



Growth Investment Partners

BII is pioneering a one-of-a-kind solution to close the SME funding gap in select African countries by establishing an enduring local SME investment company that serves small and medium-sized companies by providing long-term and patient growth capital that is not otherwise available.

Investment Summary

Country: Ghana; the second country (most likely Zambia) is in development; additional countries may be considered

Sector: Financial institutions

Total size: \$70-80 million per country

Established: Ghana: 2023; Country #2: 2025; others TBC

Private capital mobilised: Targeting \$20-40 million per country

Structure: Ghana: permanent capital vehicle (limited liability company) domiciled in Ghana and Licensed by the Securities and Exchange Commission

Impact rationale: African SMEs face a critical funding gap for growth capital in the \$1-10 million ticket range, because private equity investors prioritize larger deals, and local banks offer mostly short-term loans with high-collateral requirements. Local financial institutions' regulatory constraints and limited risk appetite also hinders BII's success in influencing them to provide long-term growth capital. This has made it challenging for BII to support SME growth and job creation through existing financial intermediaries. To bridge this gap, BII aims to establish sustainable local investment companies in selected African countries. These companies will provide patient and flexible growth financing, primarily through local currency investments between \$500k and \$5 million (with the ability to follow-on) using self-liquidating debt and quasi-equity instruments. These instruments can have performance-based elements that absorb risk from the borrower's perspective and are hence better suited to financing growth, without the need to negotiate equity valuations and find a buyer to exit.¹ GIP will specifically address the financing needs of established SMEs that can access some credit but require flexible, long-term financing for expansion projects.² By doing this work through a platform which can recycle capital, each GIP entity can become self-sustaining over time,³ aiming for competitive returns to attract investment from local institutions and deliver significant impact by investing in 10+ SMEs annually in each country.

GIP Ghana has announced its first four investments in:

- E-Services Africa, a Ghanaian business process outsourcing company, to support purchase of new infrastructure and their plans to relocate to a larger facility in Accra to serve an increasingly global client base.
- Truecoco, an agricultural processing and exporting company located in the western Ghana, to help finance the expansion of their soybean processing operations and launch a durable carbon capture biochar project.
- Rikair, a Ghanaian medical gas and hospital equipment supplier, to back its distribution of medical oxygen to healthcare facilities; and
- Fido, a digital lender to individuals and micro/informal businesses.

Private capital mobilisation rationale: The first GIP entity in Ghana was launched with BII as the sole shareholder, ensuring the design and build-out aligned with the overarching strategy before inviting additional participants. The long-term objective for local currency financing is to enable lenders to source

¹ These instruments offer built-in mechanisms for repayment, helping investors recover their capital without needing a traditional exit strategy, like a sale or IPO which require equity valuations.

² In most African markets, SMEs rely on internally generated cash to fund expansion projects. Only a fraction have accessed credit from banks (much of which is shorter than 3-years tenor) and very few have raised private equity / venture capital financing.

³ e.g. a \$50m commitment in Ghana, drawn down over 5 years and then recycled, becomes USD180m invested in Ghanaian SMEs over 10 years.

financing from domestic savings pools. Accordingly, GIP plans to raise further capital for expansion from local financial institutions by offering an attractive risk-adjusted real yield (in excess of inflation).

While Ghana’s national policies are favourable toward encouraging local pension funds to invest in alternative assets, progress in this area is expected to be gradual. Local institutional investors generally exhibit limited appetite for greenfield investments and new strategies, particularly in alternative asset classes where they lack extensive experience. However, the successful establishment of GIP Ghana has sparked interest and conversations with potential co-investors in Ghana, and for expansion into a second country, most likely Zambia. As GIP grows, it will focus on markets with significant unmet demand for growth capital among SMEs at a meaningful scale. These markets must also present viable opportunities to mobilize local institutional capital. BII aims to seed new GIPs with reduced initial capital commitments while maintaining early-stage control, creating room for local institutional investors to participate. Additionally, BII may explore the establishment of a centralized holding company for all country-specific GIPs. This structure could attract international impact investors seeking larger commitments and regional diversification, while reducing the cost of funding for GIP and deepening its access to capital.

