



S-BAN



TANZANIA ANGEL INVESTMENT LANDSCAPE

FEASIBILITY STUDY REPORT 2024



Ministry of Foreign Affairs

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Unlocking Early-stage
CAPITAL

EXECUTIVE SUMMARY

According to the 2023 ABAN Angel Investor Survey, Africa presents a booming landscape for angel investing, with about 84% of surveyed investors reporting an increase in their investment activity in the past year. Tanzania, with its vibrant entrepreneurial spirit, is no exception. However, a significant challenge hinders the growth of promising young and female-led start-ups; the early-stage finance gap.

Financial institutions in Tanzania often view early-stage start-ups as high-risk due to limited financial history and collateral. This lack of access to traditional financing methods leaves a substantial funding gap, estimated to be between \$1.3 billion and \$2.6 billion annually by the World Bank. This gap disproportionately affects young and female entrepreneurs, who may face additional hurdles due to limited business experience or societal biases. Angel investors, with their focus on high-growth potential and ability to provide mentorship alongside capital, can emerge as a powerful solution to bridge this critical financing gap and unlock the full potential of Tanzania's entrepreneurial ecosystem.

Tanzania Ecosystem Demand and Regions:

It is estimated that around 600 individuals could be prospective angel investors in Tanzanian startups. Of these, 120 could be business angels and make at least 1 investment in the coming 3-5 years. This number comes of these:

- 80 % Two-third (80 people) would have a “new generation” profile, with an annual investment budget each of \$2-5k.
- One-third (40 people) 1/3 would have a HNWI profile, with an annual investment budget of \$20k-50k.

These investors collectively could represent \$1M of investments per year in preseed and seed Tanzanian startups.

By year 3, 30 % (92 people) of prospective angels identified : ~306 by year 3 thus 92, are expected to take level 1 angel investing training. Of those, 20% (-17 -people), over 3 years are expected to take level 2 training. It is estimated that individuals will be willing to pay \$200 for level 1 and \$400 for level 2. The project assessed the early stage financing ecosystem in various regions of Tanzania. It was concluded that:



- Dar es Salaam is and is likely to stay by far the largest region and will account for 60% of the TAA training participants.
- Arusha has many of the needed components of an early stage financing ecosystem and over the coming 3 years, there may be enough interest to run a TAA cohort there. They could represent 10% of participants.
- Zanzibar and Mwanza are still in early stage but have a strong will to create an early stage financing ecosystem and prospective angels of these regions could be good candidates for TAA future cohorts. They jointly may represent another 10% of the participants.
- Other regions of Tanzania may represent 5% of participants.
- Diaspora over time could represent 15% of participants once they trust the local ecosystem.

INTRODUCTION

After two years since the inception of the Serengeti Business Angel Network (SBAN), the initiative's founders, together with Ennovate Ventures, with the support of EU D4t program Implemented by UNCDF launched a training program—Tanzania Angel Accelerator (TAA)—with the aim of increasing the number of educated business angels in Tanzania, particularly in regions outside of Dar es Salaam. They are also seeking to enhance their own network's core internal operations. The ultimate goal is to strengthen the country's entrepreneurial ecosystem by addressing the critical pre-seed financing gap which angel investors can fill.

efino GmbH was entrusted with conducting an in depth feasibility study on the viability of training angel investors in Tanzania, focusing on a diverse group of stakeholders, including high-net-worth individuals (HNWIs), corporate entities, and successful entrepreneurs, among others. The key objectives of this study were:

1. Assess the demand of an angel accelerator amongst both angels and their prospective SMEs in Tanzania within SBAN's 5 targeted regions (Iringa/Mbeya, Arusha, Zanzibar, Dodoma, and Mwanza),
2. Assess the replicability of the Tanzania Angel Accelerator offering to other geographies within the region, and
3. Identify any inherent ESG risks which might arise from this new class of prospective angels.;

efino's approach included a collaborative effort with the Serengeti Business Angels Network (SBAN), ensuring a seamless integration of perspectives and insights throughout the study. By maintaining an ongoing dialogue with SBAN, efino was able to adapt and refine data collection strategies based on real-time feedback and observations. The culmination of this process is a report that encapsulates our findings and outlines actionable recommendations. These insights are designed to catalyze the development of a robust and dynamic angel investing ecosystem in Tanzania, fostering economic growth and innovation across its regions.

