

# Ghana Investment Support Programme (GhISP)

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SME Toolkit and Investment  
Readiness Scorecard



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# SME Toolkit overview

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# SME Toolkit: Overview

## The GhISP SME Toolkit

<b>Intention/purpose</b>	A standardised 'first' guide for small and medium enterprises (SMEs) to outline the investment process, key sources of investments, Ghana's investment landscape, different investor types and key requirements, as well as brief investor profiles, to facilitate informed discussions between SMEs and investors.
<b>Audience</b>	SMEs in Ghana <ul style="list-style-type: none"><li>• Commercially viable businesses</li><li>• Employees: 15–300 employees</li><li>• Typical growth capital: \$500,000–\$5,000,000</li></ul> Transaction advisors, fund managers, and other professionals advising and/or assessing SMEs in Ghana.
<b>Approach</b>	<ul style="list-style-type: none"><li>• A standardised guide based on global and regional secondary research, backed by inputs from the Ghana Private Equity and Venture Capital Association (GVCA), Impact Investing Ghana (IIGH) and Growth Investment Partners (GIP)</li><li>• Investor requirements in Ghana obtained through primary interviews and surveys with private equity fund managers</li></ul>

# Investment overview

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# What is investment?

An investment provides resources and capital to scale businesses in exchange for a claim on the business. For an entrepreneur, investments can help businesses grow faster through funding and resources.



## Seed stage

Company develops product or concept, possibly with the help of initial investments.



## Early stage

Company gains traction and improves basic operational processes.



## Mid stage

Company has a product-and-market fit and user growth.



## Late stage

Company starts to expand into new markets or scale operations.



## Exit/mature stage

Company exhibits strong growth and continues to expand or exits to realise returns.

**External growth capital provides the opportunity for small businesses to expand, build industry networks and help manage risks.**

# Key sources of investment



Entrepreneurs can choose from different investment sources to accelerate business growth.

## Investment sources

**Friends and family** and the extended network of the business owners who invest or provide loan before the seed stage.

**Angel investors** are usually high-net-worth individuals, who fund start-ups at the early stages, often with their own money.

**Seed investors** provide seed capital, i.e., funds typically used to pay for initial costs of establishing a business, such as developing a business plan, research and development or other initial operating expenses.

**Accelerators** offer fixed, short-term (3–6 months) structured training programmes in the form of cohort-based mentorship and occasional financial support to early-stage companies.

**Incubators** help early-stage businesses over a 1–5-year period by providing workspace, administrative support, training, mentorship, access to investors and capital, either for a fixed fee or for an equity stake.

**Venture capital (VC) firms** invest in businesses that exhibit high growth potential in exchange for an equity stake, usually at the early stages of a company. VCs target firms who are looking to commercialise their idea with a high risk-high return approach.

**Private capital firms** make medium to long-term capital investments into private companies that are not publicly traded. Capital can be deployed as either debt or equity, or a combination of both. Unlike VCs, they target larger and more established companies.

**SME loans** include funding and support for small and medium sized enterprises, mainly via universal banks, savings and loans (S&L) companies, microfinance institutions (MFIs) or through government grants.

**Grant funding** is mainly offered by government or development organisations with no repayment obligations. However, the grantee is required to achieve certain operational, commercial and financial key performance indicators (KPIs) jointly discussed before the grant is awarded.

**Public investors/development finance institutions (DFIs)** support sustainable private sector development through loans and equity investment. DFIs invest in responsible businesses that uphold environmental, social and corporate governance (ESG) principles.

**Initial public offerings (IPOs)** allow a company to offer its shares to institutional or retail investors through a stock market listing. IPOs can be used to monetise investments of private shareholders and to facilitate trading of existing holdings or for future fund raising.

# Debt vs. equity financing

While both debt and equity financing are commonly used to grow businesses, depending on the business requirements and SME type, one may be more suitable than the other.

