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Scale Up!

Entrepreneurs' Guide to Investment in Uganda

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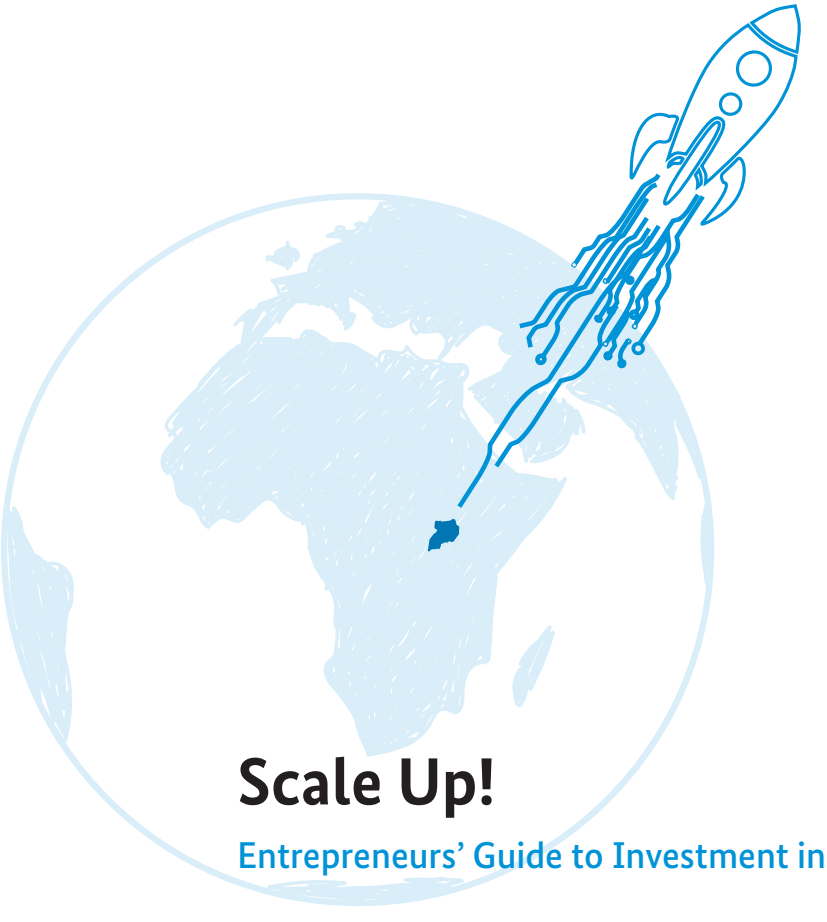
Make-IT in Africa



Scale Up!

Entrepreneurs' Guide to Investment in Uganda

Foreword

Matthias Rehfeld

Roland Groß

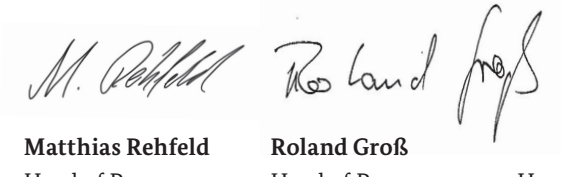
Uganda's internet coverage has grown at near phenomenal rates, according to the Uganda Communication Commission. As of March 2021, broadband cellular subscriptions in Uganda clocked in at 21.5 million, with 8.1 registered smartphones and a total of 31.2 million network-connected gadgets countrywide. According to the World Bank, individuals using the internet as a percentage of the population, doubled to 23.7% in 2017 from 12.5% in 2010. In early 2021, Uganda registered a penetration rate of almost seven lines for every ten individuals.

A young and growing population underpins Uganda's economic growth potential. The country has the second youngest population globally, with over 78% of the population being below 35 years. Over 55% of the youth own or co-own a new or existing business. These dynamics, dynamic, coupled with growing connectivity, portends great opportunities for start-ups, SMEs, and Small and Growing Businesses (SBGs). However, several bottlenecks persist, including, lack of access to affordable and sufficient finance. Uganda's tech start-up ecosystem remains in its infancy, lacking the necessary linkages and support systems for survival and growth. Uganda's business development services market is small, fragmented, and ill-equipped to shepherd entrepreneurs and their start-up businesses on the path to commercial success. Business finance is expensive, difficult to secure, and often lacks the requisite structure that fits the unique needs of the tech entrepreneur and the start-up's level of maturity or lack thereof.

While dynamic, Uganda's market information systems can be frustratingly limited on crucial information types needed to support investment or reinvestment decisions. As a result, information asymmetries are significant. They often result in low uptake of available financing instruments and the inability of investors to assess and correctly estimate the risk of lending and investing with start-ups. More so, most companies and tech entrepreneurs are unaware of the mechanics of accessing start-up funding, including that which is available in the start-up ecosystem.

This guide aims to help these companies to understand and navigate the variety of financing options in the Ugandan 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, and investor types in an easily accessible format. In addition, it offers practical support to entrepreneurs to help them ask the right questions when approaching an investor. Finally, the guide's investor directory provides readers with an overview of twenty-seven financing partners and shares information on their portfolio and requirements.

The Ugandan Investment Guide was created on behalf of the GIZ Programmes Business Scouts for Development, Make-IT in Africa and Start-Up Uganda. Similar guides have been developed over the last few years for Cote d'Ivoire, Ethiopia, Kenya, Namibia, Nigeria and Rwanda. The print version will be also available as an interactive online version under *www.investment-guide-africa.org*. Based on a quick self-assessment tool, the online version will guide entrepreneurs to find the best suited financing mechanism and identify potential financing partners. We will frequently update the guide to include new financing partners, and improve the methodology based on your feedback. So, please, do not hesitate to contact us via *make-it@giz.de*



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Make-IT in Africa

Make-IT in Africa believes in the catalytic power of African innovation and digital technologies for green and inclusive development. In close collaboration with digital visionaries like start-ups, innovation enablers and political partners, we empower African innovation ecosystems. Together, we aim to strengthen an environment in which the full potential of African digital innovation can unfold.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH implements this project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

More information and contact:
www.make-it-in-africa.org

Business Scouts for Development

Business Scouts for Development work as development policy experts in around 40 countries across the globe. On behalf of the German Federal Ministry for Economic Development and Cooperation (BMZ), they advise German, European and local companies on development policy matters and promote responsible business engagement through cooperation projects.

The Business Scouts for Development work closely with partners from business associations and institutions, and from TVET organisations, both in Germany and abroad.

More information and contact:
https://www.giz.de/en/worldwide/93161.html

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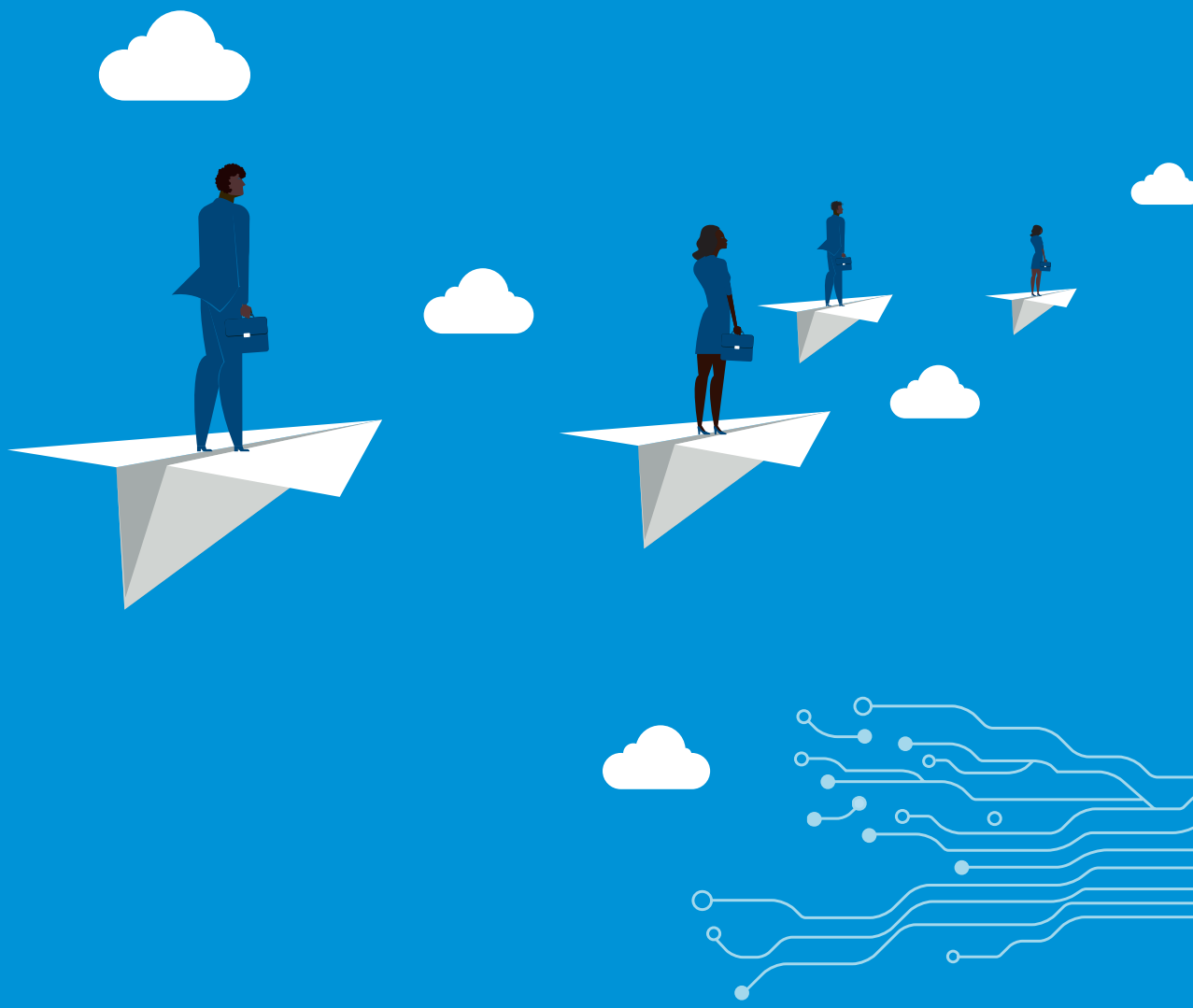
* *The funders are ordered by average investment amount, with smaller funding amounts appearing first.*



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 | 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

Capitalization 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 covert 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 realize their returns; typically, this is done via an acquisition (trade sale), an initial public offering on the stock exchange, 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 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 a stock market, selling a significant number of their shares in the process to institutional and non-institutional investors. These large companies are that Venture Capitals dream of, as they often provide large sums of capital to all parts 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 expenditures that are 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

Secondary sale of shares | a way for existing investors to realize 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 | c ompany classification is defined differently by different countries; in Uganda, according to the Uganda National Bureau of Statistics in Uganda a micro to small business employs not more than 5 people with total assets not exceeding UGX 10 million. Small enterprises employ between 5 to 49 people with total assets ranging from UGX 5 million but not exceeding UGX 100 million. Medium size enterprises employ between 50 and 100 people with total assets not exceeding UGX 360 million (~ US$ 100,000). Any business exceeding these criteria is regarded as large

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 form 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

Introduction

All over 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 as a comprehensive, accessible and informative tool that can be useful to entrepreneurs in all stages of their business. Its aim is to help Uganda's rising entrepreneurs to navigate the nebulous and suboptimal financing landscape.

We do this in several ways:

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

Chapter II breaks down the different types of investors that are covered in our guide. We examine ten types of funders and present other information about them, including typical funding sizes and the services that each offers, in addition to funding.

Chapter III continues by discussing, more specifically, what happens when entrepreneurs approach various types of investors. This includes an overview of the documents different types of funders will expect, the typical phase at which to approach each type of investor and what to expect in entrepreneurs' interactions with investors.

Chapter IV shares Uganda-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 be taken.

Chapter V is the Investor Directory – a look at 31 of Uganda's financiers that are actively funding the country's emerging start-ups. In addition to providing basic information about who they are, how long they have been around and the types of companies they invest in, we also show unique and insightful information, including average investment size, the types of funding offered and what benefits they provide, post-funding (if any).

Chapter VI concludes by providing an overview of the guide providing 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.

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

See pages 20–31

Chapter II

- Overview of 10 investor types
- Typical funding amounts
- Typical funding instruments
- Non-financial benefits

See pages 32–49

Chapter III

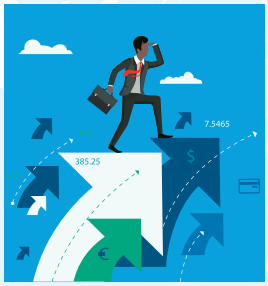
- Raising capital overview
- What makes an appealing start-up
- Documents needed in a pitch deck
- When to approach investors

See pages 50–67

Chapter IV

- Uganda's start-up overview
- Brief history
- Realities on the ground
- Investor growth in the country

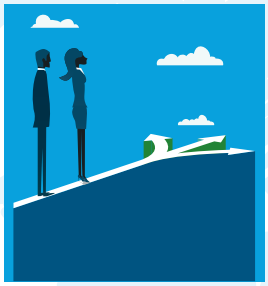
See pages 68–79



Chapter V

- Directory of 31 capital providers in Uganda
- Funding types, sector interest

See pages 80–115



Chapter VI

- Key takeaways
- List of useful resources

See pages 116–120

Funding Overview

Fundraising is a crucial part of many start-ups' journeys. While there are a few lucky entrepreneurs who can rely on funding to come from their own savings or have wealthy friends or family members who can afford to inject capital, most business owners will need to go elsewhere to raise funds from outside investors.

There are a number of things every entrepreneur needs to do before he or she thinks about fundraising. The steps will vary depending on the start-up's sector, location, etc., but in general, the process leading up to acquiring investors looks like this:

1. Generate a great idea | Often, this starts with a personal frustration. The entrepreneur should identify what pain point exists for businesses or consumers, identify a solution and think about how to turn that solution into a product or service.

2. Begin networking | Once the entrepreneur has an idea and knows what market they are in, the entrepreneur should begin networking and meeting as many potential partners and investors as they can, in their market. This will not only help the entrepreneur further down the line, with fundraising and finding customers, but it will also ensure that the entrepreneur will get a good understanding of the market, and what has or has not been tried before.

3. Build a team | Every founder is great at some things and not so great at others. For this reason, it is important to build the right team around the founder, in order to develop the idea and the product. Founders should choose someone they know and trust as their co-founder, and they should try to find someone who complements their own skill set well.

4. Create an early version of a product | While having a great idea is important, not every great idea turns into a great product. Feedback is very important. Creating something for potential customers to try out early on is important to ensure that a business is listening to their needs, can pivot if needed and does not spend too much time perfecting a product that nobody can use. The *lean start-up methodology (http://theleanstartup.com/principles)* can be useful here.

5. Consider an accelerator / incubator programme | Different accelerators and incubators will demand various criteria in the start-ups they accept into their programmes, and they are not always a good fit for entrepreneurs. Often, however, they do provide access to networks and mentorship (and sometimes funding), which can be very useful to entrepreneurs. They are also a great signalling mechanism to investors, who often have a relationship with these programmes and expect higher-quality start-ups to emerge from them. Note though that it is not critical for an entrepreneur to have gone through an accelerator/incubator programme to be a success.

6. Gain traction | While this will be different for every start-up, as a rule investors want to see a product or service being used. This can mean the number of customers, number of users, page views, etc. If an entrepreneur cannot prove that their product or service is being embraced by the market in some way, investors are unlikely to look very hard at their business.

7. Do your homework | Before raising funding, it is important for an entrepreneur to ensure that they are ready for the upcoming process. This means agreeing on how much money to raise (a good financial model should help with this), preparing a good pitch deck, agreeing internally on the terms of the raise and, most importantly, compiling key documentation before embarking on fundraising. The documentation will vary but should include a company's incorporation documents, major contracts, audited financials, etc.

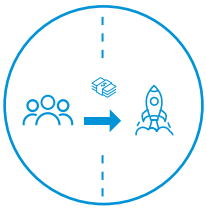
8. Raise funding for scaling | Once the problem-solution fit has been figured out, i.e., a start-up's solution has addressed the problem well and money for scaling is the only challenge, it is time to raise money from investors. Not every investor who wants to give a company money is a good fit. Before a start-up fundraises, it should make sure that it has researched what kinds of companies investors fund, and what they can do to help their business.

Chapter I

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 what type of capital they need. In this guide, we cover four types: grants, 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 Uganda, as well as in other countries.



GRANT

A type of funding that typically does not obligate the recipient to repay the funds

See page 26

DEBT

A type of funding whereby founders borrow and need to repay, usually with interest

See page 28

EQUITY

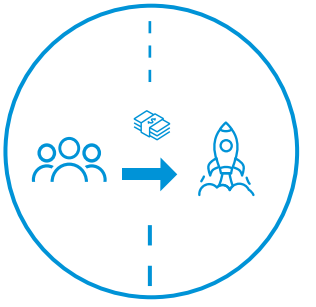
A type of funding whereby founders need to give up a portion of their company to obtain

See page 30

MEZZANINE

A type of funding that combines debt and equity features

See page 32



GRANT

As it is the most straightforward, we will begin with **grant funding**. By a *grant* we mean any source of capital that makes no financial claim on a business, in return for providing the funds. This includes everything from grants offered by national and international organisations as well as foundations, to prizes and awards offered by start-up competitions, as well as donation-based crowdfunding campaigns.

The amounts that organisations grant to businesses vary widely – from thousands to millions of dollars. Most common grants, however, tend to be on the smaller side, typically under UGshs 10,000,000 (US$3k). This makes them most appropriate to early-stage start-ups, social entrepreneurs, or more established businesses 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 narrows down the field to several finalists and the winner or winners are chosen from there.

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 often check on the grantees to ensure that the money is being used for the intended purpose – during and after the grant has been disbursed. Some organisations release grant payments in stages, to ensure that the company is working towards its stated goals.

ADVANTAGES

- → *'free' money in the sense that there is no equity or interest to pay*
- → *funders have little influence in the day-to-day operations of the business*

DISADVANTAGES

- → *little support besides funding – thus it is hard to grow networks or get targeted mentorship*
- → *long applications*
- → *post-funding reporting is sometimes extensive*
- → *grant makers 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 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 time period subject to an agreed-upon interest rate.
Debt funding can come from various types of funders, including banks, peer-to-peer crowdfunding, impact investors, development finance institutions, microfinance institutions, and others.

As start-ups 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, 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. 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 proven cash flows will be able to 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 loan, the higher the interest rate a lender will charge, as a premium for taking on the extra risk. The rates are also determined by the central bank's prevailing interest rates in the country. This is because government debt (bonds) are considered virtually risk-free, so the bank has no incentive to lend money to a riskier enterprise at a rate that is lower than what the government is willing to pay on its bonds.

In case of default, lenders get first claim on any assets the business has, meaning this is typically seen as a 'safe' financing structure from the lender's side, when compared to equity investments.

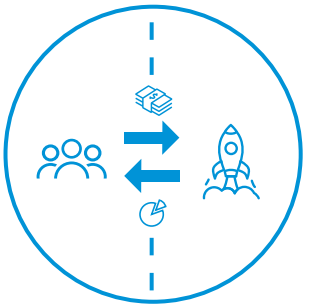
ADVANTAGES

→ no need to give up ownership in the company
→ management maintains full control of the company

DISADVANTAGES

→ often lenders will ask for collateral
→ interest payments 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 debenture over assets that the lender will be entitled to 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 UGX 22 million (US$6k)) injections of capital from family members or angel investors to large deals financed by private equity firms that run into 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 for 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, the proposed approach to marketing, and more.

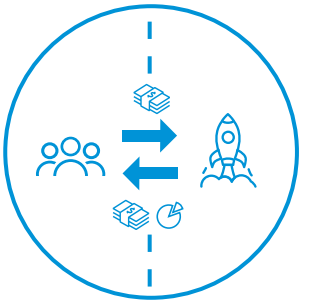
Equity is the riskiest type of financing for investors, as the funders stand to lose their entire investment should a company fail.

ADVANTAGES

- → *no interest and capital payments to pay back*
- → *investors have an incentive to be as helpful as possible: mentorship, advice, connections*
- → *allows for long-term planning as equity investors do not expect to receive an immediate return on their investment*

DISADVANTAGES

- → *sometimes there are misaligned time horizons – start-ups building for the long-term, while investors want to exit quickly*
- → *control mechanisms can mean entrepreneurs have less control of their business*
- → *equity investors expect to receive a return on their money and the amount of money paid to the partners could be higher than the interest rates on debt financing*



MEZZANINE

A **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 with some investors because it shields investors from certain risks associated with pure equity investment, while still providing an upside if a business becomes highly successful.