ABOUT SBAN

The Serengeti Business Angel Network (SBAN) was established in 2020 and officially incorporated in 2021. As the Network Manager, Rodrique Msechu is supported by staff handling administrative and financial tasks. Currently, the network boasts 12 members who each contribute an annual fee of \$100. Plans are underway to increase this fee to \$200 in 2024, though this change has yet to be implemented. The membership fee provides access to the following services:

- Workshops and master classes
- Deal flow opportunities
- Curated deals, including a due diligence process with interested members before deciding to invest.

To date, SBAN has made 5 investments -the 6th one will be confirmed soon-, two of which were unlocked with a matching grant. Their primary source for deal flow is referrals.

TAA TODAY

Within the Tanzanian angel investing landscape, an there has been a recent emergence of active angel deals, particularly led by organizations like the Serengeti Business Angel Network (SBAN) and Warioba Ventures, has been noted. Despite this progress, there remains a significant gap in the market. While there might be interest among local investors and high net worth individuals (HNWIs) to venture into angel investing, many lack the necessary knowledge, exposure, and technical expertise required for sourcing, investing, and managing startup portfolios.

Through small-scale angel investor training conducted in 2022, SBAN successfully trained over 20 angel investors, with a noteworthy 50% actively engaging in investment activities, including a 30% representation of women. However, SBAN team believes that to truly unlock the potential of angel investing in Tanzania, it's imperative to scale up the number of active angel investors and local capital mobilization efforts.

Recognizing this need, SBAN launched at the beginning of 2024 the Tanzania Angel Investors Accelerator (TAA), founded by UNCDF, as a strategic initiative to address these challenges. The TAA aims to catalyze the establishment of active and sustainable local angel networks across key regions in Tanzania. By equipping new angel investors with tailored resources, knowledge, mentorship, and tools, the program seeks to empower them to make informed investment decisions and drive inclusive capital mobilization within Tanzania's startup ecosystem.



ANGEL INVESTORS

Profile, Personas, Drivers and Preferred way to Invest

We define "NEW Gen" (retail) investors as individuals who aspire to be part of this asset class or have already started investing and are keen to further their education to enhance their investment strategies.

Within this "NEW Gen" category, comprises both novice investors and others with some previous experience (most of them having invested outside Tanzania), all of whom predominantly perceive this activity as a means to enhance their professional skills.

Through analysis of participant profiles and interviews conducted by the efino team, four distinct profiles have been identified among the TAA participants:

1. People in Corporate or Organizations (64%): These are individuals who primarily work full-time in corporations or organizations (such as those in education, diplomatic bodies, etc.) and are interested in becoming angel investors. Many of them view this activity as a hobby or, as others have described it, the "third leg" after family & friends and work.
2. Next Gen Founders (15%): These individuals, typically under 40 years of age, are drawn to entrepreneurship and are interested in investing in other ventures. They may also be young founders of startups seeking to expand their investment portfolios.
3. Individuals in Retirement (6%): This group comprises individuals who are nearing or already in retirement and are interested in initiating investments in startups.
4. Professionals in Transition (15%): These individuals are either in the process of changing jobs or contemplating launching their own startup. They seek to understand the entrepreneurial track and are interested in exploring investment opportunities in this sphere.

HNWI's is the acronym for High Net Worth Individuals who traditionally are business owners and would like to become part of this asset class. Most of the ones interviewed in this category are business owners and who have some international experience.

Investors	Preferred way to invest	Drivers to invest
New Gen	With an Angel Network either via a deal by deal syndicate or sidecar fund	<ul style="list-style-type: none"> ● Continuous education/curiosity - Give back ● To make money ● Networking
HNWI's	Alone or via a group of "like minded individuals" as a direct investor on the cap table or via a fund	<ul style="list-style-type: none"> ● Give back to society ● Making money ● Learn about innovation in their sectors ● Networking

A top down and bottom up approach was taken to estimate the number of individuals who would fit these 2 major profiles of angel investors and how many would likely take part in a TAA training:

- The number of individuals who could be identified and contacted (prospects): -> 600 of which around 300 in the coming 3 years
- The number of those who are likely to become a business angel and make at least 1 investment over the next years: -> 120 (80 NEW Gen and 40HNWI), investing in total around \$1M a year in startups. As angel investing is a high risk asset class, it will be important that novice investors keep enough money to invest in at least 8-10 companies over a 3-4 year period and to keep half of their overall angel budgets to make follow on rounds in the startups that progress well and have good chances of an exit thus providing liquidity and returns to investors.
- The number of those who are likely to take a TAA training over the next 3 years: -> 30% (92 individuals) for current Level 1 of TAA training and of those 20% (17 individuals) would take more advanced ILevel 2 training.