## Debt financing

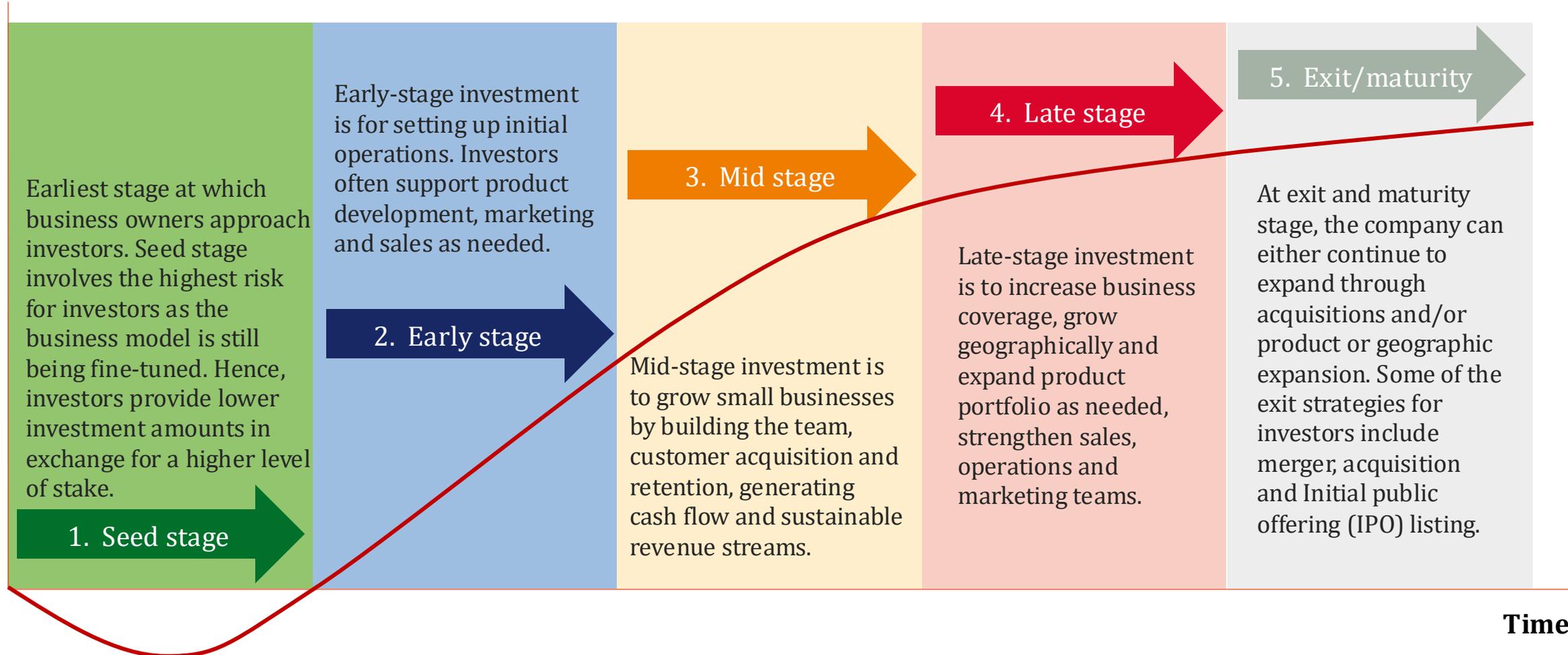
## Equity financing

<b>Overview</b>	Money borrowed and required to be paid back along with the interest over a certain time period	Raising investment capital in exchange for company shares
<b>Capital sources</b>	Private debt funds, SME loans, banks, DFIs	Friends and family, angel and seed Investors, accelerators, VC and PE firms, DFIs
<b>Target SME type</b>	<ul style="list-style-type: none"><li>• Company is still at a high-risk stage for equity investments</li><li>• Requires quick financing solution with easier application process</li><li>• Has steady cash flow to make interest payments</li></ul>	<ul style="list-style-type: none"><li>• Business with high growth potential</li><li>• Willing to share ownership in exchange for investor's expertise and network to accelerate company growth</li></ul>
<b>Pros</b>	<ul style="list-style-type: none"><li>• Maintains full ownership of the company</li><li>• Preferred by those with collateral</li></ul>	<ul style="list-style-type: none"><li>• Access to investor's network and expertise</li><li>• Reduces financial burden</li></ul>
<b>Cons</b>	<ul style="list-style-type: none"><li>• Required to pay back more with interest</li><li>• Requires collateral, usually assets</li></ul>	<ul style="list-style-type: none"><li>• Giving up part of company ownership</li><li>• External accountability, shared decision making</li></ul>

# The business stages for investment

Investments can be sought throughout the company's lifecycle, categorised into five broad stages.

