Formation Handbook

Angel Network Capacity Building
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How to Use This Handbook

This handbook serves as the spine of the ABAN formation pack. It covers everything you need to know to stand up and run an angel network at a summary level, providing clear pointers to specialist documents when you require more depth.

Treat it as a central reference guide. Read it end-to-end once when you start and return to specific sections as questions arise during your first year of operation. Every other document in the ABAN pack is designed to plug directly into the framework described here. If you find yourself needing a specific template, a form, or a detailed procedural breakdown, it is in one of the specialist documents referenced throughout this text. This handbook explains what the pieces are and how they fit together.

1. Why Angel Networks Matter

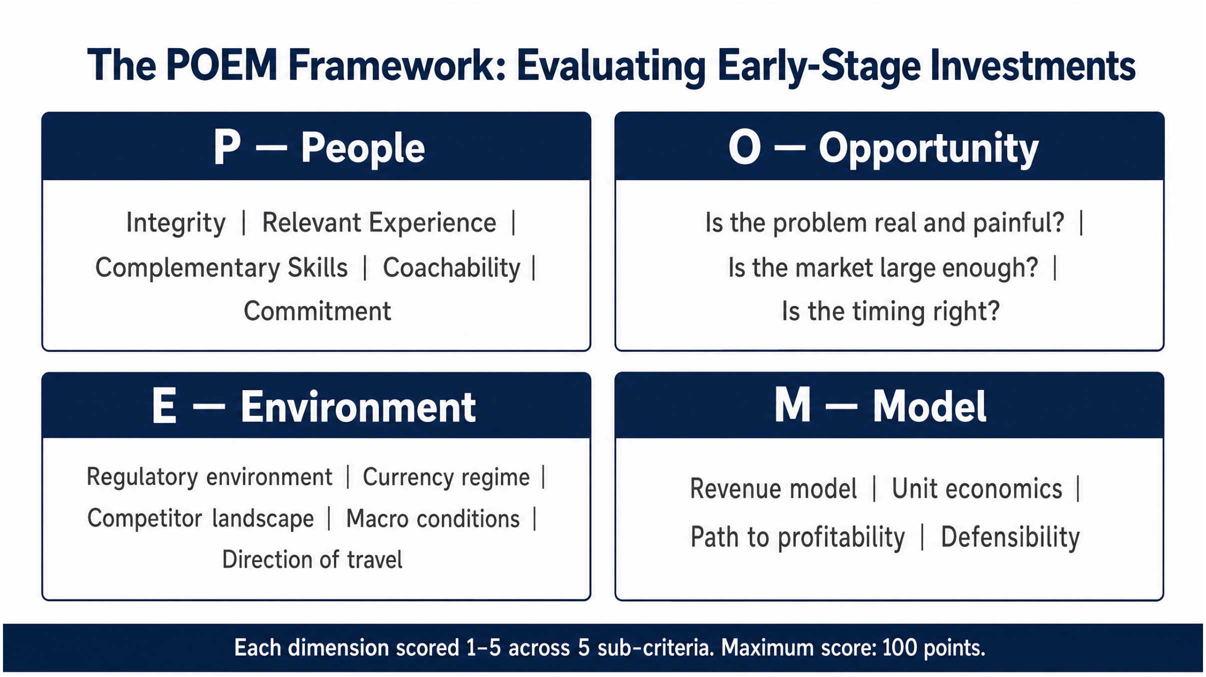
An angel network is fundamental institutional infrastructure for early-stage capital. It takes capital that is already present within a country but dispersed across disconnected individual investors and organizes it into a reliable pipeline that founders can access. For the angel investor, it transforms solo, isolated investing into structured, syndicated investing.

Solo angels typically only see the deals that happen to walk through their personal doors. They often operate without the rigor and discipline that a committee-based process inherently imposes. Networks address these critical gaps. They also facilitate peer learning, which is the primary mechanism through which a first-time angel evolves into a highly competent investor over time.