The matrix below provides a summary of the market size scoping using the top-down vis-a-vis a bottom-up approach.

Number of Potential Business Angels (BAs) - top-down via external benchmarking

Country / Region	*#active BAs	Number of High Net Worth Individuals	%BA/ HNWI	Number of Active Business Angel Networks	Population size
Egypt	50-150	16'100	0.1%	5	105M
Kenya	20-60	7'700	0.1%	2	51M
Nigeria	60-180	9'800	0.02%	6	216M
South Africa	50-150	37'800	0.003%	5	62M
Switzerland	850	451'000	0.2%	9	8.8M
Tanzania	(10-50) potential	2'400	(0.5-2%) potential	3	62M

These are identified BAs, and it is assumed that there are 50%+ ore individuals who are BAs but are not identified as such, like family and friends

Tanzania Potential BAs - bottom- up: via interviews

Type of BAs	Prospect BAs	Become BAs	Overall investment budget per BA	Annual investment budget per BA
"New Gen"	400	80	\$8K	\$2-5K
HNWI	200	40	\$100K	\$20-50K
TOTAL	600	120	\$5M	±\$1.2M

*Types of angel profiles: people in corporate 64% | Next Gen, under 40, founder: 15% | In retirement: 6% | Professional in transition 15% | *Source: TAA and Interviews conducted

Prospective angel investing training participant

	Year 1	Year 2	Year 3	Total Year 1 to Year 3
Prospective training participants: Business Angels	100	175	306	—
Number of training participants Level 1	—	—	—	—
Business Angels	30	23	39	*92
Number of training participants Level 2	—	—	—	—
Business Angels	0	6	11	**17

*It is assumed that around 30% of prospective business angels will take level 1 angel training over a 3 year period. $306 \times 0.3 = 92$

**It is assumed that around 20% of business angels who take level 1 would take level 2 angel training over a 3 year period. $92 \times 0.2 = 17$

Value proposition to Engage New Business Angels (BAs) and Activities to Engage Angel Investors

African Angel Academy (AAA) provides knowledge about the investment life cycle. TAA complements AAA by offering hands-on customization of the angel investing course specifically tailored to Tanzania. The inclusion of real cases with entrepreneurs and local discussions makes it particularly appealing to a diverse range of participants.

For new business angels, TAA not only presents an opportunity to learn about this asset class but also serves as a means to expand their networks. Consequently, participants in the current cohort greatly appreciated the meetups and in-person events, expressing a desire for more frequent occurrences. TAA provides new angels with the chance to become part of an active and well-educated community in early-stage investing.

Moreover, TAA emphasizes learning by doing, granting each individual to decide which startup they wish to invest in. As part of their training, investors have the opportunity to engage with selected startups from Tanzania. Additionally, at the end of the program, participants are introduced to various angel networks, enabling them to continue their journey in early-stage investing.

Some prospective business angels, likely the HNWIs, may not want to start their angel investing journey with training and directly start investing. Experience shows that as they realize that investing in startups takes skills beyond understanding business and managing a company and has its unique technicalities, a number then take TAA type of training locally or abroad with an international organization.

Aside from training, engaging with active investors can be achieved through various means:

- 1. Active due diligence processes:** Empowering investors to participate actively in due diligence processes for potential deals.
- 2. Deal sourcing by members:** Encouraging members to source deals, thereby contributing to the deal flow.
- 3. Participation in meetups:** Organizing meetups where members can network and discuss industry hot topics, such as AI, cleantech, etc.
- 4. Building hobby communities:** Establishing hobby-based communities, like running groups or book clubs, managed through platforms like WhatsApp, to foster engagement among members.

Additionally, it is important to note the involvement of women in TAA cohorts. As discussed internally, showcasing more women in prominent roles can increase their visibility and inspire others to participate in this asset class. By ensuring greater representation of women in various aspects such as stages, panels, juries, and due diligence processes, TAA can significantly impact the recruitment of more women for future cohorts.



