A Baseline Report

The State of Venture Capital and Private Equity in Ghana 1991–2023

GVCA
GHANA VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

Impact Investing Ghana

Contents

Glossary

Additionality	A measure of the role VC/PE plays in closing a deal, thereby addressing the question of whether a particular deal was closed or not because of the presence of VC/PE in the mix.
Fund-of-funds	An investment fund that invests in other funds, rather than directly in individual assets or portfolio companies.
Gender lens investing	A deliberate focus on hiring women employees, investing with women and in women-owned and women-led enterprises, and portfolio companies offering products or services that substantially improve the lives of women and girls.
General partner	A private equity or venture capital firm responsible for managing the day-to-day activities of an investment fund, including making investment decisions, managing portfolio companies, and raising capital.
Impact investments	Investments made with the intention of generating positive, measurable social and environmental impact alongside a financial return. Impact investments focus on addressing issues such as unemployment and underemployment, and improving access to essential services like healthcare, water, education, energy, financial services, and environmental conservation.
Leverage	A ratio that measures the ability of venture capital or private equity to catalyse the inflow of commercial capital. It represents how much commercial capital is brought in for every dollar of VC/PE.
Limited partner	An investor in a private equity or venture capital fund who provides capital to the fund but typically has limited involvement in its management and decision-making processes.
New jobs	Employment opportunities that did not exist previously. Sustained jobs refer to existing employment positions that are preserved or maintained due to the involvement of the VC/PE firm.
Private equity	Investments in growing or more mature companies. These are companies that have moved beyond the startup phase, have a proven business model, and are looking for capital to expand, restructure, or make acquisitions.
Gender	A binary biological construct referring to male or female, corresponding to men or women.
Total number of jobs	The count of permanent new jobs or the full-time equivalent of part-time or temporary positions created or sustained.
Venture capital	Investments in early-stage and startup companies that have high-growth potential but have a meagre, or no, established track record of profitability.

Abbreviations

AfDB	African Development Bank
AUM	Assets Under Management
AVCA	Africa Venture Capital Association
BAS	Business Advisory Service
BII	British International Investments
BoG	Bank of Ghana
CAPI	Computer-Assisted Personal Interview
CAGR	Compound Annual Growth Rate
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DBG	Development Bank Ghana
DFI	Development Finance Institution
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ELI	Eco-Lens Investing
ESG	Environmental, Social, and Governance
ESO	Enterprise Support Organization
FI	Financial Institution
FoF	Fund-of-Funds
FMO	Dutch Entrepreneurial Development Bank
GAIN	Ghana Angel Investing Network
GAX	Ghana Alternative Market
GDP	Gross Domestic Product
GEA	Ghana Enterprise Agency
GIIN	Global Impact Investing Network
GIRSAL	Ghana Incentive-Based Risk-Sharing
GIZ	Deutsche Gesellschaft für Internationale
GoG	Government of Ghana
GLI	Gender Lens Investing
GMI	Global Medical Investments
GP	General Partner
GIP	Growth Investment Partners Ghana LTD
GVCA	Ghana Venture Capital and Private Equity Association
GVCF	Ghana Venture Capital Fund Company
HNWI	High-Net-Worth Individual
ICT	Information and Communications Technology
IFI	International Financial Institution
IGVCF	Injaro Ghana Venture Capital Fund
IPO	Initial Public Offering
IIGh	Impact Investing Ghana
LP	Limited Partner
MDB	Multilateral Development Bank
MSMEs	Micro-, Small- and Medium-Size Enterprises
NAB	National Advisory Board
NDC	Nationally Determined Contribution
NEIP	National Enterprise and Innovation Centre
NGO	Non-Governmental Organisation
PE	Private Equity
PFJ	Planting for Food and Jobs
PIPE	Private Investment in Private Equity
PPP	Private–Public Partnership
ROR	Rate of Return
SDGs	Sustainable Development Goals
SEC	Security and Exchange Commission
SMEs	Small- and Medium-Size Enterprises
NGHI	Norway-Ghana Health Institute
SOVEC	Social Venture Capital Fund
SNV	Stichting Nederlandse Vrijwilligers
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
DFC	Development Finance Corporation
VCTF	Venture Capital Trust Fund
VC	Venture Capital
VCFC	Venture Capital Finance Company
WISE	Women in Sustainable Enterprises

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Foreword—Ghana Venture Capital Association

Ghana's 20-year-old venture capital and private equity (VC/PE) ecosystem has emerged stronger from the challenges COVID-19 posed. Demonstrating resilience and adaptability, it has shown significant growth in both deal volume and value. Deal volume, for example, has surged by 78% compared to pre-pandemic levels. How long can that trend last? What can we project in the near and medium term? What initiatives might facilitate the sector's expansion, and what constraints might hold back that growth?

As a sequel to the World Bank's 2016 study of the Ghanaian VC/PE ecosystem, the Ghana Venture Capital and Private Equity Association (GVCA), with its partners, are publishing this report to help answer those questions. By tracing historical trends, assessing impacts, identifying opportunities, and spotlighting the challenges of this asset class, this data-rich report, and the lessons it draws, shed light on industry developments and offer insights into the sector's current and future landscape that will help clarify your path, whether you are a Limited or a General Partner, an ecosystem enabler, a policymaker, or a financial researcher. The future landscape of Ghana's VC/PE sector looks promising. Venture capital and private equity are increasingly important as drivers of economic growth and entrepreneurship not only in our country but Africa in general. As this report reveals, the asset class in Ghana has, on average, grown 14.4% a year, and in 2023 it reached nearly $7 billion. This growth has stimulated the creation of over 44,000 direct jobs, but more than that, it has also facilitated access to essential services, including healthcare and education, and even enabled some gains in climate action.

Equally encouraging is the excellent progress made in raising the proportion of professional women who now serve on boards and in senior investment roles, even in comparison to mature Western markets. Three of 10 board members, and nearly 4 of 10 senior management and partner positions, are now held by Ghanaian women. That said, the representation of women on investment committees still needs to improve.

In light of the ecosystem's demonstrated commitment to diversity and inclusivity, we expect the investment committee numbers to improve with time. Substantial problems nonetheless remain, and the report minces few words in pointing them out and identifying the underlying structural constraints.

The report's team of authors urge that if further progress is to be made, a range of timely solutions need to be enacted—including accelerating pipeline exits, creating a limited partnership framework that would streamline life for ecosystem players, and taking steps to reduce or counter forex risk, which continues to erode the gains of hardworking entrepreneurs and fund managers. The increasing activity and momentum around local currency funds—partly enabled by the Venture Capital Trust Fund (VCTF), local pensions and their collaborators—is heartening to see. The timing for unlocking local, institutional-grade investors and a pipeline of investees could not be more opportune. But given the sector's robust preference for technology or technology-enabled companies—more than 90% of VC/PE investors in Ghana allocate capital to such companies—we simply must intensify our efforts to raise the innovation capacity and the digital literacy of Ghanaian entrepreneurs and change-makers, both young and old, urban and rural, female and male. This is foundational to enhancing their competitiveness for alternative funding such as catalytic capital.

Finally, many thanks to everyone who contributed to this long-anticipated and well-researched report. It is my hope that its publication will reinvigorate and reinforce the ongoing efforts of Ghana's venture capital and private equity ecosystem to achieve the kind of growth, impact and promise many observers, including us, feel strongly is well within its reach.

Hannah B. Acquah
CEO, GVCA

Foreword—Impact Investing Ghana

Private funds, which account for almost 50% of the capital allocated to impact investing globally[1] and about 33% in Ghana[2], are crucial vehicles for innovative financing. They provide capital and strategic support to innovative enterprises, accelerate their growth, and generate returns for their investors. In turn, this stimulates economic growth and yields numerous benefits for a range of others both within the industry and in the broader economy—by catalysing job creation, attracting capital inflows, bolstering tax revenues, fostering entrepreneurship, facilitating technology transfer, promoting good governance practices, advancing gender equality, and addressing environmental, social, and governance (ESG) concerns.

This baseline research report looks at how venture capital and private equity (VC/PE) investments are assisting to foster impact, promote gender and social outcomes, and equip key stakeholders across the impact investing landscape with locally relevant, actionable insights to catalyse impact investing in Ghana. As an ecosystem-builder committed to unlocking financing and driving development in Ghana and the West African subregion, Impact Investing Ghana (IIGh), in collaboration with the Ghana Venture Capital and Private Equity Association (GVCA), is delighted to have played a central role in bringing this important study to life.

Building on a recent report by IIGh,[3] this new publication addresses a number of critical data gaps identified in that earlier report—in particular, the inadequate understanding of VC/PE in Ghana, and data deficiencies on fund and industry performance. It also addresses gaps identified in a longitudinal study on catalytic capital[2] in Ghana conducted by IIGh in 2022, which highlighted the need for more in-depth information on the role venture capital and private equity play in unlocking catalytic capital for impact investing and gender-lens investing.[17] This report responds to that need and furnishes public and private decision-makers with vital data and insights to make informed choices about VC/PE investments in Ghana.

One notable finding, exemplified by the Venture Capital Trust Fund, is how effective blended finance often can be in fostering private sector engagement and in facilitating pension fund investments in VC/PE funds through fee reduction. We are thrilled to be supporting more blended finance structures with the establishment of Ghana's first private-sector-led, blended capital fund-of-funds, the Ci-Gaba (Progress) Fund.

Another significant highlight is that, in 2023, 54% of jobs created by VC/PE-backed businesses in Ghana were for women, although gender diversity in management roles needs to be better. Even so, the share of women in management roles in Ghana, at 36%, well exceeds the sub-Saharan Africa average of 12% and is encouraging even compared to that in developed regions such as the United Kingdom (20%).[19]

Growing VC/PE in Ghana would likely further improve women's employment prospects. One of the challenges would-be female managers face is the absence of formal gender policies in the vast majority of funds (97%)—a telltale sign that appears to signal weak commitment to gender diversity and inclusion, and a situation IIGh hopes to work with funds to improve. Additionally, there are limited investments in women-focused businesses, and underutilised levels of training and support for such businesses.

The release of this research report comes at a moment of renewed interest in increasing pension investments in Ghanaian businesses through VC/PE funds to develop the economy and deliver positive returns to pension clients.

This growing interest is reflected in the rise in capacity-building initiatives designed to meet this very goal. IIGh's hope and expectation is that pension funds, policymakers, regulators, investors, fund managers, businesses and other stakeholders will use the findings unearthed in this report to take informed action that unlocks higher levels of local venture capital and private equity for impactful investments in Ghana. It is also our hope that this will be the first of many reports the GVCA releases to augment the existing body of relevant data and actionable insights.

We are grateful to the GSG Impact, the International Development Research Centre (IDRC), and the Research and Innovation Systems for Africa (RISA) Fund of the UK Foreign, Commonwealth and Development Office (FCDO) for their funding support, and to On Think Tanks and Impacto for their facilitation of quarterly learning sessions aimed at enhancing knowledge and capacity-building efforts.

Special acknowledgement is also due to the research leads Stephen Antwi-Asimeng of SAA Capital and Dr. Charles Atanga Adongo of Emperiks LLC, who went to great lengths to obtain the data needed for the report and mined them to ensure that it would provide the most efficacious insights possible for the industry.

Deep appreciation also goes to the research Steering Committee—made up of Hamdiya Ismaila of Savannah Impact Advisory, John Mawuli Ababio of Phoenix Africa Capital Providers and Samuel Yeboah of Mirepa Investment Advisors—for its governance, quality control and industry insights, which greatly enriched this report.

The constructive feedback garnered from the validation workshop, organised by IIGh in collaboration with the GVCA and members of the Pensions Industry Collaborative, was instrumental in shaping the substance and direction of this report. Finally, many thanks to all who contributed in numerous other ways to realising this report.

This report is the culmination of intense collaboration. We believe that through similar collaborative efforts and the application of evidence-based research, we can together channel the transformative power of venture capital and private equity investments into driving inclusive development and growth in Ghana.

Amma Lartey
CEO, Impact Investing Ghana

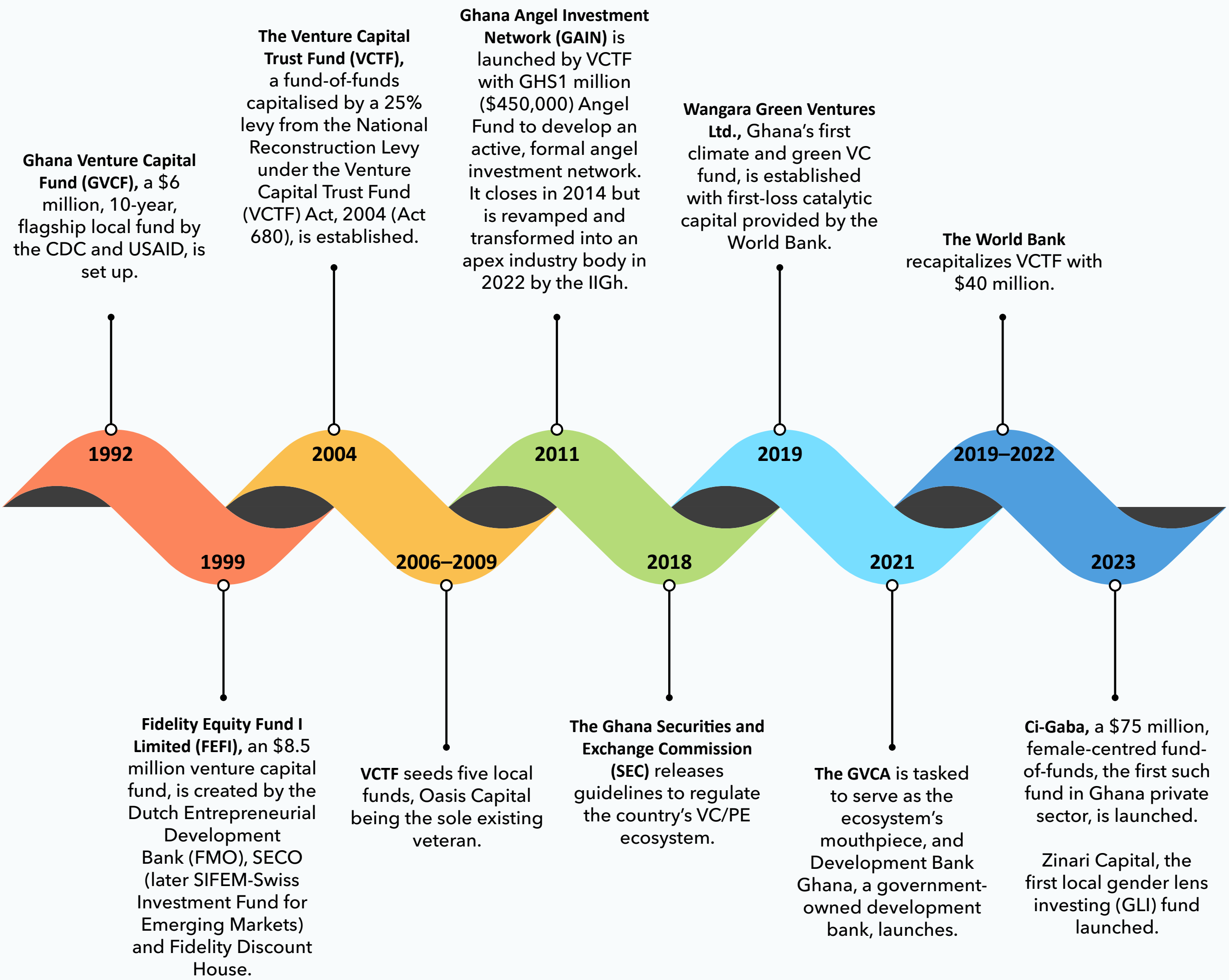
Alex Asiedu
Board Chair, Impact Investing Ghana

Executive Summary

To fill major gaps in the data about trends in VC/PE investment activity and investor profiles in Ghana, this research answers the following five questions:

1. Who are the primary participants and what do they do in the VC/PE ecosystem?
2. What are the sources of capital for the industry including pension funds and what is the historical size of the VC/PE market?
3. What are the main performance outcomes of the industry since the first formal attempt?
4. What challenges limit the activities, performance, and impact of the industry?
5. What are the factors/challenges that promote/impede gender equality and mainstreaming in the industry?

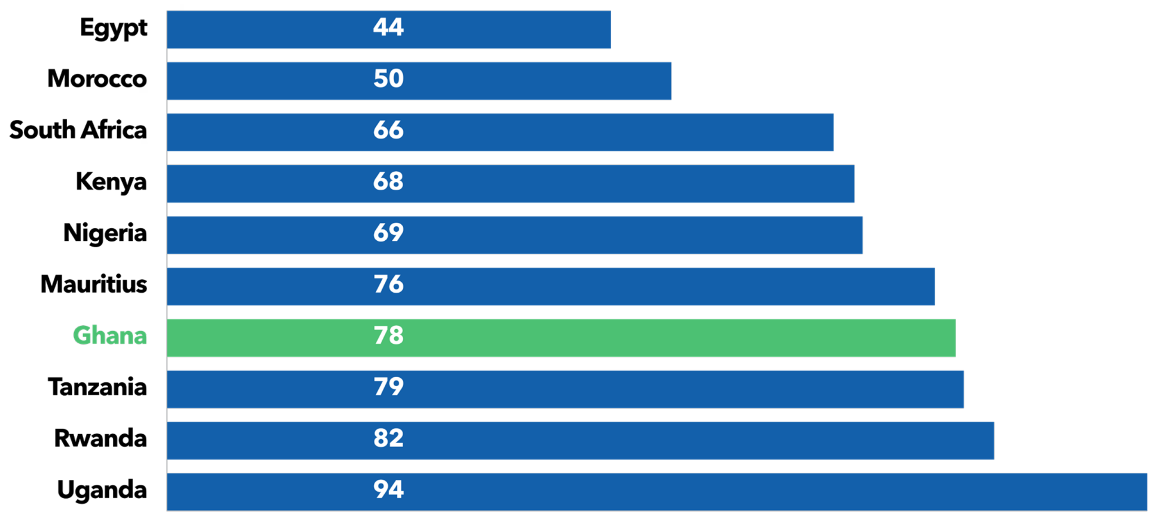
Capsule timeline of the industry's evolution



The evolution and growth of venture capital and private equity in Ghana

- Venture Capital (VC) funds management started in Ghana in 1992 with the creation of the Ghana Venture Capital Fund. But it was not until 2004 that VC was formally recognized in the country, with the passage of the Ghana Venture Capital Trust Fund Act. Since then, the industry has made strides to lay its foundational blocks, although growth remains moderate.
- The 2021–2023 period saw the launch of Ci-Gaba, a $75 million, blended capital fund-of-funds, the first of its kind in Ghana's private sector.
- The 2023 global VC/PE destination competitiveness index indicates that Ghana is among the top-10 most attractive VC/PE markets in Africa (ranked 7th in Africa and 78th globally).
- Ghana's attractiveness score declined by 8 percentage points between 2017 and 2023. To put that in context, however, similar declines, in some cases more significant, were observed throughout the region in same period—including in South Africa, Nigeria, and Mauritius, three of the best-performing Sub-Saharan African countries on the index.
- Many emerging VC and PE markets, including that of Ghana, are constrained by conditions such as weak investor protection, less liquid exit markets, lower innovation capacity, and a higher perceived incidence of bribery and corruption.

Figure 1: Ghana's VC/PE market attractiveness rank in 2023, relative to peers in Africa



Source: Research team (2024)

Note: Ranked from the highest to the least.

Key facts about Ghana's market, 2008–2023

Market size

- 72 funds across 68 fund management companies currently invest in Ghana Between 2008 and 2023, the number of fund management companies investing in Ghana rose about 11-fold. The number of funds they managed rose 9-fold, averaging two per management company.
- About 98% of the funds have a multisector focus; the remaining are dedicated to specific sectors such as agribusiness, health, and real estate.
- VC/PE funds' assets under management (AUM) have grown significantly since 2008, averaging 23% per year, reaching $6.93 billion in 2023.[1]
- Over the period, regional African funds held 78% of total AUM. Local funds held about 2.4% and West African funds held the remaining 19.6%.
- Local, cedi-denominated, currency funds constituted only some 1.4% of AUM.

All dollar figures quoted in the report are in United States dollars (USD) unless otherwise stated.

Suppliers of capital

- About 90.5% ($6.28 billion) of the committed capital in VC/PE-backed funds investing in Ghana came from development finance institutions.
- The Venture Capital Trust Fund (VCTF) has consistently been the anchor of local funds, committing approximately $29 million in 11 funds since its creation in 2004, leveraging $109 million (a 1:4 ratio) in private capital. All the same, VCTF has a funding gap of $145 million. It is aiming to close this gap by 2030.
- Locally domiciled pension funds, following in the trail blazed by the VCTF, have recently resumed their interest in supplying capital to local funds, even taking anchor roles in some of them. Between 2022 and 2023, local pension funds committed some $15 million to local funds and of late have become the anchor investor in the Injaro Ghana Venture Capital Fund (IGVCF).

Pension funds

- At GHS46.61 billion ($5.4 billion), total pension fund assets between 2012 and 2022 reflect approximately a 10-fold increase—an average annual growth rate of 26% (8% in dollars). The private sector manages 74% of these assets.
- Higher regulated ceilings alone are not enough to raise pension funds' appetite for VC/PE. Ghana's allocation cap for pensions, set at 25% for VC/PE, is much higher than that of most peer jurisdictions both in and outside Africa. Yet the cumulative pension fund investment in VC/PE in Ghana over some two decades is less than 1% of total AUM.
- Because of their high returns, liquidity, and cash flow, government securities and bonds, such as Treasury bills, continue to be pension funds' two most-favoured asset classes for investment. This crowds out fund investments in VC/PE.
- Structural weaknesses in this market stem from

  i. pension funds' limited understanding of VC/PE,

  ii. the high returns on government securities crowding out VC/PE investments,

  iii. the perceived limited track record of VC/PE funds, especially local ones, in meeting pension funds' expected financial returns,

  iv. inadequate institutional-grade investment options,

  v. unrealistic return expectations of pension fund clients, and

  vi. the failure to disaggregate VC/PE from other alternative asset classes in capital allocation and reporting.

Funds-of-funds

- The number of funds-of-funds has risen significantly. Currently, 12 FoFs supply capital to funds investing in Ghana. It signals the potential for co-investments, particularly with institutional investors.
- Only two funds-of-funds—VCTF and Ci-Gaba—are domiciled in Ghana; Ci-Gaba is now fundraising.
- Commitments generally range from $1 million to $10 million, but in the last decade investment size has trended upward markedly—increasing by 2.3 times to reach $7 million on average.
- Only two—the $200 million Mastercard Foundation Africa Growth Fund, and FSDAi's GBP8 million Nyala Ventures—are gender-lens-investing[17] vehicles.
- None are dedicated to green and blue financing (life below water), but practically all have a strong commitment to climate-related priorities, especially the catalytic funds.
- Concerns about some FoFs include

  i. delayed capital calls and

  ii. weak monitoring, evaluation, and learning systems in assessing the outcomes and impacts of their activities.

The catalytic role of funds-of-funds and other providers

- The catalytic concessions most often deployed by catalytic FoFs are

  i. accepting flexible terms to meet the needs of funds, particularly new fund managers;

  ii. providing credit enhancement through subordinated equity positions;

  iii. offering pledges or guarantees through catalytic first-loss capital;

  iv. accepting longer or uncertain time periods before exit; and

  v. technical assistance.

- These investments not only provided fund managers, particularly local first-time fund managers, a certain reassurance in their fund-raising journey but enabled them to build a track record, innovate, scale up and leverage additional investments that might otherwise have been impossible.
- Fund managers cautioned, however, that the role of first-loss capital arrangements deployed by FoFs in mobilizing investments from investors with a low appetite for risk may be overrated. Why? Two reasons are
  i. investors prioritize track records over the indemnification of losses, and
  ii. first-loss capital has negative connotations for some investors.

Deal activity: volume and value

- Between 2008 and 2023, the tracked VC and PE deal volume in Ghana totalled 154; 116 had disclosed transaction values, 38 did not. Of the disclosed 116 transactions, 59% were PE deals.
- Altogether, between 2009 and 2023, an average of eight deals were concluded annually, with some slight variation in volume when disaggregated by VC and PE.
- In 2023, total deal volume dropped steeply–as did deal value, particularly VC investments–to $50.5 million, a 64% decline relative to the previous year. Similar observations have been reported globally and on the African continent for 2023 VC/PE investments.
- The top-four most-funded sectors–financials, health care, and information and communication technologies (ICT)–received about 85% of the capital invested, involving 68 deals.
- The greatest portion of VC allocations went to healthcare (38%, $105.4 million) and financials (29.4%, $81.7 million). PE investments primarily went into the financials sector (81%; $456.7 million).
- Significant funding focused on technology-driven ventures: 92% of VC deals were in technology or technology-enabled companies, across a range of sectors.
- Startups accounted for nearly two-thirds ($183.8 million) of the VC deals 2015-2023. About 67% of this amount was invested in early-stage companies; the remaining 33% in seed-stage companies.
- From 2015 to 2022, Healthtech was the leading vertical sector among the technology-enabled startups, capturing 38.2% ($105.4 million) of VC investments. Fintech (36.6%) followed closely behind, with Cleantech (12.4%) securing third spot.

Exit activity

- 51 exits were tracked, averaging two exits per year for the years when exit activity occurred.
- Exit activity over the period followed a roller coaster pattern, characterised by alternating growth and decline.
- Almost all the exits were PE-backed, growth-stage companies.
- Four of ten exits were portfolio companies in the financial sector.
- The most common exit routes were
  i. through a strategic buyer (38%) and
  ii. sponsor buyback (24%)

Sustainable Development Goals

- 31% of fund management companies reported not having ESG (environmental, social and governance) principles and policies encoded in document form.
- Investors generally are aligned with attaining the SDGs, but 98.7% of them lacked a dedicated written framework that spelled out this commitment and could track their contributions and progress.
- Fund managers attribute this lack of a formal, written framework to three factors in particular:
  i. a lack of awareness of a standard measure such as the UNDP's SDG Impact Standards for Private Equity Funds,
  ii. concerns about the costs of measurement,
  iii. portfolio companies finding comprehensive data requests burdensome to fulfil.
- That said, VC/PE deals tended to align strongly with five SDGs: SDG 1: poverty alleviation, SDG 8: decent work and economic growth, SDG 10: reduced inequalities, SDG 9: industry, innovation, and infrastructure, and SDG 17: partnerships for the goals.
- SDG 14 (life below water-blue economy) and SDG 16 (peace, justice, and strong institutions) have attracted almost no direct VC/PE investment in Ghana.

- SDG 13 (climate action) needs more backing from Ghanaian VC/PE investments to accelerate progress towards net zero carbon emissions. Only 4% of the value of investments directly matched this goal, with almost all these deals in the area of renewable energy.

Employment, earnings contribution, and distribution

- In 2023, VC/PE-backed businesses in Ghana employed 44,046 full-time-equivalent workers.
- Earnings from these jobs contribute to the livelihoods of more than 176,000 household members, it is estimated.
- Women dominate the portfolio company workforce (89%). In those companies where women do not dominate, the gender balance is nearly equal (54% women, 46% men).
- Only 14% of employees was a youth, defined as 18 to 29 years old.
- Manufacturing, with an emphasis on light-touch agro-processing, accounted for about 39.6% of the jobs, followed by financials (20.5%) and ICTs (18%).

Gender diversity in VC/PE companies

- Men outnumber women in all roles of VC/PE management companies, constituting 61% of the total workforce.
- Higher up the ladder, women make up 34% of board members, 36% of senior investment roles, and 40% of the investment team, but only 11% of the membership of investment committees.
- About 29% of fund management companies had no female representation on their boards.

Gender lens investing and its constraints

- 97% of funds had no written gender policy in place, which signals the absence of a clear, formal commitment to gender diversity and inclusion.
- About 35% of asset managers reported engaging in gender lens investing (GLI).
- Fund managers' motivations to engage in GLI include

  i. GLI aligns with their mission, including their commitment to the SDG 5 (gender equality),

  ii. performance enhancement through diversity, recognizing women-related businesses as an underserved market with impact potential, and

  iii. seeing GLI as a fundraising strategy.

