a large budget attached to it?*

Chapter IV.
Rwanda's Investment Scene

Chapter IV: Rwanda's Investment Scene

"The internet is a needed public utility, as much as water and electricity."
Paul Kagame, President of Rwanda

Rwanda is one of the most rapidly transforming countries on the African continent. After the 1994 genocide that tore the country apart, Rwanda has reformed itself both economically and socially and aims to become a middle-income nation by 2035. According to the World Bank, the country has attained a high annual gross domestic product (GDP), with growth rates averaging 7.6%. Between 2000 and 2018, the country has moved from being a \$1.7 billion economy to a \$9.5 billion economy. These achievements were driven by the aspiration to become a knowledge-based society and the "Vision 2020", which aims for Rwandans to be healthier, more educated and prosperous.

A STRONG DRIVE TOWARDS DIGITALISATION

We explore how Rwanda's strong drive towards digitalisation contributed to the country's poverty reduction and makes it one of the easiest places to start a business in Africa today.

See page 77

RWANDA KEY BUSINESS SECTORS

We review the key business sectors in the country. We explore their contribution to the country's economy and analyse how ICT is contributing to that.

See page 79

RWANDA'S ENABLING ENTREPRENEURSHIP ECOSYSTEM

Explore the local start-up support ecosystem. We look at the key entrepreneurship finance & education opportunities available in Rwanda.

See page 81

A Strong Drive Towards Digitalisation

Rwanda's Vision 2020 embraced many strategies for poverty reduction and social transformation. The government implemented the Rwanda Poverty Reduction Strategy Paper (PRSP) from 2002 to 2008. The Economic Development & Poverty Reduction Strategy (EDPRS) Phase 1 (2008-2012) and Phase 2 (2013-2017) replaced the PRSP. All these strategies recognise Information and Communication Technology (ICT) as a key enabler for building a knowledge-based economy. The following policies have been fundamental to achieving this aim:

1. From 2001 to 2005: The National Information and Communication Infrastructure (NICI) Phase 1 focused on creating and enabling an ICT environment through institutional, legal and regulatory frameworks. As a result, the number of internet users grew up from 25,000 in 2002 to over 1.4 million in 2016.

2. From 2006 to 2010: The NICI Phase 2 focused on building ICT infrastructure. Under this initiative:
   - Rwanda built a National Data Centre to host public and private applications & services. This reduced the cost and increased the reliability and security of data.
   - In December 2010, Rwanda completed its "National Backbone Project" that established a fibre optic backbone covering 3,000km across the country.

3. From 2011 to 2015: The NICI Phase 3 focused on building efficient government services and increasing productivity of the private sector through ICT. Some key results were:
   - Liquid telecom started offering high-speed fibre network (100Mbps) to homes and small businesses; that was the core trigger of the surge of fixed broadband internet subscribers from 2,917 in 2014 to 21,125 in 2015.
   - The government launched several services targeting businesses (G2B) and citizens (G2C). For instance, Irembo (the Kinyarwanda word for "gateway") was launched in 2015. Irembo is an e-government portal that improves citizen's way of life by making public services easier, faster and less costly to access.
   - Prominent African heads of states convened in Kigali and signed the SMART Africa Manifesto which aims to speed up the continent's socio-economic development through ICT. This will lead Africa into a knowledge-based economy through affordable broadband and the usage of information and communication technologies.

4. From 2015 to 2020: The SMART Rwanda Master Plan focuses on transforming the country into a knowledge-based economy. The plan aims at establishing a Service-oriented, Modern, Accountable and Real-time (SMART) government that will drive Rwanda to become a competitive, agile, open and innovative smart economy economy. Embracing ICT innovation will create a conducive business environment that attracts large-scale investments, rewards entrepreneurs and enables fast growth and exports.

Since 2017, Rwanda embarked on a new wave of social transformation, shaping its journey towards the new Vision 2050. The Vision 2050 aspires to upgrade Rwandans' living standards to a high quality by the middle of the 21st century. Some initiatives to be taken under the Vision 2050 were outlined in the National Strategy for Transformation (NST). The first phase will last for seven years – ending in 2024. Like its preceding strategies, the NST 1 emphasises ICT as a key driver of main economic sectors such as education, manufacturing and health.

Rwanda Key Business Sectors

Agriculture

70% of the Rwandan population is engaged in agriculture. The sector contributes 29% of the country's GDP. Because of the scarcity of farming land, the country's focus is to increase productivity by emphasising high quality crops such as maize, potatoes, wheat, beans, peas, cassava and soya. The adopted ICT for Rwanda Agriculture policy (ICT4RAg) aims at encouraging various players in the ICT and agriculture sectors to develop solutions related to weather reports, pest and disease control, storage facilities, market availability, soil health & soil nutrients, teaching new farming techniques, provision of funding & credit services and pollution control. A key example is the current adoption of the Smart Nkunganire System (SNS) in rural parts of the country. This system was launched in 2018 to digitalise the end-to-end value chain of the Government's Nkunganire Programme, an inputs subsidy programme.