In African frontier markets, the case for angel networks is even stronger. Where institutional venture capital is thin or absent angel networks are often the *only* structured pathway connecting a founder to an investor. In these environments, the network itself becomes a critical piece of national innovation ecosystem.

2. The POEM Framework

POEM stands for **People, Opportunity, Environment, Model**. Developed by Tomi Davies, it is one of ABAN's standard, continent-wide evaluation frameworks.



People

The team is the single largest predictor of early-stage outcomes. At the seed stage, there are very few hard metrics to analyze, meaning the team is a key factor to evaluate. You should score the team on five key attributes:

9 **Integrity:** Dishonest founders will lose your money even if the underlying business model works perfectly.

10 **Relevant Experience:** Look for deep domain expertise or a proven history of building things.

11 **Complementary Skills:** A solo founder without a technical co-founder building a highly technical business is a massive red flag.

12 **Coachability:** Founders who cannot accept constructive input will not respond to the governance structures you attempt to put in place post-investment.

13 **Commitment:** Founders must have genuine "skin in the game" to ensure they will push through the inevitable difficulties of building a startup.

The core question after diligence: How well does the team work together, and what is their actual ability to deliver on the long-term vision of the business?

Opportunity

The opportunity refers to the market problem and the market size. Ask three questions:

14 Is the problem real and painful enough that customers will pay to solve it?

15 Is the market large enough that a successful company could grow to a meaningful scale?

16 Is the timing, right? (Are there changes in regulation, technology, demographics, or infrastructure that make *now* the exact right moment?)

Most first-time angels overweight market size and drastically underweight timing. A huge market with the wrong timing produces a company that is right but too early. A smaller market with the perfect timing produces a company that captures its niche before competitors even notice. The second outcome is often far more investable.

Environment

The environment encompasses everything outside the company's direct control: the regulatory environment, currency regime, competitor landscape, macro-economic conditions, and infrastructure for distribution and supply.

In African markets, this dimension carries significantly more weight than it does in developed markets with clear, stable regulatory procedures. For example, a brilliant fintech built in a country that suddenly bans its product category cannot succeed, regardless of the team's talent or the model's brilliance. The environment score must capture two things: the *current state* and the *direction of travel*.

Model

The model is the business itself: the revenue model, unit economics, path to profitability, and defensibility. At the seed stage, none of these will be fully proven, but the founder must be able to articulate them clearly and logically.

Key tests: Does the revenue model match how the customer buys? Are the unit economics credible based on realistic assumptions, rather than best-case scenarios? Is there a plausible path to gross margins that can sustain the business without requiring perpetual outside funding?

Using POEM in Practice

Each of the four dimensions is broken down into five sub-criteria, each scored from 1 to 5. This provides a maximum of 25 points per dimension, and 100 points total.

*(The complete scorecard template, detailed rubric, and decision framework are in **Doc 04: Dealflow and Investment Pack**).*

3. Network Governance

Governance exists to make decisions repeatable, legitimate, and auditable. Most African angel networks sit somewhere on a spectrum between three primary governance models: Light, Standard, and Advanced.

Most first-time networks should start with the **Standard model** within their first twelve months. The **Advanced model** is generally appropriate only once the network has successfully made five or more investments and has ongoing, sustainable secretariat costs to fund.

The Two Governance Models

Feature	Standard	Advanced
Legal Entity	Incorporated (CLG, Assoc., or equivalent)	Incorporated + side fund vehicle
Written Charter	Full Charter + Committee Terms of Reference	Full Charter + subsidiary docs
Committees	Steering, Screening, Membership	All three + Audit
Investment Decisions	Documented Screening + member opt-in	Investment Committee + LP-style vehicle
Secretariat	Part-time paid admin	Full-time secretariat
Typical Stage	Months 6 to 24	Year 3 onwards
Annual Operating Cost	\$15,000 to \$30,000	\$60,000+

*(The Charter, Governance Options comparison, Steering Committee Terms of Reference, Code of Conduct, Conflict of Interest Policy, and NDA templates are located in **Doc 02: Governance and Legal Pack**. Regional notes for Anglophone, Francophone, and Lusophone jurisdictions are also included there).*

4. Membership Strategy

Your network is only as good as the members you recruit in Year 1. A small network of highly active, high-trust members will outperform a massive network of passive individuals every single time. **Aim for 20 to 40 members in Year 1, with a strict goal of at least 60% remaining actively engaged.**

Three Core Recruiting Principles

17 **Recruit for behaviour, not just net worth.** A member who shows up to pitch sessions, diligently reads deal memos, and offers founders honest, constructive feedback is worth vastly more than a highly wealthy member who is entirely disconnected.