- Women-focused businesses secured only 11% of deal volume between 2009 and 2023. This amounts to $44 million, or 5.2% of total investments made in that period.
- The top-two constraints on gender lens investing are

  i. the small number of viable, pipeline-ready, women-focused companies, especially tech-backed or high-growth companies, and

  ii. a mismatch in the energy and commitment levels of LPs and GPs to fostering GLI.

Ecosystem constraints

- The main concerns about Ghana's VC/PE market are

  i. the difficulty of exits,

  ii. a time-consuming regulatory approvals process,

  iii. the absence of a limited partnership framework,

  iv. high returns from government securities, and

  v. currency risk.

Calls for action

1. To enhance the competitiveness of Ghana's VC/PE industry, ecosystem builders should focus on the following dimensions of the VC/PE competitiveness index, in order of priority:
   i. Dimension #1: the human and social environment, particularly bribery and corruption;
   ii. Dimension #6: nurturing an entrepreneurial culture and easing the registration and licensing of funds to foster deal opportunities, including simplifying the process of starting, running, and winding down a business;
   iii. Dimension #2: improving the depth of its capital markets, especially to facilitate exits through IPOs and public-issuing activities; and
   iv. Dimension #4: investor protection and governance, particularly a limited partnership structure.
2. To enhance the financing of SDG 14 (the blue economy), establish a blue bond, blue fund, and fund-of-funds, along with associated derisking mechanisms.
3. Train fund managers to set up impact monitoring and measurement systems, including a gender policy, to track the outcomes and impacts of their investments, particularly their contributions to the SDGs.
4. The GVCA and its collaborators should continue their ongoing advocacy to create a limited partnership framework in Ghana.
5. Remove bottlenecks to allow for faster, more cost-effective approval and licensing of funds, investment vehicles, and fund management companies.
6. Acting through the Pensions Industry Collaborative, the VCTF and IIGh should continue to run capacity-building literacy and competency programmes, especially employer-sponsored schemes, to increase investor's ability to understand and make VC/PE investment decisions. These should include periodic reviews and the incorporation of learnings.
7. Institutionalise data gathering and analysis: Building on this current baseline study, the GVCA could undertake a follow-up yearly report on the state of VC/PE in Ghana—investment activities, fundraising, exits.

I. Background and context of report

This report was commissioned by the Ghana Venture Capital and Private Equity Association (GVCA) and Impact Investing Ghana (IIGh). It addresses a research gap that was highlighted in 2021 in a IIGh report, which noted that besides a Ghana Private Equity and Venture Capital Ecosystem Study conducted by the World Bank in 2016, there have been virtually no other dedicated comprehensive studies on Ghana's venture capital and private equity (VC/PE) ecosystem.

This report seeks to address that gap by offering answers to fundamental questions about current and historical VC/PE investment activity, the performance of VC/PE-backed investments, impact investing outcomes—especially in the areas of gender equality and mainstreaming—and some challenges encountered in these areas.

The report will enable IIGh and GVCA to engage and equip major stakeholders with locally relevant and actionable insights to accelerate their understanding of the asset class, and thereby catalyse impact investing, gender lens investing, and pension asset investing in productive sectors of Ghana's economy. Such engagements are already under way with pension trustees, fund managers, and others.

Methodology

The research that culminated in this report took a multi-pronged approach involving quantitative and qualitative research methods. This included desk research and secondary data mining, interviews, a survey, a Steering Committee/Delphi of experts, and benchmarking. Our benchmarks of peer markets are not intended to indicate comparative performance but rather to serve as reference points for assessing trends, identifying best practices, informing strategic decision-making, and evaluating potential opportunities or risks in the market landscape.

We note a number of limitations and caveats to our methodology:

- Our estimation of employment generated and/or employment sustained did not include suppliers to VC/PE-backed portfolio companies.
- VC/PE deals that involved a debt component, as in the case of convertible instruments, were included.
- Our estimation of capital investments included only VC/PE deals by funds. This means that direct VC/PE deals by capital providers—such as development finance institutions (DFIs), multilateral development banks (MDBs), family offices, and foundations—were not captured in the analysis.
- Pure private debt was excluded.
- The analysis relied on data reported directly by respondents and indirectly through other publicly available sources. Although we verified and validated the data, we cannot claim full proof of their accuracy and dependability.

For a fuller account of the methodology that we employed, together with a full discussion of its potential limitations, please read the appendix.

II. The evolution of Ghana's venture capital and private equity ecosystem

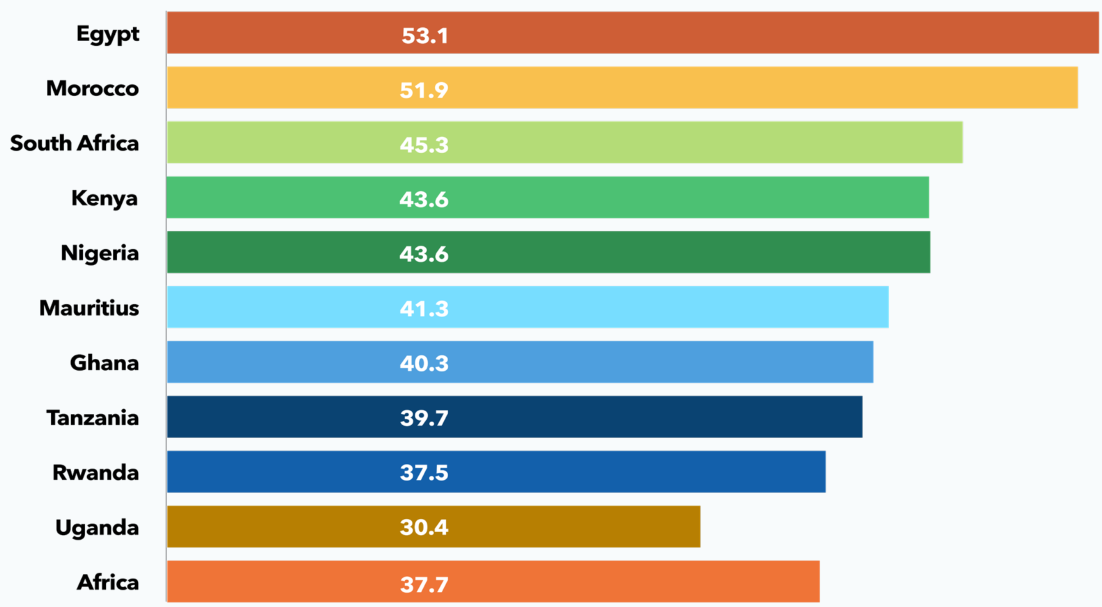
Institutional venture capital investing in Ghana began with the establishment of Ghana's first fund, Ghana Venture Capital Fund (GVCF), by the Commonwealth Development Corporation (CDC), United States Agency for International Development (USAID), and other local financial institutions in the early 1990s. But it was not until 1999 that a second VC fund was established as an initiative of a local financial services group, Fidelity Discount House, with operations in money markets, capital markets and investment banking. Since then, the industry has continued to lay the needed building blocks for the ecosystem to thrive, including regulatory frameworks, structures, and systems. Although several international VC and PE firms have made investments in many sectors of the Ghanaian economy, usually with limited or no institutional presence, the number of active funds and fund management companies has grown only modestly.

The attractiveness of Ghana's VC/PE market

Highlight: The attractiveness of Ghana's VC/PE market, like that of the regional landscape and most of its peers, is moderate

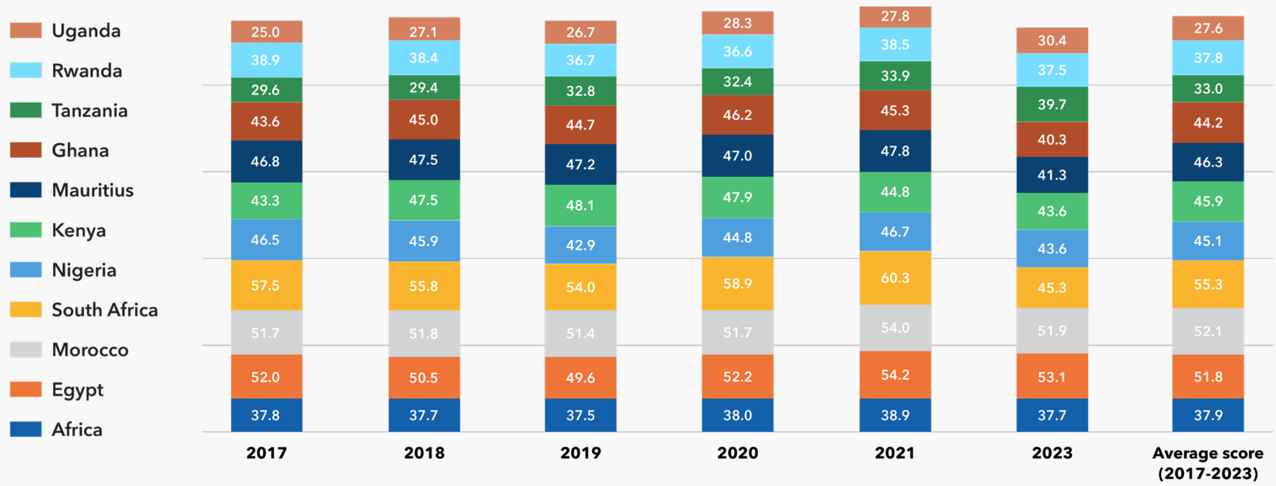
In 2023, Ghana's VC/PE industry ranked as the 78th most attractive VC/PE industry out of 125 markets globally. The United States and the United Kingdom took the first and second spots, respectively. Among African countries, Egypt, Morocco, South Africa, Nigeria, and Kenya were the top five. Ghana continues to be one of the top-ten most attractive VC/PE markets in Africa. However, Ghana's global attractiveness score declined by 8% between 2017 and 2023, with similar and or more significant declines observed in the region, including in South Africa, Nigeria, and Mauritius. Between 2021 and 2023, Ghana's attractiveness dropped from 6th in Africa to 7th.

Figure 2: Ghana's VC/PE attractiveness score in 2023, relative to peers in Africa



Source: Groh et al. (2023) *Illustration:* Research team (2024)

Figure 3: VC/PE attractiveness score: Benchmark countries, 2017–2023



Note: No attractiveness index was computed in 2022.

The most attractive VC/PE destinations excel across all six of the explanatory factors highlighted in Figure 4, but out of the six, capital markets depth, investor protection, and corporate governance are the primary drivers. These are the fundamental elements of an ecosystem conducive to securing deal flow and exit opportunities for VC and PE funds, thereby attracting investments into the asset class. Conversely, conditions such as weak investor protection, less liquid exit markets, lower innovation capacity, and a higher perceived incidence of bribery and corruption constrain emerging VC and PE markets.

Figure 4 shows Ghana's ranking on the six dimensions of the VC/PE attractiveness scale compared to its peers. Although all six drivers of country attractiveness are important, to enhance the competitiveness of its VC/PE industry, Ghana, in order of priority, needs to pay particular attention to

i. Dimension #1: the human and social environment, particularly bribery and corruption;

ii. Dimension #6: nurturing an entrepreneurial culture and easing the registration and licensing of funds to foster deal opportunities, including simplifying the process of starting, running, and winding down a business;

iii. Dimension #2: improving the depth of its capital markets, especially to facilitate exits through IPOs and public-issuing activities; and

iv. Dimension #4: investor protection and governance, particularly a limited partnership structure.

Figure 4: The six dimensions of the VC/PE attractiveness scale

	Overall index score	Economic activity	Depth of capital market	Taxation	Investor protection +corporate governance	Human + social environment	Entrepreneurial culture + deal opportunities
Africa/Regional	37.7	64.5	26.5	74.0	56.7	26.9	34.7
Egypt	53.1	80.0	58.9	85.5	60.5	24.2	49.3
Morocco	51.9	67.4	51.1	62.9	69.2	28.0	53.0
South Africa	45.3	18.2	48.8	83.9	78.8	30.5	57.9
Nigeria	43.6	76.1	41.7	57.5	60.2	20.5	40.2
Kenya	43.6	76.8	32.1	68.1	61.2	28.4	43.2
Mauritius	41.3	55.4	31.8	114.4	90.7	17.1	40.9
Ghana	40.3	72.4	29.3	79.2	49.9	28.7	39.1
Tanzania	39.7	76.5	31.5	55.1	48.3	30.2	34.9
Rwanda	37.5	48.3	24.1	73.9	73.4	34.6	33.4
Uganda	30.4	72.0	17.3	65.7	48.6	23.5	26.6
Namibia	36.7	41.2	26.2	55.7	75.8	32.5	32.8

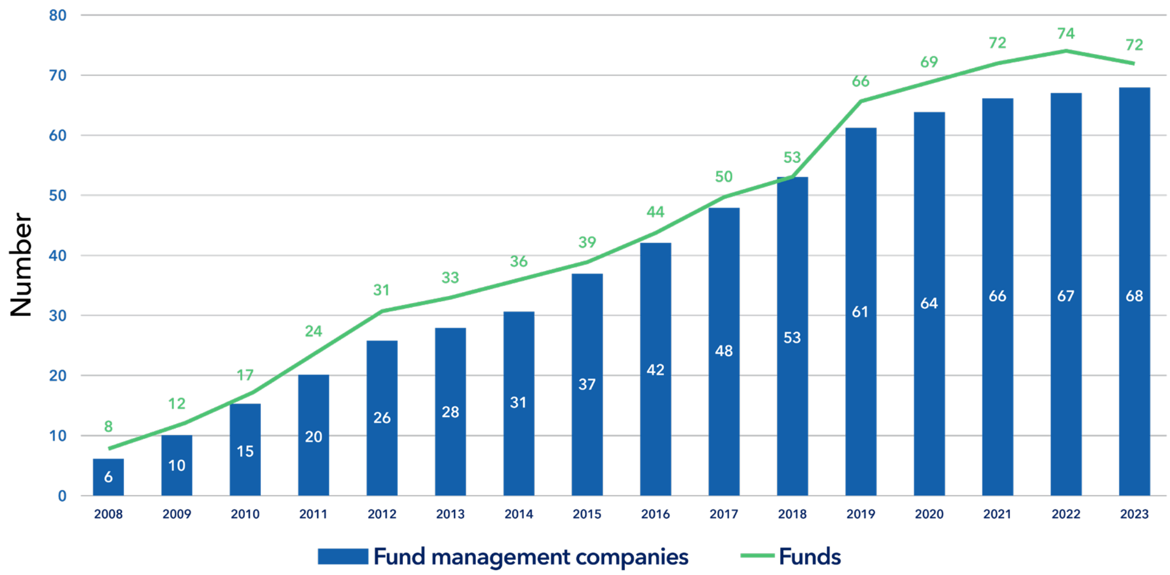
Excellent: 97-120.99
Very good 73-96.99
Good/high benchmark: 49-72.99
Fair/moderate benchmark: 25-48.99
Poor/low benchmark: 1-24.99

Source: Groh et al. (2023)
Illustration: Research team (2024)

Market size of Ghana's VC/PE ecosystem

There has been a significant increase in the size of fund management companies and funds investing in Ghana. Between 2008 and 2023, the number of fund management companies investing in Ghana rose by about 11x, from 6 to 68, while the number of funds they managed rose by 9-fold, from 8 in 2008 to 72 in 2023. Fund management companies investing in Ghana have, on average, two funds investing in Ghana.

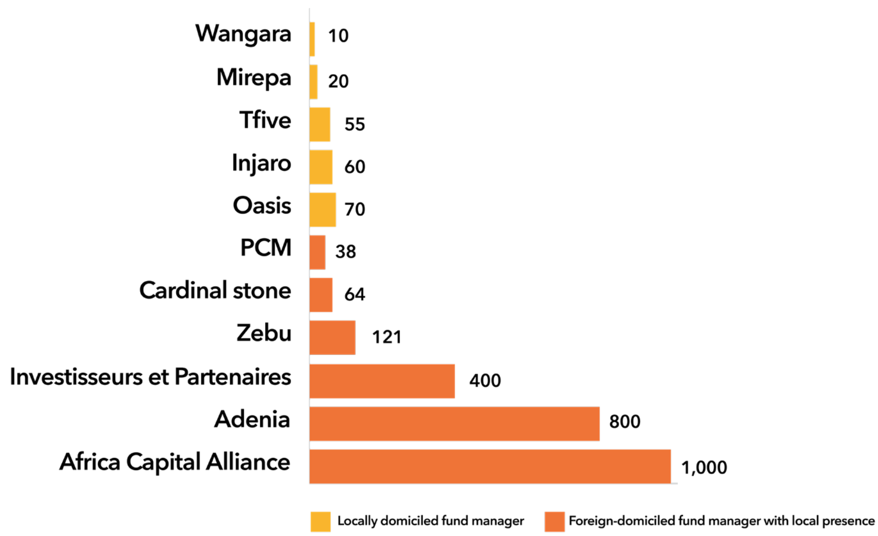
Figure 5: Fund management companies and funds investing in Ghana, 2008–2013



Source: Research team (2024)

There are currently only five locally domiciled fund managers and the remaining 63 are domiciled in other jurisdictions. The lack of a limited partnership structure is a major reason for the small number of domiciled funds in the country. These funds invested on average $500,000 and $5 million. About 98% of the funds had a multisector focus; the remaining 2% were dedicated to specific sectors such as agribusiness, health, and real estate.

Figure 6: Select local and foreign-domiciled VC/PE fund managers in Ghana, by AUM ($, millions)

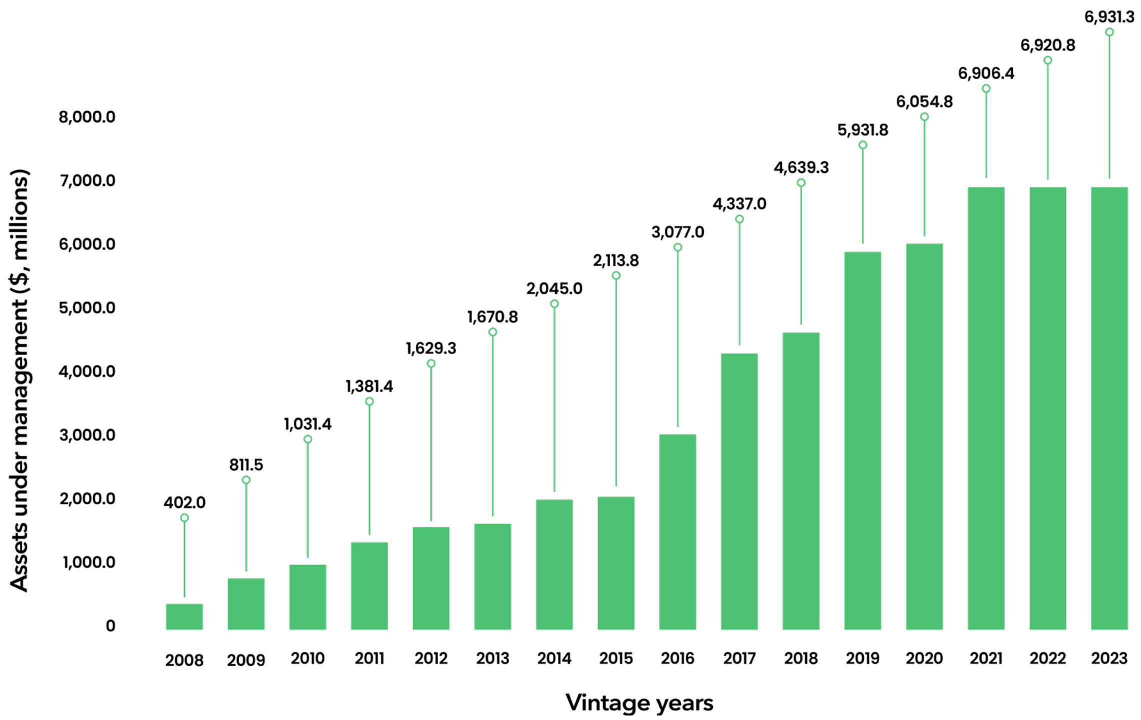


Source: Research team (2024)

Highlight: Significant growth in AUM of VC/PE funds since 2008

Following the formalisation of Ghana's VC/PE ecosystem in 2004, assets under management (AUM) grew at an average annual rate of 23%, reaching $6.93 billion in 2023 across 68 VC/PE companies investing in the country. Relative to the base year, 2008, this is a remarkable 820% increase year on year, on average.

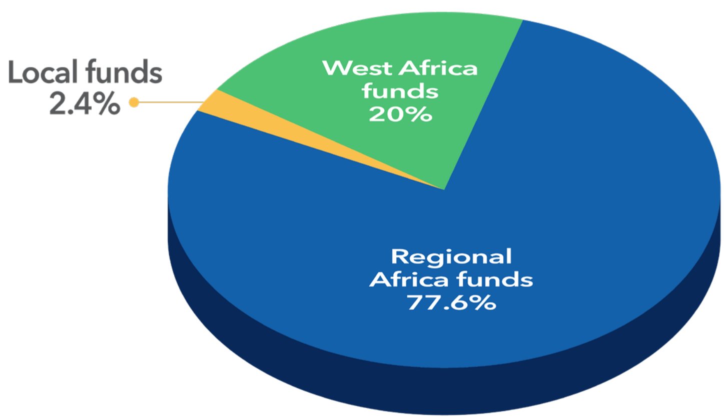
Figure 7: Growth in AUM of Ghana's VC/PE funds, 2008–2023



Source: Research team (2024)

About 2.4% of total AUM is held by local funds, with a significant portion (about 78%, equivalent to $5.4 billion) held by regional African funds.

Figure 8: Distribution of Ghana's AUM among local and regional funds

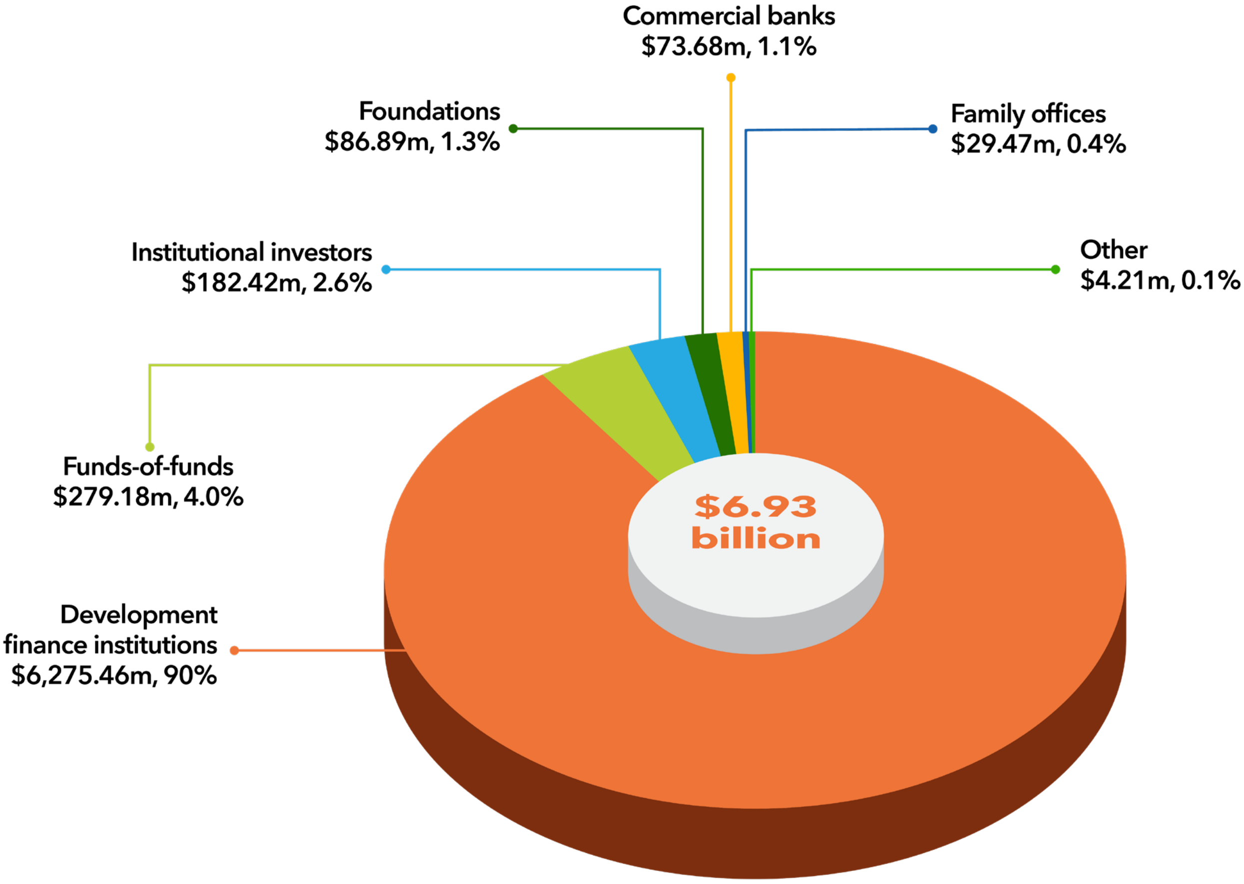


Source: Research team (2024)

Over 95% of the VC/PE funding available to SMEs in Ghana is in foreign currency. Aside from the pioneered but defunct Ghana Venture Capital Fund in 1991, five local active currency funds were identified with the following AUMs: the Mirepa Capital SME Fund I (GHS55 million), the Injaro Ghana Venture Capital Fund (IGVCF, GHS216 million), Industrial Support Fund (ISF, GHS50 million), Growth Investment Partners (GHS 567 million) and Wangara Green Ventures (GHS50 million). At the fund-of-funds level, only the GHS900 million Ci-Gaba fund-of-funds, which is fund raising was identified.

Approximately 90.5% (6.28 billion) of the committed capital in VC/PE-backed funds investing in Ghana came from DFIs. The least amount came from family offices and other sources. The Venture Capital Trust Fund (VCTF) has consistently been the anchor of local funds, committing approximately $29 million in 11 funds since its creation in 2004. For more on the VCTF, visit **"Ghana's VC/PE Ecosystem builder: The Venture Capital Trust Fund"** in chapter IV, pp. 30–32.

Figure 9: Sources of capital for VC/PE investments in Ghana



Source: Research team (2024)

III. The role of pension funds

The evolution of the pension industry in Ghana

Pensions in Ghana have a history dating back to the 1940s, marked by the passage of the Social Security Act, 1965 (Act 279) by Parliament to establish a social security fund. However, the backing of Ghana's VC/PE industry by pensions emerged with the establishment of the National Pensions Regulatory Authority (NPRA) in 2008 and has evolved alongside regulatory changes.

Pension reforms

The Government of Ghana undertook a wide range of pension reforms in the 2000s, culminating in the passage of the National Pension Act, 2008 (Act 766). The law, which went into operation in 2012, introduced the involvement of the private sector in pension management in Ghana, ending the monopoly of the Social Security and National Insurance Trust (SSNIT) as the sole pensions management company.

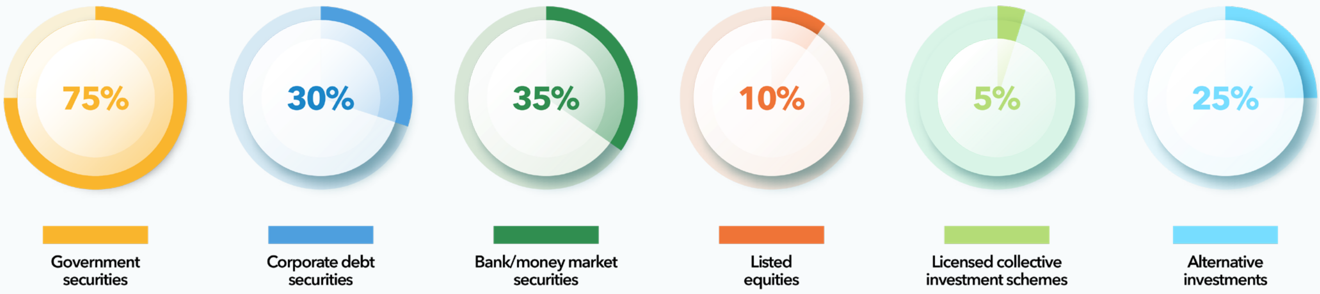
A three-tier pension scheme. Tier 1, comprising a mandatory Basic National Social Security Scheme (BNSSS), is overseen by SSNIT. Tiers 2 and 3 consist of a mandatory occupational pension scheme and a voluntary provident fund scheme, respectively, both with private sector pension managers. The NPRA, which regulates pensions in general and licences private sector companies in the administration and management of pensions, including pension corporate trustees, pension fund managers and pension custodians.

