

SME Toolkit

Ghana Investment Landscape and Investor
Readiness Scorecard



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SME Toolkit overview



SME Toolkit: Overview

The GhISP SME Toolkit

Intention/purpose	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.
Audience	SMEs in Ghana • Commercially viable businesses • Employees: 15–300 employees • Typical growth capital: \$500,000–\$5,000,000 Transaction advisors, fund managers, and other professionals advising and/or assessing SMEs in Ghana.
Approach	• 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) • Investor requirements in Ghana obtained through primary interviews and surveys with private equity fund managers

Investment overview



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

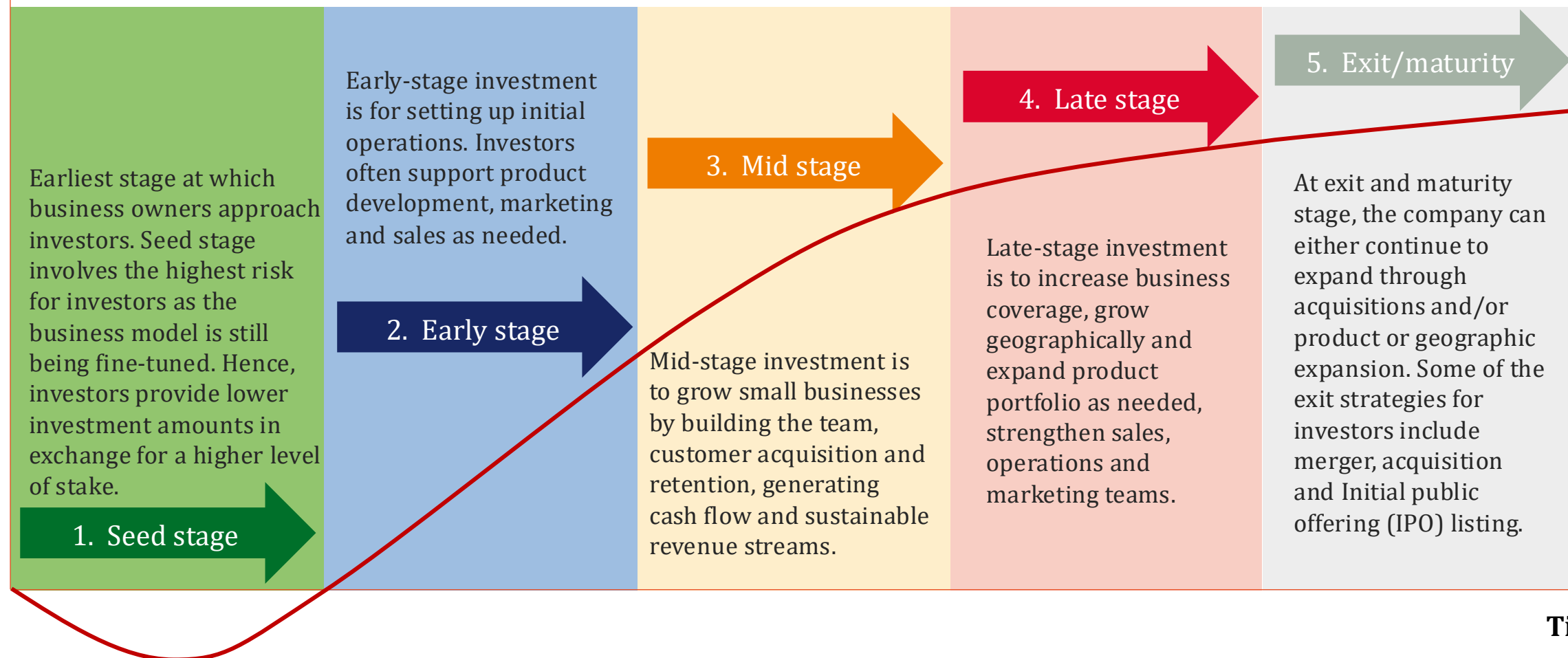
Equity financing

Overview	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
Capital sources	Private debt funds, SME loans, banks, DFIs	Friends and family, angel and seed Investors, accelerators, VC and PE firms, DFIs