Industry

The industrial sector contributes 16% of the country's total production with targets in place to reach 26% by 2020. This ambitious goal is one reason behind the "Made in Rwanda (MIR)" policy, which aims to increase Rwanda's economic competitiveness through developing efficient & high quality value chains. The MIR encourages private stakeholders to establish Community Processing Centres (CPCs) which serve as incubators providing state-of-the-art technology, training and an environment for innovative ideas from different entrepreneurs in their respective sectors. The leather, dairy and Irish potatoes CPCs are already operating.

Services

Rwanda is a landlocked country and has very limited natural resources. This is an obstacle to becoming a regional manufacturing hub. However, Rwanda's location provides a strategic advantage to lead the service sector in the region. Services account for about a half of the country's production (48%). This is led by retail & wholesale trading and real estate services. Since the tourism sector is the country's top foreign exchange earner, Rwanda has started the "Visit Rwanda" campaign, partnering with leading British and French soccer teams to boost the country's brand and attract more tourists. The tech industry's production remains small, at 1% of the total production. The surging number of tech solutions in businesses makes ICT-based solutions the fastest growing services sector in the country.

Rwanda's Enabling Entrepreneurship Ecosystem

Rwanda's entrepreneurship and innovation ecosystem sees new start-ups arising daily. The country has put in place strong institutions, enacted economic transformation strategies and a strong judicial system. Thereby, Rwanda is building a conducive business environment that enables entrepreneurship to flourish.

The ecosystem of service providers is growing fast, with new coworking spaces, incubators, accelerators, universities and nonprofit organisations' youth entrepreneurship programmes opening up frequently. The key players in the innovation ecosystem focus on entrepreneurship education, SME finance and networking opportunities.

There is a strong interest among stakeholders to collaborate, align and create synergy in the entrepreneurship ecosystem. Initiatives can be seen on a vertical level across start-ups, the private sector and government, and on a horizontal level among entrepreneurs.

Some examples include:

→ In 2018, one of the leading pan-African telecom companies, Liquid Telecom, partnered with Impact Hub Kigali to support the start-up scene through the provision of affordable high speed internet to cloud-based start-ups.

→ Since 2016, an American medical product supplies business called Zipline started operating in Rwanda, delivering blood in rural places of the country using drone technology. In 2019, more than half of all blood deliveries in Rwanda were using Ziplines, reducing both the costs and the time to deliver blood, and thereby saving lives.

Entrepreneurship Finance

Financing start-ups is one of the biggest challenges to building a sustainable entrepreneurship ecosystem. In Rwanda, many entrepreneurs start their businesses using personal savings or getting informal loans from friends and family. Formal financing instruments become applicable after they have generated revenues. Borrowing from banks is the mainstream funding method, but other funding support programmes are also popular.

Business Loans

The Rwandan banking sector is stable and profitable. It comprises commercial banks, development banks and microfinance institutions. Most banks offer loans as their main product to entrepreneurs and their targets are entrepreneurs who have proven traction and who have collateral.

The following are the most relevant products that local banks offer to start-up entrepreneurs.

Bank	Invoice discounting	Local purchase order financing	Inventory financing	Cash credit line	Business overdraft	Seasonal / term loan	Asset financing	Solidarity loans	Contact
Commercial banks									
Bank of Kigali	✓	✓	✓	✓	✓	✓	✓		Phone: +250788143000 Email: bk@bk.rw
I&M Bank				✓			✓		Phone:+250788162006 Email: customerservices@ imbank.co.rw
Kenya Commercial Bank Rwanda	✓	✓			✓	✓			Phone:+250 252 570620/21 Email: contactcentre@ kcb.co.ke
Ecobank Rwanda				✓	✓		✓		Phone:+250 788 161 000 Email: ecobankenquiries@ ecobank.com
Banque Populaire du Rwanda	✓				✓	✓	✓		Phone:+250788187200 Email: info@bpr.rw
Equity Bank Rwanda						✓	✓		Phone:+250788190000 Email: Info-rwanda@ equitybank.co.rw
Bank of Africa Rwanda	✓				✓	✓	✓		Phone: +250788136205 Email: info@boarwanda.com
Commercial Bank of Africa Rwanda	✓	✓	✓		✓	✓			Phone: +250788149555
Microfinance banks									
Unguka Bank	✓			✓	✓		✓		Phone: Toll Free - 9591 Email: info@ungukabank.com
Urwego Bank								✓	Phone: +250788173100 Email: info@urwegobank.com
Duterimbere-IMF					✓		✓	✓	Phone: +250726567177 Email: duterimbere@ duterimbereimf.co.rw
Development banks									
Development Bank of Rwanda	✓				✓		✓		Phone: +250252575080 Email: brd@brd.rw

Government Incentives

Because of its high accountability and limited corruption rate, Rwanda enjoys strong donor support. The start-up community profits from this. Rwanda, in collaboration with development partners, puts in place different incentives, credit lines and guarantee funds to help Small and Medium Enterprises grow.

