GHANA PRIVATE EQUITY AND VENTURE CAPITAL ECOSYSTEM STUDY

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EXECUTIVE SUMMARY

1. Private equity/venture capital was introduced in Ghana in 1991. In conjunction with this entry of a new asset class, the Government of Ghana (GoG) created a legal/ regulatory framework for VC funds in the early 1990s, regulated by the Bank of Ghana. In late 1991, USAID sponsored a venture capital fund in Ghana, along with the Commonwealth Development Corporation (CDC). The initiative set up two companies, a non-bank finance company to hold the funds, the Ghana Venture Capital Fund (GVCF), and a separate management company, Venture Fund Management Company (VFMC), to make the investments. This initiative created the impetus for legal/regulatory framework for venture capital funds which was defined by the Financial Institutions (Non- Banking) Law of 1993 (PNDCL 328), and "Draft Operating Guidelines for Venture Capital Funding Companies" which were published by the Bank of Ghana in 1995.[1]

2. The next event concerning local private equity/venture capital in Ghana was the enactment of the Venture Capital Trust Fund Act, 2004 (Act 680 or "the Act"). However, a confluence of events and structural issues resulted in jeopardizing the objectives of the Venture Capital Trust Fund program. The Act created a fund of funds, the Venture Capital Trust Fund (VCTF) under the purview of the Ministry of Finance, which was funded by a 25 percent levy from the National Reconstruction Levy (derived from banks and financial institutions). The VCTF Fund began operation in 2006 with Ghana Cedi (GHC) 22.4 million (US$22.4 million at the time) in initial funding. Its role was to play an anchor investor in domestic private equity funds while educating domestic co-investors on the private equity asset class and building the capacity of domestic private equity managers. VCTF succeeded in mobilizing significant local co-investment through Ghanaian financial institutions (predominantly banks) and seeded five venture capital funds. These funds in turn invested in approximately 50 portfolio companies. In 2007, the National Reconstruction Levy, which served as the main source of funds for the VCTF, was repealed. As a result, VCTF was funded by the Levy only for three years, and after the Act was repealed, VCTF's budget became inconsistent, underlining the fact that such a regime for funding – especially if it is subject to early termination or other external intervention - could not ultimately provide a stable basis for building the industry. In short, a funding mechanism that is predictable, and one that also leverages purely commercially minded actors, such as existing funds that operate in the region, would be required to develop a solid base for the industry. The capacity of the fund managers was considered weak, as is expected in a nascent environment. The investing financial institutions were represented on the investment committee of the funds and found to behave like credit institutions that were underwriting loans rather than as patient capital investors. Some fund managers eventually complained that capital calls were not honored by both VCTF and other investors; in addition, management fees were not paid to some of the managers. Three out of the five VCTF Fund management contracts were eventually terminated (one of these terminations is currently being disputed).

3. Currently there are three main categories of private equity (PE)/venture capital (VC) funds either active or operating in Ghana, with most of the dynamism in the PE/VC ecosystem coming from regional and pan-African funds investing in Ghana, rather than the local Ghanaian funds.

[1] For more on this, see "Final Evaluation of the Ghana Venture Capital Fund" Final Report, USAID. Prepared by Coopers & Lybrand. June 1996.

a) **<u>Local VCTF funds</u>**, with local fund managers, capitalized by VCTF and mainly Ghanaian financial institutions. These funds invest in Ghanaian SMEs, with a ticket size of less than US$1 million. In addition, Ghana also has some investment holding companies which execute private equity/venture capital deals in Ghana without conforming to the standard limited partnership (LP)/general partnership (GP) structure. Examples include Sagevest Investment Holdings.

b) **<u>West Africa regional funds</u>** (such as Injaro Capital Holdings and West Africa Emerging Market Growth Fund), with a focus across the region, but sometimes with a specific focus on Ghana and Cote d'Ivoire. Investors for such funds include development finance institutions (DFIs), international family offices, regional pension funds etc. These funds typically have a ticket size of $1 - $5mn.

c) **<u>Pan African or Global funds,</u>** with sometimes an explicit allocation or strategy to invest to Ghana (e.g Helios, ECP, Abraaj). These funds are typically invested in by DFIs and institutional investors. They sometimes have offices in Ghana (e.g. Abraaj). Ticket sizes are over US$20 million

4. Ghana is generally touted as an attractive investment destination on the continent because of its stable government and relatively strong business environment. However, there are also some market impediments specific to private equity/venture capital in Ghana. The country's strong business environment is reflected in its ranking of 70th out of 189 countries in the 2015 World Bank Doing Business Study, above both Kenya (136) and Nigeria (170). However, Treasury bill rates in Ghana have been around 25 percent (91-day and 182-day), making it harder to justify investment in riskier and more illiquid alternative assets by domestic institutional investors. There has been significant depreciation (approximately 75 percent) in the Ghana cedi since the currency was redenominated in 2007 after the significant loss of value of the Second Cedi, which was advanced in 1967. This depreciation in the Ghana cedi has made business fundamentals unsupportive for investment.

5. Many impediments in Ghana's PE/VC ecosystem are common to most developing countries. For example, the SME investment terrain is difficult, as it is in many developing countries. SMEs lack the financial literacy to recognize the value add of PE/VC; they are usually family-owned businesses that are reluctant to cede control or ownership to outsiders; SME financials are often not in order; and SMEs are typically reluctant to reveal financial information, which causes problems for valuation. Exit is also an issue, whether the intended exit route is via a sale to a trade buyer or via a listing on a public exchange. Although exiting to the public markets remains a secondary source of liquidity in Ghana as it is in most emerging markets, it is worth nothing that the Ghana Stock Exchange has had few recent IPOs. The junior stock exchange, GAX, although nascent, is a welcome intervention in the ecosystem, with less rigorous requirements for SME listings. Finally, domestic institutional investors are not comfortable with the PE/VC asset class in general. While Ghanaian banks have been more active and early players in PE/VC in Ghana, both pension funds and insurance companies are less comfortable investing in the asset class, partly because of investment guidelines restrictions. In addition, the service industry surrounding the private equity industry is generally weak – e.g. due diligence, legal services etc.

6. Currently, the legal/regulatory environment in Ghana for private equity and venture capital is, for the most part, non-existent. The Securities and Exchange Commission (SEC) does not regulate alternative asset classes, although it plans to with a new draft law to be reviewed in parliament. Typically, investment funds are regulated by a legal/ regulatory framework under a Financial Sector Law, Securities Market Law or a separate Investment Funds law. In Ghana, the Securities Industry Act, 1993 (PNDCL 333) enacted in 1993, and subsequently amended by the Securities Industry (Amendment) Act, 2000 (Act 590), does not refer to private equity or venture capital, and only focuses on unit trusts and mutual funds. A new Securities Industry Law is currently awaiting approval from Parliament; this law refers to alternative assets, and once passed the SEC seeks to further put in place regulations and guidelines that focus on private equity and venture capital. However, the law requires careful review to ensure that closed-ended collective investment schemes, such as PE/VC funds are not subject to the same regulations as open-ended collective investment schemes offered to the public. When the Venture Capital Trust Fund Act (Act 680) was passed in 2004 (with VCTF Guidelines published in 2006), the law precluded the Financial Institutions (Non-Banking) law from regulating venture capital given that some of the provisions of this law were not suitable to venture capital. However, the VCTF Act is unorthodox in itself because it combines the legal framework for the creation of a financial actor (the Fund of Funds or "FoF") with a legal/ regulatory framework for a subset of funds in the ecosystem. As described in the report, it also has led to an unconventional arrangement where the functions of owner, manager and quasi regulator of venture capital are cumulated within the Ministry of Finance.

7. Scant regulation for private equity and venture capital is not necessarily problematic in a nascent ecosystem since PE/VC funds typically target sophisticated investors. However, Ghana has a bifurcated legal/regulatory framework, which creates some confusion in the ecosystem. In terms of mobilizing PE/VC investment, the combination of Securities Industry Law, the VCTF Act of 2004 and the Internal Revenue Act, 2006 (Act 700) lack of clarity on the eligibility criteria and incentives for investors. The VCTF Act as currently written pertains to venture capital, not private equity. However, the Act lacks clarity in terms of whether its provisions, including tax incentives, apply broadly to venture capital funds created under the guidelines of the VCTF Act or to only a subset of funds applying for VCTF funding. This essentially bifurcates the legal/ regulatory framework applying to private equity/ venture capital funds registered in Ghana. Currently venture capital fund managers running VCTF funds are regulated by the SEC (that is, they are registered with the SEC), while other PE/VC fund managers are not. The SEC also lacks the capacity currently to regulate the PE/VC industry. In addition, although Ghana's investment regime for foreign investors is favorable, the new Ghana Investment Promotion Act, 2013, requires significantly higher levels of minimum capital requirement for foreign investors, which could discourage investment in enterprises with smaller financing gaps.

8. Despite Ghana's local VC industry having been kicked off by financial institutions such as state banks and insurance companies, currently domestic institutional investors, such as pension funds and insurance companies, are either reluctant to invest in PE/VC or are prevented from doing so by restrictive investment guidelines. The National Pensions (Amendment) Act, 2014 (Act 883) was published in the official gazette in December 2014, establishing modifications to the National Pensions Act, 2008 (Act 766). Act 766 was passed on 12th December, 2008 to establish a three- tier pension scheme. Ideally this three-tiered pension fund system, which ended the monopoly of Social Security and National Insurance Trust (SSNIT) as the state social security vehicle, would have provided a basis for more pension fund investment into private equity and venture capital in Ghana. However, the investment guidelines do not allow for pension funds to invest in private equity or venture capital. Currently, the insurance industry is governed by the Insurance Act, 2006 (Act 724), and a new solvency regime which was introduced in January 2015.[1] The risk-based regime imposes a 30 percent discount on PE/VC securities, which may deter investment. In general, pension funds and insurance companies may be more comfortable to invest in PE/VC funds registered in Ghana if a more robust legal/ regulatory framework were in place.

Recommendations

Area	Key Recommendation	Agency	Term
Legal/regulatory reform	New Securities Industry Bill, 2014 • Review the Bill to ensure that appropriate exemptions are provided for closed-ended collective investment schemes offered to qualified/sophisticated investors either in the Bill or in accompanying regulations • Develop regulations accompanying the Bill which, among other things, defines qualified/sophisticated investors; fiduciary responsibilities and disclosure/reporting requirements for fund manager etc. In doing so seek to avoid excessively burdensome regulations.	SEC SEC	Short Medium
	VCTF Act • Revise the VCTF Act such that it separates the establishment of the VCTF from the regulation of a subset of PE/VC funds. The legal/regulatory framework for PE/VC funds should instead be under the new Securities Industry Bill and accompanying regulation.	Ministry of Finance (MoF)	Short
	Limited Partnerships • Enable limited partnerships, which are globally recognized structures for PE/VC funds which allow limited partners to take on limited liability • Ensure that PE/VC related regulations allow PE/VC funds to be formed as limited partnerships	SEC SEC	Long Long
	Pension Funds/ Insurance Companies • Revise the investment guidelines for pension funds and insurance companies to permit domestic institutional investors – namely, insurance companies and pension funds, to invest in PE/VC funds abroad so that they are able to familiarize themselves with the asset class and can better monitor when they invest in domestic funds.	NPRA/ NIC	Medium

[1] A new Insurance Act is to be passed later in 2015.

Tax reform	Internal Revenue Act, • Following international standards, allow all PE/VC funds registered in Ghana to be tax transparent entities. • Reconcile discrepancies in tax incentives provided to a subset of PE/VC funds, as appropriate	MoF & Ghana Revenue Authority	Medium Medium
Institutional reform	VCTF • **Reform the VCTF Fund program based on further technical analysis and assessment of the resources the government has to effectively and consistently intervene in the ecosystem.** Three potential options include: o **Discontinuing the VCTF** with a responsible wind-down of current portfolio o **Restructuring the VCTF** by allowing the program to be run by a private manager selected through a competitive tender process; and excluding quasi regulatory responsibilities from VCTF's portfolio. o **Structure a new form of government intervention in the ecosystem, after discontinuing the VCTF.** The government could consider to either***:*** *i) set up a new privately-managed, hybrid fund or fund of funds to replace the VCTF,* attracting IFIs and private co-investors, who can contribute to best practices in the investment process; ***or*** *ii) set up a Technical Assistance (TA) Facility that would catalyze investment in SMEs by providing TA funding pre- and post-investment to funds engaging in this space.* Option ii) may be a more modest, but still positive, form of government intervention if the government does not have resources to adequately capitalize a fund or fund of funds. This TA model is discussed in paragraphs 70-71 of the report.	MoF	Medium
	SEC • Provide capacity building to the SEC to regulate the PE/VC industry • Create capacity within the SEC to provide statistics/data on the industry	MoF/SEC	Short Medium
Market reform	• Assess and subsequently support and develop seed and early stage environment, specifically related to incubators, accelerators and angel networks. • Conduct feasibility analysis on creating a local VC/PE Association to support industry coordination, collection of data, and greater cooperation.	Ministry of Trade & Investment	Medium Medium

OVERVIEW

Objective

1. **The objective of this study is to assess the private equity/venture capital (PE/VC) ecosystem in Ghana** and to provide recommendations aimed at fostering a robust private equity and venture capital environment that can provide risk financing for competitive small and medium enterprises (SMEs).

2. **PE/VC firms are investment managers that mobilize fixed pools of capital to invest in a variety of companies, often across many industries**.[2] These firms typically comb the market for high potential investment opportunities through their network of intermediaries, and by developing business linkages and competencies in specific sectors. Apart from providing financing, PE/VC funds tend to take a "capital plus" approach, in that they help the companies in their portfolios to enhance management capacity, improve market focus and presence, strengthen governance, and manage growth. Although PE investment styles may vary considerably, many firms seek financial returns by supporting and financing the growth of the companies in their portfolios. As such, these firms are widely linked to job creation.[3]

3. **Given the high value-add that PE/VC firms can bring to the economy, this study aims to identify barriers to PE/VC investment in Ghana by assessing the private equity and venture capital ecosystem in Ghana.** Specifically, it focuses on the market impediments faced by domestic and foreign fund managers and investors in this ecosystem as well as the legal and regulatory framework and tax environment related to PE/VC funds and their managers. While the study does not aim to assess specific initiatives, it discusses the role of public sector initiatives, such as the Venture Capital Trust Fund that aim to facilitate PE/VC investment. The study also discusses recommendations for the Government of Ghana to continue to pursue strategic interventions in the PE/VC sector.

Global PE Market

4. **Global private equity[4] assets under management (AUM) totaled US$3.8 trillion in June 2014, with US$1.8 trillion in dry powder[5] as of December 2014.[6]** Almost 60 percent of PE/VC AUM was accounted for by North America; while Europe comprised almost a quarter and Asia 13 percent of total AUM. In 2014 PE/VC funds raised a total of US$495 billion in capital, down 6 percent from the $528 billion raised in 2013. According to data from Preqin, global fund raising for private equity in 2015 is expected to jump, projected to surpass US$790 billion.

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[2] This section draws from "Private Equity and Venture Capital in SMEs in Developing Countries: The Role for Technical Assistance," World Bank Policy Research Working Paper 6827 co-authored by Shanthi Divakaran, Patrick McGinnis, and Masood Shariff. It also draws from Private Equity: Fund Types, Risk and Returns, and Regulation. Douglas Cumming, 2010

[3] See IFC job study. www.ifc.org

[4] "Private equity" or "PE" references encompass the following strategies: buyout, growth, PIPE, mezzanine and venture capital.

[5] Capital committed but not yet paid-in and deployed

[6] Preqin 2015

Investment deal flow remained active in 2014 with 5,305 completed PE deals totaling US$996 billion of capital invested, which marked an 8-year high, according to Pitchbook.[7] Venture capital comprised US$86 billion in deal value in 2014; while buyout activity was US$332 billion.[8] 2014 saw the recent trend of increasing amounts of firms focusing on minority and growth investments, add-on investments, and liquidity continue, with US$445 billion in capital exited from such investments, up 46 percent from 2013's US$305 billion.[9]

Emerging and Developing Economies (EMDE) PE Markets

5. Data from the Emerging Markets Private Equity Association (EMPEA) show a general increase in emerging market and developing economies' (EMDE) private equity activity from 2013 to 2014, a continuation of the strong growth trajectory the segment has seen in recent years. The five regions considered "emerging" by EMPEA - that is, Emerging Asia, Central and Eastern Europe and the Commonwealth of Independent States (CEE and CIS), Latin America, the Middle East and North Africa (MENA) and Sub-Saharan Africa - all recorded increases in fundraising totals in 2014. Total fundraising in these regions increased 16 percent from US$39 billion in 2013 to US$45 billion in 2014, meaning that EMDE grabbed a larger portion of the global whole as fundraising across the board fell between 2013 and 2014. Capital invested in EMDEs reached a record US$34 billion in 2014, up from US$27 billion in 2013, and the largest annual total since EMPEA began tracking investment data in 2008. This progress was achieved amid the ripple effects of the U.S. Federal Reserve winding down quantitative easing and associated currency adjustments in many countries; China's economic downturn; the crises in Ukraine and Syria; general elections in Brazil, India, South Africa, Indonesia and Turkey; and the continued decline of global oil prices.

6. Nevertheless, while resilience in the face of challenges propelled the EMDE private equity market forward in 2014, some burgeoning trends could pose a threat to future growth. The prevalence of large regional funds has become a hallmark of EMDE PE growth, and it has caused an increasing proportion of capital to be concentrated in the hands of fewer managers. For funds that closed in 2014, 11 had a final fund size of more than US$1 billion, collectively raising US$26 billion, or 56 percent of the total capital raised for all closed funds. This is the biggest share large funds have had in the EMDE segment since 2008. On the other hand, smaller funds had a more challenging time fundraising in 2014; only 32 funds reached a final close of less than US$100 million, the fewest since before 2008. According to EMPEA analysis, the proliferation of large regional funds suggests that limited partners may be increasingly willing to invest large sums with only the most established fund managers, which could in turn pose a threat to the market's long-term growth.

[7] Source: Pitchbook, http://pitchbook.com/pr_20150109_2.html
[8] Preqin 2015
[9] Source: Pitchbook

Sub-Saharan Africa/West Africa PE Markets

7. The African continent has witnessed a surge in private equity activity in recent years, following from a global trend of investors looking for new growth markets with higher yields. Specifically, within sub-Saharan Africa, there has been considerable growth in the PE industry. In sub-Saharan Africa, both capital raised and capital invested increased over 2013 and 2014. Fundraising activity jumped from US$1.5 billion in 2013 to US$4.4 billion in 2014, while investment rose from US$1.9 billion to US$2 billion. In 2015, both Helios Investment Partners and the Abraaj Group raised roughly US$1 billion each in Africa-focused funds. These trends are part of a larger investment wave hitting Africa, as investors are increasingly attracted to its middle class of over 300 million in a continent of US$1 billion, increased competitiveness in the private sector, economic diversification and the spread of stable governments. Moreover, investors are eager to take advantage of good investments with low capital input.[10] While concerns around exits remain, managers have found opportunities – 95 percent of African PE investments are exited through strategic acquisitions, and 5 percent through IPO.

8. South Africa has long been sub-Saharan Africa's financial hub; however, since 2004, PE funds have expanded activity in West African markets such as Nigeria and Ghana. While Kenya joins Nigeria as what are considered the most sought after PE markets in the sub-Saharan, according to EMPEA, West Africa, in particular, has seen remarkable growth in recent years. These countries have witnessed a surge in PE activity from firms such as Helios Investment Partners, Adlevo Capital, Actis, and Emerging Capital Partners (ECP). Funds raised in West Africa's PE market increased exponentially from 2013 to 2014, from US$40 million to US$271 million. Meanwhile, PE/VC investments in the West African market represented US$848 million, up from US$392 million in 2013.