Target SME type	• Company is still at a high-risk stage for equity investments • Requires quick financing solution with easier application process • Has steady cash flow to make interest payments	• Business with high growth potential • Willing to share ownership in exchange for investor's expertise and network to accelerate company growth
Pros	• Maintains full ownership of the company • Preferred by those with collateral	• Access to investor's network and expertise • Reduces financial burden
Cons	• Required to pay back more with interest • Requires collateral, usually assets	• Giving up part of company ownership • External accountability, shared decision making

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	SME loan & grant funding PE firms	Public investors/DFIs	IPO (exit only)
Indicative investment size	< \$50,000	\$30,000–500,000	\$300,000–2m	\$1m–10m	> \$10m

Ghana investor landscape



Sectors prioritised by fund managers

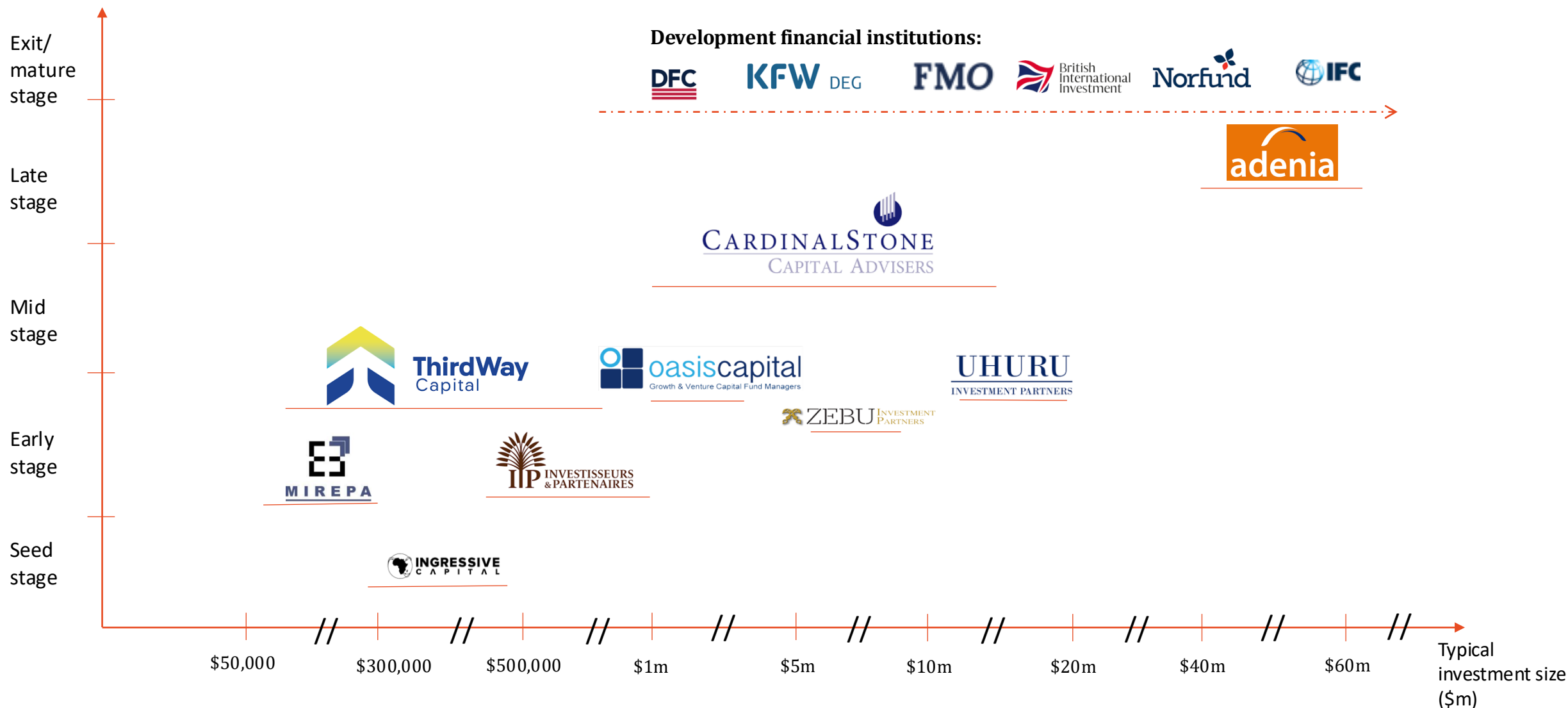
	Technology, telecom & media (TMT)	Agriculture	Renewable energy	Education	Financial services	Tourism & hospitality	Transport & logistics	Fast-moving consumer goods (FMCG)	Infrastructure development	Healthcare
	Sector agnostic									
		✓			✓			✓		
				✓	✓				✓	✓
	Sector agnostic									
		✓								
	Sector agnostic									
		✓								
	Sector agnostic									
		✓							✓	