Sources of Investors

Below is a comprehensive overview of all the sources for angel investors and TAA participants:

1. TAA Referrals
2. Referrals from SBAN and other Angel Networks
3. Co-investors, including Seed Funds, Angel Networks, and Limited Partners (LPs) seeking to transition into angel investing
4. Accelerators and Startup Competitions, where mentors may evolve into business angels
5. Corporates
6. Deal Platforms
7. Trade Associations such as ABAN
8. Diaspora Organizations
9. Professional Associations, reached through members affiliated with the organization, including University alumni groups, Consulting firm alumni groups, and Tech company alumni groups
10. Private Banks and asset management firms, often sponsoring events and inviting select clients
11. Professional Firms, including Consulting, Accounting, and Law Firms
12. Universities
13. Entrepreneurs previously invested in by TAA investors
14. Women Organizations
15. Spontaneous applications

To effectively identify prospective angel investors and potential participants in the TAA training from these sources, the following strategies can be used:

- **Member Referral Program:** Utilize the existing network of current members and alumni to leverage "member-get-member" initiatives. Encourage them to refer potential investors to the organization, tapping into their personal and professional networks.
- **Partnership with organizations:** Extend invitations to professional, educational, and other relevant organizations to collaborate in reaching out to their members. This can be facilitated through email communication, inviting these organizations to promote your angel investment network to their members.
- **Awareness sessions at events:** Propose to these organizations the idea of hosting awareness or discovery sessions within their events. These sessions can serve as platforms to introduce the concept of angel investing, provide insights into the benefits and opportunities it offers, and showcase successful case studies. By collaborating with these organizations, a wider audience can be accessed and create valuable networking opportunities for potential investors.



ENVIRONMENTAL, SOCIAL, GOVERNANCE & DIVERSITY

Environmental, Social and Governance (ESG) considerations are not always clear-cut for entrepreneurs at the startup level in Tanzania due to the focus on investor readiness. However, integrating ESG practices into the due diligence process is becoming increasingly important for investors, with a focus on analyzing the feasibility of business models and scalability alongside ESG factors. Furthermore, there is a need for improved reporting templates for startups to clearly articulate their use of funds in alignment to key ESG matrices.

For more advanced companies, particularly those targeted for private equity investment, investors in Tanzania adopt various ESG practices. These include integrating ESG factors into decision-making, conducting thorough due diligence on ESG risks, engaging with investee companies on transparency and accountability, measuring and reporting impact, promoting diversity and inclusion, supporting sustainable innovation, collaborating on knowledge sharing, and continuously improving ESG integration.

Additionally, angel investors in the growth phase must comply with environmental regulations to align investments with sustainable practices and legal requirements. Key regulations include the National Environment Act of 1983, Environmental Impact Assessment (EIA) studies, the Capital Markets and Securities Act 1994, and the Bank of Tanzania Act. Compliance with these regulations contributes to sustainable development and responsible investing practices in Tanzania.

To foster trust and ensure transparency between investors and entrepreneurs in the early stages, establishing a code of conduct can serve as a fundamental cornerstone of startup governance. This code outlines principles and standards of behavior that both parties agree to uphold throughout their engagement.

Lastly, networks like SBAN have implemented Know Your Customer (KYC) processes to prevent money laundering practices, ensuring compliance from all members during onboarding.

By adhering to these practices and regulations, angel investors in Tanzania can contribute to sustainable development, environmental protection, and responsible investing practices in the country.

[1][2][3][4][5]

Citations

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ECOSYSTEM MAP AND ASSESSMENT OF REGIONS

Interviews, desk research and on ground engagements in the trip to Tanzania enabled efino to understand the context of the regions of Tanzania, assess their ecosystem readiness for angel investing, identify the number of individuals potentially interested in angel investing and the number that could be participants of TAA training.

Regions researched

The regions researched were as follows:

Arusha, Dar es Salaam, Dodoma, Iringa, Kilimanjaro, Mbeya, Morogoro, Mwanza, Tanga, Zanzibar

Regional ecosystems

Each region was assessed via interviews and research along 3 major dimensions:

1. Availability of investment ready startups (ideally a minimum of 10-20 a year);
2. Availability of HNWI's
3. Favorable ecosystem for early stage investing and government support.

A summary of the findings are below:

Region	Tech Incubators/ Accelerators/Hubs	No. of BA Networks	Top 100 Startups in Tanzania - F6S	No. HNWI's	Population size
Tanzania in total	37	3	100	2'400	62M
Dar es Salaam	16	3	67	1'400 (58%)	5.3M
Arusha	14	—	11	—	2.4M
Zanzibar	2	—	5	—	1.2M
Mwanza	1	—	—	—	3.7M
Dodoma	4	—	3	—	3.1M
Other Regions	—	—	8	—	—

Dar es Salaam

- It has by far the most developed entrepreneurial ecosystem in Tanzania, where prospective angel investors are most likely to be.