9. Ghana is a major player in West Africa's PE growth, although investment in Ghana is often made through regional or pan-African funds, as discussed later in this report. According to EMPEA data, fund managers invested US$178.9 million and completed 15 deals in Ghana in 2014. (see Annex 2 for list of deals). When it comes to funds raising capital in Ghana-specific vehicles, there is a dearth of recent data. But this is unsurprising because the majority of investors access PE/VC investment opportunities in Ghana via regional funds. Because of the paucity of Ghana-specific vehicles, it is difficult to discern a trend within Ghana-specific fundraising. While a few country-dedicated funds have reached closes (one close of US$4 million in 2010 and one of US$1 million in 2012), the dearth of Ghana-specific fundraising speaks more to investor preference for regional vehicles rather than a decline or increase in fundraising for Ghana.

[10] In 2012, the average PE investment in Africa was a little over US$14M (compared to over US$40M in China and US$26M in India)

History of Domestic Private Equity/ Venture Capital in Ghana

Ghana Venture Capital Fund, 1991[11]

10. **Private equity has been prevalent in Ghana since the early 1990s.** In late 1991, USAID[12] sponsored a venture capital fund in Ghana, along with the Commonwealth Development Corporation (CDC),[13] to invest in private sector companies in Ghana with the potential to achieve high growth and profit. The initiative set up two companies, the Ghana Venture Capital Fund, and the Venture Fund Management Company, which were incorporated in Ghana and started operating in November 1992.

11. **The Ghana Venture Capital Fund (GVCF), a non-bank finance company, was set up as a 10-year[14] closed-ended local currency (Cedi) Fund amounting to almost US$6 million, with a target return of 20 percent in US dollars.** GVCF was to invest the Cedi equivalent of between US$100,000 - US$500,000 in each investee company, both start-ups and more mature companies, through both equity and unsecured loans. GVCF was to exit these investments through a range of options, including listing on the Ghana Stock Exchange. CDC Capital Partners was the anchor investor in GVCF, committing US$2 million, and raising an additional US$3.8 million through additional investors, namely DEG,[15] PROPARCO,[16] SSNIT, Barclays Bank Ghana Limited,[17] InterAfrique Holdings,[18] Merchant Bank Ghana Limited[19], CAL Bank Limited[20] and Ecobank Ghana Limited.[21]

12. **A separate management company which formed the fund manager for GVCF, the Venture Fund Management Company (VFMC), later became Aureos Ghana Advisers Limited.** The management company was originally owned by the shareholders of GVCF, except DEG and PROPARCO; it later became fully owned by Aureos Capital (which was formed in July 2001 as a joint venture of CDC and NORFUND).[22] Management fees for VFMC amounted to 3% of the committed capital. USAID was responsible for providing the operational expenditures of VFMC, amounting to a total of over $1mn through a USAID grant.

13. **GVCF made 13 investments in Ghanaian companies focused on manufacturing, food products and services, of which 9 achieved positive IRR in local currency terms.** Investment

[11] This section draws from Extract: The Manager's Completion report to Shareholders, February 2006
[12] US agency responsible for administering foreign aid
[13] UK Development Financial Institution (DFI) supporting private sector in many emerging markets, with a more recent focus on Africa and South Asia (post-2011)
[14] With the possibility to extend by up to 2 years with approval from 75% of the shareholders
[15] A German Investment and Development Corporation (development financial institution or DFI) and subsidiary of KfW (German development bank), which finances private companies in developing countries
[16] A DFI partially owned by Agence Française de Développement (French development agency) which invests in developing countries
[17] Subsidiary of Barclays Bank engaged in retail and corporate banking in Ghana
[18] A Ghana-based management and investment services company, with investments currently in Ghana and other countries in West Africa.
[19] Currently Universal Merchant Bank
[20] A Ghana-based commercial bank
[21] A member of the Pan African Ecobank regional chain of commercial banks
[22] Until 2008, when there was a Management Buyout (MBO) of Aureos Capital from CDC and Norfund. Aureos Capital, now the Abraaj Group, still operates in Accra.

included the likes of Achimota Brewing, Pioneer Aluminium, Voltic (GH) Ltd, and Leasafric. Some of these initial investee companies, such as Voltic and Leasafric, have expanded since the initial investment, with Leasafric becoming a significant player in the leasing industry. Pioneer Aluminium was later listed in the GSE. However, the local currency performance of the GVCF portfolio was offset by the steep depreciation in cedi against the US dollar over the life of the Fund – over 1,700% by December 2005. The GVCF's commercial success was affected by this and a number of factors, including deal structuring: the equity component of the investments suffered from the lack of minority protection rights such as tag-along rights that would allow minority shareholders to sell their stake at the same terms and conditions as majority shareholders; in addition, the local currency loans provided to the investee companies shrank in value by the time of repayment.[23]

Venture Capital Trust Fund Act, 2004.

14. The next key event concerning private equity in Ghana was the establishment of the Venture Capital Trust Fund Act ("The Act") of 680 in 2004.[24] The Act came about as part of the 2003 Budget to Parliament, wherein the Ministry of Finance and Economic Planning declared an initiative to kickstart a domestic private equity ecosystem. The Act created an agency, the Venture Capital Trust Fund (VCTF) under the purview of the Ministry of Finance (not regulated by the SEC), which was funded by a 25 percent levy from the National Reconstruction Levy (derived from banks and financial institutions). The National Reconstruction Levy Act 2001 (Act 597) was introduced by the government to mobilize financing for national development through a 1.5 -7.5 percent levy on the profits before tax of all companies (other than those exempted). VCTF was set up as a fund of funds, seeding venture capital funds focused on investing in SMEs in Ghana. In addition, the Act elaborated the rules under which VCTF funding could be accessed: by venture capital funds incorporated under the Companies Code 1963 (179) investing in SMEs in Ghana through equity and quasi equity financing; the fund managers of these funds had to be registered with the Ghanaian capital markets authority, the Securities and Exchange Commission (SEC).

[23] Part of the issue was structural – the GVCF, as mentioned, was a local currency fund, with 10% of capital being equity denominated in local currency, and 90% a shareholders loan also denominated in local currency. Initially, loan repayments were to be made using the cedi amount contributions as the basis; however, six years into the fund life investors had to change this cedi basis to US$ basis because investors who contributed the same amount in US$ but at different times were to have received different amounts from a loan repayment. In addition, all investments were to be made in in local currency which made it difficult for the fund manager to mitigate foreign exchange risk.

[24] Note: Following the GVFC, a $5 million Fidelity Equity Fund was apparently established in 2000 by Fidelity and FMO (the Netherlands DFI).[24] The main investors in the fund were FMO, and Rovalue Africa Capital B.V. (Rovalue Africa Capital B.V is a Dutch investment company. http://www.sifem.ch/portfolio/portfolio-composition/53-fidelity-equity-fund-i, accessed September 26, 2015

Table 1: VCTF Use of Funds[25]

VCTF Investments	U$S millions
Activity VFC	4.0
Bedrock VFC	4.0
Fidelity Fund II	3.0
Gold VFC	2.0
Ebankese Venture Fund	4.0
Total Existing Co-Investments	**17.0**
VCTF Technical Assistance	**2.0**
Sorghum Project	**2.0**
Total Investments	**21.0**

VENTURE CAPITAL TRUST FUND: OPERATIONS AND CHALLENGES

15. **The VCTF Fund began operating in 2006 with Ghana Cedi 22.4mn (US$22.4 million) in initial funding.** VCTF's role was primarily to play an anchor investor in domestic venture capital funds while educating domestic co-investors on the private equity/ venture capital asset class and building the capacity of domestic PE/VC managers. (*See Box 1 below for details on VCTF's structure*) Its function later evolved to also play a significant role in catalyzing the general ecosystem for PE/VC. Since venture capital funds need profitable and viable routes to exit their investee companies, the Venture Capital Trust Fund collaborated with the Ghana Stock Exchange (GSE) to create a dedicated junior stock market for SMEs and assist these SMEs to list their shares on the exchange. In 2009, VCTF created a subsidiary US$1million Angel Fund, with the goal to solicit funding from, and co-invest, with high net worth (HNWs) in early stage entrepreneurs, which VCTF was to manage through a service provider.[26] This Angel Fund was subsequently liquidated and in 2011 the VCTF established the Ghana Angel Investor Network (GAIN), to deepen the venture capital and private equity market in Ghana. GAIN, which currently has a network of 25 angels,[27] was to provide a platform for high net worth (HNW) individuals to invest in and nurture early-stage companies, which generally do not have access to traditional sources of capital. VCTF has also taken on a quasi-regulatory role, in supporting the SEC more recently to draft upcoming regulations and guidelines for the industry. While this role provides an interim solution until a permanent regulatory body is put in place, best practices would call for the creation of a more fulsome regulatory solution housed within an independent body. VCTF also finances various commodity value chain developments in Ghana, such as through the West Africa Sorghum Value Chain Development Project (*see Table 1 above for the breakdown in VCTF use of funds*). In 2012, the Government of Ghana provided VCTF with an additional GHC5 million funding.

[25] Final Portfolio Analysis of AVCF conducted by Glendale Consulting Ltd. May 2013
[26] This vehicle allowed the HNWs to get tax exemption
[27] From VCTF website, accessed October 16, 2015

Box 1: VCTF Program[28]

- Objective: "To provide financial resources for the development and promotion of venture capital finance for Small and Medium Enterprises (SMEs) in priority sectors of the economy as shall be specified from time to time." These priority sectors were to be recognized according to the government development plan outlined by the National Development Planning commission every year.
- Structure of VCTF: Cedi 17.5 million (US$17.5 million) of the initial capital was allocated towards capital infusion into venture capital funds; and Cedi 2 million (US$2 million) was to set up a technical assistance fund, provided as grants to allow investee companies to get expertise in areas such as corporate governance or financial management.[29] VCTF was exempt from paying any form of tax.
- Investors: VCTF formed co-investor relationships with a number of financial institutions. From the public sector co-investors were Ghana Commercial Bank (GCB), National Investment Bank (NIB), Agricultural Development Bank (ADB),[30] State Insurance Company (SIC), and the Social Security and National Insurance Trust (SSNIT).[31] From the private sector the co-investors were Fidelity Bank, Gold Coast Securities Ltd, and Ghana Union Insurance (GUA)[32]. The financial contributions of these institutions were matched by VCTF contributions. In addition, these financial institutions were provided tax incentives towards their investments.
- Investee Funds: VCTF could invest in 10-year life Venture Capital Finance Companies (VCFCs) set up under the Companies Code, 1963, with the sole business of investing in SMEs through equity and quasi equity investments and providing capacity building to these investee SMEs. According to the VCTF Act, the VCFCs must have a fund manager licensed as an investment adviser by the SEC under the Securities Industry Law 1993 (PNDCL 1993). The minimum equity capital for a participating VCFC was US 1.5mn, although in actuality not all the fund managers provided this minimum equity capital.[33]
- Investments/ SME definition. The investee funds were required to invest in a balance of companies across the seed, start up and expansion stages. The VCTF Act 2004 defined SMEs as "an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of $1 million in value." In general, the VCFC could not invest more than US$500,000 in any one investee company without the Board's permission. All VCTF funds had to be onshore and invest in Ghana, with the exception of Fidelity which was allowed to invest outside.
- Governance: VCTF had a 9 member trustee board, appointed by the President of Ghana, which included a representative from the Ministry of Finance, and representatives from Ghana Bankers Association, and the Insurance Association. As part of its mandate, the VCTF was required to form the secretariat of the Steering board, and convene quarterly meetings. In its role as representing the Government of Ghana as an investor, the VCTF supervised the VC Fund manager's reports and evaluated the funds in its portfolio. While the Board of VCTF was not expected to have a role in investment decisions of the investee funds, the Board could refuse investments deemed to be too risky (as stated in the VCTF guidelines of 2006).
- Fee structure: Typically, management fees started at 4%, then reduced to 2 - 2.5 percent and then further to 1 percent. Carry was 20 percent and the hurdle rate 8 percent.
- Draw down of capital. VCTF funds to VCFCs was in the form of loans with an interest rate equal to 50 percent of the Bank of Ghana Prime Rate.

[28] Drawn from interviews and Venture Capital Trust Fund: Guidelines and Applications, February 28, 2006; and Venture Capital Trust Fund Act, 2004

[29] For example, the TA Fund was used to get accounting software for Blackstar Advisors.

[30] Government owned DFI and commercial bank

[31] SSNIT is the state agency which administers Ghana's national pension scheme. SSNIT operates the mandatory first-tier of the 3-tier pension scheme.

[32] A private insurer

[33] For example, Activity and Bedrock fund managers did not provide management commitment into the fund. SIC was the fund manager for Bedrock and was also an investor into the fund, and therefore did not want duplicate their investment.

16. **The VCTF made headway in achieving its objectives in a number of ways.** Since its establishment, VCTF invested US$17 million in 5 funds (see below), which in turn invested in roughly 50 portfolio companies (*see Table 2 below*). In doing so, VCTF kick started a domestic venture capital fund industry in Ghana. VCTF was also able to attract local banks as co investors, to form a more unusual investor base in these funds, since local institutional investors in the PE/VC asset class typically tend to be pension funds or insurance companies. One of the fund managers involved in the VCTF program, Oasis Capital, is currently raising a second fund, reflecting its success in managing the first fund which VCTF invested in. In addition, Samba Foods, formerly a portfolio company of Bedrock VCF Company Ltd. was listed on Ghana's junior stock exchange, GAX, in early 2015.

Table 2: VCTF Funds – Key Characteristics

Fund	Setup	Fund Size	Investment Manager	Investors	Target geography	Target Investee	Target ticket size
Activity Venture Finance Company Ltd.	2006	US$10 mn	Black Star Advisors[34] *(Terminated in 2014).*	VCTF (US$4mn); Ghana Commercial Bank (US$4mn); Agricultural Development Bank (US$2mn)	Ghana	SME	Ghana US$ 200K
Bedrock VCF Company Ltd.	2007	US$10 mn	SIC Financial Services Ltd.[35] *(Terminated in 2012).*	VCTF (US$4mn); SIC Insurance Company Ltd.; National Investment Bank (NIB)	Ghana	SME	Avg: US$300 K
Ebankese Fund Limited	2009	US$10 mn	Oasis Capital Growth and Venture Capital Fund Managers	VCTF US$4mn; Africa Tiger Holdings $1mn; HFC Bank[36] US$2.5mn; Ghana Union Assurance US$1mn; PCG Dutch US$1mn; WDBI[37] US$500k; SOVEC[38] US$2.5mn[39]; Oasis Capital US$500k	Ghana	SME	Avg: US$1mn
Fidelity Equity Fund II Ltd.	2007	US$23.2mn	Mustard Capital[40]	VCTF US$3mn; FMO; SSNIT; SIFEM[41] US$3mn, on behalf of SECO; FINNFUND[42]; OIKOCREDIT[43]; SOVEC; Fidelity Capital	Ghana, Liberia (up to 25%), Sierra Leone (up to 15%). But all	SME (mid mkt cos.)	Avg: US$2mn

[34] Until 2008, JCS. In 2008, Black Star Advisors became fund manager. Black Star Advisors is also Fund Manager to unit trust, Christian Council Mutual Fund -- CCMF

[35] A subsidiary of insurance company, SIC, which is a listed company with the government as the biggest shareholder

[36] HFC Bank (Ghana) Limited, a subsidiary of Republic Bank Limited of Trinidad & Tobago

[37] Local investment company

[38] Dutch VC fund

[39] They also co-invest on all the deals with Ebankese

[40] Initially it was Fidelity Capital Partners, and then Jacana. Mustard Capital Partners Limited is a Private Equity Fund Management company incorporated in Ghana in 1998 which also provides corporate finance and advisory services to corporate institutions in Ghana. Owned by the management team, Fidelity Bank (Ghana), FMO (DFI) and Jacana Venture Partnership LLP. Historically, set up under Fidelity Bank, but became an autonomous PE manager. Commenced partnership with Jacana Venture Partnership LLP, UK (Jacana).

[41] Swiss Investment Fund for Emerging Markets (SIFEM), the Swiss development finance institution. SIFEM is advised by Obviam.

[42] Finnish development finance institution, providing risk capital in developing countries

[43] Financier of microfinance institutions and SMEs in developing countries

				Partners Management team (1%)	investments have been in Ghana/		
Gold Venture Capital Limited	2007	US$4mn	Boulders Advisors Limited[44] *Potentially terminated)*	VCTF (US$2mn); Gold Coast Securities Ltd.[45] (US$2mn)	Ghana	SME	NA

17. However, despite its impressive objectives, and the significant headway the VCTF made in paving the road for a domestic private equity and venture capital industry, a confluence of events occurred to jeopardize the outcomes of the program described above. First, in 2007, the National Reconstruction Levy, which served as the main source of funds for the VCTF, was repealed because of the negative impact it was perceived to be having on businesses. The premature demise of this funding source underscores the challenge of building an alternative assets sector based on taxing the private sector rather than securing dedicated government or DFI funding, as is done in many other emerging private equity markets. Given that the VCTF was funded by the Levy only for three years, and after the Act was repealed, VCTF's budget became inconsistent and there were no other actors to sustain the market, particularly on commercially viable terms. VCTF did not make any investments in funds after 2009. With the change in government in 2008, the political will surrounding the establishment of VCTF apparently diminished. Nana Osei Bonsu, who was the original architect of the VCTF program and became the first CEO of VCTF, was replaced in 2010, signaling a perceived shift in focus within the VCTF.

18. In addition, a number of structural challenges affected the VCTF objectives (additional challenges are discussed in the section on legal/regulatory framework)**.**

a. **Dollar-denominated funds.** The VCTF program set up dollar-denominated funds which invested in both US dollars and Ghana cedis, exacerbating currency risk as the Ghana cedi depreciated.
b. **Lack of fund manager's input into fund design.** The funds were generally created before selecting the fund manager, which meant the manager had little input into designing the fund.
c. **Fund manager lack of experience.** Most fund managers selected by VCTF lacked experience in PE/VC (as expected in a nascent environment), which presented challenges in selecting and structuring deals.
d. **Competing affinities for fund managers/misaligned interest.** In some cases the fund managers also managed broader asset management platforms or had competing affinities which channeled focus away from the activities of the fund they managed.[46] Not all the fund managers put in their own capital into the fund, which may also have resulted in misaligned interest.
e. **Bank-dominated investor base**. The bank-dominated investor base for VCTF funds became problematic. These investors in many cases were represented on the investment

[44] Boutique investment bank dealing with Investment banking, corporate advisory, pension consulting
[45] Asset management firm
[46] For example, SIC Financial Services Ltd (FSL), which managed Bedrock Fund was not an independent fund manager, and the employees were affiliated to SIC rather than to the fund manager for Bedrock. The Bedrock fund manager reported to the CEO of FSL, not to the LPs of the fund. FSL was focused on its overall brokerage and corporate finance business, in addition to private equity.

committees of the fund, and reportedly were inclined to view investments in the manner of institutions underwriting loans rather than patient capital investors. For most of the funds, the investment committees were reportedly not represented by those knowledgeable about PE/VC.

f. **Weak legal recourse for fund managers.** Shareholder agreements guiding the setup of the funds were evidently not robustly drafted such that the fund managers have legal recourse for failed capital contributions or management fees.

g. **Lack of continuity.** In addition, when government / leadership changed the leadership of the state financial institutions, who were investors in these funds, also changed, leading to a lack of continuity or institutional knowledge with respect to the VCTF program.