## Cash flow



# Business stages targeted by investors

Depending on the types of investors, funding can be provided at different stages of the business with varying investment sizes.

Stages	1. Seed stage	2. Early stage	3. Mid stage	4. Late stage	5. Exit/maturity
Key operations	Idea Formation	Start-up	Growth	Scale	Mature
Type of investors	FFF Angel investors Seed investors Incubators Accelerators	Venture capital	PE firms	SME loan & grant funding Public investors/DFIs	IPO (exit only)
Indicative investment size	< \$50,000	\$30,000–500,000	\$300,000–2m	\$1m–10m	> \$10m

# Ghana investor landscape

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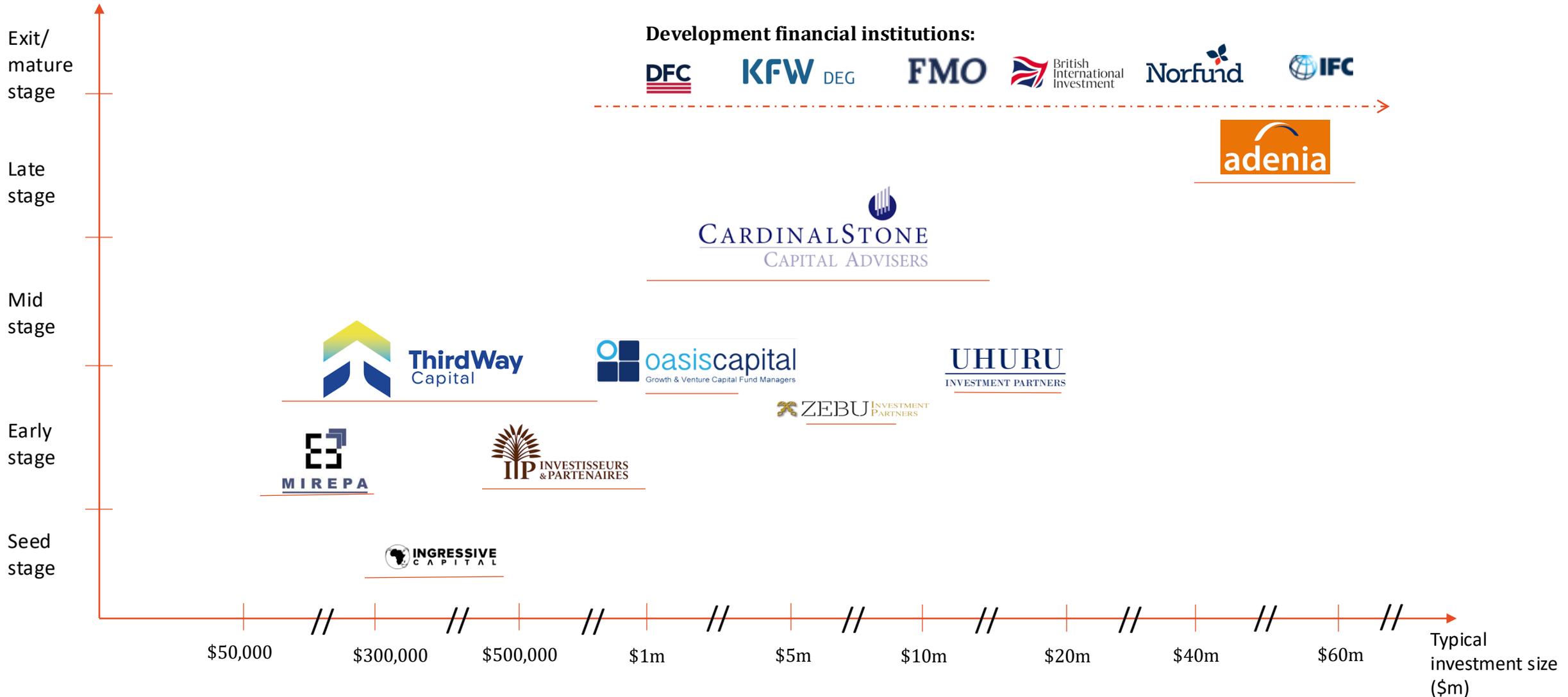