There are various types of mezzanine financing, including subordinated debt, convertible notes and equity kickers. These are often combined into a single financing facility. The degree to which an investor is willing to be exposed to risk will dictate the amount of equity upside versus debt, for which he or she will negotiate. Convertible notes (also known as convertible debt) are quite popular globally, especially for early-stage start-ups. There are several reasons why investors and entrepreneurs may want to issue convertible notes instead of debt or equity. For the 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 is likely to minimise their share dilution. Both investors and entrepreneurs are also likely to benefit from kicking the can on 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 to be 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 UGX 108 million (US$30k) 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 UGX 2,155 each (US$0.60) in the next round, the investor will be able to purchase them for UGX 1,796 (US$0.50). That means instead of buying 50,000 shares at UGX 2,155 each (US$0.60) for the UGX 108 million (US$30k) lent in the convertible note, the early investor will actually be able to purchase 62,500 shares (50k/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 of that.

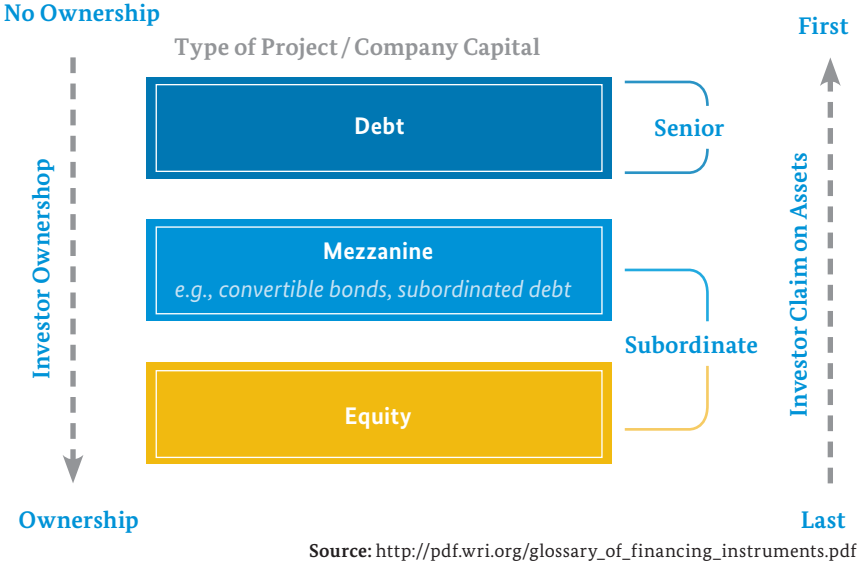
ADVANTAGES

- *it mitigates risk for investors, meaning better funding terms than straight equity*
- *it can delay the valuation of a start-up which is imprecise in early-stage companies*
- *even though the owner loses some independence, he or she rarely loses outright control of the company or its direction*

DISADVANTAGES

- *entrepreneurs may need to make regular payments to funders*
- *it can be overly complex and expensive to arrange*
- *agreements may include restrictive covenants*

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

Chapter II:
Investor Overview

Chapter II: Investor Overview

There are various types of investors that are active across Uganda. This section provides a brief overview of each type of funder, including typical funding amounts and the non-financial benefits that a start-up can expect from each type of funder.

ACCELERATORS / INCUBATORS

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

See page 40

ANGEL INVESTOR NETWORKS

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

See page 41

FOUNDATIONS

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

See page 43

IMPACT INVESTORS

A varied group of funders that look for social/environmental returns in addition to/instead of financial returns on their investment

See page 48

CORPORATES

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

See page 49

VENTURE CAPITAL FIRMS (VCs)

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

See page 52

CROWDFUNDING PLATFORMS

These are platforms, which can also be online or mobile, that allow companies and projects to raise funding from (typically) a large group of investors

See page 44

PUBLIC / SEMI-PUBLIC FUNDERS

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

See page 46

BANKS

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

See page 47

PRIVATE EQUITY FIRMS

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

See page 54

ACCELERATORS / INCUBATORS

Typical funding instrument:
Grant + Equity

Typical funding amounts:
< UGX 17,500,000 (US$5k)

Non-financial benefits: *Office space, mentoring and training sessions, events for start-ups, connections to investors*

These companies work with early-stage start-ups to help nurture them at a crucial stage in their lifecycle. They provide start-ups with a great environment to grow their business in. Typically, accelerators and incubators are focused on technology start-ups.

There are some differences between incubators and accelerators. Generally, incubators are less structured and are more focused on providing a physical co-working area and access to their networks for very early-stage start-ups. Some fund the start-ups in an incubation programme, but many do not. Accelerators are also aimed at early-stage companies, but ideally at those advanced enough to be ready to grow and scale their business. An accelerator generally takes equity in the business in exchange for access to the programme, the facilities and their mentor network. This mentor network often includes investors and experienced business managers. 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 typically examines the start-up's business model, financial performance to date, projections for the future and the quality of the team. While they are typically well-run and do help entrepreneurs to refine their businesses, one downside of accelerators and incubators is that they often require entrepreneurs to spend valuable time away from their businesses.

There are several accelerators and incubators in Uganda, including *Start-Up Uganda*, the *Makerere Incubation Hub*, and the *Innovation Village*, all based in Kampala.

ANGEL INVESTOR NETWORKS

An angel investment network is a group made up of individuals (business angels) who inject capital into an angel network fund, in order to provide funding for start-ups, in exchange for equity. The network is made up of experienced professionals who have knowledge and contacts in the industry in which they invest.

The *Kampala Angel Investment Network* aims to provide money, time and access to networks for the entrepreneurs in which their members invest.

Angels invest in companies with high growth potential, although they tend to look at a wider range of sectors than VCs which like to invest in highly scalable sectors like tech. Angels typically step in to provide funding for companies that have exhausted any friend and family investments or personal savings they may have been able to access, prior to investment from VCs.

While most business angels are engaged and helpful, some may see the start-up as their own company and look to obtain too much control early on. It is important for entrepreneurs to listen to their feedback, but also to ensure not to follow their advice blindly.

Innovative sites like *AngelList* and *VC4A* have helped connect this source of capital to start-ups that are looking for funding around the world.

Typical funding instrument:
Equity + Mezzanine

Typical funding amounts:
< UGX 105,000,000 (US$30k)

Non-financial benefits:
Mentorship, connections

Creating an Angel Investor Ecosystem in Uganda

There are a growing number of start-ups in Uganda and more international funders (both impact and traditional) entering the market to satisfy the demand for finance. Local investors, however, have been slow to invest in local start-ups; for several reasons, including a lack of notable success stories and a general feeling of caution around investing in often untested entrepreneurs. However, as the number of opportunities grows, local investors are starting to enter the market.

Organisations like the *Start-up Uganda*, the *Kampala Angel Investment Network* and the Inno*vation Village* are encouraging successful Ugandans to experiment with angel investing. Often, that means teaching them not only about opportunities for high returns, but also tech, more generally. Entrepreneurs approaching business angels need to keep this relative inexperience in mind. Often, it means being more patient and underscores the importance of finding the right investor, who will help a company with introductions and mentoring, based on relevant industry experience.

More information: *https://kain.co.ug* and *https://startupug.com*

FOUNDATIONS

Foundations are non-profit charitable organisations that are founded with an initial endowment, typically made by an individual or business. Foundations tend to have a specific goal or sector of interest, and they fund other charities, NGOs, projects and companies that work towards that goal. Alternatively, the foundations may also operate projects in their sectors of interest, if they have the capacity to do so.

The amount of funding they make available varies drastically, based on the foundation's endowment. Large foundations can fund millions of dollars' worth of projects, though the vast majority are much smaller.

In order to get funding from these investors, companies will need to go through an application process. Some foundations only accept applications from companies and projects who they have invited to participate; so it is important to know who to approach within the foundation to get an invitation. Foundations will typically look for how closely a company's mission and activities match the desired outcomes the foundation wants to achieve. For this reason, when approaching foundations, it is important that start-ups focus on the impact of their business in their funding application.

Typical funding instrument: *Grant*

Typical funding amounts: *< UGX 175,000,000 (US$50k)*

Non-financial benefits: *Access to foundation network*

CROWDFUNDING PLATFORMS

Typical funding instrument:
Grant, Debt + Equity

Typical funding amounts:
< UGX 210,000,000 (US$60k)

Non-financial benefits: *Access to large pool of early adopters, marketing*

Crowdfunding is the practice of raising money from a large group of individuals, for example raising money through an online portal. There are four prevalent models of crowdfunding:

- **Donation-based:** the crowd donates money to a cause, individual, project or business, without expectation of any financial or non-financial return.
- **Reward-based:** the crowd gives money to an individual, project or business, in exchange for a non-financial reward. The rewards are generally either items like shirts or stickers, or an early version of a product (essentially, a pre-sale via crowdfunding).
- **Lending-based:** the crowd lends money to an individual or business, with expectations of getting the principal back with interest.
- **Equity-based:** the crowd invests in a business, with hopes of sharing in the business's success as it grows.

Depending on the type of crowdfunding campaign an entrepreneur chooses, he or she will need to prepare different types of pitches. For lending and equity-based campaigns, investors will want to see a strong business plan, financial projections and a growth strategy. For reward-based campaigns, backers will want to see an innovative product or project in a sleek campaign video. For donation-based campaigns, backers will want to see how their donation will benefit the recipient entrepreneur(s)/people. Indeed, while crowdfunding can be effective, it is also highly time-consuming.

Start-up Uganda:
Nurturing a Stronger Start-up Ecosystem in Uganda

Start-up Uganda is an association which brings together stakeholders in the Ugandan Start-up ecosystem with the intention of lobbying and driving the agenda for growth. In 2019, the *United Nations Capital Development Fund (UNCDF)* and *Start-up Uganda*, launched the *Kampala Innovation Week (KIW).* The objective of this new initiative is to raise Uganda's profile in the start-up space by providing visibility to start-up entrepreneurs, attracting investors and developing global partnerships.

The event runs on an annual basis with the aim of providing a platform for the start-up ecosystem to build the knowledge, network and infrastructure that is required for start-up enterprises in Uganda to succeed.

Pertinently, Start-up Uganda hosts a series of investor days (Start-up Uganda Investor Day) to encourage networking and funding opportunities between start-ups and investors in the Ugandan ecosystem. This event seeks to draw visibility towards start-up Uganda and the latest innovations in the space.

More information: *https://startupug.com*

PUBLIC / SEMI-PUBLIC FUNDERS

Typical funding instrument:
Grant, Equity + Debt

Typical funding amounts:
< UGX 1,054,000,000 (US$300k)

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

Public/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 wide group that includes a broad range of capital providers. These include 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-ups 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, they enjoy trust among entrepreneurs and project owners and can be the first port of call when they look for capital.

There are various types of public/semi-public funders in Uganda, including the *Uganda Development Bank*, as well as *Start-Up Uganda*, a new initiative to support the start-up ecosystem. The Government of Uganda also runs three publicly funded initiatives namely the *National ICT Initiatives Support Program (NIISP), Hi-Innovator*, an initiative of the *Uganda National Social Security Fund (NSSF),* and the *Ministry of Gender Youth Livelihood Program*. As these funders are eclectic, it is advised that the entrepreneur approach each of these funders and request specific criteria on how to access their funding. In general, however, these funders may be more open to providing grants or concessionary loans, which makes them a good choice for earlier-stage companies or those focused on impact.

BANKS

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; they tend to work with large firms. The same applies to Uganda.

In recent years, Banks in Uganda have gotten more interested in offering tailored financing products for SMEs. *Centenary Bank* has US$ 10 million credit line for SMEs guaranteed by the *Africa Guarantee Fund*. The *Agriculture Business Initiative* – aBi Development Limited offers Banks, whose lines of credit serve the agriculture and the agribusiness sector, loan guarantees and matching grants. Other commercial banks that offer tailored credit for SMEs include *Bank of Africa* and *DFCU*. The *Uganda Development Bank* operates an SME financing program that addresses the long-term financing gap that SMEs suffer in Uganda. The UDB also operates an equity investment facility specifically designed for SMEs or other entities including start-ups constrained from accessing debt finance and in need of patient capital.

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 in order to estimate the creditworthiness 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 start-ups. A start-up should make sure that they calculate how much they will need to pay every month and consider carefully whether that is something their company can afford.

Typical funding instrument:
Debt

Typical funding amounts:
< UGX 1,054,000,000 (US$300k)

Non-financial benefits: *None*

IMPACT INVESTORS

Typical funding instrument: *Grant, Equity + Debt*

Typical funding amounts: *< UGX 2.15 billion (US$600k)*

Non-financial benefits: *Mentorship, connections*

Impact or social investment refers to funds that invest with the intention to create a positive social or environmental impact. In addition to the social impact, these investors aim to earn a financial return on these investments, or at least to attempt to recover the funds invested. The expected rate of return for these investments is sometimes below the market rate.

Impact investors are an eclectic group looking to invest capital with the intent of generating positive social impact beyond merely financial returns. They include high net worth individuals (HNWIs), family offices, foundations, banks, pension funds, impact-focused VCs and angels and development finance institutions (DFIs). As social and environmental impact is key for these funders, it is important for entrepreneurs to show not only how their company will work toward achieving these aims, but also how they will measure and prove the impact they want to achieve. That is one of the downsides of accepting impact investment; measurement can be highly onerous.

Uganda's impact investment scene is only just emerging, with most investors holding the view that investing in Uganda's companies (as long as they do not actively damage the environment or cause social ills) will probably result in a positive impact.

Yunus Social Business Philanthropic Venture Fund

Through the Philanthropic Venture Fund, Yunus Social Business provides financial support to help Social Businesses grow and scale their social Impact. The financial support ranges between $100,000-$300,000.

CORPORATES

Typical funding instrument: *Grant, Equity + Mezzanine*

Typical funding amounts: *< UGX 2.15 billion (US$600k)*

Non-financial benefits: *Office space, mentoring*

Large firms often support entrepreneurs, projects and SMEs financially. There are various motivations for corporates to fund businesses. One is to ensure they stay up to date on what innovative start-ups are doing in relevant sectors and to get an opportunity to invest in those companies early on. Another is to spend money on *corporate social responsibility* (CSR) funding. Additionally, corporates can run start-up pitches and competitions.

The fundraising process and amounts will vary, depending on the type of funding that corporates employ. When companies are funding start-ups and projects via their CSR initiatives, they will often act like impact investors, asking not only for a business plan, but also for a way to monitor how the money is being used and whether it is meeting its stated social and environmental goals. Corporates will also 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 a start-up, the start-up owners should make sure that they protect their intellectual property (IP) before opening up any business secrets.
Typical funding instrument: Grant, Equity and debt financing.
In Uganda, a number of corporate initiatives have been rolled out to support the start-up-ecosystem.

These include:

Hi-Innovator Programme

Hi-Innovator is an initiative of Uganda's National Social Security Fund (NSSF) that has established a start-up fund aimed at identifying and supporting Uganda's small & growing businesses that have potential for great impact, sustainable and can be scaled.

The benefits

- Access to free professional & technical assistance throughout the process
- Availability of funding to grow your business
- Access & exposure to investors to scale your business

The Stanbic Business Incubator

The Stanbic Business Incubator is an initiative of Stanbic Bank dedicated to supporting and nurturing SMEs in their business development journey.

The benefits

- Business Development Services.
- Training and follow-up support interventions.
- Networking Events, focus group discussions, and access to subject matter experts.
- Mentoring and coaching of entrepreneurs after formal training
- Provide avenues for accessing markets and sourcing of funds.

VENTURE CAPITAL FIRMS

Typical funding instrument:
Equity + Mezzanine

Typical funding amounts:
UGX 860 million – UGX 10.7 billion (US$240k – US$3 million)

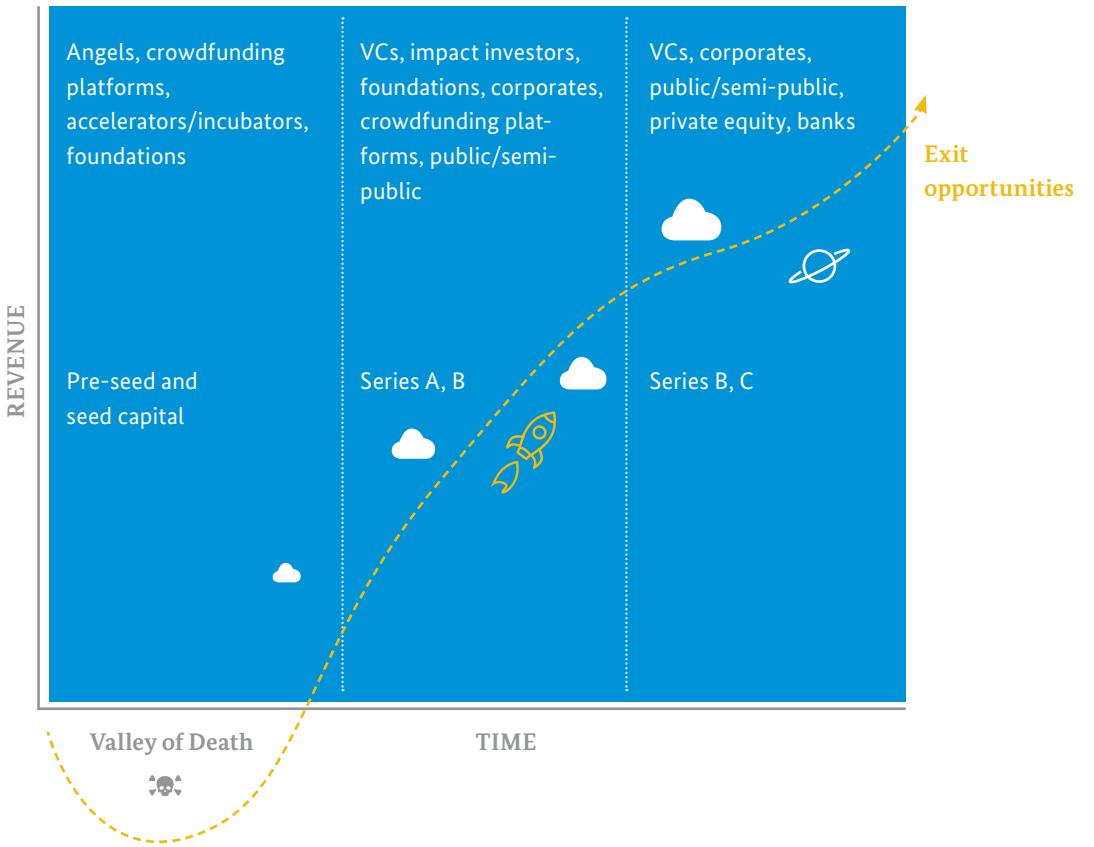
Non-financial benefits: *Mentorship, access to office space, recruiting and help with setting up governance and business processes*

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 10x to 30x return on their capital, over a fairly short time period, usually three to seven years. In Uganda, as well as many other developing countries, that time horizon is often closer to seven to ten years. Typically, VCs look to invest in companies within sectors that have the capacity to tap into economies of scale and expand rapidly, often backing IT and software companies. As the percentage of companies that are able to earn such profitable returns is small, VCs tend to diversify their investments across multiple firms, often co-investing with others, to minimise exposure to a single company.

VCs provide several services in addition to providing capital. They play an important role in guiding the company through the later rounds of raising capital, can help formulate and implement a business's strategy and can aid in appointing the management team. Given their influence on an early-stage business, however, VCs can be overly controlling and may influence decisions in a way that benefits them more than the business in the long term.

This graph shows the typical funding progression for a company, as its revenues increase over its lifecycle. The vally 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
Typical funding amounts:
UGX 4.3 billion (US$1.2 million)

Non-financial benefits: *Mentorship, business connections, recruiting help, help setting up governance and business processes*

Private equity (PE) firms invest directly in private companies. 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 high net worth individuals providing funds for partners to manage. As PE firms invest in more mature companies, they tend to invest much larger amounts than VCs.