19. The VCTF funds were also set back by trials that are common to PE/VC in developing markets. In general the SME terrain is difficult for PE/VC funds. As one fund manager put it, the investees tended to be "locally ambitious, not globally ambitious." SMEs in developing markets are less knowledgeable about the asset class and reluctant to dilute their ownership or cede control. SMEs generally struggle with producing robust financial statements, resulting in uncertainty about valuing the enterprise and assessing its risk. SMEs also need significant capacity building to nurture growth and effect attractive returns. In addition the industries servicing these funds – legal, accounting etc. – were new to the PE/VC asset class, and had a learning curve to surmount. Technical assistance tends to be a vital factor in deploying capital for SME investments, but given the small sizes of these funds, the VCTF fund managers did not generally have sufficient resources to commit to their investees for areas like centralized accounting, legal services etc.

20. VCTF's reputation in the ecosystem was eventually marred because the Trust Fund (and some of its co-investors) failed to honor capital calls to some of their investee funds. This reportedly crippled both some of the managers of these funds and potential deals, since the investment process became delayed against a backdrop of local currency depreciation. Two out of the five VCTF fund management contracts were eventually terminated for uncertain reasons: SIC Financial Services Ltd, which formerly managed Bedrock, was terminated in 2012 (with 11 investments that had not been exited); and Blackstar Advisors, which formerly managed Activity Venture Finance Company, was terminated in late 2014. Currently a third fund manager, Boulders Advisors Ltd., is in the midst of a termination related dispute. Thus only two investment managers can be deemed "successful" from the VCTF funds – these are Oasis Capital, which manages Ebankese and is currently raising a new SME fund of $70mn;[47] and Mustard Capital, which currently manages Fidelity Equity Fund II. As of the writing of this report, it is unclear which of the fund managers that were terminated have been replaced. Some of the abandoned portfolio companies are being managed by VCTF staff.[48]

21. In summary, the planning, development, and support of a private equity and venture capital ecosystem represents a collaboration between public and private sector actors that must closely align with market realities and limitations. As the experience of Ghana attests,

[47] They already have $5.5mn from local investors – GCB with $2.5mn; and Africa Tiger Holdings with $3mn. As of end March 2015, they expect to raise $15mn with DGDF and Proparco also committing capital.

[48] For the Bedrock portfolio, a staff of SIC FSL was initially reportedly appointed for administrative work (at SIC's cost) to monitor the portfolio because it became a reputational risk for SIC FSL

flaws in program design or a lack of alignment of actors and incentives, when coupled with overall macroeconomic or environmental challenges, can be greatly compounded. Thus, launching a PE and VC industry absent a supportive industry context, almost assures that significant headwinds will prevail.

INTERNATIONAL EXPERIENCE WITH GOVERNMENT INTERVENTION IN THE PE/VC ECOSYSTEM

22. Government intervention in PE/VC is not unusual; typically, intervention in the PE/VC ecosystem manifests itself through three key approaches. The first is a more traditional role for the government, where it helps create a conducive legal/regulatory and tax framework for PE/VC funds. The second, and more interventionist approach, is when the government recognizes that a lack of risk financing is, for example, undermining the innovation ecosystem and preventing innovative ideas with commercial potential from reaching market. In this case, the government may elect to play the role of a venture capitalist, justifying its intervention because early stage financing, while able to deliver huge impact, is well known to be consistently under-supported. In fact, academic research finds government VC expands the total pool of financing for the market as well as at the enterprise level.[49] A third mode of intervention, which the VCTF exemplifies, is the government-sponsored Fund of Funds, providing seed capital to PE/VC funds in the ecosystem, and building the capacity of both domestic fund managers and co-investors in the process (See Box 2 for details on three successful government interventions that have supported the development of SMEs via investment from VC and PE funds).

Box 2: Government Interventions in SMEs, VC, and PE

The US Small Business Investment Company (SBIC) program

The SBIC program is a highly successful example of a venture lending program. SBICs fill the market niche left vacant by VC; in the US for example, only 5% of the 500 fastest growing SMEs receive VC money. The other 95% of SMEs require money from different financial institutions and investors. SBICs are privately managed firms licensed by the U.S. Small Business Administration (SBA) to make equity/debt investments. SBICs borrow money from the SBA at low interest rates and re-lend money at a higher interest rate with most, but not necessarily all investments having an equity component. The SBA does not invest directly into SMEs through the SBIC Program. Today, via its partners, the SBA manages in excess of US$25 billion of investment capital.

Israel's Yozma Program (1993-98)

Confronted with severe and potentially devastating economic stagnation in the mid-1970's and early 1980s, the Israeli government adopted an economic stabilization plan and subsequently focused on strengthening its role in facilitating financing for budding entrepreneurs. In the early 1990's, Israel created the Yozma venture capital program which leveraged Israeli Government investment (US$100 million) with mostly outside (non-Israeli) venture capital in ten new venture capital funds. In each fund, investment decisions were made by the outside professional investors and the Israeli Government, via Yozma, served as a minority investor. Yozma turned out to be a runaway success. Between 1992 and 1997, the Yozma-sponsored funds raised over US$200 million dollars with the help of government financing. When the funds were privatized five years later, they were managing almost $3 billion in capital spread over hundreds of Israeli companies.

[49] "The Effects of Government-Sponsored Venture Capital: International Evidence" by James A. Brander, Qianqian Du, and Thomas Hellman. Review of Finance (2015).

Brazil's Inovar Program

In 2000, Brazil's Agency for Innovation, *Financiadora de Estudos e Projetos* (Financial Backer for Studies and Projects—FINEP) collaborated with a range of partners, such as the Multi-Lateral Investment Fund (MIF), to launch INOVAR, a project to address concerns that Brazil's entrepreneurs were being deterred by capital constraints and an underdeveloped venture capital industry. INOVAR is primarily an incubator of funds, in which a few of Brazil's major pension funds invest. However, the program also helps venture capitalists and entrepreneurs find one another, while educating investors in due diligence and best practices. As of 2012, INOVAR has cost US$13 million in operating costs and facilitated more than approximately US$1 billion invested in private equity (including VC) funds. As a result, a 2013 Ernst and Young report noted that Brazil ranks 9th out of the G20 countries in access to funding—much higher than its Latin American neighbors Mexico and Argentina.[50]

CURRENT PLAYERS IN THE PRIVATE EQUITY/ VENTURE CAPITAL ECOSYSTEM IN GHANA

23. While the Ghanaian ecosystem for private equity and venture capital remains relatively nascent despite the early ventures, the existing key market players go beyond the local play described above. In fact, the market consists of a dynamic array of local funds, regional funds, and Pan African funds. Each of these categories of funds attracts a particular type of fund manager and investor; fund sizes and investment ticket sizes also typically differ correspondingly. Many of the global players in the ecosystem have helped increase the capacity of the PE/VC industry in Ghana. Given the market is embryonic, there is no PE/VC trade association in Ghana.

Investors

24. PE/VC investors in Ghana are a mix of Ghanaian, pan African and European institutional investors or corporates; development-oriented institutions; as well as international family offices and foundations. More specifically, the four key categories of investors are:

a) **Local financial institutions** (banks, insurance companies, SSNIT) who invest in Ghanaian funds
b) **Institutional investors or corporates,** such as South Africa's Public Investment Corporation or Colina Group which have invested in West African or Pan African Funds. These also include French investors such as Banque Populaire, the Wendel group etc.
c) **Development-focused institutions,** including DFIs such as FMO, Proparco, and IFC; and development banks, such as the African Development Bank, which invest mostly in West African and Pan African funds.
d) **Family offices and foundations** (such as the Lundin Foundation, Soros Economic Development Fund etc.) which also invest in West African or Pan African funds.

[50] http://www.americasquarterly.org/content/brazils-inovar-building-entrepreneurship-ecosystem

Table 3: Illustrative list of investors in PE/VC funds in Ghana			
Local investors	**Institutional Investors and corporates investing across Africa**	**Development-focused institutions**	**Family offices/ Foundations**
• Agricultural Development Bank • Ghana Commercial Bank • Ghana Union Assurance • Gold Coast Securities Ltd • HFC Bank (Ghana) Ltd[51] • National Investment Bank • SIC Insurance Company Ltd • SSNIT • Venture Capital Trust Fund • WDBI	• Bank of Africa • Banque Populaire[52] • CFAO[53] • Colina Group[54] • Crédit coopératif[55] • NSIA Insurance • Public Investment Corporation, S. Africa[56] • Sugar Industry Pension Fund of Mauritius • Wendel[57]	• African Development Bank • CDC • DEG • Ecowas Bank of Development • European Investment Bank • FMO • IFC • Norfund • PROPARCO • SIFEM[58] • SOVEC[59] • Swedfund • FINNFUND[60] • OIKOCREDIT[61]	• Alliance for a Green Revolution in Africa (AGRA)[62] • America Lampert Foundation • Gates Foundation • Lundin Foundation • PhiTrust Partenaires • Soros Economic Development Fund

25. **The presence of Ghanaian institutional investors is mainly restricted to the earlier generation of VCTF funds set up between 2006 - 2009, versus the more recently established funds operating in the ecosystem.** As discussed earlier, the investor base for VCTF funds had attracted an unusually high proportion of banks, which typically do not constitute a significant part of the investor base for PE/VCs. VCTF co-investments also attracted insurance companies such as Ghana Union Assurance and SIC Insurance Company Ltd., as well as the state pension agency, SSNIT. But Ghanaian institutional investors have been conspicuously absent in the more recent funds entering the ecosystem, which tend to draw an investor base from DFIs and other investors in Pan African or regional funds.

26. **As in many emerging market PE/VC ecosystems, development financial institutions play a prominent role in Ghana as investors in PE/VC, although DFIs now prefer regional funds to Ghana-focused funds.** One of the striking legacies of the GVCF initiative from the early 1990s is the continued presence in the ecosystem of some of the early DFI investors, such as DEG and Proparco.

[51] As mentioned earlier, this bank is now a subsidiary of Republic Bank of Trinidad & Tobago.
[52] French group of cooperative banks
[53] Multinational company focused on sale of manufactured goods in Africa and other regions
[54] Diversified financial services company, focused on life and health insurance, mortgage lending etc.
[55] French cooperative bank
[56] South African asset manager
[57] French investment company
[58] Swiss DFI
[59] Dutch PE/VC fund
[60] Finnish DFI
[61] Financier of microfinance institutions and SMEs in developing countries
[62] Established in 2006 as partnership between Bill and Melinda Gates Foundation and the Rockefeller Foundation

However, these players have moved away from early experience investing in Ghana-focused funds to investing mainly in regional funds with an allocation to Ghana.

Fund Managers

27. Fund managers operating in Ghana range from the local VCTF fund managers with generally more limited track record, to those that have gained their early experience in the 1990s through the GVCF fund, to some seasoned fund managers of large pan African or global funds. PE/VC Fund managers consist of three broad categories of players:

a) Domestic fund managers registered with the SEC, managing VCTF funds;
b) Fund managers with a history of investing in GVCF, who have moved on to managing regional or Pan African funds (e.g. Abraaj Ghana Advisers and PCM Capital Partners); and
c) Regional, Pan African or global fund managers, some of which retain offices or sub offices in Ghana.

Table 4: Illustrative Chart of Fund Managers Operating in Ghana, by average investment size per deal (USD)[63]

	Investment Type			
	Impact	**Venture**	**Growth**	**Buyout**
>$20m			• Actis LLP • Development Partners International (DPI) • Emerging Capital Partners (ECP) • Helios Investment Partners	• Abraaj (Abraaj Africa Fund III) • Actis LLP • ECP • Helios Investment Partners
$5-20m			• Adenia Capital • Abraaj (Aureos Africa Fund) • Vantage Capital	
$2-5m			• Adenia Capital • DAFML • Injaro Agric Capital Holdings** • PCM Capital Partners	
$100k-2m	• Acumen • I&P	• Black Star Advisors* • Boulders Advisors* • Mustard Capital • Oasis Capital SIC Finl Services Ltd.*		
<$100k		• Black Star Advisors*		

**Fund managers either terminated, or in dispute over management contract*
***Injaro is also considered to be an impact investor*

[63] This table attempts to shows average investment size, although the actual range of investments may be much larger. For example DAFML invests between USD150k to USD4mn, but the average deal size is around USD3mn. The table also shows fund managers (such as ECP or DAFML) which currently do not have investments in Ghana, but consider Ghana within their investment strategy.

Local PE/VC Funds

28. **Local PE/VC funds in Ghana are dominated by an early generation of funds invested in by VCTF and other local investors between 2006-2009**. The VCTF funds, as discussed earlier, are five SME, sector neutral funds, all registered in Ghana. These funds range from US$4 million to US$23 million in size, and invest an estimated average of between IS$100,000 - US$2 million in Ghanaian small and medium-sized businesses.[64] Their investor base in general also consists of local players: the VCTF, Ghanaian banks, Gold Coast Securities Ltd., Ghanaian insurance companies, and the large state pension fund SSNIT. However, for two of the funds – namely Fidelity and Ebankese – the investor base has included DFIs such as FMO, SOVEC, SIFEM, FINNFUND; and other global players such as OIKOCREDIT.

29. **While VCTF funds dominate the local PE/VC scene in Ghana, a subset of newer local players such as Fortiz Private Equity Fund and Sagevest Holdings Ltd have become active in Ghana since 2010, although they may employ an investment holding company model rather than a finite life fund model.** The details regarding some of these funds are less known. However, Ghana Growth Fund Company was initially established in 1993, was inactive for some time and became operational again in 2010. The fund/holding company[65] is registered in Ghana and invests in strategic sectors such as infrastructure, financial services and communications. Fortiz was established in Ghana in 2013 and also invests in strategic sectors such as finance, real estate, insurance, education, manufacturing and healthcare. Sagevest Holdings, established in 2011, is an investment holding company registered in Mauritius with a sub company in Ghana. As a holding company, they are not limited to the typical finite life fund model, which lends more flexibility to their investment style. Their investor base mainly consists of high net worth individuals from outside of Ghana. Sagevest invests in sectors such as food and beverages and agribusiness, although they are flexible about target investments.

Regional/ Pan African PE/VC Funds

30. **The regional funds targeting Ghana fall into two main categories: West Africa-focused funds and Pan Africa-focused funds.** The West African focused funds operating in Ghana include Injaro Agricultural Capital Holdings, set up in 2012, and the West Africa Emerging Market Growth Fund (WAEMGF), set up in 2011. Both of these funds are approximately US$50 million in size, and invest between US$1 million to- US$5 million through equity and quasi equity financing.[66] Both funds are registered in Mauritius[67] but have offices in Accra, and focus primarily on Ghana and Cote D'Ivoire. However, while Injaro focuses on SMEs across the agricultural value chain, WAEMGF has a sector neutral focus in a range of medium to large enterprises. The investor base of these funds is also different. While WAEMGF relies on a primarily pan African investor base – including the likes of South Africa Public Investment Corporation (PIC), regional insurers such as Nouvelle Societé Interafricaine d'Assurance Participations SA (NSIA), as well development banks such as Ecowas Bank of Development and African Development Bank;

[64] Some of the funds, such as Activity Venture Finance, formerly run by Black Star Advisors reportedly invested under $100K as well.
[65] It is unclear whether the GGFC is a limited life fund or a holding company
[66] Injaro typically invests less than US$3 million
[67] Injaro, however, has also set up a vehicle in Ghana -- Injaro Agricultural Venture Capital Ltd. - for the option to access VCTF funding, and tax incentives.

Injaro's investor base is primarily focused on both DFIs (such as CDC and FMO) and global foundations and family offices, such as Soros Economic Development Fund and the Lundin Foundation. Injaro is managed by a first time fund manager, Injaro Investments,[68] consisting of two managing partners, of Ghanaian and Ivorian origin respectively. WAEMGF's fund manager is PCM Capital Partners, founded in 2010, which is an affiliate of Phoenix Capital Management SA (PCM), a West African investment bank.[69] While Injaro and WAEMGF were set up rather recently, an older generation regional fund, the Aureos' US$50 million Aureos West Africa Fund (AWAF) which was established in 2004, also provided expansion capital to SMEs in the region.

31. The larger group of regional funds are Pan Africa-focused generalist funds. These entities tend to be registered in Mauritius and are typically larger in size than local or West Africa-focused funds. The first group of such funds are those that have representative offices in Ghana. These include:

a) Databank Agrifund Manager Ltd.'s (DAFML's) US$36 million Africa Agricultural Fund SME (AAF SME)[70]
b) I&P's €54 million I&P Afrique Entrepreneurs (IPAE)
c) Adenia Partner's €100mn Adenia Capital III, and
d) Abraaj Group's US$381 million Aureos Africa Fund and US$990 million Abraaj African Fund III.

The second group of such funds are those that may invest in Ghana, but maintain offices elsewhere. These include:

a) US$150 million[71] Vantage Mezzanine Fund II (managed by Vantage Capital in South Africa)
b) US$250 million Actis Real Estate Fund II (managed by Actis LLP in the UK).
c) Other large Pan African Funds managed by Helios Investment Partners, ECP, DPI etc.

32. Most Pan Africa-focused funds are registered in Mauritius, exceptions include Vantage Mezzanine Fund II, which is registered in South Africa; and Actis Real Estate Fund II, which is registered in the UK. Pan African regional funds tend to be larger than both the local Ghanaian funds and the West African funds. These funds tend to have an investor base consisting of DFIs, development banks, as well as institutional investors and global family offices/ foundations. The Pan African funds are typically not managed by Ghanaian fund managers, although DAFML, a subsidiary of Databank, is an exception, having won the RFP to manage AAF SME. The ticket sizes of these funds vary: IPAE and AAF SME invest in the range of US$2-US$3 million; Adeniya Capital III and Aureos Africa Fund invest between US$3 million – US$20 million; DPI funds invests in the range of US$20 million - US$50 million; while Helios, ECP and Actis funds generally invest higher than US$50 million per deal.

33. Most of the PE/VC funds investing in Ghana tend to be sector agnostic and employ venture or growth investment strategies, using both equity and quasi equity financing; however, there are a small subset of thematic funds focused on impact, health, agribusiness, real estate or infrastructure which also invest in Ghana. According to EMPEA data, Ghanaian

[68] With a subsidiary Injaro Investment Advisers, registered with the Ghana SEC
[69] One of the managing partners of WAEMGF is J. Mawuli Ababio who was part of the management team running GVCF in the 1990s.
[70] This fund has not yet invested in Ghana
[71] South African Rand 2 billion

banks and financial services outfits have been significant recipients of PE/VC fund investment – totaling roughly US$115 million since 2008. There has also been significant PE investment towards oil and gas exploration and production in Ghana. In 2008, globally renowned private equity shops Warburg Pincus and Blackstone Capital Partners invested US$500 million in Kosmos Energy for its development activities in West Africa, including the Jubilee Field offshore Ghana. Real estate investments in Ghana by PE funds have also featured prominently in EMPEA data, amounting to US$45 million since 2008, including the Abraaj Group's US$20 million investment in Regimanuel Gray Ltd., a real estate developer, in 2008[72]. Thematic funds investing in Ghana include the following four broad categories:

a) **Impact investors** such as Acumen, I&P, and Injaro.[73] Acumen's West Africa office opened in 2011 and they have invested in four deals in Ghana totaling roughly US$7 million.[74]
b) **Health investors** such as Abraaj Capital's US$105 million Africa Health Fund, which invested in C&J Medicare Hospital in Ghana.
c) **Agricultural/agribusiness-focused funds** such as the US$49 million Injaro Capital Holdings and US$36 million AAF SME (although the latter has not yet invested in Ghana).
d) **Real estate funds** such as US$278 million Actis Africa Real Estate II; and US$154 million Actis Africa Real Estate (2006) which had invested US$26 million in Accra Mall.
e) **Infrastructure funds,** such as African Infrastructure Investment Managers (AIIM), a subsidiary of Macquarie and Old Mutual Investment Group, which invested through African Infrastructure Investment Fund 2 (AIIF2) in Cenpower Generation Company Limited ('Cenpower'), an SPV created to develop the Kpone Independent Power Plant in the Tema industrial zone. In addition, the government sponsored Ghana Infrastructure Investment Fund, which will invest in infrastructure projects for national development was to begin operations in 2015, aiming to create investment opportunities for institutional investors including pension funds.

