

CALL FOR PROPOSALS

SELECTION OF A FUND MANAGER FOR THE PROPOSED GHANA SME-LISTED FUND

1. Summary of Procurement

FSD Africa and the Venture Capital Trust Fund wish to engage an experienced fund manager who will be responsible for the day-to-day management and administration of the proposed Ghana SME-Listed fund, which both institutions will sponsor. In collaboration with the sponsors, the fund manager will co-design and set up the fund, including fundraising, establishing the investment process, appropriate legal and governance structures to operationalise the fund effectively and implementing the strategy.

2. About the Sponsors

2.1. About FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's financial sector experts work alongside governments, business leaders, regulators, and policymakers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK International Development from the UK government.

More information on FSD Africa is available [here](#).

2.2. Venture Capital Trust Fund ("VCTF")

Venture Capital Trust Fund was established by the VCTF Act 2004 (Act 680). VCTF is a government-backed venture capital fund that focuses on investing in venture capital funds dedicated to investing in Small and Medium Scale Enterprises (SMEs). The Trust Fund also deploys monies to support other activities and programs promoting venture capital financing in Ghana. It aims to create a vibrant and well-structured venture capital industry with investments in various sectors, leading to job and wealth creation. To date, VCTF has invested in Venture Capital Finance Companies designed to increase the availability of risk capital to SMEs and managed by locally based fund managers.

More information on VCTF is available [here](#).

3. Background

Micro, Small and Medium Enterprises (MSMEs) have been identified as catalysts for growth in African economies. These SMEs account for 70% of GDP and 49% of employment in Ghana.

The SME sector, however, continues to suffer from severe underfunding and capacity constraints. In Ghana, as in many West African countries, many initiatives have been undertaken by the Government, Development Finance Institutions, and the Private sector to address the funding constraints facing SMEs. The consensus among managers of the economy is that Public Finance

alone cannot solve the SME underfunding constraint. Therefore, private capital should be harnessed to fund the growth of SMEs.

Most MSMEs are financed by formal financial institutions, with commercial banks serving small to medium enterprises and microfinance, rural, and community banks serving micro to small enterprises. Savings and Loan companies and Finance Houses in Ghana also target Small to Medium-sized enterprises. The instruments available for funding are mainly short to medium-term debt instruments, which are usually collateralised or backed by payment orders and guarantees.

Private capital managers have also funded SMEs in Ghana. These managers are either local, regional, or pan-African and have contributed over \$150 million in capital to SMEs in Ghana. The success of deploying Private Capital for SMEs in Ghana has come with its challenges. The most significant challenges have included attracting domestic institutional investors, handling exits from portfolio companies, and developing pipelines.

There has been a unique blend of public and private capital markets using Listed Funds in jurisdictions with highly developed capital markets. Business Development Companies (BDC) in the USA and Venture Capital Trusts in the UK were created to augment efforts to provide funding for SMEs. These entities are usually listed on exchanges to mobilise public funds into private ventures.

In exploring the use of a similar vehicle in Ghana's markets, stakeholders were engaged in deliberating the structuring and listing of an SME Fund/ SME Investment Company on the Ghana Stock Exchange. Most stakeholders have largely welcomed the introduction of a Listed SME Fund into the market.

The consensus recommendation is to establish a Listed SME Company with Directors that will appoint a Fund Manager. The proposed fund size is \$200 million, and it will invest across West Africa, focusing on Ghana. The fund will be positioned as a secondary exit for PE/VC Funds looking to exit their investment in SMEs. The fund will also consider co-investment opportunities with existing PE/VC funds.

The fund will be listed on the Ghana Stock Exchange, and equity, debt, and hybrids will be used to provide capital. The fund will also look to exit from its portfolio companies via listings on any of the Ghana Stock Exchange's markets, amongst other strategies.

FSD Africa and the VCTF will be sponsoring the establishment of the Ghana SME-Listed Fund as part of their developmental roles in boosting SME financing in Ghana through innovative financing structures.

