

# Terms of Reference



# iDICE

Investment in Digital and Creative Enterprises Programme

## Consultancy Services for Creative Fund Manager under the iDICE Programme



## 1. Background

### Technology and Creative Sector

**Financing Agreement reference: 2000200005160**

**Project ID No.: P-NG-K00-009**

The Federal Government of Nigeria (FGN), in 2018, set up the Advisory Council for Technology and Creativity (the Council) under the aegis of the Nigerian Industrial and Competitiveness Advisory Council to provide specific solutions to several technology and creativity sector challenges in the country. As part of the major recommendations of the council, FGN established the **Investment in Digital and Creative Enterprises (iDICE)** Programme to promote investments in the digital, information technology and creative industries.

The Federal Government of Nigeria has received support from the African Development Bank (AfDB), Agence Française de Développement (AFD) and the Islamic Development Bank (IsDB) towards the implementation of the Investment in Digital and Creative Enterprises (iDICE) Programme and intends to apply part of the agreed amount for this finance to payments under the contract for a **Creative Fund Manager under the iDICE Programme.**

## 2. Objectives

The objective of the iDICE programme is to promote innovation and entrepreneurship in the digital and creative industries. The larger aim is to act as a stimulant for job creation and talent upskilling in the technology and creative industries, ecosystem building and expanding the Nigerian economy in these two growth areas.

This goal is to be achieved through:

- i) An ecosystem driven approach of multi-sectoral Programmatic interventions and;
- ii) A catalytic investment in businesses in the technology and creative sectors.

In line with the catalytic investments, the iDICE Programme Coordination Unit (PCU) in the Bank of Industry (BOI) is seeking to establish access to financing for start-ups through two financing options:

- i) The Digital and Creative Enterprises (DICE) Funds which seek to strengthen start-ups through equity and quasi equity capital injections and;
- ii) The Capacity Building window which seeks to capacitate start-ups through training and support grants

### 3. The iDICE Creative Fund

The target is a minimum total capitalization of US\$ 52,488,000 (fifty two million, four hundred and eighty eight thousand USD), with FGN through the iDICE Programme participating as anchor investor represented by the iDICE PCU in the BOI contributing a minimum of US\$ 26,244,000 (twenty six million, two hundred and forty four thousand USD) and the Fund Manager(s) expected to raise matching funds from the private sector with the potential to reach a total capitalization of US\$ 70,660,000 (seventy million, six hundred and sixty thousand USD). The Fund will be targeting a net money multiple (MM) of 2.4x and a 20% net IRR. The Fund will intervene by utilizing a mix of equity and quasi-equity instruments to help bridge the existing funding gap for:

(a) Creative sector pre-seed, seed and early growth stage startups catalysing disruption in traditional industries;

Route for Funds investment should be flexible and avail possibility of:

- Direct investments in the equity or quasi equity of creative sector start-up businesses, and;

The Fund(s) will cover the 36 States of Nigeria and the Federal Capital Territory both through direct investment in start-ups created in Nigeria

The Fund will avail domiciliation flexibility by allowing two vehicles:

- One vehicle in Nigeria through which the iDICE Programme, other public entities and local private investors will channel their investments in the local currency, the Nigerian Naira (NGN).
- And another vehicle outside Nigeria in a jurisdiction compliant with African Development Bank (AfDB) policies, and attractive enough to draw US\$ investment from international investors.
- Note that at the feeder fund level, funds will flow into the Master Fund domiciled in Nigeria, where the investment objectives of the DICE Creative Investment Fund will be executed.

The primary objective of the DICE Creative Fund will be the mobilization of matching funds from private sector investors such as angel investors, venture capital firms, DFIs, Pension Funds, family offices and High Net Worth Individuals to complement FGN's US\$ 26,244,000 (twenty six million, two hundred and forty four thousand USD) initial commitment and achieve the minimum total fund capitalization of US\$ 52,488,000 (fifty two million, four hundred and eighty eight thousand USD) with the potential to reach a total fund capitalization of US\$ 70,660,000 (seventy million, six hundred and sixty thousand USD).