34. As in other developing markets, subsidized technical assistance (TA) to build investee capacity is an important aspect of PE/VC investment in Ghana; however only a subset of funds have access to dedicated pots of TA money. Among the VCTF funds, for example, Fidelity Equity Fund II relied on TA provided by FMO and OBVIAM[75] to help increase the investment worthiness of investees and raise deployed capital to SMEs. Injaro has an approximately US$2 million TA facility financed by DFID, Proparco and Lundin at its disposal to help catalyze its investments in agriculture/agribusiness focused SMEs. Abraaj Capital's health fund, Africa Health Fund, also has access to TA through IFC and Proparco.

Accelerators, Incubators, Angel Networks[76]

35. Incubators and accelerators are intermediaries that help companies to grow by providing a combination of capital, mentorship, technical support, infrastructure, and other

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[72] This was previously an Aureos fund investment. Aureos merged with Abraaj in 2012.
[73] Injaro also classifies itself as an impact investor
[74] The investments are in Sproxil, Pagatech, Medeem, and GADCO. Source: Ghana Entrepreneurship Ecosystem Study led by DFID
[75] Manager of SIFEM
[76] Draws from Ghana Entrepreneurship Ecosystem Study (DFID), Ghana Climate Innovation Center feasibility study (infoDev) and Ghana Science, Technology and Innovation Policy (STIP) Review (World Bank and UNCTAD)

critical resources. Their ultimate goal is to prepare companies for growth and eventual investment from VC firms. Unlike VC firms, however, incubators and accelerators are not funds per se and generally provide only small amounts of financing. Often the capital invested by such intermediaries is start-up capital and is less than US$25,000–US$50,000. Rather than providing significant cash, these intermediaries "invest" largely through in-kind contributions such as workspace, basic infrastructure, advice, technical resources, mentorship, sector expertise, and other types of capacity building.

36. In Ghana, the early stage ecosystem consisting of incubators, accelerators, and angel networks is nascent, although several programs and initiatives provide promise. Incubators in Ghana include Hub Accra, iSpace and Stanford SEED, all of which were launched in 2013. Hub Accra was launched by the founders of SliceBiz and the Open University of West Africa (OUWA), and provides working space for entrepreneurs. iSpace was launched in 2013 with support from Indigo Trust and Google Ghana, and provides a working space for the Ghanaian tech community. Stanford SEED, affiliated to Stanford Business School, provides mentoring to West African companies. In addition, the Ghana Center for Entrepreneurship, Employment & Innovation (GCEEI) focuses on helping unemployed youths get jobs and become entrepreneurs. Accelerators in Ghana include MEST and ServLed. MEST was launched in 2008 and provides a 2 year program for hopeful entrepreneurs. ServLed was established as an LLC in 2013 and mentors entrepreneurs through a 6 month program.[77] As the entrepreneur raises capital, ServLed may take a 15-30 percent equity stake in the company. As discussed earlier, Ghana Angel Investor Network (GAIN) is a spin-off from the VCTF, with Ghana cedi 1 million (US$450,000). GAIN is set up to develop an active angel investment network in Ghana, and has a network of over 20 Ghanaian business angels. The World Bank's infoDev program is currently planning an initiative to set up a climate change/clean technology focused fund and incubator in Ghana, called the Ghana Climate Innovation Center which will be hosted at the Ashesi University College.

37. Ghana's academic and research institutions designed to foster technological development are generally weak and not aligned to the economic needs of the country. Ghana has in place many of the individual components necessary for an efficient and effective technology development system. It has at least 16 research and development (R&D) institutes mostly under the Council on Scientific and Industrial Research (CSRI), 7 public universities, about 40 private universities, 10 public polytechnics, many technical institutes, several technology support and regulatory agencies, and standardized intellectual property (IP) legislation. However, the capacity of the overall system is limited in comparison to those of middle-income countries such as India or South Africa. Ghana's policies and institutions for science, technology and innovation have not been modernized and aligned to economic growth and human development goals. A key feature of Ghana's institutional landscape is the weak links and poor positive feedback between and among institutions including the higher education and research institutes and the private sector. More importantly, there are no incentives to work together and few mechanisms to encourage communication and collaboration. A number of studies have identified these limitations or weaknesses of Ghana's STI system. Exceptions do exist to this overall trend. For instance, the private Ashesi University is actively linked with multinational corporations such as General Electric (GE) and McKinsey on research and educational undertakings, and collaborates with the private sector on IT projects and similar private sector initiatives. The incubator MEST actively

[77] So far they have had 10 entrepreneurs in their program

promotes collaborations between its startup firms and global technology companies and investors. Some multinational corporations (e.g. Unilever, Barry Callebaut) have technology based activities in Ghana, but in general do not collaborate with local businesses. The types of IT research centers being established in, for instance, Kenya (e.g. Microsoft, Nokia) are not yet found in Ghana.

38. Few Ghana-focused investors have strong links to the local incubators and accelerators, though these links are being slowly established. For instance, ServLed and MEST both offer equity investment in their own incubated businesses and have facilitated a few successful deals with Ghana (ServLed) or international (MEST) VCs and angels. Apart from venture capital firms and private equity, there are many holding companies in Ghana, yet they primarily focus their investments on logistics, financial services and real estate, and are thus not relevant to early stage entrepreneurs. There are several government programs in place that seek to support SMEs through facilitating or providing financial support. However, the target beneficiaries are often micro-enterprise (or even sole proprietors) rather than small or medium-sized businesses. Although the size of businesses government initiatives target is not explicitly mentioned, government policies that focus on SME development in practice seem to emphasize micro-enterprises. In many cases SMEs cannot access finance because their business is not considered viable or too risky, yet results of the Rural Enterprise Programme also highlight that in some cases it is rather an issue of perception and uncertainty that prevents SMEs from applying for a loan or grant.[78] While GAIN, the single angel investor network in Ghana, actively interacts with the local incubators and accelerators, this network has struggled to find investable deals, though it is unclear if this is inadequacy of the investment targets or risk aversion on the part of GAIN's investors.

Market Drivers and Impediments

39. As a frontier emerging market, Ghana is generally touted as an attractive investment destination in Sub Saharan Africa because of its relatively long history of stable democratic government and comparatively strong business environment. Ghana has had above average economic growth in the past, although growth peaked at 9 percent in 2011, and slowed to just over 4 percent in 2014. The country's strong business environment is reflected in its ranking of 70th out of 189 countries in the 2015 World Bank Doing Business Study, above both Kenya (136) and Nigeria (170). Ghana ranks particularly high in terms of Registering Property (#43), Getting Credit (#36), and Protecting Minority Investors (#56), although Ghana ranks less well for enforcing contracts (#96) and for resolving insolvency (#161). As an English-speaking country[79] with a legal system based on common law, Ghana is also an attractive investment destination for many investors. The Government of Ghana has also been supportive of the venture capital ecosystem, as described above, including with programs, such as the VCTF< specifically focused on venture capital.

40. However, private equity/venture capital investors also face impediments stemming from the overall macroeconomic context in Ghana. Ghana has had a recent poor record of government finances and fiscal management; inflation was as high 17 percent in December 2014; and there has been significant depreciation of the Ghana cedi. Government funding costs have been high, with 91-day and 182-day T bill rates remaining above 25 percent. The country's

[78] REP Interim Evaluation IFAD, 2011
[79] English is the official language in Ghana

economic growth has been jeopardized by acute electricity shortages. These circumstances resulted in an IMF loan of US$918 million in April 2015 to restore macroeconomic stability with better fiscal discipline and slower inflation. The macroeconomic challenges have also dampened the investor environment. Ghana's electricity crisis has made investors reluctant to invest in sectors such as manufacturing. Volatility in the Ghana cedi have made business fundamentals seem less attractive for investment, and also dampened returns for investments made in local currency. High government rates of borrowing make it harder to justify investment in riskier and more illiquid alternative assets by domestic institutional investors. High interest rates also make it more difficult to use leverage in a PE/VC transaction. Thus using debt to finance private equity deals is not common in Ghana.[80]

41. While the impediments discussed above are unique to Ghana, many impediments are common to PE/VC in most developing countries. As discussed earlier, the SME terrain, for instance, is difficult, as it is in many developing countries. SMEs lack the financial literacy to recognize the value add of PE/VC; they are usually family owned businesses that are reluctant to cede control or ownership to outsiders; SME financials are often not in order; and the SMEs are also reluctant to reveal financial information, which causes problems for valuation. Domestic institutional investors in Ghana's market, as in several other developing countries, are not comfortable with the PE/VC asset class in general, and lack the capacity to invest in the sector. As discussed earlier, banks have been more active players in PE/VC in Ghana, while both pension funds and insurance companies are less comfortable investing in the asset class (see discussion below on investment guidelines restrictions). As in other developing countries, the environment for seed and early stage financing is also embryonic, and thus has not been able to boost investable deals in the ecosystem. In addition, without technical assistance to address some of the constraints faced by SMEs (such as financial management, corporate governance), small PE/VC funds find it difficult to discover investable opportunities and to deploy capital effectively.

42. In addition, the capacity of both fund managers and professionals servicing the PE/VC industry -- e.g. due diligence, legal services -- tend to be weaker in nascent markets. Many of the fund managers tend to be first time managers, or have sparse track records. This reality is of critical importance since the private equity and venture capital businesses are both businesses that require an "apprenticeship" approach whereby professionals receive training and gain experience by working with more senior colleagues. In the absence of such experience – or learning by doing – investors lack the context to manage through the ongoing challenges that face an investor in private companies. The remedy to this issue is to either: (i) grow capacity within the local investor base or (ii) attract experienced overseas talent to move to Ghana and add to the base of talent in the industry.

43. Exit is another constraint common to PE/VC funds in developing countries, although Ghana's junior stock exchange provides a promising development in the market. IPOs are typically not a viable exit strategy in most emerging economies with underdeveloped capital markets; thus PE/VC funds tend to rely on sales to strategic and financial sponsors, and self-

[80] This is also because Ghanaian law prohibits leveraged acquisition transactions as discussed in the section on legal and regulatory framework.

liquidating instruments to facilitate exit. The Ghana Stock Exchange (GSE)[81] is a 25-year old non-profit self-regulatory organization, licensed by the SEC, which currently has only 35 listed companies and 38 instruments.[82] There have been few IPOs recently, although Agricultural Development Bank has been in the process of an IPO this year. However, in the first quarter of 2013, the Ghana Alternative Exchange (GAX) was launched as a parallel market operated by the Ghana Stock Exchange (GSE) with the support of the African Development Bank.[83] GAX provides an avenue to raise capital for SMEs and start-ups with reduced requirements and fees, shortened processing times,[84] and with other incentives.[85] GAX targets four listings per year. As of February 2015, four SMEs were in the pipeline for GAX listing, and, of note, Samba Foods (a former Bedrock Fund portfolio company) was listed earlier in 2015. While GAX provides an attractive ecosystem intervention for some players, others fear that a GAX exit could limit companies to a Ghana-only play, which can affect the company's international opportunities.

44. Several government programs, particularly under the Ministry of Trade and Industry (MOTI), provide support for SMEs, but fund managers do not appear to avail of these opportunities. For instance, the National Board for Small Scale Industries (NBSSI), under MOTI, provides business development services (BDS) loans to SMEs and links these enterprises to banks for financial support. GRATIS Foundation, another agency under MOTI, provides technology support for SMEs. The Rural Enterprise Projects, financed by IFAD and ADB, which operates with NBSSI, runs a fund for SMEs and trains rural enterprises. The Economic Development and Agricultural Investment Fund (EDAIF), established in October 2000, is an export oriented fund under MOTI which provides funding for SMEs and larger businesses that focus on agricultural exports. In addition, the Ghana Export Promotion Authority supports exporters in gaining access to international markets.

LEGAL, REGULATORY AND TAXATION ENVIRONMENT

Context for recent increased global regulatory oversight of PE/VC

45. Since the 2007-08 global financial crisis there has been a trend in increasing oversight of previously unregulated entities such as private equity funds and hedge funds. The G20's November 2008 summit was a defining point, leading to the decision to require all significant financial market participants to be regulated to preserve financial stability and to ensure investors are protected. In line with this decision, the Alternative Investment Fund Managers Directive (AIFMD) or Directive 2011/61/EU[86] was adopted by the EU to regulate and supervise alternative

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[81] Currently there is integration of the West Africa stock market. In the first phased, sponsored assets; in the second phase, broker in country A has access to country B platform; in the 3rd phase, virtual market But with West Africa markets, bigger markets to exist. GSE has real time link between three system – trading, settlement and depositary.

[82] 1 company preferred shared; deposit shared; New Gold ETF – cross listed

[83] AfDB has set up a revolving fund of roughly $600K in collaboration with VCTF and GSE to provide funds for SME preparation costs

[84] Maximum 2 weeks after application is filed

[85] The minimum capital requirement for GAX is $250K, versus Ghana cedi 1mn with the main exchange. On the main exchange enterprises have to float 25% of shares to the public, and have 100 minimum shareholders; while with GAX, it is 25 shareholders. On the main exchange, companies are required to have 3 years audited statements; while with GAX it is only 1 year. GAX companies also have only annual reporting requirements versus quarterly requirements.

[86] DIRECTIVE 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010

investment fund managers (AIFMs) who manage alternative investment funds (AIFs), including private equity (PE) funds, VC funds, hedge funds etc. operating in the EU. Similarly the US Dodd-Frank Act, enacted in 2010, gave the US SEC greater purview over private funds. These regulations typically provide less stringent requirements for fund managers managing a smaller amount of assets, venture capital or social enterprises. For example, in 2013 the EU issued regulation 345/2013 for VC funds, which essentially provides a marketing passport for VC funds across the EU in return for less onerous compliance regulations on investment portfolio, techniques, and eligible assets.[87]

46. Increased regulatory oversight of the asset class also engenders investor confidence. Institutional investors, particularly in markets where PE/VC is nascent, are less comfortable investing in an asset class which is unregulated. Thus a greater degree of oversight can increase the flow of capital into the asset class from such investors.

General regulatory considerations for PE/VC

47. The pivotal aspect guiding the regulation of investment funds is who the fund is being offered to: if offered to retail investors, the fund is typically subject to much higher regulatory scrutiny than if offered to sophisticated or "qualified" investors. Typically, investment funds are regulated by a legal/ regulatory framework under a Financial Sector Law, Securities Market Law or a separate Investment Funds law. Generally funds that being offered only to a limited number of qualified or sophisticated investors will be exempt from the regulatory requirements of funds (such as open-ended mutual funds) that are offered to retail investors, and are typically not required to register with the capital markets authority. For example, PE/VC funds in the US will seek exemptions from certain requirements of the Investment Company Act of 1940, the Securities Act of 1933, and the Investment Advisers Act of 1940, which funds offered to retail investors would be required to comply with. PE/VC funds are therefore not registered with the US SEC.

48. For PE/VC funds, offered to sophisticated/qualified investors, regulatory frameworks typically focuses more on the fund manager than the fund. The framework usually focuses especially on those fund managers that control assets above a certain threshold size. This focus is because fund legislation has to address the principal-agency risk that is fundamental to fund management – namely that the agent who manages the fund does not own the assets of the fund. Thus, for example, the EU AIFM Directive focuses on regulating the Alternative Investment Fund Manager (AIFM) rather than the AIF. The fund managers are usually required to register with the appropriate capital markets authority. In the US, although private funds are not required to be registered, fund managers for private funds with assets under management over $150mn are required to register with the SEC.[88] These fund managers are regulated under the principle-based regime of the Investment Adviser Act of 1940, which provides broad directions to ensure that investment advisers have a fiduciary duty to act in the best interest of their investors (or clients). The legislation seeks to govern the relationship and disclosure requirements between investor (client) and advisor, rather than the investment activity of the fund. Broad principle-based

[87] Applies to fund managers managing unleveraged closed ended AIFs below Euro 500mn, who invest at least 70% of the portfolio in eligible VC undertakings

[88] Fund manager managing a lower threshold of assets are usually required to register with the state, instead of the SEC.

legislation has the added advantage of not requiring everything to be spelled out, but being able to flexibly deal with an evolving market through regulations and guidelines.

49. The regulatory framework generally also provides other tax and structural incentives to PE/VC funds and their investors. PE/VC funds are typically formed as tax-transparent, limited partnerships (LPs) or limited liability companies (LLCs). These closed-ended entities are formed as LPs or LLCs so that their investors (other than the general partner) are not held personally liable for the liabilities of the fund, and instead their liability is only limited to the capital they invested. By international standards, these vehicles are considered tax transparent or "pass through" entities, which do not pay corporate income tax. Thus income and gains cumulated in the fund are passed to the investor, who pays tax. This pass through tax treatment is therefore a critical aspect of the formation of a PE/VC fund, and jurisdictions that do not afford such treatment are not considered attractive destinations to register a PE/VC fund. In contrast, favorable tax regimes with robust legal systems, such as Luxembourg and Mauritius, are well-known international fund jurisdictions.

50. Other levers for oversight of the PE/VC fund include the contract between the fund manager and the investors, and self-regulatory initiatives. The relationship between the manager and the investors is guided mainly by the contractual agreement, typically the Limited partnership Agreement, which seeks to align the interests between principal and agent by, among other things, specifying investment strategy and guidelines, compensation agreements, and measures to deal with conflict of interest. Since the industry itself is motivated to foster trust and a good reputation, self-regulatory mechanisms can also bring important standards and controls which may be more easily perpetuated than legislation (which often takes longer).

Ghana's legal/ regulatory framework guiding funds and fund managers

51. Historically the legal/regulatory framework for venture capital funds in Ghana was defined by the Financial Institutions (Non- Banking) Law of 1993 (PNDCL 328), and "Draft Operating Guidelines for Venture Capital Funding Companies" which were published by the Bank of Ghana in 1995.[89] Thus Venture Capital Funds were regulated by the central bank, the Bank of Ghana. The impetus for the creation of this framework came from the setup of the Ghana Venture Capital Fund (GVCF) by USAID, CDC and other players in 1992.[90] The Non-Banking law, however, was more focused on regulating depository or lending institutions, which made some of the provisions of the law – such as exposure limitations and minimum capital requirements -- not suitable to venture capital.

52. In 2004, Parliament passed the Venture Capital Trust Fund Act (Act 680), precluding the Financial Institutions (Non-Banking) law from regulating venture capital given that some of the provisions of this law were not suitable to venture capital.[91] The Venture Capital Trust Fund Act (which was accompanied by guidelines published in 2006) established a fund of funds that would invest in local SME venture capital funds; and in so doing it sought to regulate a

[89] For more on this, see "Final Evaluation of the Ghana Venture Capital Fund" Final Report, USAID. Prepared by Coopers & Lybrand. June 1996.
[90] The Venture Fund Management Company (VFMC), which managed the GVCF, was regulated under the Securities Industry Law.
[91] The law stated that "The Financial Institutions (Non-Banking) Law, 1993 (P. N.D C L 328) is hereby amended by the deletion of paragraph 6 on Venture Capital Funding companies from the schedule"

subset of SME funds that would apply for such funding. The Act states that the VCTF would fund venture capital financing companies (VCFC) which are incorporated in Ghana as a limited liability company under the Companies Act, 1963 (Act 179).[92] In order to qualify for financing, the VCFC must also invest in small businesses[93] through equity and quasi equity instruments; and be managed by an investment adviser licensed by the SEC.

