



# USAID'S DRC INVESTMENT FACILITATION ACTIVITY

## CAPITAL MAP REPORT

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## ACRONYMS

AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
ARIZ	Accompagnement du risque de financement de l'investissement privé en zone d'intervention (Support for the Risk of Financing Private Investment in zone of intervention)
AVCA	Africa Private Equity and Venture Capital Association
BCC	Banque Centrale du Congo (Central Bank of the Congo)
BCDC	Equity Banque Commerciale du Congo (Equity Commercial Bank of the Congo)
BIO	Belgian Investment Company for Developing
CDC	Commonwealth Development Corporation (United Kingdom)
CINOLU	Innovation Center of Lubumbashi
DFC	U.S. International Development Finance Corporation
DFI	development finance institution
DRC	The Democratic Republic of the Congo
EBIC	European Business Information Center
FBN	First Bank of Nigeria in DRC
FPI	Fonds de Promotion de l'Industrie (Industry Promotion Fund; DRC)
FINCA	Foundation for International Community Assistance
GDP	gross domestic product
IFC	International Finance Corporation
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction; Germany)
MFI	Microfinance Institution
OFAC	U.S. Treasury Office of Foreign Assets Control
PADMPME	Projet d'Appui au Développement des Micro, Petites et Moyennes Entreprises (Project Support for the Development of Micro, Small and Medium Enterprises)
PAR30	Portfolio at risk over 30 days
Proparco	Promotion et Participation pour la Coopération Économique (Promotion and Participation for Economic Cooperation; France)
PTNTIC	Postal Services, Telecommunications, and New Technologies
RCSA	Risk control self-assessment
SME	Small and medium-sized enterprise
SMICO	Society of Congolese microcredits
TDB	Trade and Development Bank
TMB	Trust Merchant Bank
UBA	United Bank for Africa
UN	United Nations
USAID	U.S. Agency for International Development
XSMML	Extra Small Medium-Large Capital



## I INTRODUCTION

This capital map report provides an analysis of the investment ecosystem of the Democratic Republic of the Congo (DRC) with a focus on the current and potential investors in the DRC that could be relevant to USAID's DRC Investment Facilitation Activity (USAID Invest, or the Activity). As USAID Invest seeks to catalyze investment for businesses in agricultural value chains and agriculture-enabling sectors, this report also scopes investors based on their interest and past activities in the agricultural sector.

*An overview of the landscape of investors in the DRC analyzed by investment focus and financial instruments used.* USAID Invest mapped an investor landscape in the DRC comprised of 103 current and high-potential investors,<sup>1</sup> covering a variety of financing products available to the private sector in the DRC. These products include equity, quasi-equity, debt, and concessional blended finance. We have identified (i) commercial banks, (ii) microfinance institutions (MFIs), (iii) development finance institutions (DFIs), (iv) private investors offering debt and equity products, (v) impact investors, and (vi) crowdfunding platforms. We did not include other types of capital providers such as multinational corporations or high net-worth individuals as those would not be targeted by the Activity.

*A high-level analysis of key investment trends in the DRC.* Over the past 15 years, although outstanding loans from commercial banks to the private sector have grown in line with the Congolese economy, access to credit from local banks in the DRC is still limited compared to peer countries. Debt and equity investments from international capital providers have also been very limited.

*USAID Invest's engagement process with investors.* Investor engagement is critical for the Activity. Investors actively sourcing deals in the country will help USAID Invest identify potential pipeline companies to support. In parallel, USAID Invest will also share a curated list of potential investment opportunities with investors based on their investment criteria. When an investor is interested in an investment opportunity with a pipeline company from the Activity, USAID Invest will provide investors with transaction support until the financial transaction close.

*Risks investors could face in the DRC and mitigation strategies.* While the DRC presents untapped investment opportunities, major hurdles still exist for investors to overcome to capitalize on those opportunities. This report highlights some of these hurdles inherent to the business environment of the DRC. The report goes further to provide some risk-mitigating strategies put forth by USAID Invest to enable investors to consider and eventually close transactions despite those hurdles.

In an appendix, this report also provides a brief analysis of the DRC startup ecosystem.

Of note, this report uses the \$ symbol to refer to values in U.S. dollars, not any of several African currencies that also use the \$ symbol.

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1. USAID Invest screened and identified investors active or interested in the DRC. However, the database is non-exhaustive, especially for investors that have not clearly stated their plans or interest in the DRC as an investment destination.

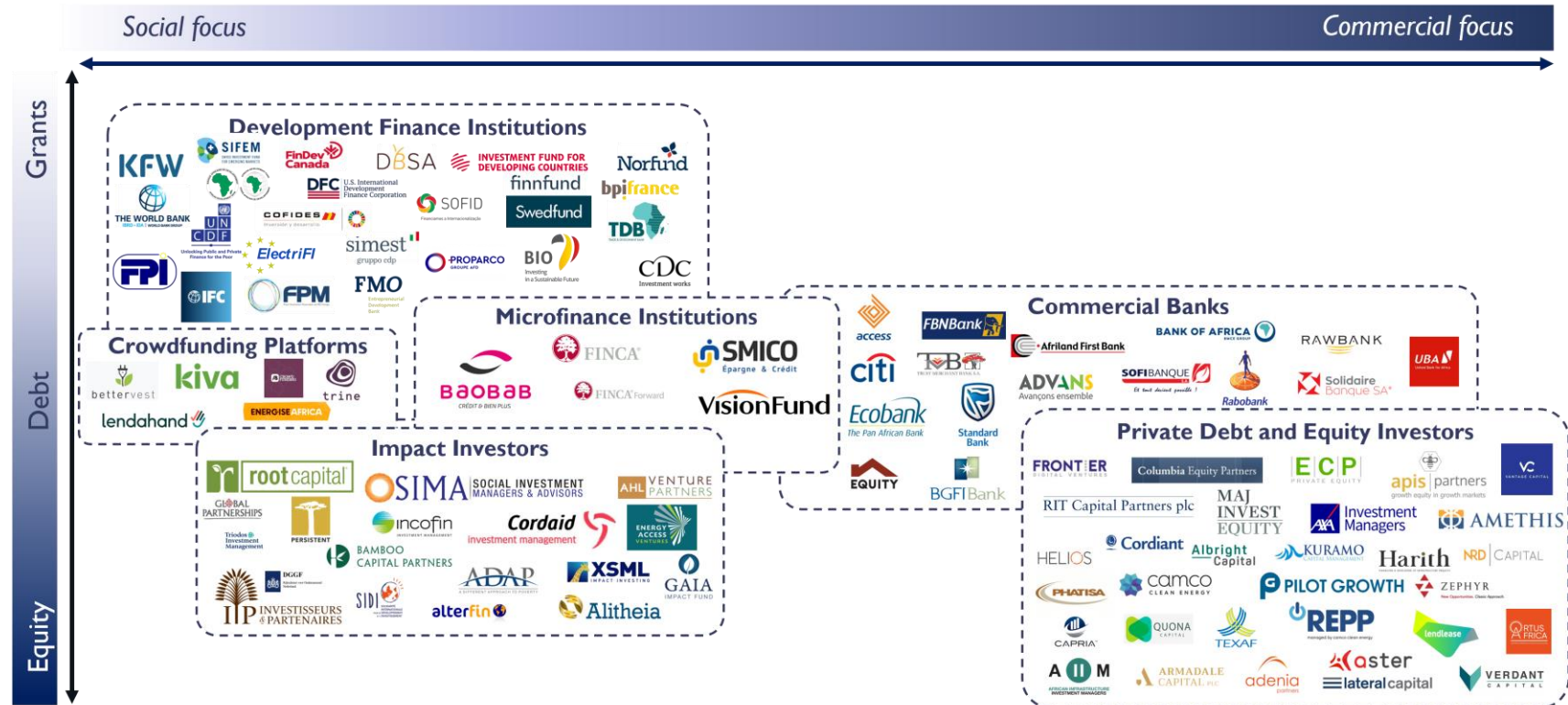
## 2 THE INVESTMENT LANDSCAPE IN THE DRC

In Section 2.1, we present an overview of the universe of current and potential investors in the DRC. In Section 2.2, we dig deeper into each category of investors and include an analysis of trends and key actors.

### 2.1 OVERVIEW OF THE EXISTING AND POTENTIAL INVESTORS IN THE DRC

In Exhibit I, USAID Invest provides a snapshot of investors mapped by their focus on social impact or commercial returns (X axis) and financial instrument types that they most commonly use (Y axis). We further group the investors into six categories based on their structure and investment goals: commercial banks, MFIs, DFIs, private debt and equity investors, impact investors, and crowdfunding platforms.