Financial and legal structure: In Ghana, GIP was established as a limited liability company with a permanent capital vehicle operating as a private fund as opposed to being set up as a limited life fund or non-banking financial institution. The latter required approval by the Central Bank, which was considered inappropriate, especially given the novel risk-based financing products GIP is bringing to the market, and that it is non-deposit taking and only open for investment by institutions (sophisticated investors).

To avoid crowding out potential new local investors, BII has reserved the right to reduce its commitment in Ghana. To date, all BII capital in Ghana has been committed in ordinary equity shares. The all-equity construct was considered best suited to GIP, with BII bearing the local currency risk, prioritising GIP’s breakeven, and avoiding complexity. BII plans to exit its GIP stakes gradually over a period of c. 5-15 years as appetite from local investors increases. Alternate exit options deliberated include a listing or a managed wind up (akin to a harvest period in a traditional fixed life fund). Dividend payments are expected to begin c. 5 years after establishment.

Governance: In all countries, as in Ghana, it is intended that GIP will be run by a local management team (MT) which reports to an independent board. The GIP MT will be required to report quarterly to BII and other investors matters including strategy execution, fundraising, portfolio performance and valuations, and capital sources/uses/fundraising. GIP will have four sub committees: audit and risk; ESG and impact; investment; and remuneration. The investment committee consists of a majority of external members.

Operational experience:

Over the last 3+ years BII and GIP’s MT have developed a detailed ‘playbook’ to guide the operations and the governance of GIP in accordance with the innovative strategy and global best practice. Expansion in other countries will benefit from replicating this playbook, which includes:

- **Investment policy and process**
 - *Standardization* through a menu of 3 products that were designed to be entrepreneur friendly and suitable to financing long-term growth (see below), check lists and templates for Due Diligence (DD), investment evaluation and documentation.
 - *Simplification:* focus due diligence on financial, management and governance to limit downside risk (targeted commercial DD supported by external advisors in select cases).

Product menu	
Royalty funding	Flagship product focused on fast growing (profitable) SMEs Structured as repayable funding earning a modest fixed return and sharing in revenue (or profit)
Flexi funding	Focused on more mature medium-sized businesses with unrealised growth opportunities Structured as a long-term loan earning a fixed return but with flexible features
Mezzanine funding	Focused on businesses which have a proven track record with clear upside opportunity + exit options Mezzanine instrument with a minority (structured) equity component

Key features

Long tenors (10 yrs.) matched to the assets/projects funded	Moratoria on interest and principal payments
Repayment schedules tailored to forecast business cashflows	Self-liquidating with contractual cashflows and low exit risk
Lower collateral requirements versus banks	Business support services to improve governance, financial management and E&S practices

- **Impact-linked remuneration framework**, the management team operates under an incentive framework linked to impact and financial targets, in compliance with BII's policy.
- **ESG and impact management systems**.

Key insights

- **Tailored country-by-country strategy:** Unlike most platforms analysed GIP follows a country-by-country strategy where a separate investment company will be established in each market. This choice aligns with GIP's key features and objectives chiefly: delivering finance in local currency, mobilising local institutional capital, recruiting a local management team and reaching SMEs – all of which are often more easily achieved through a local investment company. However, this choice requires careful selection and research ex-ante to establish GIP in a country with a sizeable SME-market and sufficient absorptive capacity for the entire period investment to be feasibly deployed. Creating a new entity in a country is complicated and time-consuming. BII's in-house legal team created a "playbook" to assist with the process, and BII may obtain benefits from replication, meaning that creating each new GIP may be somewhat easier than the last.
- **Fitting desired legal structure into regulatory frameworks.** As elaborated above, incorporating GIP as a permanent capital vehicle was deemed most appropriate to deliver on its mandate. However, given the novel approach, BII faced significant challenges. In Ghana, waivers were required for GIP to act as a self-managed fund (as opposed to having separate entities for the fund and fund manager, a more typical approach).
- **Recruitment challenges.** Given GIP's novel investment approach, and startup phase, finding and attracting best-in-class in-country teams with relevant experience is key to GIP's success. This has required significant recruiting effort and identifying solutions to the challenges encountered.
- **Slow start.** Deployment at GIP Ghana was slower than anticipated at the outset, largely due to the challenging macroeconomic environment and first-time teething issues. However, deployment pace has improved as bottlenecks have been addressed and the investment team built out.