The government incentivises entrepreneurs to start and operate their businesses. Incentives are two-fold: firstly, tax holidays and exemptions are available for investors in key sectors and, secondly, subsidies are available to some specific types of businesses (see below). The Corporate Income Tax holidays are provided to investors with significant start-up capital and those who are investing in key sectors such as energy, manufacturing, tourism, health and any other investment with a strong export focus. Corporate Income Tax (CIT) is usually calculated at 30% of the taxable income.

Tax exemptions are offered in the sectors that the government wants to sustain or promote. For instance, entrepreneurs in Rwanda don't pay Value Added Tax (VAT) if they are selling agricultural or livestock products, inputs, materials or equipment. The same applies for entrepreneurs selling ICT equipment. The VAT is calculated at 18% and is paid by the final consumer of the product or service.

Subsidies are another financial mechanism the Government of Rwanda uses to support entrepreneurs. As with tax incentives, some key sectors that the government wants to promote or sustain benefit from subsidies. For example, all farmers (entrepreneurs or not) pay subsidised prices when purchasing agricultural seeds, fertilisers and irrigation equipment, usually at a 50% discount. Other subsidies target the manufacturing industry; SMEs benefit from partially funded access to product standardisation certificates.

Guarantee Funds and Lines of Credit

The mainstream guarantee funds and lines of credit supports are channelled through the Development Bank of Rwanda (BRD) and the National Bank of Rwanda (BNR). BRD uses its subsidiary, the Business Development Fund (BDF) to disburse the funds. The BDF supports SMEs to get credit from traditional financial institutions (banks, microfinance institutions and SACCOs) and avails partial credit guaranties to mitigate the risks. The guarantees cover 50-70% of the total requested fund. From 2011 until July 2019, BDF has served around 40,000 beneficiaries.

The BDF serves SMEs using four types of guarantee funds: the Agriculture Guarantee Fund, the SME Guarantee Fund, the Women Guarantee Fund and the Retrenched Civil Servants Guarantee Fund.

Entrepreneurship Education

Attracting and providing entrepreneurship education is an important step that Rwanda has taken towards a holistic approach for developing a pipeline of entrepreneurs. Entrepreneurship education is promoted in the following ways:

1. At high school, all students undertake the Competence Based Curriculum (CBC). The CBC lists "entrepreneurship and business development" as one of the seven competencies every high school student must develop. Students get an introduction to making workable entrepreneurial decisions, managing resources, making rational work and career choices in life, saving for future needs and managing finance in daily activities, scanning for and implementing business opportunities from the environment, performing basic accounting for a business, developing and implementing a viable business plan, paying taxes in accordance to Rwanda's tax law, applying standards in business operations and applying ethical behaviours in business.

2. The higher education system mainstreams entrepreneurship for all students to foster the culture of creativity and to promote job creation. At university level, entrepreneurship is one of the mainstream courses students must pass to earn their bachelor's degrees. Different NGOs partner with universities to provide further support to students to successfully build their businesses. For example, The Wadhwani Foundation has partnered with the University of Rwanda since 2017 to empower students to build businesses, create jobs and impact their communities.

3. Rwanda promotes Technical and Vocational Education and Training (TVET) schools. The goal is to reduce the unemployment rate through developing the workforce and promoting entrepreneurship. One of the key initiatives is the creation of the Business Incubation Centres (BIC) that support fresh TVET graduates to have affordable access to physical space, machineries and equipment. This ultimately allows them to start their businesses successfully. Currently, Masaka and Nyarutarama Business Incubation Centres are operating.

4. A growing number of local and international non-profit organisations or social enterprises are investing in entrepreneurship education with tacit or explicit skills that are needed to succeed.

The table below shows some academic institutions that have a strong focus on entrepreneurship.

Name | URL	Course offerings
Carnegie Mellon University *https://www.africa.engineering.cmu.edu*	Carnegie Mellon University (CMU) Africa offers core entrepreneurship courses to its students during their two-year study period. Students gain practical skills enabling them to develop innovative engineering solutions that address existing challenges in the African continent. The CMU Africa's Industry Innovation Lab (IIL) incubates projects and supports the project development by providing advisory and financial support. Students develop the projects using high-end technologies, and the results include a new product or service innovations.
University of Rwanda *https://ur.ac.rw*	University of Rwanda offers entrepreneurship courses geared to empower its students to develop their community. Through the Centre for Innovation and Entrepreneurship (CIE), the university offers training programmes like the Next Generation Entrepreneurship Training (NGET) in partnership with Handong Global University to develop the entrepreneurship skills and experience of its students.