Exhibit I. Existing and Potential Investors in the DRC by Investment Focus and Financial Instrument Type



SOURCE: PUBLICLY AVAILABLE INFORMATION ON INVESTOR WEBSITES AND ON PITCHBOOK

USAID Invest targets six categories of investors:

- *Commercial banks.* The Congolese banking sector gives key access to finance to Congolese small and medium-sized enterprises (SMEs). The capital map counts 16 commercial banks, including 15 local banks present in the DRC and one international bank that is active in the region.
- *MFI.* We have made a distinction between MFIs and commercial banks to highlight that they target different customer segments and have different impacts as well. The capital map includes the five largest MFIs operating in the DRC.
- *DFIs.* This category includes both international and local DFIs. DFIs invest in private sector projects through grants, debt, hybrid products, and sometimes equity products, with the end goal to generate social impact. This category is comprised of Congolese government-backed funds (Fonds de Promotion de l'Industrie or FPI); bilateral development funds such as the Norwegian Norfund, Finnish Finnfund, German Kreditanstalt für Wiederaufbau (KfW), and French Promotion et Participation pour la Coopération Économique (Proparco); and multilateral development funds such as the International Finance Corporation (IFC) and African Development Bank (AfDB).<sup>2</sup>
- *Private debt and equity investors.* This category includes all debt and equity investors that do not necessarily have a social impact focus. It includes debt funds, mezzanine funds, and private equity funds with a focus on the African continent, or emerging countries in general. This category contains the most potential investors. These actors are generally more risk averse and seeking financial returns. USAID Invest can help mitigate their perceived risks and improve their returns by reducing information asymmetry and high transaction costs.
- *Impact investors.* The 20 social impact-focused actors identified are among the most active in the investment landscape. Impact investors are typically less averse to country risk, due to their goal of generating social and environmental impact. XSML Capital, which derives its name from the size of its investees, is highly active in the DRC compared to other investors, with a local presence that gives it a proximity advantage.
- *Crowdfunding platforms.* Crowdfunding platforms play an important role in identifying, publicizing, and pre-financing investment opportunities in many regions in the DRC. In Exhibit 1, USAID Invest includes six crowdfunding platforms who are active in over 20 of the DRC's 26 provinces. These platforms finance projects in the agriculture and energy sectors, often providing working capital for local SMEs. For example, the EnergiseAfrica platform supports microgrid projects and solar home system companies in the DRC and throughout sub-Saharan Africa. A seventh crowdfunding platform, Agrowfund, went live in September 2021 through a partnership between Logix Group and Agroktiv.

Exhibits 2 through 4 on the following pages segment investors according to their level of current engagement in the DRC:

- Exhibit 2 lists investors who are present in and investing in the DRC. All of the commercial banks and MFIs and most of the DFIs identified fall in this category. XSML Capital, Verdant Capital, and Texaf also fall into this category.
- Exhibit 3 lists investors that have made investments in the DRC but do not have an on-the-ground presence. This group is comprised of primarily private equity and debt investors and impact investors that have previously injected funds in local companies and/or foreign companies with activities in the DRC.

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2. Note that the entities listed in this category propose significantly different instruments and products. While the likes of the World Bank and the FPI would provide financing on concessional terms, entities like the IFC and Proparco propose instruments on commercial terms with higher interest rates.

- Exhibit 4 lists potential capital providers who neither are present in the DRC nor have yet made an investment in the DRC, however the DRC is one of the countries in their target investment geography. These investors have mandates that include the DRC. They currently consider financing companies in the DRC as higher on the risk spectrum but with higher potential for return.

### Exhibit 2. Investors Investing in the DRC with DRC Offices

COMMERCIAL BANKS	MICROFINANCE INSTITUTIONS	DFIS	PRIVATE EQUITY/DEBT FUNDS	IMPACT INVESTORS	CROWDFUNDING PLATFORMS
Access Bank DRC	Baobab	AfDB	Texaf <sup>3</sup>	Engelhorn Family	Avenir Business Crowdfunding
Advans Banque Congo <sup>4</sup>	FINCA	Fonds de Promotion de l'Industrie (FPI)	Verdant Capital	XSML Capital	
Afriland First Bank	SMICO SA	FPM SA			
Bank of Africa DRC	Visionfund	IFC			
BGFI Bank DRC		KfW			
Citigroup Congo		PADMPME			
Ecobank DRC		Proparco			
Equity BCDC		TDB			
FBN Bank DRC		UNCDF			
Rawbank		World Bank			
Sofibanque					
Solidaire Banque					
Standard Bank Congo					
TMB					
UBA Congo DRC					

NOTES: COMMERCIAL BANK ACRONYMS ARE: **BGFI BANK** (FORMERLY) INTERNATIONAL GABONESE AND FRENCH BANK; **EQUITY BCDC** EQUITY COMMERCIAL BANK OF CONGO; **FBN BANK DRC** FIRST BANK OF NIGERIA IN DRC; **TMB** TRUST MERCHANT BANK; **UBA CONGO DRC** UNITED BANK FOR AFRICA IN DRC. MFI ACRONYMS ARE: **FINCA** FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE; **SMICO SA** SOCIETY OF CONGOLESE MICROCREDITS. DFI ACRONYMS (AND ASSOCIATED COUNTRIES) ARE: **AFDB** AFRICAN DEVELOPMENT BANK (AFRICAN UNION); **FPI FUNDS** FOR THE PROMOTION OF INDUSTRY (DRC); **FPM SA** FUNDS FOR THE PROMOTION OF FINANCIAL INCLUSION (DRC); **IFC** INTERNATIONAL FINANCE CORPORATION; **KfW** CREDIT INSTITUTE FOR RECONSTRUCTION (GERMANY); **PADMPME** SUPPORT PROJECT FOR THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (WORLD BANK-FUNDED); **PROPARCO** COMPANY OF PROMOTION AND PARTICIPATION FOR ECONOMIC COOPERATION (FRANCE); **TDB** TRADE AND DEVELOPMENT BANK (EASTERN AND SOUTHERN AFRICA); **UNCDF** UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNITED NATIONS). IMPACT INVESTOR ACRONYMS ARE: **XSML CAPITAL** EXTRA SMALL MEDIUM LARGE CAPITAL.

SOURCES: AVCA, PITCHBOOK, INTERVIEWS WITH INVESTORS, INVESTOR'S WEBSITE

3. Although Texaf is a private company, and not a fund, we have included it in the capital map due to the firm's high volume of direct investments outside of its core activities in the DRC. Additionally, they have recently started pursuing VC opportunities across the country

4. Although Advans is currently a bank, they are not able to meet the new Central Bank of Congo minimum capital requirements for banks, and are thus trying to become an MFI



### Exhibit 3. Investors with Past Investments in the DRC without DRC Offices

COMMERCIAL BANKS	MICROFINANCE INSTITUTIONS	DFIS	PRIVATE EQUITY/DEBT FUNDS	IMPACT INVESTORS	CROWDFUNDING PLATFORMS
	FINCA Forward	BIO	African Infrastructure Investment Managers	Africa Enterprise Challenge Fund	EnergiseAfrica (Lendahand UK)
		CDC	Albright Capital Management	AHL Venture Partners	Kiva
		DBSA	Amethis	Alterfin	Lendahand NL
		Development Finance Corporation (DFC)	Apis Partners	Cordaid Investment Management	Trine
		ElectrIFI	Armada Capital	Dutch Good Growth Fund	
		FinDev Canada	Aster Capital	Energy Access Ventures	
		Finnfund	Emerging Capital Partners	Gaia Impact Fund	
		FMO	Helios Investment Partners	Incofin Investment Management	
		IFU	Kuramo Capital Management	Investisseurs & Partenaires	
		Norfund	Maj Invest	Persistent Energy Capital	
		SIMEST	Phatisa	Root Capital	
		Swedfund	Zephyr Management	SIMA Funds	
				SIDI	

NOTES: DFI ACRONYMS (AND ASSOCIATED COUNTRIES) ARE: **BIO** BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES (BELGIUM); **CDC** COMMONWEALTH DEVELOPMENT GROUP (U.K.); **DBSA** DEVELOPMENT BANK OF SOUTH AFRICA (SOUTH AFRICA); **DFC** U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION (U.S.); **ELECTRIFI** ELECTRIFICATION FINANCING INITIATIVE (EU); **FINDEV** DEVELOPMENT FINANCE INSTITUTE CANADA (CANADA); **FINNFUND** FINNISH FUND FOR INDUSTRIAL COOPERATION (FINLAND); **FMO** DUTCH ENTREPRENEURIAL DEVELOPMENT BANK (NETHERLANDS); **IFU** INVESTMENT FUND FOR DEVELOPING COUNTRIES (DENMARK); **NORFUND** NORWEGIAN INVESTMENT FUND FOR DEVELOPING COUNTRIES (NORWAY); **SIMEST** ITALIAN SOCIETY FOR BUSINESS ABROAD (ITALY); **SWEDFUND** SWEDFUND INTERNATIONAL (SWEDEN). IMPACT INVESTOR ACRONYMS INCLUDE: **SIMA FUNDS** SOCIAL INVESTMENT MANAGERS & ADVISORS; **SIDI** INTERNATIONAL SOLIDARITY FOR DEVELOPMENT AND INVESTMENT