This makes them an imperfect fit for smaller firms. Private equity is a catch-all term that captures many types of firms; venture capital, for example, is a subset of PE. In Uganda, PE investors typically participate in deals via acquisitions of minority stakes, management buy-outs and restructurings. As PE funds tend to make large equity investments, they are typically fairly hands-on in the management of the companies. They usually focus on larger, more established companies where they feel they can improve operations, thus making them more profitable.

How to Connect with Funders

In Uganda, getting start-up funding can be difficult. Entrepreneurs can struggle to find out how to contact funders when they figure out who they would like to approach. Here are a few tips from investors and entrepreneurs.

1. Personal introductions are best. Start-ups should do research and find out how they may be able to be introduced to an investor. Because the start-up scene is still emerging in Uganda, there are probably only a few degrees of separation between the start-up and the investor.
2. Seek out portfolio companies. Start-up founders should find out who the investor has already backed and reach out to those start-ups. Most will be happy to share their experiences and put the founder in touch with investors if the idea is well developed.
3. Enter accelerator/incubator/mentoring programmes. Connecting to investors is one of the key reasons start-ups apply to these programmes, and they can be good for facilitating introductions. They should make sure that the programme is related to the start-up's sector, so the investors will be relevant.
4. Networking events take place around Kampala. These can be by invitation only, (in which case the start-up founder can reach out to the organiser) or open to the public. Even if the right investor is not found, the people who the founder will meet can bring them closer to getting funding.
5. Cold outreaches are a last resort. If founders have done their research and cannot find a connection, one of the founders should send a brief but informative email with a pitch deck attached, emphasising the start-up's track record in the email (products sold, users signed up, etc.).

Chapter III.

Raising Capital

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; the typical funding needs at each stage and who to approach for capital

See page 60

START-UPS 101

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

See page 61

WHEN TO FUNDRAISE

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

See page 64

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 that should be included

See page 66

MIND THE VALUATION

Valuing 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 70

The decision on when and how to raise capital differs for every entrepreneur. Some entrepreneurs will be able to bootstrap their start-up for years before needing to turn to an investor for additional growth capital; others will need to tap into the *friends, family and fools* in their circle, in order to get their idea off the ground.

Raising money is an important part of every start-up's journey. Without an effective way to get funding, even the most promising start-ups may fail. After all, competition among start-ups is intense, and one of the surest ways to beat competitors is growing fast, which is usually achieved using external financing.

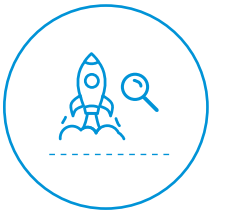
Every founder's and, therefore, every company's financial situation is different. That means that each start-up's financing needs and journey will be different, too. There are, however, things that every company, project or organisation should know when raising money; these are the fundamentals that will apply to most cases of fundraising. This guide is meant to help business owners get a firm grasp of how the funding process works, to know when to approach investors, what documents they will be asked for when fundraising, and more. For more tailored advice, start-ups can consult experts or join incubator or accelerator programmes like GIZ's Make-IT.

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

STAGE	IDEATION	BUILDING	PROTOTYPE	PROOF OF CONCEPT	GROWTH
Description	Pre-product and revenue, only idea	Working on developing a product or service and hiring team	Finished prototype in users' hands, getting feedback	Refining product, reaching a larger audience	Early market success, expansion and growth to new geographies or new products
Approximate Funding Needs	UGX 0 – UGX 105m (US$0 – US$30k)	UGX 10m – UGX 210m (US$3k – US$60k)	UGX 21m – UGX 630m (US$6k – US$180k)	UGX 42m – UGX 1,054m+ (US$12k – US$300k)	UGX 105m – UGX 1,054m+ (US$30k – US$300k+)
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

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

Start-ups 101: What Makes a Start-up Appealing to Investors?



Before we get to the fundraising, the following is a brief overview of the signs of a successful start-up. These are things that an investor will want to see when thinking about putting money into a company.

According to Sam Altman, one of the most experienced start-up mentors in the world, there are four essential components to a start-up: **the idea, the product, the team, and the execution**. Luck plays a big role, too, but that is clearly not something that is within the control of the founders.

Ideas

Ideas are key to setting a company's vision and creating a compelling story around the start-up. Many companies end up pivoting as they develop their product, moving away from the company's founding ideas and establishing new ones. Be that as it may, creating a unified vision for the start-up is not only a good way to focus everyone in one direction, it also makes it easier to sell the vision of the company to investors.

Product

Once a start-up has a good idea, it builds a product around it. this is what customers actually use or buy when they are interacting with a company. 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-market fit by asking whether the product satisfies a demonstrable need in the market.

Team

One of the most important success factors for any start-up is hiring the right team. The first few employees of a company will often make or break the company. A start-up should look to hire only when they are desperately in need of new employees and recruit from personal networks first, asking friends and acquaintances to put them in touch with high performers they have worked with. Start-up founders should not be afraid to give their first employees a relatively large chunk of equity, as they will be the ones who will make the company succeed, and founders should also not be afraid to quickly fire people who are not working out.

Execution

Execution means putting everything together. This is the crucial aspect of the CEO's job: making sure that the team is focused, motivated and growing. It means managing the team in a way that maximises the employees' efforts and manages disagreements among team members. 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, especially those that are looking to raise money, as 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 about executing its vision?

Putting Together a Board of Directors

As is stated throughout this guide, networking is crucial for businesses in Uganda. One reason is that it can help a start-up to find people who it can put on its board of directors. The board is responsible for the overall direction of the company and will help the start-up make important decisions, so it is key to get people who are engaged and have a good track record. The start-up's founder(s) will be on the board, along with (most likely) its investors. After that, the founder(s) 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** – much like founders want to screen the companies/individuals who invest in their business, they also need to screen potential members of their board. They should look out for what other businesses they are involved in and whether there may be potential conflicts of interest and ask those businesses about how engaged the person is.
2. **Find advisors in the market** – board members are typically busy with other projects and will tire of traveling long distances to attend meetings. So, founders should make sure that the board is made up of people who are near their target market and who will be able to allocate reasonable amounts of time to the start-up.
3. **Focus on the value-add** – the board members should bring a tangible value-add to the business. As one investor put it, board members should add value in one of two ways: deep industry experience in the start-up's sector or deep functional experience in an area that is crucial to the start-up's business (e.g., sales, finance or operations).
4. **Take advice seriously** – founders being humble and taking feedback and constructive criticism is key to keeping the board on their side. It is also a quality of successful entrepreneurs. One board member said that one of his or her key responsibilities is to question everything the founder thinks and does, as his or her employees may not feel comfortable questioning their boss.

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.

When to Fundraise

One of the most important decisions founders need to make is when to actually begin approaching investors.

Each start-up is different, but nearly every start-up should be bootstrapped for as long as possible; there is no point in giving outside investors equity, paying for admin and legal fees, and spending time (that could be spent working on the product) just for the sake of fundraising. **If founders can get a company to profitability without raising money from outside investors, they should.**

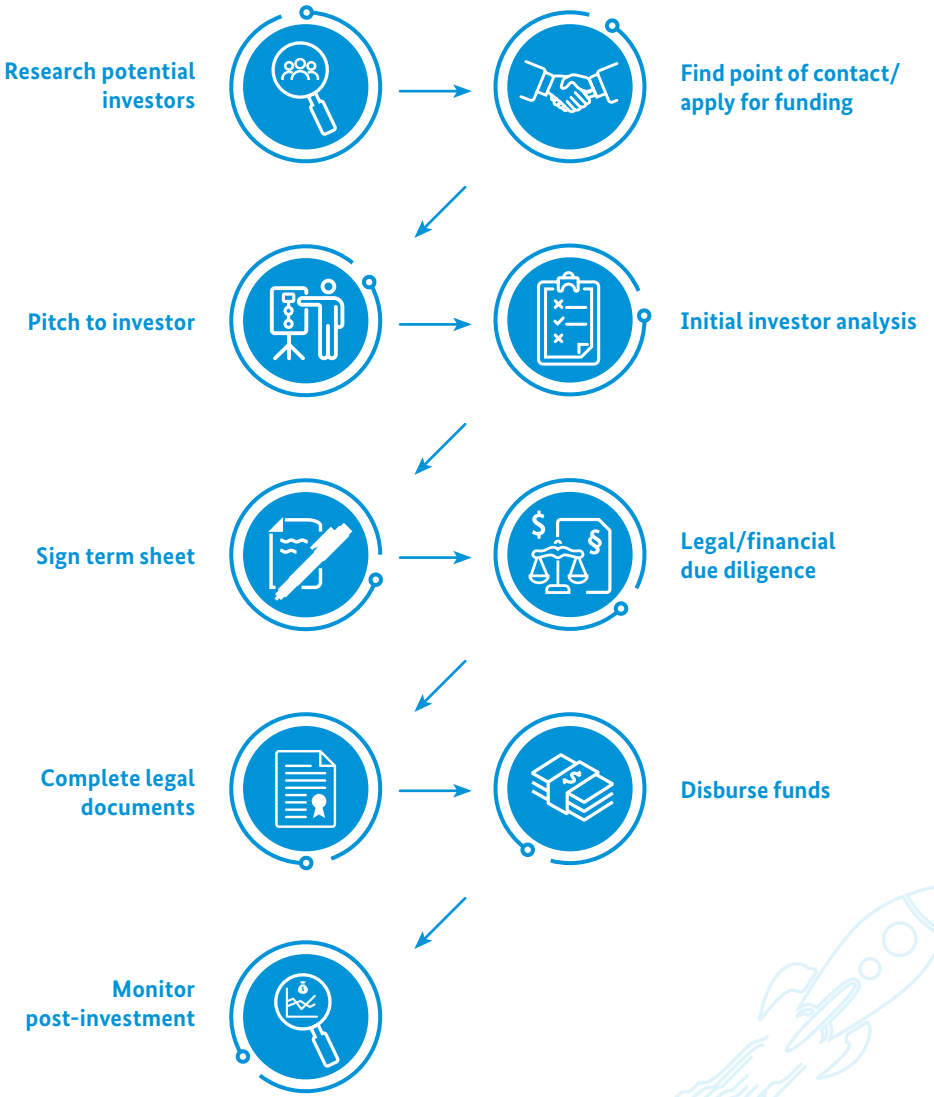
The decision on when to fundraise also depends on the founders' connections and experience in the start-up industry. If they have exited several companies in the past and have connections to investors, then the timing of the fundraising process will be different than for someone who is a first-time founder.

Most, however, are not experienced entrepreneurs and do not have the ability to bootstrap the company indefinitely. That means they will need to seek investors sooner or later. The good news is founders can raise money fairly early on in a start-up's journey. As long as they have a strong idea, and do some work around putting together a pitch deck that explains how this idea will become a viable business, they may be able to approach (relatively small) investors. It typically takes three to six months to raise funding from investors; sometimes, a lot less or a lot longer. Depending on how much money the start-ups have in the coffers, the founders will probably need to start looking for capital at least six to nine months before they find themselves strapped for cash.

Start Small

One thing for founders to keep in mind is that it is better to aim low and raise more than they had planned than aim high and lose face when they do not quite meet their goal. Ideally, they will only need to raise funding once from outside investors before they reach profitability; however, this is rare. More realistically, they are likely to raise money for the next one to two years and will need to fundraise again after that.

Typical Negotiating Process With Investors



What is Needed in a Pitch Deck?

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

As this guide is geared more toward younger start-ups and first-time entrepreneurs, it will focus on the documents the start-up will need to show when going to investors.

Generally, an investor 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 a market opportunity to offer to potential investors.

Brief 'One-Pager'

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 the start-up plans to turn the idea into an appealing product. Include charts, images (including the company logo) and graphs as much as possible; but the entrepreneur should not forget to clearly articulate, in writing, the purpose of the business and how they plan to execute it. This is a document that could be left behind, so the entrepreneur should make sure to balance substance with visual appeal.

Pitch Deck

The second document every entrepreneur will need to prepare is a pitch deck. Singularity Investments, which invests in businesses in Africa and North America, recommends 10-12 slides in the following format:

→ What do you do in 30 seconds (the elevator pitch)
→ The Problem
→ Your Solution (+ 1 slide here if you need it)
→ Market Fit
→ Market Size
→ Business Model
→ Defensibility and IP
→ Competition
→ Distribution
→ Team
→ Money/Milestones
→ Financials (only if it adds value)

Additional slides investors may want to see include traction to date, use of funds, investment instrument sought, and exit route.

For both the one-pager and the pitch deck, a small amount of customisation/tweaking to better fit the investor can go a long way. For example, if the investor is known for wanting to see how the investment may affect social or environmental change, add a slide (or at least a few bullet points) about how the start-up may do that.

Remember that as soon as the start-up raises money, expectations will shift. It is no longer just the founders' money and time. Investors will expect increased reporting and tracking, as well as formalised recordkeeping and the like. Founders should not be unreasonable, and they should not make empty promises but should come across as optimistic, hopeful, hungry and ready for the increased scrutiny of the business.

What to Include in Financial Projections?

Every investor will weigh financial projections in different ways, but most investors in early-stage companies will understand that start-ups' financial models are educated guesses, at best. A start-up's financial projections should be more of a way for investors to judge their ability to plan ahead, conduct research and come up with a compelling pitch. Here are the things founders should include in their financial projections.

1. **Key assumptions** – what is the cost of acquiring a customer? The product price? Increase of goods sold per month or year? Customer retention rate? Projected employee costs? Attainable market size? The founders should think through their business, create a list of key assumptions and be able to walk the investors through their logic. They should make sure that the assumptions are realistic and grounded in reality. To take it one step further, the founders should create a base case of assumptions; a downside case, in which business is slower than expected, and a home run case, where business is better than expected; and assign a probability to each.
2. **Cash flow statement, balance sheet and income statement** – these three documents are linked to one another, so the founder(s) should think of them as a package. They are meant to provide a snapshot of the business, as well as create a basis for future projections.
3. **Use of funds** – investors will want to understand how, specifically, the start-up plans to use their capital to grow their business. The founder(s) should be intentional here and should specify how they plan to use the money, and how they will get the start-up to either break even or move on to the next fundraising effort.

Three Fundraising Tips

1. **Create something unique.** Some start-ups come up with new features to add to existing solutions, but do not actually build something that is truly new. Investors will know the difference between a genuine innovation and a product with new features added.
2. Have a good understanding of the market. Founders should truly understand the market situation. Importantly, they should know how to make money from solving problems in the market. Some start-ups have false assumptions and struggle to gain traction.
3. Show commitment to solving a problem. Some of the most successful entrepreneurs have a proven track record of working on solving problems — at school, in their past jobs and in the start-ups they create. Investors like to see someone who is committed to solving problems.

Key to Raising Money Successfully: Telling Your Story

Time after time, we have heard from both investors and entrepreneurs that being able to *tell the right story* is key to raising money successfully. But what does that actually mean? We have used the insights from investors and entrepreneurs to break this down.

1. **Introduction** – Here, investors will want to understand who the founders are and the motivation driving them and, therefore, their company. They should be ready to answer questions about their leadership skills. Many investors will put money into founders, rather than their company, so founders should make sure that they are clear in why they started the company and what they hope to achieve.
2. **Market** – Founders should know their market; know who they are selling to and what problems the start-up is solving currently. If the start-up has a track record of sales, great. If not, founders should be ready to answer questions about why someone will pay them to solve a perceived problem. Founders should set lofty, but achievable, goals and use concrete examples to illustrate how they intend achieving them.
3. **Future growth** – The details here will differ based on how advanced the company is. If the company has not sold a product yet, then founders need to make clear, provable assumptions about how many they aim to sell in the coming months, how much each unit will cost to produce, and how many units they need to sell before they reach the break-even point. While they should be able to tell a growth story, most investors will want to understand their process of thinking and how they come up with their projections, rather than what the specific numbers are — for early-stage start-ups, these are educated guesses.
4. **Investment ask** – Founders should not just ask for a random number; they should do their research and explain how the funding will get the start-up to the next key milestone. This should not be an investment in people or machinery, but the outcome of that investment.
5. **Finish** – Founders should use the opportunity to showcase how their company is aligned with the investor they are pitching to. Research on the funders will help a lot here. If he or she prioritises impact, talk about the potential social or economic benefits of the company. If one of the partners has experience in the field, the founder should explain what connections they would like the potential investor to facilitate. Investors want to be seen as smart money, so talking to them about why they would be good partners could be a good way to get them to warm up.

Start-ups, Your Valuation Matters!

Overview

Valuing a company is a highly important part of the fundraising process especially 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 value a company that has few assets besides an idea and the promise of a 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 the start-up's value.

Valuation and why it matters is important for every start-up up to understand. This is because value affects not only the company's short-term prospects but 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. *In the box 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 the investor obtains 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.

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

Valuing Your Start-up

Imagine a fictitious entrepreneur has an idea for an e-commerce company. He or she discusses it with a friend, and the two of them decide to set up a company around it: Widgets Ltd. 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 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 working on their idea and the pitch deck, they approach several angel investors, one of whom is interested. He or she decides to invest UGX 21.5 million (US$6k) 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 or she gets 100 shares that the founders issue to the angel. So, he owns 100/1,100 shares (9.1%), while the founders now own 500/1,100 (45.45%) each. Because the angel's UGX 21.5 million (US$6k) investment bought him 9% of the company, the post-money valuation is UGX 236.5 million (US$66k). At this point, the price per share is UGX 215,000 (US$60) (UGX 236.5 million/1,100).

A couple of months go by and Widgets Ltd 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 UGX 215 million (US$60k) 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 500/1,600 shares (31.25%) and values the company at UGX 690 million (US$192k). The price per share after this investment rises to UGX 430,000 (US$120) = (UGX 690 million/1,600). That means if the angel investor wanted to (and was able to) cash out, he or she would have made a 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.

DCF (Discounted Cash Flow) Model

The DCF methodology computes the cash flows the start-up expects to make in 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, founders should make sure that they 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 is similar to the startup being valued in terms of sector, size, business model, etc. and with sales of UGX 430 million (US$120k) the start-up is valued at UGX 2.15 billion (US$600k). That implies a value-to-sales multiple of 5 (UGX 2.15 billion/UGX 430 million). If the start-up is truly similar to the start-up being valued, this multiple can be used to value the start-up. Assuming the start-up being valued had sales of UGX 862 million (US$240k), its valuation would therefore be UGX 862 million x 5 = UGX 4.31 Billion (US$1.2m).

Net Assets Model

The net assets valuation approach calculates the total value of the tangible assets a business 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 excites 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.

A start-up should not raise more than it can handle! Investors warn against raising too much money too quickly. If the start-up's valuation is high early on in the company's lifecycle, investors will expect it to show similar (if not faster) growth when the start-up raises money again in the future. If the start-up cannot justify a rise in value, it 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.

Negotiating with Investors: Tips from Entrepreneurs

Negotiations can be a difficult time for entrepreneurs, especially those who have not been there before. Here are some tips from entrepreneurs who have been there before:

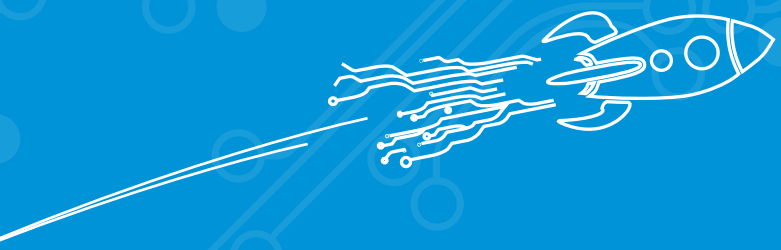
→ Speak to objective (i.e., those who do not invest in the start-up's sector) investors about how they would value the company and use their estimate.

→ Run through several valuation methods to have a better understanding of how they might structure their pitch. There are resources online that will walk the entrepreneur through how to value their company (see a list of resources in the conclusion).

→ Be able to explain the projected numbers and the assumptions behind them. Investors will push back on everything the entrepreneur will tell them, so the entrepreneur should have an answer ready for multiple scenarios of the business. Practice makes perfect – the entrepreneur should go through the pitch with friends or in front of a mirror.

→ Bring a draft term sheet to the pitch meeting, in order for the entrepreneur to anchor the investors to the terms of the deal they would like – the entrepreneur is more likely to walk away with better terms if they put their cards on the table first.

→ Get external advice – most entrepreneurs will negotiate anywhere between one to five times with equity investors during the life of their start-up. A typical investor handles a similar number of negotiations a week. This means that the odds are most often in the investor's favour, and a good advisor could help to even the negotiation table.