Name | URL	Course offerings
Africa Leadership University *https://www.alueducation.com/campuses/alu-rwanda*	The Africa Leadership University (ALU) entrepreneurship programme enables students to learn how to start and run business ventures with the challenges facing Africa in mind. ALU has designed a list of the main challenges that exist in the African continent; for instance, job creation, agriculture, climate change and much more. By defining these challenges, ALU is encouraging its students to have an entrepreneurial mind-set and open businesses with innovative solutions to solve challenges they have faced throughout their lives. A course like Entrepreneurial Leadership (EL) allows students to learn and gain practical skills and mind-sets needed to create a positive impact in the society we live in.
Davis College / Akilah Institute of Women *https://www.daviscollege.com/akilah*	The Akilah Institute, rebranded now as Davis College, empowers young women leaders and entrepreneurs to impact their communities positively. It offers diplomas in Business Management and Entrepreneurship.

Non-Academic Education Providers

The surging number of entrepreneurs in Rwanda has triggered a growing number of entrepreneurship skills providers. Some key players are private foundations/non-profit organisations, public institutions and social enterprises. Programmes offered are delivered through group training, one-on-one coaching sessions and mentorship programmes. Most courses focus on finance, marketing and operations management. Below are some key service providers for entrepreneurship skills development in Kigali:

→ Inkomoko is a private business development organisation which empowers micro, small and medium enterprises (MSMEs) in Rwanda to build strategies to increase their profits and help them grow.

→ 250 Startups is an initiative from The Private Sector Federation – ICT Chamber to empower tech start-ups through market research, product development, as well as business model, legal, financial, and technical expertise support.

→ Business Development Centre (BDC) Rwanda: Using a world-class curriculum from Regent University, BDC prepares and nurtures entrepreneurs to start and grow businesses ethically.

→ Business Development Fund (BDF), is a subsidiary company of the Development Bank of Rwanda (BRD) mandated to support Small and Medium Enterprises, by offering a credit guarantee facility, lines of credit, matching grants, as well as advisory services.

→ Business Professionals Network (BPN) supports Small and Medium-sized Enterprises (SMEs) by training in business management, personal coaching and access to loans with fair conditions.

Industry Research and Development

Research and Development is one of the key considerations in building a thriving entrepreneurial ecosystem. Through its research & innovation focused institutions, Rwanda is promoting the culture of creativity across young innovators, public sector and academia.

The National Industrial Research and Development Agency (NIRDA) is at the forefront of Industry Research and Innovation in Rwanda. The public institution empowers innovators to compete through technology monitoring, acquisition, development and transfer. An example of the key initiatives by NIRDA is the Innovate4Industry hackathon that attracted 25 teams of innovators to pitch their industry solutions. Its key mandate is two-fold:

1. To improve the competitiveness of the industry by upgrading export potential,

2. To identify new value chain sub-sectors that require more investment in order to yield potential exports or substitute the current imports made.

The National Commission for Science and Technology (NCST) coordinates and monitors initiatives related to science, technology, research & innovation. It manages the National Research and Innovation Fund (NRIF). In 2019, under its "Excellent Research Grant" initiative, the NRIF awarded 550 million Rwandan francs in grants to different research innovators in the banana value chains.

Kigali Innovation City (KIC) is a flagship project that drives digital transformation, industry research and development using cutting edge technology. Through its dynamic ecosystem of technology clusters, domestic and international companies have incentives to innovate and deliver products and services for global markets.

Chapter V.

Investor Directory

Chapter V: Investor Directory

The following is a list of funders that fund tech and tech-enabled start-ups in Rwanda. The data collected was sourced from various platforms and interviews with various angel investors and institutions. This guide should provide you with enough information to begin your search for investors.

This is a dynamic list; for updated information about investors available, please visit *www.investment-guide-africa.org*

Please note some responses have been edited for clarity or due to space constraints.

Company Name	**Thousand Hills Venture Fund**
Website	*http://www.thvf.com*
Year Founded	2004
Focus Country/Region	Rwanda
Average Investment Size in USD	$100k – $600k
Sector of Interest	Generalist
Average Time to Close a Deal	3 months
Type of Investment	Equity, growth capital
Average Time to Exit	6 – 8 years
Type of Exit Sought	Trade sales or sales to another investor
Management Control	*Standard minority investor protections*
Investor Vision	*To develop innovative companies by sourcing funds from the USA and investing in Rwanda*

Company Name	**Business Partners International Rwanda SME Fund**
Website	*http://www.businesspartners.rw*
Year Founded	2011
Focus Country/Region	Rwanda
Average Investment Size in USD	\$50k – \$1m (average \$250) disbursed in local currency
Sector of Interest	Generalist
Required Documents for Application	Business plan, annual financial statements, cash flow forecast CV of entrepreneur/s
Type of Investment	Quasi-equity (preferred), equity and debt
Average Time to Exit	10 years average
Type of Exit Sought	Trade sales
Management Control	*Standard minority investor protections*
Investor Vision	*To help create and build wealth, but also fuel the growth of the economy and the creation of jobs for many*
Entrepreneurship Experience	*35+ years of experience ensuring the success of the entrepreneurs supported*
Technical Experience	*50% of the team has a proven track record in investing; and all of the teams have worked in/with the tech business*
Services Additional to Funding	*Mentoring*