Arusha

- Growing tech ecosystem focusing on e-commerce, agritech, and tourism-related technologies.
- Clean-tech is emerging as a strong vertical.
- There is a presence of HNWI individuals especially from tourism, and family businesses.
- There are several initiatives supporting entrepreneurs in Arusha, such as:
 - Arusha Hub
 - Westerwelle Startup Haus Arusha (WSH Arusha)

Zanzibar

- Burgeoning ecosystem focusing on digital. The government is taking steps to attract companies and investment.
- There is a public-private initiative called Silicon Zanzibar led by the Zanzibar Ministry of Investment & Economic Development and African tech companies to attract and relocate tech companies and workers to Zanzibar. The goal is to establish Zanzibar as a leading hub for Pan-African tech companies by leveraging its strategic location and infrastructure. Silicon Zanzibar offers incentives like work visas for tech workers and a 10-year corporate tax exemption under Zanzibar's Free Economic Zone program, aiming to transform the island into a gateway for tech innovation in Africa and beyond.
- There is also a partnership with an Indian Tech university, which could be the seed of future tech entrepreneurs, The Indian Institute of Technology Madras (IIT Madras).
- Deal flow is much less investor ready than startups in mainland.
- There is just one incubator, Cube Zanzibar, that offers incubation services, financing and business acceleration support to start-ups and small businesses in Zanzibar.

Mwanza

- Developing entrepreneurial scene, focusing on fintech, agritech, and logistics.
- Many family businesses - from the diamond and mining industry - are located in this region, therefore, HNWI's might emerge from this region.

Dodoma

- Dodoma serves as the capital city, housing various public institutions. Although the government has recently begun investing in the city, these efforts are relatively new and have yet to yield tangible results in terms of fostering an entrepreneurial and investor ecosystem.

Prospective Business Angels by Region

In terms of prospective business angels, it is estimated that they will come from these regions as shown in the table below.

Location of prospective angels - first estimate

Location	%
Dar es Salaam	60%
Arusha	10%
Zanzibar	5%
Mwanza	5%
Dodoma	3%
Diaspora outside Tanzania	15%
Not assigned geography	2%
Total	100%

As angel investing takes shape in Tanzania, and as TAA, SBAN and some of their members become more visible in and outside Tanzania, the diaspora will likely be interested to invest in Tanzanian startups and take TAA training. It is estimated that they could make up to 15% of prospective angels.

Summary

- Dar es Salaam is and is likely to stay by far the largest region
- Arusha has many of the needed components of an early stage financing ecosystem and over the coming 3 years, there may be enough interest to run a TAA cohort there
- Zanzibar and Mwanza are still in early stage but have a strong will to create an early stage financing ecosystem and prospective angels of these regions could be good candidates for TAA future cohorts



TAA COHORT 1 SUCCESS METRICS

The general objective of TAA was to increase availability of local capital for Tanzania startups by building capacities of new angel investors and supporting them to join existing angel networks or set up generalist/sector-based angel networks based on their preferred investment strategies.

The expected outcomes for the TAA were:

- 50 new angel investors supported to kickstart their angel investing activities- Total of 50 angels (12 being women) will be mentored in Tanzania, offering top level angel investing support to help them actively setup and manage their startup investment portfolio.
 - Status: 20 participants joined the program with the commitment to invest 1K USD. Additionally, another 30 participants are joining the workshops -without the commitment to invest at this point-. Out of the total of 50, 22 are women.
- 3 deals closed by new angels in the first year - The consortium will support new angels and their networks to facilitate at least 3 deals at the end of the programme.
 - Status: ongoing. In the last week of March 2024, participants were introduced to several startups and are now in the process of deciding which company to invest in.
- Angels Community Meetups in the first year - After the first cohort of the accelerator , weSBAN will launch Angels community meetups in each region to create a platform for the angels to network and share good case practices.
 - Status: SBAN launched Start-up Harambee Evening, bringing together key startup stakeholders, angel investors and founders to connect and build relationships for meaningful collaborations

BENCHMARKING TAA WITH SIMILAR INITIATIVES ACROSS AFRICA

efino has participated in and run similar initiatives in the last years in different countries. The three examples below are the most relevant ones for the Tanzanian ecosystem:

1. **Egypt:** 2 cohorts of 30 participants each. The local partner, HIM Angel, recruited the participants (open to any potential investor based in Egypt). The training was delivered by international experts (efino team) and customized with HIM Angel team. Hybrid model, online and in person. No investment commitment was requested. Program sponsored by GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit).
2. **Senegal:** one cohort with less than 10 individuals, open only to members of The Dakar Network Angels (The DNA). The training was delivered by international experts (efino team) and methodologies were adapted to The DNA processes. The goal was to educate members and to enable some to take the lead of the angel network's deals team. Hands on support on deals members were assessing was included in the program. No investment commitment was requested. Online program sponsored by Dutch Good Growth Fund (DGGF).