SOURCES: AVCA, PITCHBOOK, INTERVIEWS WITH INVESTORS, INVESTOR'S WEBSITE

## Exhibit 4. Other Potential Investors

COMMERCIAL BANKS	MICROFINANCE INSTITUTIONS	DFIS	PRIVATE EQUITY/DEBT FUNDS	IMPACT INVESTORS	CROWDFUNDING PLATFORMS
Rabobank		Bpifrance	Adenia	ADAP Capital	BetterVest
		COFIDES	AXA Investment Managers	Alitheia Capital	Agrowfund <sup>5</sup>
		SIFEM	Capria	Bamboo Capital Partners	
		SOFID	Camco Clean Energy	Global Partnerships	
			Cordiant Capital	Hivos-Triodos Fund	
			Frontier Digital Ventures		
			Harith General Partners		
			Lateral Capital		
			Lendlease		
			NRD Capital Management		
			Ortus Africa Capital		
			Quona Capital		
			REPP		
			RIT Capital Partners		

NOTES: DFI ACRONYMS (AND ASSOCIATED COUNTRIES) ARE: **BPIFRANCE** PUBLIC INVESTMENT BANK (FRANCE); **COFIDES** SPANISH DEVELOPMENT FINANCE COMPANY (SPAIN); **SIFEM** SWISS INVESTMENT FUND FOR EMERGING MARKETS (SWITZERLAND); **SOFID** PORTUGUESE DEVELOPMENT FINANCE INSTITUTE (PORTUGAL). PRIVATE EQUITY/DEBT FUND ACRONYMS ARE: **REPP** RENEWABLE ENERGY PERFORMANCE PLATFORM. IMPACT INVESTOR ACRONYMS ARE: **ADAP CAPITAL** A DIFFERENT APPROACH TO POVERTY CAPITAL.

SOURCES: AVCA, PITCHBOOK, INTERVIEWS WITH INVESTORS, INVESTOR'S WEBSITE

## 2.2 ANALYSIS OF THE CATEGORIES OF INVESTORS

In Section 2.2, we provide a deeper dive on the different categories of investors.

### 2.2.1 COMMERCIAL BANKS AND MFIS

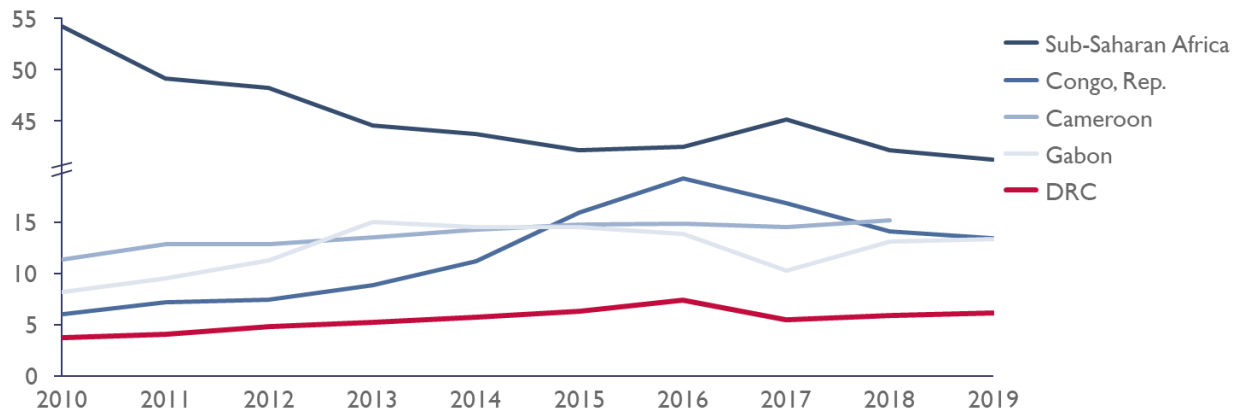
*Local financial institutions.* Congolese financial institutions – both commercial banks and MFIs – are among the main capital providers to Congolese SMEs, providing short-term debt products (with a maturity of up to three years). There are 15 local banks and 102 microfinance institutions currently active in the DRC. Loan sizes are relatively limited for MFIs and typically capped at \$100,000<sup>6</sup>, with a maturity of up to two years. Commercial banks may provide large loans, with longer maturities of two to three years.

Local financial institutions perceive the risk of lending to SMEs as significantly high. As such, they usually require high collaterals of 120% to 200% of the loan amount. Furthermore, the terms of these loans can be onerous with interest rates on local currency loans ranging between 20% to 35% per year. In 2019, the

<sup>6</sup> Some MFIs like FINCA have been able to grant debt above this threshold with clearance from the central bank.

interest rate on commercial loans averaged 27% for loans in local currency and 16% for loans in foreign currency.<sup>7</sup> As shown in Exhibit 5 below, credit provided to the private sector from local financial institutions in the DRC is one of the lowest in sub-Saharan Africa at 6.1% of GDP in 2019 compared to 27% on average.

**Exhibit 5. Domestic Credit to the Private Sector by Banks (% of GDP)**



SOURCE: WORLD BANK DATA

The DRC domestic banking sector has been dominated by four banks, Rawbank, BCDC, TMB, and Equity Bank Group, which together control over 60% of total assets in the country. Two of these banks, Equity and BCDC, merged in December 2020, to form Equity BCDC. The merger creates the second largest bank group in the DRC. Exhibit 6 below provides an overview of the 15 commercial banks in the DRC and their market shares.

**Exhibit 6. Commercial Banks in the DRC and Their Market Shares**

BANKS	CATEGORY	MARKET SHARE (CREDIT)	MARKET SHARE (BALANCE SHEET)
Solidaire Banque	Congolese bank	0.1%	0%
Citigroup Congo	International bank	1.2%	4%
UBA	Panafrican bank	1.2%	1%
Access	Panafrican bank	1.5%	2%
Advans Banque Congo	International bank	1.6%	1%
Bgfibank	Panafrican bank	2.2%	2%
Sofibanque	Congolese bank	4.4%	3%
FBN Bank	Panafrican bank	5.3%	6%
Ecobank	Panafrican bank	5.4%	8%
Bank of Africa	Panafrican bank	5.5%	3%
Standard Bank	International bank	6.5%	5%
TMB	Congolese bank	11.2%	13%
Equity BCDC	Congolese bank	26.3%	25%

7. Central Bank of Congo report, 2019

BANKS	CATEGORY	MARKET SHARE (CREDIT)	MARKET SHARE (BALANCE SHEET)
Rawbank <sup>8</sup>	Congolese bank	27.5%	27%
Afriland First Bank Cd	Panafrican bank	Not available	Not available

NOTES: (I) OUT OF THE 15 BANKS, THREE HAVE AN SME DESK (RAWBANK, EQUITY BCDC, AND TMB); (II) THE TABLE DOES NOT INCLUDE ONE INTERNATIONAL BANK (RABOBANK) LISTED IN THE CAPITAL MAP AS IT IS NOT CURRENTLY ACTIVE IN THE DRC.

SOURCE: DELOITTE'S 2019 REPORT ON THE CONGOLESE BANKING SECTOR, CENTRAL BANK OF CONGO REPORT

Exhibit 7 outlines key metrics for the DRC's banking sector. On the positive side, DRC banks are sufficiently well capitalized with an average capital ratio of 13.9%, in line with peer countries. However, the rate of non-performing loans was among the highest in the world<sup>9</sup> at 16.1% in September 2019. Additionally, the sector's average return on assets of 1.40% is low. The Congolese economy is highly dollarized, with 91.5% of loans in foreign currency, primarily U.S. dollars. The DRC has a low bank account penetration rate, at just around 6%, which helps explain why the banking sector struggles to finance the economy. In 2019, banks in the DRC provided loans to all sectors of activity, however, two sectors stand out: trade (retail and wholesale) and mining, which accounted for 12%, and 7% of total loans, respectively.