# Sectors prioritised by fund managers

	Technology, Telecom & Media (TMT)	Agriculture	Renewable Energy	Education	Financial Services	Tourism & Hospitality	Transport & Logistics	Fast-moving Consumer Goods (FMCG)	Infrastructure Development	Healthcare
	✓	✓			✓				✓	
VEROD <small>Capital Management</small>		✓		✓	✓				✓	
					✓					✓
	Sector agnostic									
	✓	✓	✓					✓		
AgDevCo <sup>®</sup>		✓								
			✓						✓	
	Sector agnostic									
	✓	✓		✓						✓

# The range of investment sizes

Investors look for companies at different stages and ticket sizes depending on the investor type and focus



# Key investor requirements

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# What do investors value in SMEs?

Strong competitive positioning and leadership are prioritised by investors, with continued support offered by investors to support the SMEs to enhance their performance across the other criteria

Foundation	 <b>Value proposition</b>	 <b>Management team</b>	 <b>Responsible business practice</b>	 <b>Business and financial planning</b>
Categories	<ul style="list-style-type: none"> <li>✓ Product/service attractiveness</li> <li>✓ Market attractiveness</li> <li>✓ Commercial attractiveness</li> </ul>	<ul style="list-style-type: none"> <li>✓ Technical expertise</li> <li>✓ Relevant experience</li> <li>✓ Company structure &amp; goals</li> </ul>	<ul style="list-style-type: none"> <li>✓ Environmental &amp; social impact</li> <li>✓ Business integrity</li> <li>✓ Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Business planning</li> <li>✓ Financial planning</li> <li>✓ Investment planning</li> </ul>
Rationale	<p>A company's products or service attractiveness, coupled with the target market attractiveness, allow investors to gauge the unique value add and growth potential for the company. Commercial attractiveness allows investors to assess if the business is a commercially viable investment opportunity.</p>	<p>Growth and investment attractiveness of SMEs are highly dependent on the capabilities of the founding team and the core management team. A strong management team is capable of setting goals, ensuring seamless implementation and motivating the team to achieve bigger goals.</p>	<p>Assessing parameters related to responsible business practices help investors anticipate potential risk, while ensuring that the company has a positive impact on the society. This is particularly important for impact investors and DFIs to meet their overall development objectives.</p>	<p>Investors take huge risks when investing in SMEs. Hence, a business strategy, business plan, financial implications and forecasts can help SMEs better convince investors and have informative and engaged discussions, especially when also backed by an investment plan.</p>

# What are ESG criteria?

Environmental, social and governance (ESG) criteria are three central factors used by investors to screen for investments that facilitate sustainable growth while generating positive impact.



**Environmental** factors ensure that the company utilises limited natural resource efficiently while minimising the harm caused to the external surroundings.



**Social** factors refer to the company's relationship with its employees and external stakeholders, including the community and suppliers. This ensures that the company's activities uplift the people who are directly and indirectly involved with the business.



**Governance** refers to the company's internal leadership practices that commit to promote ESG, meet compliance and consider the needs of shareholders.