Asset allocation

Highlight: Pension funds are allowed invest up to 25% of their assets in "alternative investments," which are defined to include private equity and private debt funds

The NPRA sets the ground rules and determines the asset allocations that guide pension fund investments. The initial allocation list has not only expanded but also, for the first time—in 2021—allowed up to 25% of pension assets to be invested in alternative investments, including private equity and private debt funds. This represents a 67% increase in the cap allocation for alternative assets relative to 2016 when the cap allocation was 15%. The allocation list also allows for up to 20% of assets to be invested in listed equities, up to 15% in collective investment schemes, and up to 35% in corporate debt.

Figure 10: Asset allocation for pension funds regulated by the NPRA



Source: Research team (2024)

Ghana's maximum exposure limit for pensions, set at 25% for alternative investments including VC/PE, is higher than that of peer jurisdictions both in and outside Africa, such as Kenya (10%), South Africa (15%), Nigeria (5%), and India (10%) and is comparable to developed markets such as the UK (30%).

Table 1: Regional outlook of allocation caps of pension funds to investments in alternative assets

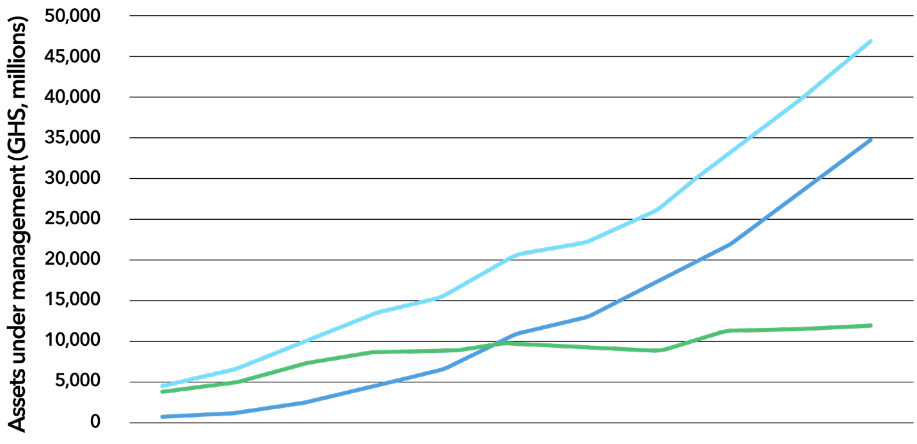
Sub-region	Country	Regulatory authority	Year	AUM (local currency, bn)	AUM ($, bn)	Max. allocation to VC/PE (%)	Max availability to VC/PE ($ bn)	Actual % of AUM invested in VC/PE	Source
East Africa									
	Kenya	Retirement Benefits Authority	2023	Kshs.1,703.69		10%		0.32%	Retirements Benefits Authority
	Uganda	Uganda Retirement Benefits Regulatory Authority	2021	UGX 19,900	4.6	15%	0.692		
South Africa									
	Botswana	Non-bank Financial Institutions Regulatory Authority	2021	BWP 93.1	9	5%	0.429	1-5%	SAVCA 2022
	South Africa	Financial Sector Conduct Authority	2021		500	15%	75	1-5%	SAVCA 2022
West Africa									
	Ghana	National Pensions Regulatory Authority	2022	GHS46.61	8.05	25%	2.01	1%	National Pensions Regulatory Authority
	Nigeria	National Pension Commission	2021	NGN 12,310	29.99	5%	1.49	13%	AVCA and PenOp
North Africa									
	Egypt	Egyptian Financial Supervisory Authority	2020	EGP88.9	0.29	Not stated			IOPS
	Morocco	The Supervisory Authority for Insurance & Social Welfare							
	Mauritius					No cap			
Developed Markets									
	United Kingdom	The Pensions Regulator	2022	2,568	2,568	30%		33%	Dalberg Thinking Ahead Institute
	United States	Employee Benefits Security Administration, Department of Labor	2022	$30,439	30,439			47%	Thinking Ahead Institute

The evolution of pension Assets Under Management (AUM)

Highlight: Significant assets under management by local pensions

In the decade between 2012 and 2022, pension funds' AUM surged to GHS46.61 billion ($5.4 billion), an almost 10-fold increase. This averages out to an annual growth rate of 26% (or 8% in US dollars).

Figure 11: Growth trajectory of pensions' assets under management (in GHS), 2012–2022

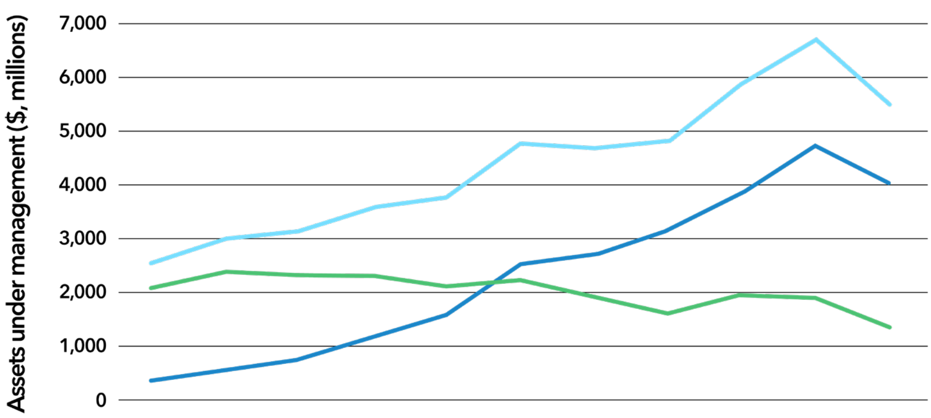


	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BNSSS assets (GHS, millions)	3,973	5,170	7,427	8,810	8,889	9,771	9,242	8,929	11,350	11,544	12,106
PMPS assets (GHS, millions)	805	1,343	2,582	4,672	6,793	11,023	13,014	17,363	22,019	28,019	34,505
Total (GHS, millions)	4,778	6,513	10,009	13,482	15,682	20,794	22,256	26,293	33,370	39,563	46,611

Source: Research team (2024)

The private sector manages 74% of total pension assets as of the end of 2022. In 2017, assets of privately managed pension schemes surpassed those of the Basic National Social Security Scheme (BNSSS), reaching GHS34.5 billion ($4.0 billion) by the end of 2022. This reflects a compounded annual growth rate of 45.6% (25.1% in US dollars) for Privately Managed Pension Schemes, compared to 11.8% growth for the BNSSS over the same period.

Figure 12: Growth trajectory of pensions' assets under management (in $), 2012–2022



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BNSSS assets ($, millions)	2,108	2,392	2,321	2,322	2,116	2,213	1,918	1,614	1,970	1,925	1,412
PMPS assets ($, millions)	427	621	807	1,231	1,617	2,496	2,700	3,138	3,823	4,673	4,023
Total ($, millions)	2,535	3,013	3,128	3,553	3,734	4,709	4,617	4,751	5,793	6,598	5,435

Source: Research team (2024)

Investments by pension funds in VC/PE

As a percentage of AUM and of the maximum exposure allowed, pension fund investments in VC/PE continue to be very low. Yet Ghana's allocation cap to alternative assets (25%) is significantly higher than that of most peers, and comparable to that of developed markets.

Between 2005 and 2010, SSNIT undertook investments totalling approximately $31 million in five private equity funds (Table 2).

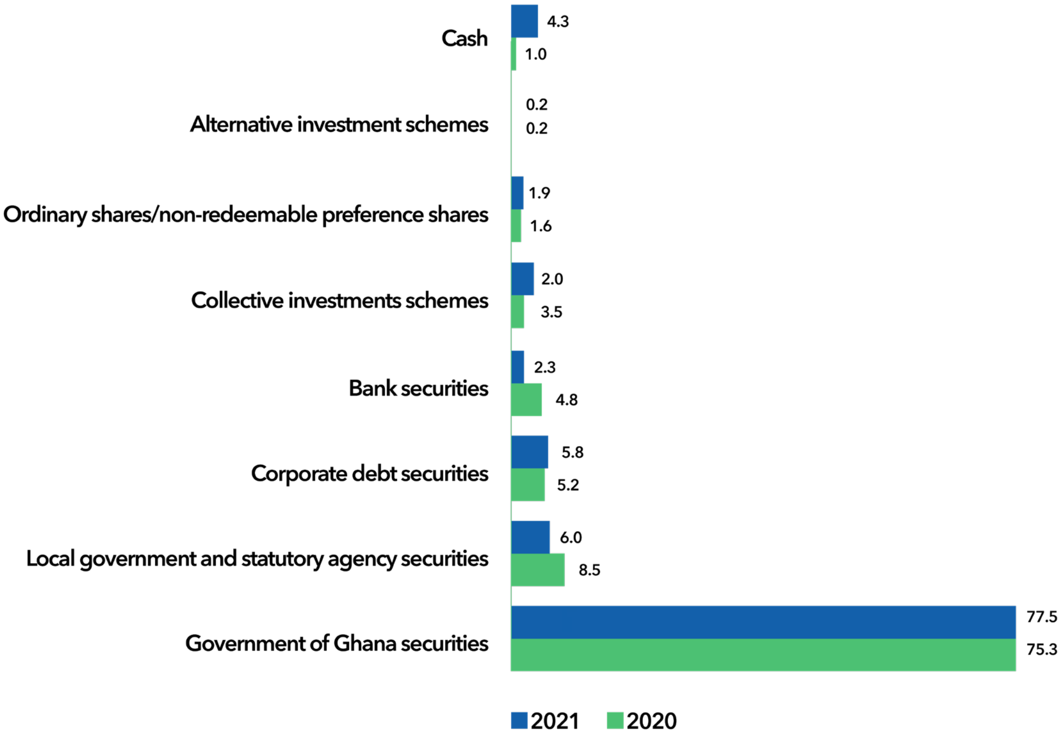
Table 2: SSNIT investment in private equity funds

Name of fund	Focus/Sector	Location	Vintage year	Fund size $, millions	SSNIT investment $, millions
Canada Investment Fund for Africa (CIFA)	Generalist fund that provides growth capital towards investment opportunities on the African continent	Africa	2005	211.30	5.0
Emerging Capital Partners Africa Fund III (ECP Fund III)	Multisector fund focused on high-growth African companies pursuing regional strategies	Africa	2008	533.00	10.0
Pan African Infrastructure Development Fund for Africa (PAIDF)	Infrastructure development projects on the African continent	Africa	2007	630.00	10.0
Fidelity Equity Fund II (FEF II)	Generalist fund	Ghana, Sierra Leone, and Liberia	2007	23.23	5.0
Wholesale Microfinance Facility (WMF)	Investment vehicle that provides debt and equity funds to microfinance institutions in Ghana	Ghana			1.32
Total					31.32

Source: SSNIT Annual Reports 2013 and 2014

Since 2010, pension funds have not recorded significant investment activity in the VC/PE space. The most recently published report of the NPRA (2022) reveals that only 0.2% of private pension funds were invested in alternative assets, while almost 77.5% had gone into Government of Ghana Securities. Although VC/PE falls in the alternative assets category, the NPRA annual reports do not offer enough granularity on the specific constituents of that category.

Figure 13: Asset allocation of private pension funds, 2021–2022 (as percentage share)



Source: NPRA (2021)

Analysis of private pension investments in VC/PE from 2022 to 2023 indicates a commitment of $15 million, slightly below the total commitment over the 2006–2010 period. In 2023, pension funds including Petra Trust and Axis Pensions committed $3 million to the Mirepa Capital SME Fund I (MCSFI).

The cumulative investment from 2006 to 2023, totalling $35 million, still represents a small fraction—less than 1% of the estimated AUM of local pension funds and the maximum allocation allowed. This implies that an increase in regulated ceilings alone is not a sufficient condition for stimulating pension funds' appetite for VC/PE.

The GHS216 million Injaro Ghana Venture Capital Fund (IGVCF), managed by Injaro Investment Advisors Limited (IIAL), is anchored by local pension funds with GHS127 million. The investors include Petra Advantage Pension Scheme and Petra Opportunity Pension Scheme; the Ghana Education Service Occupational Pension Scheme; and Axis Pension Trust's Enterprise Tier 2 Occupational Pension Scheme.

Recent developments impacting pension funds' investments in VC/PE in Ghana

- In 2016, a new Securities Industry Act (Act 929) was passed empowering the SEC to regulate the operations of private funds and related assets in Ghana.
- The Pensions Industry Collaborative, founded in 2021 and led by IIGh, brings together major pension trustees, fund managers, government officials, and industry associations to stimulate and increase pension investments in alternative assets.
- Because of significant losses pension funds incurred after the government rolled out its Domestic Debt Exchange Programme (DDEP)–its so-called "haircut" programme–in 2022 to help alleviate its debt crisis, pension funds are now expected to increase their investments in alternative assets.
- Ci-Gaba, a local currency blended fund-of-funds launched in 2023, has been designed to mobilize institutional capital for high-growth SMEs by serving as an institutional-grade vehicle.

> **The Pensions Industry Collaborative, created by IIGh, brings together the seven largest pension trustees and fund managers in Ghana, along with government and industry associations, to develop a collaborative plan of action aimed at increasing pension investments in alternative assets, with the realisation of decent dividends.**

Constraints faced by pension funds

Concerns that were widely identified include

i. pension funds' limited understanding of VC/PE

ii. the high returns on government securities

iii. the perceived limited track record of general partners (GPs)

iv. inadequate institutional-grade investment options

v. unrealistic client expectations, and

vi. the failure to disaggregate VC/PE from other alternative asset classes in capital allocation and reporting.

Each is discussed below:

1. **Limited understanding:** The IIGh's Pensions Industry Collaborative and its partners are working to boost pensions' literacy on VC/PE. But the knowledge and expertise of pensions to evaluate alternative investments are still evolving. The understanding that trustees, custodians, and fund managers have of the VC/PE asset class, together with their experience in it, is still evolving and is characterised by numerous uncertainties.
2. **Returns on government securities:** Pension funds invest heavily in government securities because of their attractively high returns, which crowd out their investments in other asset classes. (It is expected that the launch of the government's so-called "haircut" programme in 2022, which reduced those very high returns, will likely temper this enthusiastic attitude.)
3. **Limited track record:** Pensions generally feel that local GPs are yet to build a track record that demonstrates convincingly that the financial returns on VC/PE investments will meet pension fund expectations, particularly local and new fund managers in VC/PE.

4. **Insufficient options:** There are few pipelines of institution-grade investment vehicles—such as funds-of-funds with de-risking mechanisms—that meet the risk-return needs of institutional investors, including pensions.

5. **Unrealistic client expectations:** Pension fund clients often have unrealistic expectations about receiving positive returns on every investment instead of on the entire portfolio. As stewards of third-party capital, asset managers of pension schemes invest on behalf of clients, many of whom expect the trustees to deliver positive returns on each underlying asset. In contract, many alternative assets (including impact investments) deliver long-term positive returns but may post negative returns in the short term. This mismatch between expectation and reality discourages pension from investing in alternative assets, including those with positive social impact.

6. **Other regulatory restrictions:** especially in real estate and affordable housing. There is an appetite for alternative assets such as real estate among corporate trustees and fund management companies, but NPRA regulations restrict them to co-investing with Real Estate Investment Trusts or with a bank and requires government agency participation.

7. **Lack of disaggregation:** Cap allocation and investments in VC/PE by the NPRA continue to be combined with other alternative assets in the same category, which includes private debt. This failure to disaggregate VC/PE from other alternative asset classes in cap allocation and investment amounts constrains the VC/PE ecosystem from knowing the progress being made in attracting pension fund investments in the asset class.

IV. The rise of funds-of-funds

There has been a significant increase in the number of funds-of-fund vehicles in Africa. This is an indication of the increasing availability of investment vehicles to accommodate LPs interested in large deals, particularly those with a low-risk appetite, such as pensions funds; the greater access new fund managers have to catalytic funding and to technical assistance, with downstream impacts on portfolio companies; and the emergence of ecosystem builders.

Nineteen public and private funds-of-funds (FoFs) investing in Africa were tracked, 12 of which back funds that invest in Ghana. Only two—VCTF and Ci-Gaba—are domiciled in Ghana, with the latter fundraising. Deal sizes range between $2 million and $20 million, and fees between 1% and 2% of AUM. These funds aim to channel investments into African SMEs. This could help close the massive SME financing gap in Ghana (World Bank 2017), estimated at $4.8 billion a year, and build a robust VC/PE ecosystem.

> 53% of respondents cited poor access to capital as a major constraint faced by investment vehicles in Ghana.

The AUM of the FoFs investing in Ghana totals about $1.13 billion, which is about 24% of the annual capital needs of SMEs in the country. The majority (95%) of the FoFs offer technical assistance. Although most can be considered gender-considerate, only two—the $200 million Mastercard Foundation's Africa Growth Fund, and FSDAi's GBP8 million Nyala Ventures—are true dedicated gender-lens-investing vehicles.

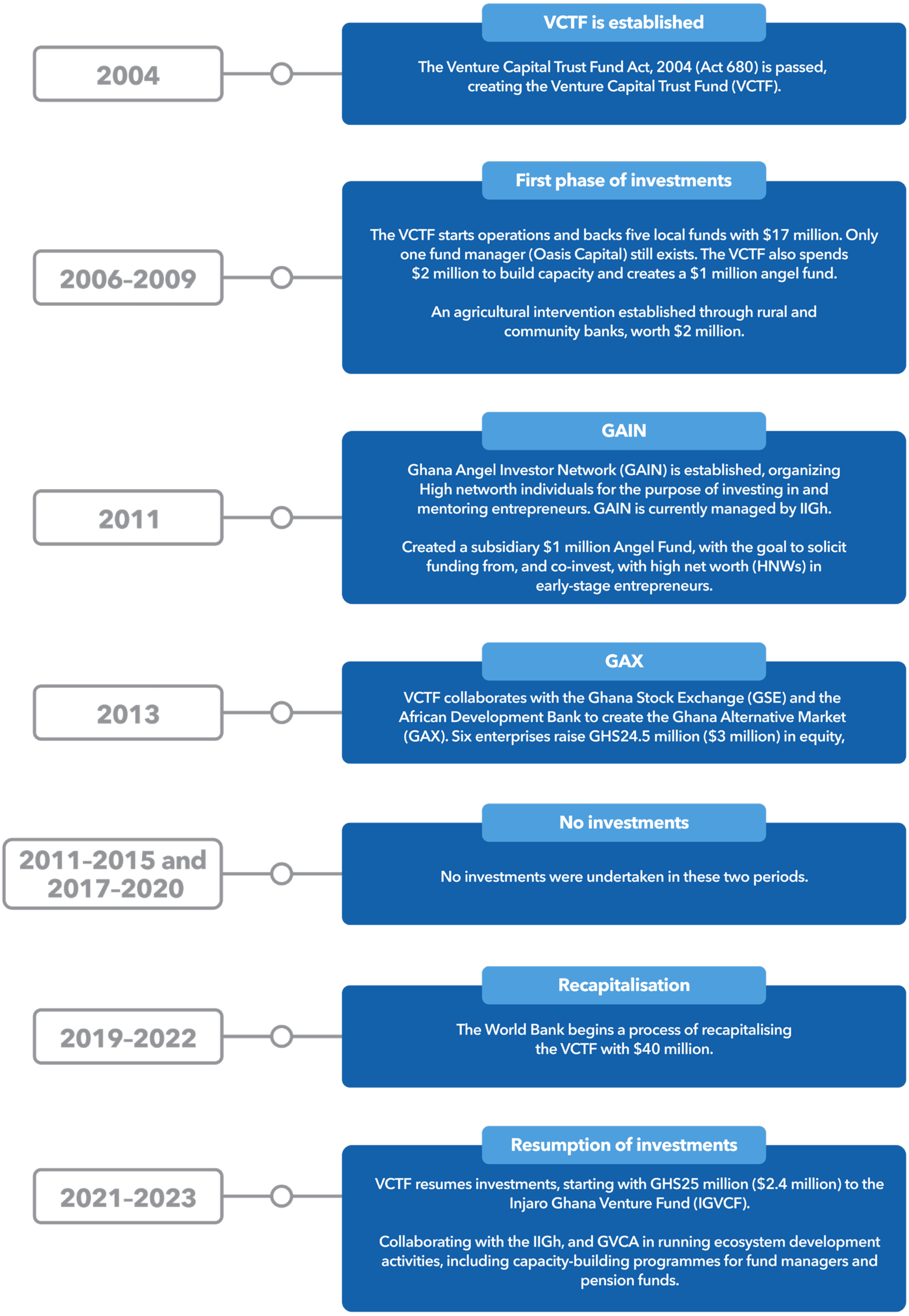
Although commitments range from about $1 million to $10 million, there has been a significant upward trend in investment size over time. Between 2009 and 2015, the average commitment increased by 2.3x and reached $7 million between 2016 and 2023. For example, in 2022 the Mastercard Foundation's Africa Growth Fund committed $2.2 million to Aruwa Capital, a female-founded and -led fund that targets businesses in Ghana and Nigeria, and in 2023 the VCTF invested $1.67 million in the Mirepa Capital SME Fund I.

None of the FoFs are dedicated to green or blue financing (blue economy or life below water), but practically all, especially the catalytic funds, have a strong climate consideration. The few that are potentially targeting Ghana, such as Oryx Impact, are still at the development stage. South Africa, unlike Ghana and unlike its other peer jurisdictions, has a dedicated green financing fund, the Green Outcomes Fund (GoF), but GoF invests only in South Africa. In comparison to traditional investment funds, concerns identified with some FoFs include delayed capital calls. In some instances higher fees, in some instances, also known as "fees on fees" and "carry on carry" leakage, are another concern.

Ghana's VC/PE Ecosystem builder: The Venture Capital Trust Fund

The VCTF, Ghana's dedicated, public fund-of-funds, addresses the long-term alternative financing needs of SMEs, empowers local fund managers, and contributes to general ecosystem development.

Figure 14: Overview of the Venture Capital Trust Fund



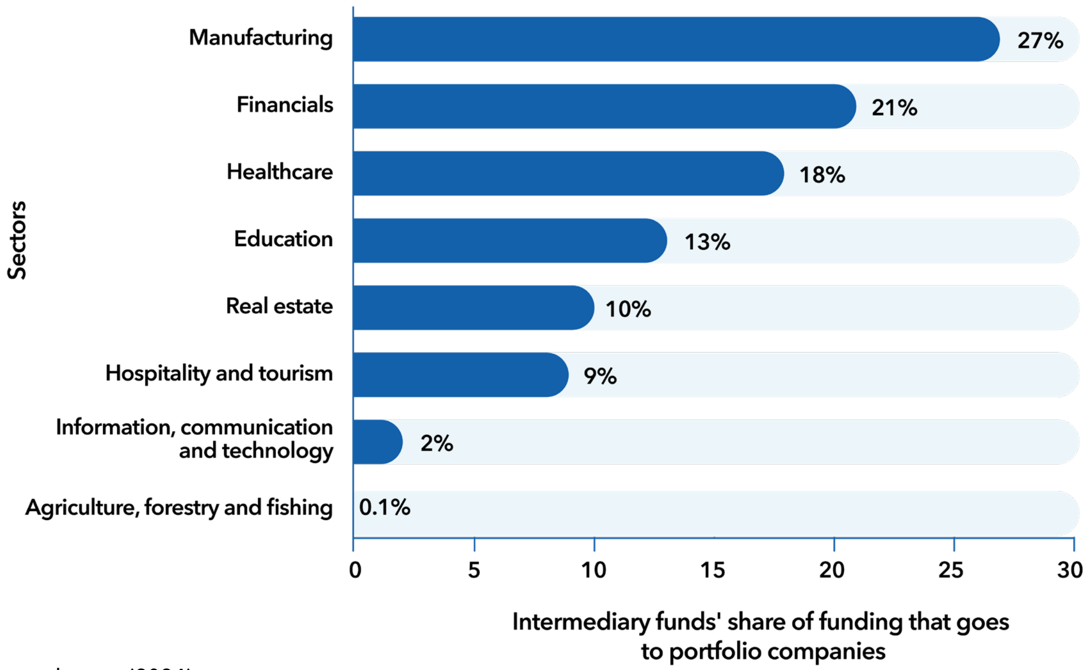
Source: Research team (2024)

The 2004 Venture Capital Trust Act established the Venture Capital Trust Fund, a fund-of-funds set up to meet the long-term financing needs of SMEs through local fund managers. The VCTF was originally funded by an allocation of 25% of the erstwhile National Reconstruction Levy (NRL) and regulated by the Ministry of Finance, but the levy was repealed in 2007.

The repeal resulted in financial constraints, delayed capital calls, and ultimately the failure of some of VCTF's investments. The VCTF typically takes a first-loss position and provides support to local fund managers through technical assistance and capital raise activities, and also extends technical assistance to their portfolio companies. Since its inaugural investment of $4 million in the Activity Venture Finance Company in 2006, the VCTF's capital investments have grown substantially.

During the 17 years from 2006 to the first quarter of 2023, the VCTF committed $29 million spread across 11 locally domiciled venture funds, $2 million in technical assistance, and the closure of deals, thanks to the VCTF's first-loss position (additionality). This committed capital is about 7x more than the fund's initial investment. Investments range between $2 million and $5 million per venture, backed by technical assistance, which currently amounts to $2 million a year.

Figure 15: Distribution of VCTF's funding of intermediary fund to portfolio SMEs, by sector



Source: Research team (2024)

Recent commitments of support to SME funds include GHS25 million ($2.4 million) to the Injaro Ghana Venture Capital Fund (IGVCF), GHS15 million ($1.25 million) to Wangara Green Ventures, GHS35 million to Industrial Support Fund (ISF), and GHS20 million ($1.67 million) to Mirepa Capital SME Fund I.

These venture capital finance companies (VCFCs), in turn, invested in 70 portfolios companies in multiple sectors. Most of the funding from intermediary companies of the VCTF goes to SMEs in the manufacturing sector, including agro-processing enterprises, financials, and healthcare. The least funded sectors on the other hand were primary agriculture, forestry and fishing, and information and communication technologies (ICT), each receiving less than 3% of the value of capital investment by the VCFCs.

In 2020 the World Bank recapitalised the VCTF with $40 million and a technical assistance facility of $5 million. This has enabled the fund to design programmes for the further development of the country's venture capital ecosystem. One such is the Fund Manager Development Programme (FMDP), a flagship programme that intends to develop the next generation of fund managers by building the analytical capacities of young college graduates for jobs in private equity and venture capital.

VCTF's investment outcomes

1. Deployed $29 million into 11 local funds and $2 million in technical assistance, aiding the funds innovate, build a track record and scale-up.
2. Catalysed $109 million in third-party private investments (a 1:4 ratio). This leverage likely would not have materialised without VCTF's backing.
3. Generated and sustained 3,760 direct jobs and 13,500 indirect jobs. An average of nearly four out of ten jobs (39.3%) held by women. Variations across VCFC range from 49% to 91%.
4. Enabled ecosystem development and support structures including increased local funds, number of analysts and other professionals and enabling regulations.
5. Assisted 70 portfolio companies to access low-cost, long-term, and fit-for-purpose funding.

Ongoing challenges

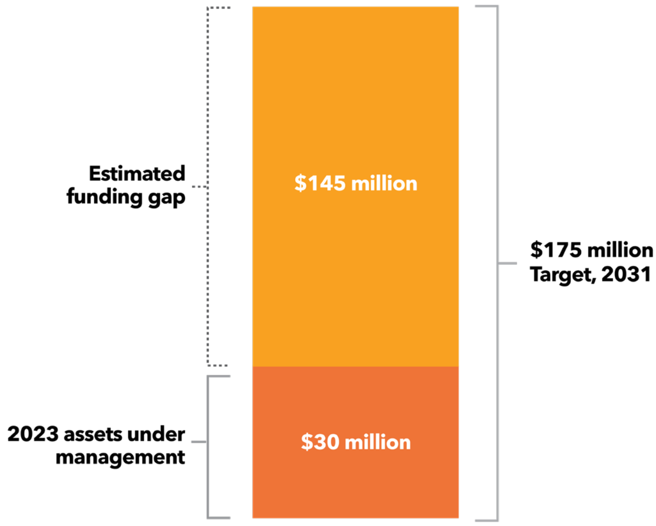
- Lack of a limited partnership structure.
- Significant funding gap partly due to the current inability to raise funding from other limited partners (LPs) besides the Government of Ghana (GoG).
- Lack of reliable data for effective valuation of investment deals
- Weak monitoring, evaluation, and learning system.
- Weak exit strategy system for portfolio companies.
- Despite being recapitalized by the World Bank with $40 million and a $5 million technical assistance facility, the VCTF still faces a funding gap of $145 million. According to Boston Consulting Group, the VCTF needs a minimum of $175 million to fulfil its mandate for bridging the SME financing gap in Ghana by the end of 2031 (Figure 16).