### Exhibit 7. Key Metrics of the Congolese Financial Sector

	2017	2018	Jan-SEPT 2019
Average capital ratio	16%	13.7%	13.9%
Non-performing loans	16.1%	13.8%	16.1%
Return on assets	-0.1%	1.1%	1.4%
Foreign currency loans to total loans	93.7%	90.0%	91.5%

SOURCE: IMF

Access to finance remains a major constraint for SMEs in the DRC, as they largely struggle to attract affordable capital, despite the opportunities. These SMEs face an estimated funding gap of \$9.3 billion (26% of the country's GDP).<sup>10</sup> The loan portfolio of the entire Congolese financial sector stood at \$4.5 billion at the end of 2019, with less than 20% (\$900 million) going to SMEs. Although existing debt funds have extended maturity dates and increased grace periods over the last years, indicating higher trust in borrowers, no current actor with an established local presence is providing financing products in the \$100,000-\$1 million range.<sup>11</sup>

**Microfinance potential.** Given the weaknesses of the banking sector, MFIs have a role to play in the financial inclusion of local populations in the DRC. The microfinance sector has grown over the past 10 years, evolving from 89 institutions in 2008 to 102 in 2018. Most notably, over the same period, the number of accounts quadrupled, from around 560,000 to nearly 2.1 million accounts, and the sector's net credit portfolio almost tripled, indicating significant gains in access to finance through MFIs. In 2018, total assets of all MFIs amounted to \$251 million, with \$136 million in outstanding loans.

In the DRC, three categories of MFIs are most common: savings and credit cooperatives, non-deposit taking micro-credit institutions, and micro-finance enterprises. As part of our capital mapping exercise, we included only the four largest deposit-taking MFIs — FINCA, Baobab, Visionfund, and SMICO. In 2018, they represented more than 45% of the total assets and 68% of the outstanding loans of the MFI sector.<sup>12</sup>

8. Note that Rawbank historically only supported SMEs when the SMEs were active in the same value chain as one of Rawbank's large corporate clients.

9. World Bank Data – Bank nonperforming loans to total gross loans

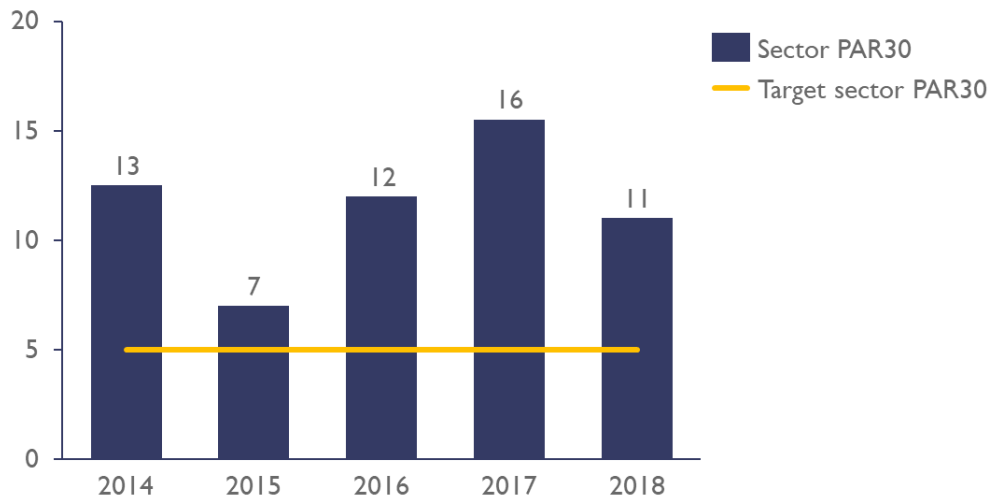
10. MSME Finance Gap, World Bank, 2017

11. Elan RDC, Investment Facilitation in DRC, 2021

12. Data excerpted from the MFIs' annual reports, FPM, and BCC (Central Bank of Congo) data

FINCA dominates the microfinance sector, with 34% of microfinance sector assets, 25% of deposits, and 48% of loans in 2018. Several commercial banks such as Equity BCDC and Advans also provide services to underserved populations and therefore compete with MFIs. As in the banking sector, the quality of the credit portfolio of MFIs is poor with a PAR30 (portfolio at risk, or value of loans more than 30 days in arrears over total loan portfolio value) averaging 10.8% as of 2018, negatively impacted by the cooperatives' performance of 19.8%, compared to 7.8% for private MFIs (see Exhibit 8).

**Exhibit 8. DRC MFI PAR30 data from 2014 to 2018 (% of the Credit Portfolio)**



SOURCE: CENTRAL BANK OF CONGO REPORT ON THE MICROFINANCE SECTOR

MFIs are most popular in the Kivus. While the Kivus account for only 5% of bank loan portfolios, they represent almost 50% of the number of MFI branches according to the Central Bank of the Congo (BCC) report on the sector. Similar to commercial banks, the trade sector represented the largest sector support by MFIs in 2018, accounting for 59.1% of total credit.

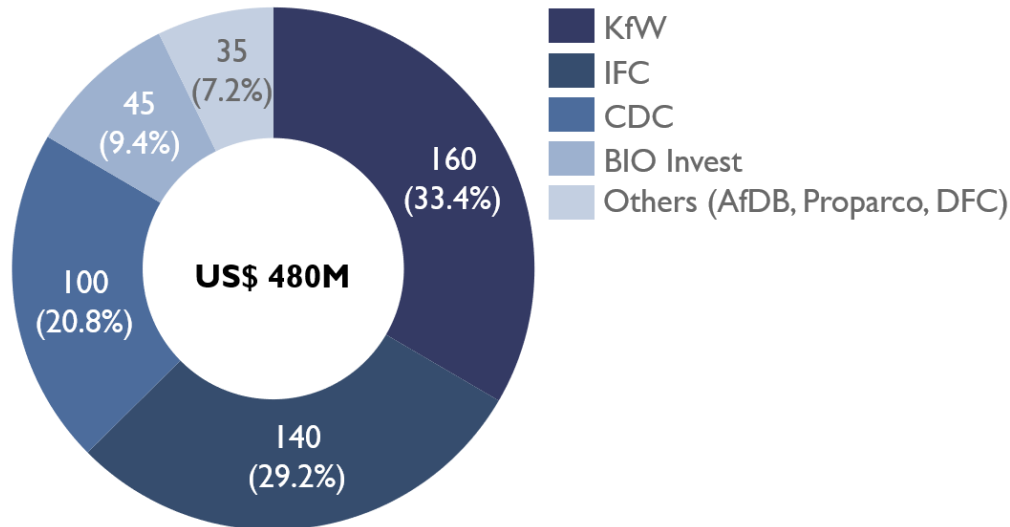
## 2.2.2 DEVELOPMENT FINANCE INSTITUTIONS

*DFIs include both local institutions and international institutions.* On the local side, we identified one Congolese government-backed fund, the Fonds de Promotion de l'Industrie (FPI), that aims to contribute to the development of the local economy. Created in 1989, FPI's main mission is to promote the development of Congolese industry to substitute imports with local goods. It seeks to contribute to the financing of all projects in line with this goal. As such, the FPI makes investments in areas such as poultry farming and rice production, among other areas. The FPI has a loan portfolio of more than \$260 million.

The International institutions can be categorized as bilateral development banks such as KfW, Norfund, Proparco, the Belgian BIO Invest, and the British CDC and as multilateral development banks such as the IFC, AfDB, and TDB. These institutions make relatively limited direct investments in local SMEs. While DFIs can make equity and debt investments directly in high-potential companies, most supply funding indirectly through local capital providers such as local banks, MFIs, and a handful of local fund managers. DFIs typically target sectors where there can be high development impact such as agriculture, energy, or financial inclusion. Between 2010 and 2020, investments of some of the largest DFIs (KfW, IFC, CDC, BIO Invest AfDB, Proparco, and DFC) in the DRC amounted to \$480 million. This number is quite small compared to Kenya which received \$3.043 billion from DFIs and Nigeria which received \$6.921 billion from DFIs. Among the sample of DFIs identified, the KfW, IFC, CDC, and BIO Invest are the most active

in the DRC (see Exhibit 9), although that may change, with the departure of the local representative of CDC in 2019 and the recent hire of a local Proparco representative in 2021.

Exhibit 9. Investments of Illustrative DFIs in the Congolese Private Sector between 2010 and 2020 (millions of U.S. dollars)



NOTE: CDC DATA ONLY AVAILABLE UNTIL 2019 AND DFC DATA UNTIL 2018  
SOURCE: IFC, PROPARGO, DFC, CDC, AND BIO INVEST WEBSITES

### 2.2.3 PRIVATE DEBT AND EQUITY FUNDS

*Focus on profit.* Private debt and private equity investors are primarily focused on financial returns. Those operating in Africa nevertheless have a development impact component in their investment strategy. That makes them high-potential investors for Congolese SMEs. Out of the 30 entities identified in this category, USAID Invest considers half of them target investors because of previous investments or local presence in the DRC and half target investors that we believe could be mobilized to invest in the country.