# What is business integrity?

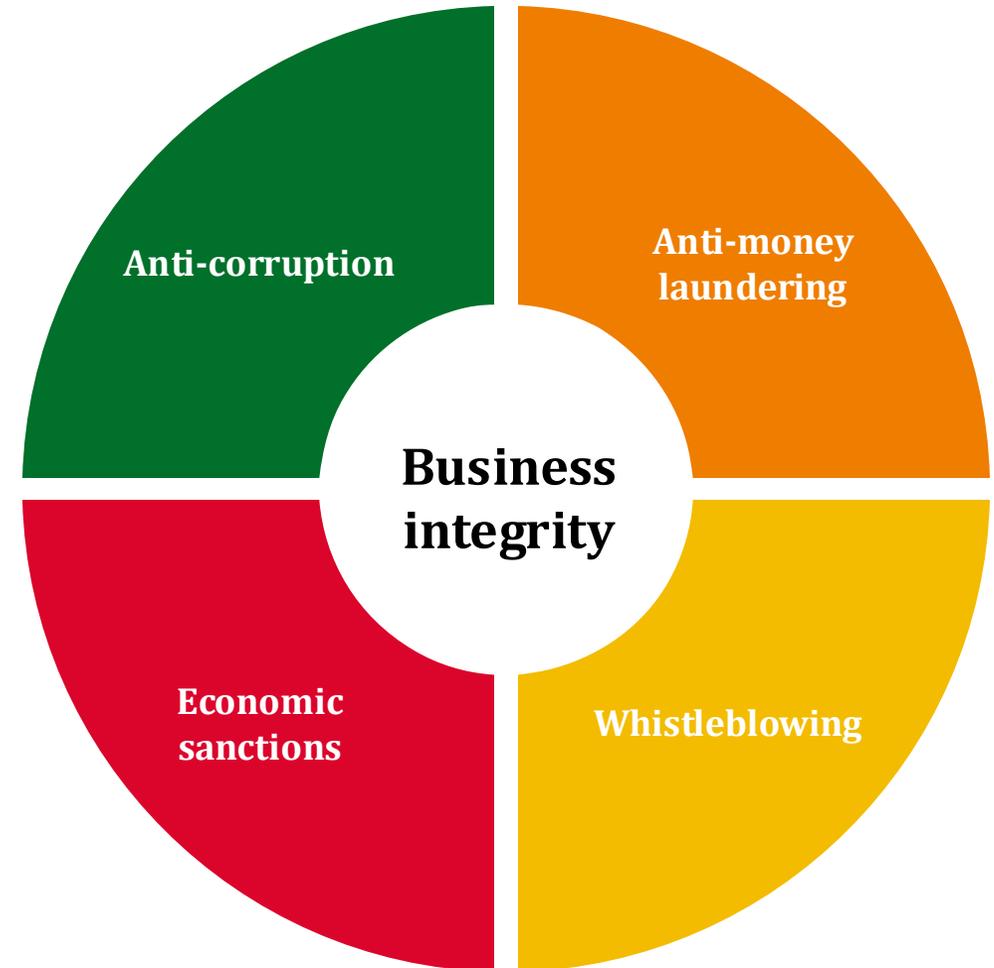
Business Integrity is assessed by fund managers before investing in companies to reduce compliance, reputational, and operational risks that could otherwise result in large fines and jail time.

**Anti-corruption:** Corruption is the exchange of financial or other advantages for a reward given through violation of duty or role. Examples of corrupt practices include bribery and embezzlement.

**Economic sanctions:** Trade or travel sanctions are imposed by national and international bodies for significant political and trade reasons and are backed up by criminal penalties that are rigorously enforced.

**Anti-money laundering:** Money laundering is the process where the true origin of proceeds from criminal activities are disguised to be used without suspicion. Forms of criminal activities include drug dealing, robbery and corruption.

**Whistleblowing:** Reporting by staff to the company, any credible suspicion of attempted or actual misconduct. A well-implemented whistleblowing system encourages reporting of corrupt practices.



# What is corporate governance?

Corporate governance refers to structures and processes underlying the management and direction of a company. Good corporate governance adds value to investments and reduces risks.

**Commitment to good governance:** Presence of clear organisational structure, core functions and strategic plans for investors to know changing business plans.

**Decision-making and strategic oversight:** External advisors are approached for input; key decisions are made among executives as a team; and presence of succession planning for key personnel.

**Control environment and processes:** Communication of risk management to the investors; presence of proper bookkeeping and payment processes.

**Transparency and disclosure:** Provision of relevant, reliable and timely financial and nonfinancial disclosures to shareholders and other stakeholders.

**Ownership:** Disclosure of ultimate beneficial ownership; distinction between family and non-family issues; clear regular communications with shareholders.



# Investment Readiness Scorecard

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# Investment Readiness Scorecard: Overview



## WHAT IS IT

- Self-assessment toolkit developed with the aim to enable SMEs to assess their investment readiness in Ghana.
- The toolkit is sector agnostic and can be applied to a wide range of businesses.



## FOR WHO

- The toolkit can be used by SMEs who are looking for investors in Ghana.
- Fund managers can share the toolkit with companies evaluated for potential investments.



## INTENDED OUTCOME

- For SMEs to be aware of what investors look for as well as to recognise their strengths and improvement areas.
- Facilitate higher engagement and active cooperation between the investment ecosystem actors, i.e., investors, SMEs and BSPs, leading to enhanced deal flows.

If you are looking to share this toolkit with SMEs,  
please contact us for the facilitators' version.

If you are an investor/GP with allocations to Ghana,  
kindly reach out to be included on the list.

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