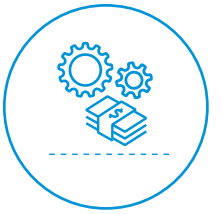
Chapter IV.
Uganda's Investment Scene

Chapter IV: Uganda's Investment Scene

DIGITAL SKILLS AND HUMAN CAPITAL

There is a shortage of supply of intermediate and advanced IT skills, against a backdrop of thousands of informal training organizations

See page 85



THE REGULATORY ENVIRONMENT FOR DOMESTIC AND FOREIGN INVESTMENTS

Despite lack of a specific law governing startups, and private equity funds, Uganda's regulatory environment is supportive of digital commerce. The data protection and privacy Act (2019) and its regulations, as well as the National Payments Systems Act (2020) and its regulations are now in place. Uganda's business registration procedures, tax policies, and insolvency law, have generally improved over the years and in support of SMEs, albeit a few challenges.

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Who the Investment Guide Uganda is for!

This guide covers all aspects revolving around investment in Uganda. Amongst many other things, the topics range from current investment trends to the regulatory framework governing investment in Uganda's digital economy and things to keep in mind when trying to raise funds as a start-up. It is therefore a resource for both entrepreneurs and investors who are looking to invest in Ugandan companies. Considering the richness of the resource, the Investment Guide Uganda is also of interest to governmental organizations, development agencies and anybody who is interested in the Ugandan investment scene. Enjoy the read!

A Brief History and Current Investment Trends

Uganda's economic reconstruction and recovery efforts over the last three decades have yielded impressive structural shifts. In the 1980s, agriculture was the mainstay of over 50% of the population and 75% of export earnings. In 2017, agriculture accounted for 21.5% of GDP and 46% of export earnings[1]. Uganda's gross capital formation averaged about 21% over the same period. In 2019, services accounted for 43.2% of GDP while industry contributed 27% of GDP (Manufacturing value added at 8.3% as of 2017/18). The structural shift away from agriculture and towards services has created numerous investment opportunities and employment for millions of Ugandans.

A good example of Uganda's economic shift is the country's ICT sector: It played a vital role in the nation's economic recovery in the mid and late 1990s. This was a consequence of the liberalization of the telecommunications sector and subsequent deliberate policies[2] to boost investment into the two sectors to drive growth, innovation, and job creation. In 2006, the Government set up the Ministry of ICT to coordinate, support, and advocate for the formulation of policy, laws, regulations, and strategies for the ICT sector in Uganda. Consequently, according to the Ministry of Finance, the ICT sector has grown to contribute upwards of 3.2% to GDP (financial year 2018/19). Despite a low number of formally registered firms[3], thousands more informal ICT firms[4] directly and indirectly employ an estimated 2.5 million Ugandans[5].

Uganda has been ranked as a global hotspot[6] for entrepreneurs with 35.5% of adults (age 18 and above) owning or co-owning a new business in 2014, more than three times the global average. The country has established a vibrant start-up ecosystem where start-ups have emerged as a prominent type of development actor with the potential to solve sector specific challenges and bridge the service delivery gap. Uganda has the second youngest population globally with over 78% of the population being below the age of 35 years. Over 55% of the youth own or co-own a new or existing business. Uganda enjoys a regional trade hub status serving as a convenient goods and services' transit point for reaching central Africa's hinterland. Also, numerous entrepreneurial opportunities

manifest in the need for solving efficiency bottlenecks in industry and commerce in Uganda.

Uganda's reputation for entrepreneurial vibrancy is rooted in the economy's high liberalization rate and an ascendant attractivity for a diverse investor base. True to this attribute, Kampala's tractable start-up ecosystem has served as a testbed for entrepreneurs who experiment[7] with new business models tailored to fulfil the unmet needs of a tech-savvy class of youthful digital device holders in a business environment unfettered by burdensome regulations. Broadly, FDI inflows to Uganda reached a record high of US$ 1.3 Billion in 2019, a 20% increase from US$ 1 billion in 2018, on account of oil and gas, including the international oil pipeline, and also projects in construction, agribusiness and manufacturing[8]. Other sectors of interest that continue to attract investments include transportation, healthcare, and energy. Some sub-sectoral growth rates are staggering. For instance, from 2016 to 2018, Uganda's fintech industry which has over 80 players, registered an average annual growth rate of 35%[9]. As of the year ending 2020, Fintech reached 155, almost doubling in number over two years[10].

[1] National Development Plan (2020). Ministry of Finance, Planning and Economic Development.
[2] National ICT Policy (2003) *http://www.ist-africa.org/home/files/Uganda_NationalICTPolicyFramework_Oct2003.pdf*
[3] 350, source: The Netherlands Trust Fund IV (NTFIV) (2018)
[4] According to 2010/2011 Census of Business Establishments (COBE) by the Uganda Bureau of Statistics (UBOS), the total number of companies offering ICT services is 4,109 as of 2010/2011 of which 65% were engaged in Television and Radio Programming activities while 21% were engaged in Telecommunication related activities.
[5] NITA-U statistical abstract (2019)
[6] According to the Global Entrepreneurship Monitor (GEM) Report of 2015. Source: ASPEN (2018). Retrieved from *http://enterprise.co.ug/wp-content/uploads/2019/05/UEEI_Report_November_2018_Final.pdf*
[7] *https://www.intracen.org/news/Uganda-tech-entrepreneurs-turn-problems-into-solutions/*
[8] *https://unctad.org/system/files/official-document/wir2020_en.pdf*
[9] Global Startup Ecosystem Report (2019).
[10] According to the Financial Technology Services Providers Association (FITSPA) *https://fitspa.ug*

The Start-up Scene

Uganda's Small and Medium size enterprises account for sizeable share of Uganda's impact investing market. According to the Global Impact Investing Network (GIIN), in 2015 at least 139 impact deals in Uganda had been sealed, resulting in more than US$ 300 million disbursed, or more than 20% of all investment activity in East Africa overall[11]. Quite a number of impact investment funds in Uganda are financed by Development Finance Institutions (DFIs) and philanthropists while others are financed by development partners through various corporate social responsibility programs[12]. The ticket sizes range between US$ 200,000 and US$ 2 million[13].

The Government of Uganda runs three publicly funded initiatives namely the *National ICT Initiatives Support Program* (NIISP)[14], *Hi Innovator*[15], an initiative of the Uganda *National Social Security Fund* (NSSF), and the *Ministry of Gender Youth Livelihood Program*[16]. The Uganda *Youth Venture Capital Fund* which was until recently run by the *Ministry of Finance*, planning and Economic Development has funded around 4,450 projects that support young individuals and groups[17]. Other government/development partner supported programs include grants, lines of credit, and guarantee facilities for the agribusiness sector[18].

Uganda's capital city, Kampala, is home to most of the key start-up ecosystem players including *Makerere University Innovation and Incubation*[19], the *Kampala Capital City Authority* (KCCA) *Employment Services Bureau, Hive Colab*[20]*, Outbox, Angels Hub, Pulse Lab Kampala, EA RANLab, The Tribe, The Innovation Village, Uganda Innovation Lab, the Hub Kampala, FinAfrica, Grameen Foundation, AppLab Uganda* and *Women in Technology Uganda*. The Innovation village is a leader in the innovation ecosystem and has established a formidable network of investors, development partners, government, academia, and the major telecommunications players to support over 100 start-ups across 5 sectors[21]. Kampala is also a network hub for international Innovation hubs such as *United Nations* (UN) *Global Pulse Lab* and the *Microsoft Innovation Centre*. International smart mobility solutions have been piloted in Kampala including *Uber*, and *Safe Boda*. Other cities in Uganda including *Mbale, Gulu, Jinja, Mbarara* and *Kisoro*, have pioneered innovative

and tech-enabled solutions tackling sector-specific challenges tailored for the domestic market.

Investment firms currently active in Uganda's start-up ecosystem number about 27 (refer to directory in appendix). They include, among others, the *97Fund*[22] at Innovation village, *Imuka Access*[23], The *Kampala Angel Investment Network* (KAIN)[24], and the *UN Capital Development Fund* (UNCDF)[25]. This situation has limited the options available for small SGBs to attract investment funding.

Table 1: Factors Shaping the Enabling Environment for Start-ups in Uganda

STRENGTHS	WEAKNESSES
Financing	
→ Ugandan start-ups raised $1.275M from 10 rounds in 2020[26]. → From 2016 - 2018, Uganda's Fintech industry had an average annual growth rate of 35%, with almost half of the nation's approximately 80 Fintech start-ups operating in the payments sector[27]. As of 2021, Uganda has a total of 155 registered Fintech players active in the country[28]. → The government has funded around 4,450 projects through a youth venture capital fund that supports young individuals and groups[29].	→ Access to early-stage finance beyond personal or family investments is limited. → Lack of Investment vehicles in the US$ 20,000-30,000 range for high growth SGBs. → Investors below ticket sizes of US$ 300,000 are almost exclusively impact investors and tend to focus on specific sectors or seek firms that generate specific types of social impact.

[11] Global Impact Investing Network & Open Capital Advisors (2015). The Landscape for Impact Investing in East Africa. GIIN. OCP. Retrieved from *https://thegiin.org/assets/documents/pub/East%20Africa%20Landscape%20Study/06Uganda_GIIN_eastafrica_DIGITAL.pdf*

[12] Balikuddembe, J & Kaleebi, J (2019). Mapping Uganda's Social Impact Investment Landscape. Konrad Adenauer Stiftung (KAS). Retrieved from *https://www.kas.de/documents/280229/0/Mapping+Uganda%27s+Corporate+Social+Impact+Investment+Landscape.pdf/dba690ed-2ac2-66f3-64e1-1dd8f2a170be?t=1593000619459*

[13] Uganda Entrepreneurial Ecosystem Initiative,2018

[14] *https://niisp.ict.go.ug*

[15] *https://www.hiretheyouth.org/nssf-hi-innovator/*

[16] *http://ylp.mglsd.go.ug/home/welcome.html*

[17] Global Startup Ecosystem Report (2019:94).

[18] Ibid

[19] *https://miichub.com*

[20] *https://hivecolab.org*

[21] Innovation Village Impact Report (2018)

[22] *https://the97.fund*

[23] *https://imuka.co*

[24] *https://kain.co.ug/#home*

[25] *https://www.uncdf.org*

[26] Digest Africa Country Report Uganda, 2020.

[27] The Global Startup Ecosystem Report, 2020.

[28] According to the Financial Technology Services Providers Association (FITSPA) *https://fitspa.ug*

[29] Ibid 2

STRENGTHS	WEAKNESSES
Information & Networks	
→ A strong presence of Innovation hubs that help sustain tech-focused SGBs. → Increased number of incubator and accelerator programs that equip start-ups with business skills necessary to guide a new venture or scale an existing business.	→ Most of the Hubs operate largely as co-working spaces, providing little in the way of additional services to start-ups. → Low specialization of ecosystem actors: It has been observed that the majority of the players offered almost the full range of services. → Collaboration among ecosystem actors remains weak. → Half the entrepreneurs are not connected to the ecosystem and therefore are not served by the supporting actors in the ecosystem. → Peer-to-peer learning is happening but at a sub-optimal level.
Infrastructure & Human Capital	
→ Power concessions have improved the reliability of power and lowered its cost. Tariffs have dropped to US$ 0.07 for bulk supply and US$ 0.14 for end users per kilowatt-hour[30]. → Uganda has the highest adult literacy rate in the EAC (% of people ages 15 - 24) at 89.3% compared to Kenya's 87.8%, and Rwanda's 86.4%[31].	→ Significant skills gaps, especially in areas such as: business management, financial management, marketing & customer segmentation. → There is a lack of accessible, affordable, and patient management training provided through accelerators, incubators, and other BDS channels. → Uganda's weak business development service (BDS) infrastructure makes early-stage investing prohibitively costly and risky → Slow pace of technological change and innovation on account of technosocial momentum characterized by a growing digital divide.
Policy & Regulation	
→ Relatively improved ease and cost of starting and running a business. Relatively straight forward processes on account of improved service delivery by the Uganda Registration Services Bureau (URSB) that supports young individuals and groups.	→ There is no specific law, policy or regulation that offers preferential treatment specifically to start-ups.

Source: Authors

Social Development Enterprises and Development Organization Support

Although Uganda's Social Enterprise Ecosystem is still in its nascent stages, Social Entreprises (SEs) have emerged as a new type of start-up that tackles development issues with the potential to solve sector-specific development challenges. In Uganda, SEs play an important role, especially in providing essential and quality services in the energy, water and sanitation, education and health sectors[32]. There are approximately 27,400 social enterprises operating in Uganda, employing 62,300 people directly[33]. The table below summarises the factors that influence the enabling environment for SEs in Uganda. These factors to a great extent also shape the enabling environment for start-ups.

Table 2: Factors Shaping the Enabling Environment for Social Enterprise Start-ups in Uganda

STRENGTHS	WEAKNESSES
Financing	
→ Uganda has the second-largest impact investing market in East Africa[34]. → Impact investors and Development Finance Institutions (DFIs) invested more than $300 million and $879 million respectively in Uganda between 2004 and 2014[35]. → Within the energy sector, a variety of consumer finance models have been tested and provide important tools for SEs. FINCA for example, is using Stage 1 funding from USAID's Development Innovation Venture (DIV) to boost productivity and reduce energy costs for households and businesses at the Base of the Pyramid.	→ There is a disparity in venture investments preferred by investors and social enterprise needs[36]. → High commercial debt terms with high-interest rates (19%) and collateral-to-loan requirements of 162%[37]. → Micro-financing for SEs is dominant in agriculture, but not in-service delivery sectors.

[30] World Bank Group (2015): Evaluation of Rural Electrification Concessions in sub-Saharan Africa, Detailed case study of Uganda.
[31] Source: World Bank. *https://data.worldbank.org/indicator/SE.ADT.1524.LT.ZS?end=2018&locations=UG-KE-RW&start=2000*
[32] World Bank (2017): Social Enterprise Ecosystem Country Profile Uganda.
[33] Siemens Stiftung, Social Enterprises as Job Creators in Africa – The Potential of Social Enterprise to Provide Employment Opportunities in 12 African Countries 2020-2030.
[34] Global Impact Investing Network (2015): The Landscape for Impact Investing in East Africa.
[35] Intellecap (2018): Africa State of Impact Investing Report.
[36] Aspen Network of Development Entrepreneurs (2018): Uganda Entrepreneurial Ecosystem Initiative.
[37] Bank of Uganda (2020): Commercial lending rates.

STRENGTHS	WEAKNESSES
Information & Networks	
→ 68% of Entrepreneurs in Kampala belong to peer networks[38].	→ Business Support Organizations (BSO) are unable to provide support to rural based SEs because they lack the requisite and specialized technical capacity. → Additionally, the BSOs lack a national footprint, while most are located in the capital city, Kampala → BSOs typically do not adequately prepare social enterprises for investment.
Infrastructure & Human Capital	
→ Power concessions have improved the reliability of power and lowered its cost. Tariffs have dropped to US$0.07 for bulk supply and US$0.14 for end users per kilowatt-hour[39]. → Growing mobile money services offer significant potential for SEs. This translates into more SEs being able to access short-term credit to meet their short-term cash needs. Also, SEs now have the capability to leverage mobile money for scaling their business models. → Several universities have begun to offer degrees programs and course modules in social entrepreneurship, indicating a growing SE focus.	→ Access to stable electricity is still a common challenge in both the urban and the rural areas (23% urban, 19% rural)[40]. → Competition with high wages available with donor organizations or NGOs presents a recruitment challenge for SEs.
Policy & Regulation	
→ SEs registered as religious, charitable, or educational institutions can benefit from income tax exemptions..	→ There is no specific policy recognition of SEs in legal or statutory form. → Lack of a social enterprise body.

Source: Authors

Digital Skills and Human Capital

Human capital is a critical ingredient and key success factor for doing business in Uganda's digital economy. Uganda is ranked among the top 10 African countries for software developers, with an estimated 11,000 developers[41]. However, there is a shortage of supply of intermediate and advanced (e.g., advanced diploma in Information technology, undergraduate and post-graduate degrees in IT) skills, a situation which constrains "skills-intensive" growth and competitive strategies for small struggling businesses. Several training institutions exist in Uganda to help create and maintain vital technical skills for the digital economy. The Makerere University's College of Computing and Information Science produces an average of 1000 graduates in digital skill courses per academic year and an average of 2,500 short course graduates[42]. Short course (web design, software programming, etc) trainees, by the *Centre for Innovation & Professional Skills Development* (CiPSD) are about 8,000 per annum over the last decade[43]. The *Uganda Institute of Information and Communication Technology* (UICT) has trained 6,965 diploma and certificate holders[44] over the last decade. Despite heavy investment in training, the estimated number of intermediate-to-advanced (e.g., advanced diploma and degree in IT) IT skills is approximately 35,000[45] while the estimated stock of (short course) basic to intermediate IT skills is about 150,000. There are two certified IT training companies by the *National Information Technology Authority* (NITA-U)[46], while informal training organizations number in the thousands.

[38] Credit Suisse, Swiss Contact, Amarin Financial Group (2019): Understanding entrepreneurial ecosystems through social network analysis.
[39] World Bank Group (2015): Evaluation of Rural Electrification Concessions in sub-Saharan Africa, Detailed case study of Uganda.
[40] United States Agency for International Development (2018): Uganda Power Africa Fact Sheet.
[41] Adegoke, Y (2020, November). Africa's internet economy is booming but it needs more homegrown software developers. Quartz Africa. Retrieved from *https://qz.com/africa/1933529/africas-booming-internet-economy-needs-more-software-developers/*
[42] Makerere University, RENU. Source: Assessment Report of Digital Skills, Entrepreneurship and Innovation in Uganda (2020:12)
[43] – ditto –
[44] Uganda Institute of ICT
[45] UICT
[46] NITA-U, Key informant interview

The Regulatory Environment for Domestic and Foreign Investments

The Laws governing investment and commerce in Uganda

Uganda's investment regime is liberal and mostly supportive of foreign direct investment. As in many other market economies, the movement of Investment capital in Uganda is regulated by rules and regulations to ensure the smooth conduct of business and boost confidence for investors. The **Companies Act (2012)** is one of the principal laws governing investment in Uganda. An entity has to be either incorporated or registered in Uganda in order to legally do business. Other forms of agreements e.g., Partnership Agreements, Collaboration Agreements, and Technology Transfer Agreements are governed by the **Contracts Act (2010)**[47]. Uganda's new **Investment Code Act (2019)**[48] is the guiding legal framework that governs investment in Uganda's economy. The investment code also contains provisions on key investment requirements and support areas, e.g., licensing, incentives, and priority sectors. Technology is one of the priority sectors amongst others including agriculture, agribusiness, manufacturing, energy, transportation, and healthcare. Uganda sets a minimum capital investment threshold requirement for foreign investors of US$ 250,000[49]. The *Uganda Investment Authority's* (UIA) one-stop centre helps to register with the UIA, failure upon which may result in penalties[50] to the unregistered foreign investor. Uganda's **debt** markets remain comparably shallow, however, foreign and international debt instruments can and do move into and out of the economy with few restrictions. The Central Bank of Uganda does not regulate debt secured from foreign banks that do not take deposits from the public in Uganda[51]. The cost of registering a loan/corporate debt is low; stamp duty costs 1% of the loan. Also, interest and stamp duty are both tax deductible.

Foreign companies that wish to invest in Uganda may be required, in the near future, to comply with Uganda's national local content laws. The laws place an obligation on a local content entity[52] to give preference to goods manufactured and services produced in Uganda. The **National Local Contents Bill (2019)**, recently passed by parliament, is yet to be assented to by the President of Uganda. The bill will introduce minimum local content requirements on execution of public contracts[53], and also establishes within the

Ministry of Finance, Planning, and Economic Development (MoFPED), a department tasked with the responsibility of implementing the law.

Laws Regulating Sources of Funding in Uganda

Most companies in Uganda, including in the ICT sector, are funded by equity sources, including family and friends contributions and personal savings. Large corporations regularly raise capital on the *Uganda Stock Exchange* (USE), while small enterprises cannot participate in the USE effectively. In response to this challenge, the USE started the *Growth Enterprise Market Segment* (GEMS) platform[54], whose primary objective is to help *Small and Growing Businesses* (SGB) raise long-term, low-cost capital through public listings. GEMS allows for less-stringent criteria for public listing by SGBs. Therefore, the platform offers exciting prospects for start-ups whose relatively short commercial life limits their ability to comply with strenuous requirements for issuing *initial public offerings* (IPO). There is no legislation specific to the establishment and operations of ***private equity*** (PE) funds[55]. Over the past few years, however, Uganda has seen an increase in PE fund activity. The absence of a regulatory framework makes it easier for PEs to enter and exit the market with limited red tape, plus PEs do not have to be established in Uganda to participate in deals.