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 Capital Management		✓		✓	✓				✓	
					✓					✓
	Sector agnostic									
	✓	✓	✓					✓		
AgDevCo [®]		✓								
actis			✓						✓	
	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



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	 Value proposition	 Management team	 Responsible business practice	 Business and financial planning
Categories	✓ Product/service attractiveness ✓ Market attractiveness ✓ Commercial attractiveness	✓ Technical expertise ✓ Relevant experience ✓ Company structure & goals	✓ Environmental & social impact ✓ Business integrity ✓ Corporate governance	✓ Business planning ✓ Financial planning ✓ Investment planning
Rationale	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.	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.	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.	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.

What are ESG criteria?

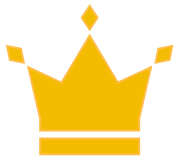
Environmental, social and governance (ESG) criteria are three central factors used by investors to screen for investments that facilitate sustainable growth while generating positive impact.



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?

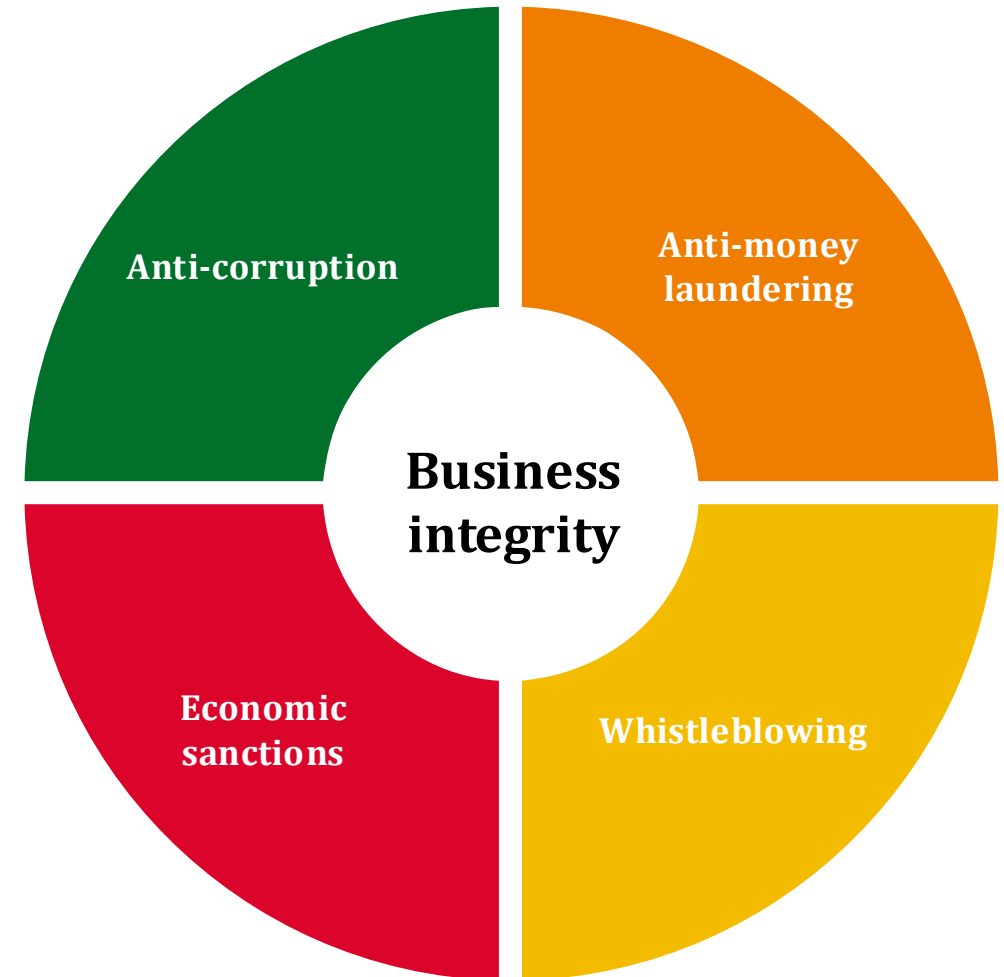
Business Integrity is assessed by fund managers before investing in companies to reduce compliance, reputational, and operational risks that could otherwise result in large fines and jail time.