BiD NETWORK

Company Name	**BID Network**
Website	*http://www.bidnetwork.org*
Year Founded	2016
Focus Country/Region	Rwanda
Average Investment Size in USD	$50k – $5k
Sector of Interest	Generalist
Average Time to Close a Deal	3 – 6 months
Type of Investment	Equity, growth capital
Average Time to Exit	6 – 8 years
Type of Exit Sought	Trade sales or sales to another investor
Management Control	*Standard minority investor protections*
Investor Vision	*Small and Medium-sized Enterprises (SME) serve as the back-bone of the economy, as a development catalyst, they create jobs and provide a wide range of products and services to improve living conditions for the communities they operate in.*

Company Name	**GroFin Africa Fund**
Website	*http://www.grofin.com*
Year Founded	2008
Focus Country/Region	Rwanda
Average Investment Size in USD	\$100k – \$1.5m
Sector of Interest	Opportunistic with sectors, it has deals in education, healthcare, agribusiness, energy/waste/water/recycling and social impact. The business must be able to have a measurable impact in terms of the number of jobs supported and sustained, female ownership, female employment.
Type of Investment	Quasi-equity (preferred), equity and debt
Average Time to Exit	3 – 8 years
Type of Exit Sought	Trade sales
Management Control	*Standard minority investor protections*
Investor Vision	*GroFin's purpose is to develop a scalable, replicable and sustainable business model for the SME missing middle. Through developing successful SMEs at scale while creating jobs and a measurable impact in line with sustainable development goal 8: Decent work and economic growth.*
Services Additional to Funding	*Business support focused on improving business viability, sustainability and growth through identifying material business risks/opportunities. Business Planning, Market Linkages, Operations, Accounting, Environmental, Social and Governance and Human Resource Planning.*

Company Name	**African Tech Ventures**
Website	*http://www.africantechventures.com*
Year Founded	2016
Focus Country/Region	East Africa
Average Investment Size in USD	$100k – $5m
Sector of Interest	Tech-enabled sectors of agriculture, education, employment, financial inclusion, healthcare and infrastructure
Average time to close a Deal	3 months
Type of Investment	Equity
Average Time to Exit	6 – 8 years
Type of Exit Sought	Trade sales or sales to another investor
Management Control	*Board seat, minority interest, standard minority investor protections*
Investor Vision	*African Tech Ventures aims to provide both capital in areas of HR, partnerships, sales, strategy and expansion, helping to build scalable businesses and number of 1-3 players in their niche, and thereby creating superior financial returns and real impact through increased access of affordable essential goods and services and job creation.*
Funding Goals	*To accelerate the growth and scalability of innovative tech-enabled businesses*
Entrepreneurship Experience	*50% of the team has entrepreneurial experience*
Technical Experience	*50% of the team has a proven track record in investing; and all of the teams have worked in/with tech businesses before*
Services Additional to Funding	*Board seat comes with advice on finance, HR, strategy, opening networks. Representatives sit with the businesses almost weekly to see where else they can help; recruiting, client introductions, building partnerships, improve financial reporting, etc. Then they can provide 3-month interns and longer term venture partners to assist with specific projects.*

ACCION

Company Name	**Accion Venture Lab**
Website	*https://www.accion.org/venturelab*
Year Founded	2012
Focus Country/Region	Pan-African
Average Investment Size in USD	\$300k – \$500k
Sector of Interest	Fintech
Type of Investment	Equity
Management Control	*Board seat or observer when appropriate*
Investor Vision	*Expand access, improve quality and decrease cost of financial services for the underserved.*
Funding Goals	*Building a financially inclusive world with economic opportunities for all by giving people the financial tools they need to improve their lives.*
Services Additional to Funding	*Board level and direct portfolio company support – portion of team is designated to assisting with operational challenges including but not limited to customer acquisition strategies, product/pricing, technical, HR, partnerships/business development*

Company Name	**IFC Venture Capital**
Website	*http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Venture+Capital*
Year Founded	1956
Focus Country/Region	Global
Average Investment Size in USD	$3m
Sector of Interest	Tech and tech-enabled companies
Management Control	*Board seats*
Services Additional to Funding	*Access to networks, additional funding, mentorship, building capacity, etc.*

Company Name	**Acumen Fund**
Website	*http://acumen.org/manifesto*
Year Founded	2001
Focus Country/Region	East Africa
Average Investment Size in USD	$750k
Sector of Interest	Financial inclusion, agriculture, education, energy, health, housing, water
Average Time to Close a Deal	4 – 6 months
Type of Investment	Equity, loans, and mezzanine
Average IRR Sought	17%
Average Time to Exit	7 – 10 years
Type of Exit Sought	Trade sale, management buyout, sale to co-investor
Management Control	*Board seats/management control*
Investor Vision	*Changing the way the world tackles poverty*
Funding Goals	*Bridging the gap between the efficiency and scale of market-based approaches and the social impact of pure philanthropy*
Entrepreneurship Experience	*Combined 20 years experience*
Technical Experience	*Combined 50 years experience*
Services Additional to Funding	*Leadership development programme, lean data impact measurement/post investment management support*