3. Tunisia: 1 cohort of 30 participants. The local partner, Startup Tunisia, recruited the participants (open to any potential investor based in Tunisia and there were also some slots reserved for ecosystem players). The training was delivered by international experts (efino team) and customized with local cases. Hands on support on local deals participants had decided to enter due diligence in, was included in the program. Hybrid model, online and in person. No investment commitment was requested. Program sponsored by Smart Capital.

The hands on support from screening to closing investments, at least 3 deal, were highly appreciated when offered and viewed as a key driver of conversion from prospect to active angel, getting angels to start building a portfolio of investments rather than making a one off investment, and creating a group of “deal leaders” who can lead deals - a critical role in an angel network and in an early stage investing ecosystem.

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TAA BUSINESS MODEL OPTIONS

Based on the findings, including the regions’ early stage financing ecosystem, the potential number of business angels, their needs and drivers and the results of the 1st cohort of TAA, the efino team identified 3 possible options for TAA going forward:

Option 1: Level 1 and level 2 angel investing training for business angels

This would be the closest to the current TAA offering where:

- Level 1 training would be run in a similar way as TAA’s 1st cohort and
- Level 2 would have the goal to get individuals who want advanced angel investing training and support as they learn to run screening, due diligence, negotiation, investment closing and possible reinvestment and exit processes of startup investments. Participants would include individuals who want to become deal leaders. As mentioned before, deal leaders are critical to the success of angel networks and of early stage investing ecosystems.

Level 2 training is planned to include webinars led mainly by local angel investors, online workshops featuring local case studies, investment support for three deals including the due diligence process and syndication, and a deal Leader Certificate awarded upon meeting all criteria.

Option 2: Level 1 and level 2 training for business Angels, corporates and other ecosystem players including some entrepreneurs

This option contains the same activities as option 1 and is open to a broader group of participants. In addition to business angels the following types of individuals would be included:

- Corporate employees whose company would like to invest in startups, and/or do startup programs and/or want to increase entrepreneurial and innovation activities in the company.
- Ecosystem players like lawyers, members of accounting firms and of government agencies involved in startup financing.
- Some entrepreneurs who are looking to get “investor/investment” ready, especially if there is no specific program being offered for them.

Enlarging the pool of participants beyond business angels can build a common early stage financing language between key players of the ecosystem, create relationships and trust between them which will facilitate their collaboration for example on investments. It can also assist filling the training cohorts especially those in regions that have small numbers of prospective business angels

Option 3: Early stage financing ecosystem building

Given Tanzania's limited number of prospective BAs (~600) and relatively low ecosystem readiness in some of the regions, TAA could provide early stage financing ecosystem building activities, especially in emerging regions of Tanzania in addition to angel investing training.

It would follow an overall ecosystem building process that has been successfully implemented in other markets. It would consist of the following activities:

- Tech support for ESOs and Angel Initiatives (AI) managers, including angel fund general partners. ESOs for entrepreneurs and Angel Initiative managers are the first 2 critical components for an early stage financing ecosystem. Note: ideally 50%+ of AI managers will be angels, know potential angels and have another activity that can support the AI. In this activity: these players are identified, trained, and provided tech support. Collaboration (coopetition) between them is a key factor for success. As some Angel Initiatives may want to launch an angel fund, the tech support could also be part of this tech support.
- Entrepreneur investor/investment readiness program: There needs to be at least 10-20 investor/investment ready startups in any region to start having a critical mass deal flow for angel investors. Entrepreneurs would gain these skills via a dedicated program for them consisting of training, peer to peer sharing and coaching.
- As there is good headway on the creation of Angel Initiatives/Networks and a critical mass of deal flow, the terrain is prepared for business angels and angel investing training. Level 1 and level 2 angel training would be provided as described in option 2 for business angels and some other key stakeholders .
- Angel investing awareness and general education:
 - General awareness angel investing/financing events and visibility building activities.
 - General angel investing education for example via self learning videos, webinars with speakers, half day trainings to broad ecosystem players. Participants will include prospective business angels and ecosystem players.
 - Ecosystem leader meetings.

National angel investing trade associations are often the organizations that run option 3 activities in any given country. They are not run by an angel network to avoid conflict of interest and to be fully dedicated to general ecosystem building. If TAA were to choose this option 3, it could become the Tanzania angel investing trade association. None exists at this time creating a void.