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.

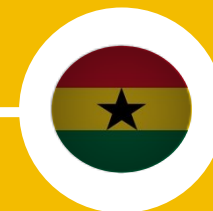
Control environment and processes: Communication of risk management to the investors; presence of proper bookkeeping and payment processes.

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



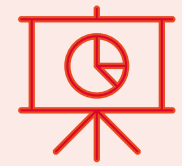
Investment Readiness Scorecard: Overview



WHAT IS IT



FOR WHO



INTENDED OUTCOME

- 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.

- 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.

- 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.

Investment Readiness Scorecard

Self-assessment parameters for facilitators



Note: For internal reference and information only and not to be shared with the SME. Share the separate excel self-assessment form with the SME.

Investment Readiness Scorecard: Parameters

Foundation	 Value proposition (30%)	 Management team (30%)	 Responsible business practice (20%)	 Business and financial planning (20%)
Categories	✓ Product/service attractiveness (40%) ✓ Market attractiveness (30%) ✓ Commercial attractiveness (30%)	✓ Technical expertise (40%) ✓ Relevant experience (35%) ✓ Company structure & goals (25%)	✓ Environmental & social impact (35%) ✓ Business integrity (35%) ✓ Corporate governance (30%)	✓ Business planning (40%) ✓ Financial planning (40%) ✓ Investment planning (20%)
Rationale	Company's products or service attractiveness coupled with the target market attractiveness allows investors to gauge the unique value add and growth potential for the company while commercial attractiveness allow investors to assess if the business is a commercially viable investment opportunity.	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.	Assessing parameters related to responsible business practices helps investors anticipate potential risk while ensuring that the company has a positive impact on society. This is particularly important for impact investors and DFIs to meet their overall development objectives.	Investors take huge risks when investing in SMEs as well, and 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.

Note: % represent weightage of each foundation and each category within each foundation; Weights and scores are for internal reference only and not to be shared with SMEs