HELIOS Investment Partners

Company Name	**Helios Investment Partners**
Website	*http://www.heliosinvestment.com*
Year Founded	2004
Focus Country/Region	Pan-African
Average Investment Size in USD	\$30m – 100m
Sector of Interest	Retail and consumer products, telecommunications, media and technology, financial institutions and services, power and energy, transportation, logistics and distribution
Average Time to Close a Deal	Approx. 9 months
Type of Capital	Equity and loans
Average IRR Sought	250%
Average Time to Exit	5 – 7 years
Type of Exit Sought	Sale to strategic buyers or IPO
Management Control	*In a start-up, the investor takes control or joint control positions, and always takes board seats*
Investor Vision	*To build a leading African-focused investment firm, generating globally competitive returns by combining world class investment capabilities, an entrepreneurial business-building approach, and unparalleled local and global connections*
Funding Goals	*Buying and building market-leading, diversified companies operating in core sectors of important economies, while emphasising portfolio operations as a creator of value*
Entrepreneurship Experience	*The investor has founded and built numerous businesses on the continent. In the African environment, private equity can be a creator of business, not merely an optimiser of existing ones*
Technical Experience	*22 years average experience across investment, portfolio operations, as well as finances & admin*
Services Additional to Funding	*Organisational design, incentives and development, continual process improvement (Lean Six Sigma); and top-line growth (including pricing strategies)*

THE TONY ELUMELU FOUNDATION

Company Name	**The Tony Elumelu Foundation**
Website	*https://www.tonyelumelufoundation.org*
Year Founded	2010
Focus Country/Region	Africa
Average Investment Size in USD	*$5k*
Sector of Interest	Various
Average Time to Close a Deal	Several months
Type of Investment	Grant
Management Control	*Advisory board*
Investor Vision	*To create 1 million jobs and 1 billion in revenue by 2024*
Funding Goals	*To empower 10,000 viable start-ups across Africa*
Entrepreneurship Experience	*A mixture*
Technical Experience	*Significant technical experience*
Services Additional to Funding	*Mentoring, training and networking*

Company Name	**Global Partnerships/Eleos Social Venture Fund**
Website	*http://www.globalpartnerships.org/social-venture-fund*
Year Founded	1994
Focus Country/Region	Sub-Saharan Africa
Average Investment Size in USD	*$100k seed, $350k series A*
Sector of Interest	Education, energy, health, livelihoods, sanitation and water
Average Time to Close a Deal	6 – 9 months
Type of Investment	Equity, convertible debt, revenue-based securities, demand dividend securities
Average IRR Sought	Capital preservation with up to 2.50% annual return
Average Time to Exit	7 – 10 years
Type of Exit Sought	Acquisition, revenue-based
Management Control	*Advisory board*
Investor Vision	*To create 1 million jobs and 1 billion in revenue by 2024*
Funding Goals	*To empower 10,000 viable start-ups across Africa*
Entrepreneurship Experience	*A mixture*
Technical Experience	*Significant technical experience*
Services Additional to Funding	*Mentoring, training and networking*

Company Name	**Singularity Investments**
Website	*https://www.singularityinvest.com*
Year Founded	2014
Focus Country/Region	Sub-Saharan Africa/North America
Average Investment Size in USD	*$100k – $1m*
Sector of Interest	Technology, media, telecommunication
Average Time to Close a Deal	2 weeks, depending on the lead investors
Type of Investment	Equity
Average Time to Exit	3 years
Type of Exit Sought	Trade sales to strategic buyers, secondary buy-outs, IPO (this is rare)
Management Control	*Minority interest with significant protection, board representation and advisory*
Investor Vision	*Build portfolio companies into more competitive and profitable enterprises*
Funding Goals	*Accelerating the growth of early stage companies in Africa and North America*
Entrepreneurship Experience	*Principals have grown early stage companies to a portfolio of over $1 billion in assets*
Technical Experience	*7 years experience in local and international investments across industries*
Services Additional to Funding	Access to network, mentoring