Recommendations

Making improvements to its operations will require

- enabling more timely capital calls,
- establishing a robust monitoring, evaluation, impact measurement and learning system that covers the fund and its portfolios, and
- restructuring to allow raising capital from private sources at the FoF level.

Figure 16: Funding gap for VCTF



Source: Boston Consulting Group

Illustration: Research team (2024)

Managed by Savannah Impact Advisory, **Ci-Gaba** ("Progress Fund") is a GHC 900 million ($75 million) local-currency, blended finance fund-of-funds that aims specifically to mobilise local private capital, especially pension funds to support some 10 to 15 West African venture funds that would in turn target 200 high-growth, high-impact SMEs in the subregion. The goal is to create at least 25,000 jobs and impact about 100,000 lives.

The fund is sponsored by Impact Investing Ghana, with support from the Global Steering Group for Impact Investments, FMO Ventures, and the Research and Innovation Systems for Africa (RISA) Fund from the UK International Development. Ci-Gaba focuses on impact investing, including gender lens investing, and is designed with a layer of catalytic capital to attract local institutional investors. In addition, the fund offers a tailored technical assistance facility to provide support to emerging managers and portfolio companies, including assistance with designing impact metrics and measurement frameworks.

The catalytic role of funds-of-funds

Funds-of-funds investing in Ghana play catalytic roles such as accepting flexible terms, providing credit enhancement through subordinated equity positions, offering pledges or guarantees, accepting longer or uncertain time periods before exit, and building ecosystems. The VCTF has cumulatively backed 11 local funds with $29 million in first-loss capital, including technical assistance, while the World Bank through Innohub provided $1.5 million in first-loss capital to Wangara Green Ventures in 2019. Similarly, the Mastercard Africa Growth Fund is investing in several local funds, particularly GLI funds.

> *I'm grateful for the support of institutions like the VCTF, which often serve as the first source of seed capital for local fund managers. Their support not only provides financial assistance, giving you peace of mind upon entry, but also brings attention to our ventures, making it easier to garner further support from others.*
>
> *– Fund Manager, GLI fund*

These investments not only provide fund managers, particularly local first-time fund managers, a certain reassurance in their fund-raising work but enable them to build a track record, innovate, scale up, and leverage additional investments that might otherwise be impossible.

> *The operational subsidy we got assisted in addressing operational costs, including maintaining an excellent management team which provided us with a sense of security. This is particularly beneficial in the early stages of a fund, when covering overhead expenses can be challenging because investments are now commencing but with no revenues yet generated.*
>
> *– Senior Advisor, local fund*

Substantial case study evidence elsewhere and in Ghana highlight the role of first-loss capital arrangements in mobilizing investments from investors who have a low appetite for risk.[2, 4] Nonetheless, industry players issued a caution about catalytic first loss capital in incentivizing risk-averse investors to fund a first-time fund manager may be overrated.

> *The investors came on board because we demonstrated a track record of investing in promising portfolio companies, not so much because of the first-loss layer.*
>
> *– Fund Manager, regional fund*

Why? Because investors' perception of first loss varies. Investors prioritize track records over the promise that losses will be absorbed, particularly if they feel that losses could possibly exceed the amount available for indemnification, and that in the event of a major loss, establishing eligibility for benefits could be a complex process. In turn, these reservations raise questions for the structuring, economics, and marketing of first loss, such as these:

i. Which backing should come first, and in what sequence? Should backing initially focus on helping the fund to build systems and do high-quality investment deals, and only then follow that with the deployment of first loss?

ii. How should "first-loss capital" be framed and named?

iii. How should first-loss capital be promoted and sold to investors?

Lessons learned

1. First-time fund managers often struggle to raise funding because investors prioritize track records over the indemnification of losses. Fund enablers should therefore focus on making the fund limited partner-ready so they can do good deals, much the same way that start-ups are expected to be investment-ready.

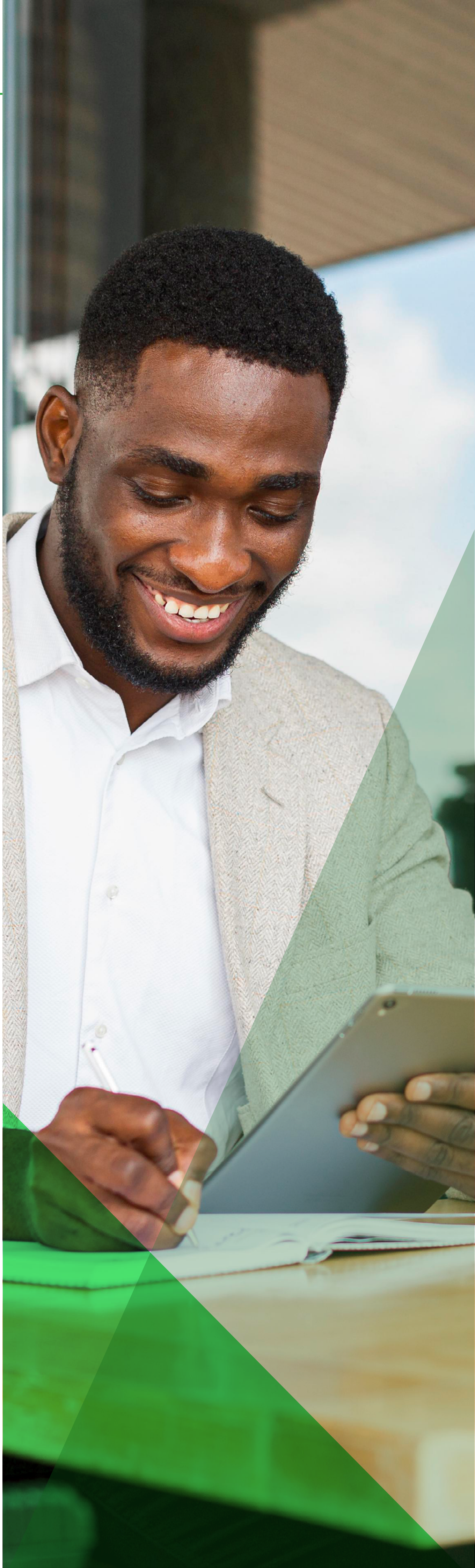
> *In truth, first-loss capital does not always crowd in investments that meet the targets set by first-loss capital providers for beneficiary funds, when compared to what the track record provided by catalytic capital can enable.*
>
> *– Analyst, fund-of-funds*

2. The negative connotation of first-loss capital: During fundraising, the conversations around first loss tend not appeal to prospective investors. It signals to them that the fund's investments may face losses, otherwise why all the fuss about first loss. Additionally, some investors interpret first loss as a mask for underlying inefficiencies when in fact the fund management cannot successfully manage investments. Positioning first loss in a subordinated position in the capital structure, instead of as a grant, may make the investment opportunity more appealing to risk-averse investors because it would convey a different level of risk.
3. Catalytic capital providers need to be patient and realistic about the timelines they give fund managers to achieve their targets because it takes time for first-time managers to be investment-ready to achieve such targets.

> *The period is sometimes too short for a first-time fund manager to turn around the money provided by the fund to demonstrate the leverage effect target set for you.*
>
> *– Managing Partner, regional fund*

4. Being a local currency fund, in addition to a first-time fund manager, dampens the leverage effect of catalytic capital, which lowers a fund's chances of raising private capital. Simultaneously running both hard currency and local currency funding to meet investor demands and potential portfolio companies maybe therefore a viable solution to this. Local currency funds typically attract local investors, but the perceived risks associated with early-stage funds tend to deter them. In such cases, pledges, including a first-loss component, are unable to overcome this hurdle. International investors willing to invest prefer to invest in hard-currency funds that invest in multiple countries.

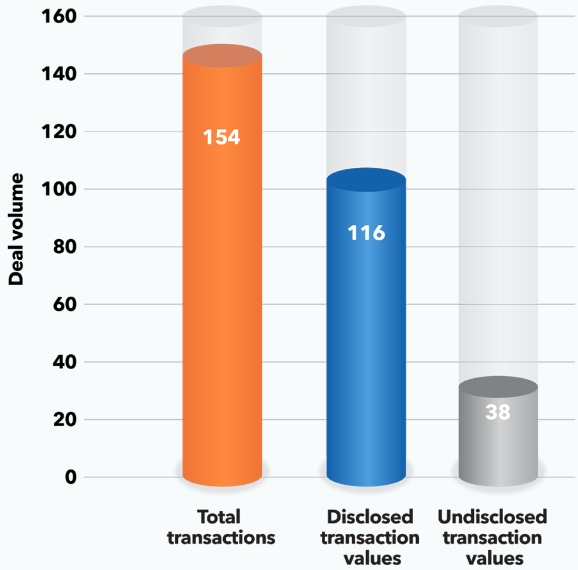
> *Local funds may entice local investors, but their involvement may be premature in the case of a first-time fund manager. On the other hand, the currency denomination may deter international investors who are ready to back an early-stage fund.*
>
> *– Partner, local fund*



V. Deal activity

Out of 154 tracked deals, 75% (116) had disclosed transaction values, and 38 did not. We therefore used the 116 data points for all further analysis. We elected not to impute the average transaction value, the most common measure, for the undisclosed transactions. Imputing averages can introduce bias or inaccuracies in the analysis, especially if the undisclosed transactions differ significantly in size from the disclosed ones.

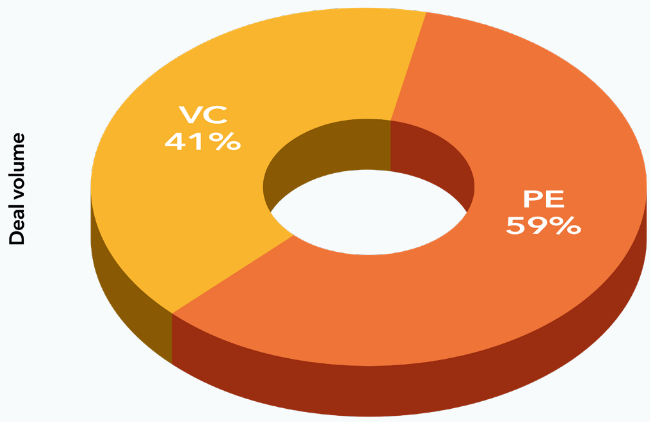
Figure 17: Total tracked VC/PE deals in Ghana, 2009–2023



Source: Research team (2024)

Between 2009 and 2023, the VC and PE deal volume tracked in Ghana totalled 116, of which more than half (59%) were PE deals.

Figure 18: Distribution of VC/PE deals in Ghana, 2009–2023



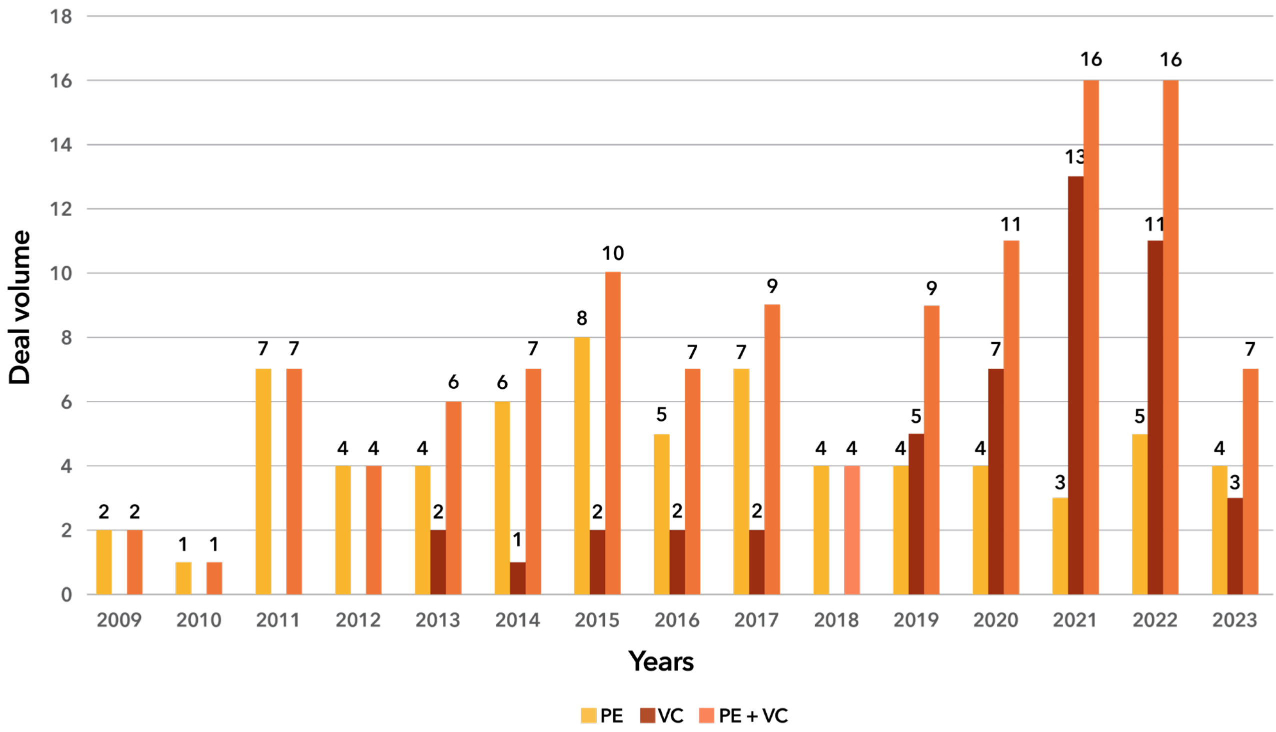
Source: Research team (2024)

Highlight: Significant decline in deal volume and value, especially in VC funding, in 2023

Despite the challenges of COVID-19, the annual deal volume per year peaked in 2021 and 2022, with 16 deals concluded each year, a 45% increase over the volume realised in 2020, and about 78% more than in 2019. In 2021, VC volume reached an impressive 13 deals, significantly outperforming PE deals by about 4x. PE deals reached their all-time high in 2015, with eight. In 2023, the total deal volume declined by over half (56%) compared to 2022, with VC deals decreasing by 73%, about 3.6 times the reduction for PE (20%).

A similar observation has been reported globally and in Africa for 2023 VC/PE investments. In Africa, the Africa Venture Capital Association reports 28% reduction in VC deal volume in 2023.[5]

Figure 19: Volume of VC and PE deals in Ghana, 2009–2023



Source: Research team (2024)

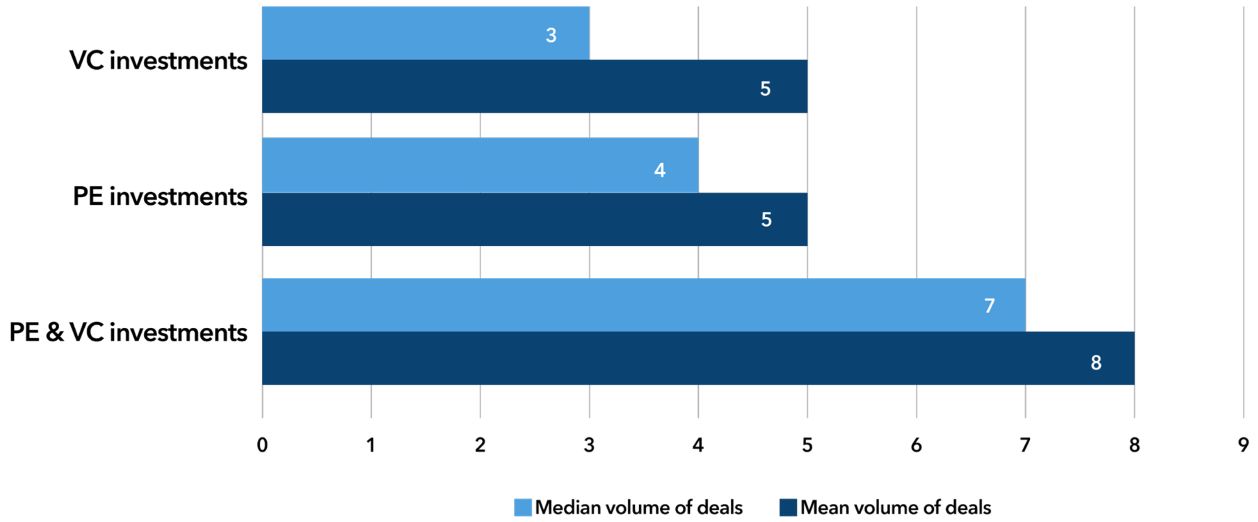
Altogether, between 2009 and 2023, an average of eight deals were concluded annually, with some slight variation in volume when disaggregated by VC and PE. PE deals averaged five within the same period, while VC deals averaged three between 2013 and 2023.

Table 3: Benchmarking: Volume of VC and PE investments in select markets, by country, 2009–2023

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Africa total	65	72	85	118	136	137	138	147	147	169	233	287	473	447	106
West Africa total	11	23	23	32	31	30	44	32	39	30	60	63	156	148	30
Ghana	2	1	7	4	6	7	10	7	9	4	9	11	16	16	7
Nigeria	4	13	15	16	14	16	22	15	19	20	42	42	108	105	17
Cote d'Ivoire	2	1	-	4	5	2	5	4	4	4	6	4	12	9	2
Other West African markets	3	8	4	6	5	4	7	6	8	2	3	6	17	13	6
South Africa	19	10	25	24	16	22	25	29	33	31	37	63	85	80	25
Egypt	5	6	6	7	7	16	3	8	11	19	30	49	102	98	9
Kenya	5	7	10	10	15	20	15	25	28	30	47	49	44	54	11
Morocco	8	9	6	13	15	14	10	10	4	14	12	9	18	14	11
Tunisia	4	3	3	4	10	6	11	5	2	4	7	9	15	9	1
Other African markets	14	20	22	39	52	50	42	61	66	85	119	170	264	244	40

Source: GPCA (2024) but Ghana data augmented by Research team (2024)

Figure 20: Average annual VC/PE deal volume in Ghana, 2009–2023

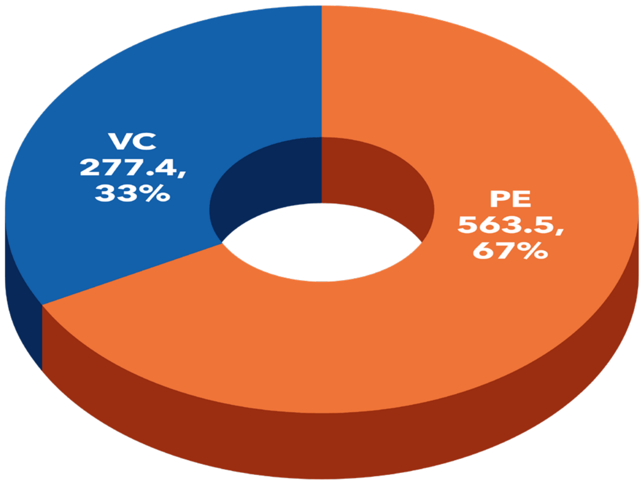


Source: Research team (2024)

Deal activity: Value of VC and PE investments

Since 2009 till the present, PE and VC investments have totalled $841 million across 116 deals–67% PE and 33% VC.

Figure 21: Volume and value of VC and PE deals in Ghana, 2009–2023



Source: Research team (2024)

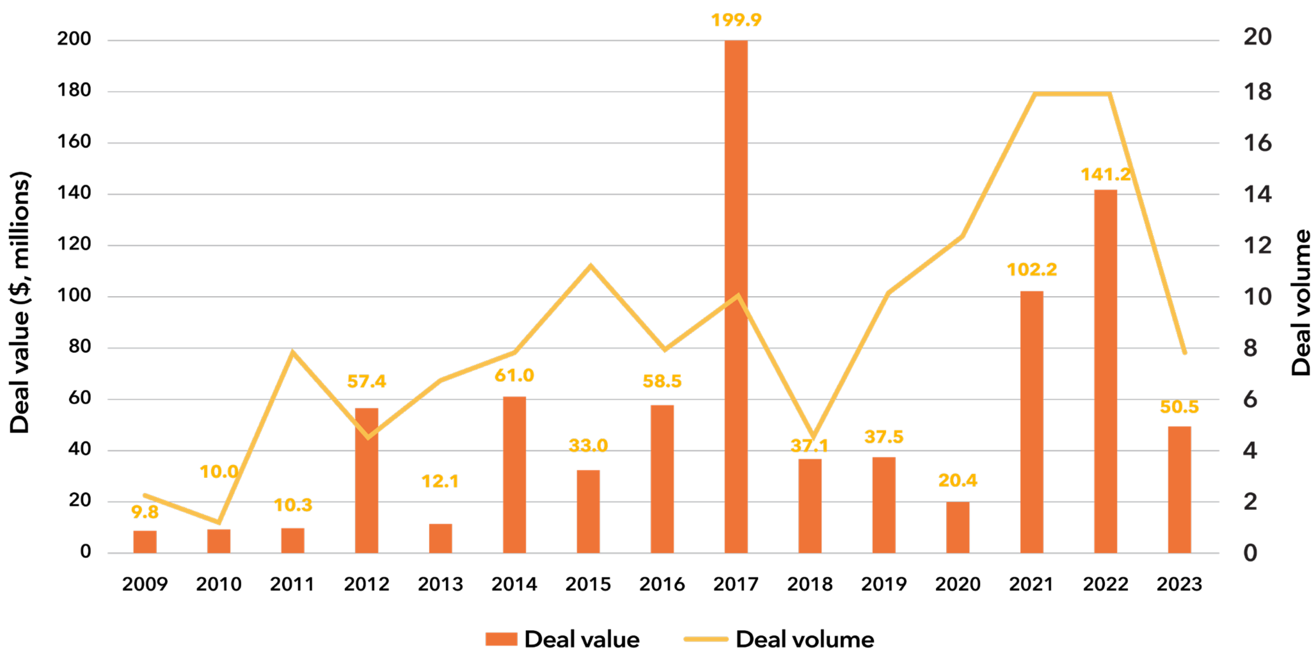
As Figure 22 indicates, annual capital invested reached its highest volume in 2017, with 9 deals totalling about $200 million, about 3 times the capital invested in 2016. One of the 9 deals was a super-sized private investment in public equity (PIPE) by LeapFrog Strategic Africa Investments (LSAI), which invested $180 million into Enterprise Group.

However, 2018 saw an 81% drop in capital investment, to $37.1 million. Deal volume further declined in 2020 to $20.4 million, influenced perhaps by the coronavirus pandemic and/or other macro-economic stressors, but in 2022 it burgeoned quite remarkably to $141.2 million. In 2023, total deal value dropped steeply—as did deal count and deal size—to $50.5 million, a 64% decline. For perspective's sake, $50.5 million is about $5.6 million less than the average total yearly deal value between 2009 and 2023. All 7 deals in 2023 were small, with only one reaching $13 million, unlike in 2022 when 3 of the 16 deals averaged $30.9 million.

The large fluctuations that sometimes occur in the volume, value and size of deals in the venture capital and private equity sectors—fluctuations that can be observed not only nationally but also regionally and globally—have multiple causes, some macroeconomic, some otherwise. They are not necessarily always a reflection of some local underlying instability.

For example, the decline in VC deal activity in Ghana in 2023 mirrored both global and regional trends, including a rise in global inflation and energy prices, but it was compounded by domestic factors such as the cedi's marked depreciation against the dollar. Additionally, some VC/PE investors may have decided to scale back their investments a bit in response to the failure and closure of some high-profile investments between 2022–2023 on the continent, including the $89 million Ghanaian Fintech company, Dash.

Figure 22: Volume and value of VC and PE deals in Ghana, 2009–2023



Source: Research team (2024)

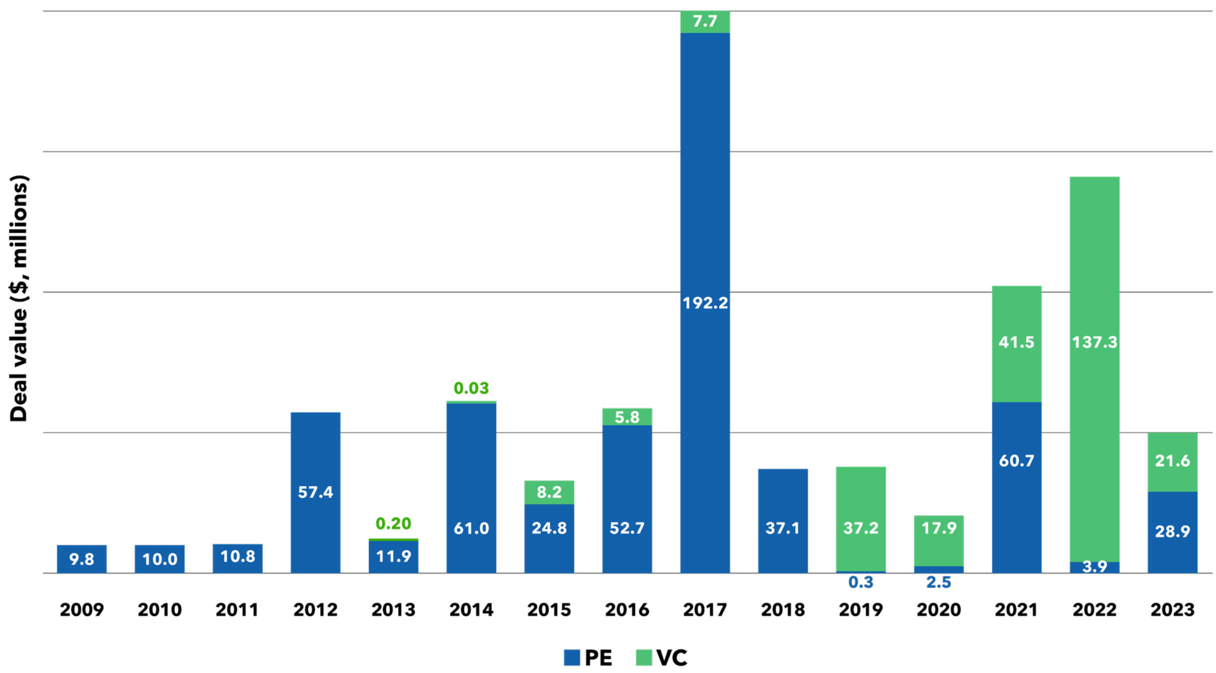
Notwithstanding the fluctuations in the value of VC/PE investments over time, investments have achieved an average annual growth rate of 94%, with fluctuations ranging from a low of -81% in 2018 and 2020 to a high of 457% in 2012.

Distribution of VC and PE deals by year, 2009–2023

Between 2009 and 2023, there were 68 PE deals with a value of $563.5 million, and 48 VC investment deals with a value of $277.4 million. Following the overall trend in VC/PE investments, PE reached its peak in 2017, at nearly $192.2 million, but declined sharply in 2019 to just $300,000, rebounded to $60.7 million in 2021, then dropped again to $3.9 million in 2022. VC deals, which amounted to $178.8 million—were instrumental in the rapid recovery of the VC/PE total capital invested from 2021 to 2022 by contributing about 73% of the total investment for this period.

In 2022, a record-breaking total of $137.3 million in VC investment was realised, over 3x the value of VC investment in 2021. This is especially significant when contrasted with the $200,000 invested in 2013. However, in 2023, VC investments took a significant downward turn, declining by 84%, while the value of PE deals surged to about 7 times the previous year's investments.

Figure 23: Value of VC/PE deals by year, 2009–2023



Source: Research team (2024)

PE investments have experienced more significant growth and volatility; VC investments have been relatively stable, with a negative average growth rate.

