

National ICT R&D Fund  
Ministry of IT and Telecommunications  
Government of Pakistan

### **Creation of ICT Venture Capital Fund Expressions of Interest**

National ICT R&D Fund is the entity mandated by the government to enhance R&D in Information and Communication Technologies in the Pakistani context, so as to help accelerate Pakistan's economic and social development. A certain percentage of the annual revenues of all licensed telecom service providers in Pakistan is set aside as a contribution towards the Fund, which means that there is a regular addition to the Fund's capital base every year.

The ICT industry has identified the lack of Risk Capital in Pakistan as being one of the factors that has hampered growth in this sector. Risk capital is financial capital provided through VC funding, angel investments, grants and similar arrangements to early-stage, high-potential, high-risk, high-growth startup companies. These funding mechanisms are attractive for newly formed hi-tech companies with high-potential products and services ideas but limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. The poster child for these models is the Venture Capital industry in Silicon Valley.

Expressions of Interest are invited from Pakistani firms willing to assist the National ICT R&D Fund in its efforts in setting up an ICT Venture Capital Fund with one or more funding mechanisms that would invest in Pakistani startup companies in the ICT space. There are multiple issues that will need to be resolved before such a Fund can be launched. How will the Fund be structured? Will the fund invite private participation? How would it operate within Pakistani financial and contract law especially with regards to SECP and State Bank? How will the Fund's investment be safeguarded? How will the Fund managers be compensated? Are there alternative funding models which will achieve the same objective, such as the Small Business Administration loans program in the USA or Carbon Trust in UK? What percentage of the funds should be allocated to this ICT VC Fund based on global best practices? These and other related issues will need to be addressed before the ICT VC Fund can be launched.

The National ICT R&D Fund intends to issue an RFP for selecting a firm that would help guide the Fund through the entire process and address the issues enumerated above. The ideal firm would have both the requisite legal as well as financial industry expertise under one roof or as part of the consortium. Deep expertise in local and global financial deal structuring and knowledge of Venture Capital laws in other countries will be highly relevant and preferred. The selected firm will actively work with a working group to develop the structure of the ICT VC Fund and its interface with SECP, State Bank and other bodies of law. Wider stakeholder participation in the process is also envisioned.

Companies interested in bidding for this project are invited to submit their Expressions of Interest latest by the 8th of August, 2011 to the address given in the advertisement. In addition to the usual company information and experience relevant to this assignment, EOIs should include a two-to-four pager on what the company envisages the ICT VC Fund to be, the range and design of its funding offerings and a set of activities that are needed to roll out the Fund. The major legal and financial hurdles and how to overcome them should also be addressed. A high level time line on how National ICT R&D Fund should go about setting up this ICT VC Fund should also be included. A high level estimate of effort in man hours also needs to be included in the EOI (this can be a reasonable range).

A more detailed Request for Proposals shall be floated once the EOIs have been evaluated and after formal approval is obtained from the Board of Directors of the R&D Fund.