BCA PERSPECTIVES · THE THREE QUESTIONS · PART 1 OF 3

Ready or Not: the question that comes before the money

The costliest failures in African corporate finance are not bad projects. They are good projects attached to sponsors who were not ready — taken to market too soon.

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The most expensive mistake in this business is rarely a bad idea. It is a good one, taken to market a year too early. The project is sound, the numbers are defensible, the demand is real — and it fails anyway, in a lender's committee room, because the sponsor behind it could not withstand the scrutiny that serious capital always brings.

I have watched this happen often enough to treat it as the central risk of the work rather than a footnote to it. A promising company is introduced to an institution; the institution asks the ordinary questions — about governance, about audited accounts, about who really owns what — and the answers arrive late, or incomplete, or contradicted by the next document. The financing dies. But the real casualty is the relationship: the market here is small, memories are long, and a sponsor who has failed once in front of a lender is harder to place the second time.

The lesson is uncomfortable. Before you ask whether a project can be financed, you have to ask whether the sponsor is ready to be financed.

That is the question the first of our frameworks exists to answer. We call the discipline Discovery as Due Diligence — DaDD, in the house shorthand — and the name carries the whole idea. The discovery is not a preliminary to the due diligence. The discovery *is* the due diligence.

The discovery is the due diligence

In practice this means we investigate a sponsor the way a diligent lender eventually will, but earlier, and on our own timetable rather than under the pressure of a live process. Every claim is recorded with the evidence that supports it — or, just as importantly, with a note that no evidence exists yet. A signed offtake contract and a hopeful conversation about one are not the same fact, and we do not let them be entered as though they were.

FIGURE 1

The four blocks of the discovery

1. Sponsor & corporate

Beneficial ownership, governance maturity, corporate structure, litigation and regulatory standing, audited accounts and the tier of the auditing firm, evidence of capital commitment, key-person dependency.

2. Commercial & revenue

The revenue model and unit economics, who the counterparties are and whether they can pay, offtake or pre-sales evidence, pricing logic, competitive position, and how durable the contracts really are.

3. Technical & operational

Maturity of the technical solution, sector certification, permitting status, the quality of the construction and operating partners, and a track record of actually executing.

4. Capital, financing & exit

The size of the ask and the use of funds, existing obligations, whether the proposed structure is internally consistent, awareness of the investor universe, and a realistic route out.

A structured investigation of roughly two hours, followed by days of evidence collection — run from a sector-specific question library rather than improvised. Every claim is logged with the evidence that supports it.

This sounds obvious. It is routinely ignored. The most common way a diligence exercise goes wrong is that sponsor optimism is quietly promoted to the status of fact, and a picture is assembled that no independent party would accept. So we grade the strength of what we are told — from audited and independently certified at the top, down to the unevidenced assertion at the bottom — and we refuse to let a weak grade of evidence carry a strong conclusion. A claim that cannot be supported cannot move the verdict.

FIGURE 2

The evidence ladder, and the line that cannot be crossed

Tier 1	**Audited, certified or regulator-issued** Audited financial statements, a regulator-issued licence, a reserve report from a first-tier firm, independent technical certification, a court judgment.
Tier 2	**Contracted, signed or verified** Executed offtake, EPC, O&M, lease or concession contracts; letters of credit and bank guarantees; verified land title; verified counterparty credit.
	ABOVE THIS LINE, EVIDENCE CAN CARRY A TOP-BAND VERDICT. BELOW IT, IT CANNOT.
Tier 3	**Management-prepared, unaudited** Management accounts, unaudited models, letters of intent and memoranda still in negotiation, sponsor-prepared schedules.
Tier 4	**Unevidenced sponsor claim** Verbal undertakings, “agreed in principle”, “in discussions with”, positioning claims, founder narrative without documents.

Every claim entered in the diagnosis is graded. The grade then binds the conclusion: weak evidence carries a ceiling, so a strong verdict cannot rest on management assertion. This is the single control that keeps sponsor optimism from being promoted to fact.

A verdict, not an impression

The purpose of the discovery is to reach a judgement that can be defended in the open. The diagnosis resolves into a readiness score and, above it, a band — from investment-ready at the top to not-yet-viable at the bottom — and the score can always be taken apart, back to the individual findings and the evidence beneath them. When a colleague challenges a verdict, the answer is not to repeat the number more firmly; it is to walk them through the dimensions that produced it. A score you cannot decompose is a score you should not trust.

The bands are deliberately blunt, because their job is to bind. A sponsor who lands in the lower bands does not become ready because a deal is attractive or a deadline is looming. Where new evidence genuinely changes the picture, the right response is to gather it and diagnose again — never to wave the classification aside because it is inconvenient.

What readiness buys

The band a sponsor earns then decides what kind of engagement it is honest to offer. A ready sponsor can be taken to market, and the work is execution. A sponsor with real but closable gaps gets a hybrid: readiness work first, market second. A sponsor who is not ready does not get a financing process at all. They get a readiness pathway — a defined programme to close the gaps — and we say so plainly, even when it is not what they hoped to hear.

FIGURE 3

What the readiness verdict buys

Investment-ready	Conditionally ready	Not yet ready	Not viable as it stands
Take it to market. The work is execution.	A hybrid mandate: readiness work first, market second.	A readiness pathway, on defined milestones. No capital raise.	Decline, restructure, or route elsewhere. Said plainly.

READY — NOT READY

The band binds the mandate. A sponsor does not move up a band because a deal is attractive or a deadline is close. Where a partner believes the verdict is materially wrong, the remedy is to gather the missing evidence and diagnose again — never to set the classification aside.

The diagnosis is not advisory. It decides what kind of engagement it is honest to offer — which is why the argument about a sponsor's readiness is settled before, not during, a live process.

This is the discipline in a single line: a sponsor who fails the diagnosis gets a pathway, not a promise.

It is tempting to read all of this as caution for its own sake. It is the opposite. Naming readiness early is how we protect a good sponsor from a process they would fail, and protect our own name from being attached to that failure. The firms that endure in this market are not the ones that never decline; they are the ones that can decline, or delay, for reasons they are willing to explain.

But readiness is only the first of three questions. A sponsor can be entirely ready and still be holding a project that no lender should touch. Whether the project itself is fundable — bankable, and to whom — is where we turn next.

THE THREE QUESTIONS — A THREE-PART SERIES

Part 1 · Is the sponsor ready? *(you are here)*

Part 2 · Is the project fundable?

Part 3 · What do we do next?

The frameworks in full. This series summarises three proprietary frameworks — the DaDD™ readiness diagnostic, the Bankability assessment and the BCA Deal Engine. The full working paper is available on request: **bca@broadcapadvisory.com**, or **book a conversation**.

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