Table 4: Benchmarking: VC and PE investments ($, millions) in Ghana and other select markets, 2009–2023

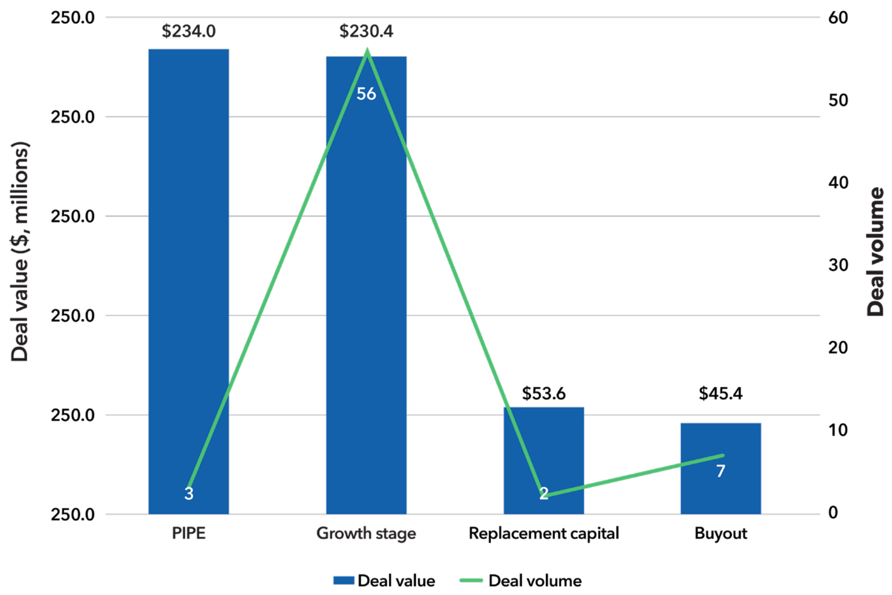
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Africa total	1,090.5	1,003.0	1,592.2	2,419.9	1,190.1	2,690.7	1,534.9	1,668.7	1,730.3	3,545.4	1,923.2	1,980.1	4,746.1	4,788.9	1,481.0
West Africa total	112.9	723.6	175.6	893.8	437.2	351.2	367.9	740.5	699.1	1,160.9	651.2	194.7	1,664.4	1,052.9	455.4
Ghana	9.8	10.0	10.3	57.4	12.1	61.0	33.0	58.5	199.9	37.1	37.5	20.4	122.2	141.2	50.5
Nigeria	16.7	224.3	132.9	686.4	80.1	291.5	289.7	577.3	237.8	1,108.8	481.8	111.1	1,232.5	654.3	84.8
Cote d'Ivoire	8.4	0.2	-	8.8	24.8	5.4	27.7	75.0	206.5	12.5	109.0	5.7	43.6	146.2	300.0
Other West African markets	81.4	489.1	30.8	111.6	320.4	7.7	15.1	24.8	33.2	2.6	0.6	13.3	279.4	110.1	34.2
South Africa	688.4	32.5	776.5	535.9	172.2	867.9	590.9	401.3	294.9	126.6	311.4	605.5	819.7	1,146.4	340.8
Egypt	47.2	70.9	88.0	35.1	114.4	317.6	46.7	41.1	59.7	125.8	232.9	239.8	462.6	875.6	233.2
Kenya	65.7	50.8	111.2	110.8	26.3	247.3	91.9	123.8	321.5	172.3	101.7	219.9	246.7	739.9	65.1
Morocco	86.7	32.3	16.2	425.1	70.0	144.6	69.6	41.8	70.2	401.3	130.0	95.7	338.1	82.5	284.5
Tunisia	20.7	9.3	28.7	41.8	96.7	135.0	136.9	16.5	1.9	13.4	70.4	82.4	25.0	11.9	-
Other African markets	69.0	87.5	420.0	383.3	276.9	738.8	238.8	329.7	370.3	1,655.9	593.4	863.6	2,080.2	2,244.7	269.8

Source: GPCA (2024) but Ghana data augmented by GVCA (2024)

PE deal activity by stage and year

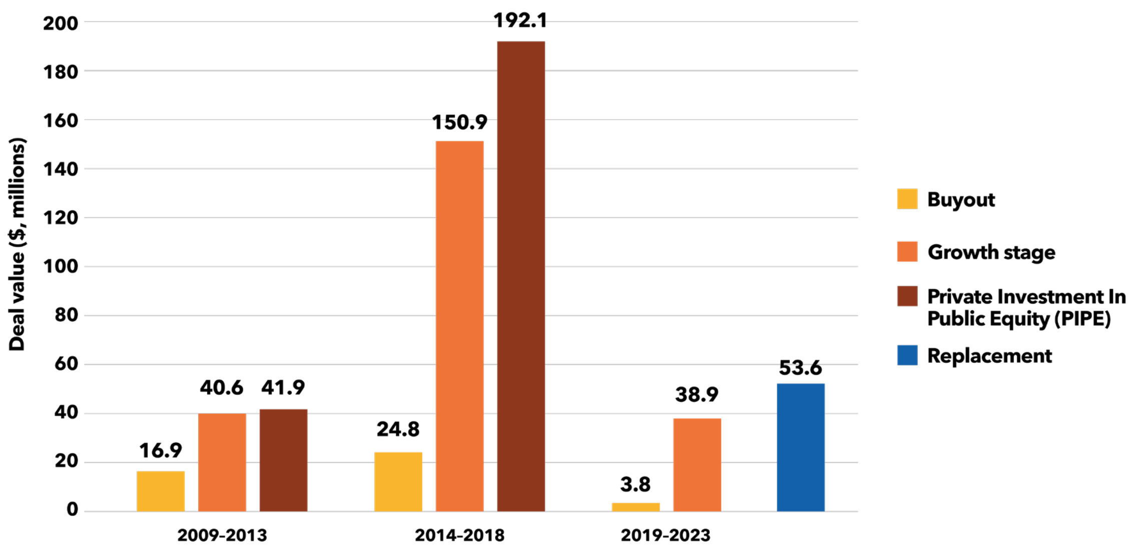
Between 2009 and 2023, we tracked only 3 PIPE transactions, unlike growth-stage investments, which total 56 deals, realising 82% of total PE deal volume. In terms of value, PIPE deals led with 42% ($234 million), followed by growth-stage investments, at 41%.

Figure 24: Cumulative value of PE deals, by transaction type, 2009–2023



Source: Research team (2024)

Figure 25: Changes in PE deals, by value and stage, 2009–2023

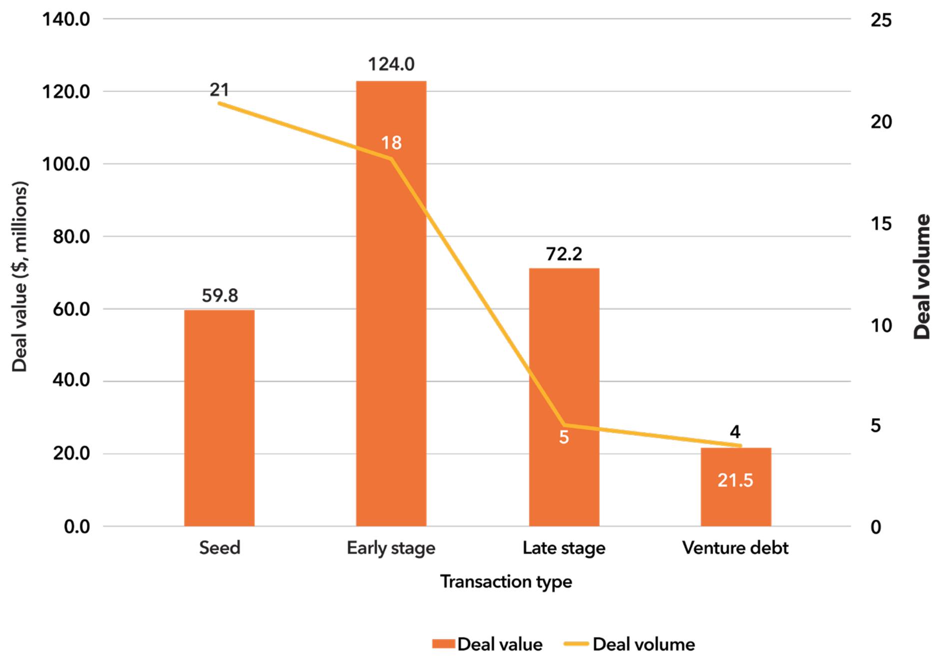


Source: Research team (2024)

VC deal activity by stage and year, 2015–2023

During the 2015–2023 period, startups accounted for nearly two-thirds of the 48 VC deals during the 2015–2023 period, amounting to $183.8 million. Approximately, 67% of this amount was invested in early-stage companies, the remaining 33% went to seed-stage companies.

Figure 26: VC deals by stage and value

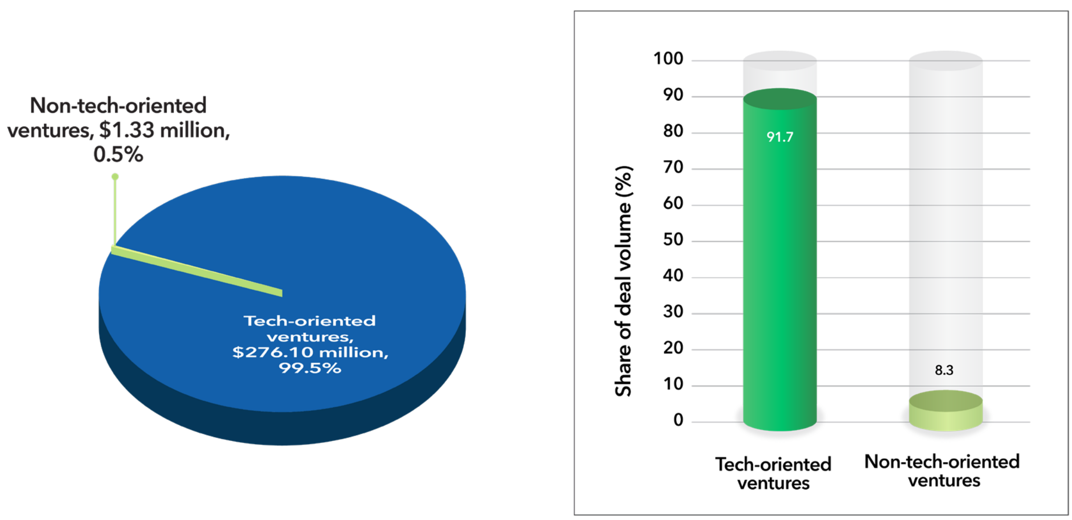


Source: Research team (2024)

Highlight: Significant funding focuses on technology-driven ventures, 2015–2023

An overwhelming share of both deal volume (92%) and deal value (99.5%) were in technology or technology-enabled companies operating in a variety of sectors. These companies all had technology as a fundamental component of the way they work, including their business models, operations, products and services VC investors are heavily inclined towards technology start-ups due to their potential for scalability, disruption, and high returns on investment. Therefore, startup managers aiming to raise VC funding should prioritize developing innovative scalable technology-driven products or services with impact.

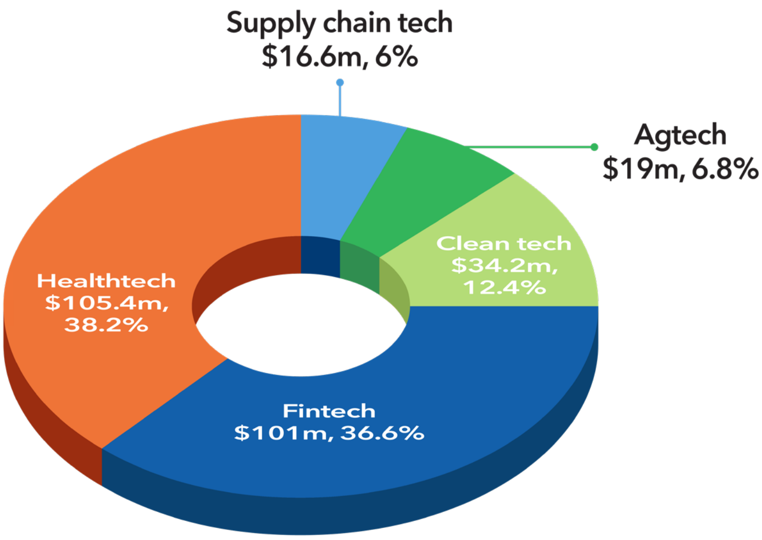
Figure 27: Distribution of VC funding in technology-oriented ventures, 2015–2023



Source: Research team (2024)

From 2015 to 2023, Healthtech was the leading vertical sector among technology-enabled startups, capturing 38.2% ($105.4 million) of VC investments. Close behind was Fintech, with 36.6% of the investments, while Cleantech secured third spot.

Figure 28: Distribution of VC funding in the technology sector



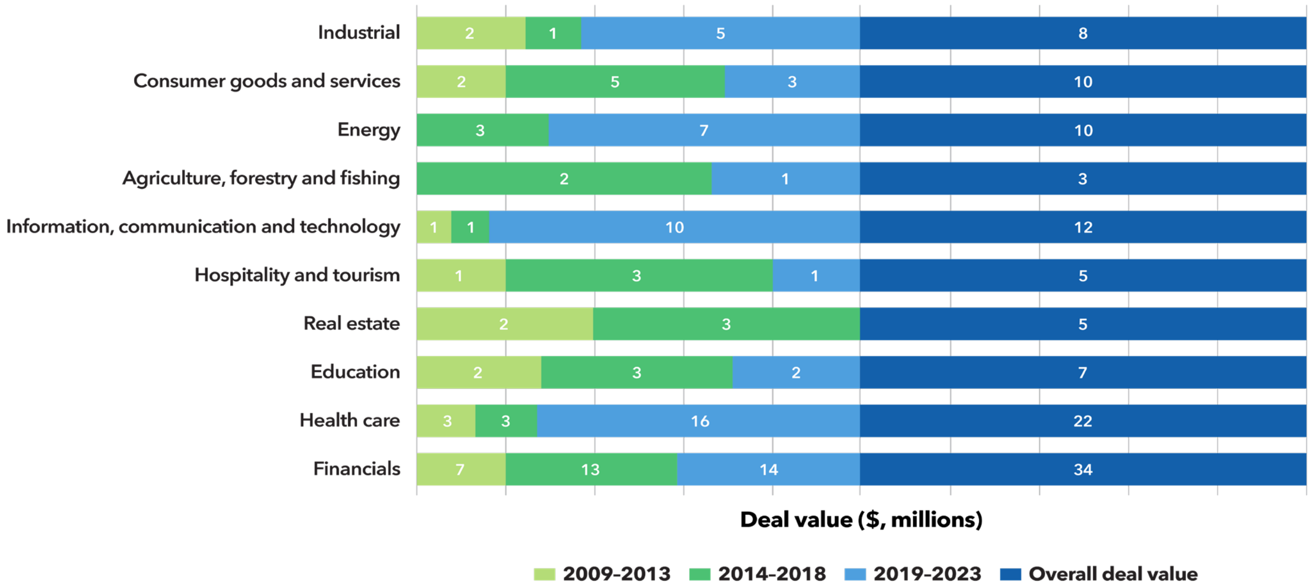
Source: Research team (2024)

PE and VC deal activity by sector

Over the 2009–2023 period, the financial, health care, and ICT sectors were the top-three most-funded, both in volume and value. Together, they received 68 deals, 59% of the total count. The financial sector attracted 34 deals in all, valued at $538.3 million, with the health care sector recording 22 deals, about $122 million (Figure 30). Over the period, the energy sector's deal volume was on par with that of consumer goods and services, each with 10 deals but came in fourth in deal value, at $40.7 million. Approximately 71% of this was invested in renewable energy.

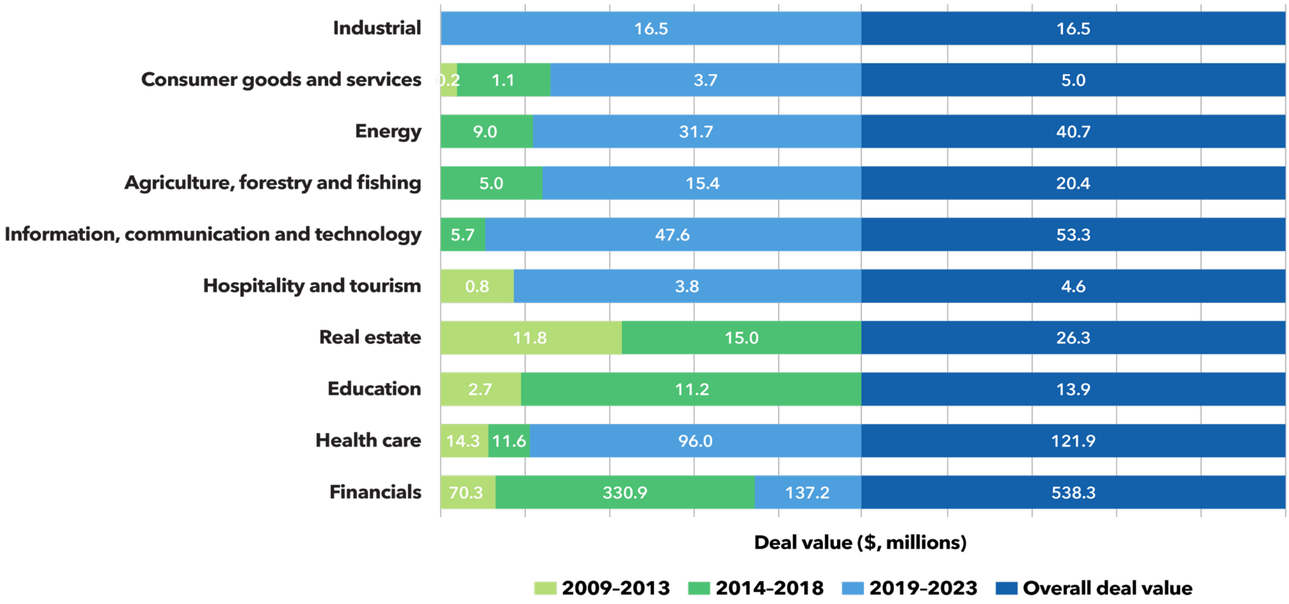
The sector with the least capital investment between 2009 and 2023 was the tourism and hospitality sector ($4.6 million). Over the same period, primary agriculture, forestry, and fishing recorded the fewest deals (3), ranking 6th in capital investments ($20.4 million).

Figure 29: Volume of VC/PE deals, by sector (2009–2023)



Source: Research team (2024)

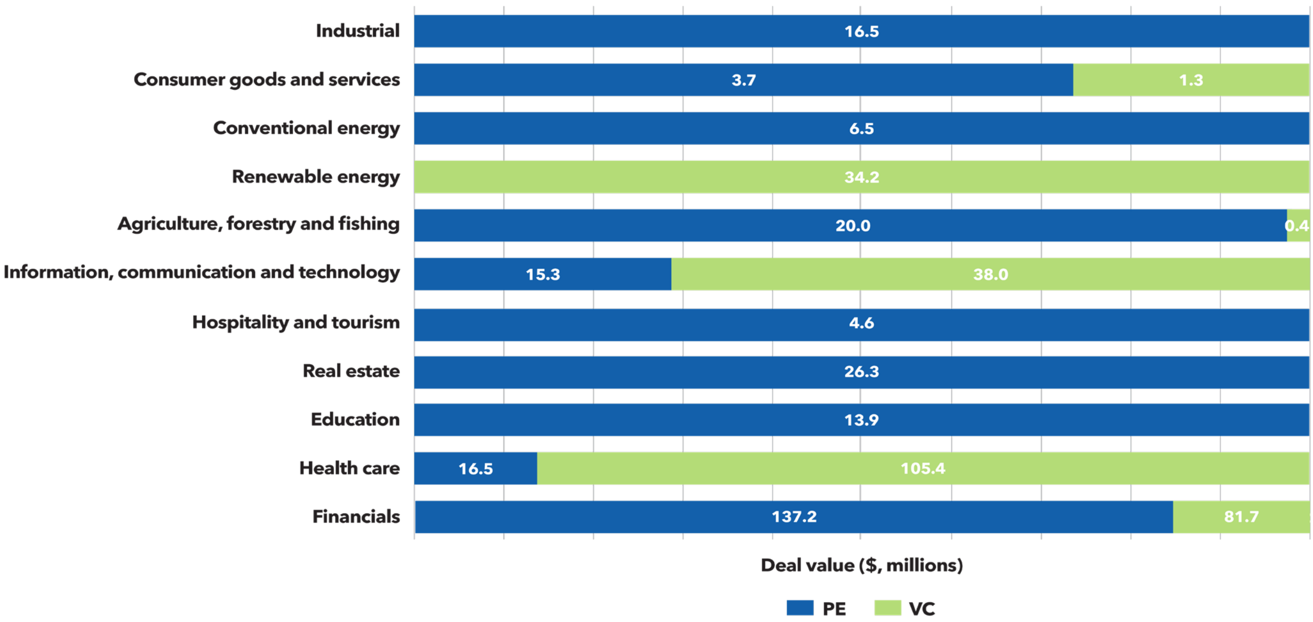
Figure 30: Value of VC/PE deal activity, by sector, 2009–2023



Source: Research team (2024)

The most portion of VC allocations went into healthcare (38%, $105.4 million) and financials (29.4%, $81.7 million), while PE investments primarily went into the financial sector (81%; $456.7 million).

Figure 31: Value of deal activity, by VC and PE, and sector, 2009–2023

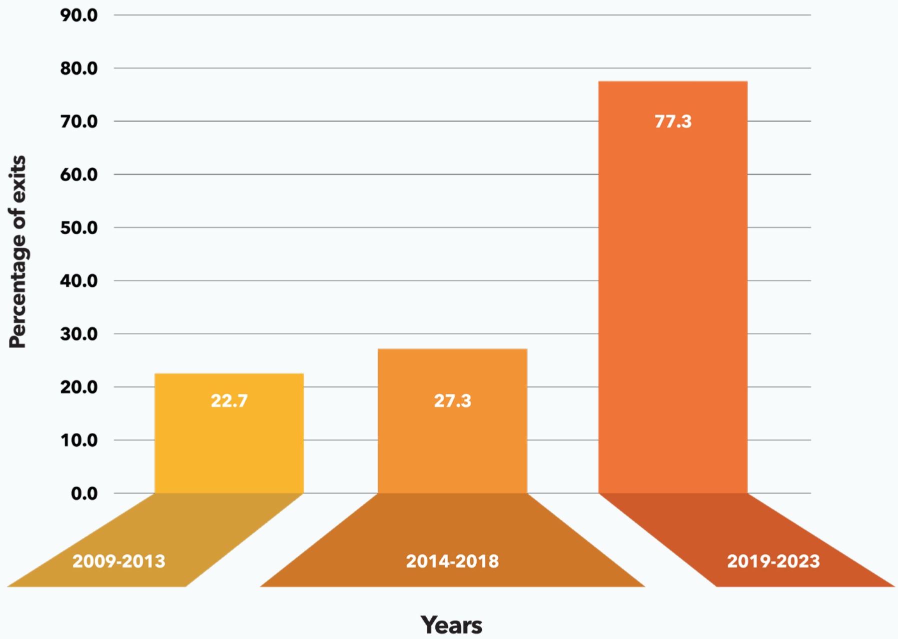


Source: Research team (2024)

VI. Exit activity

A total of 51 exit data points were recorded, averaging two per year for the years when exit activity occurred. Almost all the exits were of PE-backed, growth-stage companies. The majority of the exits (77.3%) occurred between 2019 and 2023 and least (23%) occurred between 2009 and 2013.

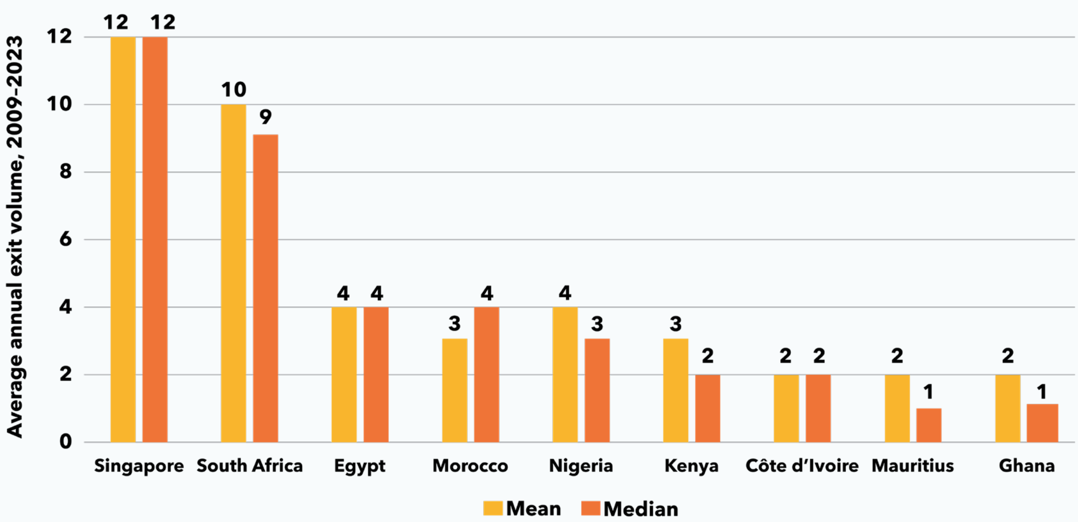
Figure 32: Exit activity, 2009–2023



Source: Research team (2024)

Exit activity followed a roller coaster pattern, characterized by alternate periods of growth and decline. In 2014, 2019, and 2022, exit numbers rose, averaging three a year, but these increases tended to return to one per year.

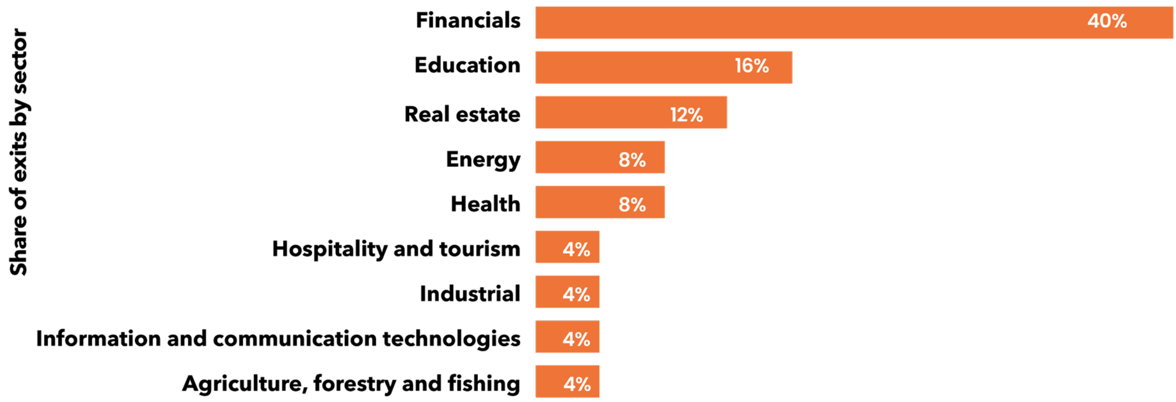
Figure 33: Average annual exit volume per year in select markets, 2009–2023



Source: Research team (2024)

Four of every 10 exits (40%) were of financial sector portfolio companies. Other sectors with notable exit activity were education and real estate.

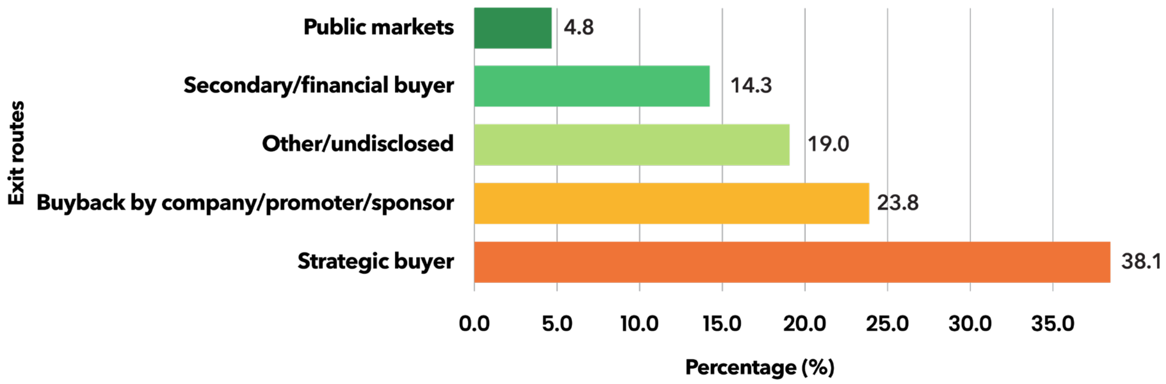
Figure 34: Exit activity, by sector (%)



Source: Research team (2024)

Exiting through a strategic buyer and sponsor buyback was the most common exit route, with strategic buyers accounting for nearly 4 of every 10 exits (38.1%).