Proposed Structure of the Ghana SME-Listed Fund

The Fund	Ghana SME-Listed Fund
Legal Structure	Public Limited Liability Company
Incorporation	Ghana
Governance Structure	Board of Directors Independent Fund Manager Investment Committee

Geographical Focus	For investment - West Africa with a bias towards Ghana (allocation target of about 70% to Ghana and 30% for rest of West Africa) For listing - solely on GSE
Sector Focus	Agnostic and Opportunistic
Investment Strategy	Secondary Exits for PE/VC Funds Co-Investments with PE companies
Asset Class	Equity, Debt, Hybrids or a combination and Follow-on Investments
Investment tenor and instrument	Equity - Up to 10 years (Exit via Direct IPOs on the GAX) Debt - Up to 7 years (Self-liquidation) Hybrids - TBD
Target Raise	\$200 million total fund size - First close of \$50m
Distribution	Dividend policy of up to 70% of profits

4. Objectives and Scope

4.1 Objective

Setting up an SME-Listed Fund in Ghana expands the funding opportunity for SMEs through the public market by tapping into the pool of domestic capital to finance economic growth sectors. The fund aims to create much-needed liquidity in Africa's private equity market by creating a secondary exit for PE portfolio companies after the required holding period.

4.2 Scope of work

FSD Africa and the VCTF seek an experienced fund manager who will support the sponsors in establishing an SME-listed fund and managing its day-to-day administration. The scope is, therefore, two-phased: (i) pre-setup of the SME Listed Fund and (ii) post-setup.

Pre-set up: the successful fund manager will work with the sponsors to design a viable business model, implement fundraising, pipeline development and investment strategies and put in place the necessary processes, policies and procedures and the successful registration, licensing and launch of the fund, and to raise the minimum capital necessary for operations. This phase will be contracted through the sponsors.

Post-set up; the SME Listed Fund board would approve the strategy and officially appoint the fund manager to implement the strategy, ensuring that it continuously meets the conditions of its license and invests in the right people, systems and processes to profitably implement the strategy and deliver on the vision of the sponsors and investors.

5. Invitation to tender

Please include the following in your proposal:

- A description of your firm’s history, ownership and organisational structure. Include the details of relevant regulatory licences to perform fund management functions in your jurisdiction(s) of operation.
- A confirmation that you are licensed to offer the required services in Ghana or have a credible path to obtaining such regulatory approval.
- A summary of your firm’s experience setting up and managing a venture capital, private equity or SME fund. Indicate the personnel involved in the set-up/ management of the funds, their role and the fund’s performance.
- Any past/ongoing material litigation, regulatory, legal proceedings or sanctions in which your firm or its principals have been involved in the last five years.
- Preliminary views on the proposed structure of the SME-Listed fund and suggested changes/additional input based on market insights and investment strategy for profitable performance.
- Brief assessment of the proposed investment strategy, including the development of a pipeline of investment opportunities for the Listed Fund
- A proposed fundraising approach, particularly from domestic institutional investors.
- A proposed timeline and key milestone to listing and strategic constraints, if any, to be addressed to improve operationalisation
- The proposed governance structure for the fund.
- The proposed approach, methodology, next steps and timelines for setting up and managing the SME-Listed Fund. Include a detailed breakdown of the estimated setup costs.
- A brief background of the proposed team that will manage the SME-Listed Fund
- The proposed fee structure for managing the fund.
- Firms are free to make joint proposals.
- Description of support required from fund sponsors to successfully set up and operationalise the SME-Listed Fund. Please be very specific.
- To demonstrate their understanding of this scope, firms may include relevant examples of solutions that inform how this vehicle would be implemented based on experiences in other markets.

Your proposals should be emailed to bids@fsdafrica.org with the subject “Ghana SME-Listed Fund—Fund Manager” on/before 12:00 PM East African Time on 30 April 2024.

6. Basis of award

FSD Africa will award a contract to the most economically advantageous tender based on the following requirements and assessment criteria:

Mandatory requirements

The firm must demonstrate experience in undertaking significant and similar assignments of setting and managing fund structures. The Team Leader should, therefore, provide proof of having undertaken similar assignments.

The firm/individuals must have good knowledge of West Africa's public and private investment markets, business analysis and valuations and investment portfolio management.

The firm/individuals must have the capacity to engage stakeholders on this assignment, with the appropriate involvement of senior team members.

Assessment criteria	Weighting
Relevant, demonstrated experience and capacity of firm and proposed team in this area	45%
Understanding/interpretation of the task set out in the TORs, methodology, and work plan	35%
Fee basis and total costs (weight will be apportioned to all components of the proposed cost and fee structure)	20%
Total	100%

7. Contact

Questions or comments regarding these terms of reference should be emailed to bids@fsdafrica.org on or before 12:00 PM Eastern African Time on **02 April 2024**. Feedback will be provided by 17:00 PM Eastern African Time by **08 April 2024**.