The Government's commitment through the iDICE Programme would be invested in the structure as junior tranche with a 30% of total capitalization as first loss to

adequately de-risk the whole fund structure and potentially improve the risk-return profile of the fund thereby attracting and crowding in further investments.

The services included under this project include designing, establishing, and managing of specific equity fund vehicles targeted at innovative businesses primarily in the creative sector. The Fund Managers will be expected to invest in Nigerian startups at their pre seed, seed, and early to growth stages.

#### **4. Capacity Window Building**

As part of its efforts to maximize chances of success, the iDICE Programme through the Bank of Industry will appraise the areas of need and collaborate with the Fund Manager to design a comprehensive capacity building window to address knowledge and skills gaps as well as ecosystem challenges in order to support and nurture both pipeline and portfolio start-ups having promising business models and products.

#### **5. Investment Parameters**

The selected Fund Manager(s) will invest in pre-seed, seed stage companies and follow-on investments.

**Investment strategy:** To meet the gap in investing in small ticket sizes, Fund Managers shall adopt strategies by investing with accelerators/incubator backed funds and other investors of similar interest.

**Private capital requirement:** To be competitive in the selection process, Fund Manager(s) should demonstrate the ability to raise private capital and/or track record of raising in the past and the capacity to invest a minimum of 2% of the Fund(s) total capitalization.

**Geographic scope:** The Fund shall commit to invest a minimum of 20% of total fund capitalization in companies, startups, and enterprises to fulfil requirements for geographic spread across the 36 states in Nigeria and the Federal Capital Territory, with emphasis on investment in at least one start-up in each of the Nigerian 6 geopolitical zones. The start-ups must be subject to the laws of Nigeria.

**Matching Fund Commitment:** The Fund Manager is expected to mobilize at first close an additional minimum of 50% of total capitalization from various investors (Angel Investors, Venture Capital Companies, DFIs, Private Sector Investment Groups, Foundations, Philanthropies, Institutional Investors, high net worth individuals & family offices, etc.)

Note, as part of the proposal we would require the Fund Manager to propose effective FX risk management as explained below:

**Fund Currency and FX Management Denomination:** Funds shall be sourced in USD or local currency, and income generated to the Fund will be for the most part in domestic currency. The fund manager must therefore an effective hedging/currency risk mitigation strategy to limit the impact of excessive exchange rate volatility and depreciation of the Naira against foreign currencies.

## **6. Deliverables**

The Fund Manager(s) deliverables will include but not be limited to:

1. Designing and setting-up of the Fund including legal, operational, financial, and administrative structures.
2. Managing all the business affairs of the Fund and undertaking activities required to meet the objectives of the Fund.
3. Making all decisions related to the investigation, solicitation, origination, selection, development, negotiation, acquisition, management, structuring, restructuring, commitment to or monitoring of and disposal of investments
4. Directing the formulation of the Fund's investment, financial, governance, operational policies and other relevant documentation required for the Fund's operations.
5. Acquiring, holding, selling, transferring, exchanging, and disposing of investments, and exercising all rights, powers, privileges and other incidents of ownership or possession with respect to investments.
6. Fund raising (including the preparation of private placement memorandum, pitch books and other marketing materials).
7. Undertaking investor management activities including the management of committed capital.
8. Developing and implementing a technical assistance framework to complement the equity fund.
9. Implementing the Fund's Environmental and Social Management System.
10. Preparing period reports on the status and performance of the Fund.

DICE Creative Fund company will operate under the guidance of its Advisory Board comprising Limited Partners of the Fund.

## **7. Required Qualifications**

- i. Must possess at least five (5) years of cognate track record Must have evidence of creative sector related investments in its portfolio in the last 5 years.
- ii. Must have evidence of creative sector related investments in its portfolio in the last 5 years.

