



iDICE

Investment in Digital and Creative
Enterprises Programme

**Terms of Reference (TOR) for
Fund of Funds DICE Fund Manager**

for the

**Investment in Digital and Creative Enterprises
(iDICE) Programme**

**Sector: Technology and Creative
Financing Agreement reference: 2000200005160
Project ID No.: P-NG-K00-009**

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1. Background

The Federal Government of Nigeria (FGN) has received financing 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) Programme¹. The objective of the iDICE Programme is to promote entrepreneurship, boost innovation, create jobs, enhance social development, and achieve economic transformation by fostering growth in the digital technology and creative ecosystem, building on brownfield investments and synergies with ongoing initiatives in Nigeria.

As part of implementation arrangements, the iDICE Programme Coordination Unit (PCU) within the Bank of Industry (BOI) – the Executing Agency for the Programme appointed by the FGN – is seeking to engage the services of a Fund of Funds Manager.

The services included under this project include designing, establishing and managing of specific equity fund vehicles targeted at innovative businesses primarily in the technology/tech-enabled and creative sectors. The Fund Manager will be expected to invest in Nigerian startups at their early to growth stages, and in other Funds in a Fund of Funds structure that will cover indirect investments in both the technology and creative sectors.

The expected investment period is four years with follow on investments thereafter.

The life of the Fund of Funds will be 15 years (extendable 2 years).

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

This goal is to be achieved through:

- a) an ecosystem driven approach of multi-sectoral Programmatic interventions; and
- b) catalytic investments in businesses in the technology and creative sectors.

In line with the catalytic investments, the iDICE Programme Coordination Unit (PCU) within the Bank of Industry (BOI) is seeking to establish access to financing for start-ups through two (2) financing options:

- a) the **Digital and Creative Enterprises (DICE) Fund** which seeks to strengthen start-ups through equity and quasi equity capital injections; and
- b) the **Capacity Building Window** which seeks to capacitate start-ups through training and support grants.

1.1. The DICE Fund of Funds

The target is a minimum total capitalization of US\$ 170,586,000 (one hundred and seventy million, five hundred and eighty six thousand dollars), with FGN through the iDICE Programme participating as anchor investor represented by the iDICE PCU in the BOI contributing a minimum of US\$ 85,293,000 (eighty five million, two hundred and ninety three thousand dollars) and a Fund Manager(s) expected to raise matching funds from the private sector with the potential to reach a total capitalization of US\$ 229,645,000 (two hundred and twenty nine million, six hundred and forty five thousand dollars). The Fund will be targeting a net money multiple (MM) of 2.4x and a 20% net IRR.

The Fund will intervene by investing in Funds or working with VCs, public institutions, state or local governments, angel investors etc. to co-create Funds that utilize a mix of equity and quasi-equity instruments to help bridge the existing funding gap for:

- a) pre-seed, seed and early growth stage startups catalyzing disruption in traditional industries; and
- b) creative sector businesses cutting across gaming, animation, content distribution (music, film), social media

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

- i. Direct investments in the equity or quasi equity of startup businesses; and
- ii. Indirect investments through selected primary subscriptions to closed end well established Micro-Venture and Venture capital funds targeting start-ups and creative business in the Technology and creative business segment.

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 and through Venture capital Funds targeting Start-ups created in Nigeria.

The Fund will avail domiciliation flexibility by allowing two vehicles:

- i. 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
- ii. 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 Funds of Funds Investment Fund will be executed.

The **primary objective** of the DICE Fund of Funds 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\$ 85,293,000 (eighty five million, two hundred and ninety three thousand dollars) initial commitment and achieve the minimum total fund capitalization of US\$ 170,586,000 (one hundred and seventy thousand, five hundred and eighty six thousand dollars) with the potential to reach a total fund capitalization of US\$ 229,645,000 (two hundred and twenty nine million, six hundred and forty five thousand dollars).

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. The Fund Managers will be expected to invest in Nigerian startups at their pre seed, seed, and early to growth stages.