18 **Recruit in layers.** Start with five to eight core founding members who know each other well and will commit the heavy lifting required to stand up the network. Once stable, layer the next fifteen to twenty members on top of that solid foundation.

19 **Include the diaspora deliberately.** Diaspora members bring vital capital, international networks, and often sharper pattern recognition from having observed how angel investing operates in more developed markets.

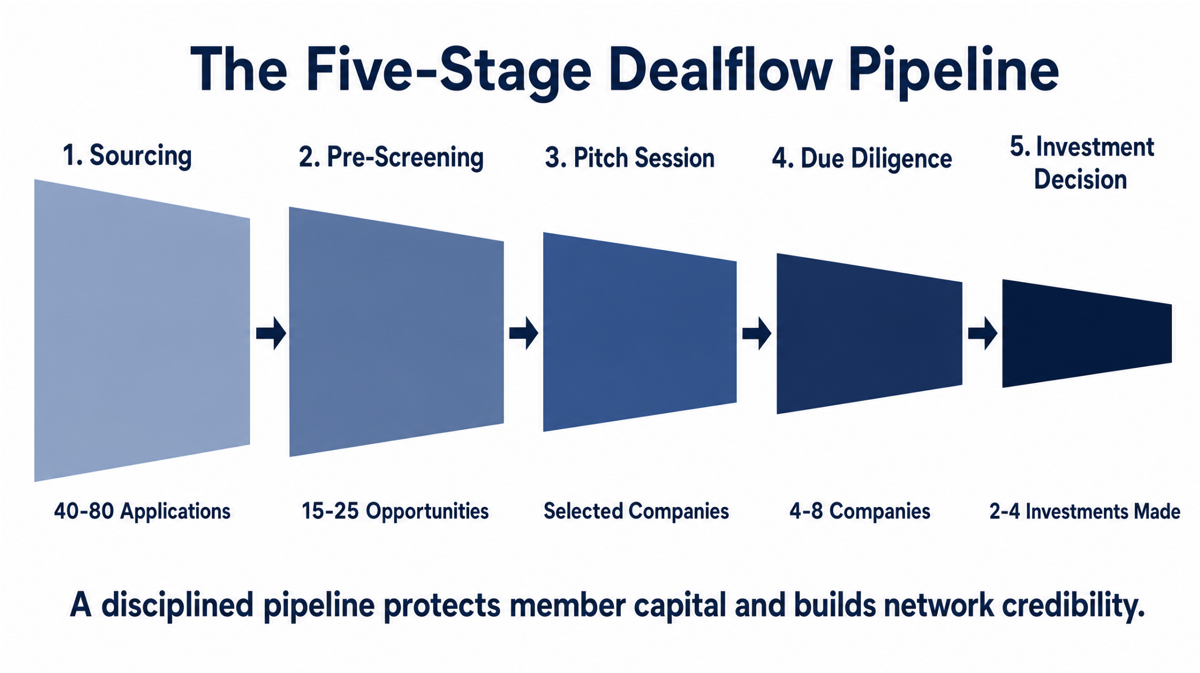
Organizing Your Network: Member-Led vs. Manager-Led

- **Member-Led:** The members themselves source the deals, lead the investments, and recruit new members. They hire staff purely to handle administrative and logistical tasks.
- **Manager-Led:** The group hires experienced professionals to perform key functions. These managers screen deals so only fundable ones reach the members, prepare founders to ensure their documents are ready, maintain communication, lead the diligence process, and produce the final diligence reports.