Figure 35: Preferred exit route strategies



Source: Research team (2024)

Adenia Capital, a standout with notable exits in a subregion where exits are particularly challenging. With over a decade of investing experience in Africa, Adenia Capital has one of the highest totals of successful exits, comprising about 54% of the total portfolio, which is 18 exits of 33 investments as of April 2024.[6] This includes the full liquidation of two vehicles, Adenia Capital I and II. The fund manager attributes its success to a strategy that combines majority or outright ownership with a robust value-creation plan. This enables Adenia to exert the control it needs to take key managerial and operational decisions, and to guide their portfolio companies along their growth journey.

Typically, that involves installing the right management and governance structures, and implementing professional systems, including analytical accounting systems for financial accountability and expertise. Importantly, having significant control improves exit opportunities by allowing the fund manager to drive "exit processes and exit timing."[7] The majority stake also makes the portfolio companies attractive to both financial and strategic buyers who require majority shareholding.

VII. Venture capital, private equity, and the Sustainable Development Goals

Highlight: Fund management companies reported that their investors were generally aligned with the SDGs, although many of them lacked a dedicated written framework spelling out that commitment

The surveyed fund management companies all indicated alignment with the SDGs by investing in sectors, geographies, and populations naturally suited to certain SDG outcomes. For example, the green fund Cotopaxi Green Ventures, by nature, addresses goals such as climate action and sustainable consumption and production by investing in environmentally friendly companies.

Fund management companies' commitment to the SDGs tends to be driven by their own impact goals as fund managers, and by LP's rising interest in these goals. Investors noted that their investments are also ESG-compliant[8] and that they attempt to address issues that may adversely affect SDG outcomes.

That said, the vast majority of fund management companies (98.7%) did not have an explicit theory of change, meaning a dedicated framework for tracking their contributions to the SDGs. Fund managers attributes this lack of a formal, written framework to several factors, four in particular:

i. A lack of awareness of a standard measure such as the UNDP's SDG Impact Standards for Private Equity Funds,

ii. concerns about the additional costs of measurement

iii. portfolio companies finding comprehensive data requests burdensome to fulfil, and

iv. the difficulty to correctly determine how impact should be attributed to each of the SDG goals, which can result in either overestimation and underestimation of the contribution required.

Even the few who did report attempting to measure their contribution to the SDGs did so indirectly. In other words, they generally attributed measurement attempts to the fact that their impact measurement frameworks and metrics cross-reference and align with some SDGs, rather than having metrics that specifically address the SDGs.

Significant SDG impact

Generally, VC/PE deals aligned strongly with five of the SDGs, with 100% of the volume and value of deals contributing to poverty alleviation (SDG 1), partnership for the goals (SDG 17), decent work and economic growth, reduced inequalities (SDG 10), followed by SDG 9 (industry, innovation, and infrastructure). In all, $841 million in VC/PE capital has so far been invested in portfolio companies that are linked to ending poverty.

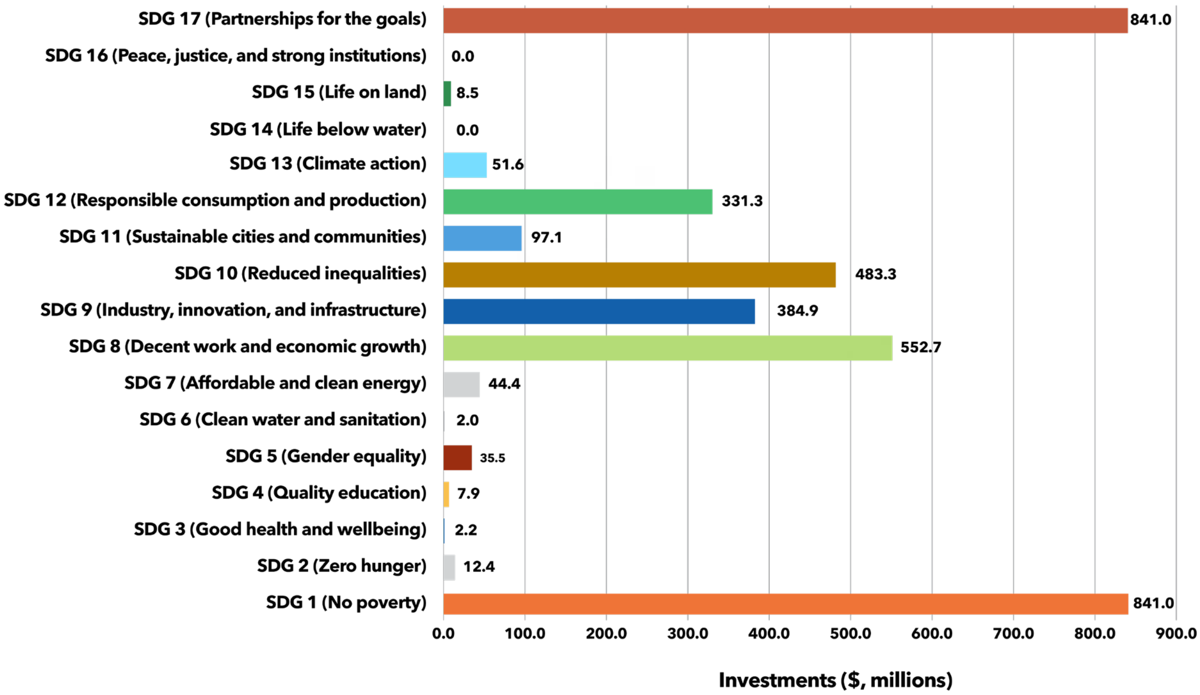
In contrast, there has been limited direct investment in Goals 14 (life below water) and 16 (peace, justice, and strong institutions). VC/PE investors, like others, are looking for opportunities that offer a favourable risk-return profile. Investments in sectors related to Goals 14 and 16 are often perceived as higher risk on theory that their social or environmental nature could lead to lower, or at best uncertain, financial returns.

As a result, VC/PE investors often prioritise sectors with more predictable financial outcomes. Taken together, SDGs 3, 4 and 6 secured less than $10 million in investment between 2008 and 2023.

> Although life below water is beginning to make its way into private investments, it is generally the least funded of the 17 goals.[9]

Four of every 10 exits (40%) were of financial sector portfolio companies. Other sectors with notable exit activity were education and real estate.

Figure 37: Distribution of investments by SDGs, 2009–2023



Source: Research team (2024)

SDGs 14 and 16: Investments in life below water (the blue economy) and peace, justice, and strong institutions tend to skew towards grants and catalytic capital from governments and development partners such as the World Bank's PROBLUE, multi-donor trust fund.[10] The social and environmental nature of these goals and the limited development of the blue economy in developing countries do not yet present the risk-return profile private investors find desirable.

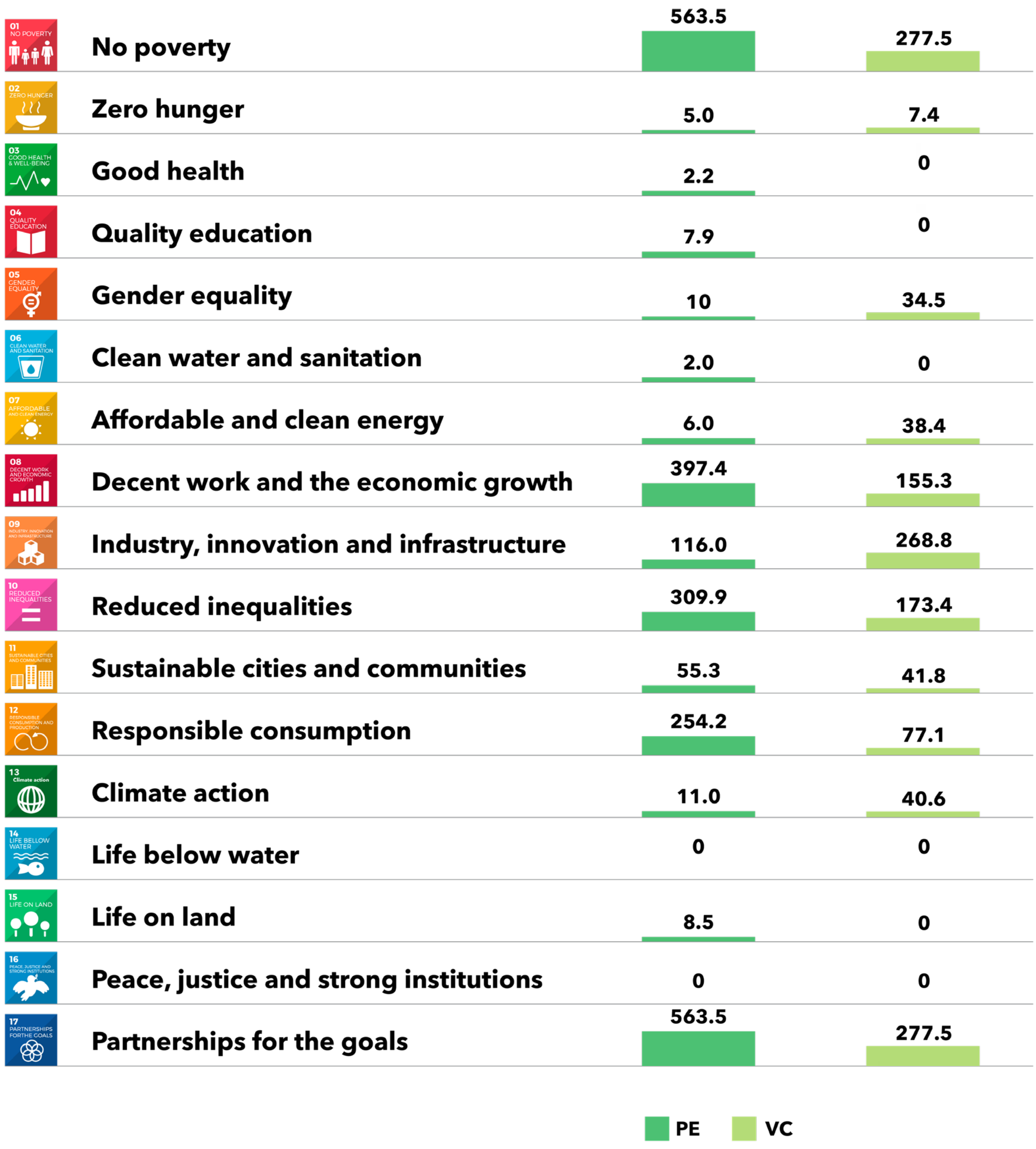
> ***Some commentators say it is "not possible to (directly) contribute to Goal 16 through investment activity," but that information rather should be employed "to feed into investment decisions, for example, via country risk ESG assessments."[11]***

SDG 13 (climate action) needs more backing from VC/PE investors in Ghana to accelerate progress towards carbon net zero. Only $51.6 million of the VC and PE investments directly matched climate action (mitigation and adaptation), with almost all these deals in the area of renewable energy. This amount is less than 1% of the expected $16.3 billion in external funding, including private funding. Between now and 2030, Ghana needs $22.6 billion to meet the climate goals the country set out in its Nationally Determined Contributions (NDCs), or at least $2.26 billion per year.[12]

> ***With about 1.7 MW installed solar energy enabled by VC/PE investors. The researchers estimated that PEG Africa since 2015 has an annual carbon dioxide saving of about 1088.68 tons that would have been generated through dirty fuels that the solar power displaced. This displacement is significant since baseline emission reduction was zero.***

Approximately $563.5 million in PE-backed investments in portfolio companies between 2009 and 2023 contributed to advancing the SDGs. This represents approximately $286.1 million more than investments driven by VC companies. However, the number of deals in each of these two asset classes was not significantly different.

Figure 38: VC and PE investments ($, millions) towards the SDGs

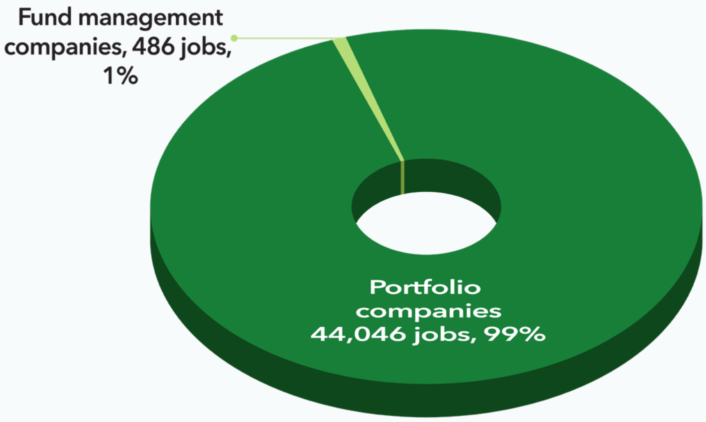


Source: Research team (2024)

VIII. Venture capital and private equity-backed employment, diversity and distribution

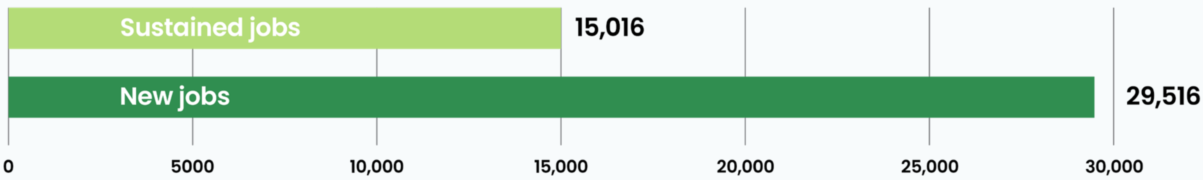
In 2023, VC/PE-backed businesses employed 44,046 full-time-equivalent workers,[13] with portfolio companies accounting for almost all (99%) of the jobs created or sustained. Two-thirds of all jobs (66.3%) were new.[14]

Figure 39: Jobs by portfolio companies and fund management companies, 2023



Source: Research team (2024)

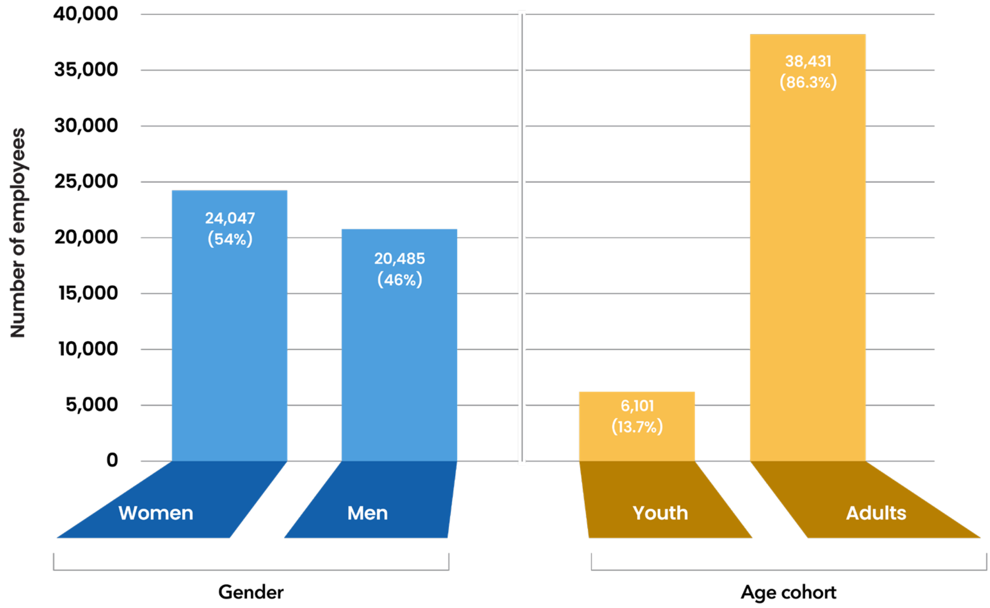
Figure 40: New versus sustained jobs in Ghana's VC/PE sector, 2023



Source: Research team (2024)

In portfolio companies, 89% of the total workforce were women. But when women-dominated portfolio companies, such as Sekaf in agro-processing involving women associations, are excluded, the share of women employees decreases to 54%. Only one in ten employees was a youth (14%).

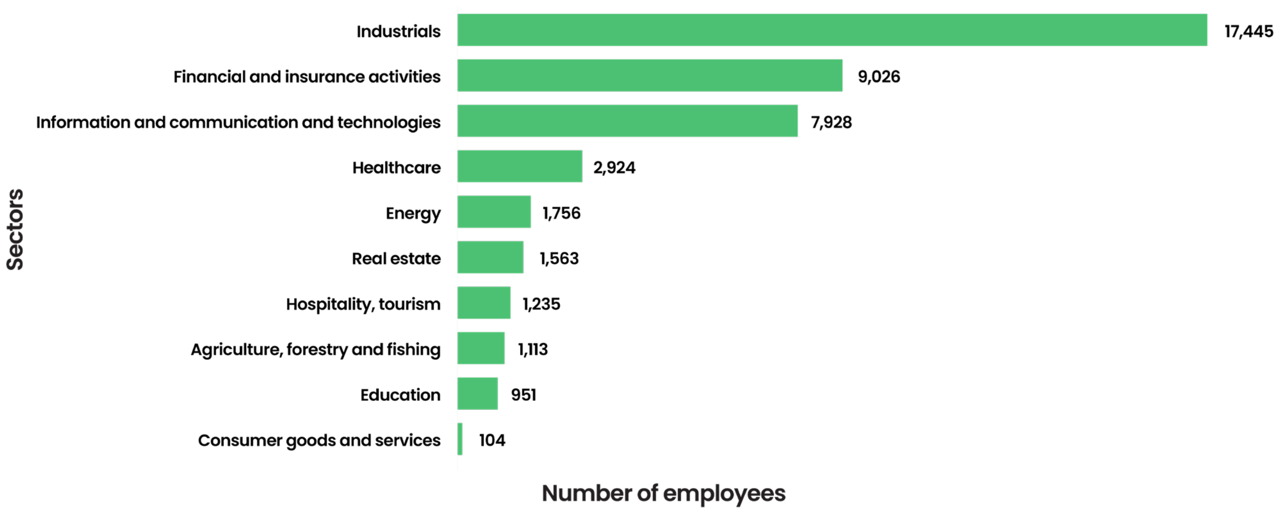
Figure 41: Employment distribution, by employee gender and age, 2023



Source: Research team (2024)

Manufacturing, with an emphasis on light-touch agro-processing, accounted for 39% of the jobs, approximately 17,445 (or 40%) jobs. It was followed by financials (21%, 9,026 jobs) and then information and communication technologies (18%).

Figure 42: VC/PE-backed business employment by type of sector, 2023

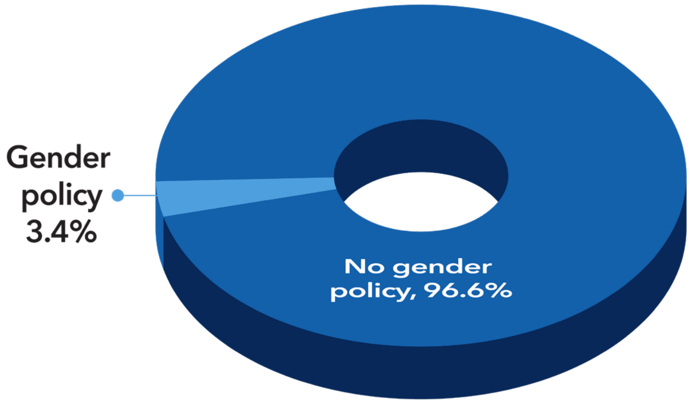


Source: Research team (2024)

The earnings from these jobs are estimated to contribute to the livelihood of about 176,183 members across households, averaging four members per household.[15, 16]

Only three out of 10 fund management companies (31%) reported not having ESG principles and policies encoded in document form. The companies uniformly expressed their commitment to incorporating ESG throughout their operational processes, including opportunity identification, due diligence, post-acquisition strategizing, and deal term determinations. This commitment is rooted in their belief that integrating ESG principles contributes to value creation, particularly in the form of risk mitigation. On the other hand, the vast majority of funds (97%) had no written gender policy, which appears to signal the absence of a clear, formal commitment to gender diversity and inclusion.

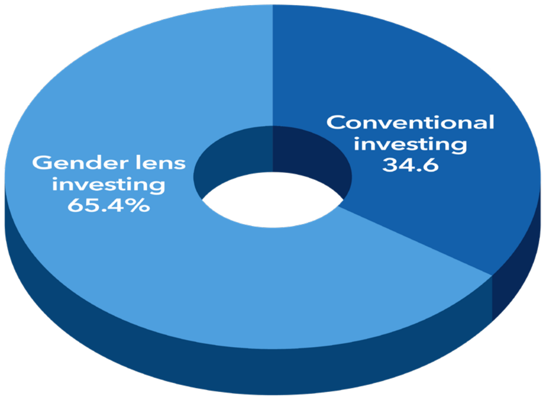
Figure 43: Gender policy in fund management companies



Source: Research team (2024)

About 35% of asset managers engage in gender lens investing (GLI), including intentionally hiring women, especially into senior management and leadership positions.[17] For more on the promise and challenges of gender lens investing, refer to section IX.

Figure 44: Gender lens VC/PE investors versus conventional investors



Source: Research team (2024)

Among GLI funds, 44% were intentional; the rest were what might be called gender-considerate. Examples of dedicated GLI funds that invest in or target companies in Ghana are Zinari Capital, Alitheia Identity Fund, and Aruwa Capital. The fund managers articulated the following motivations for engaging in GLI:

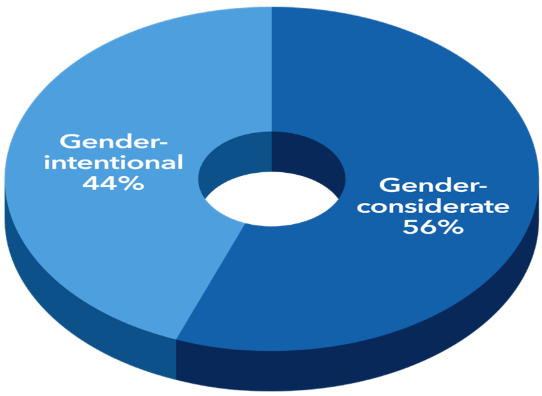
i. their funds being gender-specific funds,

ii. GLI aligns with their mission, including their commitment to the SDGs,

iii. performance enhancement through diversity, recognizing women-related businesses as an underserved market with impact potential, and

iv. seeing GLI as a fundraising strategy.

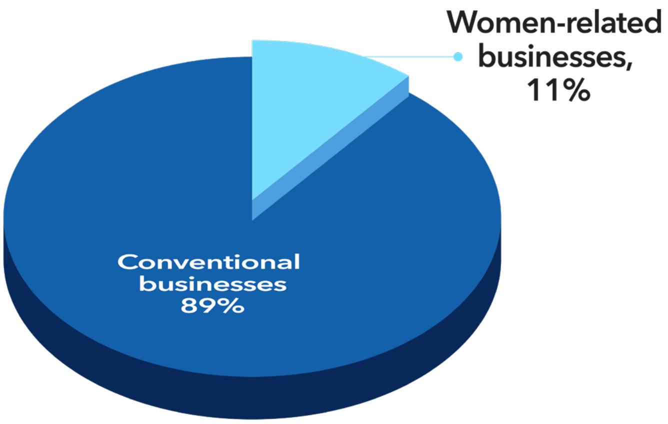
Figure 45: Gender-considerate VC/PE Investors versus gender-intentional investors



Source: Research team (2024)

The **Zinari Women's Enterprise Fund** is a GHS120 million gender lens, impact investing fund which aims to mobilize and invest capital to support the growth and development of gender-inclusive SMEs in Ghana and Africa. Managed by Zinari Capital, the fund is Ghana's first gender-lens, local-currency, locally domiciled fund, and is presently in the fundraising phase. VCTF is the anchor (first) investor, with a commitment of GHS35 million ($3 million).

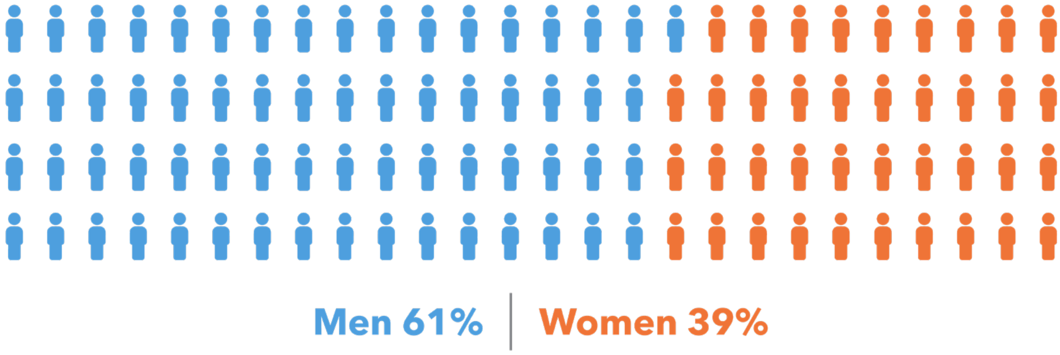
Figure 46: Distribution of VC/PE investments, by type of business



Source: Research team (2024)

About 39% of the fund management companies had no female representation on their boards. Men dominated in all the roles of VC/PE management companies (61%), particularly on boards, on investment committees, and in senior management positions.

Figure 47: Gender composition of employees of VC/PE companies

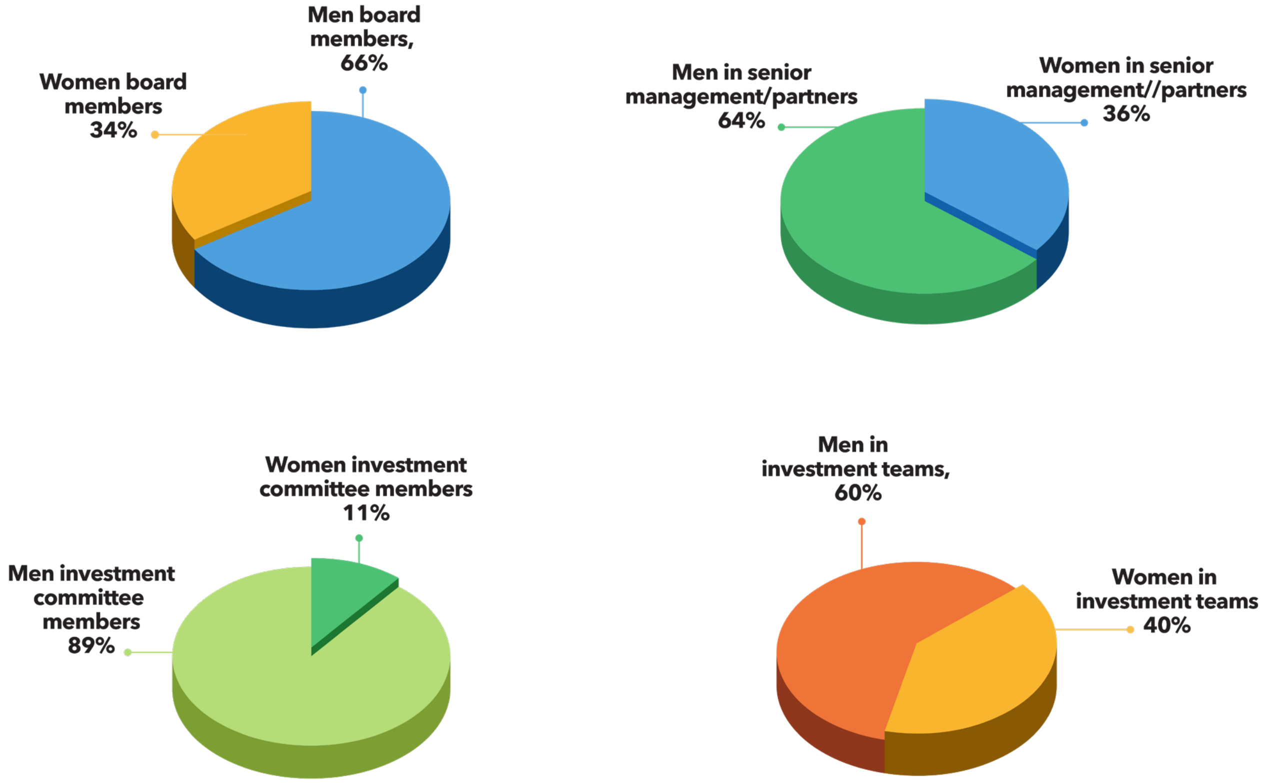


Source: Research team (2024)

The overall representation of women in Ghana's VC/PE workforce is similar to that in mature economies. In 2023, women made up 40% of the United Kingdom's VC/PE workforce, a slight increase from 38% in 2021.[18]

Higher up the ladder, women make up 34% of board members of fund management companies, 36% of senior managers and partners, and 40% of the investment team, but constitute only 11% of the membership of investment committees. On average, a board consists of five members, four men and one woman.