Option 4: Level 1 and 2 training for business angels and general education for ecosystem players

efino presented options 1,2,3 to the SBAN team and why believed that option 3 would be the best given the stage of development of the various regions of Tanzania. After several discussions, the SBAN team designed an option 4.

This option contains the following activities:

- Level 1 training and support for business angels
- Level 2 training for more experienced business angels
- General education for stakeholders

Evaluation criteria and assessment of options

Below is a summary of the activities included in each of the 4 options:

Activities	Chosen option (4)	Option 1	Option 2	Option 3
Angel investing training level 1	BAs	BAs	BAs + others	BAs + others
Angel investing training level 2	BAs	BAs	BAs + others	BAs + others
General education	Yes	No	No	Yes
Angel investing awareness building	No	No	No	Yes
Entrepreneur investment readiness	No	No	No	Yes
ESO and Angel Initiatives tech support	No	No	No	Yes

The efino and SBAN teams agreed on the criteria that would be used to compare and assess the 4 options and identify the one that would be chosen and explored further. These were:

- Fit with SBAN strategy
- Fit for market need and readiness including ready for investment deal flow
- Ease of implementation
- Ability to implement: available champions individual/organisation

Economic viability: self sustaining perspectives

Option 4: Level 1 and 2 training for business angels and general education for ecosystem players

efino presented options 1,2,3 to the SBAN team and why believed that option 3 would be the best given the stage of development of the various regions of Tanzania. After several discussions, the SBAN team designed an option 4.

This option contains the following activities:

- Level 1 training and support for business angels
- Level 2 training for more experienced business angels
- General education for stakeholders

Evaluation criteria and assessment of options

Below is a summary of the activities included in each of the 4 options:

Activities	Chosen option (4)	Option 1	Option 2	Option 3
Angel investing training level 1	BAs	BAs	BAs + others	BAs + others
Angel investing training level 2	BAs	BAs	BAs + others	BAs + others
General education	Yes	No	No	Yes
Angel investing awareness building	No	No	No	Yes
Entrepreneur investment readiness	No	No	No	Yes
ESO and Angel Initiatives tech support	No	No	No	Yes

The efino and SBAN teams agreed on the criteria that would be used to compare and assess the 4 options and identify the one that would be chosen and explored further. These were:

- Fit with SBAN strategy
- Fit for market need and readiness including ready for investment deal flow
- Ease of implementation
- Ability to implement: available champions individual/organisation

Economic viability: self sustaining perspectives

As mentioned before, in an ideal scenario, option 3 would be the recommended choice for the efino team, offering comprehensive support for the Tanzanian startup and early stage financing ecosystem at all levels. This option entails nurturing deal flow, helping to build angel initiatives/networks and delivering education tailored to the Tanzanian context, with the Tanzania Angel Investors Accelerator (TAA) program complementing the existing Angel Academy Africa (AAA) curriculum. While AAA provides a high-level understanding of the startup investment lifecycle, TAA specializes in customizing content to Tanzania and adopts a more hands-on approach through workshops and real-world case studies.

Ideally, an independent organisation — distinct from a business angel network — would lead TAA, establishing it as the premier learning institution for early-stage investing and trade association. However, after assessing the landscape through interviews and field visits, it became apparent that no such independent organisation currently possesses the necessary knowledge, experience, and willingness to assume this leadership role. Previous attempts at joint programs between various ecosystem players have faltered due to a lack of clear leadership and focus, leading to missed opportunities.

Therefore, the SBAN team aims to retain ownership and lead the TAA program under the SBAN umbrella, striving for inclusivity by inviting all individuals who would like to start their angel investing journey or to continue it with the training programs offered. The vision is to establish a learning center where investors of all levels converge from different networks and regions. This center will offer two tracks of learning: Level 1 training, similar to the existing TAA program, and Level 2 training, focusing on in-depth portfolio management and exit strategies, primarily targeting prospective lead investors. One notable addition would be the incorporation of hands-on due diligence processes by cohort, with four due diligence exercises proposed.

A significant discussion point revolves around the imperative need for active participation and understanding from diverse stakeholders such as corporates, professional organizations, and government bodies for the ecosystem to thrive. Therefore, part of the training offer will also include designing "crash courses," providing stakeholders with an immersive overview of early-stage investing within a condensed time frame of half to a maximum of one day. This holistic approach aims to foster collaboration and alignment among stakeholders, ultimately contributing to the growth and success of the Tanzanian startup ecosystem. Taking all this into account, option 4 was chosen as the one for the future of TAA and the one that will be explored in more detail.