Below we provide a summary of four potential private investors for USAID Invest:

- Phatisa is a private equity fund focused on food and affordable housing opportunities across sub-Saharan Africa. Phatisa has an impact investing strategy which seeks to contribute to the UN’s Sustainable Development Goals: (2) Zero Hunger and (11) Sustainable Cities and Communities.
- Adenia Partners is a private equity firm created in 2002 committed to responsible investing across the African continent in various sectors including agriculture, manufacturing, and healthcare.
- Verdant Capital is a pan-African corporate finance firm currently managing a number of debt funds. Verdant is one of the only investors identified which has an on-the-ground presence in the DRC, although it acts only as an intermediary in the DRC at the moment. Verdant has not invested themselves yet in the DRC.
- Texaf is an investment company that pursues opportunities in real estate, agriculture, manufacturing, and digital services. Texaf has already made a number of investments in the DRC and announced that they are looking to provide venture capital funding to promising startups.

## 2.2.4 IMPACT INVESTORS

*Doing business for good.* The main objective of impact investors is to generate measurable social and environmental impact alongside a financial return. Impact investors are among the most active foreign investors in the DRC, after the DFIs. We identified 20 impact investors, of which 13 have already invested in the DRC. Only two, XSML Capital and Engelhorn Family, have a local presence. Although they have smaller assets under management compared to the other private investors we identified, impact investors are no less active in terms of investments in high-impact sectors such as agriculture, energy, and financial inclusion. With minimum investment sizes as low as \$40,000, they finance MFIs or grant SMEs the opportunity to finance their activities at a lower cost, most often through short and medium-term loans, and more rarely through equity. Among the most important impact investors in the DRC:

- XSML Capital is a fund manager investing in Central and East Africa, that helps small businesses grow into medium and large enterprises. XSML Capital was founded in the Netherlands in 2008 and currently manages approximately \$125 million in assets. It has offices in Kinshasa and Kampala. XSML started with investments ranging from \$400,000 to \$700,000 but recently increased its minimum investment size to focus on deals worth \$1.5 million and higher.
- Persistent Energy Capital is a venture capital firm focused on financing early-stage companies that provide essential products and services such as energy access to customers in frontier markets. The firm seeks to create social and environmental impact by providing capital and financial advisory support.

In Exhibit 10, we chart the private debt and equity funds and impact investors according to their assets under management (Y axis) and their social versus commercial focus (X axis).

Exhibit 10. Private Equity and Debt and Impact Investors in the DRC



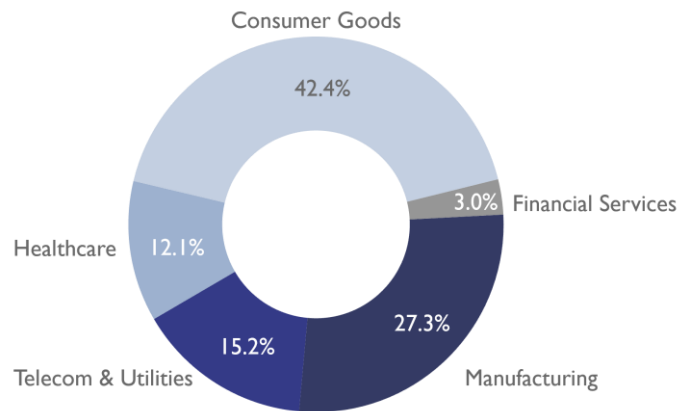
SOURCE: PITCHBOOK, INVESTOR WEBSITES

*Untapped market.* Central Africa largely attracts less external private investors compared to other regions on the continent. According to the Africa Private Equity and Venture Capital Association (AVCA) only 4%

of the 282 private equity deals executed in Africa between 2013 and 2018 were in the central African region and just 3% of the total \$10.8 billion by dollar value. Africa-focused investors are interested in Congolese businesses, but low transaction volume indicates that there are not enough incentives to invest in the country.

Since 2005, there have been 33 public equity transactions in the DRC. These deals were mostly in the consumer goods sector, including palm oil, meat processing, and discretionary services, and the manufacturing sector (see Exhibit 11). The impact investor XSM Capital accounts for 24 of the 33 deals, which shows the limited breadth of the Congolese investor landscape.

**Exhibit 11. Equity Deals in the DRC since 2005 by Sector**



NOTE: PERCENTAGES BASED ON NUMBER OF PUBLICLY AVAILABLE DEALS.  
SOURCE: AVCA

### 2.2.5 CROWDFUNDING PLATFORMS

USAID Invest identified six crowdfunding platforms that are either active in the DRC or are potential investors in the country. These actors play an important role in identifying, publicizing, and providing seed funding to companies across the DRC. Of the six platforms identified, Avenir Business Crowdfunding is based in the DRC and four have had activities in the country. The last one, BetterVest, could potentially be interested in investing in impactful Congolese companies; however, BetterVest’s geographic scope does not currently cover the DRC. A seventh crowdfunding platform, Agrowfund, formed in September 2021 and therefore has insufficient data to be included in the capital map. While crowdfunding platforms usually provide debt products, some of the identified platforms also offer grants to local entrepreneurs.

### 2.3 RISK SHARING MECHANISMS AND GUARANTEE FUNDS

*Risk-sharing mechanisms and guarantee funds have a key role to play in improving access to finance for SMEs in the DRC.* Credit guarantee schemes provide a high-quality risk mitigation tool to lenders, absorbing a portion of losses in case of default. These mechanisms allow financial institutions to lend to SMEs with high potential but insufficient collateral. Some credit guarantee funds are active in the DRC (see Exhibit 12), providing local financial institutions with partial risk coverage either on future loan portfolios or on individual loans.



## Exhibit 12. Overview of Credit Guarantee Funds in the DRC

CREDIT GUARANTEE FUND	DESCRIPTION	LEVEL OF RISK COVERAGE
The French development agency AFD has established the ARIZ (Support for the Risk of Financing Private Investment in AFD's Intervention Zone) fund in conjunction with Proparco.	<p>Sector-agnostic fund, with a focus on providing access to medium and long-term financial resources for SMEs</p> <p>Depending on the need, could provide individual loan or loan portfolio guarantee</p>	<p>These three funds all provide silent guarantees to local financial institutions with risk coverage typically of 40-50%. Lenders shall rely on their own credit risk rules to cover the remaining 50-60%.</p>
USAID's Development Credit Authority (now the DFC) and Swedish International Development Cooperation Agency	<p>Agriculture-focused fund with a regional focus on the Kivus</p> <p>Provides loan portfolio guarantee</p>	
African Guarantee Fund	<p>Fund designed and funded by the AfDB to stimulate financing to SMEs across the African continent</p> <p>Depending on the need, could provide individual loan or loan portfolio guarantee</p>	

### 2.4 FOCUS ON THE AGRICULTURAL INVESTMENT LANDSCAPE

USAID Invest seeks to catalyze investment in agricultural value chains and agriculture-enabling sectors. In the following section we scope investors based on their appetite and past activities in the agricultural sector both in and out of the DRC. A breakdown by category, similar to Exhibit 5, helps to accurately determine the different types of investors USAID Invest shall target. We identified three categories of agriculture sector investors:

- *Investors that have agriculture as a target sector.* Among the 103 investors identified in the capital map, a total of 72 have the agricultural sector in their scope of investment.
- *Investors actively investing in the agricultural sector.* This category includes investors that have previously injected funds in the agricultural sector in emerging markets. 65 investors are actively investing in agriculture out of the 72 that have it as a target sector. These investors have committed on average 25% of their portfolio to agriculture.
- *Investors that have invested in the Congolese agricultural sector.* Only eight investors have been investing actively in the agricultural sector in emerging markets and specifically made investments into agricultural companies based in the DRC.

Exhibit 13, next page, summarizes the agriculture-focused capital map for the DRC.

### Exhibit 13. Agricultural Sector Investors



SOURCE: AVCA, PITCHBOOK, INTERVIEWS WITH INVESTORS, INVESTOR WEBSITES

Agriculture sectors investors in the DRC can be analyzed separately by their size of investments. Impact funds and MFIs support local producers with smaller investments of less than \$500,000. DFIs and other private investors typically make larger investments to support the development of agro-processing projects.

*Small agricultural investments.* Several impact investors, such as Alterfin, Root Capital, and SIDI, have been working in Congolese regions such as the Kivus since the early 2000s. With the objective of fostering income-generating activities through financial support in the region, these funds regularly support agricultural production with small working capital loans and grants. For example, investors are interested in cooperatives such as Muungano Coffee Cooperative, Solidarity for the Promotion of Coffee Actions and Integral Development (SOPADCI), or the Cooperative Society of Coffee Producers and Innovators in Kivu (SCPNCK) active in value chains such as coffee and cocoa. USAID Invest is in discussions with these cooperatives to identify their eligibility criteria for support from USAID Invest.

Local MFIs are also active in the Congolese agricultural sector. SMICO and FINCA make investments of up to \$100,000 – a cap fixed by the BCC, above which a special approval is required. USAID Invest met with the founder of SMICO to identify potential areas of collaboration. SMICO is looking to scale up its recently founded credit guarantee fund, AgriEst, which aims to support cooperatives in the eastern regions.