53. The VCTF Act was unorthodox because it combined the legal framework to create a financial actor (the Fund of Funds) with a legal framework for a subset of PE/VC funds in the ecosystem. Given the current Securities Industries Law is silent on PE/VC, this has led to gaps in the regulatory environment for PE/VC funds. The legal/regulatory environment in Ghana for private equity and venture capital funds and fund managers is, for the most part, non-existent. The current Securities Industry Law, 1993 (PNDCL 333), as amended, which regulates the activities of entities in the securities business, does not give the SEC purview over private equity/ venture capital funds or fund managers; this purview is only extended to publicly offered unit trusts and mutual funds and their fund managers (Section IV of this Act).[94] The VCTF Act as currently written pertains to venture capital, not private equity. This leaves open the regulatory space for private equity funds formed outside of the VCTF Act because venture capital fund managers running VCTF funds are regulated, while other PE/VC fund managers are not. There are no legislative or regulatory requirements for non-VCTF PE/VC funds, whether related to the allowed legal structures of these funds, the licensing/registration requirements for their fund managers, or disclosure and reporting requirements. Another gap is that neither the current Securities Industry Law, 1993, nor the VCTF Act, defines the "qualified" investors that can invest in PE/ VC or be marketed to by PE/VC funds. The Securities Industry Law, 1993, Section IV, was written specifically to regulate open-ended collective investments schemes in general. It does not distinguish between privately offered funds and publicly offered funds. It also does not distinguish between "qualified investors" who can be targeted by privately offered funds versus retail investors who must be protected when being offered publicly offered funds. Therefore there are no specific requirements or restrictions pertaining to HNWs, or for any other institutional investors except for pension funds and insurance companies (discussed below).

54. The VCTF Act effectively bifurcated the legal/regulatory framework for PE/VC funds registered in Ghana, introducing confusion and lack of clarity in terms of compliance requirements for PE/VC funds and their managers. For instance, although the Securities Industry Law, 1993, as amended, does not specifically require fund managers of venture capital or private equity funds to be licensed by the SEC, several industry players believe that PE/VC fund

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[92] While Ghana has a Partnerships Act, 1962, this is not conducive to the traditional private equity/ venture capital LP/GP structure because it does not allow for limited partnership The limited partnership structure which is conducive to private equity/ venture capital allows the general partner to have unlimited liability for the fund's losses or debts, while the limited partner has limited liability protection – that is, they cannot lose their personal assets -- against the fund's losses or debts.

[93] The VCTF Guidelines of 2006 defined small businesses as "industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the local currency equivalent of $ 1 million in value." In addition, the investee ideally had to be incorporated under the Companies Code; had to be in the seed, start up or expansion stage of development; the majority of its staff and assets had to be in Ghana etc. In addition, the participating VCFC could not invest in LBOs, and could not invest in companies that was involved in lending, factoring, or other forms of capital provision to others etc.

[94] Section IV of this law prohibits a unit trust or mutual fund from being established or soliciting funds from retail investors unless the unit trust/fund is licensed by the SEC (and in the case of a unit trust, incorporated under the Companies Code 1963 (Act 179)). Thus the Act seeks to regulate only publicly offered funds, even though the unit trust and mutual fund are not defined in this Act, leaving room for interpretation.

managers operating in Ghana are required to be licensed by the SEC. This may be partly because all fund managers managing funds that receive capital from VCTF have to be licensed by the SEC; but also because the current Securities Industry Law does not clearly define unit trusts or mutual funds -- although they are widely understood to mean open-ended collective investment schemes -- but requires fund managers of such funds to be licensed by the SEC.[95]

55. Importantly, this bifurcation has led to creating a non-level tax treatment for PE/VC funds because non-VCTF funds cannot qualify for income tax and capital gains exemptions given to VCTF funds. The VCTF Act lacks clarity in terms of whether its provisions, including tax incentives, apply broadly to venture capital funds or to only a subset of funds applying for VCTF funding. The Act stipulates, for instance, that a venture capital financing company would enjoy tax incentives as provided by the Internal Revenue Act, 2000 (Act 592), as amended, which effectively makes the venture capital financing companies tax transparent. While it is clear that to qualify for the tax incentives, the VC fund must qualify for funding under the VCTF Act, it is not clear whether they must actually receive funding from the VCTF to qualify for the tax incentives. This has resulted in confusion in the industry, where venture capital funds aiming for tax transparency as specified by the Act, seek to mimic the requirements of the VCTF Act, regardless of whether they apply for VCTF funding or not. The Internal Revenue (Amendment) Act, 2006 (Act 700) also states that a financial institution which invests in a venture capital financing company can deduct the full amount of the investment from taxable income in the year of assessment.[96] This tax incentive is written such that it can pertain to investments in VC funds (not other private equity vehicles) even if not eligible for funding under the VCTF Act of 2004. However, investors in VCTF Funds can also carry forward losses from disposing shares for up to 5 years beyond the tax exemption period.[97] Such provisions create an un-level playing field because it does not provide similar tax incentives for investors that are not co-investing in private equity/ venture capital alongside VCTF.

56. Combined with the low capacity of the SEC to regulate PE/VC, the current environment has led to an unconventional arrangement where the VCTF cumulates the functions of owner and manager of the VCTF fund, as well as quasi regulator of VC funds, within the Ministry of Finance. The SEC lacks the capacity currently to regulate the PE/VC industry: only 1 staff member of 51 focuses on the entire fund industry with over 100 fund managers. The VCTF therefore has become a de facto quasi regulator in the ecosystem, supporting the SEC, for a subset of local funds. The agency is, for instance, tasked with helping the SEC draft regulations and guidelines for the upcoming Securities Industries Act that is currently being reviewed by Parliament. The combined proxy owner/manager function of the VCTF is also

[95] The law states that "No person shall a) establish or operate a unit trust; b) issue any invitation to the public to acquire any units in any unti trust; or c) maintain or hold himself out as carrying on the business of dealing in units of a unit trust unless the person is licensed by the Commission." It further states that "No licence shall be granted to any person to operate a unit trust unless it is a company incorporated under the Companies Code 1963 (Act 1979).

[96] Under Division III – Deductions; Section 19A—Deduction in relation to Venture Capital Companies: For the purposes of ascertaining the income of a financial institution which invests in a venture capital financing company there shall be deducted an amount equal to the full amount of the investment in a year of assessment. [Inserted by the Internal Revenue (Amendment) Act, 2006 (Act 700), s.3]. See http://www.gra.gov.gh/docs/info/irs_act.pdf

[97] Under Division III – Deductions; Section 22 – Carryover of Losses " A loss incurred by a venture capital financing company from the disposal of share [sic] invested in a venture capital subsidiary company under the Venture Capital Trust Fund Act, 2004 (Act 684) during the period of tax exemption granted under section 11 (5) shall be carried forward for a period of 5 years of assessment following the end of the exemption period.

problematic as it can introduce interference in the investment execution of the Fund of Funds which would be mitigated if the VCTF were managed by a private manager operating at arm's length.

57. A new Securities Industry Bill, which refers to alternative assets, is currently awaiting approval from Parliament; this Bill may need to be reviewed to ensure it provides necessary exemptions for closed-ended collective investment schemes. Part I of the Bill gives the SEC the power to register, license, authorize and regulate alternative investment funds, such as hedge funds, private equity funds and venture capital funds. Article 215 of the Bill allows the Ministry of Finance to issue regulations for collective investment schemes other than mutual funds and unit trusts. However, while the Bill seeks to distinguish between unit trusts, mutual funds, and private equity and venture capital funds, an initial review finds that there is lack of clarity over the use of the term "collective investment scheme" which could potentially result in unnecessary regulation for PE/VC funds and their managers. In Article 216, a collective investment scheme is defined as any entity that pools investments, invests in eligible assets, is professionally managed, and as part of which shareholders receive share in profits/ gains of the fund. This definition clearly includes closed-ended vehicles such as PE/VC funds. However, Article 216 also defines a mutual fund as "a public or external company incorporated to operate as a collective investment scheme." Given this definition does not preclude closed-ended investment schemes, the term "mutual fund" could also incorporate closed-ended investment schemes such as PE/VC funds. This would, in turn, imply that most of the legislation as it pertains to open-ended mutual funds would also apply to PE/VC funds, whose investors do not require the same protection as retail investors of mutual funds. The Bill may therefore need to be reviewed, to ensure closed-ended investment schemes are exempt from the requirements for open-ended investment schemes offered to the public. This could potentially be accomplished through regulations and guidelines accompanying the Bill. [98]

58. The net result is that other than a subset of funds who access VCTF funds, or would like to access VCTF funds, most PE/VC funds in the ecosystem are registered in Mauritius. These funds typically target international investors such as DFIs, development banks, foreign institutional investors, who are familiar and comfortable with funds registered in a known and investor friendly jurisdiction such as Mauritius. Funds managers registered offshore that are operating in Ghana typically have a sub-advisor in Ghana in order to have boots on the ground to source and monitor investments. However, they are not legally required to set up a sub-investment adviser in Ghana, nor does this adviser need to be licensed by the SEC. An additional benefit for such funds is that a tax loophole allows investors in funds registered offshore to avoid paying capital gains or income tax. Most non-VCTF funds operating in Ghana would either invest directly in an investee company in Ghana or use an offshore vehicle as an investment vehicle to invest in a Ghanaian enterprise. The advantage with the latter is that the investment can be sold (by selling the SPV) without triggering capital gains in Ghana because the tax law limits the chargeable asset for capital gains tax to shares in a Ghanaian company and the tax law does not have extra territorial jurisdiction. On the other hand, if the investment were to wholly own 100% of a Ghanaian company through an SPV, the investor must pay capital gains tax in Ghana.[99]

[98] VCTF is currently helping the SEC to draft regulations and guidelines for this new draft law.
[99] Withholding tax will be applicable to any dividends paid from the Ghana investments of the offshore SPV

59. For foreign investors, the Ghana Investment Promotion Act, 2013 and the Foreign Exchange Act, 2006, provide a favourable investment regime. However, the GIPC Act, 2013 has also revised upwards the capital requirement for foreign investors wanting to invest in Ghana, which can discourage smaller sized investments in smaller enterprises. The GIPC Act, 2013 guarantees unconditional transferability in freely convertible currency of capital and income, subject to the Foreign Exchange Act, 2006 (Act 723). It also provides guarantees and provisions against expropriation. Ghana does not restrict foreign investment in specific sectors, although there are additional regulatory approvals required for investment in certain sectors such as banking.[100] Instead, the GIPC Act only stipulates that foreigners cannot participate in petty hawking, and certain services such as operating a beauty salon or taxi services. Foreign ownership restrictions do occur in the local content requirements of the oil and gas sector, as per the Ghana Local Content and Local Participation Bill, 2013. This law stipulates that the oil and gas sector should fairly benefit Ghanaians, and requires, for instance, that indigenous Ghanaian companies should be given preference for licenses for oil and gas related activities; and that Ghanaians should be prioritised for jobs in these sectors. While the GIPC Act, 2013, provides an attractive regime in general, it also demands higher investment thresholds for foreign investors. The new rules require foreign investment in joint ventures to have a minimum capital of USD 200K; while for wholly owned foreign investments, the capital requirement is at least USD 500K. Companies conducting trading[101] must have US$1 million minimum capital from a foreign participant and must employ a minimum of 20 skilled Ghanaians.[102] These rules make the required financing gap for foreign participation in PE/VC to be higher, which could possibly lead to less financing from foreign sources for smaller companies. On the other hand, the Act does provide exemption from import duties for manufacturing companies, which could direct more investment from foreign sources to this sector.[103]

Legal/ regulatory framework guiding domestic institutional investors

60. The legal/ regulatory framework for domestic institutional investors does not encourage investment in private equity or venture capital; in addition, despite local financial institutions having benefited from early experience co-investing with VCTF in venture capital, domestic institutional investors are not comfortable with the asset class.

Pension funds

61. The National Pensions (Amendment) Act, 2014 (Act 883) was published in the official gazette in December 2014, establishing modifications to the National Pensions Act, 2008 (Act 766)[104]. Act 766 was passed on 12th December, 2008 to establish a three- tier pension scheme and a Pension Regulatory Authority which approves, regulates and monitors pension fund managers,

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[100] ICLG – Private Equity Chapter on Ghana

[101] Enterprises that buy or sell finished goods

[102] The previous GIPC Act required minimum capital for foreign investors of $10,000 for joint ventures with Ghanaians and $50,000 for enterprises wholly owned by foreigners. Trading companies required minimum foreign equity of $300K and had to employ at least ten Ghanaians.

[103] Section 26 (2) of Act 2013, Act 865: "An enterprise whose plant, machinery equipment or parts of the plant, machinery or equipment are not zero-rated under the Customs Harmonised Commodity and Tariff Code Schedule to the Customs, Excise and Preventive Service Management Act 1993 (PNDCL 330) may submit an application for exemption from import duties and related charges on the plant, machinery or equipment, or the parts of the plant, machinery or equipment to the centre for onward submission to the minister responsible for Finance."

[104] AXCO 2015 "Insurance Market Information: Life & Benefits".

trustees, custodians and other pension-related entities. The three-tier system established the following:

- **First tier:** Basic national social security scheme, managed by SSNIT, which is mandatory for all employees in both the private and public sectors
- **Second tier:** Occupational (or work-based) pension scheme, managed by private pension fund managers[105], which is mandatory for all employees[106]
- **Third tier:** Voluntary provident fund and personal pension schemes, managed by private pension fund managers

There are 25 corporate trustees, 51 pension fund managers and 16 custodians in the industry as of November 2014. The second and third tiers of the pension system have a total of 248 registered and approved pension schemes.[107]

62. Ideally this three-tiered pension fund system, which ended the monopoly of SSNIT as the state social security vehicle, and increased the size of the private pension market, would have provided a basis for more pension fund investment into private equity and venture capital in Ghana. However, the investment guidelines do not allow for pension funds to invest in private equity or venture capital. The Investment Guidelines for pension fund managers (NPRA/GD/INV/01/11) under the Act 766, require that pension funds not invest more than 5% of AUM in a collective investment scheme (CIS).[108] In addition, Section 4.2 of the guidelines states that the fund managers can only invest in CIS that are authorized by the SEC according to Securities Industry Law, 1993, under Part IV. This section of the law authorizes unit trusts and mutual funds, but does not authorize private equity or venture capital funds. Further, 5.1.2 states that the fund must be governed by the laws of Ghana, which does not allow for pension funds to invest in PE/VC funds registered abroad.[109] In fact, pension funds wishing to invest abroad have to get presidential approval through the NPRA and the Minister of Finance and Economic Planning for these investments.[110] The investment guidelines therefore are clearly biased towards investments in Ghana, and specifically in government securities. Despite these restrictions, currently SSNIT is invested in both PE/VC funds locally (Fidelity) as well as abroad (e.g. ECP). It is unclear if this is because these investments were made prior to 2008, and these guidelines do not apply to prior investments. NPRA's position is that they are cautious about the PE/VC asset class and want to ensure the regulatory regime is robust (since the SEC does not currently regulate PE/VC) before allowing pension funds to invest in the asset class.

[105] The private sector manager is licensed by SEC and registered with the Authority

[106] There have been delays in implementing this tier since not all employers have signed up with the pension schemes.

[107] AXCO 2015"Insurance Market Information: Life & Benefits".

[108] In general, pension funds cannot invest more than 75% in government securities; not more than 30% in corporate bonds/ debt; not more than 35% in money market instruments; not more than 10% in listed securities on an approved stock exchange; not more than 30% in Money Market instruments; and not more than 5% in CIS regulated by the SEC

[109] In fact, the general investment guidelines state that no more than 5% of AUM can be invested outside Ghana.

[110] AXCO 2015 "Insurance Market Information: Life & Benefits". These investments are also subject to the foreign exchange rules from Bank of Ghana.

Insurance companies

63. Currently, the insurance industry is governed by the Insurance Act, 2006 (Act 724), and a new solvency regime which was introduced effective January 2015.[111] The National Insurance Commission, which regulates the insurance industry, was established in 1990 by the Insurance Law, 1989. As at June 2015, the insurance industry has 25 Non-Life companies, [112] 21 Life companies[113] and 3 Reinsurance companies.[114] As of December 2013, total premium was Ghana cedi 1.03bn or US$425 million (life and non-life), comprising 42% life and 58% non-life premiums. The total assets of the industry – life and non-life – amounted to Ghana cedi 1.7bn or US$725 million (of which 58% million was non-life and the remainder was life). The industry has been growing at a 30 – 35 percent per annum in premiums for past 5 years.

64. The risk-based regime imposes a 30 percent discount on PE/VC securities, which may deter investment. The new solvency regime complies with international standards and practices, and impacts a number of areas such as capital requirements, valuation and solvency levels. The regulator determines solvency level by applying different discount rates for different types of assets. While government securities have a 0 percent haircut; and money market securities have 5 percent haircut; any security not listed on a stock exchange has a 30 percent haircut. This naturally deters investments in private equity.[115] Ghanaian insurance companies usually invest in T-bills and fixed deposits.[116] Historically, among the insurance companies, Ghana Union Assurance has invested US$1 million in Ebanekese (a VCTF Fund) and Bedrock's initial investor included SIC Insurance Company. Insurance companies do not usually invest abroad, although they may hold cash balances abroad. All life insurance funds have to invest in Ghanaian assets and cannot invest abroad.[117] With the new regime, insurance companies can make foreign investments, but these investments are not considered in the solvency formula.

Table 5: Legislation, Regulation and Taxation for Domestic Funds and Funds Managers

Fund Vehicle	VCTF Funds (investing in SMEs in Ghana)	Non VCTF Funds
Legal structure/ registration	VCTF Act of 2004 dictates these must be Limited Liability Companies under the Companies Act, 1963. Not licensed by SEC.	Not discussed in existing legislation. Most likely would also be incorporated as Limited Liability Companies under the Companies Act, 1963, because the Partnership Act, 1962 does not provide limited liability to investors. Not licensed by SEC.
Minimum capital requirement	Minimum capital requirement as stipulated in the VCTF Guidelines of 2006, is US$1.5 million (or as determined by the Board of VCTF)	NA
Marketing	No requirements	No requirements
Depositary/ custodian	No requirements	No requirements

[111] AXCO 2015 "Insurance Market Information: Life & Benefits". A new insurance act, which includes the new solvency model, is expected to be passed later in 2015.
[112] SIC non life is listed and the government owns 60%; public owns 40%
[113] SIC is the only state owned company
[114] There are also 69 Broking companies, 1 Loss Adjuster, 1 Reinsurance Broker, 1 Oil and Gas company, 2 Contact Offices and 6000 insurance agents (non captive agents assigned to companies)
[115] T bills – 0 % discount rate (basically, face value); PPE 50% discount (for life and non-life); Land and building held for investments (20% life; 30% non-life); Government securities: 0%; Cash and term deposits: 5%; Securities listed on GSE: 15%; Equity backed Mutual Funds: 10%; Money market Funds : 5%; Any security not listed on stock exchange: 30%
[116] AXCO 2015 "Insurance Market Information: Life & Benefits".
[117] AXCO 2015.