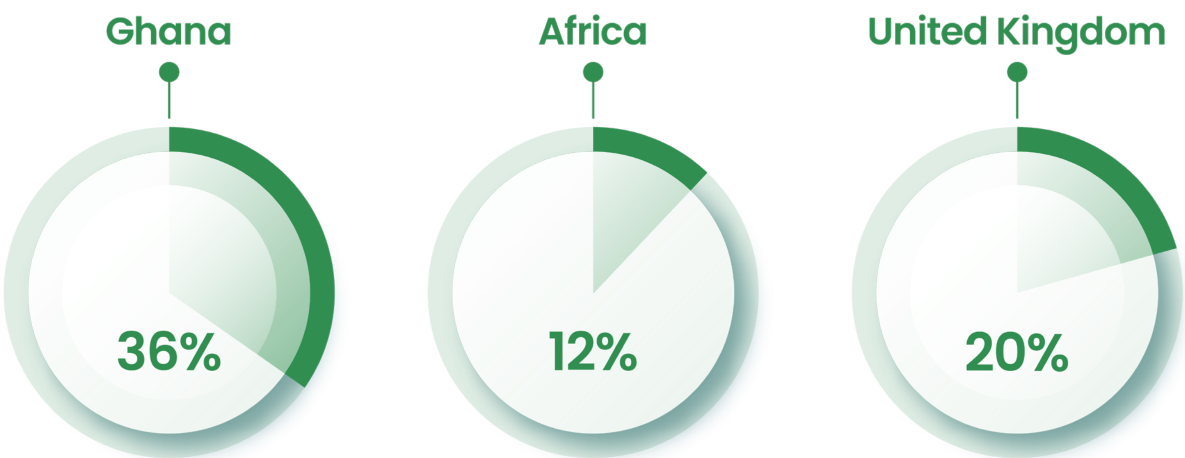
Figure 48: Gender diversity by investment roles



Source: Research team (2024)

The proportion of women in senior management or investment roles in VC/PE management companies in Ghana (36%) well exceeds the sub-Saharan Africa average of 12%[19] and is encouraging even compared to that in developed markets such as the United Kingdom (20%).[18]

Figure 49: Share of women in senior management roles in VC/PE companies: Ghana, Africa, and the UK

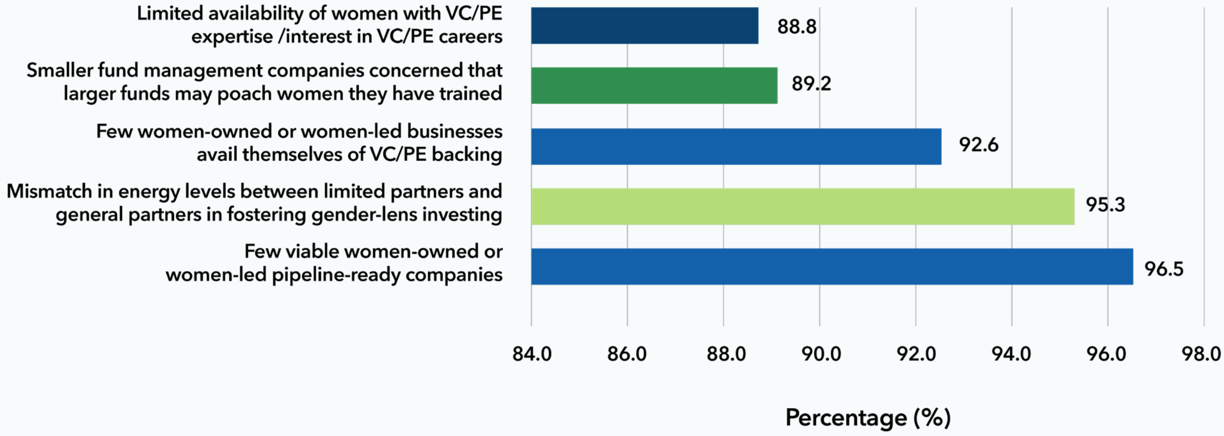


Source: AVCA (2022), BVCA (2023)

IX. Constraints on gender lens investing and diversity in VC/PE

More than 95% of our research respondents said that the top-two constraints on gender lens investing are (i) the small number of viable, pipeline-ready, women-focused companies, especially tech-backed or high-growth companies, and (ii) a mismatch in the energy and commitment levels of LPs and GPs to fostering GLI.

Figure 50: Top constraints on gender lens investing



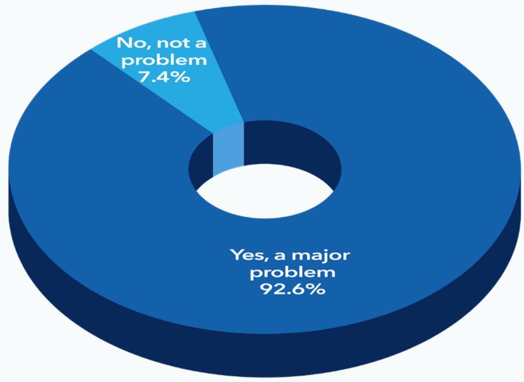
Source: Research team (2024)

Unutilised or low levels of VC/PE financial and training support for women

Most (92.6%) of our respondents said that very few women-owned or women-led businesses avail themselves of VC/PE backing and training support, and therefore much the training available goes unused. Respondents attributed this to a number of reasons, primarily these

- **Lack of information:** In developing economies such as Ghana, many entrepreneurs, women especially, know little about VC/PE financing, and even when they are aware of it, may not know how to access it. Unlike traditional bank loans, there is little public information on how VC/PE funding works, what its strengths are, how best to make use of it, and how it can impact business growth.
- **Lack of visibility:** Women-owned businesses are typically less visible in the economy, making it challenging for VC/PE investors to discover them and consider them for deals, even when the investors intend to be more inclusive.
- **Insufficient representation:** There are not enough women entrepreneurs with investable ventures in the pipeline for PE and VC investors to deal with.

Figure 51: Industry views on unutilised or underutilised VC/PE financial and training support for women-owned or women-led businesses



Source: Research team (2024)

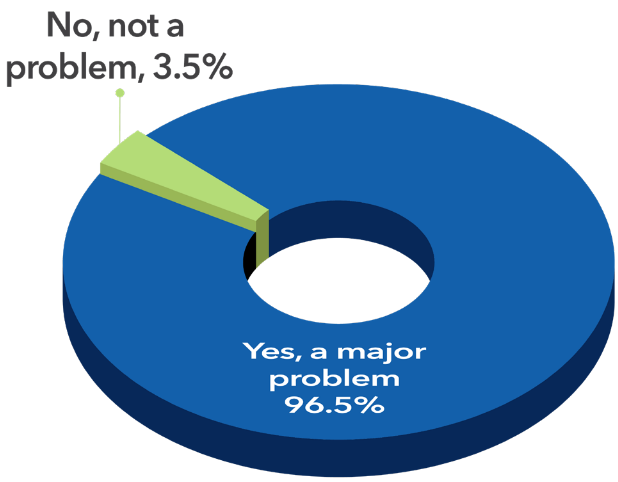
Few viable women-focused, pipeline-ready companies, especially tech-backed and high-growth companies, are available to attract VC/PE funding

Women are underrepresented in, and less focused on, tech-related fields, which limits the pool of women-led and women-owned tech startups that qualify for VC/PE backing.

> *We're expected to invest in agro-processing and light manufacturing but finding these women-owned businesses can be challenging. Many women are part of agribusiness, mainly in aggregation, but few are in processing. Even those in processing often operate at the cottage industry scale and aren't really ready for investment.*
>
> *– Director, local fund*

> *In certain sectors of focus such as fintech or healthtech, finding viable women entrepreneurs can be extremely challenging, which can incline the fund manager to stick to business as usual.*
>
> *– General Manager, regional VC/PE fund*

Figure 52: Industry views on the scarcity of viable pipeline-ready companies and startups owned or led by women



Source: Research team (2024)

There are multiple factors that each partly help to explain this scarcity:

i. Women-focused businesses tend to be micro- or small-sized, many of which prioritize survival over innovation, growth, or governance structures that align with VC/PE investment strategies;

ii. the value chains and sectors most women entrepreneurs typically enter—consumer retailing, agribusiness, and tourism and hospitality, for example—tend to appeal less to VC/PE investors because of their associated risks; and

iii. there is limited availability of women-focused incubation and acceleration programmes for pipeline development. A notable counterexample to this is the Women in Sustainable Enterprises (WISE) Programme, a women's accelerator programme for pipeline development created by Impact Capital Advisors.

> *The individuals providing us with the funds dictate where and how we invest, so our hands are tied.*
>
> *– Partner, West Africa PE fund*

> *In many cases, limited partners don't provide clear guidance on gender-related matters in fund management agreements. Gender considerations are usually briefly mentioned, leaving the fund manager to decide. Fund managers often choose the easier route, putting gender lens investing on the back burner.*
>
> *– CEO, regional VC/PE fund*

> *When LPs are not explicit about the portfolio composition they desire, particularly in terms of the percentage of women-owned or women-led businesses or those with benefits for women, they leave the decision to the fund manager. Depending on the manager's motivation, gender lens investing may or may not be pursued.*
>
> *– Investment Manager, fund-of-funds*

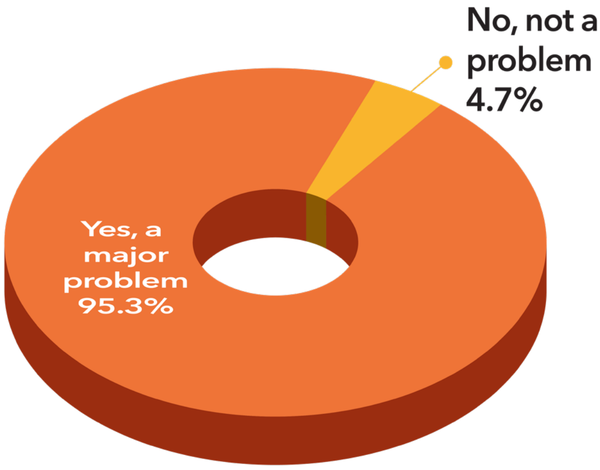
A mismatch in the energy and commitment levels of limited partners and general partners to gender lens investing

The consensus among our research participants was that there are three primary factors that explain why the energy and commitment levels of LPs and GPs to GLI do not match:

- The absence of dedicated gender policies and management agreements that would formally commit LPs and GPs to GLI, which encourages lip service and gender-washing without real change.
- Weak oversight and accountability, and measurement metrics on gender that are sometimes vague and ambiguous, allowing companies to evade compliance.
- LPs' prioritisation of financial returns over impact, except for impact-oriented VC/PE funds. GPs' performance assessment tends to be tied to financial performance rather than to social or environmental impact, discouraging LPs' from being more intentional about GLI.

> *In this small industry of ours, finding the right people is already challenging. Identifying suitable women as directors was difficult. Eventually, I had to increase the number of men and let go of two female directors because they were unwilling to provide the SEC with the required personnel information, including personal financial statements. After nearly a year, I had to make the decision to replace them.*
>
> *– Chief Executive Officer, local fund*

Figure 53: Industry views on the mismatch in energy level between limited and general partners in fostering GLI



Source: Research team (2024)

Few women have expertise in VC/PE or want to pursue careers in this field

> *The demand for experienced females in VC/PE fund management is significant but the supply is limited. Of the women we initially trained, only one remained. We bring them in when they are young and inexperienced, but due to our small fund's inability to offer competitive salaries, they often leave for larger funds after gaining a year or two of experience.*
>
> *– Local PE fund*

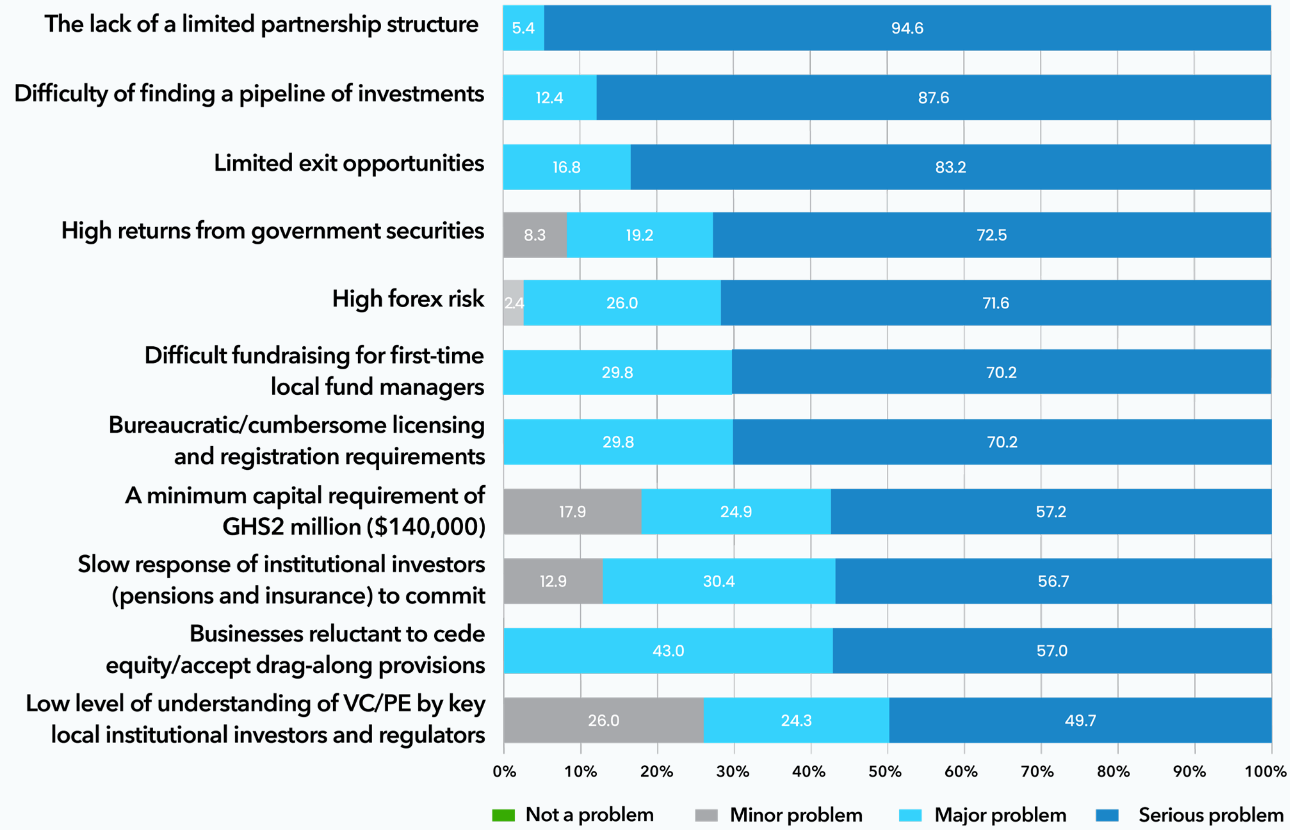
Women's lower level of interest in VC/PE careers restricts the talent pool available for recruitment. This has created a small coterie of women with substantial VC/PE expertise. As a result, fund management companies, particularly smaller local ones, are concerned that larger funds could poach high-value female professionals whom the smaller firm has trained and invested in, before that firm reaps the full benefit of their acquired expertise and training.

Regarding board membership, the few women who show interest said that they tended to find the documentation requirements and the questioning about their qualifications intrusive.

X. Ecosystem challenges

During our research, industry players voiced several significant concerns. These centred on pipeline exits, lengthy regulatory approvals, and (i) the absence of a limited partnership framework, (ii) cumbersome licensing and registration requirements, (iii) the difficulty of building a pipeline of suitable investments, (iv) the difficulty of exit, (v) high returns from government securities (vi) the reluctance of (family-owned) businesses to cede equity, and (vii) the risk of unfavourable exchange rate movements.

Figure 54: Challenges reported within Ghana's VC/PE ecosystem

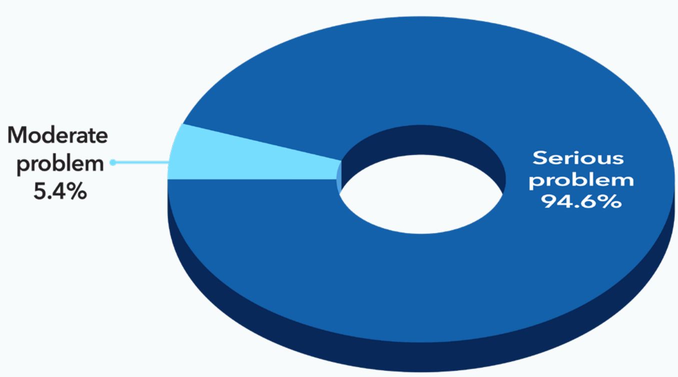


Source: Research team (2024)

Lack of a limited partnership structure

> *The absence of an LP structure presents a significant obstacle for investors. Instead, you must register as a company limited by shares, which discourages potential investors since it complicates the process of returning capital. In this setup, the only exit option is to find a buyer for the investment, making it less flexible compared to an LP structure.*
>
> *– Senior manager, West African fund*

Figure 55: Industry views on the lack of a limited partnership structure



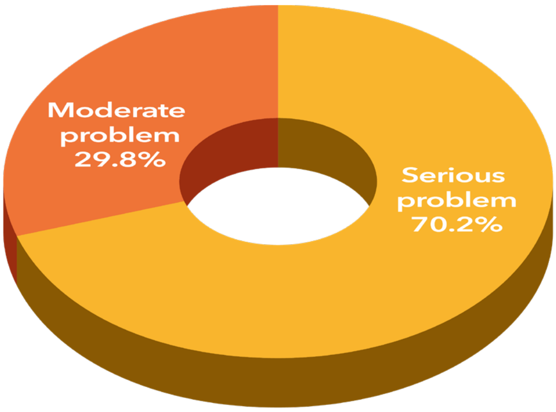
Source: Research team (2024)

Although efforts are under way to create a limited partnership structure in the country, the top concern of 94.6% of stakeholders is the lack of one. Currently, funds must be registered as limited liability companies (LLCs) or external companies. This leads to reduced flexibility, diminished incentives for equity, unnecessary tax burdens, and increased complexity in the fund winding-up process.

Cumbersome licensing and registration requirements

> *We haven't seen anyone who has been able to get approval within five months. The process often extends beyond a year. They request a multitude of documents, which makes it impractical to submit everything within the initial three-month period.*
>
> *– Legal Service Provider, VC/PE funds*

Figure 56: Industry views on licensing and registration requirements

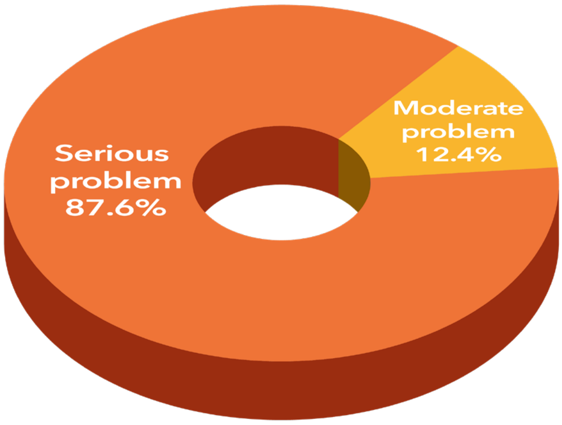


Source: Research team (2024)

Our research respondents considered regulation highly essential to the functioning of the ecosystem. Nonetheless, registration and licensing procedures were widely viewed as overly lengthy, bureaucratic, burdensome. Requirements regarded as cumbersome and even unnecessary include "fit-and-proper" assessments for board members, monthly filings and reporting on liquidity ratios, and the need to licence both funds and fund managers. The arduous nature of regulatory requirements hinders and disincentivises funds from domiciling in Ghana, which creates additional licensing-related payroll costs for mandated licensed professionals and discourages qualified individuals from serving on boards.

Difficulty of building a pipeline of investments

Figure 57: Industry views on difficulty of finding a pipeline of investments



Source: Research team (2024)

A large majority of survey respondents (87.6%) said the difficulty of building a pipeline of investments that align with their capital deployment risk-return requirements was a serious problem, and 83.2% worried about limited opportunities for exit.

Difficulty of exit

Our respondents gave four primary reasons why exiting is often so difficult:

i. minority stakes taken in portfolio companies,

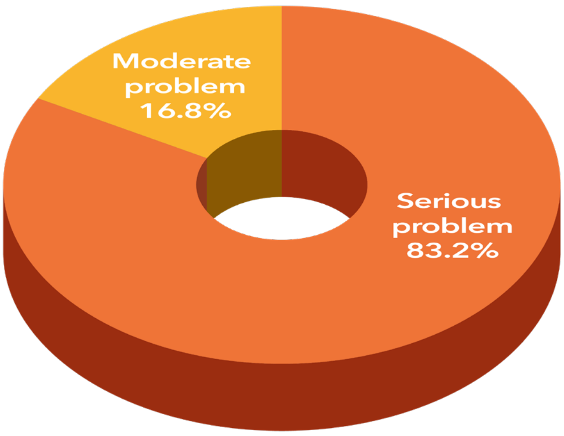
ii. the predominance of SMEs in their portfolios,

iii. the absence of a thriving IPO market, and

iv. complexities tied to capital return from limited liability companies.

76% of GPs in Africa cite limited exit opportunities as a challenge. AVCA 2021, 17[20]

Figure 58: Industry views on the difficulty of exit

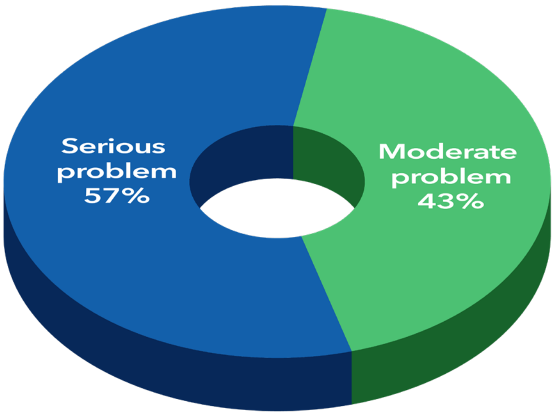


Source: Research team (2024)

Reluctance of businesses to cede equity

> *Sometimes, you come across what looks like a promising deal, but as you engage in discussions, you soon realize that they won't allow even a minority stake because it is a family enterprise.*
>
> *– Analyst, regional PE fund*

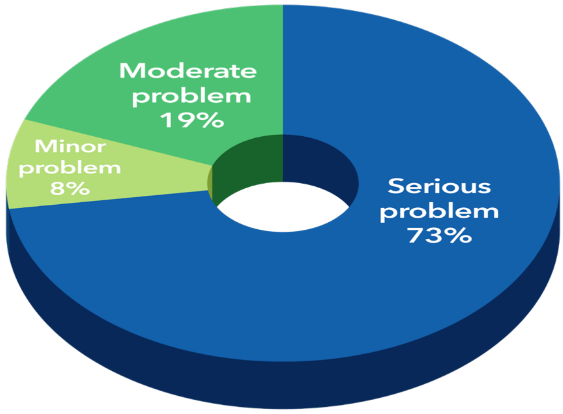
Figure 59: Industry views on reluctance of businesses to cede equity or drag along



Source: Research team (2024)

Ghanaian businesses generally, but especially family-owned businesses, often hesitate to give up ownership stakes to VC/PE investors or agree to "drag-along" provisions. They are cautious about relinquishing control because, for many, the business is not just a source of income but also a significant and emotional part of their identity and legacy.

Figure 60: Industry views on the disincentivising effect of high returns on short-term government securities



Source: Research team (2024)

Disincentive effect of high returns on short-term government securities

Private pension assets in Ghana are invested predominantly in government securities. By comparison, investment growth in alternative assets such as VC/PE is quite slow. The pensions regulator, the NPRA, has progressively increased the allowable ceiling of assets in "alternative assets" (including venture capital and private equity funds) to its current level of 25%. Despite this significant increase in the regulatory cap, less than 1% of pension investments have been channelled into these assets over the past two decades.

Industry players who were surveyed attribute this to a range of factors:

i. high returns on government securities that are perceived as risk free;

ii. the higher and more stable liquidity of government securities compared with VC/PE investments; and

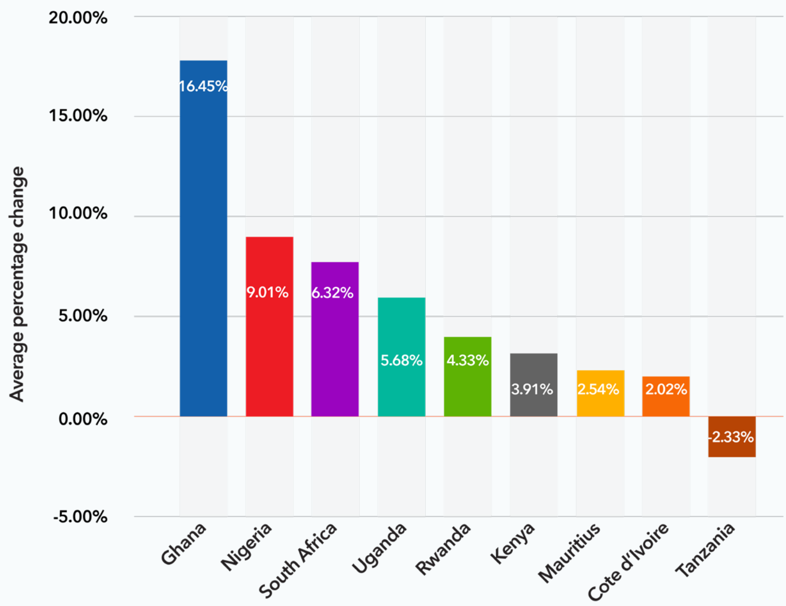
iii. the still inadequate understanding of alternative assets, which are relatively new phenomenon in the pensions industry.

The risk of unfavourable exchange rate movements

Forex risk remains a major macro-economic concern for the asset class; 72% of survey respondents expressed anxiety about the potential threat of quickly evolving currency mismatches. Mismatches can occur because the commitments of most limited partners are in foreign-denominated currencies, while investees generate their operating revenues and cash flow in cedis.