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[47] *https://ulii.org/ug/legislation/act/2015/7-7*
[48] *https://www.parliament.go.ug/cmis/views/ffab9864-eab9-49ee-a270-1b66b127895f%253B1.0*
[49] Source: Uganda Investment Authority (UIA). *https://www.ugandainvest.go.ug/wp-content/uploads/2019/11/A-practical-guide-to-doing-business-in-Uganda.pdf*
[50] New Investment code. Sec 19 (3). Punishable by a fine of UGX 20 million or a term of imprisonment of four years or both
[51] Biryabarema, E. (2020, Oct). Central bank Says No License Needed for Foreign Lending in Uganda. Reuters. Retrieved from *https://www.reuters.com/article/uganda-banking/central-bank-says-no-license-needed-for-foreign-lending-in-uganda-idUSL8N2H50SR?edition-redirect=uk*
[52] Government agency, local government, includes a natural or artificial person, a partnership or any other entity, as well as an individual contracted by a local content entity carrying on an activity under the law.
[53] E.g., subcontracting at least 40% of the scope of the contracted activities to a Ugandan company.
[54] Uganda Securities Exchange GEMS Rules (2012). Retrieved from *https://www.use.or.ug/uploads/legal/regulations/USE%20Growth%20Enterprise%20Market%20Segment%20(GEMS)%20Rules%202012.pdf*
[55] "Other regulatory requirements that would apply to Private Equities (PEs) apply to them as investors and are more or less industry-specific. For example, if a Private Equity fund is considering significant investment in a Bank, there would be a requirement to obtain a no-objection from the central bank." (Uganda e-Services Assessment, 2020)

Laws Regulating Digital Commerce in Uganda

Uganda ranks **3rd amongst the top 5 countries in Africa**, in terms of regulatory maturity of the digital economy. A mature regulatory framework is key for maintaining a competitive, transparent and fair investment environment. Uganda's regulatory and policy-making functions for the digital economic are, for the most part, separate and independent. Also, Uganda's impressive set of cyber laws and regulations has evolved to address emerging market structural developments and assist inward *Foreign Direct Investment* (FDI) into the telecommunications and ICT sectors[56]. Key amongst them is the **Electronic Transactions Act (2011)**[57] and the attendant regulations that govern e-commerce transactions. Licenses and approvals from the *Uganda Communications Commission* (UCC) and the *National Information Technology Authority* (NITA-U), the regulatory agencies established under the Uganda Communications Act (2013) and the NITA-U Act, may be required by some prospective investors. The UCC mostly regulates equipment for the communications sector and as well as content. NITA-U mostly regulates ICT service providers and specified products which require inspection before being imported into Uganda.

Consequently, the telecommunications and broadband markets are dynamic and competitive, albeit a few challenges. Despite the highly liberal environment, foreign direct investment inflows into the digital economy in Uganda are concentrated in digital infrastructure. This trend will remain instrumental in reducing the associated internet costs. The expected drop in internet prices could support strategies for convergence of digital entrepreneurship start-ups' business models with incumbent operators, in their shared quest to address pressing efficiency challenges that limit the growth of industry and commerce in Uganda. For example, a highly informal and fragmented retail sector limits the ability for attaining brand effectiveness and consolidation of *Fast-Moving Consumer Goods* (FCMG). Branded e-commerce retail outlets now provide FMCGs with almost limitless opportunities for channel efficiency and effectiveness. Jumia, the e-commerce virtual marketplace is one such example.

Companies that invest in Uganda are required to comply with Uganda's data protection and privacy laws during the conduct of business. Uganda's **National Data Protection and Privacy Law (DPPL) (2019)**[58] which is modeled against the EU's General Data Protection Regulation (GDPR), will shape privacy practice for digital and non-digital start-ups and incumbents for the foreseeable future. Currently, the DPPL regulations and the national data protection office are work in progress.

From a sub-sector-specific perspective, the Fintech industry in Uganda will continue to grow but guided by the recently passed **National Payment Systems act (2020)**[59] and the draft national payment systems regulations. The NPS act establishes a **regulatory sandbox framework** that will help promote innovations in the Fintech sector. This means that companies that wish to pilot new products and services will now enjoy better regulatory certainty. The law also places Fintech firmly under the regulatory supervision of the central bank of Uganda. Several new requirements in the regulations which include licensing fees[60], the periodic submission of annual audited accounts, and the requirement for Central bank approval for a Mergers & Acquisitions[61], will contribute to a more predictable and secure business environment for investors.

[56] 19 new UCC regulations were recently approved on the 28th May 2020. Key reforms include the requirement for licensing Value Added Services (VAS) and a new licensing regime for telecommunications sector.
[57] *https://ulii.org/ug/legislation/act/2015/8-3*
[58] *https://ulii.org/ug/legislation/act/2019/1*
[59] *https://ulii.org/ug/gazette/UGGaz/2019/cxii/52/20191011*
[60] The UCC (fees & fines) regulations (2019) imposes an application fee of US$ 250 and an anual license fees of US$ 5,000 on digital financial services as value added services (VAS).
[61] A licensee must not enter into any merger or acquisition agreement or change of its shareholding structure without the written approval from the central bank.

Business Registration

The *Uganda Registration Services Bureau* (URSB) is the agency of government responsible for providing business registration, civil registration, intellectual property, and insolvency services. Investors are required to provide proof of registration to financing institutions before accessing traditional financial products. All business registration processes, procedures and requirements are now digitalized and available on the *Uganda Registration Services Bureau* (URSB) website at *https://ursb.go.ug/business-registration-2/*. Start-ups in Uganda often cite complicated business registration procedures as a bottleneck. However, since 2012 when company law in Uganda was reformed and a new legislation, the Companies Act 2012 was put in place, several changes that will favor start-ups were introduced in relation to company formation and management. One of the landmark changes was the introduction of a single member company. Unlike before 2012 where every company had to be constituted of at least two members, a single person, be it individual (natural person) or corporate (artificial entity) may register a company as sole member and shareholder. Section 4 of the Act provides that any one or two persons may for lawful purposes form a company by subscribing their names to the memorandum of association or registering the company as provided under the Companies Act. Single Member Companies have the Companies (Single Member) Regulations, 2016 which provide the procedure for their registration.

Tax Policy in Uganda

Tax policy is a key element of the investor's consideration for allocating capital to a venture in any target jurisdiction. For example, generous tax incentives[62] as well as low corporate income tax rates may positively influence the choices investors make as they select target markets for investment. The management of a start-up, therefore, must remain abreast of the evolution of tax policy and tax administration in Uganda if the enterprise is desirous of acquiring and maintaining a strategic and operational advantage. Uganda's tax policies and laws are regularly reformed to reflect the country's evolving fiscal needs. We, therefore, highlight a few notable developments.

Uganda levies a value-added tax rate of 18% on goods and services prescribed under the Value-Added Services Act. The VAT law also contains a list of zero-rated supplies. Investors are encouraged to visit the *Uganda Revenue Authority* (URA) website[63] for the latest amendments to the VAT law. There haven't been any significant trends towards amending *corporate income tax* (CIT) rates in Uganda. Both residents and non-resident persons pay CIT at 30% per annum. Income tax for resident companies with an annual turnover of between UGX 50 million and UGX 150 million (~US$ 13,500 to US$ 40,000) is determined by rate of turnover or a fixed amount, subject to availability of accounting records. For smaller businesses whose earnings fall between UGX 10 million and UGX 50 million (US$ 2,700 and US$ 13,500), fixed and varying rates of income tax will apply[64].

The trend in tax policy has been toward excisable "electronic services." For example, Uganda levies an excise tax on telephone airtime. The Uganda tax amendment bill (2018) broadened the definition of excisable "electronic services" to include websites, web-hosting or remote maintenance of programs and equipment, software, images, texts and information, access to databases,

[62] A guide on tax incentives/exemptions available to investors in Uganda. Retrieved from *https://www.ura.go.ug/Resources/webuploads/INLB/Tax%20Incentive%202013.compressed.pdf* & Taxation Handbook. A guide to taxation in Uganda. 2nd Edition. *https://www.ura.go.ug/Resources/webuploads/INLB/TAXATION%20HANDBOOK%20.pdf*
[63] *https://www.ura.go.ug/*
[64] Uganda Revenue Authority (2019); PriceWaterhouseCoopers (2021)

self-education packages, music, films, games of chances, political, cultural, artistic, sporting, scientific and other broadcasts. The same tax amendment established the *over-the-top* (OTT) tax, which is negatively impacting the use of social media platforms and mobile money services by most accounts.

Uganda has signed and ratified 9 double taxation agreements with Denmark, India, Italy, Mauritius, the Netherlands, Norway, South Africa, the United Kingdom and Zambia. Uganda no longer has

Table 3 : Withholding Tax Rates on Dividends, Interest, Royalties et al.

WHT (%)						
Recipient	Dividends	Interest	Royalties	Management Fees	Taxation of Branch profits	Repatriation of branch profits
Denmark	10/15	10	10	10	30	15
India	10	10	10	10	30	15
Italy	15	15	10	10	30	30
Mauritius	10	10	10	10	30	15
Netherlands	0/5/15(1)	10	10	NA	30	15
Norway	10/15	10	10	10	30	15
South Africa	10/15	10	10	10	30	15
United Kingdom	15	15	15	15	30	15

Source: PriceWaterhouseCoopers (2019)

thin capitalisation rules. Interest deductibility is limited based on tax *earnings before interest, taxes, depreciation, and amortization* (EBITDA). Also, Uganda does not have a *controlled-foreign companies* (CFC) regime. A CFC is a corporate entity that is registered and conducts business in a different jurisdiction or country than the residency of the controlling owners.

As already highlighted in the previous sections, investors are encouraged to design and adapt their business models to reflect the changing nature of Ugandan tax laws and policies. Investors are also required to register with the Uganda Revenue Authority *Electronic Fiscal Receipting and Invoicing System* (EFRIS) at *https://www.ura.go.ug/*

Tax Compliance for Digital Services Companies

Financial Governance & Tax compliance

Uganda's fast-paced entrepreneurial scene has and can deceptively lull start-ups into relegating financial governance and tax compliance issues. As a rule of thumb, start-ups in Uganda are strongly encouraged to commence operations with a fair and long view of their tax record. Properly kept tax records are instrumental for attracting and retaining foreign capital into the enterprise while navigating a usually difficult path to growth. Start-ups are encouraged to retain the services of a certified accountant[65] in Uganda to implement *Generally Accepted Accounting Principles* (GAAP), *International Financial Reporting Standards* (IFRS) and International Financial Reporting Standards for Small and medium sized enterprises during their normal conduct of business. These standards are instrumental for avoiding legal and economic challenges that may occur on account of poor financial reporting and heightened fiduciary risks.

In Uganda, companies are legally obliged to register with the tax authority, the *Uganda Revenue Authority,* (URA) and maintain records of value-added tax, excise, pay-as-you-earn, and other obligatory taxes. The law applied penalties for non-filing of taxes. Companies are legally obliged to submit provisional tax estimates within the first six months from the beginning of their accounting period (tax year, June/July of the next year). This is done in two installments, i.e., the first installment by the end of the sixth month from the beginning of the accounting period and the second installment by the end of the twelfth month at the beginning of the accounting period. The income tax act offers flexibility (Part V, clause 39), where a company can apply for and secure a substituted year of income for its accounting period. This flexibility can be a relief for start-ups that frequently cannot fix their commencement date of business and subsequently have difficulty working on a strict tax filing schedule.

[65] List of Licensed Accounting Firms and Practicing Accountants in Uganda. *https://icpauportal.com/index.php/external_portal/firms*

Tax administration in Uganda is rapidly digitalizing. Therefore, start-up companies and investors are encouraged to digitalize their business records from the get-go to ease compliance costs. The implications can be far-reaching from a legal perspective. For example, suppose your start-up in Uganda imports electronic services supplied by non-residents (e.g., cloud services supplied by Amazon web services). In that case, VAT is levied on those imported services (VAT Act CAP 349). If your start-up has not declared VAT[66] on those imported services, then, to your detriment, those expenses will be disallowed when your company files for income tax. Most foreign suppliers will bill your company net of tax. Therefore, it is up to you, the importer, to gross the bill and pay the value-added tax. However, according to the law, a non-resident person may appoint a tax representative for purposes of effecting compliance with VAT provisions. At the cost of a non-resident, the Commissioner General of URA may appoint another person to prepare and furnish the return on behalf of that person.

Generally, there are no withholding tax implications for individuals who use software services' applications for private consumption. However, businesses are required to account for the withholding tax in order to avoid being penalised by the URA for not complying with the relevant withholding tax provisions.

Tax compliance can be challenging for a start-up that is often projected to not be profitable for the first two or more years of its lifetime. Fortunately, Uganda's income tax act allows your loss-making start-up to carry forward and offset losses for an indefinite period. However, there are proposals with the Uganda parliament to limit the carry-forward period to only five consecutive years. The proposal provides that taxpayers who declare liability for a consecutive period of five years of income of less than 0.5 percent of their gross turnover should pay a minimum tax amounting to 0.5 percent of the turnover for each year, commencing with the sixth year. Losses for start-ups are a natural occurrence on account of generally high cash burn-rates and low market share. Therefore, this amendment can and will be consequential for the survivability of start-ups in the medium to long term. This amendment is likely to be passed by the 11th Parliament that will be elected in the 2021 general elections.

Human Resource Governance and Compliance

Recruitment and talent sourcing are both significant activities for start-ups and investors in Uganda. If your company is paying employment income to her employees, you must make monthly contributions under the National Social Security Fund Act of Uganda (employer makes a standard contribution of 5% while the employee makes a contribution of 10%, which is withheld from the employee's paycheck at the time of payment)

Currently, all benefits to employees (e.g., bonuses, overtime allowance) are not tax-exempt. Retirement benefits, however, are not taxable. Also payments for employment insurance are not subject to withholding tax. The law categorizes employment contracts and services contracts for tax purposes, each taxed in their respective regimes. Pay-as-you-earn tax is applicable within specified thresholds for employment contracts while Withholding tax (WHT) is applicable for services contracts (6% for resident and 15% for non-resident providers)

Royalties

Lastly, royalties arising from the disposal of industrial or intellectual property (IP) used in Uganda by a non-resident are considered taxable income and subject to 15% WHT. There are no special exemptions for resident holders of IP. However, resident companies are required to declare worldwide income, including that accruing from royalties. When it comes to payments for digital services, it is important to distinguish between payments for services vis-à-vis payments for royalties because services and payments for royalties will have different withholding tax implications. Payments for services are subject to withholding tax only if the services were rendered in Uganda.

[66] Persons who make supplies that are VATable and whose turnover exceeds the annual threshold for VAT registration which is UGX 150,000,000 are required to register for VAT with the URA.

On the other hand, payments for royalties are subject to withholding tax regardless of where the rights are seated. Several challenges are foreseen around interpretation of the differences between royalties and software services. For example, if start-up companies pay for digital advertisements e.g. to Google, Facebook, etc., such payments could be construed as royalty payments because the Ugandan payer is granted the right to use the non-resident's software to design and develop its own advertisement campaign. Therefore, clearly defined contractual terms between the non-resident service provider and the user, i.e., the Ugandan company will be of paramount importance for purposes of tax compliance. In conclusion, start-ups and investors are encouraged to elicit the support of a competent tax advisor to ensure compliance with Uganda's tax laws. Uganda does not have a list of formerly registered tax advisors. However, investors are encouraged to contact licensed accounting firms who, in most cases, do offer formal tax advisory services[67].

Table 4 : Tax Documentation Requirements and Associated Cost Obligations

No.	Obligations	Documentations	Timings	Cost Of Obligation	Responsible
1	VAT returns	Standard VAT Forms	Filing should be done by the 15th Day of the month. Failure to file attracts penalties.	18% of the taxable amount (unless goods/services are Zero rated)	Accountant
2	Corporate Income Tax (CIT)	Audited Financial Statements	Annually	30% on Profits for the Financial Year	Accountant
3	PAYE Income tax	1. PAYE Standard Forms	Monthly	See Schedule of rates in Annex (For each employee)	Accountant
4	Annual Returns	1. Audited Financial Accounts 2. Form of Annual Returns	Once every year	See applicable stamp duties in annex	Company Secretary
5	NSSF	Contribution Report – Showing Staff Basic Salary and deductions due from Salary	14 days from the end of the month in which the deduction is made.	See thresholds listed in annex for applicable rates per employee	Accountant
6	Trading License	i) Original Trading License for the previous year for already existing business iii) Original KCCA receipt for the previous year for already existing business.	Once every year	See amounts in annex containing costs of License grades	Accountant

Source: Uganda Registration Services Bureau (URSB)

[67] List of Licensed Accounting Firms and Practicing Accountants in Uganda. *https://icpauportal.com/index.php/external_portal/firms*

Insolvency

Uganda's laws provide for select business rescue mechanisms and liquidation proceedings under both the Companies Act, 2012 and the Insolvency Act, 2011. Investors faced with financial distress can pursue formal insolvency proceedings, winding up or liquidating the business, or pursue an out-of-court settlement. Investors can also elect to pursue mediation and arbitration instead of protracted court proceedings that can be costly and take years to be resolved. Investors are at liberty to tailor their distress response to the prevailing circumstances. Start-ups are encouraged to elicit expert assistance to prepare a risk management plan to mitigate and enhance both foreseen and unforeseen threats (negative risk) and opportunities (positive risk) that may impact the company's solvency. Founders should be aware of the market reputation risks associated with insolvency proceedings and should act accordingly to consider less risky options, e.g., in the case of debt distress, negotiating and implementing a reorganization plan.

Tech blogs and News Sites in Uganda

Name	URL
Digest Africa	*https://digestafrica.com/*
Ug Tech Mag	*https://ugtechmag.com/*
Dignited	*https://www.dignited.com/*
Techjaja	*https://techjaja.com/*
Pc Tech Mag	*https://pctechmag.com/*
Guru8	*https://guru8.net/*
Tutorial Faq	*https://tutorialfaq.com/*
Go Tech Ug	*https://gotechug.com/*
ICT Guy	*https://ictguy.com/*
Tech Point Mag	*https://techpointmag.com/*
Ethertek	*http://ethertek.blogspot.com/*

Start-up Hubs, Incubators and Accelerators in Uganda

Name	URL
Growth Africa	https://growthafrica.com/
Hive Colab	https://hivecolab.org/
Makerere Incubation Hub	https://miichub.com/
Outbox	https://outbox.co.ug/
The Innovation Village	https://innovationvillage.co.ug/
Shona	https://shona.co/
StartHub Africa	https://starthubafrica.org/
Stanbic Business Incubator Enterprise	https://covid19businessinfohub.com/
FasterCapital	https://fastercapital.com/
E4Impact	https://e4impact.org
Response Innovation Lab	https://www.responseinnovationlab.com/uganda
HiiL justice Accelerator	https://www.hiil.org/
FinAfrica	https://www.finafrica.org/
Mara Launch pad	https://maralaunchpad.wordpress.com/
CURAD Incubator	https://curadincubator.org/
Renewable Energy Incubator	https://www.energyincubator.org/
The Digital Human Rights Lab	https://digitalhumanrightslab.org/
WITU Hub	http://witu.org/
Venture Labs	venturelabseastafrica.com
The Innovation Hub	https://www.theinnovationhub.com/about-us

Realities on the Ground

Uganda's liberal business climate combined with its fragmented supply chains, wholesale and retail sub-sectors, is a good piloting ground for innovative business models and disruptive technologies, especially those tailored for addressing market inefficiencies. Additionally, Uganda is an open economy, allowing for the easy acquisition of imported computer hardware with no taxes levied on computers and capital equipment[68]. However, the incentives for formalisation of business remain limited in part due to the relatively higher burden of legal and regulatory compliance and scarce capital. Internet bandwidth costs are on the gradual decline with access to more reliable internet on the increase. Internet and electricity unreliability still pose a threat to smooth business operations. Also, Uganda's generally low levels of automation of the real economic sector have constrained digital innovation across sectors, particularly for small, vulnerable start-ups that cannot afford to build the "digital rails" and deliver services along them. It is discernible that the current levels of digitalisation have blurred the normative delineation of markets and sectors, as illustrated by the convergence in telecommunications, media markets and digital platforms[69]. Interesting innovations have none-the-less proved that the digitalization of industry verticals is fast becoming cost-effective and feasible.