EFINO THOUGHTS AND RECOMMENDATIONS

As previously mentioned, in an ideal scenario, efino would have proposed another organization to oversee the TAA such as an early stage investing trade association. Efino aimed to outline the advantages and disadvantages of having the TAA administered by an angel network like SBAN.

Pros:

- **Continuous education:** There exists a clear demand and enthusiasm among individuals within the ecosystem to acquire knowledge about this asset class. Consequently, the establishment of a Program Academy with three tiers of offerings (general education, Level 1, Level 2 for more advanced learning including full immersion courses) is deemed imperative for advancement.
- **SBAN's enthusiasm and effort:** SBAN demonstrates a strong interest in running the TAA and has already invested significant effort in creating the first cohort, which has proven successful.
- **Success of TAA Pilot Project:** The TAA pilot project received positive feedback from donors, indicating momentum and credibility for the organization and its leaders.
- **Potential collaboration:** At this stage, other angel networks and stakeholders have expressed willingness to refer their members to join the academy, as they do not intend to develop such offerings internally.

Cons:

- **Participant Limitation:** The TAA being run by SBAN may restrict the number of participants compared to the total demand or potential in Tanzania, as it might be perceived as exclusive to individuals seeking membership in SBAN.
- **Dominance of a single angel network:** This approach may lead to the emergence of a predominant angel network rather than fostering multiple Angel Networks of relatively equal sizes in Tanzania, potentially limiting diversity and competition in the ecosystem.
- **Management challenges for SBAN:** Managing various priorities within SBAN, including TAA, could prove challenging for the SBAN team, especially when faced with conflicting demands and limited resources. For instance, balancing efforts between training individuals to become business angels and recruiting Limited Partners (LPs) for an angel fund may pose difficulties.

Financial considerations: Depending on factors such as the types and locations of TAA trainers, the content utilized, the mix of in-person and virtual training, and participants' willingness to pay, the chosen option may incur a net loss, potentially impacting the overall viability of the program.



- **Requirement for further awareness activities:** There is a unanimous acknowledgment of the insufficient understanding of Angel Investing in Tanzania. Many participants in the TAA Pilot Project have voiced their apprehension regarding this issue. They believe that numerous potential investors would express interest in Angel Investing if they were equipped with fundamental knowledge about it, rather than diving directly into Level 1 training.

While option 4 has been chosen by the SBAN team due to the current situation and SBAN strategic goals, the ecosystem would greatly benefit if additional early stage financing ecosystem building activities and initiatives to those listed in option 4 would be undertaken. They would include:

- **Investor Readiness Programs (IRP):** Achieving balance between supply and demand in any ecosystem requires addressing both sides of the equation. After extensive interviews and fieldwork, it's evident that startup founders greatly benefit from IRP. Discussions with key stakeholders, including Sahara Ventures and international organizations, have unanimously acknowledged this need. However, the high costs associated with IRP and the absence of local technical expertise present significant challenges. Hence, international funding may be necessary to provide regional education for startup founders. It is also recommended that IRP programs dive into the importance of governance to ensure trust and transparency in the investment, especially the use of funds and reporting practices
- **ESO and AI, including seed fund manager tech support:** ESOs and Angel Initiatives are critical components to having a strong early stage financing ecosystem. As described in option 3, ideally these organisations are already set up before doing angel investor training. This is to ensure that trained angels have access to enough angel ready deal flow and can join an angel network or seed fund during or shortly after the training to not lose momentum or their angel investing. The managers of these organisations including SBAN would greatly benefit from technical support and potentially financial support to run their organisation.
- **Co-investment grants (CI-grants):** One significant barrier in emerging countries to diversifying portfolios within this asset class is the persistently high-risk nature of such investments. Therefore, incorporating co-investment grants into future training or IRP programs could effectively mobilize capital and stimulate job creation. These grants would serve as incentives for investors, encouraging greater participation in early-stage investments and thus fostering growth and innovation within the startup ecosystem.
- **Regions:** While Dar es Salaam remains the core, regions like Arusha, Zanzibar, and Mwanza exhibit considerable potential. To speed up these ecosystems, implementing diverse training programs and awareness sessions tailored to regional needs could prove beneficial in driving growth and fostering entrepreneurship.

Regulatory framework: The regulatory landscape must evolve, particularly to incentivize diaspora investment and address concerns regarding repatriation. Introducing tax benefits similar to those observed in other emerging countries for entrepreneurs and investors could accelerate angel investing activity in Tanzania, thus facilitating economic growth and innovation.

FEASIBILITY STUDY REPORT
TANZANIA ANGEL INVESTMENT LANDSCAPE

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