USAID Invest will look to structure deals with agricultural cooperatives, helping farmers scale up their activities by acquiring additional assets, with longer-term financing lines.

Exhibit 14, next page, shows some illustrative impact funds which invest in the agriculture sector, comparing their typical criteria for selecting firms for investment.

## Exhibit I4. Comparative Investment Criteria at Selected Agriculture-Focused Impact Fund Managers



<b>Minimum years of operation</b>	2	3	2	3
<b>Impact, compliance and certification</b>	Benefits for smallholder farmers should be demonstrated (e.g., by fair-trade label)	Positive impact for smallholder farmers or rural communities	Benefits for smallholder farmers should be demonstrated (e.g., with a social or environmental label)	Compliance with local safety standards
<b>Profitability indicators</b>	90% OSS and positive trend	—	80% OSS and positive trend	Positive EBITDA on average over past 3 years.
<b>Collaterals</b>	Fixed assets collateral	Purchase order / Supply contract can be enough	Personal guarantee and/or fixed assets collateral highly recommended	Fixed assets collateral
<b>Minimum number of farmers</b>	150	—	100	—
<b>Minimum loan amount</b>	\$100,000	\$200,000	\$75,000	\$300,000
<b>Minimum yearly sales</b>	\$500,000	\$250,000	\$250,000	\$1 million
<b>Target market</b>	Agriculture	Agriculture	Agriculture	Agriculture (nutritious foods only)
<b>Reporting requirement</b>	—	—	Audited accounts highly recommended but not compulsory	Externally audited with capacity to provide good quality financial reporting on a regular basis
<b>Exports allowed</b>	Yes	Yes	Yes	No international exports, except for regional trade

NOTES: INCOFIN AND GAIN ARE RESPECTIVELY FUND MANAGER AND TECHNICAL ASSISTANCE FACILITATOR FOR THE N3F FUND. OSS (OPERATIONAL SELF-SUFFICIENCY) IS CALCULATED BY DIVIDING OPERATING REVENUE BY THE SUM OF FINANCIAL EXPENSES, OPERATING EXPENSES, AND IMPAIRMENT EXPENSES. A COMPANY WITH AN OSS OF 100% IS BREAKING EVEN. EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION) ADDS INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION EXPENSES TO NET INCOME AS A MEASURE OF CORE PROFITABILITY.

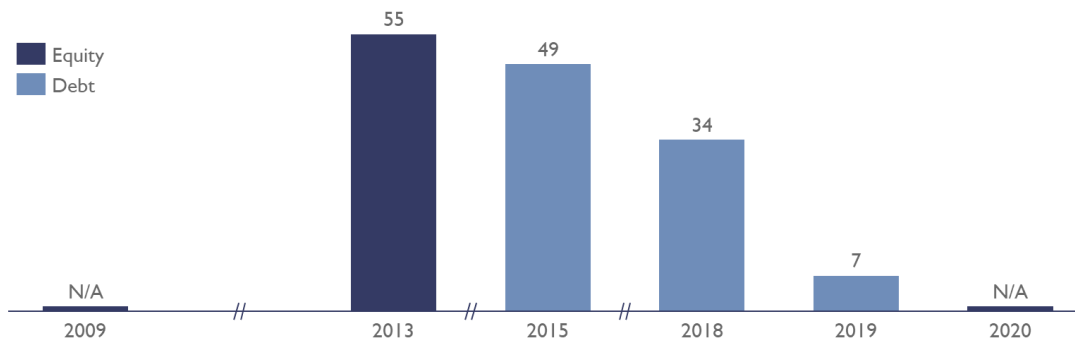
**Large agricultural investments:** Large direct investments (over \$1 million) from DFIs and private investors in the Congolese agricultural sector were sporadic from 2009 to 2021, with 12 identified transactions in equity and debt for a total amount of \$146 million. Two of these transactions have undisclosed amounts. Three companies received large investments over the past ten years: Plantation et Huileries du Congo

(accounting for most transactions), Africa Mining, and Groupe Jambo. These companies have large projects developed by experienced international investors.

Although there is no public information available, local banks such as TMB and Equity BCDC have completed sizeable deals in the agricultural value chains. These local banks have issued medium to long-term loans to agribusinesses with ticket sizes above \$1 million per transaction. The sector has also seen successful collaboration between DFIs and local banks such as through the USAID Development Credit Authority program which helped attract almost \$6 million in agriculture, as of June 2020, in partnership with Equity BCDC and FINCA.

USAID Invest will allow for the identification of a pool of high-potential transactions, providing targeted investors with a sound, diversified, and high-quality pipeline of projects that are readily available to receive funds. USAID Invest will support smaller projects (under \$500,000) to reach financial close where prior investors have shied away, and also seek to reverse the trend in the decline in larger investments over \$1 million (see Exhibit 15).

**Exhibit 15. Investment Volume (over \$1 Million per Ticket) in the DRC Agriculture Sector**



NOTE: DATA COLLECTED BEFORE THE MERGER OF EQUITY AND BCDC. EXCLUDES BANKS AND MFIS.  
SOURCE: AVCA, PITCHBOOK, INVESTOR WEBSITES

### 3 INVESTOR ENGAGEMENT PROCESS

*Engagement in workshops.* USAID Invest’s strategy for engagement with investors started with two investor workshops. The first session was with DFIs and the second was with all investor types active in or interested in the DRC. The goal of these sessions was to present USAID Invest and gather investor feedback on the Activity’s planned objectives and approach. Following these discussions, USAID Invest scheduled follow-up meetings with several investors to explore methods for collaboration. So far, USAID Invest has held meetings with Bamboo Capital, Engelhorn, Equity BCDC, the Dutch investment bank FMO, IFC, Investisseurs & Partenaires, Proparco, and Root Capital, and have reached out to other investors including Incofin, KfW, Rabobank, Verdant Capital, and World Bank. USAID Invest’s initial engagement with investors yields two opportunities. First, investors will support the Activity’s pipeline sourcing efforts by sharing any potential transaction they are working on. Second, USAID Invest will feed investors a pipeline of transactions by sharing profiles of companies it supports that fit their investment criteria.

Following the sourcing stage, USAID Invest will aim to support investors and companies through the investment process to facilitate transaction close. As detailed in Exhibit 16, USAID Invest support could include the provision of market intelligence, preparation of fundraising documents, due diligence support, investment implementation planning, and linkage with service providers.

**Exhibit 16. Detailed Description of Activity Support to Investors and Companies**

THE ACTIVITY’S SUPPORT AREA	DESCRIPTION
Provision of market intelligence	Provide market intelligence to capital seekers and/or investors, breaking down the information asymmetry barrier with, e.g., estimates of the addressable market size and consumer profiling.
Preparation of fundraising documents	Support capital seekers in the preparation of fundraising documents, e.g., financial modeling, valuation, and pitch deck.
Due diligence	Screen the commercial and social impact potential of deals including detailed operational and commercial due diligence assessments of potential investment beneficiaries.
Investment implementation planning	Provide implementation planning support to capital seekers and investors to ensure they deliver on the investment’s goals.
Linkage with service providers	Support investors in finding the right service providers including financial and technical auditors, as well as legal counsel to support investors on active transactions.

#### 3.1 PIPELINE SOURCING

USAID Invest aims to catalyze investment in the agricultural value chains and agriculture-enabling sectors in the DRC, and it is actively building a pipeline of companies to support through the project cycle. The Activity is prioritizing companies that are seeking an investment of \$250,000 (as a soft limit) in equity or debt. While USAID Invest will most likely source these pipeline companies through outreach to SMEs, it can expand the pool of pipeline companies through direct outreach to investors focused on the DRC. In cases where investors have already sourced potential investments, the Activity may be able to bring those companies into the pipeline and build their capacity to work with investors. The activity would prioritize (1) transactions investors are actively working on, (2) transactions investors find preliminarily interesting and would work on if they had the capacity, and (3) transactions where investors have received materials but have not yet analyzed. USAID Invest can add value to any of those investor-sourced transactions.

### **3.2 INVESTOR-SIDE SUPPORT ON INVESTOR-SOURCED TRANSACTIONS**

For transactions that investors are not actively working on, USAID Invest can support investors in their evaluation process to fast-track the investment process. Support areas could include opportunity validation, market intelligence, and eventually fundraising support. Typically, our support for transactions at that stage of the investment process will aim to provide investors with the key information they would need to move the transaction through the investment process.

Investors in the DRC have expressed heightened sensitivities around sharing data as they fear that their proprietary business information may get leaked. Ahead of any information-sharing, USAID Invest will execute a non-disclosure agreement with investors to establish confidentiality on specific transactions.