Uganda's existing digital regulatory framework is technology neutral. Also, the *Uganda Communications Commission* (UCC) operates a technology-neutral regulatory approach. Much has been done by the government of Uganda to invest in broadband infrastructure and lower internet connection costs. As of August 2020, Uganda's total fibreoptic cable, both public and privately laid, totaled 21,366 kilometers, including the Government's *National Backbone Infrastructure* (NBI) cable of 3,224 kilometers. In Uganda, 2G and 3G coverage currently stands at 93% and 65%,[70] while 4G coverage stands at only 17% and concentrated in the urban areas. Consequently, smart phone penetration per capita continues to grow on account of the dramatic plunge in handset prices over the past few years. According to the Uganda Communications Commission (2020), mobile internet subscriptions reached 18.8 million in the first quarter of 2020, against a unique mobile subscriber base of 28.4 million users. Uganda's hold 7 million smartphones and 18.2 million feature phones as of March 2020.

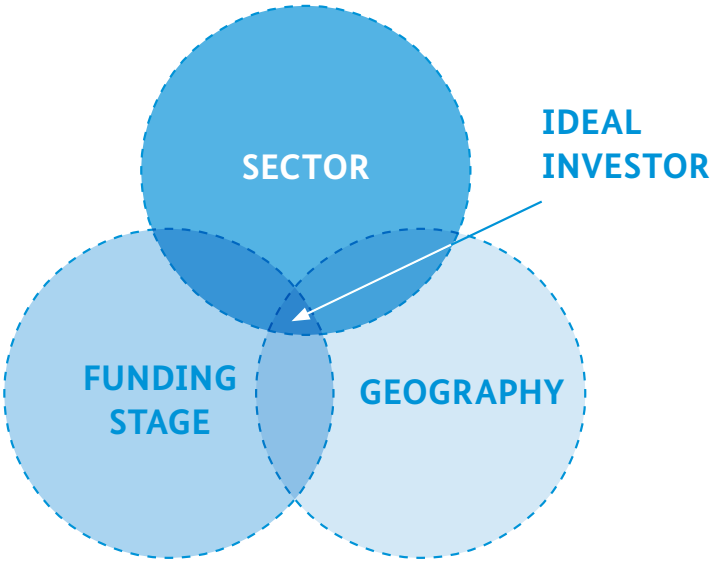
Incubators and accelerators have played a useful role in producing new but few innovative tech start-ups in Uganda. However, numerous potential start-ups are left out of the fold. Several key factors warrant mention here. Limited collaborative efforts across key ecosystem organizations, including, accelerators and incubators, industry, the academia and the non-governmental organization sector, limit the benefits of "discovery" across sectors and opportunities for scaling ideas with faster-to-market times. Limited collaboration amongst the actors is partly explained by different levels of interest in ecosystem development, differences in sector priorities, and limited scope for collaboration on account of lack of knowledge of the respective institutional mandates. Additionally, synergies between the start-up ecosystem and industry verticals are not fully exploited. This situation is explained by generally low levels of automation of industry verticals and the slow pace of digitalization. Therein lies the opportunity, but also the challenge.

Numerous moderate-growth SGBs do not qualify for finance available through the emerging nascent investment network. Multiple factors contribute to this situation including high levels of informality, poor management systems and record-keeping, a non-existent or thin tax record, and inadequate high-quality business development service (BDS) support. Also, only limited investment vehicles (in the $20 - $300k range) for high-growth SGBs currently exist in the ecosystem[71].

Investors can exploit several opportunities that emerge against a backdrop of the challenges herein highlighted. For example, investment in retail "fiber-to-home" last mile connectivity solutions could deliver handsome results over the decade, as demand for broadband continues to increase in Uganda. Investors could consider investing in e-Services, particularly IT-enabled value-added services. IT-enabled services have complemented the digitalization of industry verticals in Uganda. E-commerce services have provided business continuity during the Covid-19 pandemic and, in the process, delivered good results for virtual marketplaces. Other potential areas for investment include e-Education, e-Health, and e-Agriculture.

[71] "Kampala's 7 binding constraints". Source: Uganda: Entrepreneurial Ecosystem Initiative Report (2018:18)

Finally, for the foreseeable future, start-ups may struggle more to navigate the survival and growth stages of development because of a higher compliance burden that the evolving regulatory environment will inevitably impose on the business environment. For example, compliance with the data privacy and security regulations[72] will be a costly yet mandatory affair as the data economy continues to grow exponentially. The costs of tax compliance by start-ups may not abate on account of efforts to bring more informal businesses into the tax net. The government of Uganda's tax policies are trending towards the taxation of digital media, mobile money, as well as international digital technology platforms[73], many of which serve as commonly accessible online tech-neural intermediaries which provide start-ups with developer tools and APIs for creating new business models and digital value chains. However, Uganda's vibrant civil society maintains pressure on the government, with limited success, to keep the internet more open and expand access by removing deleterious taxes.



An ideal investor will invest in companies based on location, sector and funding stage.

[72] Small businesses will find it costly to afford data protection officers in order to comply with the law.
[73] Digital Service taxes on international services like Netflix, iTunes, et al.
https://nilepost.co.ug/2020/11/14/government-seeks-to-tax-netflix-itunes-in-new-digital-service-tax/

Spotlight on Financing for Female Founders

Although Uganda bears the highest percentage of women entrepreneurs globally (38.2%), funding is without a doubt, a critical constraint for female founders.[74] Their access to funding is mainly through savings and mutual guarantee lending groups (for example savings and credit cooperative organizations). The average size of their loans is reportedly smaller as compared to their male counterparts[75]. This partly explains the $42 million gender-financing gap in Africa, across business value chains, including $15.6 billion in agriculture alone[76].

Pertinently, Uganda has made some remarkable achievements regarding the funding of female founders within the start-up-ecosystem. According to the Briter Bridges' Africa Funding Landscape report (2019), Uganda featured among the 13 African start-ups co-founded by women, that raised at least $1 million in total venture capital in 2019. More importantly, a number of funding initiatives have been rolled out to support female entrepreneurs specifically in Uganda. The Ugandan government, for instance, initiated financing programmes such as the Youth Livelihoods Programme (an extension of the Youth Entrepreneurship Venture Capital Fund) to provide start-up capital for young entrepreneurs. Of these, 30% were enterprises started by young women (both in terms of clientele and loan value)[77].

Together with the European Investment Bank, the *Uganda Development Bank* (UDB) has also committed to closing this gender gap by dedicating a minimum of 30% of a € 15m loan to businesses that meet one of the "**2X Challenge**[78]" criteria on entrepreneurship, leadership, employment or consumption. Similarly, DFCU Bank established the Women in Business program (WiB) to press for women's economic empowerment while increasing their financial literacy as well as creating business linkages for them.

Creating a robust financial system that is inclusive of women-owned enterprises will not only spur their growth but Uganda's economic development at large. A 2019 report by McKinsey Global Institute suggests that GDP across Africa could increase by 10% in 2025, should greater parity between men and women be achieved[79]. Beyond financing female enterprises, it's important to create a supportive ecosystem or an enabling environment that fosters a foundation of skills, knowledge, and experience for female entrepreneurs. This is true regardless of gender, as companies that scale are built by highly committed, engaged, and skillful teams. Having a suitable degree for a given role is therefore essential to gain an understanding of the market and how to best provide a service.

[74] MasterCard Index of Women Entrepreneurs 2019.
[75] Lois Stevenson and Annette St-Onge (2005), Support for Growthoriented Women Entrepreneurs in Uganda.
[76] African Development Bank Group (2020), "AFAWA (Affirmative Finance Action for Women in Africa".
[77] Mugabi, E. (2014). Women's entrepreneurship development in Uganda: Insights and Recommendations International Labour Office – Geneva.
[78] 2X Challenge criteria on entrepreneurship. *https://www.2xchallenge.org/criteria*
[79] McKinsey Global Institute (2019), "The Power of Parity - Advancing Women's Equality in Africa"

Main Legal Frameworks for Investment in the Real and Digital Economy

- The Investment Code Act (2019)
- The Company (amendment) Act (2012)
- The Data Protection and Privacy Law (2019)
- The Tax Procedures code – Amendment Act (2019)
- Value Added Tax – amendment Act (2019)
- The Income (amendment) Tax Act (2020)
- The Anti-Money Laundering (amendment) Act (2019)

Uganda's Landmark Policies & Regulations

The "Digital Uganda Vision" (DUV)	The latest overarching policy that details Uganda's ambitions for equal access to ICTs, accessibility, technology neutrality, open access, and privacy and security for all Ugandans over the next decade.
The National Broadband Policy (2018)	Spells out Uganda's desire to increase digital inclusion, improve broadband affordability, and increase access to broadband for all Ugandans (connectivity for all).
The Telecommunications (licensing) Regulations (2019)	The new telecommunication licensing regime includes authorizations for companies wishing to invest in other segments of the telecom market, including digital financial services and digital audio-visual content aggregation services.
Draft National Information Security Policy (2014)	The policy outlines the mandatory minimum-security controls that all public and private sector organisations that use, own and/or operate protected computers, handle official communications and personal data must apply to reduce their vulnerability to cyber threats

Key Institutions

- The Ministry of ICT & National Guidance
- Uganda Revenue Authority (URA)
- Uganda Investment Authority (UIA)
- Uganda Registration Services Bureau (URSB)
- The Uganda Communications Commission (UCC),
- The National Information Technology Authority of Uganda (NITA-U)
- The Uganda Post Limited (UPL)
- The Uganda Institute of Information and Communication Technology (UICT)

Chapter V.

Investor Directory

Chapter V: Investor Directory

The following is a list of funders that invest in start-ups and early-stage companies in Uganda. While this is not an exhaustive list, it does provide a good start for entrepreneurs who are looking to raise money for their ventures, with extensive information about each funder. The data collected comes from publicly available sources and self-reporting.

The firms are separated by the funding type provided.

The firms are ranked by average funding amount, with funders investing smallest amounts appearing first.

Company Name	**EFC Uganda Limited (MDI)**
About	EFC Uganda Limited (MDI), which previously operated as EFC Limited, it is committed to contributing to the development of the country's private sector by providing increased access to financial services for the underserved micro and small-scale enterprise (MSE) market segment.
Year of Incorporation	2012
Investor type	Microfinance
Target	Entrepreneurs who need fast and efficient loan services.
Sector focus	Across all sectors of the economy.
Amounts provided	• Minimum Loan Amount starting from US $ 300 • Repayment period of 6–60 months
Funding type	Long-term risk capital, Working capital as well as Smallholder farmer funding.
Key criteria	• Be an individual entrepreneur or merchant, or other legal entity engaged in income-generating activities; • Have at least 6 months experience in the same business; • Be able to demonstrate competence and expertise in a particular business sector; • Demonstrate the capability of operating a business profitably; • Have a guarantor; • Have collateral (e.g., business equipment, vehicle house or land).
Country	Uganda
Further information	*www.efcug.com* Email: info@efcug.com Tel: +256 753 248 808

Who is behind EFC Uganda Limited (MDI)?

EFC Uganda Limited (MDI), which previously operated as EFC Limited, figures among the fastest growing microfinance institutions in Uganda. Licensed and supervised by the Bank of Uganda, EFC is committed to contributing to the development of the country's private sector by providing increased access to financial services for the underserved micro and small-scale enterprise (MSE) market segment. EFC Uganda is driven by its mission of offering financial services to MSEs on a permanent and sustainable basis while contributing to wealth creation and poverty reduction.

Company Name	**Villgro**
About	Villgro is a non-for-profit organization whose mandate is aligned towards addressing deep rooted social problems and inequalities by providing technical and business expertise for market driven innovation and scale up of social enterprises.
Year of Incorporation	2016
Investor type	Foundation
Target	Start-ups that are solving deep rooted health challenges in Africa
Sector focus	Mainly healthcare and life sciences
Amounts provided	Up to US $ 20,000
Funding type	Mainly Grants together with technical assistance
Key criteria	We have a preference for businesses with: • Scalable and sustainable models led by a • multidisciplinary team • A minimum viable product.
Country	Uganda & Kenya
Further information	*www.villgroafrica.org* Tel: +254 20 2212061

Who is behind Villgro?

The India-based Villgro Innovations Foundation expanded to Africa in 2017 with the launch of Kenya, an early-stage business incubator and impact investor that offers mentoring, funding and access to networks to start-ups in the healthcare and life sciences sector in East Africa.

Since its inception, Villgro Kenya has enabled access to healthcare to those at the bottom of the pyramid, and successfully supported 21 enterprises with seed funding totalling US$ 1 million. Its most recent grants were made in May 2020, and enterprises supported by Villgro have generated revenues of US$ 2.2 million, touching 2 million lives.

Company Name	**HCH Finance**
About	HCH Finance is an online provider of working capital financing to small and medium sized businesses. We offer financing mainly through our invoice factoring and invoice discounting products.
Year of Incorporation	2020
Investor type	Venture debt
Target	Entrepreneurs and enterprises whose turnovers range from Ugx30,000,000 to Ugx1,000,000,000 per month.
Sector focus	Across all sectors
Amounts provided	US $ 1,400,000 and up to US $ 28,000
Funding type	Credit lines for invoice factoring.
Key criteria	• All you need are invoices for the completed work. • At least 12-24 months in business. • The business is required to be supplying goods or services to a predetermined list of reputable corporate organizations.
Country	Uganda
Further information	*www.hchfinancial.services* Email: info@hchfinancial.services Tel: +256393242433

Who is behind the HCH Finance?

HCH Finance is a pioneer in offering online invoice factoring services in Uganda. We aim to become Uganda's leading and largest entity in factoring and other innovative services and products within the next 3-5 years by offering growing small to medium sized enterprises an alternative to traditional bank loans and overdrafts.

MANGOFund

Company Name	**Mango Fund**
About	Mango Fund is an impact investment fund that aims to support economic development of East Africa by promoting growth of Small and Medium Enterprises (SMEs) that leverage technology to do in-country value addition.
Year of Incorporation	2011
Investor type	Social Impact Investment Fund
Target	We invest in SMEs that are led by experienced and growth-oriented entrepreneurs.
Sector focus	Mainly across Agro-processing, manufacturing, and technical farming
Amounts provided	US $ 5,000 – US $ 50,000
Funding type	Loans and equity
Key criteria	• SMEs that perform value addition activities mainly in manufacturing, agro-processing, and technical farming, but other sectors are welcome to apply. • SMEs that engage with technology to provide skilled employment – we like social impact, especially job creation. • SMEs that have operated for at least 12 months with positive cash flows – we only work with entrepreneurs who have proven they can operate a business.
Country	Uganda
Further information	*www.mangofund.org* Email: info@mangofund.org Tel: 256(0)322200970

Who is behind the Mango Fund?

Mango Fund is an impact investment fund that aims to support economic development of East Africa by promoting growth of Small and Medium Enterprises (SMEs) that leverage technology to do in-country value addition. Mango Fund assists local entrepreneurs in overcoming growth barriers by providing them with financial and consulting services. The Fund was established in 2011 and currently has two offices in the United States and Uganda.

Company Name	**Shona Capital**
About	Shona Capital is an EastAfrican domiciled angel capital fund which invests primarily in SMEs founded by citizens of any country in the East African Community and living in the country in which the SME operates. However, we are open to expatriate founders who can demonstrate a long-term commitment to living in the country in which the SME operates and have a local co-founder.
Year of Incorporation	2013
Investor type	Incubator
Target	We invest in SMEs that have the capacity to grow to sufficient cash flows to service the proposed loan and grow revenues and/or customers, employees, or suppliers and service providers as a result of our investment and technical assistance.
Sector focus	Across sectors such as; Agriculture, Financial Services, Education, Healthcare, Energy, Manufacturing & IT
Amounts provided	US $ 10,000 - US $ 100,000 Structure: Debt or Rev Share Term: 1-5 years Open to local currency
Funding type	Long-term risk capital, Working capital as well as Smallholder farmer funding
Key criteria	• Early-Stage businesses that have existed for at least 1 year • Have annual revenues of at least $20,000 in the preceding financial year
Country	Uganda
Further information	*www.shona.co* Tel: +256(0)791052406 Email: hello@shona.co

Who is behind Shona?

Shona was co-founded by Joachim Ewechu and Ivan Mandela in 2013. The Angel capital fund was established to invest primarily in SMEs founded in the East African Community (EAC). However, foreign co-founders partnering with local founders is a welcome prospect. Shona also offers Consulting services for their startups focusing on assisting them to grow and become profitable. Areas of focus include business strategy, revenue optimization, operations, and investment.

Company Name	**Support to Agricultural Revitalization and Transformation Facility (START)**
About	The Development Initiative for Northern Uganda (DINU) is a Government of Uganda programme supported by the European Union under the overall supervision of the Office of the Prime Minister (OPM), with the overall goal to consolidate stability in Northern Uganda, reduce poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. Through its Support to Agricultural Revitalization and Transformation Facility, START) program which is a dedicated blended finance facility financed with initial capital of € 4m.
Year of Incorporation	2019
Investor type	Government – International Agency Partnership
Target	Improving access to finance for Small and Medium Enterprises (SMEs) engaged in agricultural value addition through the storage and processing of agricultural products within the regions of: Karamoja, Acholi, Lango, Teso & West Nile.
Sector focus	Agriculture
Amounts provided	€ 10,000 – € 100,000
Funding type	Business development services, concessional loans and partial credit guarantees.
Key criteria	• Capital intensive (i.e., its capital cost is relatively high in relation to annual sales) • Employs proven technology • Has a relatively long physical and economic life • Has an economic output that is determined primarily by its design and successful construction • Revenues are in the form of commercially reasonable charges for its output, sufficient to pay all project operating expenses and debt service (if applicable), plus provide an adequate return on equity to the project's investor(s).
Country	Uganda
Further information	*www.psfuganda.org/projects/start-facility.html* Email: cfpstart@psfuganda.org.ug Tel: +256312263850

Who is behind the Support to Agricultural Revitalization and Transformation Facility (START) under the Development Initiative for Northern Uganda (DINU) Programme?

The United National Capital Development Fund (UNCDF) in partnership with the European Union and the Government of Uganda is implementing a four-year Development Initiative for Northern Uganda (DINU). The general objective of the Programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.

The START funding facility is designed to support the implementation of the DINU food security and nutrition component and will benefit the 33 districts in Northern Uganda. START is structured as a blended financing facility providing a customized mix of Business Development Services, project development and financial structuring services and financial products to small and medium businesses engaged in agricultural value addition.

Company Name	**Tourism Intervention Fund**
About	Uganda Development Bank (UDB) in partnership with European Union (EU) has allocated funds in form of a grant attached to a loan (also known as 'facility') to enable the Tourism sector to soar through the hardship of COVID19.
Year of Incorporation	2020
Investor type	Government – International Agency Partnership
Target	The facility seeks to stimulate businesses operating in the tourism sector, which has been heavily impacted by COVID-19.
Sector focus	Tourism
Amounts provided	US$ 25,000 – US$ 250,000
Funding type	The fund offers; A non-repayable grant, a concessional loan as well as a working capital loan.

Key criteria

The Applicant should be:

- Must be a fully subscribed member of Uganda Hotels Owners' Association – UHOA or Association of Uganda Tour Operators – AUTO as at 31st December 2019.
- The applicant must be a registered business in Uganda in the form of a company, an association or a cooperative.
- The applicant must have a good credit record backed by a Credit Reference Bureau Report (CRB). A good record could include but is not limited to; no adverse reports from banks, no bounced cheques and/or no overdue loans.
- The applicant must have audited financial accounts for at least the last 2 financial years (i.e., 2018 and 2019) prior to the COVID-19 outbreak to confirm existence of operations.
- The applicant must have been offering gainful employment to at least 5 people for at least six months before the COVID-19 outbreak (i.e., 28th February 2020) based on the PAYE contributions paid to URA and the Social Security contributions paid to NSSF.
- The applicant must be able to retain at least 50% of the employees employed prior to the COVID 19 outbreak (28th February 2020) in the first year and gradually attain 75% by the second year.
- The applicant must comply with all statutory requirements like Local Council trading licenses, NSSF, PAYE and other URA tax obligations where applicable for the current financial year, i.e., January 2020 to June 2020.
- An entity and its sister organizations can only apply for and access one facility.