Against the above background and as part of implementation arrangements, the iDICE PCU within the BOI is seeking to engage the services of a **Fund of Funds DICE Fund Manager**.

2. Scope of work

The Fund Manager's assignment will include but not limited to:

- a) Design and set-up of the Fund including legal, operational, financial, exit and reporting structure.
- b) Due diligence on every Fund to be invested in, including potential capacity of the Fund to raise matching capital and build an investment pipeline.
- c) Establishment of the investment strategy (including prospective nationwide geographic coverage) for the Fund through deal pipeline.
- d) Deal sourcing and identification of an eligible and realistic pipeline through effective Environment and Social Due Diligence (ESDD).
- e) Deployment of robust due diligence procedures.

- f) Deal structuring and negotiations.
- g) Preparation of the Fund's financial, governance, operational policies, performance management strategy, communication plan as well as other relevant documentation for Fund operation.
- h) Fund raising (including the preparation of private placement memorandum, pitch books and other marketing materials).
- i) Investor management activities including the management of committed capital.
- j) Defining and implementation of a value addition strategy for portfolio investments.
- k) Investment compliance monitoring.
- l) Development and implementation of a technical assistance framework to complement the equity fund.
- m) Implementation of Fund's Environmental and Social Management System.
- n) Exit implementation.
- o) Reporting and other administrative services.

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

3. 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.

4. Investment Parameters

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

- a) **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.
- b) **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.
- c) **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.

- d) **Matching Fund Commitment:** The Fund Manager is expected to ensure that each Fund invested in can 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.

- e) **Fund Currency and FX Management Denomination:** Funds shall be sourced in USD or local currency. The fund manager must therefore have an effective hedging/currency risk mitigation strategy to limit the impact of excessive exchange rate volatility and depreciation of the Naira against foreign currencies.

5. Qualification and Experience

- a) Must have at least five (5) years of cognate and documented track record as a Fund Manager of venture capital / private equity funds or comparable institutional investment experience in Nigeria.
- b) Must have evidence of related investments in its portfolio in the last 5 years.
- c) Verifiable pipeline of potential investee companies across Nigeria.
- d) Demonstrable value-addition capabilities concerning portfolio investments.
- e) Must demonstrate a track record of:
- i. Equity/quasi-equity Venture Capital (VC) fund structuring and setup in the last 5 years
 - ii. Capital raise and equity fund management in the last 5 years.
 - iii. Proof of existing network with VC traditional investors.
 - iv. Managing large VC Funds including financial return and development impact achieved in the last 5 years.
- f) Experience in the Nigeria / Sub-Saharan VC, including partnerships with start-ups, active Enterprise Support Organizations.
- g) Evidence of a strong operational Fund Management team with an understanding of the Nigerian investment segment, including experienced investment staff and robust middle- and back-offices.
- h) Must be willing to invest at least 2% of Total Capitalization towards the Total Capital Pool required for investment in the assigned Fund.

- i) Must possess existing relationships and network with relevant local and international industry players (Technology and Creative sector).
- j) An understanding of the ecosystem (Technology and Creative) elements that must be in place to support the growth of equity investments in Nigeria will be an added advantage.
- k) Must possess a clear geographic understanding of the various states and the funding landscape in those states.
- l) Must demonstrate capacity and resources to implement an ESMS.
- m) Ability to effectively profile the opportunity sphere across all 36 states and the Federal Capital Territory (FCT). The Fund Manager should be available to coordinate and direct requests for funding from interested businesses throughout the country.

6. Scope of Fund Manager's 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 Fund of Funds Manager shall also be governed by the Fund Mandate, which will provide the Fund Manager's authority, the investment limitations, and other restrictions as to the scope of the Fund.
- c) The Fund of Funds 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 Fund of Funds Manager shall undertake to always fulfil its obligations to the Fund in the utmost good faith and in the interests of the Fund.