### **3.3 SUPPORT ON NEW INVESTMENT OPPORTUNITIES SHARED WITH INVESTORS**

USAID Invest will also engage with investors to present investment opportunities in companies we have supported in becoming investment ready. We will first target companies that are currently fundraising. Our support can entail setting up a data room with key materials needed by investors to evaluate an opportunity. These materials may include a financial model, an investment memo, information on suppliers and buyers, for example. We will then work with companies to curate a shortlist of investors that would potentially be interested in their businesses and approach them accordingly. Exhibit 17, next page, displays an illustrative engagement process with firms and investors.

USAID Invest will share investment opportunities with investors together with documentation that should facilitate their evaluation of the opportunities. A typical investment could take 5 to 15 months to reach financial close. Internally, investors have a five-step process to bring any transaction to financial close post-sourcing. At each step along the process, investors will need key documents to evaluate the opportunity and move it forward. USAID Invest will work with the company and its potential investors to prepare the needed information, such as an investor memo or a financial model. USAID Invest will also review material issued by investors such as term sheets, loan agreements, and definitive agreements, and it will act as a neutral advisor to the company and its potential investors to facilitate financial close.

For investors that are interested in the DRC but do not yet have an investment in the country, USAID Invest could lower the barriers to investing in the DRC. This was the case for Cordaid Investment Management and the Mali Investment Facilitation Platform also sponsored by USAID. The Platform facilitated Cordaid's first SME investment in Mali. Following that successful first engagement and investment, the impact investor made subsequent investments through the Platform and beyond. As of the date of this report, Cordaid has five SME investments in Mali across several sectors and is establishing a regional fund focused on Mali and three other West African countries. Similarly, USAID Invest will aim to attract investors in the DRC for a long-term presence.

Exhibit 17. Illustrative Investment Process



## 4 RISKS INVESTORS FACE IN THE DRC

The DRC is undeniably an untapped market for its investment opportunities in agriculture value chains and agriculture-enabling, energy, and other sectors. The market also presents various risks which have historically deterred some investors from investing in promising opportunities.

According to the World Bank, the DRC placed 183 out of 190 countries for ease of doing business in 2020. This ranking is rooted in some of the inherent risks of doing business in the DRC, such as political risk, security risk, and corruption. While engaging with investors, USAID Invest will seek to identify specific transaction risks for each transaction under our purview, use our investment toolkit to evaluate risks, and develop relevant mitigating measures.

Guided by USAID Invest’s transaction selection scorecard, we will assess risk for each transaction in our portfolio by interviewing each side of the deal, reviewing the company’s documentation, consulting external databases to check compliance with economic and security sanctions, evaluating agriculture and SME lending decks from financial institutions in the DRC, and discussing the transaction with risk managers.

As needed, USAID Invest will also organize Risk Control Self-Assessment (RCSA) workshops with senior management at portfolio companies. The RCSAs will enable the development of comprehensive risk mappings. These will include specific risks related to the operating environment of the company and risks related to the internal governance, processes, and systems of the company. The mapping will typically be accompanied by action plans to mitigate either the probability or the impact of the identified risks on the transaction and the activities of the company. We outline below specific risks investors face in the DRC:

*Political risk.* The DRC has a fragile democracy which makes it susceptible to election-related violence. For investors, political instability constitutes a major business risk that often leads to abstinence from investing. For transactions under our advisory, USAID Invest will evaluate the exposure of the business to eventual political instability and advise investors on potential mitigations. Depending on the business, mitigating measures could range from diversifying the customer base to expanding geographic outreach to neighboring countries. For investors, mitigations could include guarantees against political risk and risk of expropriation in addition to the mitigants mentioned above for companies.

*Security risk.* The DRC is home to over 100 armed groups that often clash over the country’s natural resources. This conflict can spill over to impact local communities, spreading poverty. From an investment perspective, this constitutes a risk element to investors as it deprives people of their spending power. Furthermore, there are also risks related to kidnapping, which could impact both local and international investors. For transactions under our advisory, USAID Invest will consider the security aspect of communities in which the company operates and make recommendations where need be.

*Corruption risk.* According to the 2020 World Bank Corruption Perspective Index, the DRC placed 170 out of 180 countries. Both investors and businesses could face bribery when conducting activities related to public service, permits, or taxes. However, businesses are more likely to confront it in their daily operations. For a better assessment of these risks, USAID Invest developed a compliance check toolkit covering security sanctions,<sup>13</sup> economic sanctions,<sup>14</sup> credit checks,<sup>15</sup> integrity/conflict checks,<sup>16</sup> and environmental checks.<sup>17</sup> The Activity team will use the results to help decide whether to engage with a company. Therefore, each opportunity USAID Invest presents to investors will have been vetted.

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13. Consolidated United Nations Security Council Sanctions List

14. U.S. Treasury’s Office of Foreign Assets Control (OFAC)

15. Team’s Research

16. Team’s Research

17. Team’s ESG Transaction Screening Form



*Risk of low return on investment.* For equity investors, investment returns are tied to the overall growth of the company. However, when companies do not have access to other forms of capital — like working capital — their growth could be limited. In the DRC, access to credit remains a major hurdle for businesses. According to the country’s last enterprise survey in 2013, 92% of firms reported relying on their own resources to finance investments, compared to 76% for the Sub-Saharan region. The difficulty of accessing credit for firms in the DRC limits the growth potential of the businesses, thus putting equity investors at risk of getting low investment returns. USAID Invest will build relationships with local banks and leverage these relationships to facilitate access to credit for companies under our advisory mandate. The low access to credit is often due to a lack of collateral, among other key factors. USAID Invest could identify pipeline firms with access to credit guarantee facilities or facilitate access to credit guarantees to reduce the risk for an investment transaction.

*Currency risk.* The Congolese economy is heavily reliant on natural resources. In 2019, mining represented 25% of the country’s GDP and 95% of its exports. Through these activities, the country generates its main reserve of foreign currency. The dependence on mining could have major implications on the currency if the prices of commodities drop further. Over the last 10 years, the value of the Congolese franc dropped significantly against the U.S. dollar. For investors, this could be a challenge as currency depreciation could wipe out their gains on a transaction. However, this risk is mitigated by the fact that the Congolese economy is dollarized. Most transactions occur in U.S. dollars, which provides an effective hedge in most cases to investors that use hard currencies to invest in local companies. For transactions in our scope, we will recommend that investors consider the exposure of the company to currency risks and implement mitigations.

Exhibit 18 summarizes the key mitigation measures and tools USAID Invest will use to manage investment risks.

### Exhibit 18. Possible Mitigation Measures and Tools to Manage Risks

RISK	POSSIBLE MITIGATION MEASURES	ASSESSMENT TOOLS
Political risk	<ul style="list-style-type: none"> <li>• Diversification (geographic, product, and market segment)</li> <li>• Insurance against political risk and risk of expropriation (especially for new investors)</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with company top management and investor</li> <li>• Discussions with economic actors in the region</li> </ul>
Security risk	<ul style="list-style-type: none"> <li>• Avoidance of transactions in communities and specific locations highly affected by armed conflicts</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions with project promoter</li> <li>• Investment facilitation team’s local market intelligence</li> <li>• Chemonics security team recommendations</li> </ul>
Corruption risk	<ul style="list-style-type: none"> <li>• Compliance screening before onboarding companies into the active transaction pipeline</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation of UN and OFAC sanction lists</li> <li>• Investment facilitation team research with risk managers from financial institutions in the DRC</li> </ul>
Risk of low return on investment	<ul style="list-style-type: none"> <li>• Support in improving or establishing credit guarantee schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Companies’ financial models developed or reviewed by investment facilitation team</li> </ul>
Currency risk	<ul style="list-style-type: none"> <li>• Matched currency between funding and assets for portfolio companies</li> <li>• Support on foreign exchange risk management to pipeline companies if applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Financial model analysis</li> <li>• Foreign exchange open position</li> </ul>

## APPENDIX: THE DRC STARTUP ECOSYSTEM

The table below is an updated version of the ecosystem first published by Elan RDC in 2018.<sup>18</sup> The ecosystem has clearly evolved since:

- There are now success stories to be shared.
- While the number of incubators has roughly remained the same, some have been replaced by other, more reliable incubators that have more robust business models.
- The focus of the ecosystem has shifted (possibly under influence of the Covid pandemic) from large events to startup traction.
- Two digital upskilling institutes have emerged, catering to the skill gap within the large employers (telecoms, banks) but indirectly serving the ecosystem in general.