Company Name	**GreenTec Capital Partners**
Website	*https://www.greentec-capital.com*
Year Founded	2015
Focus Country/Region	Sub-Saharan Africa
Average Investment Size in USD	*$100k – $500k*
Sector of Interest	Agriculture, resources (energy, water), digital, ICT
Average Time to Close a Deal	3 months
Type of Investment	Equity (Results4Equity approach)
Average Time to Exit	4 – 5 years
Type of Exit Sought	Various
Management Control	*Being an active part of the team, board seat possible*
Investor Vision	*GreenTec Capital Partners invests in African start-ups and SMEs with a focus on combining social and environmental impact with financial success. Jointly, it seeks to transform innovative local business with a proof of concept into successful and sustainable enterprises that have perspective in Africa and beyond. GreenTec does more than just invest; it provides tailor made support to entrepreneurs and guides them through start-up funding gaps.*
Funding Goals	*Wants to give up to 15 companies per year access to GreenTec model, resources and funding.*
Entrepreneurship Experience	*Capital is built by entrepreneurs for entrepreneurs; cumulative experience of 50+ years*
Technical Experience	*GreenTec building team has significant technological experience and involves a partner network where appropriate.*
Services Additional to Funding	*Capacity building, business model optimisation as well as access to its network are core ingredients of the investment philosophy.*

eVA Fund

Company Name	**eVentures Africa Fund**
Website	*http://www.eva-fund.com*
Year Founded	2010
Focus Country/Region	Sub-Saharan Africa
Average Investment Size in USD	*$100k – 1m*
Sector of Interest	Internet, mobile apps, e-commerce
Average Time to Close a Deal	3 – 6 months
Type of Investment	Equity and mezzanine
Average Time to Exit	4 – 6 years
Type of Exit Sought	Trade sales
Management Control	*Board seat*
Funding Goals	*Strengthen small and medium-sized internet-related enterprises, thus securing and creating jobs and income for large African communities*
Entrepreneurship Experience	Extensive
Technical Experience	Extensive
Services Additional to Funding	Mentoring

Company Name	**Fanisi Venture Capital Fund**
Website	*https://www.fanisi.com*
Year Founded	2010
Focus Country/Region	East Africa
Average Investment Size in USD	*$500k – $3m*
Sector of Interest	Generalist, healthcare, education, retail & consumer
Average Time to Close a Deal	3 – 6 months
Type of Investment	Equity
Average Time to Exit	4 – 6 years
Type of Exit Sought	Strategic investor
Management Control	*Being an active part of the team, board seat possible*

East Africa Investments Ltd

Company Name	**East Africa Investment Ltd**
Website	*https://www.eastafricainvestment.co.uk*
Year Founded	2017
Focus Country/Region	East Africa
Average Investment Size in USD	*up to $100k*
Sector of Interest	Generalist, all sectors
Average Time to Close a Deal	3 – 6 months
Type of Investment	Equity
Average Time to Exit	4 – 6 years
Type of Exit Sought	Strategic investor
Management Control	*Being an active part of the team, board seat possible*
Services Additional to Funding	*Business coaching by Rwanda-based management consultant plus the possibility of benefiting from visiting management consulting firms from Europe, with whom the investor has partnerships. These consultants typically spend 3-4 weeks in Rwanda together with remote support. This support is provided at no cost to portfolio companies.*

Company Name	**Vision Fund**
Website	*http://www.visionfundrwanda.org*
Year Founded	1997
Focus Country/Region	Rwanda
Average Investment Size in USD	*$2,000*
Sector of Interest	Financial inclusion, women's empowerment, education, healthcare, water
Average Time to Close a Deal	4 months
Type of Investment	Loans
Average IRR Sought	8%
Average Time to Exit	2 to 12 months
Type of Exit Sought	Re-payment
Management Control	*No*
Investor Vision	*Help the rural population, particularly women, in all regions of Rwanda. Leadership development programme, lean data impact measurement/post investment management support.*

Company Name	**Inkomoko**
Website	*https://www.inkomoko.com*
Year Founded	2012
Focus Country/Region	Rwanda
Average Investment Size in USD	*Up to $600*
Sector of Interest	Generalist, all sectors
Average Time to Close a Deal	It varies
Type of Capital	Loan
Average Time to Exit	8 Months for micro and 4 SME
Type of Exit Sought	Repayment
Services Additional to Funding	*Business coaching, business consulting and access to finance*

Chapter VI.
Conclusion

Chapter VI: Conclusion

Final Word

Whether you are an experienced entrepreneur or you're just starting your first business, it's always good to understand market trends and keep abreast of changes. In order to succeed as a start-up, you need to be determined and persistent. This is because the process of securing an investment is not easy. You need to be prepared for the setbacks and not give in easily. Nevertheless, the process is a great learning opportunity in and of itself, and it opens up your ability to think critically and network with different stakeholders.

This guide provides a general overview of the process with some detailed insights from the Rwandan market. Typically, this process remains the same from country to country, along with the documentation required and legal agreements, like term sheets among other documents. There are differences in the types of investors available and typical funding amounts, as well as non-financial benefits that you can expect from each type of funder, and much more.

The Rwandan ecosystem is growing at a faster rate with several stakeholders from early stage funders to multinational corporations. This investment guide provides information and how to navigate the ecosystem during the entire fundraising process. Additionally, there are also must-read basics or tips to get you started when looking for funding.

From the detailed list of investors provided in the investor directory, we believe you will have a better understanding of the types of funders available in this market, their average funding size and the areas they are interested to focus on. The investor directory is not an exhaustive list but it's a great resource for an entrepreneur looking for funding and in need of information about the different types of investors in order to decide on which type of investor to approach.