Country

Uganda

Further information

https://eservices.udbl.co.ug/tourism-application
Email:tourism@udbl.co.ug
Tel: +256414355509

Who is behind the tourism intervention fund?

The Uganda Development Bank Limited (UDB) was the first national development finance institution (DFI) in Uganda established under Decree No. 23 of 1972 (later the Uganda Development Bank Act Cap. 56 of 1972), which Act sought to "establish the Uganda Development Bank and the Credit Guarantee Fund and for other matters connected therewith".

Company Name	**The 97Fund**
About	The 97Fund is an open-end Investment Vehicle (HoldCo) that takes an active, hands-on approach whilst leveraging their entrepreneurial and early-stage expertise. Our approach is two-pronged venture builders and investors approach.
Year of Incorporation	2018
Investor type	Opened Ended Angel Fund
Target	From start-ups to growing firms managed by the entrepreneur.
Sector focus	Mainly Fintech, Health, Transport and Logistics, Supply Chain, Insuretech, Energy, AgTech, EdTech, Tourism, Manufacturing, Media and Creative Arts sectors.
Amounts provided	US $ 50,000 – US $ 250,000
Funding type	We offer flexible and tailored financing and investment forms to suit the markets in which we operate including equity; quasi-equity; convertible notes; debt; and debt with revenue/profit share.
Key criteria	• A business with a working prototype. • At least two founders. • Ability to show early revenue or a path to early revenue in the next 6 months.
Country	Uganda
Further information	*https://the97.fund* Email: info@ortusafrica.com Tel: +256 414 667 986

Who is behind the The 97Fund?

The 97Fund is managed by Ortus Africa Capital who oversees the sourcing, screening, investing, management and exit of portfolio companies on behalf of investors in The 97Fund. Ortus Africa Capital works in partnership with The Innovation Village who is a pipeline sourcing and venture building partner for The 97Fund.

The 97Fund activities are supported by funding from the Mastercard Foundation as part of the Young Africa Works Program. Kampala Angel Investment Network (KAIN) is a co-investment partner by syndicating the deals and opportunities identified by The 97Fund with angel investors within the angel network and referring investment opportunities that have been vetted through KAIN.

GroFin
Support beyond finance

Company Name	**GroFin**
About	GroFin is a specialist, impact-driven SME financier. We help entrepreneurs succeed by providing them with business loans and business support (expert advice and continuous guidance) to grow their businesses.
Year of Incorporation	2004
Investor type	Social Impact Investment Fund
Target	From start-ups to growing firms managed by the entrepreneur.
Sector focus	Mainly Education, Healthcare, Agri-Processing, Manufacturing, or Key Services (Energy/Waste/Water/Recycling).
Amounts provided	US $ 100,000 – US $ 1,500,000
Funding type	Mainly Debt (loans) but may take minority shares (where risk is high).
Key criteria	• Skills/ability of entrepreneur (including; integrity). • Ability to generate positive cash flow within 7 years (maximum repayment period.
Countries	Uganda, Tanzania, Kenya, Rwanda, Nigeria, Ghana, Senegal, Ivory Coast, South Africa, Zambia, Mauritius, Egypt, Oman, Jordan & Iraq
Further information	*www.grofin.com* Tel: +256(0)41 423 7482/3/4

Who is behind GroFin?

It was founded by Jurie Willemse, a South African entrepreneur and Chris West of the Shell Foundation. Grofin currently has a number of funds. The ones for Uganda include:

- **GroFin Africa Fund.** Several investors including African Development Bank (ADB), CDC, IFC, Norfund, EIB and Shell Foundation.
- **GroFin East Africa Fund.** Several investors including FMO, Skoll Foundation, Deutsche bank, and FMO.
- **Bank co-investment East Africa.** Several investors including CBA bank, Bank of Africa, BCR and DFCU.

NORDICIMPACTFUNDS

Company Name	**Nordic Impact Funds**
About	Nordic Impact Funds is a social financial organization whose mission is focused on improving the quality of life for low-income people in East Africa by capitalizing enterprises with a scalable economically viable model for impact
Year of Incorporation	2016
Investor type	Social Impact Investment Fund
Target	We target businesses where positive social impact for underserved communities is a result of commercial success. We see the aspiring mass market in East Africa as a compelling opportunity.
Sector focus	Agriculture, Financial Agriculture, Financial & Pharmaceuticals
Amounts provided	Up to US $ 500,000
Funding type	Debt & Equity
Key criteria	We have a preference for businesses with: • Mid-stage companies with proven impact and profitability that are in the process of scaling their business model. • Businesses that are open to collaborate as well as active management.
Country	Uganda, Kenya, Tanzania & Ethiopia
Further information	*www.nordicimpactfunds.com* Tel: +254 727 726805

Who is behind Nordic Impact funds?

Founded in 2018, the fund was set up by two entrepreneurs with an overriding mission to Create a positive impact for more than a million lives in East Africa. The fund was set up with support of the Nordics in terms of governance, capital, technology, and expertise in Africa.

Company Name	**Resolute Ventures**
About	Resolute Ventures is a lead seed and "pre-seed" investor focused on backing and connecting a community of Founders who share an entrepreneurial spirit and energy. As a community, we are driven by a need to work on things that matter, and to both give and receive help along the way.
Year of Incorporation	2011
Investor type	Pre-Seed Investor
Sector focus	Renewable energy with a focus on solar.
Amounts provided	up to US $ 500,000
Funding type	Equity & SAFEs
Key criteria	We work with companies that have: • Audited financials. • At least 2 years of operational track record. We do not invest equity. • Companies and projects using solar in a broad range of applications. These include manufacturers, distributors, developers and EPCs in segments ranging from solar home systems to commercial-scale projects, and broader solar-enabled business models such as agricultural productivity or telecom ESCO projects. • Have Environmental, Social and Governance policies in place • Have residential distributors to have committed to the GOGLA Consumer Protection Code.
Further information	*https://resolute.vc*

Who is behind Resolute Ventures?

Michael Hirshland and Raanan Bar-Cohen co-founded Resolute Ventures in 2011. Resolute Ventures is a lead seed and "pre-seed" investor focused on backing and connecting a community of founders who share an entrepreneurial spirit and energy. As a community they are driven by a need to work on things that matter, and to both give and receive help along the way.

Company Name	**GreenTec Capital Partners**
About	GreenTec Capital Partners is an African based investor focused on African early-stage tech start-ups with a strategy hinged to identifying early-stage businesses with a strong proof of concept aimed at helping them evolve into thriving sustainable enterprises through a result for equity model.
Year of Incorporation	2015
Investor type	Social Impact Investment Fund
Target	We work with local businesses with a proof-of-concept into successful and sustainable enterprises that have growth perspectives in Africa and beyond.
Sector focus	With a strong focus on impactful local solutions, we broadly invest into agriculture, digitalization, and sustainable resources.
Amounts provided	up to US $ 1,000,000
Funding type	Convertible Debt, Equity and SAFEs
Key criteria	GreenTec supports start-ups and SMEs with the following profiles • Proof-of-concept/first revenues • Management team with sector experience • Impact focused • Scalable business model
Country	Uganda, Kenya, Tanzania, Nigeria, Benin, Cameroon, Benin, Ivory Coast, Zambia & Ghana
Further information	*www.greentec-capital.com* Tel: +254704735467

Who is behind GreenTec Capital?

In 2012, Ryan Levinson and Audrey Desiderato set up a business dedicated to solving that critical challenge at that time there were about 2 billion people living in parts of the world with either no access to electricity or an unreliable grid, and SunFunder was born. The company evolved rapidly and was soon offering innovative financial solutions by bringing together investors in blended debt funds.

MINISTRY OF ICT & NATIONAL GUIDANCE
NATIONAL ICT INITIATIVES SUPPORT PROGRAMME

Company Name	**National ICT Initiatives Support Programme**
About	An initiative set up by the Government of Uganda with an aim of facilitating the creation of an ICT Innovation ecosystem and marketplace for Ugandan innovative digital products
Year of Incorporation	2018
Investor type	Government development program
Target	The program supports Locally developed ICT solutions designed to address Ugandan needs/ problems
Sector focus	Software applications and innovations industry
Amounts provided	up to US $ 1,000,000
Funding type	Grants
Key criteria	The program supports innovations which meet the following criteria • The applicants must be working in teams. • The proposed ICT innovation/ application should have demonstrable market potential with a sustainability model
Country	Uganda
Further information	*www.niisp.ict.go.ug* Tel: +256-414-236262

Who is behind the National ICT Initiatives Support Programme?

In 2018, The Government of Uganda designed the National ICT Initiatives Support Programme with an aim of encouraging innovation by providing opportunities to create applications to support service delivery, generating highly skilled jobs and wealth for individuals and companies that create applications for both government and the private sector as well as Improving the use of government data for ICT innovation and application development.

YUNUS socialbusiness UGANDA

Company Name	**Yunus Social Business Uganda**
About	Yunus Social Business Uganda was founded to give wings to businesses that address some of the world's most pressing social and environmental problems.
Year of Incorporation	2013
Investor type	Social Impact Investment Fund
Target	We finance and support sustainable social businesses that provide income and essential products and services to the poorest communities across Uganda.
Sector focus	Healthcare, Education, Agriculture & Housing.
Amounts provided	US $ 100,000 – US $ 1,000,000
Funding type	Debt, equity, convertible equity or preference capital
Key criteria	• A big idea translated into a tangible solution that has the potential to improve millions of lives. • Experienced entrepreneurs with drive and natural leadership skills and a team with the skills and experience that will drive your social business forward. • A solid business model with a minimum of 2 years of success, a market opportunity that is underserved and a product or service that benefits the poorest communities or improves incomes. • An easily scalable business with relevance to Uganda.
Country	Uganda, Kenya, Tunisia, India, Haiti, Brazil, Albania & Colombia
Further information	*www.uganda.yunussb.com* Email: uganda@yunussb.com Tel: 256 39 2177026

Who is behind Yunus Social Business Uganda?

Yunus Social Business Uganda began its operations in 2013 as a pilot program with the African Development Bank devoted to promoting and creating an environment within which social businesses can thrive in Uganda. It welcomed its first team members, a National Coordinator and a Social Business Consultant in the second half of 2013.

Company Name	**Root Capital**
About	Roots is a for profit social impact investment fund that only invests in the growth of agricultural enterprises so they become engines of impact that transform rural communities.
Year of Incorporation	1999
Investor type	Social Impact Investment Fund
Target	They focus on agricultural enterprises whose credit needs are too big for microfinance and too small or risky for commercial banks.
Sector focus	Agriculture
Amounts provided	US $ 200,000 to US $ 2,000,000
Funding type	Debt capital
Key criteria	We have a preference for businesses with: • A profitable business model with at least three years in operation and annual revenue of at least $250,000 • You have strong commercial relationships with established buyers in global or domestic markets. • Your company's leadership team has a demonstrated track record of success. • Our commercial operations improve the lives of smallholder farmers or rural communities and promote sustainable environmental practices.
Country	Latin America, sub-Saharan Africa & Southeast Asia
Further information	*www.rootcapital.org* Tel: +254736864892

Who is behind Root Capital?

Founded in 1999 by Willy Foote, Root Capital works in Latin America, sub-Saharan Africa, and Southeast Asia. We supply agricultural businesses with financial capital and training to help them grow. We've worked with more than 740 clients, representing 2.3 million farmers and their families and $4.6 billion in economic activity.

dob equity

Company Name	**DOB Equity**
About	DOB Equity is a growth equity funder investing in companies that positively contribute to a more social and sustainable society, and that deliver long-term profitability. The fund is an evergreen vehicle and all proceeds from investments are reinvested back into the fund, making DOB Equity a true long-term growth partner to portfolio companies.
Year of Incorporation	1997
Investor type	Social Impact Investment Fund
Target	They invest in innovative, scalable and impactful companies in Eastern Africa.
Sector focus	Agriculture, Education, Clean energy and Healthcare.
Amounts provided	€ 250,000 to € 2,000,000
Funding type	Equity capital.
Key criteria	We have a preference for businesses with: • A working business model (and full business plan and financial operating history for larger investments) • Strong management team • A clear roadmap for long-term growth • Potential positive impact on people, economies and the environment
Country	Kenya, Tanzania, Uganda & Rwanda
Further information	*www.dobequity.nl*

Who is behind Dob Equity?

DOB Equity (DOB) was created by a successful, entrepreneurial Dutch family, and the family remains DOB's sole capital provider in 2007. Our mandate was set to enhance operations of businesses that are encountering significant barriers when scaling-up, and exporting products and services across the region.

Pearl Capital Partners

Company Name	**Pearl Capital Partners Limited**
About	Pearl Capital is an independent agriculture investment management firm with offices in Kampala and Nairobi.
Year of Incorporation	2011
Investor type	Private Equity
Target	Growing agricultural small and medium-sized businesses in East Africa.
Sector focus	Mainly Agriculture, Agro-processing & Animal Husbandry.
Amounts provided	US$ 250,000 – US$ 2,000,000
Funding type	PCP offers a combination of equity, quasi-equity, equity-related and debt investments.
Key criteria	• Businesses that operate in the agribusiness value chain in East Africa and that have the potential to generate positive financial and social returns; • Capable management team with solid reputations, extensive knowledge and financial commitment; • Sound strategy and business model with high growth potential; • Transparency and ability to adhere to high standards of corporate governance and financial reporting; • Compliance with the Fund's investment ethics and environmental standards; • Summary business plan for refinancing, with some cash flows.
Country	Uganda & Kenya
Further information	*www.pearlcapital.net* Email: info@pearlcapital.net Tel: 256 393 264983/4

Who is behind Pearl Capital Partners Limited?

PCP's original investment company African Agricultural Capital Ltd (AAC) was established in 2005 by Gatsby, Rockefeller and Volksvermogen of Belgium to address the "funding gap": a lack of small business finance holding back a large number of high-potential enterprises in Africa. The social impact and potential returns from addressing this funding gap are most pronounced in agriculture.

Company Name	**Yield Uganda Investment Fund**
About	Yield Fund is anchored by € 10 million of initial funding from the EU through IFAD, providing first loss protection to equity investors. NSSF Uganda invested € 2 million in Yield.
Year of Incorporation	2017
Investor type	Private Equity (Managed by Pearl Capital)
Target	Small and Mediumsized Enterprises (SMEs) having the potential to generate both strong financial returns and significant social impact.
Sector focus	Mainly Agriculture
Amounts provided	€ 250,000 – € 2,000,000
Funding type	The offers a combination of equity, semi-equity and debt.
Key criteria	• A brief description of the business, including an organizational chart and CVs of key management. • Details of products, markets and distribution channels, including profiles of key customers and supply chain. • A business plan going forward that clearly sets out the company's growth/expansion plans, key assumptions, major risks and financial forecast for at least five years. • Copies of audited financial statements for the preceding two years including a copy of the business's most recent management accounts and a description of the current financial position. • Details of the social impact of the business.
Country	Uganda
Further information	*www.pearlcapital.net* Email: info@pearlcapital.net Tel: 256 393 264983/4

Who is behind the Yield Uganda Investment Fund?

The agribusiness impact fund, set up in January 2017 by the European Union (EU), through the International Fund for Agricultural Development (IFAD) and the National Social Security Fund (NSSF), with an initial € 12 million investment, has now hit the € 20 million (UGX 85 billion, 4250 UGX per €) mark in total commitments, following an € 8 million (4250 UGX per €) investment from the Open Society Foundation and FCA Investments.

Company Name	**Voxtra**
About	Voxtra is a for profit social impact investment fund that only invests in companies whose success is tightly linked to improving the livelihoods of smallholder farmers. They pride in enabling companies to grow and create both financial returns and social impact.
Year of Incorporation	2008
Investor type	Social Impact Investment Fund
Target	We target agribusinesses are mandated towards improving the livelihoods of smallholder farmers
Sector focus	Agriculture
Amounts provided	US $ 500,000 to US $ 3,000,000.
Funding type	Equity, mezzanine & quasi equity instruments.
Key criteria	We have a preference for businesses with: • A Clear business model • A well consolidated team with expertise • A detailed Investment proposal
Country	Uganda, Kenya & Tanzania
Further information	*www.voxtra.org* Tel: +47 95184549

Who is behind Voxtra?

The Fund was set up in 2011 by a group of institutional investors such as Norfund, Gjensidigestiftelsen, Grieg International, and Kavlifondet, as well as private individuals in Scandinavia. It's first closing was in November 2011 and closed at NOK 110 million (approximately US$ 18 million). The Fund is as of 2018 fully invested and shall be dissolved by November 2022.

Company Name	**Acumen**
About	Acumen is a for profit social impact investment fund that only invests in early-stage companies whose products and services enable the poor to transform their lives. We also support our companies with the tools, networks, technical assistance and strategic guidance needed to succeed and scale into long-term solutions to poverty.
Year of Incorporation	2001
Investor type	Social Impact Investment Fund
Target	They focus on early stage post- revenue businesses
Sector focus	Agriculture, Education, Clean energy and Healthcare.
Amounts provided	Up to US $ 3,000,000.
Funding type	Equity, quasi-equity or debt capital.
Key criteria	We have a preference for businesses with: • For profit company with a sustainable business model. • Companies that have the potential to scale the number of end users or be leading service providers. NB: They don't accept unsolicited proposals. They source for their proposals through referrals.
Country	Uganda, Kenya & Tanzania
Further information	*www.acumen.org* Tel: +254 716 252 802

Who is behind Acumen?

Acumen was founded in 2001 by Jacqueline Novogratz whose work began in 1986 when she quit her job on Wall Street to help open Rwanda's first microfinance institution, Duterimbere – an experience that inspired her to create Acumen. She developed the philosophy to use the power of entrepreneurship to build a world where everyone had the opportunity to live with dignity. Our goal was to invest "Patient Capital" to bridge the gap between the efficiency and scale of market-based approaches and the social impact of pure philanthropy.

Company Name	**TBL Mirror Fund**
About	TBL Mirror Fund facilitates and manages the combined investment of capital and know-how in promising companies. The TBL Mirror Fund targets various high growth sectors and deals where value can be added through the know-how and involvement of the Fund managers and its investors.
Year of Incorporation	2007
Investor type	Private Equity Fund
Target	They focus on businesses in high growth sectors where competition is relatively limited, exit opportunities are good and businesses have failed to flourish for reasons of under-capitalisation and limited institutional support.
Sector focus	ICT, Healthcare and Consumer Goods.
Amounts provided	Up to US $ 5,000,000
Funding type	Equity & Debt
Key criteria	The potential portfolio organizations, we lookout posses the following attributes • Strong management • Scalable and innovative models • Community focused/community involvement • Using new/disruptive technology including financing • Data driven NB: They don't accept unsolicited proposals
Country	Uganda, Tanzania, Kenya & Nigeria
Further information	*www.tblmirrorfund.com* Tel:+254 202019374

Who is behind TBL mirror fund?

The TBL mirror fund was set up in the Netherlands in 2007. The fund was designed to focus on Small and Medium Enterprises in various sectors that are operating in growth markets where value can be added through the know- how and involvement of the investors of the fund.

Company Name	**Sunfunder**
About	We are experts in solar finance who are working to make an impact in sub-Saharan Africa and beyond. We use our extensive knowledge of the market to provide innovative financing solutions to our borrowers, while offering our investors diversified fund opportunities.
Year of Incorporation	2012
Investor type	Social Impact Investment Fund
Target	We target scalable solar enterprises in working in off-grid, residential, productive use, mini-grid and commercial and industrial solar.
Sector focus	Renewable energy with a focus on solar.
Amounts provided	from US $ 250,000 up to US $ 5,000,000
Funding type	Debt
Key criteria	We work with companies that have: • Audited financials. • At least 2 years of operational track record. We do not invest equity. • Companies and projects using solar in a broad range of applications. These include manufacturers, distributors, developers and EPCs in segments ranging from solar home systems to commercial-scale projects, and broader solar-enabled business models such as agricultural productivity or telecom ESCO projects. • Have Environmental, Social and Governance policies in place • Have residential distributors to have committed to the GOGLA Consumer Protection Code.
Country	Uganda & Kenya
Further information	*www.sunfunder.com* Tel: +254704735467

Who is behind Sunfunder?