Agriculture remains underrepresented:

- The little activity there is in agriculture focuses on trading platforms that aim to connect smallholder farmers with consumers (e.g., Agrokivu in Goma)
- Another area of activity is the training of “Agripreneurs,” which are SME startups in the agricultural space (e.g., Agrokivu Academy, Agripreneurs Academy, Logix)

The Congolese government has made strides:

- It created a ministry of digital affairs, although there are questions on mandates as there appears to be an overlap with the presidential advisor and with the minister of Postal Services, Telecommunications, and New Technologies (PTNTIC)
- It drafted a startup law with the assistance of the ecosystem, i4policy.org, and the Dutch government and submitted to the parliament.
- It supported startups through a DRC booth at the VivaTech trade conference in Paris for two consecutive years.
- During the COVID-19 pandemic, the central bank agreed to increase the payment ceiling for mobile money and reduce the cost of transfer, finally allowing selective startups to pilot new ways of paying with mobile money wallets to reduce the need for cash and in-person contacts that would allow for viral transmission. BCC is now considering allowing the startups to continue their pilots in a sandbox.

Investing in startups remains difficult:

- Local angel investment networks remain inexperienced. As a result, angel investment in the DRC is practically non-existent.
- The pipeline of credible and investment-ready startups remains very thin.
- Foreign investors, including angels and venture capital firms, still find the DRC market lacking transparency and difficult to assess. The language barrier plays a role, as many foreign investors are anglophone.

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<sup>18</sup> The DRC Entrepreneurial Ecosystem, Elan RDC 2018

## Exhibit A-I. DRC Startup Ecosystem Canvas

IDEA		
1. Inspire	2. Educate	3. Validate
Startup Media <i>Centralized local information, listings, and news</i> <ul style="list-style-type: none"> <li>• actualite.cd</li> <li>• congoumerique.com</li> <li>• mediacongo.net</li> <li>• waza-tech.com</li> </ul>	Best Practices: <i>Beginner knowledge-sharing events</i>	Team Formation: <i>Resources and events for teaming up</i> Hackathons (see “Build First Product”)
Inspirational Events: <i>Open, inclusive, beginner events</i> <ul style="list-style-type: none"> <li>• Kinshasa Digital Week</li> <li>• Lumumba Lab, Code Workers*</li> <li>• Lumumba Lab, Digital Café*</li> </ul>	Training and Feedback: <i>Skill- and idea-development programs</i> <ul style="list-style-type: none"> <li>• Ascitech</li> <li>• European Business Information Center (EBIC; Kivu; vocational)*</li> <li>• Ingenious City</li> <li>• Ishango Centre (Kinshasa)</li> <li>• Silikin Village (Kinshasa)</li> </ul>	Build First Product: <i>Hackathons and resources to build</i> <ul style="list-style-type: none"> <li>• Congo Tech Days (Lubumbashi)*</li> <li>• FabLab (Kinshasa)*</li> <li>• HackKin (Lumumba Lab)*</li> <li>• HackWasteKin*</li> <li>• Kinshasa Hackathon (annual)*</li> <li>• Kinshasa Innovation Center*</li> <li>• Mediathon (Kinshasa)*</li> </ul>
LAUNCH		
1. Start	2. Develop	3. Launch
Establish: <i>Law firms and banks for startups</i> <ul style="list-style-type: none"> <li>• avocat.cd</li> <li>• Daldewolf</li> </ul>	Formalize: <i>Accounting, development, and human resources</i> <ul style="list-style-type: none"> <li>• Guichet Unique (Kinshasa, Lubumbashi)</li> </ul>	Seed Accelerators: <i>Seed funding mentor programs</i> <ul style="list-style-type: none"> <li>• Orange Corners RDC (Kinshasa)</li> <li>• La Difference Fund (Goma)</li> </ul>
Workspace: <i>Co-working and flexible workspaces</i> <ul style="list-style-type: none"> <li>• Ingenious City</li> <li>• Kobo Hub</li> <li>• Silikin Village</li> </ul>	Prepare for Seed: <i>Incubators and advanced mentorship</i> <ul style="list-style-type: none"> <li>• Innovation Center of Lubumbashi (CINOLU; Lubumbashi)</li> <li>• Congolia (Kinshasa; media)</li> <li>• Business Plan Competition Program (COPA; funded by PADMPME)</li> <li>• EBIC (Kivu; vocational)*</li> <li>• Kinshasa Startup Academy (Kinshasa)</li> <li>• Kivu Entrepreneurs (Goma)</li> <li>• I&amp;F Entrepreneuriat (Mbanza Ngungu; vocational)</li> <li>• Ishango Centre (Kinshasa)</li> <li>• KivuHub (Kivu)*</li> <li>• Orheol (Bukavu)</li> <li>• Silikin Village (Kinshasa)</li> </ul>	Pitch and Demo: <i>Show startups for seed investment</i> <ul style="list-style-type: none"> <li>• African Digital Story</li> <li>• Congo Tech Days (Lubumbashi)*</li> <li>• Festival Amani (Goma)*</li> <li>• Kinshasa Startup Academy</li> <li>• Kivu Muru (Goma; fashion)*</li> <li>• Orange Entrepreneurs</li> <li>• Seedstars Startup Competition</li> <li>• TOTAL entrepreneurship competition</li> </ul>
	Skills Development: <i>Training digital skills</i> <ul style="list-style-type: none"> <li>• Kinshasa Digital Academy</li> <li>• ITOT Africa</li> </ul>	
GROWTH		
1. Recognition	2. Funding	3. Growth
Investor Networking: <i>Connect founders and professional investors</i> <ul style="list-style-type: none"> <li>• Congo Business Network</li> <li>• Congo Millennium Business Club</li> </ul>	Angels and Micro-Venture Capitalists: <i>Seed-stage investors</i> <ul style="list-style-type: none"> <li>• Betu Group</li> <li>• Congo Business Angels</li> <li>• Congo Impact Angels**</li> </ul>	Infrastructure: <i>Office space, human resources, insurance, and more</i> <ul style="list-style-type: none"> <li>• CINOLU (Lubumbashi)</li> <li>• Ingenious City</li> </ul>

<ul style="list-style-type: none"> <li>• Makutano Network</li> </ul>	<ul style="list-style-type: none"> <li>• Sycomore Venture</li> </ul>	<ul style="list-style-type: none"> <li>• Kivu Entrepreneurs (Goma)</li> <li>• Kobo Hub</li> <li>• Orheol (Bukavu)</li> <li>• Silikin Village</li> </ul>
<p>Major Media: Mainstream local business press</p> <ul style="list-style-type: none"> <li>• actualite.cd</li> <li>• B-one Television</li> <li>• mediacongo.net</li> <li>• Radio Okapi</li> </ul>	<p>Venture Capitalists: Series A and beyond</p>	<p>Expansion: Growth accelerators and consultants</p> <ul style="list-style-type: none"> <li>• La Difference Fund (Goma)</li> </ul>
<b>EVANGELISTS</b>	<b>GOVERNMENT</b>	<b>TALENT</b>
<p>Successful local founders who lead the ecosystem and frequently mentor newcomers</p> <p>Shola Deen (Kinshasa Startup Academy), Jonathan Johannesen (Financial Company of Congo; CFC), Albert Kabeya (Infofet), Philip Kabeya (Lumumba Lab), Pascal Kanik (SchoolAp), Sidonie Latere (Kobo Hub), Felix Mangwangu (Media Lab), Bonny Maya (eMart/Tinda), Djo Moupondo (Muska), Ruddy Mukwamu (Maxicash), Sammy Mwamba (Itot Africa), Landry Ngoya (Maishapay), Berry Numbi (CINOLU), Fely Samuna (Ingenious City), Nicole Sulu (Makutano)</p>	<p>Public organizations that facilitate local economic development</p> <p>FPI, National Agency for the Promotion of Investments (ANAPI), Ministry of Small and Medium Enterprises, Ministry of Digital Affairs, Ministry of PTNTIC, Regulation Authority for Postal Services and Telecommunications (ARPTC), the Presidential Advisor for Digital Affairs, Guichet Unique, Federation of Businesses of the Congo (FEC), Confederation of SMEs of the Congo (COPEMECO) and its member Solidarity Network of Young Entrepreneurs of the Congo (RESOJEC), Tony Blair Institute, Hanns Seidel Foundation, Enabel, PADMPME (World Bank).</p>	<p>Major business or technical universities and major technical employers</p> <p>Local universities: University of Kinshasa, Protestant University of the Congo, Kinshasa Management School, Academy of Science and Technology (Ascitech), Kinshasa Digital Academy, Itot Africa</p> <p>Local Employers: Vodacom, Orange, Airtel, Rawbank, Equity BCDC</p>
<b>SUCCESS STORIES</b>		
<p>Successful homegrown companies that have raised significant institutional funding, employ a large workforce, or have achieved liquidity</p>	<ul style="list-style-type: none"> <li>• Schoolap</li> <li>• MaxiCashApp</li> <li>• Infofet</li> <li>• eMart.cd</li> </ul>	<ul style="list-style-type: none"> <li>• Tinda</li> <li>• Itot Africa</li> <li>• Kinshasa Digital Academy</li> </ul>

\* INACTIVE/STATUS UNCLEAR

\*\* RECENTLY FOUNDED