Self-assessment: Value proposition

Value proposition (30%)		
Product/service attractiveness (40%)		
Product /service demand	0	Likely to have a demand for the product/ service but has yet to be tested
	5	Company has started to increase its user base
	10	Company already has a large, stable user base
Product /service innovation	0	Company offers identical products/ services to what is available in the market
	5	Company offers similar product/ services to what is available in the market but with added unique features
	10	Company offers new products/ services that meets people's needs
Market attractiveness (30%)		
Competitive landscape	0	Highly fragmented market with many competitors and low differentiation
	5	Moderately competitive market with several players
	10	Less than 5 direct competitors in the market and with high barriers to market entry
Target customer base	0	Company caters to every customer type and does not have a clear view of its target customer base
	5	Company caters to a broad customer segment and has a high level view of its target customers
	10	Company caters to a specific target customer base and has identified a customer acquisition plan
Commercial attractiveness (30%)		
Revenue trend	0	Company's revenue has been declining in the last 1 to 3 years
	5	Company has seen an average revenue increase of up to 15% in the last 1 to 3 years
	10	Company has seen an average revenue increase of more than 15% in the last 1 to 3 years
Gross margin % (= (revenues – cost of sales)/revenues)	0	Operating Margin is less than 30% in the last 1 to 3 years
	5	Operating Margin is between 31% – 50% in the last 1 to 3 years
	10	Operating Margin is more than 50% in the last 1 to 3 years

Note: % weights are for internal reference only and not to be shared with SMEs.

Self-assessment: Management team

Management team (30%)

Technical expertise (40%)

Target market knowledge	0	Management team adopts a learn-on-the-job approach with minimal experience within the target industry
	5	Management team has at least 5 years of professional experience in the target market OR is backed by industry experts / advisors with equivalent experience
	10	Management team has over 5 years of professional experience in the target market OR is backed by industry experts / advisors with equivalent experience
Technical ability	0	Management is currently only comprised of the founder who drives decision making
	5	Management has a diverse team with product expertise but limited knowledge of marketing, sales or finance
	10	Management team has people with expertise in marketing, sales, finance and product /service development

Relevant experience (35%)

Management experience	0	Core team has no relevant team management experience
	5	Core team has professional team management experience (5–7 years)
	10	Core team has professional team management experience (more than 7 years)
Fundraising/start up experience	0	Core team does not have any fundraising experience or experience starting a company before
	5	One of the core team members has successful fundraising or start up experience for a business previously
	10	One of the core team members has successful fundraising or start up experience for a business in similar industry

Company structure & goals (25%)

Company vision and goals	0	Vision and goals are still being developed
	5	Clear short term vision and goals set for the company
	10	Clear short to long term vision and goals set for the company
Organisation structure	0	Lack of clear roles assigned to key individuals operating the business
	5	Organisation chart with clear main roles assigned
	10	Standard operation procedures that outlines roles, responsibilities and step-by-step workflow

Note: % weights are for internal reference only and not to be shared with SMEs.

Self-assessment: Responsible business practice

Responsible business practice (20%)		
Environmental & social impact (35%)		
Environmental/social risks	0	Company's activities pose major threats to the environment/ community or no risk assessment has been done
	5	Company's activities pose threats to the environment/ community but steps have been taken to reduce these risks
	10	No existing environmental or social threats
Treatment of employees	0	Receives frequent complaints on treatment of employees
	5	Lack of action and process to deal with individuals engaging in workplace discrimination
	10	Discrimination at workplace is dealt with promptly based on existing company policy guidelines
Business integrity (35%)		
Corruption	0	Company lacks an understanding of the parties whom it is in business with
	5	Company would occasionally engage in receiving or giving gifts and cash amount worth less than GHS150
	10	Company does not engage in any of the corruptive practices including bribery to receive unfair advantage or facilitation payments to speed up the governmental procedures
Regulatory compliance	0	Company may be aware of the regulations present within the industry but does not comply with most of them
	5	Company is fully aware of and broadly complies with laws and regulations including for taxation laws
	10	Company fully complies with laws and regulations
Corporate governance (30%)		
Decision-making and strategic oversight	0	Decisions are mainly made by what founders strongly believe in
	5	External advisors are engaged informally for input before decision making
	10	External advisors are engaged formally for input before decision making
Transparency & disclosure	0	No policies or processes yet for sharing any financial or non-financial reports internally or with shareholders
	5	Prepares financial and non-financial reports for internal confidential use only
	10	Basic financial and non-financial reports shared annually with shareholders

Note: % weights are for internal reference only and not to be shared with SMEs.