The choice between these two models often simply comes down to the availability of a qualified individual willing to take on the demanding role of the manager. Additionally, some angel groups successfully partner with incubators, accelerators, or universities to share operational costs and administrative support.

*(The membership application form, dues model with a worked example, and outreach templates for local and diaspora targets are located in **Doc 03: Membership and Outreach Pack**).*

5. Deal flow Process



Dealflow is the pipeline of companies the network actively considers for investment. A healthy Year 1 pipeline typically produces roughly 40 to 80 initial applications, 15 to 25 pre-screened opportunities, 4 to 8 deals that reach deep due diligence, and ultimately results in 2 to 4 completed investments.

The process runs in five distinct stages:

20 **Sourcing:** How companies reach you. Channels include local incubators and accelerators, referrals from peer angel networks, direct founder applications via your website, and proactive outreach to specific sectors.
21 **Pre-Screening:** A light-touch filter. A Screening Committee of three to five members reads the intake forms, scores them against a framework, and decides whether the company merits an invitation to a pitch session.
22 **Pitch Session:** The live event where selected founders present directly to the network. A two-hour session can comfortably accommodate 7 to 10 founders, allowing time for structured Q&A. This is where members form their own independent views.
23 **Due Diligence:** A rigorous four-to-six-week evaluation of companies that performed well at the pitch session. Diligence covers the team, business model, financials, legal standing, and corporate structure. A "diligence lead" (usually a member with relevant sector expertise) coordinates this work and produces a final recommendation.
24 **Investment Decision:** Members who wish to participate formally commit their cheque sizes, and the syndicate is formed. The network's role is to facilitate the decision, document it properly, and handle the investment mechanics. The decision to invest remains entirely with the individual members.

*(A sample intake form, pre-screening scorecard with full rubric, due diligence checklist, and an investment instruments guide covering SAFEs, Convertible Notes, and Priced Equity are located in **Doc 04: Dealflow and Investment Pack**).*

6. Training the Network

A network full of members who do not know how to properly evaluate a deal will either make terrible investments or make no investments at all. **Training is the exact mechanism that turns a list of wealthy individuals into a high-functioning investment syndicate.**

Most first-time networks severely underinvest in training because it feels less urgent than sourcing deals or recruiting members. This is a fatal mistake. A network that rigorously trains its members in the first six months makes vastly superior decisions for the next ten years. Furthermore, training acts as a powerful retention tool. Members who are actively learning stay engaged; members who feel they have plateaued drift away.

The Two-Part Training Approach

25 **Foundational Training:** Every new member should complete this. It typically consists of eight modules covering: the role of angels, portfolio construction, the POEM framework, due diligence, investment instruments, syndication mechanics, post-investment governance, and impact measurement. Each module runs roughly 90 minutes and must be delivered within the first six months of membership.
26 **Quarterly Peer Learning Forums:** Ongoing sessions where members discuss live issues, review the performance of past investments, and hear insights from external guest speakers.

The **African Angel Academy (AAA)** provides the deepest, most comprehensive curriculum on the continent and is available to ABAN member networks at discounted rates. Most successful networks blend AAA cohorts (for members seeking full certification) with lighter, in-house sessions run by their own experienced members.

*(The eight-module facilitator guide and the peer learning forum structure are in **Doc 06: Training and Education Pack**).*

7. Monitoring, Evaluation, and Learning (MEL)

The Theory of Change underpinning angel networks is simple: *If you recruit active members, train them well, build a dealflow pipeline that filters down to excellent companies, and invest with strict discipline, then over a seven-to-ten-year horizon you will produce both financial returns for your members and significant economic outcomes for your country.*

Every single indicator you track should ladder up to one of those two ultimate end goals.

For most first-time champions, the primary challenge is not data collection, but data discipline. You must select ten core monthly indicators, track them relentlessly in a spreadsheet, and review them at every single Steering Committee meeting without fail.

*(The full KPI dashboard, quarterly report template, and annual impact report structure are located in **Doc 08: MEL Framework and Reporting**).*

For technical assistance, please contact secretariat@abanangels.org.