Investment Restrictions	VCTF Act and Guidelines require that the funds invest in small businesses of not over 100 employees or in excess of US$1mn assets (excluding land and building). In addition, the investee must be in seed, start up or expansion phase, and must not be in the business of providing capital (e.g. lending, factoring etc.). VCTF funds cannot invest through leveraged buyouts.	NA
	Ghana Local Content and Local Participation Bill, 2013, stipulates that the oil and gas sector should fairly benefit Ghanaians, and requires, for instance, that indigenous Ghanaian companies should be given preference for licenses for oil and gas related activities; and that Ghanaians should be prioritised for jobs in these sectors. In addition, it is almost impossible to execute leveraged buy outs in Ghana because of financial assistance restrictions under the Companies Act which do not allow a portfolio company to directly or indirectly financially assist in acquiring its shares or the shares of its holding company.[118]	
Taxation	Exemptions on income tax and capital gains tax under Internal Revenue (Amendment), Act 2006, (Act 700): • Dividend from a venture capital fund that satisfies the eligibility requirements for funding under the VCTF Act 2004 is tax exempt for the first five years of operations [119] • Capital gains accrued to or derived from a Venture Capital Financing company that satisfies the eligibility requirements of the VCTF Act of 2004, is exempt from capital gains tax for a period of 5 years from the start of operations.[120] This makes VCTF funds effectively tax transparent for this period of time.	The VCTF law does not indicate that venture capital funds must actually access funding from the VCTF to qualify for the tax exemptions shows on the left. However, funds that do not otherwise qualify under the VCTF Act cannot qualify for the tax exemptions.
	Thin Capitalization. Under Section IX of the Internal Revenue Act 2000 (Act 592), if the ratio of foreign debt/ equity in an enterprise is higher than 2:1, the interest on that excess of debt is not tax deductible for the investee company. This affects capital structure of the company.	
Supervision	No supervision by SEC.	No supervision by SEC.
Fund manager	**VCT Fund managers.**	**Non VCTF Fund Managers**
Legal structure/ registration	Typically set up as LLCs. Licensed by the SEC.	Typically set up as LLCs. No requirement to register with SEC.
Minimum capital requirement	For SEC licensed entities, the requirement is GHC 100 thousand	For SEC licensed entities, the requirement is GHC 100 thousand
Accounting/ disclosure/ reporting requirements	SEC licensed fund managers must file annual reports with SEC	SEC licensed fund managers must file annual reports with SEC
Taxation	Subject to income tax like other businesses	Subject to income tax like other businesses
Supervision	If licensed by the SEC, supervised by the SEC	If licensed by the SEC, supervised by the SEC
Domestic Investors	**VCTF Funds**	**Non VCTF Funds**

118 http://www.iclg.co.uk/practice-areas/private-equity/private-equity/ghana, accessed September 26, 2015

119 Under Division II Exempt Income, Section 10 Exempt Income, which lists the incomes which are exempt from tax, this includes "the dividend of a venture capital financing company that satisfies the eligibility requirements for funding under the Venture Capital Trust Fund Act, 2004 (Act 680) for a period of five years of assessment commencing from and including the year in which the basis period of the company ends, being the period in which operations commenced."

120 Section 101 – Exemptions from Capital Gains "capital gains accruing to or derived by a venture capital financing company that satisfies the eligibility requirements of the Venture Capital Trust Fund Act 2004 (Act 684) for a period of five years of assessment commencing from and including the year in which the basis period of the company ends, being the period in which operations of the subsidiary company commenced.

<table>
<tr><td>Eligibility/ definition of “qualified investors”</td><td colspan="2">Neither the Securities Industry Law, not the VCTF Act, defines the “qualified” investors that can invest in PE/ VC or be marketed to by PE/VC funds. Therefore there are no specific requirements or restrictions pertaining to HNWs, or for any other institutional investors except for pension funds and insurance companies (shown below).</td></tr>
<tr><td>Domestic pension funds</td><td colspan="2">Guided by the National Pensions (Amendment) Act, 2014 (Act 883) and the Investment Guidelines for pension fund managers (NPRA/GD/INV/01/11). Pension funds cannot invest more than 5% of AUM in a CIS, but the CIS must be authorized by the SEC (which precludes private equity/ venture capital funds).</td></tr>
<tr><td>Domestic insurance companies</td><td colspan="2">Guided by the Insurance Act, 2006 and new solvency regime introduced in January 2015. Insurance company assets invested in securities not listed on the stock exchange are applied a 30% discount rate.</td></tr>
<tr><td>Tax incentives of investment</td><td><u>Income tax</u>
• <u>Dividend tax: 8% (withheld at source</u>)
• Investors can <u>carry forward losses</u> from disposing shares in a venture capital fund formed under the VCTF Act of 2004, for up to 5 years beyond the tax exemption period.[121]

<u>Capital gains tax</u>
• Capital gains tax: 15%</td><td><u>Income tax</u>
• <u>Dividend tax: 8% (withheld at source</u>)

<u>Capital gains tax</u>
• Capital gains tax: 15%</td></tr>
<tr><td></td><td colspan="2">Guided by the Internal Revenue (Amendment) Act, 2006 (Act 700), which states that a financial institution which invests in a venture capital financing company can deduct the full amount of the investment from taxable income in the year of assessment.[122] This tax incentive is not written in a way to pertain only to investments in funds eligible for funding under the VCTF Act of 2004.</td></tr>
<tr><td colspan="3"><u>Foreign Investors</u></td></tr>
<tr><td>Foreign investors - Investment restrictions</td><td colspan="2">Mainly guided by the Ghana Investment Promotion Centre Act, 2013 (Act 865) which created the Ghana Investment Promotion Centre to create a conducive environment for investment in Ghana and encourage and facilitate investment in the country

<u>Restrictions in foreign investments</u>
• According to GIPC Act, 2013, enterprises which are partially foreign owned cannot invest or participate in businesses like operating taxi services or small scale trading, and other services including producing exercise books and other basic stationery; retailing finished pharmaceutical products; producing, supply and retailing sachet water etc.
• Ghana Local Content and Local Participation Bill 2013, which stipulates that Ghanaians should be given priority to be employed in the petroleum sector; and requires 5 percent indigenous equity participation etc.

<u>Minimum level of foreign investment (does not apply to portfolio investments or enterprises set up solely for export trading and manufacturing)</u>
• Partial foreign ownership in an enterprise: Must have a partner who is a Ghanaian citizen and who has a minimum of 10 percent equity in the enterprise; foreign participant must invest a minimum of US$ 200 thousand in cash or capital goods through equity participation.
• Wholly foreign ownership in an enterprise: Foreign capital must be a minimum of US$ 500 thousand in cash or capital goods by way of equity capital.
• Trading enterprises (such as the buying and selling of imported goods and services). Foreign participants must invest a minimum of US$1 million in cash or goods and services; and the enterprise must employ at least 20 skilled Ghanaians.</td></tr>
<tr><td>Guarantees against expropriation</td><td colspan="2">The GIPC Act 2013 provides guarantees and provisions against expropriation</td></tr>
</table>

[121] Under Division III – Deductions; Section 22 – Carryover of Losses “ A loss incurred by a venture capital financing company from the disposal of share [sic] invested in a venture capital subsidiary company under the Venture Capital Trust Fund Act, 2004 (Act 684) during the period of tax exemption granted under section 11 (5) shall be carried forward for a period of 5 years of assessment following the end of the exemption period.

[122] Under Division III – Deductions; Section 19A—Deduction in relation to Venture Capital Companies: For the purposes of ascertaining the income of a financial institution which invests in a venture capital financing company there shall be deducted an amount equal to the full amount of the investment in a year of assessment. [Inserted by the Internal Revenue (Amendment) Act, 2006 (Act 700), s.3]. See http://www.gra.gov.gh/docs/info/irs_act.pdf

Repatriation of dividends/ capital gains	Ghana Investment Promotion Centre Act, 2013 guarantees unconditional transferability in freely convertible currency of capital and income (subject to Foreign Exchange Act, 2006 (Act 723).
Double taxation agreements with countries	Ghana has Double Taxation Agreements with Belgium, France, Germany, Italy, South Africa, UK,[123] as well as with Switzerland, the Netherlands, and Denmark. This allows investors of these countries to avoid a situation such that the same taxpayer is not subject to tax in two countries on the same income or capital gains. There is currently no DTA with Mauritius or Luxembourg. (Withholding tax on dividends is 8%; capital gains tax from a Ghanaian source is 15%)

HISTORY OF WORLD BANK GROUP INVOLVEMENT IN GHANA'S PRIVATE EQUITY/VENTURE CAPITAL ECOSYSTEM [124]

65. Prior World Bank support to the venture capital ecosystem in Ghana was effected through the 2005 Economic Management Capacity Building (EMCB) project. The objective of the Project was to support the Government of Ghana in its role as a facilitator for economic development through: (i) facilitating a reform initiative for improved public sector management and service delivery; and (ii) strengthening the governance and competitiveness of the financial sector. This project was later restructured in December 2007 and is now closed.

66. Component G of this project focused on establishing a strengthened banking and non-bank financial institutions system which provided a wide range of competitive products. This component, labeled "Access to Finance and Governance," supported a number of activities in the financial sector such as governance, PPP development, and access to finance, including venture capital. Under this component, the Bank aimed to provide technical assistance to the Government of Ghana, which had established a legal framework for a venture capital fund of funds (the Venture Capital Trust Fund or "VCTF") capitalized through an allocation of 25 percent of the National Reconstruction Levy. The Bank project aimed to establish a sound basis for the governance and regulation of the proposed Venture Capital Trust Fund, and to ensure its long term sustainability through technical assistance. The VCTF (discussed below) sponsored 5 local VC funds (U$57.2 million total, along with co-investors), which invested in 46 SMEs. Though technical assistance, VCTF provided training programs, seminars, workshops and conferences for the portfolio venture capital funds to develop various capacities and skill sets needed to drive the venture capital industry. The EMCB project provided contributions on capacity building and towards Venture Capital Trust Fund's (VCTF) portfolio review of portfolio companies.

67. Other components of the project indirectly supported private equity and venture capital. These included:

a) Component 2 which supported strengthening the Securities and Exchange Commission (SEC);
b) Component 4, which provided technical assistance to the National Insurance Commission (NIC), including to revise and modernize the legal and regulatory insurance framework;
c) Component 5 which provided TA and capacity building to the Ghana Stock Exchange (GSE); and

[123] http://www.gra.gov.gh/docs/info/double_taxation.pdf Accessed August 28, 2015
[124] Aide Memoires 2011-2013accessed through World Bank portal on the EMCB project

d) Component 6 which supported both the strengthening of the legal/ regulatory framework for the pensions sector and the government agency, Social Security and National Insurance Trust (SSNIT).

68. Both IFC Fund of Funds and IFC Asset Management Company (AMC) have been active in the private equity sector in Ghana. IFC AMC invested US$15 million equity investment in UT Bank[125] through its US$182 million Africa Capitalization Fund which invests through equity or quasi equity in the African banking sector. IFC Fund of Funds does not generally support single country focused funds unless the economy is large and diversified enough to allow for sufficient deal flow for the fund managers to be selective. As a result, IFC has not supported the local fund managers in Ghana. However, IFC has invested in regional funds that include Ghana as part of their investment strategy and have full or representative offices in the country. IFC has therefore invested in regional generalist funds Adenia III, Abraaj II & III, Africinvest II & III, ACRF I, and Synergy I.[126] IFC has also invested in the real estate focused fund, Actis Africa Real Estate II.

RECOMMENDATIONS

69. Some of the challenges to Ghana's PE/VC environment require a broader focus on macroeconomic issues and the business environment. Reforms related to these spheres are beyond the scope of this report. Instead the below recommendations focus particularly on the PE/VC environment. The SEC is at the brink of a critical stage in the evolution of the private equity and venture capital ecosystem, with the impending enactment of a new Securities Industry Law that will regulate the PE/VC asset class. It is important that while the regulation clarifies and reconciles existing discrepancies in the legal/ regulatory framework, the SEC must guard against overregulating the industry, which could potentially result in clamping down growth in this nascent sector. The regulations should also acknowledge the capacity and staff resources available at the SEC. Below are some recommendations on this and other areas related to the ecosystem.

Table 6. Recommendations

Area	Key Recommendation	Agency	Term
Legal/regulatory reform	New Securities Industry Bill, 2014		
	• Review the Bill to ensure that appropriate exemptions are provided for closed-ended collective investment schemes offered to qualified/sophisticated investors either in the Bill or in accompanying regulations	SEC	Short
	• Develop regulations accompanying the Bill which, among other things, defines qualified/sophisticated investors; fiduciary responsibilities and disclosure/reporting requirements for fund manager etc. In doing so seek to avoid excessively burdensome regulations.	SEC	Medium
	VCTF Act • Revise the VCTF Act such that it separates the establishment of the VCTF from the regulation of a subset	Ministry of Finance (MoF)	Short

[125] In addition to $5mn in Senior Loan and $10mn Trade Finance Guarantee Facility
[126] All of these funds have made at least one investment in Ghana, except Synergy which is the youngest fund on the list.

	of PE/VC funds. The legal/regulatory framework for PE/VC funds should instead be under the new Securities Industry Bill and accompanying regulation.		
	Limited Partnerships • Enable limited partnerships, which are globally recognized structures for PE/VC funds which allow limited partners to take on limited liability • Ensure that PE/VC related regulations allow PE/VC funds to be formed as limited partnerships	SEC SEC	Long Long
	Pension Funds/ Insurance Companies • Revise investment guidelines for pension funds/ insurance companies to permit domestic institutional investors – namely, insurance companies and pension funds, to invest in PE/VC funds abroad so that they are able to familiarize themselves with the asset class and can better monitor when they invest in domestic funds.	NPRA/ NIC	Medium
Tax reform	Internal Revenue Act, • Following international standards, allow all PE/VC funds registered in Ghana to be tax transparent entities. • Reconcile discrepancies in tax incentives provided to a subset of PE/VC funds, as appropriate	MoF & Ghana Revenue Authority	Medium Medium
Institutional reform	VCTF • **Reform the VCTF Fund program based on further technical analysis and assessment of the resources the government has to effectively and consistently intervene in the ecosystem.** Three potential options include: ○ **Discontinuing the VCTF** with a responsible wind-down of current portfolio ○ **Restructuring the VCTF** by allowing the program to be run by a private manager selected through a competitive tender process; and excluding quasi regulatory responsibilities from VCTF's portfolio. ○ **Structure a new form of government intervention in the ecosystem, after discontinuing the VCTF.** The government could consider to either***:*** *i) set up a new privately-managed, hybrid fund or fund of funds to replace the VCTF*, attracting IFIs and private co-investors, who can contribute to best practices in the investment process; ***or*** *ii) set up a Technical Assistance (TA) Facility that would catalyze investment in SMEs by providing TA funding pre- and post-investment to funds engaging in this space.* Option ii) may be a more modest, but still positive, form of government intervention if the government does not have resources to adequately capitalize a fund or fund of funds. This TA model is discussed in paragraphs 70-71 of the report.	MoF	Medium

	SEC • Provide capacity building to the SEC to regulate the PE/VC industry • Create capacity within the SEC to provide statistics/data on the industry	MoF/SEC	Short Medium
Market reform	• Assess and subsequently support and develop seed and early stage environment, specifically related to incubators, accelerators and angel networks • Conduct feasibility analysis on creating a local VC/PE Association to support industry coordination, collection of data, and greater cooperation.	Ministry of Trade & Investment	Medium Medium

70. **With respect to the development of a technical assistance facility, as referenced above, we would suggest pursuing an approach that pairs TA with one more investment managers who focus on SMEs.** The beneficial relationship between PE and TA in the SME segment was explored in detail in World Bank Policy Research Working Paper No. 6827 - Private Equity and Venture Capital in SMEs in Developing Countries: The Role for Technical Assistance. Specific recommendations were further elaborated in another peer reviewed study: Understanding the Landscape for Private Equity and Related Technical Assistance for Small & Medium Enterprises in East Africa. The recommendations in those papers, complemented by the recent GEM technical assistance program in Nigeria, suggests a path forward that is inclusive of TA, private equity, and SMEs, is worthy of consideration.

71. **Specifically, these studies suggest an approach to deepen and expand on the current DFI-initiated twinned PE/TA model by introducing a larger regional TA facility or pool that could be made available to a 'series' of SME-PE fund managers.** New or existing SME funds could draw from a pool of dedicated TA funding (based on a predetermined criteria and selection and approval processes) that a fund manager could manage and deploy along with its investment.

Pros:

i. This proposal responds to identified challenges noted by LPs/GPs, but goes a step further by allowing a series of fund managers to apply for a dedicated TA pool, based on a predetermined criteria and selection process.

ii. It could introduce new fund managers, but also allow existing fund managers (managing new funds) to apply; thus not only attracting and deploying new capital, but potentially accelerating the flow of existing investment commitments.

iii. To an extent, this initiative may level the playing field where some fund managers have access to TA funds (given their specific relationships with DFIs) and others do not (given their limited fundraising track record).

iv. The approach may also allow more SMEs to benefit from TA support in more geographies and sectors, thus increasing the scale of capital flows and impact and more broadly nurturing the ecosystem. In this regard, the TAF could respond and tailor its support to fund managers within a broader spectrum of the SME-PE investment landscape – increasing access to a wider set of financing options (e.g. mezzanine debt and equity), a broader array of SMEs (high potential start-up and early stage growth SMEs) and supporting SMEs in underserved regional markets.

v. The concept is likely to generate high interest, and have the potential to be structured and implemented in a reasonable time frame.

vi. Tweaking the approach may enable the model to respond to some specific lessons and constraints identified in the report -- for example, support the introduction of a seed stage/risk fund, support the start-up capacity of a new fund manager with a small first fund size, encourage fund managers to focus on specific countries/sectors.

Cons:

i. Governance and management arrangements for a technical assistance facility available to multiple fund managers may be more onerous than working with one fund manager.

ii. The selection criteria and process will have to be carefully considered – for example, using a model mimicking an investment approach/decision in the selection process.

iii. There is likely higher program management and oversight requirements and costs, with the program roll-out and disbursement potentially over a longer period. In turn, any heightened bureaucracy may limit fund manager interest and participation.

iv. The TA purse will have to be significant enough to support a series of fund managers (for illustration: assuming a goal to assist 5 to 7 fund managers, a TA fund in the range of $10 to 12 million may be required).