Self-assessment: Business & financial planning

Business and financial planning (20%)

Business planning (40%)

Product/service development plan	0	Company does not have a concrete product or service development plan yet
	5	Company has a high-level view on major product and service improvements in the coming years
	10	Company has a detailed 3–5 years product / service development plan
Business plan	0	No written business plan
	5	1-year business plan with key financial metrics including business strategy, business model and financial projections
	10	3–5-year business plan

Financial planning (40%)

Financial statements	0	No updated or accurate financials statements and accounting records
	5	Updated and accurate 1-year management account with key financial metrics including profit/loss and revenue
	10	Audited financial statement (profit/loss statement, Cash flow statement, balance sheet)
Financial forecasts	0	Company has not conducted any financial forecasts yet
	5	Company has conducted a high-level 1-year financial plan linked to revenue and cost forecasts
	10	Company has a 3-year financial forecast including anticipated cash needs

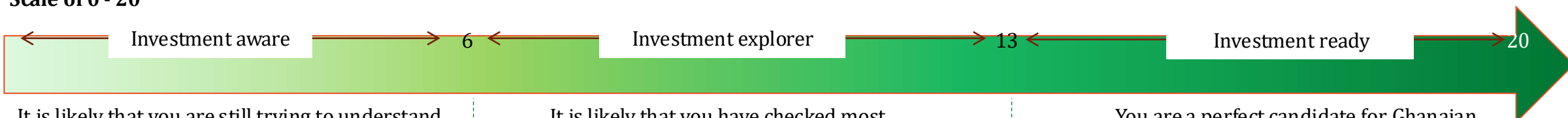
Investment planning (20%)

Pitch deck	0	Company has no business overview document or pitch deck
	5	Company has a business overview/ Corporate profile document with key products/services, financial highlights
	10	Company has a pitch deck with detailed documentation for pre-due diligence
Company valuation	0	Company has not done any research yet to determine valuation
	5	Company has a high-level view on the expected valuation and is keen to engage with investors for guidance
	10	Company knows the expected valuation range based on valuation models and scenarios and is keen to engage with investors

Note: % weights are for internal reference only and not to be shared with SMEs.

Investment Readiness Scorecard: Gradients

Scale of 0 - 20



It is likely that you are still trying to understand the Ghana investor requirements and are yet to implement effective processes and policies favoured by investors in Ghana. Prioritising on further reinforcing the management team and value proposition above others can lead to immediate quick wins. Your team could overcome leadership challenges by first setting clear, realistic, short-term goals to motivate the team. You could also consider bringing in industry experts as your external advisors/ experienced leaders as your core team members. Your company's business and marketing strategy could receive high competitive challenge and may not be reaching your target audience. Seeking customer feedback can ensure that the product/ service offerings meet their needs.

It is likely that you have checked most boxes that investors look for generally in a leadership team and a sound business. Refer to the SME Toolkit to get in touch with relevant investors who will welcome further discussions and are always willing to offer support and guidance on how they can potentially work together with you to bridge some gaps if any and accelerate your journey towards sustainable growth and investment.

You are a perfect candidate for Ghanaian investors! If you haven't been in touch with them yet, do reach out to the key investors listed in the SME Toolkit to share more about your company and discuss the potential investment opportunities. They would be delighted to hear from you!

Mandatory check

Business license: Securing a relevant business license that allows you to formally operate your business and enter into partnerships on behalf of a registered legal entity is a crucial pre-requisite before approaching investors.

Sanctions check: Any direct links with sanctioned entities will need to be evaluated and addressed.

Access the online investment readiness self-assessment form here: www.ghisp.org/sme-self-assessment

For access to more toolkits and resources, please visit www.ghisp.org

Contact us on info@ghisp.org