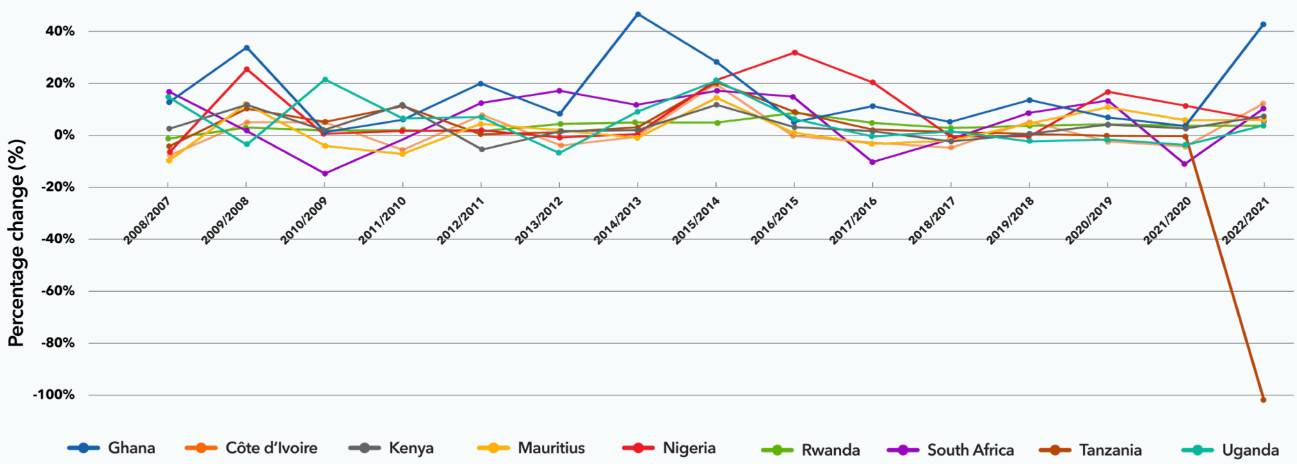
This can quickly erode the potential gains for investees, and it disadvantages those unable to generate revenue in hard currency because fund managers prioritize business models that can earn revenue in foreign currency through exports. Currency risk is widespread in African markets, but Ghana's cedi. Over the last 15 years, it has averaged year-on-year volatility of 16.45%. Over the same period, Tanzania's currency has had the lowest volatility in Africa, and has actually strengthened against the dollar in recent years.

Figure 61: Average exchange-rate volatility of nine African currencies against the dollar, 2008–2022



Source: Research team (2024)

Figure 62: Exchange rate volatility in nine African countries from 2008–2022



Source: Research team (2024)

XI. Failed investments, lessons learned

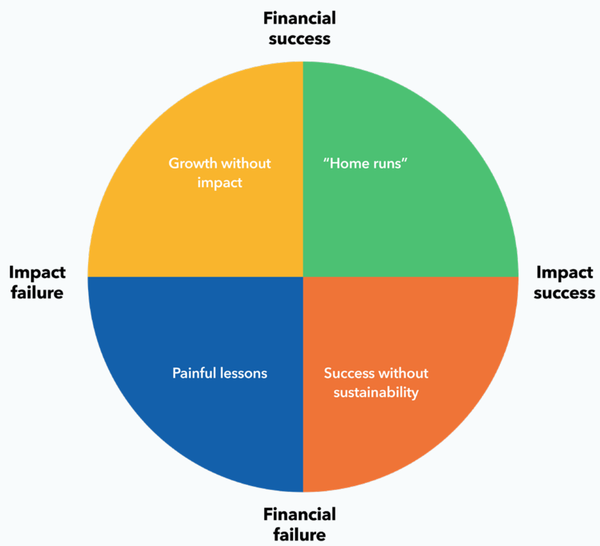
Failed investments are those that fall short of achieving their set targets.[21]

A certain rate of investment failures is an inevitable fact of life. Investments can fail on two fronts—financial and impact:

- In a financial failure, the investment does not yield the desired financial returns but does manage to generate important social outcomes such as alleviating poverty, reducing unemployment, or bridging women's access to essential services.
- In an impact failure, the investment generates financial returns but falls short of making a meaningful impact on the social problem it set out to resolve.

An investment failure, naturally, could have both components.

Figure 63: Matrix outlining the criteria for failed investments



Source: Adapted from Acumen Fund (2023)

Analysing failed investments and their root causes

We analysed 13 failed investments, including Dash Financial, Orange, and Float, along with some investee companies of the first Ghana Venture Capital Fund.

Although failed investments are by no stretch peculiar to Ghanaian-based companies, several of our key industry informants mentioned specific failed investments and attributed their failure to one or more of five main causes: fraud, financial impropriety, fund diversion, misrepresented transactions, and market size (growth prospects).

Our own research, however, suggests that these factors as facilitating or enabling conditions rather than root causes.

Our root cause analysis traced these enabling factors back to more fundamental underlying issues such as:

i. poor due diligence

ii. inadequate corporate governance

iii. forex risk

iv. limited collaboration among international investors, a weak exit ecosystem, and

v. a lack of reliable data for market sizing and projections.

Several lessons emerged. The following, in particular, stand out:

- Inadequate due diligence leads to failure, for example, when foreign investors engage directly without guidance from local partners on the ground. While local participation does not guarantee a comprehensive picture of all the potential risks, it typically aids not only in providing a bird's-eye view but uncovering minute details that can forestall fraud.

- Having a board of directors with impressive titles is insufficient. The composition of its members must genuinely add value to the company. Weighty executive titles can provide face value, but on their own they do not deliver the needed corporate governance.
- Simply having a good product or service is not enough. Identifying its value proposition and effectively articulating it to potential customers is crucial. The failure to do this hampers a company's ability to attract customers and dries up funding, thereby risking failure.
- Diversifying the investment portfolio mitigates risk. The lack of diversification, whether within a single sector or across various sectors and geographies, elevates overall risk and can result in suboptimal returns if the concentrated investment performs poorly.
- Exchange rate volatility heightens the forex risk exposure of portfolio companies, raising the likelihood of failure.
- While overambition serves as the magnet that attracts VCs, unrealistic financial and impact projections trigger unrealistic expectations and set the investment up for failure.
- Navigating the complexities surrounding profit and impact requires a skilled, committed, and an aligned management team.
- Scaling prematurely—particularly with complex business models, driven in part by pressure from investors—can lead to uncontrollable problems.
- Limited viable options, and obstacles to achieving a profitable exit, erode expected financial returns.

XII. Recommendations

Six actionable recommendations emerged from this study:

1. Leveraging emerging opportunities

- Currently, private pension funds in Ghana have assets under management of $5.4 billion, an amount expected to double in nominal terms every five years. The GVCA and its collaborators should offer or coordinate public education workshops and other programmes for the alternate asset class in order to promote fund investment by the growing pension fund assets, and to catalyse capital markets development.
- To enhance the financing of the blue economy, establish a blue bond, blue fund, and fund-of-funds, along with associated derisking mechanisms.
- There is a need for a dedicated, blended green fund-of-funds, and the existing FoFs, including the VCTF and DBG, should strengthen their green considerations.

2. Gender lens investing

- IIGh and NAB should collaborate with the GVCA to accelerate dedicated action on gender lens investing in Ghana's VC/PE ecosystem.

3. Legal and regulatory reforms

- The GVCA and its collaborators should continue their ongoing advocacy of a limited partnership framework in Ghana.
- Streamline and remove bottlenecks to allow for faster, more cost-effective approval and licensing of funds, investment vehicles, and fund management companies.

4. Building capacity

- Engage the primary players in the ecosystem with continuous education to enhance their skills, capacity, and willingness to collect and report gender, employment, climate, tax, and other impact outcomes, in order to underscore the push for reforms.
- Continue running campaigns and capacity-building sessions, targeted at pension trustee clients and at regulators, on the need to take a portfolio approach to managing risk and return.
- Make intentional efforts to develop a large pool of local investment professionals and the next generation of fund managers.
- Acting through the Pensions' Industry Collaborative, the VCTF and IIGh should continue, in a sustained manner, to run capacity-building literacy and competency programmes, especially employer-sponsored schemes, to increase investor's ability to understand, assess, and make VC/PE investment decisions. These programmes should include periodic reviews and the incorporation of learnings.
- Train fund managers to set up impact monitoring and measurement systems to track the outcomes and impacts of their investments, particularly their contributions to the SDGs.

5. De-risking mechanisms

- Pension funds should be incentivised to increase their investments in VC/PE through guarantees and other de-risking mechanisms. For example, to lower investment risk, deals need to be structured with first-loss capital such as subordinated debt or equity (and advisedly promoted when relevant), matching gtrants, and guarantees that can help buffer losses or perceived losses if the investment yields less than the expected returns.

6. Further studies

- Institutionalise annual study: Building on this current baseline study, the GVCA could undertake a follow-up yearly report on the state of VC/PE in Ghana—investment activities, fundraising, exits, and so on.
- Consider conducting focused studies to generate data-driven evidence of identified gaps and of volatility in fundraising and investments by VC/PE firms.
- Explore the multiplier effects of VC/PE investments, including their impact on

  i. suppliers of VC/PE-backed businesses,

  ii. living standards in the households of employees of backed businesses, and

  iii. GDP

CASE STUDIES^{22}

Ankobra Ghana Ltd.

Established in 1995 with a vision to become Africa's most valuable independent food and beverage company, Ankobra Ghana Limited provides bottled and sachet water, with the company's high-quality sachet water effectively catering to the working-class segment of the market. Ankobra Ghana was an import substitution play in a product category and sector dominated by foreign firms, but several teething problems hindered its take-off.

One challenge was the lack of capital investment needed to expand production capacity—new machinery, technology, and facilities—because the company could not cater to the rising demand of the growing market with its inadequate infrastructure. In 1996, GVCF provided the first capital injection with an investment of $225,000, combining equity and quasi-equity (convertible debt). In 1998, the fund invested an additional $200,000, with Blakeney Management co-investing $300,000 to support Ankobra's expansion and strengthen its packaging, branding, and distribution. GVCF also helped bolster its financial management and ensure compliance with ESG standards.

After GVCF exited in 2003, an investment of $8 million from Aureos West Africa Fund (AWAF) enabled Ankobra to modernize its production facilities and expand into Nigeria and Togo. The capital injection—again a combination of equity and a convertible loan—made the company attractive to many banks, which provided medium-term loans and overdrafts to bolster its working capital operations. The company's unique distribution model also enabled it to meet growing demand with few logistical barriers and without additional infrastructure. In a business move most famously used by Amazon, Ankobra employed small, third-party vehicles for just-in-time deliveries, established individual distributors, and outsourced distribution to independent transporters. This allowed the company to cut costs, create more jobs, and maintain long-term loyalty.

The venture capital and private equity investments have had a huge impact on Ankobra's company's operations and business. Within the first three years of the AWAF's investment, Ankobra was able to increase production from 500 cartons a day to 15,000—growth that allowed it to capture 60% market share and become the market leader, a position they still hold.

Ankobra Ghana presently operates through a network of more than 55 franchisees comprising over 48 sales points, which generate direct employment for more than 2,700 permanent workers and indirect employment for over 1,700 salespersons. The permanent workforce includes packers, loaders, technicians, administrative personnel, and managers, besides sales and marketing staff assigned to its production plants. From 2016 to the initial quarter of 2022, Ankobra states that it paid more than GHS100 million in taxes.

From its inception, Ankobra has been involved in community engagement and corporate social responsibility (CSR). The company has launched initiatives and projects to provide clean drinking water to underserved rural communities, supported education and healthcare programmes, and promoted environmental conservation. Two neighbourhoods in the Atwima Nwabiagya Municipality in the Ashanti Region of Ghana have been provided clean drinking water from boreholes constructed by the company. Residents of the bauxite-rich area of Nkawie (estimated pop. 10,000) had been grappling with water shortage until Ankobra dug a borehole capable of delivering 20,000 litres of safe, drinkable water daily.

Ankobra Ghana has also been recognized for its commitment to empowering women and promoting gender equality. In July 2022 the company took a significant step towards its goal of having half of its leadership positions held by women by 2025 when it hosted a seminar to develop its female employees' leadership capabilities. Ankobra has also collaborated with the Girls Excellence Movement (GEM) to augment their impact on the lives of women and children living in communities where the company operates.

GEM is a group of enthusiastic, young, professional volunteers from Ghana, Nigeria, Tanzania, America, and Britain who dedicate their skills and time to running well-designed capacity-building programmes for girls. In 2022, GEM and Ankobra co-organized an inaugural Inspiration-On-Wheels outreach event at Comboni Technical Vocational Institute (COMBOTECH) in Sogakope in the Volta Region of Ghana.

International Community School

International Community School (ICS), a private, British-curriculum, coeducational school established in Ghana in 2000, emphasises the holistic development of Ghanaian youth. With campuses in Accra and Kumasi, ICS has grown from seven to more than 2,100 students, in large part through VC/PE investments.

The school has raised over $8 million since 2004, including $600,000 from Fidelity Equity Fund I in 2006 and €7.5 million from AfricInvest Fund in 2016. During the pandemic, the latter investment helped ICS gain a technical assistance facility from the German Investment and Development Company (DEG), ensuring continuity of teaching and learning.

ICS has also received loan facilities from local banks and development organisations, including Cal Bank, Ecobank, and Zenith Bank, for expansion. OPIC, now DFC, provided ICS with multiple rounds of loans in 2007 and 2011 to support the expansion of its Kumasi campus. After approaching DFC for a long-term loan to support the expansion of the Accra campus, ICS was able to obtain a long-term, $6.0 million "bridge" financing facility from Ecobank Ghana.

Between 2006 and when it exited the Fidelity deal in 2012, ICS doubled its staff and student population—from 30 to 60, and 300 to over 600, respectively. After AfricInvest's private equity investment in 2016, the school experienced a similar growth trajectory: the student population mushroomed from 1000 in 2016 to over 2,100 currently, and staff doubled to 360.

This growth in student enrolment can be attributed to improved teacher quality and the establishment of a Centre for Professional Development on each campus. Other factors that have contributed to ICS's success are not only excellent understanding of its educational mission but also good governance, staff training, systemic change, recruitment, and effective monitoring and evaluation.

Table 7: International Community School performance metrics, 2019–2023

Performance Metric	2019	2020	2021	2022	2023
Revenue ($, millions)	4.030	3.288	6.312	5.745	8.253
No. of students	1221	1289	1588	2061	2250
No. of staff	287	289	340	367	415
No. of staff – women	135	137	171	183	230
No. of teaching staff	134	136	182	204	215
No. of teaching staff – women	102	104	130	154	193

Bedford Girls Academy

Bedford Girls Academy (BGA), Ghana's first all-girls private boarding school for senior high students, began operations in 2015 with a mission to instil in Ghanaian girls core values such as integrity, responsibility, excellence, ambition, and determination, and to become the number-one all-girls boarding school in Ghana. Founded by two women entrepreneurs, the school prioritises leadership training and offers an enhanced curriculum that includes GCE Ordinary and Advanced Levels, IGCSE, and WASSCE, to accommodate a range of academic needs.

In 2017, the school received an investment of $3.3 million in multiple rounds from an African VC fund, structured as both equity and debt. The investment was used to finance the expansion of BGA's assets, together with working capital for other essential activities, like marketing. Securing this facility has propelled the school's growth in many ways. Student enrollment rose from 48 in 2016 to over 550 in 2022. Financial performance showed an average CAGR of 70%+ year on year, with the highest revenues recorded in 2022, reflecting an impressive rebound after the pandemic.

There was a slight dip in revenues during the pandemic, yet even so the school's performance remained resilient because of the widespread use of technology in teaching and learning, an area that, incidentally, had received the investor's technical assistance support well before COVID.

The school has made strides in social impact through employment creation, poverty alleviation, and corporate social investments through a scholarship programme. The investor successfully exited the investment in July 2023.

Table 8: Bedford Girls Academy performance metrics, 2017–2022

Performance Metric	2017	2018	2019	2020	2021	2022
Revenue (GHS, millions)	1.267	3.404	7.130	6.659	13.721	19.752
Revenue (USD, millions)	0.279	0.701	1.247	1.132	2.220	1.915
No. of students enrolled	120	234	404	483	481	557
No. of staff employed (teaching and non-teaching	27	66	73	80	111	123
No. of teaching staff – female	12	16	21	28	37	49
No. of teaching staff – male	15	50	52	52	74	74
Female percentage of board	62%	60%	60%	60%	60%	60%

Sweden-Ghana Medical Centre

With the backing of catalytic funding, the Sweden-Ghana Medical Centre (SGMC) was established in 2007 to provide cancer treatment in the West African subregion. Swedfund provided 98% ($3.7 million) of the funding; the remaining 2% came from Fidelity Equity Fund II. The funding took the form of convertible loans, debt, and equity components, with below-market interest rates. With Ghana's transition to middle-income status, however, in 2008 the Swedish partners withdrew from the project. The Ghana National Association of Teachers now owns 100% equity in SGMC.

SGMC struggled to be profitable because of low utilisation of its services, and loan repayments became challenging. High staff costs, particularly for the expatriate team that managed the facility during its initial stages, and unfavourable foreign exchange movements, led to negative EBITA. Despite not delivering the desired financial returns, management described the social impact of SGMC as massive.

The facility treats an average of 1,500 cancer patients each year. SGMC also conducts free screening exercises to assess cancer risk levels in the general population. Currently, SGMC has 51 staff members, 46 permanent. Of these, 70% are men, 30% women.

Ahabai Pharma Ltd.

Ahabai Pharma has been at the forefront of transforming the pharmaceutical distribution landscape in emerging markets across Africa using various distribution technologies to transform access to medicine, including for last-mile populations. A number of venture capital and private equity firms, through a series of rounds of funding (totalling about $70.6 million), have been a vital engine of this transformation. They have not only provided Ahabai Pharma with financial support to expand its operations and product offerings in diverse regions but also infused the health technology company with industry-specific knowledge, strategic guidance, and extensive networks. The backing provided through these financial associations has enabled Ahabai Pharma to hasten its market reach, broaden its customer base, and establish partnerships.

Extensive collaboration has resulted in a range of benefits. For example, by optimizing its pharmaceutical supply chain, Ahabai Pharma has made healthcare more affordable and hence accessible to patients, and the company's streamlined drug distribution processes have reduced medication costs. Additionally, Ahabai's dedicated systems for tracking and verifying medications have helped combat the problem of fake drugs. Patients can now be confident they are receiving effective treatments.

Through partnerships with pharmacies and healthcare facilities, Ahabai Pharma has strengthened the existing health infrastructure. These collaborations, which include implementing inventory management systems and programmes to enhance the capacity of that infrastructure, have significantly improved the efficiency of many healthcare organizations. In the process, Ahabai Pharma's growth has created both direct and indirect employment opportunities in the localities where they operate.

Evident in the multinational composition of its management team, Ahabai Pharma recognizes the symbolic as well as functional significance of broad representation. With a presence across the women constitute more than 45% of the Ahabai team, and this is true across all tiers of the organization. The company currently has 176 employees in Ghana, and more than 400 others across other African countries.

Ahabai Pharma's journey demonstrates how strategic partnerships between startups and investment firms can lead to transformative outcomes. By leveraging the resources and expertise of venture capital and private equity firms, Ahabai Pharma is both achieving business success and enhancing the health and wellbeing of society.

Prudential Sika Management

In 2013 Prudential Sika Management (PSM), a pension services provider, received $500,000 from a local VC/PE investor to fund infrastructure, marketing, and working capital needs. The investment yielded a 38% percentage return, and PSM now manages $270 million in assets, with a market share of over 15% of the pension industry.

The investor supported product development and the hiring of key personnel, and reorganized the board to include two representatives, which contributed to the investment's success. The VC/PE investor exited its investment with an internal rate of return of 38% and a money multiple of 1.4x after two years of investment.

Sunrise Venture Fund

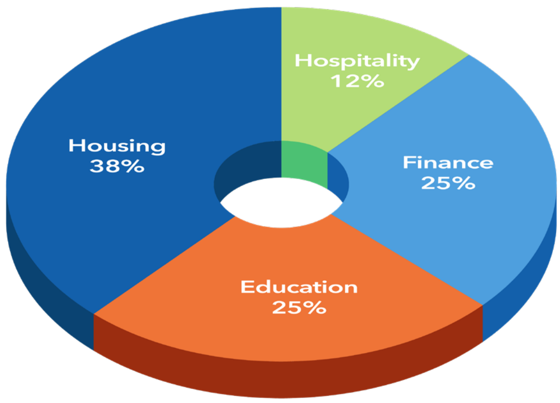
Launched in 2010, the Sunrise Venture Fund (SVF) is the first venture capital fund managed by Pipeline Capital Ghana, based in Accra. SVF invests in Ghanaian SMEs in sectors such as education, manufacturing, financial services, housing, healthcare, and hospitality.

The fund has $11 million assets under management and invests between $0.1 million to $2 million per deal. SVF notably also has a co-investment agreement of $2 million with Social Venture Fund (SOVEC), a development finance institution. The fund offers tailored capital in the form of equity investments and convertible loans. SVF also actively supports its portfolio companies with management expertise in building capacity and developing strategic incentives.

The fund's LPs include VCTF, Republic Bank, Ghana Union Assurance, and African Tiger Holding.

The fund has successfully exited 4 out of the 8 portfolio companies it has backed, 38% of them in the housing sector. It has created and/or sustained 526 jobs, a third (34%) being women employees.

Figure 64: Portfolio companies of Sunrise Venture Fund, by sector



About GVCA

The Ghana Venture Capital Association is a body of specialist practitioners engaged in the business of private equity and venture capital. Its membership includes locally domiciled and foreign-based VC/PE fund managers, along with service providers that support the VC/PE industry.

GVCA's primary goal is to grow Ghana's VC/PE industry by attracting greater capital into the asset class that can be invested into local and regional businesses. To this end, the association serves as a strong voice for industry practitioners in stakeholder engagement and advocacy, pursues initiatives that strengthen the voice and legitimacy of its members, and develops industry players' capacity to safeguard investors and investees. To read more about GVCA, visit our website gvca-ghana.org.

About Impact Investing Ghana

Impact Investing Ghana (IIGh) is the GSG National Partners of GSG Impact. We are an independent, nonprofit initiative focused on advancing the development of Ghana's impact investment ecosystem. IIGh is Ghana's representative to the GSG Impact, the successor to the Social Impact Investment Taskforce established by the G8. The GSG Impact's GSG National Partners currently cover 33 countries and provide a global platform to drive investment and increase the global visibility of its members.

Our aim is to tackle Ghana's pressing social and environmental challenges by driving more capital to deliver genuine impact. Private-sector-led yet closely partnered with the national government, we raise awareness, create market intelligence, work to change policies, and mobilise financial resources for the public good. As a local platform that represents all the stakeholders needed to redirect capital flows towards social and environmental impact, IIGh brings together leaders from the worlds of finance, business, government, social organisations, and philanthropy. Our ambitious vision for 2021–2025 is to catalyse $1 billion in impact funds for investment in ventures in Ghana and the West African subregion in pursuit of the United Nations Sustainable Development Goals (SDGs). To learn more about IIGh, visit our website at impactinvestinggh.org.

Disclaimer

The opinions presented in this publication do not reflect those of the advisory council, board of directors, or members of GVCA. The data utilized for this report were sourced from public sources, VC/PE companies, and various databases, but we did not independently verify any of the datasets or information. Because the GVCA database is continually updated, both historical and current statistics may change as new information emerges. GVCA or the authors bear no responsibility for the completeness or accuracy of the information, nor for any losses incurred by users. The report is provided for personal and non-commercial use with appropriate acknowledgment.

Interview participants

ACDI VOCA – AV Ventures	Injaro Investments	Solidaridad West Africa
Adenia Partners	Integrated Water and Agriculture Development (IWAD)	Stafford Law
Ashfield Investment Managers	Deal Source Africa	STANLIB GHANA Ltd
Bentsi-Enchill, Letsah and Ankomah	Mirepa Investment Advisors	Growth Investment Partners
British International Investment (BII)	N. Dowuona and Company	Thirdway Capital
Development Bank Ghana	National Pensions Regulatory Authority	Venture Capital Trust Fund
ENSafrica	Oasis Capital Ghana Limited	Wangara Green Ventures
Ghana Angel Investors Network (GAIN)	PCM Capital Partners	Yaro Capital
Growth Investment Partners Ghana Ltd (GIP)	Phoenix Africa Capital Management	Zebu Investment Partners
Impact Capital Advisors	Savannah Impact Advisory	Zinari Capital
International Community School	SEM Capital Advisors Ltd	Sweden Ghana Medical Centre

Note: Some of the research participants are not mentioned to maintain anonymity.

Appendix: Methodology

Our research involved desk research and secondary data mining, interviews, a survey, a Steering Committee/Delphi of experts, and validation workshops.

1. Desk Research: We began by reviewing the literature on Ghana's VC/PE ecosystem.[23] Although VC/PE in Ghana dates to 1991 as noted earlier, the desk review goes back only to 2004, when the Venture Capital Trust Fund Act (Act 680), which governs VC/PE in Ghana, was passed. This research contextualised the study and guided the design of our data collection tools. It also helped determine and validate the list of principal VC/PE actors that we contacted.

2. Secondary Data: Complementary data from the Global Private Capital Association (GPCA, formerly EMPEA), IIGh, and Africa Venture Capital Association (AVCA) were employed for trend analysis of VC/PE investments.[24] Additionally, Venture Capital and Private Equity Country Attractiveness Index (2017-2023) data from the IESE Business School, were obtained among other sources to compare Ghana's VC/PE market attractiveness to that of its peer jurisdictions.

3. Interviews: Guided by data saturation,[25] 24 in-depth interviews were conducted among local and foreign-domiciled VC/PE funds, other investors, legal service providers with services related to VC/PE, and regulators. Thirteen of the interviewees were purposely women in the VC/PE ecosystem from diverse backgrounds. They were included to help us understand how gender issues shape the dynamics of the VC/PE ecosystem. The interviews delved into constraints, experiences, successful and unsuccessful investment cases, and the underlying factors.

4. Survey: A cross-sectional survey of 74 stakeholders, involving a convenient and purposive sampling of ecosystem participants, was undertaken. To minimise data entry errors and optimise data sharing for collaboration and further research, the questionnaire was programmed and managed with Kobo Toolbox, an open-source, computer-assisted, personal interview data collection mask.

5. Steering Committee/Delphi: A steering committee/Delphi made up of industry experts was constituted to oversee and backstop the research process. Their feedback and insights refined the process, and fine-tuned and validated the research findings.

6. Validation Workshop: The data and research insights were validated in a workshop involving key stakeholders—including pension trustees, pension fund managers, VC/PE fund managers, and regulators—who provided and required these data to make informed decisions. The validation clarified various data gaps and offered insights into the background of certain profiled deals in the research.

7. Analysis: STATA and Excel software applications were used to analyse the quantitative data, particularly investment activity trends, estimation of financial returns, and estimation of financial returns and other numerical socioeconomic and environmental outcomes. The results were disaggregated by relevant indicators, particularly the gender and investment sectors, using the Global Industry Classification Standard (GICS) classification. Thematic analysis was used to analyse the qualitative data, using both inductive and deductive analysis. To illuminate the findings, VC/PE cases on particular investors and investee companies were examined. These insights hold theoretical and practical relevance for benchmarking, prototyping, and education.

Caveats and limitations

We note a number of limitations and caveats to our methodology:

- Our estimation of employment generated and/or employment sustained did not include suppliers to VC/PE-backed portfolio companies.
- VC/PE deals that involved a debt component, as in the case of convertible instruments, were included.
- Our estimation of capital investments included only VC/PE deals by funds. This means that direct VC/PE deals by capital providers—such as development finance institutions (DFIs), multilateral development banks (MDBs), family offices, and foundations—were not captured in the analysis.
- Pure private debt was excluded.
- The analysis relied on data reported directly by respondents and indirectly through other publicly available sources. Although we verified and validated the data, we cannot claim full proof of their accuracy and dependability.
- In those cases where deals were not disclosed in US dollars, the dollar-to-cedi exchange rate on the date of the investment was used. For investments with no specific date, we used the exchange rate as of December 31 of that year.
- Only Ghanaian nationals working with the funds at the time of data collection were included in the count. The data were partly verified using LinkedIn records, enhancing the accuracy of the data.

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[8] ESG (or environmental, social, and governance) is an analytical framework made up of a set of standards and considerations that many socially conscious investors employ in order to identify how socially responsible a particular investment is likely to be.

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[13] This excludes employment figures from suppliers to private equity and venture capital-backed businesses.

[14] "New jobs" are employment opportunities that did not previously exist. "Sustained jobs" are existing employment positions that are preserved or maintained due to the involvement of the VC/PE firm.

[15] The 2021 Population and Housing Census of the Ghana Statistical Service estimates the average household in Ghana to be a rounded figure of four.

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[22] The names of the companies have been fictionalized.

[23] We used the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework. This included peer-reviewed technical reports by ecosystem organizations such as the Africa Venture Capital and Private Equity Association, the British Venture Capital Association, and the World Bank. An example of such a report is the Ghana Private Equity and Venture Capital Ecosystem Study, emphasising dedicated Ghanaian studies.

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[25] Data saturation refers to the point during the research process when further data analysis yields little or no new information, signalling to researchers that further data collection would likely produce similar results and merely confirm emerging themes and conclusions, and data collection should therefore cease.

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