ANNEX 1. Interview List

- Ms. Nnennia **Ajebe**, Investment Manager, Adenia Partners
- Mr. Jacob **Kholi,** Managing Partner/Partner, Abraaj Group
- Mr. Kwadwo **Adjei-Barwuah**, Associate Director, Abraaj Group
- Mr. Seth **Asante**, Partner, Bentsi-Enchill, Letsa & Ankomah
- Mr. Charles **Adu Boahen**, Managing Partner, Black Star Advisors
- Mr. Yaw K. **Kwakyi**, Snr. Vice-President, Dir, Boulders Advisors Limited
- Mr. Anthony **Siaw,** CEO, Bridge Capital
- Mr. Bian **Frimpong**, Managing Director, DATA Bank
- Mr. Fuseini Issah, **Agrifund** Manager Ltd, Databank
- Mr. Yaw **Attua-Afari**, Managing Director, EYJ Group
- Nana **Appiah-Korang**, Director, Emerging Capital Partners
- Mr. Ekow **Afedzie**, Deputy Managing Director, Ghana Stock Exchange
- Mrs. Joyce Esi **Boakye**, Manager/Listings, Ghana Stock Exchange
- Mr. Augustine **Simons**, Head – Information Technology, Ghana Stock Exchange
- Mr. Kwame **Ofori Asomaning**, Managing Director, GGFC - Ghana Growth Fund
- Mr. **Kwakyi (Ivy Baah**), Gold Venture Capital Ltd
- Mr. Kwabena Osei **Boateng**, Managing Director, Investment Banking, IC Securities
- Mr. Baafour **Otu-Boateng**, Investment Manager, I&P
- Mr. Jerry **Parkes**, CEO, Lundin Foundation
- Mr. Alex **Mensah**, Ministry of Trade & Industry
- Mr. Joseph D. **Chognuru**, Director, Financial Sector Division, Ministry of Finance
- Mr. Christian **Opoku Biney,** Partner – Leader of Team, Mustard Capital Partners
- Mr. S.N.K. **Davor**, Deputy Commissioner of Insurance, National Insurance Commission
- Mr. Martin D. **Abayateye**, Head Internal Audit, National Insurance Commission
- Mr. Ernest **Amartey-Vondee**, Director of Regulations, National Pensions Regulatory Authority
- Mr. Matthew **Boadu Adjei**, CEO, Oasis Capital Ghana Ltd
- Mr. Joseph **Boakye-Yiadom**, Partner/COO, Oasis Capital Ghana Ltd
- Mr. Moses **Agyemang**, Senior Economist, Private Enterprise Federation
- Nana **Osei-Bonsu**, CEO, Private Enterprise Federation (PEF)
- Mr. Mawuli **Ababio**, Director, Phoenix Africa Holding
- Mr. Kofi **Kwakwa**, CEO, Sagevest Holdings
- Mr. Adu Anane **Antwi**, Director-General, Securities & Exchange Commission
- Mr. Emmanuel Mensah **Appiah**, Head, Audit & Risk Management, Securities & Exchange Commission
- Mr. Frederick **Sappor**, Head, Finance & Capital, Securities & Exchange Commission
- Mr. Alexander **Williams**, Deputy Director General (Legal) Securities & Exchange Commission
- Ms. Leonie **Atayi**, Head, Funds Management, Securities & Exchange Commission
- Ms. Matilda **Agorsah**, EA, HRM, Securities & Exchange Commission
- Mr. Samuel **Yeboah**, Executive Director, ServLed Company
- Mr. Chris **Mulligan**, Senior Special Counsel, U.S. Securities and Exchange Commission
- Mr. Yaw **Keteku**, Associate Partner, Vantage Capital
- Mr. Hamdiya **Ismaila**, General Manager, Venture Capital
- Mr. Reginald N. **France**, Managing Director, Venture Capital

Annex 2: PE/VC Investments in Ghana (2008 – 2015H)

Fund Manager	Company Name	Industry	Sub Sector	Asset Class	Investment Type	Investment Amount ($mn)	Date
Adenia Partners	DDP Outdoor	Media	Media Agencies	Private Equity	Buyout	N/A	Mar-14
Adlevo Capital Managers	Rancard Solutions	Technology	Software	Private Equity	Growth	N/A	Jul-12
Advanced Finance and Investment Group	Primrose Properties Ghana	Real Estate	Real Estate Holding & Development	Private Equity	Growth	N/A	Apr-15
African Infrastructure Investment Managers (AIIM)	Cenpower Generation Company	Utilities	Conventional Electricity	Private Equity	Growth	N/A	Oct-14
AfricInvest, Jacana Partners	Lagray Chemicals	Health Care	Pharmaceuticals	Private Equity	Venture Capital	6	Feb-09
Amethis Finance	Fidelity Bank Ghana	Banks	Banks	Private Equity	Growth	35	Feb-14
Amethis Finance	UT Bank Ghana	Banks	Banks	Private Credit	Debt	N/A	Oct-13
Cordiant Capital	Kosmos Energy	Oil & Gas	Exploration & Production	Private Credit	Debt	10	Jan-10
Cordiant Capital	Kosmos Energy	Oil & Gas	Exploration & Production	Private Credit	Debt	10	Jul-09
Cordiant Capital	Zain Ghana (Bharti Airtel)	Telecommunications	Mobile Telecommunications	Private Credit	Debt	8	Jun-09
Development Partners International	CAL Bank	Banks	Banks	Private Equity	Growth	42	Apr-12
Goodwell Investments	First National Savings and Loans	Financial Services	Specialty Finance	Private Equity	Growth	N/A	Jan-13
Goodwell Investments	Nwabiagya Community Bank of Ghana	Banks	Banks	Private Equity	Growth	N/A	Sep-11
Helios Investment Partners, Albright Capital Management	Helios Towers Africa (HTA)	Telecommunications	Mobile Telecommunications	Private Equity	Growth	N/A	Nov-09
Helios Investment Partners, Albright Capital Management, IFC Asset Management Company (AMC), Providence Equity Partners	Helios Towers Africa (HTA)	Telecommunications	Mobile Telecommunications	Private Equity	Growth	N/A	Jul-14
IFC Asset Management Company (AMC)	UT Bank Ghana	Banks	Banks	Private Credit	Mezzanine	15	Jun-12
Investisseurs et Partenaires (I&P)	Voltacars Rental Services	Travel & Leisure	Travel & Tourism	Private Equity	Growth	N/A	Jun-15
Investisseurs et Partenaires (I&P)	Eden Tree	Food & Beverage	Food Products	Private Equity	Growth	N/A	Jun-15
Investisseurs et Partenaires (I&P)	Eden Tree	Food & Beverage	Food Products	Private Equity	Growth	N/A	May-15
Investisseurs et Partenaires (I&P)	Voltacars Rental Services	Travel & Leisure	Travel & Tourism	Private Equity	Growth	N/A	Sep-14
Jacana Partners	Process and Plant Sales	Industrial Goods & Services	Industrial Suppliers	Private Equity	Growth	N/A	Nov-13
Jacana Partners	Sweden Ghana Medical Centre (SGMC)	Health Care	Health Care Providers	Private Equity	Growth	N/A	May-09
LeapFrog Investments	Petra Trust	Financial Services	Investment Services	Private Equity	Growth	3	Jan-14
LeapFrog Investments	Express Life Insurance Company	Financial Services	Specialty Finance	Private Equity	Buyout	6	May-12
Oasis Capital Ghana	Builders Accessories	Construction & Materials	Building Materials & Fixtures	Private Equity	Growth	0.6	Dec-14
Oasis Capital Ghana	Wenchi Rural Bank	Banks	Banks	Private Equity	Growth	0.3	Aug-14
Oasis Capital Ghana	RisingSun Montessori School	Retail	Specialized Consumer Services	Private Equity	Growth	0.5	Jan-14
Oasis Capital Ghana	Axis Pension Group	Industrial Goods & Services	Financial Administration	Private Equity	Growth	N/A	Jul-13
Oasis Capital Ghana	Penfield School	Retail	Specialized Consumer Services	Private Equity	Growth	N/A	Jan-11
Phoenix Capital Management	LeasAfric Ghana	Financial Services	Specialty Finance	Private Equity	Growth	5	Jun-14
The Abraaj Group	Ghana Home Loans (GHL)	Financial Services	Mortgage Finance	Private Equity	Buyout	N/A	Oct-13
The Abraaj Group	C&J Medicare	Health Care	Health Care Providers	Private Equity	Growth	5	Jul-11
The Abraaj Group	Bio-Plastics	Industrial Goods & Services	Containers & Packaging	Private Equity	Growth	5	Jun-11
The Abraaj Group	HFC Bank Ghana	Banks	Banks	Private Equity	Growth	10	Nov-10
The Abraaj Group	Regimanuel Gray	Real Estate	Real Estate Holding & Development	Private Equity	Growth	20	Sep-08
Vantage Capital	Surfline Communications	Telecommunications	Mobile Telecommunications	Private Credit	Mezzanine	30	Nov-14
Vantage Capital	Genser Energy	Utilities	Conventional Electricity	Private Credit	Mezzanine	N/A	Mar-13
Vital Capital Investments	AquaPrima Ghana	Food & Beverage	Farming, Fishing & Plantations	Private Equity	Growth	0.5	Nov-14
Vital Capital Investments	Prabon Community Building Project	Real Estate	Real Estate Holding & Development	Private Equity	Growth	10	Jun-14
Vital Capital Investments	AquaPrima Ghana	Food & Beverage	Farming, Fishing & Plantations	Private Equity	Growth	4	Apr-14
Vital Capital Investments	Prabon Community Building Project	Real Estate	Real Estate Holding & Development	Private Equity	Growth	15	Apr-14
Warburg Pincus, The Blackstone Group	Kosmos Energy	Oil & Gas	Exploration & Production	Private Equity	Growth	25	Oct-09
Warburg Pincus, The Blackstone Group	Kosmos Energy	Oil & Gas	Exploration & Production	Private Equity	Growth	500	Jun-08

Source: EMPEA 2015

Annex 3. Select Pan-African Private Equity Firms Operating in Ghana[127]

1. Abraaj Group

Description:

Founded in 2002, the Abraaj Group is a private equity, venture capital and real estate investment firm that has US$9b in assets under management and is active in emerging markets around the world, including northern and sub-Saharan Africa. The firm is headquarted in Dubai, UAE, but has offices in Ghana and Nigeria. The Abraaj Group specializes in early venture, seed, growth capital, expansion capital, mezzanine, subdebt, PIPES, buyouts, bridge, recapitalization and infrastructure. In terms of sectors, it has pursued investments in natural resources, agriculture, manufacturing, pharmaceuticals, BPO, real estate, healthcare, financial services, food industries, telecommunications, education, aviation and logistics. In addition to investing in Ghana, within sub-Saharan Africa, Abraaj is active in Kenya and Nigeria. It seeks to make equity investments between US$500,000 and US$100m, though for its portfolio companies it prefers investments to range from US$100m to US$300m.[128]

Funds Operated in Africa:

1. Abraaj Africa Fund III (2015) - US$990m
    - Institutional Investors: pensions funds and sovereign wealth funds (76%)
2. Abraaj Africa Fund II
3. Abraaj Africa Fund I

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Abraaj Africa Fund	Regimanuel Gray	real estate	US$20m	private equity	growth capital	2008
Abraaj Africa Fund	HFC Bank Ghana	financial services	US$10m	private equity	growth capital	2010
Abraaj Africa Fund II	C&J Medicare	healthcare	US$5m	private equity	growth capital	2011
Abraaj Africa Fund II	Bio-Plastics	industrials	US$5m	prviate equity	growth capital	2011
Abraaj Africa Fund II	Ghana Home Loans (GHL)	financial services	n/a	private equity	buyout	2013

2. Actis LLP

Description:
Established in London in 2004 as a global pan-emerging market private equity firm, Actis reportedly has US$7.6B worth of assets under management by over 100 investment professionals. Actis was founded when it spun out from CDC Group Plc ("CDC", formerly Commonwealth Development Corporation). Actis is active in Africa, China, Latin America, South Asia and South-East Asia and has close to 60 years of

[127] Please note this info pertains to select funds managers and is not comprehensive.
[128] http://www.abraaj.com

experience investing in emerging markets through its CDC history. It has invested US$4B in emerging markets and realised US$2.2B from US$867M cash invested. In 2012, Actis raised US$278M for real estate in Africa, after being voted Africa real estate firm of the year in 2009. It has a number of large pan-emerging market funds that invest across the African continent, primarily in real estate, financial services, natural resources and infrastructure.[129]

Funds Operated in Africa:

1. Actis Emerging Markets III (2014) - US$1.1b
2. Actis Infrastructure II (2009) - US$750m
3. Actis Energy III (2013) - US$1.1b
4. Actis Africa Real Estate (2006) - US$154m
5. Actis Africa Real Estate II (2012) - US$278m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Actis Africa Real Estate	Accra Mall	real estate	US$26m	private equity	debt	2006
Actis Africa Real Estate	One Airport Square	real estate	n/a	private equity	n/a	2010
Actis Africa Real Estate II	The Exchange	real estate	n/a	private equity	n/a	2012

3. Adenia Partners

Description:

A private capital management firm, Adenia Partners was founded in 2002 by an entrepreneur from Madagascar, named Antoine Delaporte, and focuses its investments exclusively on Sub-Saharan Africa. To date, it has fully invested two funds, all together worth EUR47m. It has made investments in agribusiness, manufacturing, financial services, ICT, telecommunications, tourism and hospitality. Geographically, the firms investments span far beyond just Ghana, and include a bevy in Mauritius and Madagascar, as well as a few scattered among other West African nations. Adenia has offices in Antananarivo, Madagascar; Port Louis, Mauritius; Accra, Ghana; and Abidjan, Ivory Coast.[130]

Funds Operated in Africa:

1. Adenia Capital (2003) - EUR10m
    - Institutional Investors: Proparco, European Investment Bank (EIB), and the Sugar Industry Pension Fund of Mauritius
2. Adenia Capital II (2007) - EUR37m
    - Institutional investors: Proparco, EIB, International Finance Corporation (IFC), Norfund, CDC, and the Sugar Industry Pension of Mauritius
3. Adenia Capital III (2012) - EUR96m

[129] http://www.act.is/content/Home
[130] http://www.adenia.com/index.php/investment/portfolio/

- EIB, IFC, Swedfundm, FMO, BIO, CDC, DEG, Kuramo, Capital Management, BNP Paribas, and the Sugar Industry Pension Fund of Mauritius

Investments in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Adenia Capital III	DDP Outdoor	media	n/a	private equity	buyout	2014
Adenia Capital III	Cresta Paints	industrials	n/a	private equity	buyout	2015

4. Adlevo Capital Managers

Description:

Adlevo is a Mauritius-based private equity fund manager that concentrates on technology investments in sub-Saharan Africa, namely Nigeria, Ghana and South Africa. The firm specializes in expansion, bridge financing, buyouts and growth capital investments in mature and later stage companies, typically within the range of US$3m to US$10m per investment. It has shown interest in opportunities related to green technology, as well as technological applications for infrastructure projects and the services industry. It is headed by a former Silicon Valley venture capitalist, Yemi Lalude.[131]

Funds Operated in Africa:
N/A

Investments in Ghana[132]:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
n/a	Greystone Partners	telecom	n/a	private equity	growth capital	n/a
n/a	Rancard Solutions	technology	n/a	private equity	growth capital	2012

5. Advanced Finance and Investment Group

Description:

Advanced Finance & Investment Group LLC ("AFIG") is a private equity fund management company founded in 2005 in Mauritius with branches in Dakar, Senegal; Johannesburg, South Africa; and Washington D.C. It has made recent growth investments in agroindustry, financial services and natural resources, ranging between US$8m and US$14m. The firm's current CEO, Papa Madiaw Ndiaye, is from Senegal, and has extensive experience in financial markets in the U.S. and across Africa.[133]

[131] http://www.adlevocapital.com
[132] Greystone Partners is a West African regional investment
[133] http://www.afigfunds.com

Funds Operated in Africa:

1. Atlantic Coast Regional Fund (ACRF) - US$72m
    - Institutional Investors: Africa Re, AFDB, CDC, EIB, Finfund, IFC

Investments in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
ACRF	Primrose Properties	real estate	n/a	private equity	growth capital	2015

6. Africainvest

Description:

Africainvest was founded 1994 and is part of Integra Group, an investment and financial services company based in Tunisia. AfricInvest has dedicated investment teams focused on North Africa and Sub-Saharan Africa, and employs 50 professionals based in six offices. AfricInvest manages US$1B across 14 funds with both local and international investors, including leading development finance institutions in the United States and Europe. AfricInvest has invested in 125 companies across 24 African countries in a variety of high growth sectors and maintains a broad network of high quality executives across Africa, offering extensive expertise in key growth industries, including financial services, agribusiness, consumer/retail, education and healthcare. Africainvest co-founded the Arican Venture Capital association.[134]

Funds Operated in Africa:

1. Africinvest II
2. Maghreb Private Equity Fund II
3. Africinvest Financial Sector
4. Africinvest Ltd 1
5. Tuninvest Innovations Sicar
6. Maghreb Private Equity Fund I
7. Tuninvest International Sicar
8. Tuninvest International Ltd.
9. Tunisie Sicar
10. Tuninvest Sicar
11. Maghreb Private Equity Fund III
12. Tuninvest Croissance
13. PME Crossaince

[134] http://www.africainvest.se

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Africinvest I	Lagray Chemical	healthcare	n/a	private equity	growth capital	2000
Africinvest II	Sun Ridge Ltd.	agribusiness	n/a	private equity	growth capital	2007
Africinvest II	Lagray Chemicals	healthcare	US$6m	private equity	growth capital	2009

7. African Infrastructure Investment Managers (AIIM)

Description:

A subsidiary of Macquarie and Old Mutual Investment Group, AIIM is one of Africa's market leaders in infrastructure transaction execution and asset management, and has funds that have been actively investing in Africa for over 15 years. It was established in 2000, and had US$1.2B under management across 5 funds as of December 2014. The funds managed and advised by AIIM are designed to invest long-term institutional unlisted equity in African infrastructure projects such as airports, ports, pipelines, power generation, toll roads, renewable energy and communication infrastructure assets. AIIM's investors are primarily life insurers (36.7%), Development Finance Institutions (30.3%) and public pensions (15.1%), followed by corporate (8.4%) and asset manager (8.0%) investors.[135]

Funds Operated in Africa:

1. South Africa Infrastructure Fund (SAIF) - US$322M
2. African Infrastructure Investment Fund (AIIF) - US$186M
3. Kagiso Infrastructure Empowerment Fund (KIEF) - US$88M
4. African Infrastructure Investment Fund 2 (AIIF 2) - US$547M
5. Apollo Investment Partnership II (Apollo) - US$50M

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Assett Class	Investment Type	Vintage
AIIF 2	Cenpower	energy	US$900m	private equity	growth capital	2014

8. Amethis Finance

Description:

Started in December 2012 with an initial investment capacity of US$330m in equity and long-term debt, Amethis Finance sums up its model as "long-term responsible financing in Africa." It distinguishes itself as a development oriented private equity firm, a characteristic no doubt encouraged by its partnership with La Compagnie Benjamin de Rothschild, a subsidiary of the Edmond de Rothschild Group, and dedicated

[135] http://www.aiimafrica.com

to preservation of the environment and Africa's sustainable development. Its sector focus includes financial services, infrastructure and energy, agribusiness and hospitality. Its investments span Ghana, Nigeria, Ivory Coast, Kenya, Uganda, Tunisia and Morocco. The firm's private equity tickets - all minority stakes - range from EUR5m to EUR15m, and it offers long-term lending - mostly mezzanine/tier 2 - with tickets ranging from EUR5m to EUR20m.[136]

Funds Operated in Africa:

1. Amethis Fund (2012) - US$400m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Amethis Fund	UT Bank Ghana	banking	n/a	private equity	debt	2013
Amethis Fund	Fidelity Bank Ghana	banking	US$35m	private equity	growth capital	2014

9. ARM Capital Partners

Description:

A multi-sector growth fund founded in 2009 by Asset and Resource Management Company Limited (ARM), one of Nigeria's most esteemed non-bank financial institutions with focus on traditional asset management and specialized funds. ARMCP currently manages the ARM Private Equity Fund, a mid-market fund pursuing primarily expansion capital opportunities, with investments in sub-Saharan Africa, specifically Ghana, Ivory Coast and Nigeria. The firm's investments usually range from US$5m to US$50m and include predominately minority or control equity investments in medium-sized enterprises, but it also pursues some startup opportunities, pre-IPOs, management-sponsored buy-outs and restructuring opportunities. ARMCP is based in Lagos, Nigeria.[137]

Funds Operated in Africa:

1. ARM Private Equity
    - Total Raised: US$45m
        - First Round (2013): US$19m
        - Second Round (2014): US$26m