- iii. Verifiable pipeline of potential investee companies across Nigeria
- iv. Demonstrable value-addition capabilities concerning portfolio investments.
- v. Must demonstrate a track record of:
  - Equity/quasi-equity Venture Capital (VC) fund structuring and setup in the last 5 years
  - Capital raise and equity fund management specific to the creative sector in the last 5 years.
  - Proof of existing network with VC traditional investors in the creative sector.
  - Managing large VC Funds with evidence of achieving positive financial return and development impact in the creative sector in the last 5 years.
- vi. Experience in the Nigeria / Sub-Saharan VC and Creative sector, including partnerships with start-ups, active Enterprise Support Organizations.
- vii. Evidence of a strong operational Fund Management team with an understanding of the Nigerian creative sector investment segment, including experienced investment and middle- and back-office staff and policies and procedures that are aligned with international best practice.
- viii. Must be willing to invest at least 2% of Total Capitalization towards the Total Capital Pool required for investment in the assigned Fund.
- ix. Must possess existing relationships and network with relevant local and international industry players.
- x. An understanding of the creative sector ecosystem elements that must be in place to support the growth of equity investments in Nigeria will be an added advantage.
- xi. Must possess a clear geographic understanding of the various states and the 6 geopolitical zones as well as the funding landscape in in the respective zones.
- xii. Must demonstrate capacity and resources to implement an ESMS and sound understanding of climate change from a national policy perspective.
- xiii. Ability to effectively profile the opportunity sphere across all 36 states and the FCT. The Fund Manager should be available to coordinate and direct requests for funding from interested businesses throughout the country.

## **8. Scope of Price Fund Managers Authority**

- a) The Fund shall be administered in terms of the relevant Financial Rules and Regulations and with the relevant policies, procedures, and applicable laws.

- b) The Creative Fund Manager shall also be governed by the Fund Mandate which will provide the Fund Manager's authority and the investment limitations and other restrictions as to the scope of the Fund.
- c) The Creative Fund Manager shall exercise any shareholder votes on behalf of the Fund acting on instruction of the terms of the Mandate and the objectives of the Fund.
- d) The Creative Fund Manager shall undertake to always fulfil its obligations to the Fund in the utmost good faith and in the interests of the Fund.

## **9. Fees**

Management fees: Maximum 2% of committed capital during the investment period and 2% of net invested capital post the investment period.

## **10. Fund Manager Investment and Matching Funds**

The Fund Manager is expected to co-invest 2% of total fund capitalization and raise matching funds up to the total fund capitalization of the fund on a dollar-for-dollar basis.

## **Conflicts of Interest**

Potential Fund Managers will be required to highlight any potential areas where there is a potential conflict of interest and should propose mechanisms to resolve or manage these conflicts. This will not be regarded as a negative feature of an application, so long as the BOI iDICE PCU is satisfied that any conflicts will be handled in a manner consistent with the interests of the Fund and other investors. Wherever possible, prospective managers should follow commercial best practices in managing potential conflicts. Prospective managers should note that failure to disclose any material conflict of interest that is subsequently identified in the assessment process will be regarded as a significant negative feature. For joint ventures, the lead partner must have the power of attorney.

## **11. Involvement with Investee Companies**

A Fund Manager may wish to designate one or more individuals to serve as an officer, director, or other participant in the management of a portfolio company. Such a person, if they are not employed as part of the Fund management team, may receive commercially appropriate director's fees and properly reimbursable expenses incurred by that person in their capacity as a director, and distributions based on the person's ownership interest (if any) in the company. The level or basis of calculation of any such fees and expenses should be specified in the application. Any income

received by a member of the Fund management team in connection with their involvement with an investee company, or anything else of value received from the portfolio company must accrue for the benefit of the Fund and not the appointed director.

## **12. Duration**

The estimated duration of the service is from **April 2024 to December 2034**.

The expected investment period is five (5) years with follow on investments thereafter. The life of the Fund(s) will be 10 years (extendable by two (2) years).