Key Takeaways

1. It is important to sign a Non-Disclosure Agreement (NDA) or a Confidentiality Agreement before you share your innovative ideas with third parties.

2. Surround yourself with a team of people who have the right credentials, expertise and industry experience.

3. Remember a business is more than just a great tech product or service. Having the idea is one thing, but how you execute it is another. Make sure you think beyond your technology and formulate your business model.

4. Investors are wary of entrepreneurs who are not serious about their businesses. Promote trust by finding various credible references (professors, mentors) who will vouch for you if a potential investor calls.

5. Research on the type of investor you wish to approach. You should find someone who is a perfect fit. For instance, some investors have a domain expertise and might be considered more valuable in spinning off your products/services in the marketplace.

6. When approaching investors, introductions are best. You can also try to meet investors at a pitch event, a conference, or through one of their portfolio companies.

7. Understand the different sales cycles for each client segment. For some sales, it is an immediate transaction while for other particularly large companies or the public sector the sales cycle can be quite extensive. Make sure you are aware of the expected sales cycles.

8. Never underestimate the power of carrying out a full competitor analysis, we always recommend Porter's Five Forces, it's a classic tool but still very relevant and effective. It will help you in your journey of refining your business model and developing your Unique Selling Proposition (USP).

9. Know how much money your business needs in order to meet its growth objectives: do not ask for a million dollars just because it is a round number. Do your research and explain how this round of funding will get you to your next key milestone, and where you will go from there.

Useful Start-up Resources to Learn More

REPORTS

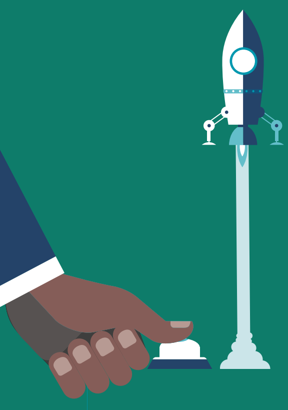
- *RDB's Small and Medium Enterprises (SME) Business Guide*
- *iD and D's Startup report 2017: emerging startups*
- *StartupBlink's Ecosystem ranking report 2019*
- *Swiss Contact's Social Network Analysis: Connecting the Kigali Entrepreneurial Ecosystem*
- *USAID's Rwanda Banking and Investment Analysis: Fueling Enterprise Innovation, Growth and Job Creation*

VC SOURCES

- *EBAN's List of Document Templates, Including Term Sheet*
- *Y Combinator's List of Resources, Including Document Templates*
- *EchoVC's Application Process – Overview of What Investors Want to See*
- *BVCA's List of Document Templates*
- *Sequoia Capital Business Plan Template*
- *IRIS Metrics Overview for Impact Investors*
- *Paystack's Y Combinator Application*
- *Grey Elephant Application Form*
- *Novastar Ventures Questions to Consider*

ONLINE EDUCATIONAL SOURCES

- *Khan Academy Videos on Start-up Valuation*
- *EDX*
- *Udemy*



BOOKS

- *Pitch Anything* by Oren Klaff
- *Mastering the VC Game* by Jeffrey Bussgan
- *The Art of the Pitch* by Peter Coughter
- *The Art of the Start 2.0* by Guy Kawasaki
- *Venture Deals* by Brad Feld & Jason Mendelson
- *The Lean Start-up* by Eric Ries
- *Zero to One* by Peter Thiel with Blake Masters
- *The Start-up Owner's Manual* by Steve Blank and Bob Village
- *The 7 Habits of Highly Effective People* by Stephen Covey
- *Tools of Titans* by Tim Ferris
- *The Hard Thing about Hard Things* by Ben Horowiz
- *Who* by Geoff Smart by Randy Street
- *The Ideal Executive* by Ichak Kalderon Adizes
- *Rework* by Jason Fried and David Heinemeier Hansson
- *Leading at the Speed of Growth* by Katherine Catlin and Jana Mathews

Acknowledgement

In order to write this guide and compile the funder's directory, we relied on several sources of information and spoke to numerous investors, entrepreneurs and other stakeholders. We built upon research done by Swiss Contact, Nguriza Nshore, and we also conducted an extensive literature review to better understand the market and the latest trends. We would like to thank the start-ups, investors, and other stakeholders who have participated in this research (in no particular order):

Tesi Rusagara (Kigali Innovation City), Alex Ntale (Rwanda ICT Chamber), Sarah Rukundo (Westerwelle Startup Haus Kigali), Impact Hub Kigali, FABLAB, KLAB, Rwanda Development Board (RDB)

Notes

Notes

Publisher
Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Tech-Entrepreneurship-Initiative
“Make-IT in Africa”

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Illustrations & Reediting of Illustrations

GIZ is responsible for the content of this publication.

On behalf of
German Federal Ministry for Economic Cooperation and Development (BMZ) /
Division 112 – Digital technologies in development cooperation

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As of
March 2020