In 2012, Ryan Levinson and Audrey Desiderato set up a business dedicated to solving that critical challenge at that time there were about 2 billion people living in parts of the world with either no access to electricity or an unreliable grid, and SunFunder was born. The company evolved rapidly and was soon offering innovative financial solutions by bringing together investors in blended debt funds.

Company Name	**TXSML Impact Investing**
About	XSML, extra Small Medium Large, founded in 2008, bridges this gap by investing in small businesses to help them grow into medium and large enterprises. XSML collaborates closely with management and uses a separate technical assistance facility to support investee companies in areas that require extra attention, before and/or after investment.
Year of Incorporation	2008
Investor type	Social Impact Investment Fund
Target	We invest in SMEs that have the capacity to grow to sufficient cash flows to service the proposed loan and grow revenues and/or customers, employees, or suppliers and service providers as a result of our investment and technical assistance.
Sector focus	Across sectors such as; Agriculture, Financial Services, Education, Healthcare, Energy, Manufacturing & retail
Amounts provided	US $ 250,000 - US $5,000,000 Structure: A combination of debt & equity, typically invested as growth capital Term: 1-5 years Open to local currency
Funding type	Long-term risk capital, Working capital as well as Smallholder farmer funding
Key criteria	We invest in businesses which have; • Access to products/services – in-country production and/or increase access for the general population; • Common goals – willingness entrepreneur to work with us towards common goals; • Growth – an opportunity for business growth; • Track record – experience in the sector or proven success in business; • Trust – can we develop a relationship built on trust
Country	Uganda, DRC Congo
Further information	*www.xsmlcapital.com* Email info@xsml.com

Who is behind XSML Fund?

The Fund had its first close in February 2016 at USD 50 million with the objective to provide risk capital to about 25 companies with an investment size in the range of USD 250k to max USD 5 million. As per Q1 2020, more than 100% of ARF's capital is invested in 28 portfolio companies, spanning a range of sectors.

PG Impact
INVESTMENTS

Company Name	**PG Impact Investments**
About	We are a global impact investment firm backed by Partners Group, one of the largest private market's investment managers in the world.
Year of Incorporation	2015
Investor type	Social Impact Investment Fund Manager
Target	PG invests in social enterprises with both a sound business model and the ability to attract institutional capital as we believe these are best positioned to generate impact at the scale necessary to make a difference.
Sector focus	With a strong focus Financial inclusion, Energy access, Agriculture/ food. Affordable housing, Health and Education.
Amounts provided	US $ 4,000,000 - US $ 5,000,000
Funding type	Equity, quasi-equity and debt
Key criteria	PG Investments supports start-ups and SMEs with the following profiles • Clear competitive advantage • Solid & scalable business • Proven/de-risked business model an • Good growth potential • Strong and committed management team with specific industry experience
Country	Global
Further information	*www.pg-impact.com* Tel: +41417846000

Who is behind PG Impact Investments?

PG Impact Investments was founded in 2015 by the PG Investments Group with the vision that private investment, innovation and entrepreneurial talent can bring sustainable growth and provide solutions to the challenges facing our society.

Company Name	**Uganda Development Bank**
About	Uganda Development Bank (UDB) is a Development Finance Institution (DFI) focused on accelerating socio-economic development through sustainable financial interventions in line with Uganda's development priorities.
Year of Incorporation	1972
Investor type	Government Office
Target	SMEs that are technically feasible, commercially and economically viable as well as socially desirable.
Sector focus	Agriculture, Manufacturing/Industry, human capital development, infrastructure, Tourism & Hospitality.
Amounts provided	Up to US $ 10,000,000
Funding type	UDBL offers a combination of equity, quasi-equity, equity-related and debt investment.

Key criteria

- Filled UDB application form.
- Resolution to borrow, articles & memorandum of association, certificate of incorporation.
- Feasibility report/business plan (business plan guide/outline).
- A copy of each of the last 2 years audited/draft accounts (from an ICPAU/BOU listed audit firm).
- Cashflow projections/budget estimates and projected financial statements.
- Bank statement for the past 12 months.
- Loan statements for all existing loans, if applicable, including copies of loan offer letters or agreements from other financial institutions`.
- Security for the proposed loan, including current valuations of the assets and any encumbrances, if applicable.
- Credit Reference Bureau Report of the company & all its shareholders/directors.
- Current & historical off-taker agreements/purchase agreements where significant sales are on credit or under contract, including Pro-forma invoices accompanied by profiles of the proposed suppliers.
- Proof of NSSF compliance (Proof of NSSF compliance).
- Latest Returns of Directors and Shareholders.
- Profiles of Directors & key technical personnel.
- Tax clearance certificate.

Country

Uganda & Kenya

Further information

www.udbl.co.ug
Email: info@udbl.co.ug
Tel: +256312355500

Who is behind Uganda Development Bank Limited?

The Uganda Development Bank Limited (UDB) was the first national development finance institution (DFI) in Uganda established under Decree No. 23 of 1972 (later the Uganda Development Bank Act Cap. 56 of 1972), which Act sought to “establish the Uganda Development Bank and the Credit Guarantee Fund and for other matters connected therewith”.

AgDevCo

Company Name	**AgDevCo Limited**
About	AgDevCo Limited is incorporated in the UK as a private limited company. Its shares are owned by AgDevCo Holdings Limited, a company limited by guarantee that exists to preserve AgDevCo's mission to invest in African agriculture for impact.
Year of Incorporation	2015
Investor type	Social Impact Investment Fund
Target	AgDevCo invests in agribusinesses that are or will become financially sustainable.
Sector focus	Across the agricultural value chain (with the exception of tobacco and potable ethanol).
Amounts provided	US $ 800,00 - US $10,000,000
Funding type	Long-term risk capital, Working capital as well as Smallholder farmer funding.
Key criteria	• Proven business model (and full business plan and financial operating history for larger investments); • Strong management team; • Potential for long-term growth; • Potential positive impact on people, economies and the environment.
Country	Uganda
Further information	*www.agdevco.com* Email: info.uganda@agdevco.com Tel: +256200 923 864

Who is behind AgDevCo Holdings Limited?

AgDevCo Holdings Limited has five members; Keith Palmer (AgDevCo's founder), The (UK) Secretary of State for International Development, Professor Sir Paul Collier; Baroness Lindsay North over, and James Harvey.

Company Name	**Global Innovation Fund**
About	The Global Innovation Fund is a non-profit innovation fund headquartered in London with an office in Washington D.C. that invests in the development, rigorous testing, and scaling of innovations targeted at improving the lives of the world's poorest people.
Year of Incorporation	2014
Investor type	Foundation
Target	The fund invests in innovations that show how their innovation improves the lives of those living on less than $5 PPP per day, especially less than $2 PPP per day.
Sector focus	Across all sectors
Amounts provided	US $ 50,000 - US $15,000,000
Funding type	Grants, equity, debt and hybrid capital
Key criteria	The fund supports organizations that are able to answer the following question: • Does your innovation have the potential to deliver substantially greater results per dollar than standard development practice? • What is your evidence of impact to back this claim? • Will your current request substantially strengthen or test your case for impact? • Do you reach communities living below $5 PPP per day?
Country	Global
Further information	*www.globalinnovation.fund*

Who is behind the Global Innovation Fund?

The fund is supported and setup by the Department of International Development in the UK, the United States Agency for International Development, the Omidyar Network, the Swedish International Development Cooperation Agency, the Department for Foreign Affairs and Trade in Australia, the Department of Science and Technology in South Africa, Global Affairs Canada, Sint Antonius Stichting, Dioraphte, Anglo American, and Unilever.

Company Name	**Ascent Africa**
About	We are seasoned entrepreneurs with many endeavours under our belts in the East African region. When we invest in your enterprise, we're not just infusing cash; we're coming alongside you as a partner. This is a symbiotic relationship in the truest sense. We're in this together.
Year of Incorporation	2012
Investor type	Private Equity
Target	We invest in entrepreneurs and enterprises with a proven track record. We're looking for ambitious, entrepreneurial stand-out performers that are poised and ready to grow a "best in class" enterprise.
Sector focus	Across all sectors
Amounts provided	US $ 2,000,000 – US $ 15,000,000
Funding type	Debt, equity, convertible equity or preference capital.
Key criteria	• We invest in successful, high potential entrepreneurs that have shown proof of concept, taken significant risks, pushed through the tough times and pressed on to success. • An easily scalable business with relevance to the East African region.
Country	Ethiopia, Kenya & Uganda
Further information	*www.ascent-africa.com* Email: corporate@ascent-africa.com Tel: +256 414 500 969

Who is behind Ascent Africa?

Ascent was founded in 2012, when I and the two other founders began to look at how we could approach SME investing in East Africa differently and bring something new to the table. With Ascent, we opted to pursue significant minority or majority stakes where our hands-on approach could generate significant value-add and impact. Another unique aspect of our approach was that we decided to focus on three countries – Kenya, Ethiopia and Uganda – and to establish a permanent presence in each of those.

UGANDA
GREEN ENTERPRISE
FINANCE ACCELERATOR

Company Name	**Uganda Green Enterprise Finance Accelerator**
About	The Uganda Green Enterprise Finance Accelerator is a non-for-profit organization that facilitates the flow of green finance into the Ugandan SMEs sector through strengthening green SMEs and improving available financial mechanisms for SME debt financing.
Year of Incorporation	2019
Investor type	Accelerator
Target	We support green enterprises through a comprehensive and finance-focused accelerator programme to develop the business and financial skills needed to access financing and scale their positive environmental impacts and employment contributions.
Sector focus	Green enterprises
Amounts provided	N/A
Funding type	We offer Business Development Services
Key criteria	Each enterprise must submit an application form detailing their, • current business model • Team and expertise • Financial systems • Investment plans
Country	Uganda
Further information	*www.ugefa.eu* Tel: +49 30 8900068-145

Who is behind the Uganda Green Enterprise Finance Accelerator?

The Uganda Enterprise Finance Accelerator is a four-year project funded fully by the European Union. It is implemented by Adelphi research, a public policy consultancy and think tank focused on climate, environment and development based in Germany. The project is further implemented in collaboration with Finding XY and SEED.

Company Name	**FSD Africa Investment**
About	FSD Africa Investments is the investment arm of FSD Africa. We seek out ambitious financial ventures with the potential to test and drive innovative models that can address market failures.
Year of Incorporation	2019
Investor type	Private Equity
Target	FSD invests in solutions that broaden access to finance for small firms, and to financial services for underserved communities .
Sector focus	Financial Technology
Amounts provided	N/A
Funding type	FSD offers flexible and responsive investment capital including loans, guarantees and equity or quasi-equity.
Key criteria	• A big idea translated into a tangible solution that has the potential to improve millions of lives. • Experienced entrepreneurs with drive and natural leadership skills and a team with the skills and experience that will drive your social business forward. • A solid business model with a minimum of 2 years of success, a market opportunity that is underserved and a product or service that benefits the poorest communities or improves incomes. • An easily scalable business with relevance to Uganda.
Country	Uganda, Zambia, South Africa, Tanzania, Kenya, DRC, Ethiopia & Nigeria
Further information	*www.fsdafrica.org* Email: info@fsdafrica.org Tel: 039 3231260

Who is behind FSD Investments?

Established in 2012 and supported by UK aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa.

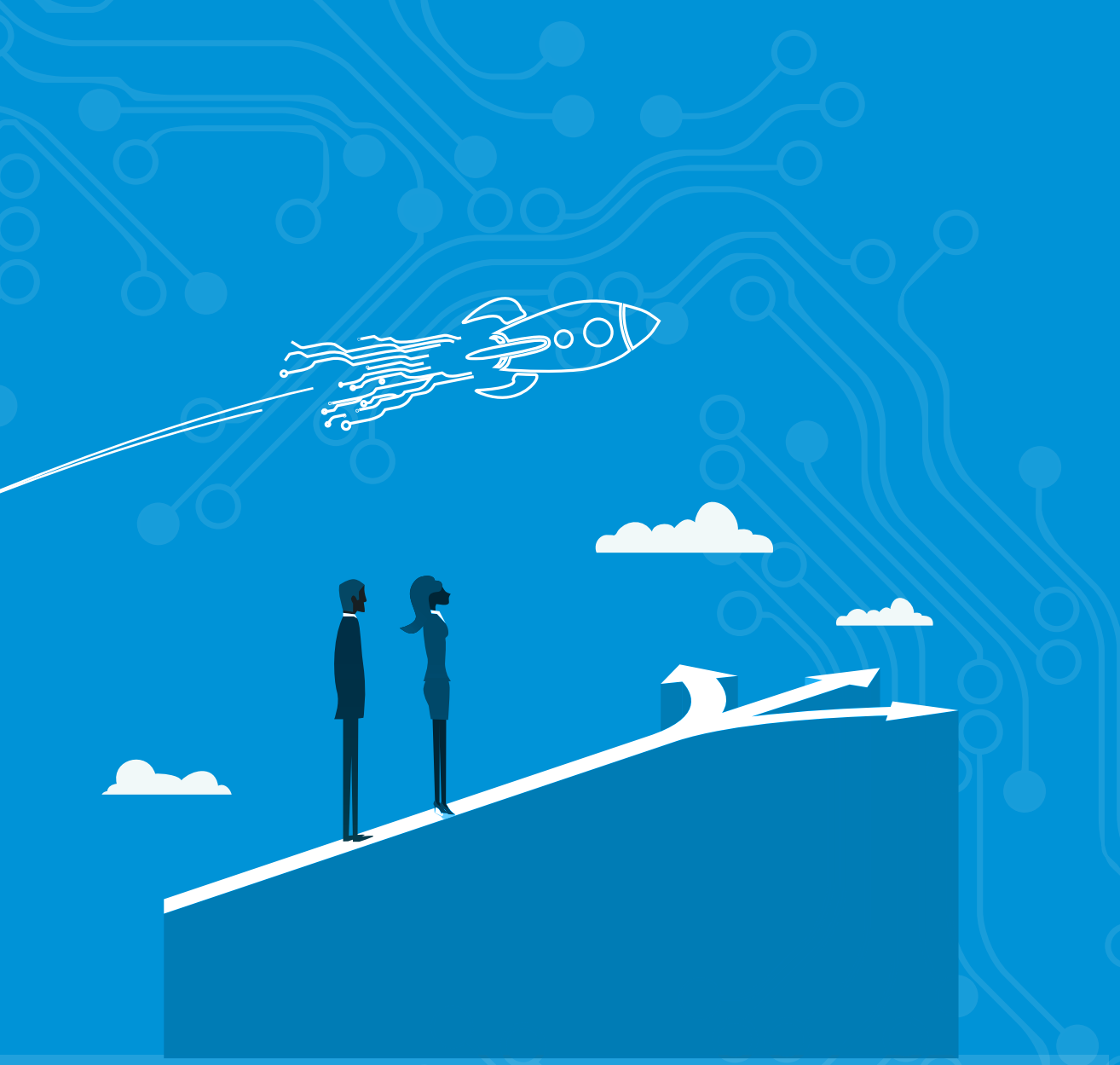
FSD Africa Investments is the investment arm of FSD Africa. We seek out ambitious financial ventures with the potential to test and drive innovative models that can address market failures.

Johnson & Johnson INNOVATION
— JJDC —

Company Name	**Johnson & Johnson Innovation – JJDC**
About	Johnson & Johnson Innovation – JJDC, Inc. (JJDC) is the strategic venture capital arm of Johnson & Johnson.
Year of Incorporation	1979
Investor type	Venture Capital
Target	JJDC pursues opportunities to solve critical healthcare needs. Our portfolio companies benefit from the full global capabilities of Johnson & Johnson as we collaborate to drive innovation.
Sector focus	Our focus us in pharmaceuticals, medical devices and consumer healthcare
Amounts provided	N/A
Funding type	Grants
Key criteria	Innovations within the healthcare industry with specific therapeutic areas of interest that have the greatest potential to improve the lives of patients and consumers.
Country	Global
Further information	*www.jnjinnovation.com* Tel: +44 (0) 207-573-4500

Who is behind the Johnson & Johnson Innovation – JJDC (JJDC)?

Johnson & Johnson Innovation – JDC (JJDC) was set up by the Johnson & Johnson in 2017 as a supportive arm of the company's 75-year-old Credo of discovering and developing products and solutions that can benefit patients and consumers through its mandate of constantly searching for innovative companies that are developing cutting-edge pharmaceuticals and state-of-the-art medical devices, products and technologies for patients and consumers where the company invests and supports in terms of growth.



Chapter VI.
Conclusion

Chapter VI: Conclusion

Raising money for a start-up is not easy. It will take enormous amounts of patience, determination and persistence. Nevertheless, it is also an extremely rewarding process that will teach the founder a lot about themselves, their business and their market.

This guide is a high-level overview of what a start-up needs to think about as they begin preparing for fundraising: the general processes involved, the documents they need to have, what types of investors are out there and the instruments they use when funding companies. We include insights gathered from investors, entrepreneurs and others in the start-up ecosystem, so start-up founders can learn from the people who have successfully raised money in the past and who are looking to fund companies today.

Every company's fundraising process is different, and the stage at which the start-up approaches investors will also be different. But, by distilling some of the most salient points from our conversations, we hope this guide will serve as a good starting point for entrepreneurs on how to fundraise.

Furthermore, by providing a directory of potential funders and detailed information about them, we hope that entrepreneurs will have a better understanding of the different types of funders in this market, their average investment size and the sectors they are active in. While this is not an exhaustive list, it does highlight some of the key players in the market and shows the sort of information entrepreneurs need to know before they approach investors for funding.

Key Takeaways

1. Entrepreneurs should do research on the investors they approach: they should find someone who is a truly good fit.

2. When approaching investors, introductions are best: entrepreneurs should try to meet investors at a pitch event, a conference or through one of their portfolio companies.

3. Enter accelerator/incubator programmes: while they may not be a great tool for every entrepreneur, they will help them to gain exposure and learn how to think about their business.

4. Know the market: entrepreneurs should be able to explain not only the intricacies of their market but also the challenges they foresee, the offline aspects of their business and be able to back up their assertions with facts.

5. Know how much to raise, and why: entrepreneurs should not ask for a million dollars just because it is a round number; they should do their research and explain how this round of funding will get them to their next key milestone, and where they will go from there.

6. Do not raise too much money too quickly: if founders cannot keep raising their company's valuation in future rounds, they will likely sputter and burn out.

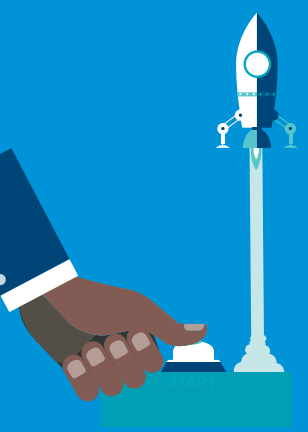
7. Local versus international investors: there has been an uptick in interest among international investors in Uganda – entrepreneurs should find out how they are different and if they are a better fit.

8. Consider impact investors: this may be a good fit with a company, or it may not; before they approach impact investors, entrepreneurs should consider carefully whether they have the capacity to report the metrics these types of investors will want to see.

9. Promote trust: investors are wary of entrepreneurs who are not serious about their companies; entrepreneurs should find several credible references (professors, mentors, employers) who will vouch for them if a potential investor calls.

Useful resources to learn more:

BVCA's List of Document Templates
https://www.bvca.co.uk/Policy/Tax-Legal-and-Regulatory/Industry-guidance-standardised-documents/Model-documents-for-early-stage-investments
EBAN's List of Document Templates, Including Term Sheet
https://www.eban.org/knowledge-center/
IRIS Metrics Overview for Impact Investors
https://iris.thegiin.org/metrics/
Khan Academy Videos on Start-up Valuation
https://www.khanacademy.org/economics-finance-domain/core-finance/stock-and-bonds/venture-capital-and-capital-markets/v/raising-money-for-a-startup
Paystack's Y Combinator Application
https://paystack.com/blog/company-news/paystacks-y-combinator-application
Sample Capitalisation Table
https://www.cooleygo.com/documents/sample-cap-table-pro-forma/
Sequoia Capital Business Plan Template
https://www.sequoiacap.com/article/writing-a-business-plan
The Lean Canvas
https://leanstack.com/is-one-page-business-model
Valuation Methods Overview
https://www.techinasia.com/talk/9-method-startup-valuation
YCombinator's List of Resources, Including Document Templates
https://www.ycombinator.com/library



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