7. Investment of Funds

- a) The following criteria shall be considered in selecting investments of the Fund:
 - i. safety and risk associated with an investment in terms of potential loss of principal or interest;
 - ii. liquidity or marketability of an investment or the ease with which it can be converted into cash where necessary in the interest of the Fund; and
 - iii. earnings an investment provides, usually expressed as an annual Rate of Return (ROR).
- b) All investments of the Fund shall be registered in an investment ledger to be maintained by the Fund Manager which shall indicate the relevant details for each investment, including the face value of the deposit, proceeds of sale and revenue derived.
- c) All income, profit and loss resulting from the Fund shall be for the account of the Fund.

- d) Investments shall be realized where the Fund of Funds Manager, in its sole discretion (subject to compliance with the Fund Mandate), believes that the Fund shall be better served by disinvestment at a particular time.
- e) The Fund of Funds Manager shall not knowingly, for its own account, take a position against the Fund, or sell, for its own account, any investment owned by it to the Fund, or buy for its own account, any investment in the Fund.
- f) The Fund of Funds Manager should execute the performance of its investment mandate in promotion of sound economic, social, and corporate governance ("ESG") principles.

8. Fees

Management fees: Maximum 2% of committed capital- **\$ 85,293,000.**

Setup Fees: Maximum 1% of committed capital (one-off)

The schedule of such payment of fees shall be subject to agreed milestones negotiated with the Fund Manager during the contracting process for the consultancy.

9. Duration

The estimated duration of the service is for the lifespan of the fund. The expected investment period is four (4) years with follow on investments thereafter. The life of the Fund(s) will be ten (10) years (extendable by two (2) years).

10. Eligibility Criteria

The following requirements are applicable to firms that are submitting EOI either as a single firm or a consortium of firms from Nigeria. For a consortium of firms domiciled in Nigeria, the lead member **MUST** meet the requirements / provide the documents stipulated.

10.1. Legal and Compliance Requirements

- a) Company / organizational Profile; registered address(s), official/functional emails, telephone numbers and point of contact for the company / organization.
- b) Evidence of legal registration with the Corporate Affairs Commission (CAC).
- c) Memorandum and Articles from CAC07 (i.e. Particulars of Board of Directors) and Form CAC02 (i.e. Particulars of Shareholders).
- d) Evidence of relevant operating licence(s).

- e) Evidence of registration with professional organizations and regulatory bodies.
- f) Evidence of possession of experience for the assignment.
- g) Provide reference letters from at least three (3) reputable organizations, attesting to active or past business relationship and level of performance (the letters or lists must have relevant addresses, contact persons, telephone numbers and emails) for due diligence confirmation.
- h) Affidavit indicating that all documents submitted are genuine and verifiable.

10.2. Financial and Tax Requirements

- a) Audited Financial Statement for the last three (3) years
- b) Tax Clearance Certificate for the last three (3) years
- c) Evidence of VAT registration

Firms that are registered outside Nigeria shall submit relevant legal and compliance documents as applicable to their countries of jurisdiction.

11. Appointment

- a) The appointment of the DICE Fund of Funds Manager shall be part of an open tender process.
- b) The candidates must meet the threshold requirements based on the evaluation criteria in the bid document.
- c) Candidates shall be subject to a due diligence process conducted by a technical evaluation panel.
- d) The Fund Manager shall enter into a fund management agreement or mandate (the "Fund Mandate") with the BOI that:
 - i. details the relationship between the Fund and the Fund organs and the Fund Manager; and
 - ii. sets out the rights, responsibilities, and accountabilities of the Fund of Funds Manager in respect of the Fund.
- e) In appointing a Fund of Funds Manager, due consideration shall be given to the purpose of the Fund and the Fund Manager's ability to deliver on the Fund's investment objectives of capital reservation, low risk, high liquidity, and investment return.

12. Confidentiality

All data and information obtained during the Project must be treated as confidential and used solely for the purpose of the Project.

13. Conflict 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.

14. 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.