Deals in Ghana:
N/A

[136] http://www.amethisfinance.com
[137] http://www.armcapitalpartners.com

10. Blackstone Group

Description:

Founded in 1985, Blackstone Group is a leading global investment and advisory firm that maintains a large multi-continent private equity operation with US$92b worth of assets under management and US$37b in investible capital. The firm includes 80 portfolio companies all together worth about US$86b in revenues, spanning a diverse array of sectors, such as technology, natural resources, industrials, healthcare, consumer goods, retail services, hospitality and energy infrastructure. Blackstone's alternative asset management businesses include the management of corporate private equity funds, real estate funds, hedge funds, funds of funds, debt funds, collateralized loan obligation vehicles (CLOs) and closed-end mutual funds. It has an energy focused private equity business called Blackstone Energy Partners, which has invested in Ghana and Nigeria. The firm's investors include pensions funds, academic and charitable institutions, governments and more.[138]

Funds Operated in Africa:

1. Blackstone Africa Infrastructure (2014) - $5b

Deals in Ghana (in partnership with Warburg Pincus):

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
n/a	Kosmos Energy	natural resources	US$500m	private equity	growth capital	2008
n/a	Kosmos Energy	natural resources	US$25m	private equity	growth capital	2009

12. Cordiant Capital

Description:

Founded in 1999, Cordiant manages emerging market, private sector investments and has more than US$2.4b in capital subscriptions across six emerging market debt and equity funds. Cordiant's investors include some of the world's largest institutional investors. As of date, the firm had invested US$603m in 17 sectors across the continent of Africa.[139]

Funds Operated in Africa:

1. Canada Investment Fund for Africa (CIFA) (2006) - US$211m
    - Co-Managed with Actis
2. Cordiant Emerging Loan Fund IV (2015) - US$350m - investing
3. Cordiant Emerging Loan Fund III (2007) - US$460m - invested

Deals in Ghana:

[138] https://www.blackstone.com
[139] http://cordiantcap.com/investment-program/global-footprint-investment-map/

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Cordiant Emerging Loan Fund III	Zain Ghana	telecom	US$8m	private equity	debt	2009
Cordiant Emerging Loan Fund III	Kosmos Energy	natural resources	US$10m	private equity	debt	2010

13. Development Partners International (DPI)

Description:

Founded in 2007, DPI is an Africa-focused private equity firm with over US$1b in assets under management. It currently operates two funds - the African Development Partners I and African Development Partners II. DPI is interested in growth industries, and has invested in telecommunications, financial services, consumer goods, healthcare, construction, food services, higher education, logistics, retail and natural resources. Its typical portfolio investment size is between US$20m and US$100m. DPI's investors are mostly North American pensions funds and DFIs.[140]

Funds Operated in Africa:

1. African Development Partners (ADP) I
2. African Development Partners (ADP) II
    - Total Raised (2015): US$725m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
ADP	CAL Bank	financial services	US$42m	private equity	growth capital	2012

14. Emerging Capital Partners (ECP)

Description:

A pan-African private equity firm that has raised over US$2b for investment across the continent. ECP works in collaboration with AVCA and EMPEA, and has made over 60 investments, with over 30 exits completed. It's most active in consumer businesses, telecoms, financial services, natural resources, agriculture and utilities. ECP asserts that it invests in companies that have limited competition or in sectors where "Africa has either a comparative advantage or an unmet need." Although it is heavily active in sub-Saharan Africa and West Africa more specifically, ECP has not allocated nearly as many funds to Ghana as it has neighboring Ivory Coast, Benin and Nigeria.[141]

[140] http://www.dpi-llp.com
[141] http://www.ecpinvestments.com

Funds Operated in Africa:

1. ECP Africa Fund III PCC
2. ECP MENA Growth Fund LLC
3. Moroccan Infrastructure Fund
4. ECP Africa Fund II PCC
5. Central Africa Growth Sicar

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Africa Fund II	Ecobank Transnational Inc.	financial services	n/a	private equity	n/a	1999
Africa Fund III	NSIA Group	financial services	n/a	private equity	n/a	2008

15. Ethos Private Equity

Description:

Founded in 1984, Ethos is a prominent South African private equity firm. Ethos focuses on South Africa and other sub-Saharan economies, such as Nigeria, Ghana, Kenya, Uganda and Tanzania. It conducts transactions in the form of control or joint-control buyouts and minority growth capital investments. According to its website, Ethos looks for deals that fall into the category of "sweet spot' acquisitions," which involve companies valued between c.R750m to c.R3b, as well as the more "large-sized, syndicated" variety worth more than c.R3b (in consortium). Ethos has invested in a variety of sectors, including financial services, food, manufacturing, healthcare, ICT, natural resources and retail/wholesale consumer services. The firms' investors are LPs, parsed as 43% pension funds, 18% investment banks, 14% fund-of-funds and insurance companies, respectively, and 6% DFIs. Just under half of Ethos' investor commitments come from North America and Europe, while 33% comes from South Africa.[142]

Funds Operated in Africa:

1. Ethos Fund I
2. Ethos Fund II (1992) - R116m - fully invested & realized
3. Ethos Fund III (1996) - R750m - fully invested & realized
4. Ethos Fund IV (1998) - R2.5b - fully invested & realized
5. Ethos Technology Fund (2002) - R270m - fully invested & partially realized
6. Ethos Fund V (2006) R5.5b - fully invested & partially realized
7. Ethos Fund VI (2011) R7b - currently investing
    - Investors: Hamilton Lane and HarbourVest

[142] http://www.ethos.co.za

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Ethos Fund VI	Eaton Towers	telecom	US$150m	private equity	n/a	2015

16. Goodwell Investments

Description:

Goodwell is a Netherlands based private equity and microfinance firm that provides early stage growth capital and advisory work to providers of basic goods and services in sub-Saharan Africa and India, with a particular focus on financial services. The firm operates a fully invested growth fund focused on the financial sector in Sub-Saharan Africa, with investments in Ghana and Nigeria related to mobile and rural development finance.[143]

Funds Operating in Africa:

1. Goodwell West Africa
    - Total Raised (2010): EUR15m
    - Total Raised (2013): EUR21m
2. Goodwell II (2014): EUR20m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Goodwell West Africa	Nwabiagya Community Bank	financial services	US$1m	private equity	growth capital	2011
Goodwell West Africa	First National Savings and Loans	financial services	US$2m	private equity	debt	2013

17. Helios Investment Partners

Description:

Established in 2004, Helios Investment Partners is a private equity and venture capital firm focused on Africa, with activity Nigeria, South Africa and Kenya. Helios operates a family of funds and their related co-investment entities, all together worth upwards of US$3b. The firm has a versatile investment portfolio, including buyouts, growth equity, recapitalization, mezzanine, growth capital for private enterprises, restructurings joint ventures, startups (either green-field or brownfield) and majority or blocking-minority structured investments in listed entities. Notably, Helios also managed the US$110m Modern Africa Fund on behalf of investors like the U.S. government's Overseas Private Investment Corporation. Other LPs in

[143] http://goodwell.nl

Helios' funds include sovereign wealth funds, corporate and public pension funds, endowments and foundations, fund-of-funds, family offices and DFIs. Helios' London-based investment adviser, Helios Investment Partners LLP, is registered in the UK under the Financial Conduct Authority, and oversees a number of the firm's funds. According to its website, Helios looks for investments requiring US$30m to US$200m in equity and in companies of scale. In terms of sectors, it is involved primarily in telecommunications, media, financial services, energy, utilities, travel, leisure, distribution, consumer goods, logistics, and agro-allied sectors.[144]

Funds Operated in Africa:

1. Helios III (2015) - US$1.1b - closed in January
2. Helios II (2011) - US$900m

Deals in Ghana[145]:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Helios II	Helios Towers Africa	telecom	n/a	private equity	n/a	2011

18. Investisseurs et Partenaires (I&P)

Description:

Founded in 2002, I&P is an impact investment oriented private equity firm focused exclusively on sub-Saharan Africa. The firm is based in Paris and six African local offices, including ones in Burkina Faso, Cameroon, Ghana, Ivory Coast, Madagascar and Senegal. I&P has invested in 50 SMEs across 15 African countries and numerous industries, such as agrobusiness, construction, logistics, financial services, health and transport. The firm manages two investment vehicles that cover investments ranging from EUR300,000 to EUR1.5m - the financial company I&P Développement (IPDEV), which is also divided into two vehicles IPDEV1 and IPDEV2; and the investment fund I&P Afrique Entrepreneurs (IPAE), which is managed by I&P Gestion. The funds' investors include AfDB, EIB, BRED, Credit Cooperatif, Bank of Africa, CFAO, Danone, Proparco, FMO, PhiTrust and Wendel.[146]

Funds Operated in Africa:

1. IPDEV - EUR11m
2. IPAE - EUR59m

Deals in Ghana:

[144] http://www.heliosinvestment.com
[145] Co-investors: Albright Capital Management, IFC Asset Management Company (AMC), Providence Equity Partners
[146] http://www.ietp.com

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
IPAE	Voltacars Rental Services	tourism	n/a	prviate equity	growth capital	2015
IPAE	Eden Tree	food products	n/a	private equity	growth capital	2015

19. Jacana Partners

Description:

A London and Ghana-based private equity firm, Jacana Partners was founded in 2008, and had US$43m under management in 2013.[147] The firm specializes in early stage, start up, growth, expansion capital, and mezzanine investments in SMEs. It has invested US$20m in 18 companies across West and East Africa, including Ghana, Liberia, Sierra Leone, Kenya, Tanzania and Uganda. Its typical investments size ranges between US$1m and US$5m. To date, Jacana's investments span the following sectors: financial services, property, healthcare, technology, business services, insurance, education, manufacturing, agro-business, agriculture and consumer apparel.[148]

Funds Operated in Africa:

1. Jacana SME Mezzanine Fund for Africa (2012) - US$75m - still fundraising (halted)
2. Fidelity Equity Fund II (2006) - US$23.2m
3. InReturn East Africa Fund (2010) - US$12m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Fidelity Equity Fund II	SGMC	healthcare	n/a	private equity	growth capital	2009
n/a	Process and Plants Sales	industrials	n/a	private equity	growth capital	2013

20. LeapFrog Investments

Description:

LeapFrog is a private equity firm founded in 2007 and backed by George Soros, eBay founder Pierre Omidyar and a number of institutional investors such as JP Morgan, Prudential, Swiss Re and TIAA-CREF. It has more than US$500m worth of assets under management. The firm's priority markets in Africa are Ghana, Kenya, Nigeria and South Africa, and its sector focus is financial services, including financial institutions, distributors for financial products and enablers of financial services, such as administrators or technology platforms. LeapFrog makes both minority and majority investments. The firm makes

[147] http://www.bloomberg.com/news/articles/2013-01-29/private-equity-firm-jacana-plans-africa-expansion-with-new-fund
[148] http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=106769552

investments in the range of US$10m to US$15m. It exits businesses via IPO, trade sale, sale back to partner, or MBO.[149]

Funds Operated in Africa:

1. Leapfrog Financial Inclusion Fund I (2009) - US$44m
2. Leapfrog Financial Inclusion Fund II (2014) - US$400m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Leapfrog Financial Inclusion II	Express Life Insurance Company	financial services	US$6m	private equity	buyout	2012
Leapfrog Financial Inclusion II	Petra Trust	financial services	US$3m	private equity	growth capital	2014

21. Oasis Capital Ghana Limited

Description:

Oasis Capital Ghana Limited was established in 2009 as a growth and venture capital fund manager. Oasis currently operates in Ghana, but as self-asserted "Pan-African ambitions." Oasis provides risk capital in the form of equity, quasi-equity and profit sharing facilities to entrepreneurial businesses, particularly SMEs, and offers Business Development Service (BDS) paired with its investments. Oasis maintains the following investment criteria: targets requiring funding in the range of US$500,000 and US$5m; SMEs with sales less than US$10m or net worth less than US$1m; and firms with 100 employees or less. The sectors Oasis has invested in include education, real estate, manufacturing, hospitality, food services, financial services and healthcare.[150]

Funds Operated in Africa:

1. Ebankese Fund - fully invested & partially realized
    - Total Raised: US$11m
        - First Round (2009): US$10m
        - Second Round (2012): US$1m
2. Oasis Africa Fund - US$50m - currently fundraising

[149] http://www.leapfroginvest.com
[150] http://oasiscapitalghana.com/v2/

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Ebankese Fund	Penfield Schools Ltd.	education	n/a	private equity	growth capital	2011
Ebankese Fund	GHS Housing Ltd.	real estate	n/a	private equity	growth capital	2011
Ebankese Fund	Charleston Hotel	hospitality	n/a	private equity	startup capital	2011
Ebankese Fund	Rising Sun Montessori School	education	n/a	private equity	growth capital	2011
Ebankese Fund	Redrow Developments Ltd.	real estate	n/a	private equity	growth capital	2012
Ebankese Fund	Axis Pensions Group Ltd.	financial services	n/a	private equity	startup capital	2013
Ebankese Fund	Wenchi Rural Bank Ltd.	financial services	US$300,000	private equity	growth capital	2014
Ebankese Fund	Builders Accessories Ltd.	industrials	US$500,000	private equity	growth capital	2014

22. Phoenix Capital Management

Description:

A sub-Saharan African investment and brokerage firm founded in 2004, Phoenix Capital is currently investing in Ghana and the Ivory Coast with its US$50m fund dedicated to growth investments in West Afica. Its primary investors are DFIs, regional pension funds, financial institutions and insurance companies. The firm's investments have focused on SMEs in agribusiness, natural resources, financial services, ICT, manufacturing, industrials and media. Its investment range is EUR1m to EUR5m and its target IRR is 25%.[151]

Funds Operated in Africa:

1. West Africa Emerging Market Growth Fund (2011) - US$50m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
WA Emerging Market Growth	LeasAfric Ghana	financial services	US$5m	private equity	growth capital	2014

23. RMB Westport

Description:

MB Westport, founded in 2008, is a real estate investment management and development firm, focused on creating value-added real estate developments in sub-Saharan Africa, specifically Nigeria, Ghana and

[151] http://pcmcapitalpartners.com

Angola. Its completed project portfolio includes the Ikeja City Mall in Lagos, Nigeria, as well as the Stanbic Heights commercial space and the Junction Shopping Centre in Accra, Ghana. Its only current project in Ghana is the Accra Financial Centre, also an office and retail space, which will house the Agricultural Development Bank (ADB).[152]

Funds Operated in Africa:

1. RMB Wesport Real Estate Development Fund (2012) - US$250m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Real Estate Development Fund	Stanbic Heights	real estate	n/a	private equity	n/a	2013
Real Estate Development Fund	Junction Shopping Centre	real estate	n/a	private equity	n/a	2014
Real Estate Development Fund	Accra Financial Centre	real estate	n/a	private equity	n/a	2015

24. Silk Invest

Description:

A private equity firm founded in 2008 focused exclusively on consumer - particularly food and beverage - markets cross Africa and invests in SMEs. Silk Invest has set itself an across-the-board 25% IRR, and its investments are primarily growth capital and minority stake. In West Africa, Silk Invest has invested in markets for convenience food, ketchup, mayonnaise, poultry processing and QSR chain. Its West Africa investments appear to be limited to Nigeria, but in a report for investors in January 2015 it listed 51 "potential food investment targets" it has already mapped in Ghana. Silk Invest is authorized and regulated by the Financial Conduct Authority in the UK and the Dubai Financial Services Authority, and it is a registered investment adviser licensed by the SEC in the U.S.[153]

Funds Operated in Africa:

1. African Food Fund (2013) - EUR150m - currently investing
2. Silk African Lions Fund (2012) - currently investing

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Silk African Lions Fund	Fan Milk	food and beverages	n/a	public equity	n/a	2012

[152] http://www.rmbwestport.com
[153] http://www.silkinvest.com

25. Synergy Capital & Advisory

Description:

Synergy Capital & Advisory Ltd is a private equity firm specializing in multi-sector expansion and growth capital for SMEs in sub-Saharan Africa. Since its founding 2007, its primary sector focuses include agribusiness, ICT, consumer products, energy, manufacturing and the non-bank financial services sector. Its institutional investors include SIFEM, EIB, IFC and CDC. The firm seeks to invest between the range US$5 million and US$15 million. It has offices in Nigeria and Ghana.[154]

Funds Operated in Africa:

1. Synergy Private Equity Fund (SPEF)
    - Total Raised (2014) - US$56m
    - Total Raised (2015) - US$100m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
SPEF	Ridge Energy Ltd	natural resources	n/a	private equity	growth capital	2014

26. Vantage Capital Group

Description:

Launched in 2001, Vantage Capital Group is a South African private equity firm that currently has funds under management and investments of over US$500m. Its activities focus on third-party private equity fund management (e.g. technology, mezzanine and renewable energy funds), advisory and debt placement services and on-balance sheet proprietary investments. In addition to private equity funds, Vantage is involved in venture capital investments within the financial services, natural resources, construction, manufacturing and services industries. The firm also has a Debt Capital Markets facility, which is, according to the Vantage website, "the debt advisory and origination business of the group." Vantage's investors include a wide range of South African, regional and multinational entities, including pension funds, asset management firms and DFIs.[155]

Funds Operated in Africa:

1. Vantage Technology Fund
2. Vantage Mezzanine Fund (2007) - US$150m
3. Mezzanine Fund II (2012) - US$240m
4. Mezzanine Fund III - still fundraising, with a projected closing of US$210-250m
5. Greenx Fund (2013) - US$210m

[154] http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=252337755
[155] http://www.vantagecapital.co.za

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Vantage Mezzanine Fund II	Genser	energy	US$30m	private equity	mezzanine	2013
Vantage Mezzanine Fund II	Surfline	ICT	US$30m	private equity	mezzanine	2014

27. Vital Capital Fund

Description:

Vital Capital Fund is an infrastructure-focused, impact investing private equity fund worth US$350m. Vital is exclusively focused on sub-Saharan Africa, and has offices in Ghana and Angola. In addition to large-scale infrastructure projects, Vital pursues investment opportunities in urban housing, agro-industry, education and healthcare.[156]

Funds Operated in Africa:

1. Vital Capital Fund - US$350m

Deals in Ghana:

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Vital Capital Fund	Prabon Community Building Project	real estate	US$15m	private equity	growth capital	April, 2014
Vital Capital Fund	Prabon Community Building Project	real estate	US$10m	private equity	growth capital	June, 2014
Vital Capital Fund	AquaPrima Ghana	food production	US$4m	private equity	growth capital	Apri, 2014
Vital Capital Fund	AquaPrima Ghana	food production	US$500,000	private equity	growth capital	June, 2014

28. Warburg Pincus

Description:

A leading global private equity firm since 1966, Warburg Pincus has over US$35b in assets under management and has invested more than US$50b in over 720 companies in over 35 countries around the world. The firm has an active portfolio of more than 120 companies, which vary across diverse sectors,

[156] http://www.vital-capital.com

such as technology, financial services, energy, industrial and business services, media and ICT. It has large offices in the U.S., Europe, Brazil, China and India.[157]

Funds Operated in Africa:

1. Warburg Pincus Private Equity X (2007) - US$15b

Deals in Ghana (in partnership with Blackstone Group):

Investing Fund	Investee	Sector	Amount (US$M)	Asset Class	Investment Type	Vintage
Warburg Pincus Private Equity X	Kosmos Energy	natural resources	US$500m	private equity	growth capital	2008
Warburg Pincus Private Equity X	Kosmos Energy	natural resources	US$25m	private equity	growth capital	2009

[157] http://www.warburgpincus.com